B/S/H/

Engaging in dialog

Group Annual Report 2013

BSH BOSCH UND SIEMENS HAUSGERÄTE GMBH

Key figures

in EUR million	2013	2012
Revenue	**10,508**	**9,800**
Year-to-year change (%)	7.2	1.5
Percentage of international revenue	79.3	78.1
EBITDA	**886**	**1,009**
EBIT	**509**	**683**
Profit before tax	**439**	**616**
Consolidated net profit	**308**	**466**
Capital expenditure on property, plant and equipment and intangible assets*	**377**	**421**
As percentage of revenue	3.6	4.3
Depreciation, amortization, and impairment on property, plant and equipment and intangible assets*	**377**	**326**
As percentage of capital expenditure	100.0	77.4
Total assets	**8,742**	**7,865**
Equity	**2,497**	**2,579**
As percentage of total equity and liabilities	28.6	32.8

* Excluding goodwill.


BOSCH


Gewählte Optionen
Glanztrocknen
Eco 50° + Optionen
BOSCH


SIEMENS


NEFF

BSH Bosch und Siemens Hausgeräte GmbH is the largest home appliance manufacturer in Europe, and one of the industry leaders worldwide. Its product portfolio spans the entire spectrum of modern household appliances. It includes everything from stoves, ovens, extractor hoods, dishwashers, washers, dryers, refrigerators, and freezers to small appliances like vacuum cleaners, coffee machines, electric kettles, irons, and hairdryers.

Main brands

BOSCH
SIEMENS

Special brands

GAGGENAU
NEFF
Thermador
Constructa
viva
ufesa
JUNKER
zelmer

Regional brands

Balay
PITSOS
PROFILO
Coldex

BSH had a successful year of growth in 2013. The Group gained ground in every one of its sales regions, and revenue topped the EUR 10 billion mark for the first time. Even after comprehensive precautions taken in the balance sheet, earnings were satisfactory. BSH will be able to serve its changing markets from a position of strength.

Engaging in dialog

Making full use of poten-
tial – that's BSH's goal,
as **Dr. Karsten Ottenberg**
explains in an interview.

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By maintaining an **im-
pressive presence** – both
online and off – BSH not
only expands its direct
dialog with consumers,
but also guides them to
the product that's right
for them.

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Direct dialog with con-
sumers all over the world
ensures that BSH truly
understands its markets –
and can continue to offer
impressive services with
new innovations.

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Innovative functions
and services create
impressive products
that focus on real value
added for the user.

Contents

Ladies and Gentlemen,

BSH enjoyed a successful 2013. Consolidated revenue grew 7.2 percent, to EUR 10.5 billion, its first entry into double-digit billion territory. Business volume grew especially vigorously in China and North America. Even in the Western European market, which is tending to stagnate, we bucked the trend and gained ground. The organic revenue growth of 5.8 percent that we achieved in spite of contrary foreign-exchange effects was supplemented with a contribution of revenue from Polish household appliance maker Zelmer. Our takeover of Zelmer was completed in June of the year.

The extensive innovations in our product range made an important contribution to our sales success both in Germany and elsewhere – an especially quiet bagless vacuum cleaner, a refrigerator compartment with temperature and humidity control, and a special hygienic program for washer-dryers are just a few examples. During the year, BSH again spent more than 3 percent of revenue on research and development. Outstanding showings in comparative tests, where BSH brands came out the winners in 110 different ratings, as well as a range of coveted design awards, once again demonstrated what a strong position we hold among the competition.

Despite the costs and provisions for a voluntary precautionary safety action for dishwashers, the Group's earnings before interest and taxes (EBIT) came to EUR 509 million. In other words, the balance sheet was well able to absorb all the charges. As a maker of long-lasting, high-quality home appliances, we place a very high priority on consumer safety. We are very satisfied with how sales are developing in our major markets, but we also foresee further potential for our presence in additional growth regions in the global home appliance market, including Southeast Asia, the Middle East, and Africa. The market for home appliances varies widely from one region to another. But one thing that does not change, worldwide, is the demand for solutions custom-fitted to consumers' own needs. In this connection, consumers' increasing use of digital resources for information and for purchasing is coming to play an ever more important role.

Consumer habits are changing. The market is shifting toward new growth centers. Innovation cycles are shrinking, and pressure on prices is rising. Our answer to all of these is to continue developing BSH into a systematically customer-centered organization. We will make the most of our multibrand strategy's potential in all product groups, sales regions, and price segments. And we will not limit ourselves to merely defending our position – we intend to grow faster than the market. But our growth will not be at the expense of profitability and added value. On the contrary – we intend to remain a long-term industry benchmark by generating enterprise value.

BSH can guide this evolution from a position of strength. What sets us apart from the competition is our wide-ranging sales and service network, our excellent technology position, and our employees' many years of experience and collaboration. Our Group's sound financial base will enable us to take the growth steps we plan, and we will invest even more in our innovative strength. That means not only classic performance features but also aspects like digital capability, design, and new service options throughout a product's life cycle. Innovative service models go hand in hand with a new understanding of sales and of consumers' needs. We are expanding our regional presences, which will bring us even closer to the consumer and enable us to offer a wide range of ways, both online and off, to contact the full range of our appliance brands' products and services.* We intend to play an active role in directing this transformation, in cooperation with our partners throughout the value chain.

In the growth process, we will focus on centralized innovations in technology and products, and on clearly structured sales regions. But our focus on consumer benefit throughout the value chain will remain our most important principle. Meeting consumers' individual needs will be the linchpin of our activities.

In 2014, we expect moderate revenue growth and, despite further capital expenditures, a substantial improvement in EBIT. The first few months of the year have reconfirmed this expectation, so that we intend to move ahead full speed in putting our growth plans into action.

Dr. Karsten Ottenberg | Matthias Ginthum | Johannes Närger

* BSH is a Trademark Licensee of Robert Bosch GmbH and Siemens AG for the brands Bosch and Siemens.

Engaging in dialog

In a networked world, dialog with our consumers is more important than ever. That's why we offer a wide variety of options for making contact with our appliance brands' range of products and services, online and off, throughout our appliances' lifecycle. It's our way of making sure we offer exactly what today's consumers expect. It enhances the efficacy of our innovation process, gives rise to new business models, and will further expand our position in the home appliance market.

“We still have major international potential.”

Dr. Karsten Ottenberg, Chairman of the BSH Board of Management since July 2013, sets great store in open dialog. In an interview, he discusses the Company’s strengths and explains why it’s especially important right now to make the most of its potential for further growth.

Dr. Ottenberg, BSH had another very good year in 2013. Can that be sustained?

We are a strong company. With our years of experience and deep understanding of our products, our reliability for our partners, customers, and employees, and our international perspective, we’ve established an excellent position for ourselves in the market. And we intend to stay strong. But to do that we need to grow. Our goal is to grow faster than the world market over the next decade, and faster than our historical rate of growth from the past ten years. That will expand our position in the world market even further.

Why do you think change is necessary?

One only needs to look at the world market. We’re the clear market leader in our important home market in Western Europe. But the market in this region is stagnating somewhat, and players from Turkey and Asia are crowding into it as well. Here we must not only defend our market position but make the most of every potential to expand our share further. Even the market leader must grow significantly faster than the market – and with no false modesty.

Dr. Karsten Ottenberg, who holds a doctorate in physics, has headed BSH as the Chairman of the Board of Management since July 2013. Prior to that he worked at the Philips Group in the Netherlands, and from 2005 led the Giesecke & Devrient banknote and security firm through a period of greater international growth.

"Our entire corporate strategy is defined by the consumer's perspective. The only way for us to achieve our growth targets is to do what the consumer wants – and to do it better than any of our competitors."

Those are ambitious goals for Europe. What about the other regions?

They are entirely different playing fields. The growth of the world market will be decided principally by the regions where population and income are growing significantly. In addition, the home appliance market is a fragmented one, with no dominant world player. In China, which is likely to be the world's largest single market by 2025, we must manage vigorous growth. As a non-Chinese company, we've already established an excellent position there in the past. Now we need to expand that. In other growth regions, we're making great strides to expand our presence. In North America, our focus is on successfully expanding our position in the premium segment. That still offers major growth opportunities for us.

So, full speed ahead into the emerging markets?

Doing nothing is not an option there. We need to make the most of our opportunities in emerging markets just as in developed countries. But at the same time, we need to pool our strengths and we will focus on the sales regions.

How do you allow for cultural differences in the various markets?

There's no question that cooking and laundry customs are, to a high degree, culturally conditioned. High-power gas stoves for wok cooking in China, semi-professional ovens in France, big grills for a T-bone steak in the USA – consumers in different regions want different products. Our regional employees' knowledge of local consumer needs and habits will play an even more important role in the future.

So consumers are affecting product development more than ever?

It's much more than that. Our entire corporate strategy is defined by the consumer's perspective. The only way for us to achieve our growth targets is to do what the consumer wants – and to do it better than any of our competitors. That also has consequences for our internal processes. This is why we'll be responding to changes in information-gathering practices and buying habits with new multichannel structures. New requirements for design and services must be reflected in innovation processes, and also by differentiating our brands from the others even more clearly – regardless of the product group, region, or price segment.

"We're working on creating products and services custom-tailored to the consumer's personal situation. Our brands will support us even better in that through a sharply defined profile."

So you're relying on more dialog with the consumer already in the product development phase?

Exactly. In matters of innovation, our product and production structures will enable us to respond even more flexibly to customers' regional preferences. Software and design will become even more important, and will significantly increase our pace of innovation. We'll increase our expenditure on research and development and systematically focus our innovations on the end user everywhere in the world. And the good ideas that result from that will not be confined to their original markets. Something that's much in demand in China might also be very well received in Europe. And in this regard, our modern product structures make a rapid transfer possible. We'll even go a step further and adapt our products to the desire for customization, which is becoming evident worldwide.

What does that mean?

We're working on creating products and services that are custom-tailored throughout their lifecycles to the consumer's personal situation. Our brands will support us even better in that with a sharply defined target-group profile. Our future ambition will not be "a solution for you", but quite simply "your solution". In other words – we won't be implementing every technically feasible innovation in standard products. Instead, we'll apply the right innovations that offer real value added for the consumer.

What are the right innovations?

The consumer is the only one who can decide that. Our innovative strength in product development has been a big contributor to our success. Networking home appliances with new software and service structures will make it possible to leverage our appliances' established strengths even better for the consumer's benefit. We'll build on that with new innovations in processes, sales, and services. Take energy efficiency as an example. Someone who puts a warm turkey in the refrigerator every day needs different energy settings than someone who just uses the freezer for a frozen pizza. Networked appliances offer immense potential for new, individualized services.

And what about data privacy?

The consumer is the one with the ultimate authority over this data. If we use consumers' data to adapt our services even better to their preferences, it will only be with the consumers' express consent. Data security will also play a major role. Here too, working with reliable partners, we'll make sure we have appropriate and technically trustworthy solutions.

You mentioned innovations in sales and service. Where are things heading in that regard?

Essentially, there are no limits to creativity – whether it's for innovations in products, software, services, or business models. We have to support the consumer's experience throughout our products' lifecycles. Why not sell a refrigerator, including service, on a subscription plan with a monthly fee? What other functions can my refrigerator take over, since it's already taking up so much space in the kitchen? We'll be looking at questions like those – with our consumers, our employees, and our partners.

What will the new focus of BSH mean for your commercial partners?

We're a reliable partner in our industry's value chain. Our consistent focus on the consumer means meeting new expectations and changes in consumer preferences with new solutions. And we'll be doing that in an open, strategic dialog with our partners. It will start long before the product is sold – through orientation, information, and advice. That's where our brands make a tremendous contribution. And it has to continue at the point of sale, whether that's online or brick-and-mortar. So we need to work together even better to provide a consistent shopping experience.

What kind of role will new partnerships play?

The increasing digitization of everyday life and the networking of home appliances also lead to an opportunity for us to build new partnerships. Open innovation will become more important to us so that we can develop entirely new solutions for consumers even faster.

How will you manage to implement these plans?

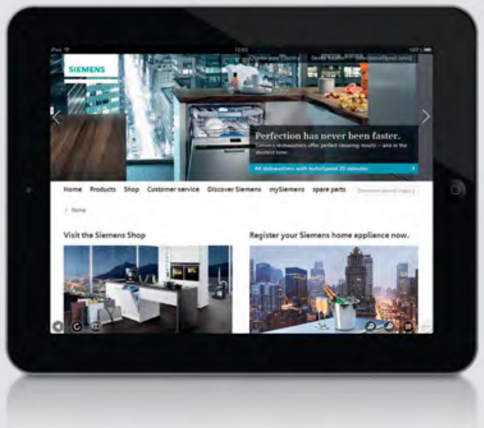
Our strategy is based on our strengths: a sales and service network with complete coverage, our excellent technology position, our employees' years of experience and collaboration, and our Group's sound financing. BSH has an extraordinary history of success behind it, and together we'll continue adding new chapters.

What's the right dishwasher for me?

User-friendly menus, the right product groupings – you can quickly find your way around our websites.

What's the right dishwasher for me?

Give us a sense of what your day is like. Do you cook a lot? For yourself and all your friends?



Clear language, clear value added – our information provides orientation within our wide range of products.

Impressive presence

The dialog with consumers has become more direct and more wide-ranging. Through brand websites, social networks, online shops, and brick-and-mortar retailers – BSH guides consumers to the products that are right for them.

Sergio Kesting
Head PoS Marketing

You've signed the contract on the house, even picked out the sofa – but the kitchen still has no dishwasher. Where and how to find the right one? Simply google the local dealers or head off to the store? Or read up on test scores and user reviews on product comparison pages? And then a short chat on your social network about the brand you've got your eye on? Or should you call somebody? Consumers' ways of finding information are as diverse as their living conditions, online affinity, and the expectations they have for technology and design.

But no matter which route you choose – BSH can make sure you find your way to the right product. "To achieve this, BSH has experts in a variety of teams, projects, and departments who are addressing the digital transition – in other words, the increasing digitization of our daily life and the networking of home appliances," explains Niels Kuschinsky, Digital Transition Program Manager at BSH. "After all, digital services are an enrichment for our consumers and an exciting new task for us."

Many channels, one message

With smartphones in their pockets – providing access at the tap of a screen to a telephone, navigator, reference works, and a social network – consumers have become not just smarter and more selective, but easier to reach. The number of contact points has grown, and dialog has become more direct. Many channels, one message – that's the goal now. Or as Karel van der Horst, Head of eBusiness & CRM at BSH, puts it, "If you surf on a Siemens website – whether on the PC from your home or on a smartphone while out somewhere, whether in Dubai or in Switzerland – you can find the relevant information about your product."

For this, BSH last year invested heavily in search engine optimization and in implementing consumer-friendly brand websites. Searching for the right product has to be made easier these days, especially because needs vary so widely from one region to another and from one consumer to the next. User-friendly menus, catchy core messages that make the added value immediately clear – uniform standards like these, applied worldwide, help consumers find the right product fast and easily. The investment has paid off. More than 180 websites in 56 countries helped the visitor figures for BSH brands soar from 37 million in 2010 to 80 million in 2013. The fact that the technical solution for the online presence comes from a single source once again demonstrates the advantages of having a strong brand alliance. All the brands benefit from the advantages of efficiency and economies of scale, from pooled expert knowledge and shared research and development and from internal benchmarks.

More pictures, fewer words

Saturday afternoon, and the store is crowded. The young couple monopolizes the appliance salesman for a full 20 minutes, while others who are waiting grumble louder and louder. The two nearly arrive at a decision to buy the top-rated dishwasher, only to retreat into uncertainty. Ultimately they vanish into the crowd. No sale.

It's a typical case. Choices can get especially hard when a major purchase is involved. And no wonder – making major economic decisions is often stressful. There's really no "right" decision. Something that looked all right on a computer screen at home becomes a near impossibility for a buyer at the store, according to neuroscientists who have been studying complex decision-making processes for decades. Feelings play a much bigger role in purchases than many people want to admit. Pictures work better than words, color and lighting also affect buyers' choices, as do odors and noises. Those findings are also significant for marketing. After all, what good are lengthy product descriptions if consumers don't even notice them?

Neuromarketing reveals a lot about subconscious motivations, impulses, and barriers in terms of categories, brands, communication, and consumers' buying behavior – and thus also provides answers about how products and information should be presented. Clear messages, significant value added, and most of all, a good feeling. That's the aspiration that BSH aims to fulfill with appropriate sales materials worldwide.

Digital and brick-and-mortar contact points will need to be linked together better. Because it's not just consumers' communication preferences that are changing – their buying preferences are, too.

Strong brands, big solutions

The multibrand strategy is also a key strength for BSH because individual needs can be even better addressed. "Each brand has its own language and appeals to different target groups and consumers," explains Sergio Kesting, Head of PoS Marketing at BSH. That means that the brands are always the starting point for every decision. After all, they represent a direct dialog with consumers, helping them navigate through a flood of information to exactly the right product. The new brand websites are an important digital contact point in that process. But consumers also come into contact with BSH brands through online advertising, YouTube videos, and social media like Facebook. That expanding dialog leads to a better understanding of consumers, better brand profiling, and ultimately a more focused appeal to consumers for better orientation.

Plain language, clear value added

Designing the digital contact points also poses new requirements for product presentation in brick-and-mortar retailers. Here customers have to find what they already discovered digitally – worldwide, no matter how different the retail structure might be from one country to another.

It's a crucial aspect. Because ultimately, regardless of smartphones or tablets, most sales still take place in a store. When it comes to home appliances, the shopping experience is what counts for a lot of people. "This is where consumers make the real decision to buy," Kesting explains. Which washing machine will attract consumers' attention among the vast number of products? Which one do they look at more closely? And finally, which one do they buy? To influence the complex decision-making process and provide orientation, sales materials have to speak a plain language. Are the kids still young, but they play outside a lot? Then you need the large-capacity model with the special stain-removal cycle. Is your washing machine in a little kitchen next to the bedroom? Then small and quiet is what counts. It should be as simple as that.

Digital and brick-and-mortar contact points will need to be linked together even better in the future. After all, it's not just consumers' communication preferences that are changing. Their buying preferences are changing, too. They're distinguishing less and less between online and offline. What counts is the right deal. Which means the trend toward online shopping continues to be on the rise, worldwide. In some countries, people are already buying one out of every three home appliances on the Internet. "We have to work with retailers to provide even better solutions," says Kesting. Anything is conceivable: further linking of retail and brand websites, shared logistics solutions, a highly sophisticated e-commerce strategy. It's the consumer who will decide the direction and pace of innovation. And that goes for new sales concepts, too. The smartphone, which consumers generally buy with a monthly contract, could be a trailblazer here, too. Renting a dishwasher with the appropriate maintenance agreement? The BSH experts are already at work on innovative business models that will offer consumers genuine value added.

Making the most of our brand charisma: on every channel, worldwide

One of the first things you notice in Matthias Ginthum's office is a large-format picture by Jörg Döring. It shows Hollywood star Steve McQueen in his car racing outfit – with the word "Speed" in big orange letters. Speed is what counts if you want to not just know what consumers need, but actually fulfill those needs.

Few people understand that better than Ginthum, Member of the Board of Management in charge of marketing, sales, and logistics. "We have to act quickly, because our market and our competitors are constantly changing," he says. "Most importantly, we have to understand consumers and make sure they can understand us."

And that has to be done on every channel – classic TV, radio and print advertising, impressive product presentations on the sales floor, a presence in social media and on the Internet. Ideal touchpoints with BSH products and services, with customer appeal and product presentations specially geared to target groups, are designed to "reach consumers exactly where they are." By which Ginthum means: "understandable language, with no specialist jargon, and communications that are custom-tailored to each consumer segment and to specific regional conditions." The business model is undergoing a transformation on many levels. "We can't just focus on the 'brave new world' of the Internet," Ginthum says. "We also have to be on location in the megacities – whether it's Jakarta, Doha, Shanghai, Baku, or Istanbul – maintaining good contacts with the retail chains and getting our appliances into the stores."

But whether through digital or conventional sales channels, "our success will be decided by our brands' charisma," says Ginthum with certainty. "Whether it's Siemens, Bosch, Neff, or Gaggenau, our brands stand for quality, innovation, trust. Retailers know they can count on that, and that they'll get excellent consultation. And ultimately, even the big Internet corporations have an interest in working with strong brands."

But there's no single easy way for brands to evolve further in the digital age. Which ultimately brings it all back to the consumer and what he or she wants as an individual. "We don't control our end users – we learn from them," says Ginthum. "We don't entice them with deals, we persuade them with understandable information. And we give them the certainty that, when they choose our brands, the decision they've made is the best one."

Did I turn off the oven
before I left the house?

Did I turn off the oven before I left the house?

No worries, all appliances are switched off.

Impressive products

Innovative functions and services are opening up new ways for the consumer to have a dialog with their home appliances. Throughout it all, BSH always puts the focus on real value added for the user.

You look in the refrigerator and what do you find? Sweet potatoes, goat cheese, and a mango. So what will you cook? Fortunately, there are apps that can provide recipes – even for unusual combinations of ingredients. What’s even better is if the apps actually help you cook, making sure the oven preheats to the right temperature while you’re peeling the sweet potatoes. And then check that those potatoes get crispy, not burnt. Does it sound like science fiction? Far from it.

New technical innovations are designed to do exactly this: make life easier. For BSH, as a leading manufacturer of home appliances, that means focusing every technical development on what consumers want – no ifs, ands, or buts. And what consumers want has changed. They take longevity and energy efficiency for granted when they buy our brands.“ The high quality of our products has been proven for years,” explains Dr. Claudia Häpp, who heads the Home Connect Project at BSH. She and her team are in charge of the future of home digital networking. “Now the goal is to be able to use these appliances in ways that fit in with our lives.”

And consumers’ lives are more and more dominated by the achievements of the digital world. Where can we eat the best pho soup in town? When are they going to deliver the jeans I ordered last night? And what's my soccer team up to? Today, all you have to do is tap a touch screen and it's all there: a restaurant guide, online delivery tracking, the latest sports news. No wonder smartphones are long past the fad phase – nearly 900 of them are sold around the world every minute, and the number of apps downloaded from the iTunes store alone has already topped the 50 billion mark. What's more, smartphones and tablets still haven't even moved out from the cities to the countryside in major markets like China.

No frills, just real benefits

So what could be more obvious than using smart devices to manage home appliances, too? Even today, Bosch and Siemens brand apps already offer all-around interactive, digital service for their customers. Introductory videos provide a first general overview of the new oven, numerous tips and tricks make it easier, to use, and recipe recommendations and explanatory videos make cooking a lot more fun. And that's just the beginning. "Our job is to develop the technical solutions that give consumers real value added," Häpp explains. What that means is that not every cool new idea makes it onto the short list for her development team. Those that are implemented, however, ensure that appliances provide perfect results, save time and energy, and make life easier. That frees up more time for other things – which is exactly what consumers expect, as numerous studies by BSH in different countries have clearly shown.

Global innovations

When it comes to digital applications, consumers all over the world agree: ease of use, clear benefits. But for home appliances, major differences between different regions of the world are becoming evident.

Take washing machines as an example: While Europeans see low energy consumption as a major benefit, Asians put the most emphasis on hygienic programs that use high temperatures. When expensive sari fabrics with fine appliqués need to go into the washing machine in India, wash cycles for delicates are especially important. And Russians want washing machines that are as space-saving as possible.

BSH focuses its research activities on these consumer expectations. In its own Laundry Care Technology Center in Berlin, it develops appliances whose materials, construction, and cycle programs are aligned with regional expectations, and that offer the best solutions for consumers' preferences. And this regionalization of course also applies to all other product groups: whether it's gas or electric stoves, double-door fridge-freezers with ice machines, or a chest freezer for the cellar – home appliances reflect lifestyle habits and cultural distinctions more than almost any other product.

That's why BSH will be focusing even more on regional development centers and on an open culture of innovation among developers around the world. And innovations in these regional centers are by no means restricted just to those regions, as a recent innovation at the BSH development center in Nanjing, China, demonstrates: The vacuum technology, which ensures that vegetables, fruit, meat, and fish will keep up to five times longer in the refrigerator, is now also being sold successfully in Europe.

Lots of brands, just one app

The new TÜV-tested Home Connect app offers many functions that work across different brands and make life easier. Here's a short list.

Dishwasher: Quickly starting the dishwasher before arriving home from work so there will be clean glasses for unexpected guests. This will soon be no problem, thanks to programs that can be controlled via smartphone or tablet. Digital user manuals with easy search functions will also make appliances easier to use.

Refrigerator: Looking into the fridge while you're at the supermarket will be an option, thanks to integrated cameras that transmit pictures of the refrigerator's interior to a mobile device. Then you can also select groceries on the screen and get suitable recipe suggestions, together with the respective shopping list for those suggestions. It all makes grocery shopping a snap.

Washing machine: The Home Connect app can also control wash cycles and fill levels. And it will also help save even more electricity – thanks to graphic evaluations of individual usage, which will make smart energy management via app a possibility in the near future.

Oven: Home Connect appliances will also make heavy cookbooks a thing of the past. The app will provide a vast range of recipes, together with cooking tips and tricks and ideas for using herbs, all accessible via tablet. Once the ingredients are ready, the right settings can be transmitted directly to the oven.

BSH stands ready to measure up to that expectation. That's why the experts at Home Connect are pursuing the topic and making sure that, thanks to innovative developments, the smartphone can serve as the future control panel for a networked home. This also includes having one app for everything. "Whether it's a Siemens oven or a Bosch washing machine, BSH's Home Connect app can control them both," Häpp explains. In other words, the app works with multiple appliances and brands in a networked home – because who wants to download a separate app for every appliance?

That might sound surprising at first. After all, at first glance, it appears that the brand is relegated to the background. But the advantages are obvious. Apps that work for all the appliances are not only more economical, more efficient, and thus faster to develop, but they also offer the greatest benefit to consumers. And that was the deciding factor in developing them. After all, more than 90 percent of all households have a variety of brands of appliances. "We want to make things as convenient for the end user as we can," Häpp says. "And ultimately that benefits BSH's strong product brands." That's why simplicity is the top priority in terms of

Simplicity heads the list. The user is the one who decides which of the various functions will be applied.

handling and menus, too. It's the user who decides which of the various functions to use – remote control, energy management, recipe recommendations, or access to the online shop.

With Home Connect, BSH offers an application that's unique on the market. It will be able to serve as a platform not only for the global Bosch and Siemens brands, but in principle also for the other 12 brands, some of which are regional, including every important product category. And that's not nearly the end of the story, says Häpp: "The application is designed so that additional brands can be included at any time. One app for all appliances in the house – that's what we're aiming for with Home Connect." And that in turn paves the way to becoming an industry standard.

Maximum security, complete transparency

The variety of different applications that will be possible in the future can only be fully exploited if the appliance and the smartphone or tablet can communicate with each other. A test laboratory was set up last year to make sure this works smoothly. In a tiled room full of cables and routers, networked with various smart devices, stand the prototypes of a new generation of appliances. While these send and receive data, an interdisciplinary team of experts from BSH checks the technical interfaces and tests software developments. But what about data security?

BSH has worked with its partners to develop a special security concept, and implemented it as it developed its appliances and the app. External security labs then test the appliances themselves once again, as well as their integrated communication modules, the app, and of course also the server. This maximizes data security.

The new developments show the wide variety of potential available for greater flexibility and freedom. Many other customized solutions are also being driven by the growing understanding of user preferences. For this, data from networked devices will be a big help. Only with the explicit consent of the consumers will data be used to better align services with modern consumers' expectations.

My refrigerator is making
strange noises.
Is it broken?

Impressive service

In the fiercely competitive home appliance market, impressive service is absolutely essential. The direct dialog between consumers and an experienced worldwide service team contributes significantly to ensuring that BSH goes well beyond just knowing its markets – it truly understands them.

My refrigerator is making strange noises.
Is it broken?

If you want, I can stop by today and take a look.

Li Hui
Technician in the Nanjing service center

There's that buzzing again. Sounds odd – and it's coming from the refrigerator. Could it be something dangerous? True, we've had that fridge for a good many years now – but is it broken?

BSH home appliances can last a long time. In fact, a very long time compared to the service life of many competitors' products. And since these appliances work day in and day out, in kitchens, bathrooms, and cellars, sometimes they need repairs. It's great to have experienced service technicians nearby who can quickly diagnose the problem, have the right part on hand, and even see to it that the old friend doesn't yet have to be replaced. This is exactly what BSH has been doing for decades, with its worldwide team of well-trained technicians.

Li Hui is one of about 7,000 BSH service employees worldwide. Since 2008, he's been working in Nanjing, eastern China's second-largest city, after Shanghai. He and more than 40 colleagues stand ready to support customers in this capital city of Jiangsu Province; another 20 colleagues work in dispatch and data collection.

Li’s day begins early, at 6:30 a.m. First he finds out from the dispatcher which customers he needs to visit that day. Then he plans his route – in this sprawling metropolis, with its population of millions and perpetual traffic jams, it’s essential to keep driving times to a minimum. That’s why Li and his colleagues generally use motorcycles, enabling them to slip easily through traffic even during rush hour and arrive at their customers right on time. This means that they can handle as many as 14 service calls a day. “It often makes for a long day,” Li says, “but the pay and the possibilities for promotions make up for it.” Li is now the proud owner of a studio apartment, and his hard work has earned him a nomination as service employee of the year.

Managing strong growth

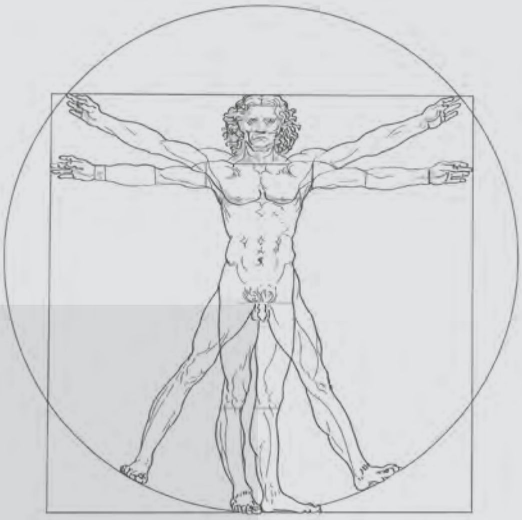
One reason Li and his colleagues in Nanjing are certainly never going to get bored is China’s rapid growth. Few understand that better than Chen Hui – Head of BSH Customer Service in China, and an employee since 1998. “In the late 1990s, BSH had only one brand and two product divisions here,” he recalls. Today, BSH’s sales of brand products generate more than a billion euros in revenue. The Chinese service team has more than 1,000 of its own technicians and another 1,600 contracting partners who serve customers’ needs at 33 service centers and 115 branch offices from Nanjing to Ürümqi, 3,600 kilometers away. Service is managed through two call centers – in Nanjing and Chengdu. To manage future growth, capacities will have to expand further – also, in part, because China is a pioneer in all-around customer service. “Repair service stopped being our main job here long ago,” Chen explains. “Customers want different things now, and we’ve responded with appropriate

Updates for service

Digitization is changing day-to-day life not just for consumers but for service technicians all over the world. Equipped with new digital technology, they can respond even faster and more precisely to customers’ needs worldwide and benefit from examples of best practices.

Service technicians at BSH in Madrid are already digitally networked through smartphones and tablets. These devices show how customers can benefit – whether with automatic route plotting and mobile traffic reports for faster travel times, or through the ability to order spare parts at the touch of a finger while on calls, or by simply billing with mobile payment functions. Following the early trial runs, technicians are now being equipped with smart terminal devices in many other Spanish cities.

Electronic learning programs are helping to spread knowledge irrespective of national borders. Shorter innovation cycles, combined with product longevity, means that technicians have to know their way around an ever-expanding range of models and increasingly complex technologies. Thus, ongoing training on a regular basis is an indispensable prerequisite for maintaining high standards of quality. BSH has been using Web-based training courses for this purpose since 2008; it produced more than 600 instructional videos for these in 2013 alone. The flexible adaptability of online-based training puts the focus on regional service needs. Since service technicians stay networked simultaneously worldwide, they can exchange knowledge, experience, and new service ideas faster in every part of the globe.



Da Vinci Lab: Room for innovation

Innovative strength is essential for a company's success. In its search for new ideas, BSH is generating new momentum with its Da Vinci Lab. This open innovation concept is based on the belief that only through discussions with others can good ideas mature into viable innovations.

To do justice to the interdisciplinary spirit of Leonardo da Vinci – successful not only as a painter, sculptor, and architect, but also as a philosopher, engineer, and mechanic – the first Lab in December 2013 brought together 11 experts from different departments, countries, and levels of the hierarchy to discuss new service ideas across the boundaries between specialties. What does service mean today, and what will it mean in the future? What might be done to make routine work easier? How can the consumer benefit? Those were the key questions that quickly led to valuable new approaches – also far off the beaten track of conventional innovation processes.

Sabine Andersen from the Social Media Competence Center was along for this journey of discovery. "When you can wean people away from their own lines of business, they can come up with entirely new approaches that derive from our major societal trends like urbanization, mobility, and demographic change," she explains. Even the creative process itself was a new experience here: Two and a half weeks was set aside from routine business, with extensive leeway in how to deal with assignments and with direct communication without worries about rank. Andersen's summary: "The Da Vinci Lab is a driving force in many different ways: for new ideas, faster innovation processes, and also for a new form of dialog at BSH." The innovative strength inherent in these initiatives is shown in the current projects that resulted from the first Da Vinci innovations. Some of the results will be presented at the IFA trade show in Berlin this fall.

services like no-charge appliance installation and by expanding our consulting services." Technician Li in Nanjing agrees, saying, "About 60 percent of our calls in Nanjing are visits to provide advice."

That's already daily routine in China, but it's also changing the service business in other parts of the world. "Service begins with consultation," explains Michael Gerber, Head of BSH's worldwide Customer Service. "Even in the decision-making phase, before people buy, we're already using all the channels for dialog, which enables us to support consumers with advice." Pick up the phone, click on Facebook, tap the app – and you're in contact with service. Information and advice about appliances, spare parts, accessories, and warranties, and also about installation, maintenance, and the right care products are all in demand worldwide. When in fact a repair is needed, the phone is the most popular form of communication, Gerber explains. "Around the world, people get on the phone when there's something wrong with their home appliance. No digital service format can take the place of personal contact," he says. And that is precisely one of BSH's key strengths. "We're the biggest manufacturer in the industry to have an in-house professional customer service. We have our own highly skilled service technicians. And we serve all of our

While service teams are being beefed up in the growth markets, BSH is looking for new service models in the mature markets of Western Europe and the USA.

core markets with call centers that are available to handle customer inquiries fast and reliably, 24/7," Gerber says.

Whether it's a refrigerator making a buzz in Hamburg, a washing machine with a thump in Boston, or a new gas stove in Nanjing – BSH service personnel all have excellent training. Worldwide standards ensure consistently high quality that consumers can rely on. A sophisticated logistics infrastructure and a spare parts warehouse in Fürth, Germany, ensure that service technicians always have the right parts on hand when they make a call.

Keeping promises to customers, all over the world

Ever since deliveries to end users began in 1967, the international parts logistics center has had its home in the Middle Franconian city of Fürth. In the roughly 37,000 m² warehousing facility, around 140,000 different spare parts are stored – from screws to refrigerator doors. After all, BSH keeps its promises about long service life – and here it keeps everything on hand that could be needed to repair an appliance from its family of brands for at least ten years. Every day it dispatches between 30,000 and 60,000 parts to all corners of the world. In addition to centralized spare parts logistics, the Fürth site is also where logistical standards are defined and implemented for all of BSH. And BSH received the German Logistics Prize for the all-inclusive way its logistics concept focuses on customer satisfaction.

While service teams are being beefed up in fast-growing markets, BSH has begun looking into entirely new service models, especially in the mature markets of Western Europe and the USA. BSH's service technicians are in constant dialog with consumers and have been learning how expectations and preferences are changing all over the world. That means that repair data and customer feedback don't just go into optimizing products, but also play a role in developing new service models, precisely tailored to society's challenges and market conditions in the various regions. Take demographic change as an example: In aging societies, more and more seniors want to live independently at home for as long as they can. Smart appliances can contribute here, not just through ease of use, but also through entirely new service functions. For example, if the refrigerator door is left open for too long, a signal can notify family members, who can then call their grandparents to quickly make sure everything's all right.

The digital transition is also encouraging more extensive reflections about new business models linked specifically to BSH's time-tested strengths in service. These include rental plans and customized energy management concepts for the entire home. After all, it takes more than just putting a sleek new appliance out on the sales floor to create real value added for customers.

Supervisory Board Report

Supervisory Board Report

Uwe Raschke,
Chairman of the
Supervisory Board

During the year under review, the Board of Management reported regularly to the Supervisory Board, both orally and in writing, on the company's performance and major decisions.

At two regular meetings of the Supervisory Board during the year, the Board of Management explained the development of business and employment in the preceding 2012 financial year, as well as the 2012 financial statements and management report. During 2013, the Board of Management reported to the Supervisory Board on the development of business in the company's various sales regions, particularly in Germany, Spain, Greece, Turkey, the rest of Western and Eastern Europe, China, Russia, India, Central and Southeast Asia, and North America. The Board of Management also presented the key data of the 2014 Business Plan, including financial and human resources planning. The Supervisory Board discussed these topics. The board also met for one special meeting and for the constituting meeting of the new Supervisory Board.

Other deliberations by the Supervisory Board concerned a voluntary preventive safety measure by the Group for a limited number of dishwashers dating from 1999 through 2005 in the home appliance markets both within and outside Europe, plans for beginning production in India in 2014, and the company's response to changing market conditions and the evolving retail environment.

The Supervisory Board also deliberated on the development of the Product Areas and on projects aimed at tapping further markets. In this connection, it particularly examined such matters as the expansion of the innovation portfolio.

The topics addressed by the Supervisory Board furthermore included projects to cut product costs, to enhance efficiency, and to develop certain locations. The Supervisory Board also discussed the significance of the growing online retail market, which is becoming increasingly important for the appliance business, as well as the company's projects and strategies for addressing these developments.

The Supervisory Board received reports from the Board of Management about the integration of the Polish company Zelmer S.A., acquired in 2013, into the Group. The Board of Management furthermore kept the Supervisory Board continually informed about the Group's compliance management and risk management systems. This included the revised Group-wide enterprise management system, current compliance matters, ongoing legal proceedings, and training programs. The Supervisory Board discussed these matters in depth.

In addition to the official meetings, regular discussions were also held during the course of the year between the Board of Management and the Chairman of the Supervisory Board and his deputies.

The financial statements of BSH Bosch und Siemens Hausgeräte GmbH and the consolidated financial statements as of December 31, 2013, together with the management report for BSH Bosch und Siemens Hausgeräte GmbH and the consolidated management report, have been audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, of Munich, and have each received an unqualified audit opinion. The reports prepared by the auditors were made available to all members of the Supervisory board. The Supervisory Board thoroughly examined the documents concerned, together with the Board of Management's proposal for the allocation of net income. The reports were discussed in full at the Supervisory Board's meeting to review the financial statements; the auditors were in attendance and discussed the principal results of their audit.

The Supervisory Board concurs in the findings of the audit, and has found no objections on completion of its own audit. It approves the financial statements and management report of BSH Bosch und Siemens Hausgeräte GmbH and the consolidated financial statements and Group management report; it recommends that the shareholders adopt the annual financial statements, approve the consolidated financial statements and Group management report, and consent to the proposal of the Board of Management for the allocation of the net profit.

The Supervisory Board's term of office ended on June 10, 2013. Mr. Stefan Rauschhuber, a long-standing member, left the Supervisory Board. Messrs. Axel Fischer and Mehmet Gürcan Karakaş also left the board. At the beginning of the Supervisory Board's new term of office on June 10, 2013, Ms. Margit Stegbauer, Ms. Jumana Al-Sibai and Mr. Jochen Hafner joined the board as new members. The shareholders and the Supervisory Board thanked the departing board members for their valuable work, and welcomed the new members. At the constituting meeting of the new Supervisory Board, Mr. Uwe Raschke was elected Chairman of the Supervisory Board, and Messrs. Elmar Freund and Joe Kaeser were elected Deputy Chairmen.

Mr. Joe Kaeser, a long-standing member and sometime Chairman or Deputy Chairman of the Supervisory Board, resigned from his seat on the board and his office as a Deputy Chairman as of the end of the day on November 30, 2013. Dr. Ralf P. Thomas was elected to succeed him on the board and as a Deputy Chairman of the Supervisory Board as of December 1, 2013.

Dr. Kurt-Ludwig Gutberlet, Chairman of the Board of Management of BSH Bosch und Siemens Hausgeräte GmbH, left the Board of Management as of June 30, 2013. We thanked Dr. Gutberlet for his many years of extraordinarily successful work and his achievements. Effective July 1, 2013, the Supervisory Board appointed Dr. Karsten Ottenberg to succeed him as Chairman of the Board of Management of BSH Bosch und Siemens Hausgeräte GmbH. Effective December 31, 2013, Mr. Winfried Seitz left the Board of Management of BSH Bosch und Siemens Hausgeräte GmbH. The Supervisory Board thanked Mr. Seitz for his many years of successful work and his achievements. Dr. Ottenberg will assume Mr. Seitz's office and duties temporarily until a successor can be found.

The Supervisory Board would like to thank the Board of Management and the company's employees for their successful endeavors over the past year.

Munich, May 14, 2014

For the Supervisory Board

Uwe Raschke
Chairman

| Board of Management

Dr. Karsten Ottenberg
Chairman, Chief Executive Officer
(since 07/01/2013)
Corporate Internal Audit,
Corporate Compliance,
Corporate Communications,
Corporate Legal, Industrial Policy
Corporate Risk Management
Corporate Responsibility,
Sustainability,
Corporate Strategy, Processes,
Organization Development,
Information Security within BSH

Dr. sc. pol. Kurt-Ludwig Gutberlet
Chairman, Chief Executive Officer
(until 06/30/2013)
Corporate Internal Audit,
Corporate Communications,
Corporate Responsibility,
Sustainability,
Corporate Strategy, Processes,
Organization Development,
Consumer Products Product Division,
Customer Service Product Division,
Information Security within BSH

Matthias Ginthum
Chief Sales and Marketing Officer
Corporate Logistics,
Corporate Marketing,
Corporate Sales,
Consumer Products Product Division,
Customer Service Product Division,
Regional Sales & Marketing

Johannes Närger
Chief Financial Officer
Corporate Accounting,
Corporate Controlling,
Corporate Purchasing,
Corporate Finances, Insurance,
Corporate Human Resources,
Corporate Taxes, Customs,
Regional Business Administration,
Data Protection within BSH,
Labor Director

Winfried Seitz
Chief Technology Officer
(until 12/31/2013)
Corporate Information Technology,
Corporate Technology,
Cooking Product Division,
Dish Care Product Division,
Electronic Systems, Drives Product Division,
Laundry Care Product Division,
Refrigeration Product Division,
Environmental Protection,
Occupational Safety within BSH

| Supervisory Board

Uwe Raschke, Stuttgart
Additional Deputy Chairman of the Supervisory Board
(until 6/10/2013)
Chairman of the Supervisory Board
(since 06/10/2013)
Managing Director of Robert Bosch GmbH

Joe Kaeser, Munich
Chairman of the Supervisory Board
(until 06/10/2013)
Additional Deputy Chairman of the Supervisory Board
(from 06/10/2013 until 11/30/2013)
Member of the Managing Board of Siemens AG

Elmar Freund, Bad Neustadt
Deputy Chairman of the Supervisory Board
Chairman of the Group Works Committee

Dr. rer. pol. Ralf P. Thomas, Munich
Additional Deputy Chairman of the Supervisory Board
(since 12/01/2013)
Member of the Managing Board of Siemens AG

Jumana Al-Sibai, Stuttgart
(since 06/10/2013)
Director of Corporate Marketing and Sales of Robert Bosch GmbH

Dr. rer. pol. Stefan Asenkerschbaumer, Stuttgart
Deputy Chairman of the Board of Management of Robert Bosch GmbH

Ellen Bonna-Knöpp, Giengen
Chairwoman of the Works Committee of the Giengen plant

Dr. rer. oec. pol. Rudolf Colm, Milan
previously Member of the Board of Management of Robert Bosch GmbH

Axel Fischer, Berlin
(until 06/10/2013)
Director Purchasing
Laundry Care Product Division
BSH Bosch und Siemens Hausgeräte GmbH

Jochen Hafner, Rosenheim
(since 06/10/2013)
First Authorized Representative of IG Metall trade union

Klaus Helmrich, Munich
Member of the Managing Board of Siemens AG

Mehmet Gürcan Karakaş, Stuttgart
(until 06/10/2013)
Director of Corporate Marketing and Sales of Robert Bosch GmbH

Peter Kern, Frankfurt
Union Secretary to the executive committee of the IG Metall trade union

Stefan Rauschhuber, Munich
(until 06/10/2013)
Union Secretary of the IG Metall trade union, Munich administrative office

Wolfgang Rückert, Traunreut
Deputy Chairman of the Works Committee, Traunreut plant

Prof. Dr.-Ing. Siegfried Russwurm, Erlangen
Member of the Managing Board of Siemens AG

Karl-Heinz Seibert, Munich
Head of Mergers, Acquisitions, and Post Closing Management of Siemens AG

Margit Stegbauer, Munich
(since 06/10/2013)
Head of Marketing Planning and Processes
BSH Bosch und Siemens Hausgeräte GmbH

Siegfried Stegmann, Nuremberg
Chairman of the Nuremberg Works Committee

Franz Veh, Dillingen
Chairman of the Works Committee, Dillingen plant

Group Management Report

BSH consolidated its market position as Number Three worldwide with a revenue increase of 7.2 percent, to a record EUR 10.5 billion. It outperformed its prior-year figures in every sales region. Despite negative non-recurring effects, EBIT margin achieved a satisfactory 4.8 percent. BSH also set its course for further growth with ongoing investment in innovation and with a high-performance production, sales and service network.

About the Group

BSH Bosch und Siemens Hausgeräte GmbH (the "Group" or "BSH," and "BSH-D" when referring to the parent company) is Europe's largest manufacturer of home appliances, and one of the world leaders in its industry. The Group was founded in 1967 as a joint venture of Robert Bosch GmbH (Stuttgart) and Siemens AG (Munich). Today, BSH has 40 factories located in 13 countries in Europe, the USA, Latin America and Asia. Including its worldwide network of sales and customer service outlets, BSH has more than 80 companies in 47 countries, with some 50,000 employees.

Our ambition is to be the benchmark of our industry. We aim to appeal and impress through quality, design, innovation, consumer benefits, and value in use, and thus to create added value for both our customers and our shareholders.

The principal brands in our portfolio are Bosch and Siemens, which the BSH Group holds on license from its shareholders. BSH serves particular customer needs with eight specialty brands (Gaggenau, Neff, Thermador, Constructa, Viva, Ufesa, Junker, and Zelmer). Four regional brands (Balay, Pitsos, Profilo, and Coldex) ensure a broad presence in their respective home markets.

BSH's family of brands provides solutions for consumers' individual needs.

Our product portfolio spans the entire spectrum of today's home appliances. It extends from stoves, ovens, and extractor hoods to dishwashers, washers, and dryers, from refrigerators and freezers to small appliances (consumer products) such as vacuum cleaners, coffee machines, electric kettles, irons, and hairdryers.

The BSH Board of Management manages the Company's business on the basis of both sales regions and product areas, in a matrix organization. The Group operates in virtually every relevant market in the world. In accordance with the presentation in the Group's internal reporting, the Sales Regions (SR I, SR II and SR III) are reported as segments, while other activities are aggregated under "Other":

- **Sales Region I (SR I)**
  The SR I sales region comprises sales responsibility for Germany, Austria, Ukraine, Poland, Romania, Russia, Hungary, the Czech Republic, and the Eastern Adriatic (Slovenia, Croatia, Serbia and Bulgaria).

- **Sales Region II (SR II)**
  The SR II sales region comprises sales responsibility for Belgium, France, Greece, the United Kingdom, Israel, Italy, Portugal, Spain (including Morocco), Switzerland, the Netherlands, Luxembourg, South Africa, and Northern Europe (Finland, Sweden, Norway, Denmark, Estonia, Latvia, and Lithuania).

- **Sales Region III (SR III)**
  The SR III sales region comprises sales responsibility for Hong Kong, Singapore, Thailand, Taiwan, India, Indonesia, Australia, New Zealand, Malaysia, Korea, China, the USA, Canada, Turkey, Central Asia, and the Middle East.

- **Other**
  The “Other” category includes, among other items, the Electronic Systems, Drives Product Division, the sale of finished products and components to commercial and factory customers, portions of sales of the Consumer Products Product Division, the Group’s financial holding company in Austria, the special fund, and other immaterial companies outside the sales regions described above, together with items that are not allocated to the operating companies. Since 2013, this segment has also included the companies of the Zelmer Group, except for the assets, investments, and depreciation or amortization that are associated with these companies but contained in the sales regions.

To expand its presence further in Central and Eastern Europe, in 2013 BSH acquired Zelmer S.A., a manufacturer of small appliances in Rzeszów, Poland.

Development of Business

Overall economic development

In terms of the global economy, two different trends were evident in 2013. While worldwide growth lagged behind expectations into the spring, it has shown increasing signs of stabilization ever since. All in all, in 2013 the global economy again expanded more slowly than in previous years. Worldwide gross domestic product (GDP) rose 2.5 percent, the weakest gain since 2009 and less than the 2¾ percent that had originally been expected. Apart from the aftereffects of the debt crisis in Europe, fiscal policy developments in the USA and increasing structural problems in a number of emerging markets also slowed the global economy's performance. On the other hand, positive factors included the ongoing stabilization of the financial markets in North America, Europe, and Japan that had begun in mid-2012. In addition to substantial trading-price gains on the stock markets, most of these countries showed early signs that interest rates on their long-term government bonds were returning to normal, albeit still at levels close to their historic lows. All of this made significant contributions toward stabilizing the outlook for growth in the last few months. Yet sharp devaluations of currencies in the emerging markets exercised an adverse effect.

Emerging markets help keep the global economy growing, but are more vulnerable to difficulties.

Emerging markets once again made a greater than average contribution to worldwide economic performance in 2013. However, they showed themselves to be increasingly vulnerable to generally weak global growth. Nevertheless, some areas were able to slightly exceed the very small gains of 2012. This was particularly evident in the largest economies in this group of countries. GDP growth in Brazil (+2.3 percent) remained below the global average, while Russia (+1.3 percent) lagged behind even further. Growth rates in China (+7.7 percent) and India (+3.9 percent) were also substantially less than the figures from earlier years, some of which had been in the double digits. Growth gave up ground slightly in Southeast Asia as well; all the same, at +5 percent it remained on roughly the same level as it has been for the past five years.

Eastern Europe suffered from the slow economic activity in Western Europe once again in 2013. With a gain of about 1 percent, economic growth in the Eastern European Member States of the EU was somewhat better than a year earlier, but still weak. GDP growth for the region as a whole even slipped below the 2 percent mark, to 1.5 percent. Russia's distinctly weak performance was an important factor here.

A less vigorous global economy, declining commodity prices, and economic policies that focused primarily on the short term slowed growth in Latin America. Here the 2013 figure, at roughly +2.6 percent, was once again lower than for the prior year, and was also below the projected 3 percent. This was especially the consequence of the very small GDP increase of 1.1 percent in Mexico, which fell far short of expectations.

The economic picture in the industrialized nations was less than dynamic, just as it had been in previous years. Economic policies in Japan initiated a recovery that continued with modest success. GDP for 2013, at 1.6 percent, gained only slightly from 2012. Economic growth in the USA was held back by the tax increases and spending reductions implemented early in the year, as well as by the lack of consensus about the long-term stabilization of government finances. As a consequence, value added grew only 1.9 percent. GDP in Western Europe showed a marginal rise of 0.1 percent, following the prior year's decline. However, the economies of Southern Europe contracted once again, although not as sharply as they had in 2012. Here only the first traces of remedies for the causes of the crisis were evident.

With a 0.4 percent gain, growth in the German economy lagged well behind expectations for the second year in a row. Nevertheless, significant indicators looked very positive. This was especially so for employment, which was again at a record high in 2013. Domestic capital expenditure, however, remained disappointing.

Development of the market for large home appliances

The home appliance market kept growing, thanks especially to the USA and China.

On balance, the market for large home appliances performed rather well in 2013. However, there were significant regional differences. While the German market again showed slight growth and both the USA and China made above-average gains, demand remained weak in some other areas, especially Southern Europe. Due to the stronger euro, worldwide growth on a euro basis was comparatively weak.

As in 2012, the market in Western Europe was down in 2013, though the decrease was less than in 2012. Southern European markets, but also some markets in the Northern European region, played a significant role in the contraction. Driven by their still-difficult economic situations, Spain and Greece in particular saw yet another sharp decline in the market. The 2012 slippage in the Italian appliances market came to a halt as the market here remained at roughly the same level as for the prior year. France was unable to maintain the prior year's level, however, and saw a contraction. The Scandinavian markets for large home appliances had another difficult year, except for Norway, which remained stable compared to the prior year. The British market was up in terms of the local currency, but showed a decrease after adjustment for foreign-exchange effects. Ireland returned to a minus following the prior year's recovery. Germany, the largest Western European market for large home appliances, performed positively once again in 2013. Even though the economy as a whole grew less than in the prior year, strong consumer spending and high employment helped the German market for large household appliances to show slight gains once again.

The Eastern European markets saw vigorous growth again in 2013, although there was some tapering off toward year's end. At the same time, devaluation pressure on local currencies rose, with notable effects on the market's performance on a euro basis, especially in Russia.

The Turkish market showed stout growth, with overall positive effects for its region.

On the North American continent, both the USA and Canada performed well, to a significant degree because both markets' economic environment stabilized. Growth on a euro basis, however, was considerably less than for the prior year.

The Latin American markets were likewise up again in 2013. This region thus remained comparatively vigorous. However, analogously to the performance of the economy as a whole, growth rates tapered off somewhat in comparison to the prior year. The largest market, Brazil, saw the sharpest slackening of growth year-on-year, inhibiting the region's overall performance.

The Chinese market, showing strong growth, recovered from the 2012 market contraction caused by the expiration of government subsidies. The Asia and Pacific region (excluding China) performed above the average again in 2013. The Indonesian, Malaysian, and Vietnamese markets made especially good gains. The largest market, India, was not as lively as in 2012, but still did quite well.

Revenue after currency adjustments was also up in the Middle East and Africa, though less dynamically than in 2012. However, on a euro basis, this positive picture turned negative because of certain sharp currency devaluations in some emerging markets. By contrast, Saudi Arabia and some African markets did especially well.

Revenue development

In financial year 2013, BSH generated consolidated revenue of EUR 10.508 billion, not only beating the prior year's figure by EUR 708 million, or 7.2 percent, but also outperforming the Group's projected target. The initial consolidation of Zelmer contributed EUR 142 million of this figure; without the Zelmer acquisition, the revenue increase would have been 5.8 percent. Net of currency effects, revenue (including Zelmer) was EUR 10.758 billion, equivalent to a 9.8 percent gain from the prior year. The adverse impact of exchange rates on revenue in 2013 was EUR 250 million, or 2.4 percent (of which Zelmer accounted for EUR 3 million).

Consolidated revenue BSH

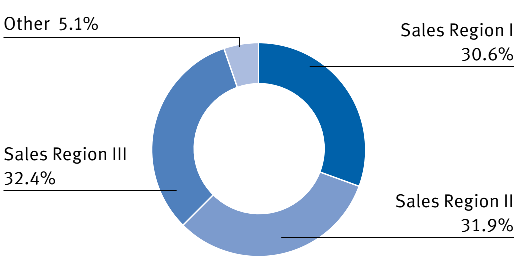
in EUR billion

2013	2012
10.508	**9.800**

BSH revenue in Sales Region I, which essentially comprises Germany, Austria, and Eastern European countries, increased slightly, by 0.6 percent, to EUR 3.211 billion. Although revenue in the German sales area remained at prior-year levels, the figure for Russia and Poland grew, as it did for Romania and the Eastern Adriatic. The Czech Republic and Ukraine saw revenue decrease from the year before.

Sales Region II, which comprises mainly the Western European countries other than Germany and Austria, increased its revenue by EUR 113 million, or 3.5 percent, to EUR 3.347 billion, despite the downturn in most of the region's home appliance markets. Some areas saw significant gains, especially in the UK and Spain, but also in France. Italy and Greece, primarily, showed revenue contraction once again, driven by the pervasive difficulty of the economic situation in the Southern European area. One exception in this regard was Portugal, where revenue remained stable compared to the prior year. The Netherlands proved to be the most difficult market in Western Europe for this particular year; here BSH saw revenue decrease. On the other hand, revenue performance in Northern Europe and in Israel was encouragingly positive.

Revenue by sales region (financial year 2013)



BSH generated its greatest revenue gains in China.

Sales Region III primarily comprises Asia, the Near East, and North America. Revenue in this region grew 13.5 percent, to EUR 3.410 billion. Revenue in Turkey was only slightly above the prior-year level because of exchange rates, but on a local-currency basis the increase in revenue was substantial. The Group saw its biggest gain in China. In addition to the growth of the Chinese home appliance market because of the improving economy, this achievement was also in part the result of very successful products, which generated gains in market share. The Asia Pacific Region performed variably. There were substantial gains in New Zealand, India, Malaysia, and Taiwan, but revenue in Singapore and Thailand was down. Revenue in North America was very good.

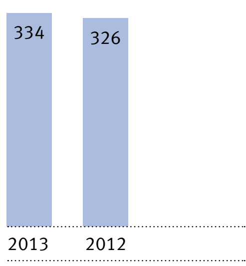
The Group's other activities increased by EUR 171 million, to reach EUR 540 million. This figure for the financial year 2013 particularly reflects the first-time consolidation of revenue from Zelmer. Without the Zelmer effect, the growth in revenue from other activities was 7.9 percent.

Research and development

BSH increased its expenditure on research and development by EUR 8 million for the year, to EUR 334 million – equivalent to 3.2 percent of revenue. As of December 31, the Group had 3,140 employees in this area (2012: 2,999), 1,745 of them in Germany (2012: 1,641).

Expenditure on research and development

in EUR million



The Group once again successfully launched large numbers of newly developed products on the market during the year. The additions to the product portfolio especially included user-oriented innovations such as the lightest-weight Bosch brand bagless vacuum cleaner, the

Vitafresh refrigerator compartment with temperature and humidity control for significantly longer storage of food, and the special hygiene program built into dryers.

BSH again gave an impressive demonstration of its innovative strength at the IFA International Consumer Electronics Fair in Berlin. Presentations about networked home appliances were a special highlight. Digital services and content will offer tangible benefits, whether in terms of convenience or maximum energy efficiency. Apps will provide mobile control for many functions in the home appliances of the future. With additional options it will be possible to use the high performance capabilities of Home Connect appliances even more flexibly and more efficiently. The Bosch brand presented the “myBosch” app, a digital product support for all Bosch home appliances. The myBosch app offers a wide range of assistance and information for customers, from the first startup of the equipment, to getting familiar with the appliance’s many functions, to modern service tools and many tips and tricks for any situation. In a “Connectivity Frame,” Siemens presented a variety of practical examples based on appropriately equipped products.

In addition to striking technical innovations and excellent quality, BSH products also stand out for their especially attractive design – as was impressively documented once again during the year under review by numerous prizes for design, including the coveted “iF product design award” and the “red dot design award.”

Industrial property rights, especially patent and design rights, are an indispensable, effective tool for protecting creative ideas in technology and design for new BSH products. During the year, BSH placed added emphasis on the quality of industrial property rights, especially in technologically important fields that are significant for its markets.

BSH appliances did even better in independent product tests than they did the year before.

BSH brands were leaders once again in 2013 in comparative product tests in Europe. Independent testing institutes in Europe, such as *“Stiftung Warentest,”* put BSH appliances through a total of 164 tests (2012: 169). Here BSH outperformed even its very good results from 2012, with a total of 110 test winners (2012: 91). A list of BSH test winners and other awards, broken down by country, is available at the Company’s website (http://testwinners.bsh-group.com).

In addition to cooperative arrangements in developing application-related technologies with university-level institutions of higher learning and research institutes both in and outside Germany, the innovation environment in 2013 focused on improving the Group’s culture of innovation. Two new training programs were developed and launched at the BSH Academy.

To safeguard the Group’s lead in technology and innovation, additional methods were added to the BSH development system during the year, and its content was expanded so as to extend the application of best practices throughout the Group. Besides the Group-wide introduction of these tools, an effective approach for determining methods’ maturity for introduction was developed and went through pilot testing at development sites. This makes it possible to describe a method’s current level of implementation, and to determine areas for potential improvement. The Group also successfully expanded its qualification environment with additional qualification programs for the product development process and for managing component complexity.

Modularization helps get innovations onto the market faster.

Special attention during the year was paid to programs for launching product assembly kits with systematic modularization. Modules and components were intelligently uncoupled in terms of the design of their construction space, interfaces, and functions. This makes it possible to take a flexible approach in satisfying customer preferences, and to get innovations onto the market faster by developing various modules further. A synchronized approach embracing the market, development, and production makes it possible to keep complexity under control efficiently, and to put even stronger focus on the customer.

Procurement
The situation in the procurement market in 2013 once again fell short of the high expectations for a recovery of the global economy. Recessive developments in parts of Europe and slower economic growth in Asia were still the defining factors. Only the USA bucked the trend.

In respect of raw materials, prices again evolved in two different directions. On the whole, prices for steel and stainless steel were once again substantially better than in 2012 because of slow demand in Europe and lower prices for significant primary products such as iron ore, coking coal, and nickel. On the other hand, the price of plastic granules rose in some cases. Prices for polystyrene in particular, as well as for its raw material styrene, were very volatile, and climbed significantly, aside from a short slump at midyear. Polypropylene remained stable over the year. The welcome exception was ABS (acrylonitrile butadiene styrene), for which the price declined on average over the year because of weak butadiene prices.

Heavier competition and better-optimized materials enabled BSH to negotiate considerable improvements over market prices in the prices it paid for raw materials in every segment of the market.

Prices for BSH's most important industrial metals – copper and aluminum – continued to be especially volatile throughout the year. On average, they were well below the levels of 2012.

The market for manufacturing materials and parts was likewise inconsistent. Positive pricing effects were obtained for electrical supplies and electronic equipment, especially motors, pumps, and cable harnesses. Prices for compressors, plastic and rubber parts, and chemicals and subassemblies remained stable over the year.

As it had done in previous years, BSH not only engaged in physical hedging through suppliers, but selectively applied derivatives to limit the impact of fluctuations in markets and prices for the procurement of certain raw materials, and to reduce the risk to the Group.

Payment terms for suppliers were applied on a broader base overall during the year.

The ongoing systematization and pooling of purchases of indirect materials and services continued during the year. In particular, strategic purchasing expanded further overall for production-related fields of materials such as machines and systems, and in information technology. Purchasing for operations was strengthened internationally by the continuing rollout of a standardized procedure for electronic order processing, and was centralized at three locations in Poland, Turkey, and China. Processing these transactions more efficiently makes room for the Group to reinforce its focus on strategy and further professionalize its merchandise group management.

In the preventive mitigation of supplier-related risks, established methods remained in place again in 2013 to identify and assess financial risks among our suppliers. The number of suppliers categorized as critical decreased in comparison to 2012.

Production
BSH produces its large home appliances and small consumer products at 40 factories at 28 locations in 13 countries around the world.

Thanks to increased revenue, output performance net of currency effects increased 8.9 percent from the 2012 level.

March 2013 saw the official opening of a new production facility for Consumer Products in Çerkezköy, Turkey, making food slicers, mixers, and vacuum cleaners.

Production capacity expanded in every product division.

Activities in the Cooking Product Division emphasized the launch of the new modular production architecture for European production sites. This will make it possible to standardize production processes throughout Europe, making this product division's factories even more competitive. Production capacity expanded further at the locations in Çerkezköy, Turkey, and Nanjing, China. Construction of a new factory in Chennai, India, is making progress. A development center is also under construction there for gas cooktops and extractor hoods for the Indian and Southeast Asian market.

The Refrigeration Product Division modernized and expanded its production capacity in Europe and China during the year. Following extensive investments in the latest production facilities, production systems for the new built-in platform were commissioned on schedule at the site in Giengen, Germany, with numerous product startups. Work began on expanding the refrigeration factory at Çerkezköy, Turkey, with an additional production line for no-frost appliances. In Chuzhou, China, production systems for refrigerators were installed at the newly built second factory during the year, and prepared to start production as planned early in 2014. This will help cover the ever-rising demand for refrigerators, especially in the Chinese market.

The Dish Care Product Division completed the conversion of the last of its six locations to a standardized product platform with the successful startup of production for the new series of dishwashers at the New Bern (USA) site. This was the final step in achieving the goal of a standardized production concept that had been established in 2008, while at the same time it laid the groundwork to continue the division's history of steady growth in the North American market. Long-term master plans laid the way for all the product division's locations to focus on the future. The emphasis here will be on strong competitiveness throughout the cost structure, as well as on quality and flexibility. In close cooperation with Development, ideas are generated and prioritized to implement the latest technologies for production processes. Quick implementation is ensured by including all the product division's factories in the process at an early stage.

The Laundry Care Product Division launched production of a new line of washing machines in St. Petersburg, Russia. Production of the new heat-pump dryers with the A+++ top energy efficiency rating began in Łódź, Poland. The washing machine production site in Kabinburi, Thailand, was closed down during the year as planned. The factory building in Chennai, India, was largely completed in 2013, and washing machine production is scheduled to start in 2014. This plant will supply the Southeast Asian region as well as the Indian market.

In the Consumer Products Product Division, the acquisition of Zelmer, a Polish maker of small home appliances with an up-to-date production site in Rzeszów, Poland, was an important step toward further growth in Europe. It expanded the product portfolio in the entry-level and value segment, especially for Eastern Europe, and established a separate division for regional brands like Profilo, Ufesa, and Zelmer.

By flexibly and promptly adjusting capacity, plants were in an optimum position to handle the exceptional growth in volume occasioned by demand for the Tassimo hot beverage system. The site in Lazarje, Slovenia, implemented both new supplier loyalty concepts and a reconception of its shop floor management, so as to do an even better job of meeting the growing need for flexibility and responsiveness.

The Electronic Systems, Drives Product Division successfully launched production of brushless DC ventilator blowers for the Cooking Product Division at its factory in Michalovce, Slovakia. It also started up a production line in Nanjing, China, for ferrite magnet-based brushless DC washing machine drives. This laid the foundation to market this new drive technology in China successfully. Electronics development saw further successes in standardization and platform development.

Supply chain management
BSH aims to make every customer delivery on time. Sharp fluctuations in demand and changing markets pose major challenges for supply chain management in this regard. Integrated supply chain management (SCM) underwent further systematic development to meet those challenges. Processes were further optimized all along the value chain in numerous projects, and SCM was expanded in the Group's regions and countries.

In parallel with operating procedures and structures, the BSH supply chain approach was supplemented in 2013 with the most important processes for materials procurement. Material supply management represents a further milestone in the active integration of significant partners throughout the logistics chain, from supplier to customer. BSH's model thus includes all components of up-to-date, integrated supply chain management.

Capital expenditure
The Group's investments for the year in property, plant and equipment and intangible assets (excluding goodwill) came to EUR 377 million, EUR 44 million less than in 2012 and equivalent to 3.6 percent of consolidated revenue. The figure includes EUR 3 million in investments by Zelmer. The initial consolidation of the Zelmer Group added EUR 109 million in property, plant and equipment and intangible assets (excluding goodwill) to the balance sheet. Investments in property, plant and equipment came to EUR 359 million; EUR 135 million of this was invested in Germany, and EUR 224 million in other countries.

Investments in property, plant and equipment and intangible assets (excluding goodwill)

in EUR million

2013	2012
377	**421**

Investments at sites in Germany primarily included the production of new built-in ovens, vacuum cleaners, and energy-efficient refrigerators and dishwashers, as well as the addition of a new development building for dishwashers and updates of production facilities. Funds were also invested in training and meeting centers for the sales force, in a new warehouse for logistics, and in strengthening information technology.

The focal points of capital expenditure outside Germany were in China, Turkey, Spain, Poland, Slovenia, and India, as well as Russia and the United States. Besides infrastructure and capacity expansions, the Group also invested in new series of washing machines, refrigerators, and dishwashers, as well as built-in ovens and gas cooktops. The Consumer Products Product Division also invested in new product lines in China and Slovenia.

39 percent of capital expenditure was for new products, and 22 percent was for expansion and rationalization; 26 percent was for land, buildings, and other infrastructure; and 13 percent was for value preservation and environmental protection.

Finance
The government debt crisis in Europe and the United States remained the topic of greatest concern to the financial markets during the year. During the first half, the picture was further complicated by uncertainties about economic developments in China, as well as a brief period of limited liquidity of the Chinese banks. Most stock markets in Europe, as well as in emerging markets, saw substantial slippages in April and June, but these were generally of only brief duration.

Many stock markets closed out the year not just with highs for the year, but record highs. Reasons included not only a massive expansion of the money supply by central banks in the USA, Japan, and Europe, but also somewhat better economic outlooks in China, the USA, and various countries in both Europe and Asia. The possibility of a payment default by the United States, debates about the reduction of bond purchases by the U.S. Federal Reserve, and continuing increases in government deficits did not deter investors from investing in real estate and stocks. Only government bonds saw a downturn. The inhibiting factor here was the expectation that interest rates might rise again in the medium to long term. All in all, sentiment remained thoroughly positive. This is also largely consistent with businesses' expectations and the evolution of corporate profits.

The Group's time-tested risk-adjusted investment strategy remained in force during the year. Despite two price slumps in stocks during the first half, the return on investments on the whole remained within average expectations.

The euro bond issue of 2013 will keep BSH's interest rates low for the long term.

Financial liabilities increased EUR 566 million from the prior year, to EUR 1.529 billion. The Group took advantage of the favorable capital market environment in November 2013 to launch its first euro bond issue. The bond has a volume of EUR 500 million and a maturity of seven years, with a nominal interest rate of 1.875 percent p.a. It will serve to safeguard low interest rates for the long term, and to redeem liabilities that will be due in the future, as well as to cover the Group's funding needs. The Group also has the necessary range of credit lines.

In 2014, EUR 246 million in principal will be repayable for the 2011 and 2012 Hong Kong bond issues and other loans.

At the beginning of 2013, the Group took out two very low-interest loans for a total of EUR 165 million with the KfW development bank. These loans will be spent on research, development, and innovation activities to improve the energy efficiency of resource-conserving home appliances.

BSH's excellent credit rating was reconfirmed in 2013.

In October 2013, the rating agency Standard and Poor's reconfirmed BSH's long-term "A" rating and short term "A-1" rating. The outlook was rated "stable," based on high, stable operating profits and cash flows, once again highlighting BSH's excellent creditworthiness.

All treasury risks are monitored, identified, and assessed for the Group by a global treasury control unit. A broad range of suitable treasury instruments serve to hedge financial risks. Any necessary control measures are initiated promptly.

Currency risks from the Group's business operations are identified and assessed centrally on the basis of a one-year, rolling planning horizon. Identified risk exposures are hedged using derivatives. As ever, the hedging policy defined in internal guidelines was reviewed regularly at the quarterly meetings of the Treasury Committee, and was implemented centrally.

BSH applies cash flow hedge accounting at the Group level to hedge cash flows in pounds sterling, Swiss francs, and Polish zlotys.

Price risks for industrial metals used in production are largely hedged by way of suppliers. Financial derivatives are used for those portions of copper and aluminum that cannot be hedged entirely through suppliers. The detailed procedure is likewise coordinated and approved by the Treasury Committee.

Important liquidity goals include safeguarding financial flexibility and mitigating or avoiding refinancing risks. The Group limits its liquidity risk with effective central cash management and with access to credit lines with prime-rated banks.

Medium- and long-term interest-rate lock-ins for financing protect the Group from the risk of rising interest rates.

Counterparty risks from the banks with which the Group does business are constantly monitored on the basis of ratings and credit default swaps. The defined limits for investments and the volumes of hedges are reviewed monthly.

Human resources and social issues
Attracting qualified employees and keeping them motivated within a demanding work environment, individually and for the long term, were the focal points for HR work at BSH during the year. Particular features of the program for 2013 included conveying a clear employer brand profile to show how highly BSH rates as an attractive employer, demonstrating a strong commitment to the design and implementation of diverse qualification programs, and opening up future prospects as part of active diversity management.

As of December 31, 2013, BSH had a total workforce of 49,876 employees worldwide, including trainees (2012: 46,925); 1,358 of these come from the first-time inclusion of Zelmer, which appears under “Other” in the table below. Of the total, 15,158 (2012: 14,642) members of the workforce were employed in Germany and 34,718 (2012: 32,283) were employed in other countries. The increase in the number of employees in Germany stems from an increase in temporary employees, especially in production. Further job openings in a variety of functions were filled not only in Germany, but especially also in China, Turkey, and Spain. This made it possible to safeguard jobs through a successful human resources policy even at high-wage locations, while at the same time remaining true to our responsibilities as a member of society. There was a slight decrease in the number of employees in Greece, Thailand, and Slovakia.

The breakdown of employees by sales region is as follows:

	Reporting date as of December 31		Change	
	2013	2012	absolute	in %
Sales Region I	19,850	19,158	692	4
Sales Region II	7,987	7,921	66	1
Sales Region III	18,977	18,074	903	5
Other	3,062	1,772	1,290	73
Total	**49,876**	**46,925**	**2,951**	**6**

As of December 31, 2013, 829 staff members were in training programs (2012: 812). For the German locations, this meant 478 trainees and students in the “DH” dual study program; they were earning qualifications in technical vocations (317), commercial vocations (57), and DH university fields of study (104). BSH’s international trainee program graduated 26 participants from Germany and from six subsidiaries in other countries.

The BSH employee survey was conducted simultaneously at all BSH subsidiaries worldwide for the first time in 2013. Some 47,000 employees were encouraged to respond to the fall questionnaire. The high overall response rate of 88 percent (81 percent in Germany) shows how well recognized and established the employee survey has become as a tool for organizational development. The results are announced worldwide, and the improvement programs derived from them and agreed upon are documented with a monitoring tool.

One possible follow-up step for the employee survey is the “Feedback for Management” HR tool, which was rolled out in six more countries in 2013. Implementation is planned for other countries in 2014. In factories, the mood barometer that is an intrinsic part of the BSH production system is also applied as a feedback tool.

Diversity management is an intrinsic part of HR strategy within the BSH corporate organization. It is associated with the goal of ensuring and expanding diversity in terms of internationality, age structure, and gender. Talented people among the pools and programs for rising newcomers are given encouragement worldwide along these lines.

Diversity management helps attract and encourage a wide range of talented people.

BSH is Germany's top employer for engineers, and is among the leaders internationally as well.

The expansion of worldwide employee assignments is also an indication of the growing internationalization and global networking of the Group's human resources. As of the reporting date, 326 employees were working on assignment as expatriates outside their home country. While the number of employees who came to Germany or traveled from Germany to other countries remained almost constant, the number of employees who were on assignment between subsidiaries outside Germany grew by 16 percent.

The "Part-Time Prospects" initiative represents an important step toward introducing a change in corporate culture. BSH offers a wide range of plans for flexibly structuring work hours to suit the changing phases of life. A new option that has been provided is the sabbatical. Child care at German sites was also expanded in 2013. In addition to Munich, new possibilities have now been provided in Traunreut and Berlin.

It is becoming increasingly important to position BSH sustainably as an attractive employer, given its highly competitive environment. For that reason, expanding and strengthening employer branding was one of the main tasks for the year. The response was impressive. For the seventh time in a row, BSH had great success in the Top Employer in Germany competition organized by the Top Employers Institute. BSH took first place among all participating employers in Germany in the Top Employer for Engineers certification. BSH was also certified for the first time at the international level as a Top Employer in Europe. The Group's subsidiaries in Belgium, the Netherlands, Poland, and Spain were also recognized as Top Employers at their local levels.

The Group pursued numerous initiatives to market itself to university-level students. It increased the number of fellowships for Germany significantly, from the prior year's eight to 15 for the year under review. This close cooperation between target universities and the Group's specialized units is an important component of our university-level marketing. In this connection, for example, a successful program of panel discussions with the "*Die Zeit*" publishing group continued.

A cooperative arrangement with the Bavarian *EliteAkademie*, which assists highly qualified, high-performing students in their career development, was expanded further. For example, students visited BSH's Chinese subsidiary in Nanjing as part of the Academy Abroad program.

A variety of events were also held for members of the "students@BSH" student loyalty program, such as a students' day in Bretten and courses of training in communication.

Talent management remained an important topic in HR again in 2013. The focus was on high-performance individuals with the potential for well-focused further career development in an international environment. The international processes for talent management were firmly anchored in the Company through systematic monitoring. With the support of a wide variety of initiatives in communication and change management, executives and other employees worldwide were alerted about talent management and undertook training in it.

The career track in project management also offers further opportunities for professional development at BSH. It was implemented for product projects at all sites in Germany and many in other countries as well.

The new focus on "Experts as a Development Prospect," initiated in 2012, continued in 2013. Here expert positions for relevant specialties with an international outlook were identified for the technical function areas. Rollout began in Germany at the end of 2013, and will be extended internationally during the current year.

Numerous development and training options were offered again during the year for the members of the talent pools and programs. The Junior Executive Pool (JEP) was also reorganized. The new concept aims to provide participants with orientation and support in their international professional development. The changes will be implemented in 2014.

The International Executive Pool (IEP) offers its roughly 100 members a way to network worldwide and to prepare in specific training courses for further international management duties. The training course content was revised specifically for each target group to include such skills as intercultural competence, entrepreneurial thinking, the international network, and diversity.

The Senior Executive Program (SEP), which further builds management skills among participants from senior management, also continued with great success. The class that entered in 2010 said farewell at a graduation ceremony. During their three years in the SEP, 71 percent of the participants moved to new positions involving greater responsibilities within the Group. In "SEP Mentoring," former SEP participants act as mentors to assist employees with potential to keep growing personally and professionally within the Company.

The range of courses in continuing training at the BSH Academy focus on business strategy. The Corporate Learning Landscape – training programs, processes, and standards at BSH for skills qualification and learning – was organized internationally and expanded further once again in 2013, by way of seven large BSH Academies. Qualification programs are increasingly being designed specifically for each field and target group, and additional specialized training courses are being rolled out internationally. The worldwide BSH qualification program for managers was conducted successfully in eleven countries in 2013. Plans for 2014 call for designing and carrying out further modules, and rolling out the program in more countries.

The Group-wide "Perspective 67" initiative has made a positive contribution for several years now as a way of addressing demographic change. To continue and expand it, the "Demographics in Production" project was launched in May 2013. It will both build on existing knowledge and arrive at agreements on future staffing structures and job arrangements. Matters like workplace ergonomics and all-inclusive health management will also be addressed in greater depth in this context and implemented in a wide range of practical steps.

Sustainability

Sustainability is an integral part of the Group's strategy and of the BSH business model. The strategy is founded on the principles of our corporate mission statement.

The Corporate Responsibility and Sustainability unit at headquarters provides strategic encouragement for addressing relevant topics. In the form of the CR Committee, it has a Group-wide decision-making body to ensure the Group's lasting positioning and future orientation in matters of corporate responsibility (CR).

Activities during the year concentrated on such matters as "CR in the Supply Chain" as a focal topic, as well as the adoption of additional medium-term sustainability targets for customer satisfaction.

Sustainability in the supply chain was a focal topic for fiscal 2013.

BSH's "Procurement Governance" project aims for uniform purchasing processes and sustainable business relationships throughout the Group. The social audit program for suppliers is intended to ensure that minimum standards for working conditions and environmental protection are maintained in the upstream stages of the value chain.

This program especially involves a written adoption of the BSH Suppliers' Code of Conduct, as well as obligatory documentation of successful social audits. Rollout began in May 2013 among selected suppliers of production materials.

BSH released its 21st Sustainability Report during the year. Titled "Delivering Benefit. Aiming for Sustainability." it highlighted sustainable stakeholder relationships, with a special emphasis on the Company's role as the provider of highly capable customer service, as an attractive employer, and as an opinion shaper in the current debate about climate protection and energy efficiency.

Environmental protection

The Group's "Resource Efficiency 2015" project, which aims to reduce production-related specific consumption of energy and water 25 percent from 2010 levels by the end of 2015, advanced with further programs during the year.

There were major savings in energy and resource consumption.

Campaigns were launched at every BSH plant to implement the internal guidelines for the operation of machinery and systems with an environmental impact, particularly in applications involving compressed air, pressing, and packaging machines, and also so as to reduce the electric base load. These campaigns discovered, and have already largely realized, potential for major savings in the consumption of energy and resources. The issue of efficient use of resources was also integrated into the production system audit, making it possible to discover further potential areas for savings.

Another milestone achieved during the year was the launch and certification of an energy management system under ISO 50001:2011 at three production sites in Germany.

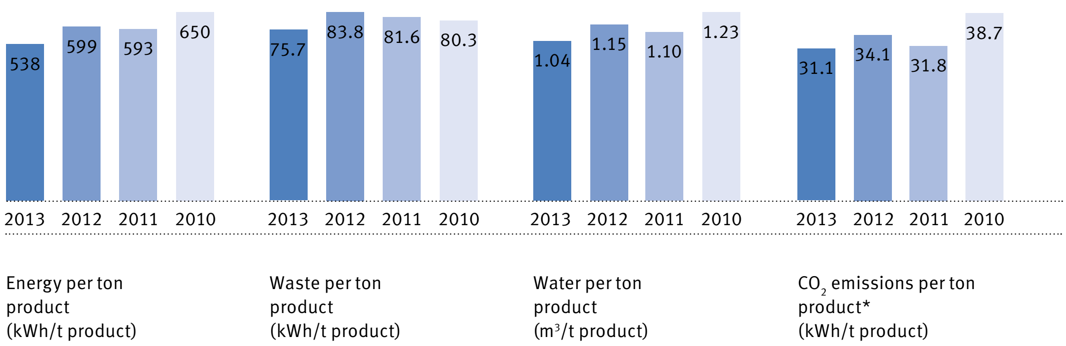
To heighten environmental awareness still further within the Group, BSH, which is one of Germany's "Climate Protection Corporations," voluntarily committed to achieve measurable, ambitious goals for climate protection and energy efficiency. It has joined 22 other companies to establish a nationwide, multi-industry network of excellence, founded at the initiative of the German Federal Ministry for the Environment, Protection of Nature, Construction and Reactor Safety, the Federal Ministry of the Economy and Energy, and the German Chamber of Industry and Commerce.

All of the Group's production units were certified during the year to ISO 14001:2004, the international standard for environmental management systems. The plant owned by the Polish home appliance manufacturer Zelmer, acquired as a subsidiary in 2013, will be integrated into the BSH environmental management system during 2014.

As in 2012, the current expense for site-related environmental protection was EUR 14 million.

Investments and programs in energy and water consumption led in 2013 to a substantial improvement in specific environmental protection indicators, which outperformed the target values. Projects to improve the efficient use of resources helped reduce absolute quantities consumed, while at the same time increasing product tonnage. The improvement in production-related waste accumulation was achieved largely by a more efficient recycling of waste products. Introducing solar energy at the Group's plants in Spain especially helped reduce CO_2 emissions per metric ton of product.

Environmental figures for production



* Excluding share from electric power generation, district heating, and transport.

BSH continued to attach special importance to energy efficiency in 2013. At IFA 2013, Bosch impressively demonstrated that it is the vendor with the largest A+++ product range in Europe. A cubicle on the trade show grounds invited visitors to get an idea of what this means. A+++ is the highest energy efficiency rating that the EU Energy Label offers for home appliances. The booth showed visitors exhibits like a washing machine that outperforms the requirement for an A+++ energy efficiency rating by a full 50 percent.

Siemens supports consumers in saving electricity by providing knowledgeable information. The first energy consumption display for cooktops lets users find out after cooking how much electricity they used in the two flexible cooking zones of the fully equipped Siemens Vario induction cooktop. That makes it possible for cooks to manage power consumption efficiently in the future.

These products are only two examples of the high priority that super-efficient products will continue to enjoy. With 4.6 million units sold, products of this kind account for 35 percent of total BSH product sales volume in Europe. The super-efficient portfolio for 2013 included all appliances with the relevant top energy efficiency rating of A+++ for washing machines, dishwashers, and refrigerators, or A-20 percent and better for electric ovens. For washer/dryers, all appliances were listed that had at least an A++ energy efficiency rating.

From September 2014 on, every vacuum cleaner sold in the European Union must have an energy label. That will make it easy for users to find and compare at a glance energy efficiency ratings, cleaning ratings on carpets and hard floors, and noise and dust emissions. BSH fundamentally welcomes this development in the direction of transparency and comparability. However, to make sure that future vacuum cleaner buyers do not focus on energy consumption alone – which has been strongly highlighted – while neglecting cleaning performance, we plan to alert and educate consumers with effective communication campaigns.

As in 2011 and 2012, in 2013 BSH USA once again received the “ENERGY STAR Sustained Excellence Award” for the Bosch brand from the U.S. Environmental Protection Agency in Washington, D.C. The award recognizes the Bosch brand’s efforts to save energy cost-effectively in every sphere of life, and thus to help protect the climate and the environment.

Bosch has been an Energy Star partner since 2007, and is the only home appliance manufacturer in the USA whose main products all qualify for the Energy Star Label.

Polish manufacturer Zelmer will expand BSH's presence in Central and Eastern Europe.

Significant developments during the year
In 2013 BSH acquired Zelmer S.A., a manufacturer of small appliances in Rzeszów, Poland, thus consolidating and further expanding the Group's presence in Central and Eastern Europe. The acquisition, completed in June with the purchase of 100 percent of the company's stock, led to a first-time consolidation of EUR 142 million in revenue. The two companies Zelmer Market Sp. z.o.o. and Zelmer PRO Sp. z.o.o. were merged at the end of the year, as a first important step toward their integration into the BSH Group.

During the year under review, BSH launched a multi-phase informational campaign as a voluntary safety measure to check a limited number of dishwasher models produced between 1999 and 2005. A defective electronic component in the control panel may cause these appliances to overheat, which in extremely rare cases could represent a potential fire risk. The units concerned will be repaired at no charge. Alternatively, owners can get a special discount on a new dishwasher. Provisions for this campaign, as well as adjustments of provisions for field actions already launched in this connection in some countries, significantly reduced earnings for the year. Provisions for customer recalls were recognized for risks posed by defective components.

The performance rebate system was revised during the year.

An antitrust proceeding initiated by the German Federal Cartels Office during the year to review the systems of terms and conditions for dealers reached its completion. The system of performance rebates, which distinguished between brick-and-mortar sales channels and online sales, had to be discontinued. BSH has now modified its system of performance rebates accordingly. Provisions were recognized in the amounts deemed necessary at this time for the study and analysis of further sales and distribution questions in countries other than Germany.

Investigations as part of the external tax audit in connection with fields of action in sales were completed, and an agreement was reached. The remainder of the provision that had been recognized for this purpose was reversed to the income statement.

The contingent liabilities to foreign tax authorities that existed in 2012 were recognized in the balance sheet for 2013.

The effects of measurements under IAS 36 as part of the regular review of assets resulted in substantial adjustments for the Russian subsidiaries during the year, with an adverse impact on profit. The impairment losses were caused primarily by higher costs due to exchange rates; these could not be passed on to dealers because of intense competition.

Provisions have been formed for pending legal disputes on the scale deemed necessary to cover claims that may arise. Although the Group essentially considers the asserted claims unjustified, liabilities over and above this amount cannot be ruled out completely.

In light of the favorable environment in the capital markets, BSH issued its first euro bond during the year, for a total volume of EUR 500 million. The bond is intended to safeguard low interest rates and to repay financial liabilities due in the future, as well as to cover worldwide financing needs for the long term.

Net Assets, Financial Position, and Results of Operations

Results and key influencing factors

BSH increased its consolidated revenue 7.2 percent in 2013, to EUR 10.508 billion, thus earning revenue above the ten-billion-euro mark for the first time.

BSH consolidated revenue topped EUR 10 billion for the first time.

Cost of sales as a share of revenue, at 62.2 percent, was 0.3 percentage points below the 2012 level. Most of the decrease is the result of lower procurement prices than in 2012, together with successful rationalization measures.

A total of EUR 2.939 billion was incurred on selling and administrative expenses for the year. Selling costs rose EUR 250 million from 2012, to EUR 2.312 billion, and administrative expenses increased by EUR 24 million to EUR 627 million. The increase in selling costs resulted in part from more business activity than in 2012, but to a significant degree also from a reclassification in connection with changes in contractual arrangements for customer refunds, as well as higher marketing expenses and the first-time consolidation of Zelmer.

BSH increased its spending on research and development by EUR 8 million from 2012, to EUR 334 million.

Other operating income increased by EUR 9 million, to EUR 290 million. Other operating expenses rose EUR 213 million, to EUR 473 million. Most of the increase resulted from allocations to non-function-related provisions, foreign-exchange losses on receivables and liabilities, and impairment losses under IAS 36.

The net finance cost (finance income, finance cost, and other finance income/cost) improved by EUR 13 million from the 2012 figure, and netted out to EUR 73 million. In addition to the reduction in the interest expense because of the bond issues in Hong Kong and the associated full repayment of short-term loans in China, interest effects from the measurement of pension obligations also especially helped reduce costs. The decrease in interest income was primarily the consequence of the elimination of non-recurring effects from the prior year.

BSH earned a before-tax profit of EUR 439 million (2012: EUR 616 million) for the year.

The Group's earnings before interest and taxes (EBIT), at EUR 509 million, came to 4.8 percent of revenue. In Sales Region I, BSH's EBIT came to EUR 202 million, down EUR 71 million from 2012, because of the necessary adjustment of assets under IAS 36. EBIT for Sales Region II, at EUR 231 million, was up slightly from 2012. EBIT for Sales Region III grew by EUR 123 million, to EUR 323 million, thanks primarily to good business in China, Turkey, and the USA.

In all, the Group's EBIT was substantially lower than for 2012, and was also below expectations, primarily because of costs associated with the voluntary safety precaution; positive contributions to earnings from the year's good revenue performance were not entirely able to make up for these expenses.

The income tax expense, including allocations to tax provisions, came to EUR 130 million (2012: EUR 151 million). Current tax, which rose slightly, was countered by a deferred tax income that netted out to EUR 75 million, up EUR 30 million from the prior year.

The Group tax rate was 29.6 percent for 2013 (2012: 24.5 percent).

Consolidated net profit

in EUR million

2013	2012
308	**466**

After tax, the profit came to EUR 309 million (2012: EUR 465 million). The consolidated net profit after deduction of minority interests came to EUR 308 million (2012: EUR 466 million).

Assets

Total assets for 2013 increased by EUR 877 million, to EUR 8.742 billion (2012: EUR 7.865 billion).

The reportable segments' business assets, which correspond to the capital employed for which the cost of capital must be earned from business operations, increased by EUR 62 million for the year, to EUR 3.318 billion. Business assets in Sales Region I increased by EUR 57 million, to EUR 1.163 billion. Business assets in Sales Region II decreased by EUR 65 million. But the assets for Sales Region III increased by EUR 70 million, so that the business assets for these regions taken all together remained nearly unchanged. Total assets attributable to the Group and not allocated to the segments, together with reconciliation items, came to EUR 5.424 billion (2012: EUR 4.609 billion).

Cash and cash equivalents for the year increased by EUR 391 million, to EUR 985 million, primarily because of the euro bond issue.

Assets: Structure in %

Trade accounts receivable, at EUR 2.627 billion, were up EUR 219 million from 2012. This figure includes trade receivables of the Zelmer Group for the first time, in the amount of EUR 60 million. The remainder of 6.6 percent increase is attributable to revenue growth.

Other current liabilities also increased during the year, by EUR 59 million, to EUR 352 million, primarily because of an increase in current derivative financial instruments and in tax receivables.

Inventories grew by EUR 65 million to EUR 1.300 billion, because of the integration of Zelmer and the larger business volume than for 2012.

Non-current financial assets grew once again, by EUR 97 million, to EUR 1.009 billion. In addition to the acquisition of fund shares for EUR 100 million to cover pension obligations, this figure was largely affected by reclassifications between current and non-current securities.

BSH invested in every sales region – a total of EUR 377 million.

The Group invested EUR 377 million in property, plant and equipment and intangible assets (2012: EUR 421 million). The share of investment for Sales Region I was EUR 123 million (2012: EUR 132 million). The parallel figures were EUR 95 million for Sales Region II (2012: EUR 115 million) and EUR 140 million for Sales Region III (2012: EUR 151 million). Apart from the lower investment volume than in 2012, the decrease in property, plant and equipment was attributable mainly to changes in exchange rates. At the same time, intangible assets increased by EUR 59 million to EUR 309 million, primarily because of the consolidation of Zelmer and the associated capitalization of trademarks, customer base, and goodwill.

Deferred tax assets were recognized for a value of EUR 385 million (2012: EUR 304 million). The domestic share of the total was EUR 170 million (2012: EUR 138 million) and the international share was EUR 161 million (2012: EUR 130 million), while consolidation effects added EUR 54 million (2012: EUR 36 million). The change from 2012 resulted primarily from the recognition of new tax loss carryforwards and the reversal of impairment losses.

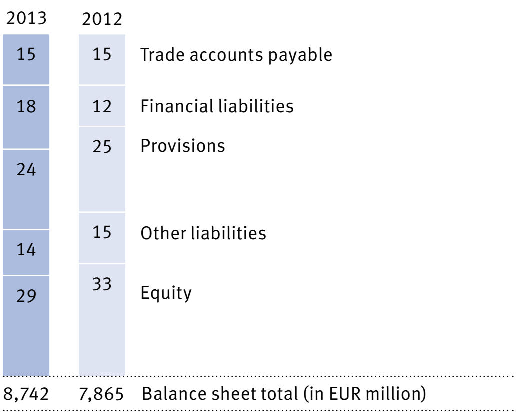
Liabilities
The most notable feature of the increase in liabilities was the addition of EUR 566 million in financial liabilities.

Trade accounts payable rose EUR 115 million from the prior year to EUR 1.317 billion; this reflects not only the increase in volume, but EUR 13 million from the first-time consolidation of Zelmer.

Other current and non-current liabilities increased by EUR 120 million, to EUR 1.217 billion. Most of the increase resulted from higher allowances for bonuses and customer refunds.

The increase of EUR 130 million in current and non-current provisions results primarily from the voluntary precautionary safety measure for dishwashers and the adjustment of provisions for field actions begun previously in some countries in this regard.

Liabilities: Structure in %



Provisions for pensions and similar obligations increased only to a minor degree from 2012, to a total of EUR 1.131 billion at year's end. A slightly lower discount rate of 3.4 percent (2012: 3.5 percent) was applied for Germany. However, the actuarial discount rate for other countries rose from an average of 3.9 percent to 4.3 percent. Financial assets allocated to pension obligations were increased by about EUR 100 million at the beginning of the year. In combination with the increase in the value of investments during the year, this led to an 87 percent coverage of pension obligations by the reporting date.

Deferred tax liabilities came to EUR 39 million (2012: EUR 18 million).

Equity decreased by EUR 82 million for the year, to EUR 2.497 billion, equivalent to an equity ratio of 28.6 percent (2012: 32.8 percent). Adverse effects derived both from the dividend distribution of EUR 233 million to shareholders and especially from foreign currency translation changes, at EUR 184 million. The additions of EUR 308 million from the consolidated net profit were EUR 158 million less than for 2012.

Statement of cash flows

Cash grew by more than EUR 400 million in fiscal year 2013.

The cash inflow from operating activities exceeded the cash outflow from investing activities by EUR 83 million. Allowing for the cash inflow from financing activities, the net result was an increase of EUR 407 million in cash and cash equivalents.

Operating activities generated EUR 646 million (2012: EUR 806 million) in cash during the year. Changes in the net balance from inventories, receivables, liabilities, and deferred tax, together with a lower profit before tax than in 2012, led overall to a cash outflow. This effect was essentially countered by the actuarial losses included under other non-cash income and expenses.

The change in the cash outflow from investing activities resulted primarily from the change of EUR 138 million in the basis of consolidation associated with the acquisition of Polish home appliance manufacturer Zelmer.

The net balance from the proceeds and repayment of financial liabilities, together with the dividend payment, resulted in a cash inflow of EUR 324 million.

Including changes in exchange rates, cash and cash equivalents increased by EUR 391 million during the year, to EUR 985 million.

Management of Opportunities and Risks

Compliance management
During the period, BSH continued steadily to develop its compliance management further, carrying out a variety of projects to optimize compliance work and the Compliance Organization. This made work procedures more efficient, while cooperation on compliance matters within the Company improved.

As of February 1, 2013, the Corporate Compliance Committee was replaced by the Central Compliance unit, and the Compliance Organization was refocused. The Chief Compliance Officer, who has reported directly to the CEO since October 1, 2013, has also headed the worldwide Compliance Organization since that time.

The Central Compliance team was expanded significantly during the year, and now has three departments: Global Prevention, Experts and Services, and Projects. An external ombudsman was also added to the unit.

The Central Compliance unit staffed up during the year.

Compliance with the laws and internal regulations is an indispensable prerequisite for extended, successful business operations. The BSH Business Conduct Guidelines, which the BSH Group and every employee has committed to follow, provide uniform, binding rules for the conduct and business activities of every employee worldwide. They are also an expression of corporate values, and describe how each employee of BSH must take responsibility for his or her actions.

To strengthen awareness within the organization and achieve these goals lastingly, compliance work includes three components: prevention, investigation, and response.

The most important goal of preventive work is to avert any compliance breaches. For this purpose, there are both Group-wide and country-specific guidelines and internal rules and regulations that are continually updated and supplemented specifically to address the risks involved.

In addition, the Compliance Organization offers an extensive training program, made up of both courses to be attended in person and web-based courses. The core risk areas – anti-corruption law, antitrust law, data privacy law, and money laundering law – also undergo a continual process of advice and consultation. There are plans for a Compliance Help Desk to be phased in for this purpose over the course of 2014.

A second key task of the Compliance Organization is to investigate possible compliance breaches. Indications are pursued on the basis of an objective, appropriate process, and suitable steps are initiated where called for.

If compliance breaches are found, BSH takes systematic action. Appropriate disciplinary measures are taken by a Corporate Sanction Board. Any weaknesses in processes are remedied to avert any such compliance breaches in the future. The lessons learned are used for preventive consultation.

To strengthen the organization's sense of compliance even further, the compliance training concept is currently under revision. The aim of an up-to-date, nuanced training concept is to provide training that is appropriate to both the target group and training needs. A new communication concept is intended to heighten general compliance awareness still further, and to keep Company employees continually informed about relevant compliance matters.

To take due account of legal requirements, and to optimize the associated process within the Company, future plans call for implementing electronically supported integrity reviews for our business partners (a "Business Partner Approval Process"). Plans also call for implementing a testing application to identify potentially risky transactions anywhere in the world. A risk-based approach, appropriate to BSH's business model, is being pursued for both projects.

A reporting system that is to be implemented worldwide in 2014 is intended to provide employees with another way of reporting compliance breaches while ensuring absolute confidentiality.

The new Compliance Organization and the evolved processes are intended to help even further in protecting the Company and its employees lastingly from harm.

Risk management

Risk management at BSH is based on the terms of the German Control and Transparency in Business Act (KonTraG) and internal standards such as the Business Conduct Guidelines. These in turn are founded on the globally recognized Enterprise Risk Management – Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in that framework's current second edition (COSO II). For Group management, potential risks are classified on the basis of a qualitative assessment of potential damage in combination with probabilities.

Quality and transparency in risk management improved significantly.

During the year, BSH carried out a project to redesign its risk management system, and implemented the new concept throughout the Group. Ultimately, the new system penetrates even more fully into BSH core processes. Transparency and the quality of the processes for detecting, assessing, and managing risks were improved significantly.

As of October 1, 2013, Risk Management was established as an independent unit. Together with the Compliance unit, it reports directly to the CEO. This rearrangement established the concept of an integrated Governance, Risk, Compliance (GRC) architecture as an intrinsic part of the corporate organization.

The BSH Risk Management Committee, in cooperation with the Corporate Risk Management unit, acts on behalf of the Board of Management to oversee the ongoing development of the risk management system and provide advice on the Group's current risk situation. Some specialized areas of risk management at the Group level are supplemented with a process-specific risk identification, assessment and control system.

BSH intends its active risk management to detect business risks at an early stage, and to take suitable steps so as to safeguard the foundation of BSH's business success.

Opportunities and risks for future development

The volatile condition of the global economy means that estimates of future revenue and earnings from large and small household appliances vary among the different international markets where BSH operates. The intensity of global competition continues to represent an additional challenge.

Non-European competitors are very aggressively expanding their positions in BSH's core markets in Europe. BSH is applying a strategic refocus, in combination with a number of individual measures in its countries and units, to strengthen its competitive position and act early to counter any impact – which might otherwise be substantial – on the Group's ability to achieve its business objectives.

Other risks that may be significant for BSH derive from the debt crisis in the euro zone. In the event of a collapse of the euro zone, an upward revaluation of the currencies of the countries with stronger economies could be expected. The labile economic situation in some Southern European countries (such as Spain and Greece) poses additional extensive risks. The resulting potential shifts and contractions of demand within European regions might cause significant defaults by customers and suppliers, especially in Southern European regions, and might result in a need for substantial adjustments in capacity at all of BSH's European locations. BSH is countering these risks with ongoing initiatives to improve its cost position throughout the Group.

BSH counters economic risks with an all-around improvement in its cost positions.

Litigation risk is secondary to the risks from competition and from the macroeconomic situation in Europe. BSH was confronted with new demands during 2013. Although the Group essentially considers the asserted claims unjustified, substantial liabilities cannot be ruled out completely.

Product liability risks are managed by the Group in close cooperation with the countries, product areas, and department units involved. Although these risks seldom materialize, if they do become a reality they may cause substantial financial losses, besides damaging the reputation of the brands concerned. BSH responds to such cases with selective task force management initiatives, and where necessary applies an efficacy test to its quality management system.

BSH views risks from business relationships with single-source suppliers as secondary to product liability risks. As a consequence of the weak development of the global economy in 2013, BSH saw a decrease in the number of suppliers categorized as critical and highly critical. Purchasing applied the tools for financially assessing supplier risk that had been developed in financial 2012, and refined them further, so as to be able to detect economically unstable suppliers early. Suitable specific measures largely avoided supplier defaults resulting from supplier insolvency. Nevertheless, these risks are still considered possible, and if they materialize they could have a significant impact on business results.

The constant evolution of information technology and the extensive spread of networking entail increasing risks for information security and data privacy, as IT operators must compete with aggressive IT amateurs, activists, and professional computer criminals. The Group addresses these potential risks with protective technical and organizational measures. For example, it continued during the year to build up its Information Security Management System (ISMS). The ISMS will be fully implemented as a functional unit within IT in 2014. The rollout of the concept for authorization management, developed in 2012, began in 2013. It is intended to keep business results from being adversely affected by any loss of data or information.

A consistent platform strategy, together with the use of the same parts in different BSH products, yields competitive and cost advantages, but also entails risks. Quality problems with such widely installed parts may entail significant costs in the form of warranty work or discretionary settlements. BSH counteracts these with a fully implemented quality management system. Nevertheless, warranty claims cannot be ruled out entirely.

BSH views the risks from the increasing regulation of the market and from changing requirements for product development, production processes, and use requirements as secondary to the risks discussed above, even if BSH is unable to counter such risks in full or on time. These risks arise in particular from new European regulations. A possible violation of relevant regulations could result in costs, legal consequences, and damage to the corporate image. BSH generally addresses these risks with a clear internal allocation of responsibilities and by having its responsible specialized units cooperate with the relevant authorities and interest groups from early stages. At the same time, BSH can in some cases take advantage of European Union requirements – especially with regard to appliances' energy consumption – as an opportunity because the BSH product range is designed for energy efficiency.

Another risk to BSH derives from its global business operations, the size of the Group, and the need to manage complexity with adaptable, efficient internal procedures and structures. BSH is addressing this potential risk by reviewing its strategy, organizational structure, and internal control system, with the aim of making appropriate adjustments in 2014. This takes due account of the risk of inefficient business processes.

In 2012 the sales organization in Germany began a project to reorient, restructure, and document its sales and commercial processes. This project was largely completed in 2013. In the course of the project, the efficiency of these processes was optimized, and process controls were made operational and checked for conformity with compliance requirements on the basis of the existing ICS controlling catalog.

The substantially lower saturation of Eastern European markets in equipping private homes with modern home appliances, together with the preference of the higher-income segment of the population for high-quality brand products, will continue to offer growth potential in this region in the future. The Zelmer acquisition furthermore gives BSH the ability to tap new market segments.

Future developments in the political situation in Ukraine are unclear at present, and could significantly affect BSH's business, at least in this market.

The Group foresees good opportunities in Western and Southern European countries from the further consolidation of competition, as well as from continuing growth in the home appliance market.

BSH foresees growth opportunities again in 2014 for Turkey and Central Asia, as well as some countries of the Middle East, thanks to the growing economic strength of this rising region. Potential risks may result from both currency turbulence and politico-economic factors.

BSH foresees good opportunities for growth in China once again in 2014.

As in 2013, the continuing growth of the Chinese market for home appliances might slow because market penetration is now far advanced in the metropolitan regions near the country's coast. Opportunities are available from the rapid implementation of the new Chinese government's reform agenda, with its cornerstones of strengthening consumer spending and expanding urbanization. Growth opportunities for BSH activities in China continue to be good for 2014.

In the Southeast Asian markets, BSH faces the risk of increasing currency devaluations, with associated increases in the expense of imports. Good opportunities may derive from further penetration into the growing home appliance markets. BSH is expecting revenue to continue rising for the region as a whole.

BSH assumes developments in the USA will be positive overall.

We expect the home appliance market in the USA to perform well, consistent with the generally expected good performance of the economy. The principal risks derive from high government debt, a possible slackening of the global economy, and expected increases in interest rates. The latter could have adverse effects on the real estate market, and consequently also on the home appliance market. The strategy that BSH has initiated to gain further market share should be able to tap additional potential even if competition continues to intensify.

There will also be opportunities from marketing new, innovative products that will support business in the built-in appliances segment. Networking of home appliances also offers further potential.

BSH's worldwide development network remains close to its markets, and thus represents a sound foundation for future economic success.

Handling procurement processes even more systematically, together with Group-wide pooling – including in material areas closely related to production, such as machinery and systems – will open up opportunities associated with cutting procurement costs.

Worldwide customer demand for consumer products continues to offer growth potential for BSH. The Zelmer acquisition, with the associated access to new product and market segments, will provide further support.

BSH is countering future risks from demographic change and the potential shortage of skilled workers through activities associated with ergonomic workplace design, all-inclusive health management, and initiatives to recruit the next generation of employees. In this regard, BSH's excellent positioning as a top employer will help make sure it is perceived positively in the job market.

The Group's good rating from Standard and Poor's also keeps open the possibility of obtaining financing on good terms so as to realize growth potential.

Flexibly meeting customer needs, appropriately for the regional market, will continue to open up opportunities thanks to ongoing investments in new products, expansion of capacity, and streamlining measures. The worldwide application and continual optimization of the BSH production system will enable the Group to realize its potential for efficiency to an even greater degree.

In conclusion, it can be said that so far as we are aware from today's vantage point, the Group is not exposed to any risk that would jeopardize its existence as a going concern.

Outlook

Events after the reporting date

The tensions between Russia and both the European Union and the USA that were triggered by political events in Ukraine could have a significant adverse impact on BSH's business results. In addition to shifts in exchange rates, trade restrictions are also not out of the question.

Overall economic outlook

Our estimates and forecasts about the overall performance of the economy are based on information obtained from banks, insurance companies, and leading economic research institutes.

The global economy found itself in a considerably better situation at the beginning of 2014 than had been the case just 12 months earlier. Although the problems responsible for weak growth in previous years had not been entirely resolved in any region, the stabilization of the government bond markets, especially in Europe, together with the recently announced easing of monetary policy, signals a continuing moderate stabilization of the economic situation over the months to come.

BSH expects a slow acceleration of global economic growth in 2014.

BSH therefore expects that worldwide growth will continue to accelerate in 2014, albeit slowly. The principal driving force will be a return of world trade to more vigorous expansion, which should have positive effects on investing activities. Moreover, the improving employment figures in the USA and the continuing low level of unemployment in Germany argue that consumer demand will develop robustly. We may add to this an easing of the burdens caused by fiscal policy, since budget cutbacks in most countries will presumably be considerably less than in the past three years.

BSH continues to view another exacerbation of the debt crisis in Europe as the greatest risk, although that risk has become less probable. Another potential threat comes from a spread of growth problems in emerging markets, especially in Asia and Latin America. The danger of an economic slump in the USA triggered by fiscal policy has become considerably less acute. The recent compromise should provide some easing, at least for the next two years.

Gross domestic product for the global economy is expected to grow 2¾ percent, although this is still below the long-term growth trend, which BSH estimates at roughly 3¼ percent. This result will be significantly influenced by emerging markets, where BSH expects economic momentum to pick up only slightly. Although the gain in value added here, at 5 percent, will still be well above the performance of the global economy as a whole, it would still be well below these markets' long-term average of +6½ percent. Growth in industrialized nations, by contrast, is expected to be considerably lower, at 1½ percent, although this is up slightly from 2013 (1¼ percent).

The emerging markets are likely to benefit from an upswing in global trade, and should expand somewhat more vigorously than in 2013. However, many of these countries are lagging behind in making necessary structural reforms. For that reason, BSH does not expect growth to revive consistently everywhere. This is also the case for China, although there have recently been clear signals of a far-reaching modernization of the country's economic system. Economic expansion in the emerging markets of Asia, at +6 percent, will again be about twice as fast as in the rising markets of Latin America (+3½ percent) and Eastern Europe (+3 percent). Though Africa still has only a small impact on the global economy, it is increasingly becoming a focal point for economic development; GDP growth here is expected to accelerate to about +5 percent. This would be the strongest increase since 2008, and is in part attributable to successful reform efforts in a number of African countries.

In Western Europe, growth of ¾ percent looks possible for the first time after two very weak years. The slight easing of restrictive budgetary policies in many countries of the European

Union, together with a recognizable strengthening of international competitiveness in most of the countries in crisis, argues for a gradual improvement in the economic outlook. But this comparatively good prospect by no means signifies the end of the debt crisis in the EU. Significant structural changes are still necessary if any improvement is to become sustainable. The required reforms are therefore likely to hold back growth in Europe in the coming years as well. In Germany, however, BSH expects a substantial rise in GDP expansion to 1¼ percent in 2014. Here the German economy will presumably profit from accelerating world trade and from substantial impetus in private consumption.

The outlook for the USA has likewise improved appreciably over the last few months. The budget compromise in particular argues that the fiscal policy environment will remain stable over the next two years. As the job market situation is also gradually improving and capital spending has stabilized, BSH rates the economic outlook for the USA as essentially good. Economic output in the USA for 2014 could well grow by 2¼ percent or more.

Outlook for the sector and Group

In view of the improving overall economic picture, BSH expects the world market for large home appliances to continue growing in 2014. Growth on a euro basis will presumably be slightly above the 2013 level.

Prospects for the home appliance market in Sales Region I vary. In Germany, BSH assumes that the market will again make gains, as in past years. Regional growth will continue in Eastern Europe. But further economic growth in Russia and Ukraine will depend heavily on the course of political events. If the political situation stabilizes quickly, BSH assumes that Russia could provide growth impetus for the region again in 2014.

For Sales Region II, the Group expects a slight contraction of the home appliance market. The situation in the markets in Southern Europe appears to be improving slightly, but still remains tense. The Group projects a further contraction in these countries. It assumes the British market will perform well.

The Group expects above-average growth in Sales Region III. Market growth in North America will probably slow slightly. The Southeast Asian region will presumably achieve above-average gains similar to those from before. BSH expects China, Asia's largest market, to perform well again in 2014. In Turkey, it is difficult to estimate how the market will perform, given the political environment and the currency turbulence at the beginning of the year. Assuming that the situation stabilizes, BSH expects positive market growth.

Given the expected developments, BSH is aiming to achieve 2014 revenue that will be slightly above the 2013 figure. It is also planning on a slight increase in staff. As the Group does not anticipate a recurrence of the exceptional charges from 2013, it expects EBIT to rise significantly.

BSH is aiming for revenue growth and a significant increase in EBIT in 2014.

Business developments at the beginning of the current year reinforce BSH's expectation that it can achieve the revenue and earnings target levels of its 2014 business plans.

The BSH Board of Management is not aware of any developments of particular importance since the balance sheet date that may significantly impact the Group's net assets, financial position, or results of operations.

Munich, March 18, 2014

BSH Bosch und Siemens Hausgeräte GmbH
The Board of Management

| Consolidated Financial Statements

BSH made the most of the advantageous capital market environment to put its financing on an even longer-term footing by issuing a EUR 500 million euro bond. The equity ratio at the end of 2013 was a solid 28.6 percent. The Standard and Poor's rating agency reconfirmed the Company's excellent long-term and short-term ratings in October, outlook stable.

Consolidated Statement of Income
January 1 to December 31, 2013

in EUR million	Note	2013	2012
Revenue	4	10,508	9,800
Cost of sales	5	6,540	6,128
Gross profit		**3,968**	**3,672**
Selling and administrative expenses	6	2,939	2,665
Research and development expenses	7	334	326
Other operating income	8	290	281
Other operating expenses	8	473	260
Operating profit		**512**	**702**
Finance income	9	34	60
Finance cost	9	104	127
Other net finance income/cost	10	– 3	– 19
Profit before tax		**439**	**616**
Income taxes	11	130	151
Profit after tax		**309**	**465**
Of which attributable to:			
Shareholders of the parent (consolidated net profit)		**308**	**466**
Non-controlling interests	12	1	– 1

Consolidated Statement of Comprehensive Income
January 1 to December 31, 2013

in EUR million	2013	2012
Profit after tax	**309**	**465**
Items not subsequently reclassified to profit or loss		
Actuarial gains/losses on defined benefit pension plans and similar obligations	29	– 213
Income taxes relating to items not subsequently reclassified to profit or loss	– 7	62
	22	**– 151**
Items that may be subsequently reclassified to profit or loss		
Gains and losses on translating foreign operations	– 184	29
Gains and losses on available-for-sale financial assets	– 3	17
Gains and losses on cash flow hedging	0	3
Income taxes relating to items that may be subsequently reclassified to profit or loss	6	– 5
	– 181	**44**
Other comprehensive income	**– 159**	**– 107**
Total comprehensive income	**150**	**358**
Total comprehensive income attributable to:		
Shareholders of the parent	150	358
Non-controlling interests	0	0

Consolidated Balance Sheet
December 31, 2013

in EUR million	Note	12/31/2013	12/31/2012
ASSETS			
Current assets			
Cash and cash equivalents	14	985	594
Securities	15	33	48
Trade accounts receivable	16	2,627	2,408
Current recoverable income taxes		45	72
Other current assets	17	352	293
Inventories	18	1,300	1,235
Total current assets		**5,342**	**4,650**
Non-current assets			
Non-current financial assets	19	1,009	912
Property, plant and equipment	20	1,697	1,749
Intangible assets	21	309	250
Deferred tax assets	11	385	304
Total non-current assets		**3,400**	**3,215**
Total assets		**8,742**	**7,865**

in EUR million	Note	12/31/2013	12/31/2012
EQUITY AND LIABILITIES			
Current liabilities			
Financial liabilities	22	246	146
Trade accounts payable	23	1,317	1,202
Current income tax liabilities		29	26
Other current liabilities	24	1,186	1,075
Other current provisions	24	465	427
Total current liabilities		**3,243**	**2,876**
Non-current liabilities			
Financial liabilities	22	1,283	817
Other non-current liabilities	25	31	22
Other non-current provisions	25	518	426
Provisions for pensions and similar obligations	26	1,131	1,127
Deferred tax liabilities	11	39	18
Total non-current liabilities		**3,002**	**2,410**
Equity			
Subscribed capital	27	125	125
Retained earnings and other reserves	27	2,058	1,981
Consolidated net profit		308	466
Non-controlling interests	27	6	7
Total equity		**2,497**	**2,579**
Total equity and liabilities		**8,742**	**7,865**

Consolidated Statement of Cash Flows
January 1 to December 31, 2013

in EUR million	Note	2013	2012
Profit after tax		309	465
Income taxes	11	130	151
Profit before tax		**439**	**616**
Non-controlling interests	12	–1	1
Depreciation, amortization, impairment, and reversals of impairment losses, net		375	314
Gains and losses on disposal of property, plant and equipment and intangible assets, net		4	1
Net finance cost (excluding other net finance income/cost)	9	70	67
Finance cost paid		–31	–40
Finance income received		19	36
Income tax paid		–190	–173
Other non-cash income and expenses		49	–181
Changes in assets and liabilities			
Change in inventories		–79	82
Change in trade accounts receivable and other accounts receivable		–294	–91
Change in trade accounts payable and other liabilities		212	91
Change in provisions		72	140
Change in deferred tax		1	–57
Net cash generated by operating activities	28	**646**	**806**
Payments for financial assets		–	0
Purchase of intangible assets and property, plant and equipment		–377	–422
Acquisition of subsidiaries, net of cash acquired	3	–138	–
Proceeds from the disposal of property, plant and equipment and intangible assets		24	20
Additions to financial receivables		0	0
Decrease in financial receivables		0	42
Investments in securities (available for sale)		–983	–990
Disposals of securities (available for sale)		911	899
Net cash used in investing activities	28	**–563**	**–451**
Dividend payments		–233	–187
Non-controlling interests		–1	–1
Proceeds from borrowings		956	690
Repayment of financial liabilities		–398	–777
Net cash generated by (2012: net cash used in) financing activities	28	**324**	**–275**
Net change in cash and cash equivalents		**407**	**80**
Cash and cash equivalents at the beginning of the period	28	**594**	**511**
Change in cash and cash equivalents due to changes in exchange rates		–16	3
Cash and cash equivalents at the end of the period	28	**985**	**594**

Consolidated Statement of Changes in Equity
January 1 to December 31, 2013

Note 27

in EUR million	Subscribed capital	Retained earnings	Currency translation differences	Fair value measurement of securities	Derivative financial instruments (cash flow hedging)	Actuarial gains/losses on pension provisions	**Equity held by shareholders of the parent company**	Non-controlling interests	**Total equity**
Balance at 01/01/2012	**125**	**2,361**	**– 57**	**20**	**– 2**	**– 46**	**2,401**	**8**	**2,409**
Profit after tax	–	466	–	–	–	–	466	– 1	**465**
Net income recognized directly in equity	–	–	28	13	2	– 151	– 108	1	**– 107**
Total comprehensive income	**–**	**466**	**28**	**13**	**2**	**– 151**	**358**	**0**	**358**
Dividend payments	–	– 187	–	–	–	–	– 187	– 1	**– 188**
Other changes	–	–	–	–	–	–	–	–	**–**
Balance at 12/31/2012	**125**	**2,640**	**– 29**	**33**	**0**	**– 197**	**2,572**	**7**	**2,579**
Profit after tax	–	308	–	–	–	–	308	1	**309**
Net income recognized directly in equity	–	–	– 184	3	0	23	– 158	– 1	**– 159**
Total comprehensive income	**–**	**308**	**– 184**	**3**	**0**	**23**	**150**	**0**	**150**
Dividend payments	–	– 233	–	–	–	–	– 233	– 1	**– 234**
Other changes	–	2	–	–	–	–	2	–	**2**
Balance at 12/31/2013	**125**	**2,717**	**– 213**	**36**	**0**	**– 174**	**2,491**	**6**	**2,497**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General

BSH Bosch und Siemens Hausgeräte GmbH (BSH-D) was formed in 1967 as a joint venture of Robert Bosch GmbH, Stuttgart, and Siemens AG, Berlin and Munich. The activities of the BSH Group (hereafter referred to as the "Group" or "BSH") comprise: the manufacture or procurement and marketing of, as well as research and development on, industrial products in the areas of electrical engineering, precision mechanics, and related technology, especially in the area of home appliances, and the manufacture or procurement and marketing of goods to be used as accessories, auxiliary materials, or tools with the manufactured or marketed products. The registered office of the parent company (BSH-D) is situated at Carl-Wery-Strasse 34, 81739 Munich, Germany. The Board of Management of BSH-D approved these consolidated financial statements for submission to the Supervisory Board on March 18, 2014. The Supervisory Board is tasked with auditing the consolidated financial statements and declaring whether it approves them.

2 Presentation of accounting policies

The following significant accounting policies were applied in the preparation of the consolidated financial statements of BSH:

2.1 Statement of compliance

The consolidated financial statements of BSH for the year ended December 31, 2013, have been prepared in accordance with the mandatory International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, as adopted by the European Union (EU) and in force on the balance sheet date, and the additional requirements under commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB).

2.2 Basis of presentation

The Group currency of BSH is the euro; unless stated otherwise, all amounts are reported in millions of euros (EUR million). Rounding may affect matches between some figures or cause some individual amounts not to add up to the indicated total.

The income statement is presented using the function-of-expense format. For purposes of clarity in the presentation, various captions in the balance sheet and income statement have been aggregated. Please refer to the Notes for separate disclosure and explanations.

The consolidated financial statements have been prepared on the basis of historical cost, with the exception of financial assets recognized at fair value through profit or loss and available-for-sale financial assets, both of which are recognized at fair value.

The accounting policies described below have been applied consistently over the reporting periods covered by these consolidated financial statements.

The same accounting policies have also been applied uniformly by the companies in the Group.

2.3 Amendments to accounting standards

2.3.1 Standards and interpretations with mandatory application requirement for annual periods beginning on or after January 1, 2013

The Group implemented all accounting standards for which application was mandatory in the European Union from the 2013 financial year onwards.

The following standards and interpretations were applied for the first time in the reporting period, and affected the consolidated financial statements as indicated:

Change to IFRS 7, "Financial Instruments: Disclosures"
The change extends disclosure requirements in relation to offsetting of financial instruments under IAS 32. In the BSH consolidated financial statements, the new disclosure requirements primarily relate to trade receivables and trade payables (see Notes 16 and 23).

IFRS 13, "Fair Value Measurement"
The new standard introduces a comprehensive concept for measuring fair value, and prescribes disclosures accordingly. For the BSH consolidated financial statements, this results in particular in additional disclosures in relation to classes of assets and liabilities that are not measured at fair value in the balance sheet but for which the fair value must be stated in the notes (see Note 30). IFRS 13 is to be applied prospectively from January 1, 2013.

Change to IAS 1, "Presentation of Financial Statements"
The amended standard requires the items of other comprehensive income to be grouped into two categories, depending on whether they will or will not be reclassified to profit or loss in subsequent periods, in what is known as "recycling." As BSH presents the items of other comprehensive income before tax, the associated tax amount is also shown separately for each category.

Change to IAS 19, "Employee Benefits"
The principal changes to the revised IAS 19, "Employee Benefits," had the following effects on the consolidated financial statements of BSH:

- **Disclosure of actuarial gains and losses**
  The possibility of extending the recognition of actuarial gains and losses over time (known as the "corridor" approach) for defined-benefit plans has been eliminated. This has no effect on BSH because all actuarial gains and losses were already recognized immediately in other comprehensive income.

- **Measurement of pension expense**
  If plan assets exist for pension obligations, the return on those assets is no longer recognized as "expected return on plan assets." Instead, the return on the net pension liability or net pension assets (net value of pension liabilities and plan assets) is determined at a uniform discount rate. The definition of the discount rate to be applied remains unchanged from the discount rate that was formerly used only for discounting the obligation. This had no significant effect on the consolidated financial statements of BSH. For further information, please see the discussion in Note 26.

- **Recognition of past service cost**
  Hitherto, past service cost has been recognized over the period until the claims become vested. Under the new rules, it must be recognized as an expense immediately in the period in which a plan amendment takes place. This had no significant effect on the consolidated financial statements of BSH. For further information, please see the discussion in Note 26.

- **Termination benefits**
  Employee benefits that are still linked to an obligation to provide work in the future are not considered termination benefits. For BSH this has meant in particular that supplemental amounts paid under partial retirement agreements are no longer recognized immediately, but are distributed over the entire period during which they are earned ("work phase"). This had no significant effect on the consolidated financial statements of BSH. For further information, please see the discussion in Note 26.

- **Disclosures in the notes**
  The revised standard results in changes in existing disclosures and new disclosure requirements, particularly for defined-benefit plans. These are presented in Note 26.

2009 – 2011 annual improvement process
The first application of the changes included in the 2009-2011 annual improvement process (the "2009 – 2011 Improvement Project") had no significant effect on the consolidated financial statements of BSH.

The following new or amended standards had no effect on the consolidated financial statements of BSH:

- Change to IFRS 1, "First-time adoption of international financial reporting standards"
- Change to IAS 12, "Income taxes"
- IFRIC 20, "Stripping costs in the production phase of a surface mine"

2.3.2 Standards and interpretations that have been approved but not yet applied

The consolidated financial statements for financial year 2013 do not take account of the following new or revised accounting standards that have already been approved by the IASB, as there was no obligation to implement these standards.

Standard/ Interpretation		Mandatory for financial years beginning on or after	Adoption by the EU by 12/31/2013	Anticipated effects
IFRS 9	Financial instruments	not before 01/01/2017	No	Classification and measurement of financial assets
IFRS 10	Consolidated financial statements	01/01/2013 [1]	Yes	Nothing material
IFRS 11	Joint arrangements	01/01/2013 [1]	Yes	Nothing material
IFRS 12	Disclosure of interests in other entities	01/01/2013 [1]	Yes	Nothing material
IFRS 10, IFRS 11, IFRS 12	Transitional guidelines	01/01/2013 [1]	Yes	Nothing material
IFRS 10, IFRS 12, IAS 27	Investment companies	01/01/2014	Yes	Nothing material
IAS 19	Employee benefits	07/01/2014	No	Nothing material
IAS 27 (2011)	Separate financial statements	01/01/2013 [1]	Yes	Nothing material
IAS 28 (2011)	Investments in associates and joint ventures	01/01/2013 [1]	Yes	Nothing material
IAS 32	Financial instruments: Presentation – offsetting financial assets and financial liabilities	01/01/2014	Yes	Nothing material
IAS 36	Impairment of assets	01/01/2014	Yes	Disclosures on recoverable amount
IAS 39	Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting	01/01/2014	Yes	Nothing material
IFRIC 21	Levies	01/01/2014	No	Nothing material
IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38	Annual improvements 2010–2012 cycle	07/01/2014	No	Nothing material
IFRS 1, IFRS 3, IFRS 13, IAS 40	Annual improvements 2011–2013 cycle	07/01/2014	No	Nothing material

1) To be applied in the EU for the first time for financial years beginning on or after January 1, 2014.

2.4 Foreign currency translation

Foreign currency transactions included in the annual financial statements of BSH-D and its subsidiaries are translated at the exchange rate prevailing at the transaction date. At the balance sheet date, monetary items denominated in foreign currency are recognized using the closing rate. Any translation differences are recognized in the income statement.

The financial statements of consolidated subsidiaries prepared in foreign currency are translated on the basis of the functional currency concept (IAS 21, "The effects of changes in foreign exchange rates") using the modified closing rate method. The foreign subsidiaries that are part of the BSH Group carry out their activities independently, from a financial, economic, and organizational point of view, and for this reason, the functional currency is always the same as the company's local currency. All assets and liabilities (but not equity) are translated at the closing rate. The line items included in the income statement are translated at the annual average rate. All resulting currency translation differences are taken directly to a currency translation reserve in other comprehensive income (OCI).

In the separate financial statements of BSH-D and its subsidiaries, foreign currency receivables and payables are measured on initial recognition at the exchange rate on the date of the transaction. Any exchange rate gains and losses at the balance sheet date are recognized in the income statement.

The exchange rates of one euro for the most important currencies used for currency translation have changed as follows:

	Closing rate		Average rate	
	12/31/2013	12/31/2012	2013	2012
US dollar (USD)	1.3791	1.3194	1.3281	1.2846
Pound sterling (GBP)	0.8337	0.8161	0.8493	0.8109
Russian ruble (RUB)	45.3246	40.3295	42.3370	39.9224
Turkish lira (TRY)	2.9370	2.3508	2.5296	2.3088
Chinese renminbi (CNY)	8.4189	8.3176	8.2219	8.1037

2.5 Basis of consolidation and consolidation principles

The entities included in the basis of consolidation are BSH-D and all companies under its direct or indirect control. This control usually exists if BSH-D, directly or indirectly, holds over 50 percent of the voting rights of the subscribed capital of an entity or has the power to govern the financial and operating policies of the entity. The interests of minority shareholders in the Group’s equity and profits are reported separately on the face of the balance sheet and income statement.

Consolidation starts from the date on which the BSH Group acquires the ability to exercise control. It ends when it no longer has this ability.

The financial statements of BSH-D and its consolidated subsidiaries have been prepared, audited and included in the consolidated financial statements applying accounting policies that are uniform throughout the BSH Group.

For further details about changes in the basis of consolidation, please see Note 3.

In accordance with SIC 12, the consolidated entities also include a special fund. As of December 31, 2013, as in 2012, four companies were not consolidated because they have no or only insignificant operating activities. This does not have any material impact on the Group’s financial position or financial performance. In addition, BSH Bosch und Siemens Hausgeräte Altersfürsorge GmbH, Munich, is not consolidated because its assets are defined as plan assets and these are deducted from pension provisions in accordance with IAS 19. The consolidated financial statements and group management report of BSH are published in the electronic German Federal Gazette. See Annex II of the Notes to the consolidated financial statements for more information on shareholdings.

Acquisitions are accounted for on the basis of the fair values applicable at the date of acquisition or first-time consolidation. Any debit difference between purchase price and fair values is recognized as goodwill.

Intra-Group balances and intra-Group transactions, as well as resulting intra-Group profits and losses, are eliminated in full. Deferred tax is recognized for consolidation transactions recognized in the income statement.

2.6 Revenue

Revenue from the sale of products and the delivery of services is recognized when ownership or risk and reward are transferred to the customer, a price has been agreed or can be determined, and its payment can be expected. Revenue is reported net of discounts, price reductions, customer bonuses, and rebates.

Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

2.7 Research and development expenses

Research expenditure is recognized as an expense when incurred. Likewise, development expenditure is recognized as an expense when incurred. This does not apply to project development costs that fully meet the following criteria:

- The product or system is clearly defined and the relevant expenditure can be clearly assigned and reliably measured;
- The technical feasibility of the product can be demonstrated;
- The product or system will be either marketed or used internally;
- The assets will generate future economic benefit (e.g., the entity can demonstrate the existence of a market for the product or, if it is to be used internally, its usefulness);
- There are adequate technical, financial, and other resources to complete the project.

Costs are capitalized from the time the above criteria are met. Costs recognized as expenses in previous accounting periods are not capitalized retrospectively.

2.8 Trade accounts receivable

Trade accounts receivable are reported at amortized cost. Any necessary valuation allowances, which are based on the probable risk of default, are taken into account. Write-downs on trade accounts receivable are recognized using valuation allowance accounts. Non-interest-bearing or low-interest-bearing receivables with maturities of more than one year are discounted. If the requirements of IAS 32.42 are met, receivables and payables are netted.

2.9 Inventories

Inventories are recognized at the lower of cost or net realizable value; as a rule, recognition is based on a moving average. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Work in progress and finished goods are recognized at the cost of conversion. This includes all costs directly assignable to the production process and an appropriate portion of production overheads. The figure for overheads, in turn, includes production-related depreciation, a proportion of administrative costs, and pro rata employee benefit costs. Borrowing costs are not capitalized. Inventory risks that result from the duration of storage or reduced usefulness or marketability are taken into account by recognizing write-downs. The net realizable value is recognized at the balance sheet date if this value is lower than the cost. When the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e., the reversal is limited to the amount of the original write-down), so that the new carrying amount is the lower of the cost and the revised net realizable value.

2.10 Financial instruments

A financial instrument is a contract that simultaneously gives rise to a financial asset in one entity and a financial liability or equity instrument in another. Financial instruments include non-derivative as well as derivative assets or liabilities.

The shares in non-consolidated affiliated companies and associates reported under financial assets are recognized at cost, unless a different market value is available.

As specified by IAS 39, financial assets are broken down into the following categories:

(a) held-to-maturity investments,
(b) financial assets at fair value through profit or loss,
(c) available-for-sale financial assets, and
(d) loans and receivables.

Financial assets with fixed or determinable payments and fixed maturity that the Company intends and is able to hold to maturity, other than loans and receivables, are classified as held-to-maturity investments. Financial assets obtained principally to generate a profit from short-term fluctuations in price or exchange rates are measured and classified at fair value through profit or loss.

Among the financial assets, securities held at fair value through profit or loss and securities held for trading are recognized at market value, if available. In the case of available-for-sale securities, an impairment loss is recognized in profit or loss if there is a prolonged and significant decline in market value below cost. If no market value is available, securities are carried at cost.

Changes in the fair value of financial assets at fair value through profit or loss are recognized through the income statement.

All other financial assets, other than loans and receivables originated by the Company, are classified as available-for-sale financial assets. Until realized, gains and losses on the fair-value measurement of an available-for-sale financial asset are recognized in equity, taking deferred tax into account.

Available-for-sale financial assets are measured in accordance with IAS 39.61.

2.11 Property, plant and equipment and investment property

Property, plant and equipment is measured at cost, less straight-line depreciation and, in some cases, impairment losses. Low-value assets are written off in the year of acquisition. The cost of internally generated property, plant and equipment comprises all direct costs and a reasonable portion of the necessary material and production overheads. This includes production-related depreciation, as well as a proportion of the cost for the Company's pension plan and voluntary employee benefits. Borrowing costs for qualifying assets are capitalized in accordance with IAS 23.

Depreciation is based on the following useful lives:

Buildings	12.0 – 33.3 years
Machinery and equipment	6.0 – 13.0 years
Office equipment and vehicles	3.0 – 8.0 years

Land is not depreciated. Excepted from this are leaseholds and other interests in land, which are depreciated over the duration of the contract.

The above accounting principles for property, plant and equipment also apply to investment property. This includes property that the Company uses to generate rental income and/or capital appreciation, and that is not used for production or administrative purposes. The indicated fair values for investment property were determined from appraisals.

In accordance with IAS 36, "Impairment of Assets," impairment losses are recognized on property, plant and equipment if both the realizable value and the value in use of the asset concerned fall below its carrying amount. An impairment loss is then recognized to reduce the carrying amount of the assets to the higher of realizable value and value in use. If the reasons for an impairment loss no longer apply, the impairment loss is reversed, but the increased carrying amount must not exceed the carrying amount that would have been determined (net of depreciation) if no impairment loss had been recognized.

2.12 Intangible assets (excluding goodwill)

Purchased and internally generated intangible assets are carried at cost. Assets with finite useful lives are amortized over their useful lives. Borrowing costs are capitalized for qualifying assets.

Amortization is based on the following useful lives:

Patents, licenses, trademarks, technology and customer bases	in accordance with contractual or normal operating life (contract term, license period, etc.)
Purchased software	4 years
Internally generated intangible assets	4 – 6 years

Amortization is applied using the straight-line method. An impairment loss is recognized if an asset is found to be impaired. If the reasons for an impairment loss no longer apply, the impairment loss is reversed, but the increased carrying amount must not exceed the carrying amount that would have been determined (net of amortization) if no impairment loss had been recognized. Assets with infinite useful lives are not amortized.

2.13 Goodwill

Goodwill is recognized in accordance with IFRS 3. Goodwill is tested for impairment regularly at least once a year; if required, an appropriate impairment loss is recognized. Under IAS 36, "Impairment of assets," any requirement for an impairment loss is determined by comparing the expected future discounted cash flows of the cash-generating unit in question with the relevant goodwill amount attributable to the unit.

2.14 Impairment losses on property, plant and equipment, and intangible assets

To meet the requirements of IFRS 3, in combination with IAS 36, and to test for goodwill impairment, the Group has defined cash-generating units that match the legal entities or countries. These cash-generating units were subjected to an impairment test. For acquisitions of corporate groups, cash-generating units are also formed across national borders, depending on the corporate structure concerned.

For the purposes of an impairment test, the carrying amount of each cash-generating unit is determined by allocating assets and liabilities, including attributable goodwill and intangible assets. An impairment loss is recognized if the recoverable amount of a cash-generating unit is lower than its carrying amount. The recoverable amount is the fair value less costs to sell or the value in use (value of expected future cash inflows from the asset), whichever is higher.

For its impairment tests, BSH used a discounted cash flow (DCF) method to determine the expected future cash inflows from a cash-generating unit. The calculation of the cash flows of each cash-generating unit is normally based on business plans with a planning horizon of three years. Inflation-related growth rates specific to each country were assumed after the end of the three-year planning period, as a rule at 1.0% p.a. The discount rate for each country (including an additional risk factor) amounted to between 6.8% p.a. and 20.5% p.a. (2012: between 5.3% p.a. and 18.6% p.a.). An interest rate of 14.3% p.a. was applied for the Group's Russian subsidiary (see also Note 20).

2.15 Liabilities

Liabilities are recognized at amortized cost. For financial liabilities, excluding derivative financial instruments (see Note 2.19), amortized cost is determined using the effective interest rate method. Liabilities under finance leases are recognized at the present value of future minimum lease payments under "Other liabilities."

2.16 Pension provisions

Provisions for pensions and similar obligations are recognized using the projected unit credit method as specified in IAS 19 (revised), "Employee benefits." In addition to the pension and vested benefits known as of the balance sheet date, this method takes into account expected future increases in salaries and pensions. If pension obligations are covered by plan assets, only the net amount is reported. The calculation is based on actuarial reports taking into account biometric calculation methods.

The actuarial gains and losses that arose in the year under review are recognized in other comprehensive income in accordance with IAS 19R.93A et seq.

2.17 Provisions

A provision is recognized if a present (legal, contractual, or constructive) obligation exists as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are tested at each balance sheet date and adjusted to the current best estimate. Where a provision is assessed using the estimated cash flows for settling the obligation, the carrying amount of the provision is the present value of these cash flows. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized under other net finance income/cost.

2.18 Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of BSH. Contingent liabilities may also be present obligations that arise from past events, but for which it is not probable that an outflow of resources embodying economic benefits will be required, or obligations whose amount cannot be measured with sufficient reliability. Contingent liabilities are disclosed in the Notes if an outflow of resources embodying economic benefits is not improbable.

2.19 Derivative financial instruments

Derivative financial instruments are employed solely for hedging purposes in order to reduce exchange rate, interest rate, and fair value risks from operating business and any resultant finance requirements. According to IAS 39, all derivative financial instruments such as commodity, interest rate or currency derivatives, and combinations thereof, are recognized at fair value, regardless of the purpose or intention behind them. The fair value of derivative financial instruments is determined on the basis of market data and recognized valuation techniques. With support from IT systems, derivative financial instruments are marked to market by discounting cash flows or by using option price models with parameters in line with market conditions. The effective portion of the change in fair value of derivative financial instruments for which cash flow hedge accounting is applied is recognized in equity as part of accumulated other comprehensive income. It is reclassified to the income statement at the same time as the hedged item is realized. That part of the change in fair value not covered by the underlying transaction is immediately recognized in the income statement. If hedge accounting cannot be applied, the change in fair value of derivative financial instruments is recognized in the income statement.

The change in fair value and the realization of derivative financial instruments that do not qualify for hedge accounting and that hedge operative items are shown under other operating expenses or income. The change in fair value and the realization of derivatives that hedge financial items are recognized in other net finance income/cost.

If this involves “combined instruments” for which separate measurement of the embedded derivative instruments is not possible, all the combined instruments are recognized at fair value through profit or loss.

2.20 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. The initial recognition of the asset by the lessee is at the lower of the fair value of the asset and the present value of the minimum lease payments. A lease liability in the same amount is recognized at the same time. Depreciation is recognized over the shorter of the lease term or the economic useful life of the asset. The interest component of the periodic lease payments is recognized as part of other finance income or cost.

A lease is classified as an operating lease if the lessor retains substantially all the risks and rewards incident to ownership. Lease payments under an operating lease are recognized as an expense and allocated equally to each period of the lease term.

2.21 Government grants

A government grant is not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to it, and that BSH will receive the grant. Government grants are recognized as income on a systematic and rational basis over the periods necessary to match them with the related costs that they are intended to compensate. Grants received for the acquisition or creation of property, plant and equipment and other non-current assets are treated as a reduction in the cost of such assets.

2.22 Management judgment

The preparation of the consolidated financial statements in accordance with IFRSs requires that assumptions and estimates be made that may impact on the amount recognized for the assets and liabilities on the balance sheet, for income and expenses, and for contingent liabilities. Estimates and assumptions may change over time and have a significant impact on the Group's financial position and performance. The assumptions and estimates relate primarily to the measurement of property, plant and equipment and of intangible assets, impairment of assets, the recognition and measurement of provisions, and the extent to which future tax benefits can be realized. The estimates and assumptions are regularly assessed and adjusted if necessary. At the time of preparation of the consolidated financial statements, no material changes to the underlying assumptions and estimates were anticipated.

Allowances for doubtful receivables reflect to a significant extent current assumptions and estimates for specific receivables on the basis of the current credit rating of the customer in question and the economic environment in the country concerned.

Goodwill, property, plant and equipment, and intangible assets are tested for impairment at least once a year. The applied measurement methods are based on discounted cash flows and use weighted average costs of capital, estimated growth rates, and tax rate. The planning horizon is a three-year plan approved by management.

Deferred tax assets are recognized to the extent that they are likely to be realized in the future. This assessment is determined by the extent to which taxable profits will be generated in the future against which previously unused tax loss carryforwards, and tax credits can be utilized and temporary valuation differences will be reversed.

Provisions for pensions and similar obligations and the corresponding expenses and income are recognized on the basis of actuarial methods. The main estimated variables are discount factors, the expected return on plan assets, salary and pension trends, and life expectancies. The parameters are defined according to circumstances as of the balance sheet date. Due to fluctuating market and economic conditions, these actuarial assumptions may differ considerably from future developments and may therefore lead to a material change in the obligations for pensions and other post retirement benefits.

The measurement of provisions for warranties, onerous contracts, and threatened or pending litigation involves significant future estimates, some of which are determined on the basis of past experience and regularly adjusted in line with the latest assessment.

3 Change in the basis of consolidation

As of March 31, 2013, through its Polish subsidiary, BSH acquired all shares of Zelmer S.A., Rzeszow, Poland, at a purchase price of EUR 146 million. The consideration entirely consisted of cash and cash equivalents. Zelmer S.A. and its subsidiaries produce and sell small household appliances such as vacuum cleaners and food processors. The acquisition of Zelmer S.A. is intended to advance the development of the Consumer Products Product Division and to strengthen BSH's presence in the countries of Central and Eastern Europe. The company's allocation to the Group's segments is shown in Note 29.

As of the acquisition date, the following carrying amounts and fair values were attributed to the acquired assets and liabilities:

in EUR million	Carrying amount	Fair value
Current assets		
Cash and cash equivalents	8	8
Trade accounts receivable	39	39
Other current assets	9	9
Inventories	46	49
	102	**105**
Non-current assets		
Property, plant and equipment	30	33
Investment property	11	10
Intangible assets	3	89
Deferred tax assets	8	3
	52	**135**
Current liabilities		
Financial liabilities	26	26
Trade accounts payable	20	20
Other current liabilities	20	20
Other current provisions	5	5
	71	**71**
Non-current liabilities		
Other non-current liabilities	12	12
Other non-current provisions	2	2
Pension provisions	1	1
Deferred tax liabilities	0	8
	15	**23**
Acquired net assets	**68**	**146**

The intangible assets determined in the purchase price allocation pertain to brand names of EUR 42 million (with a useful life of 20 years), customer base of EUR 18 million (with a useful life of 7 years), and technology of EUR 3 million (with a useful life of 4 or 7 years, as the case may be). In addition, goodwill categorized as not deductible for tax purposes was recognized, for an amount of EUR 23 million. In particular, this includes non-separable intangible assets such as employee expertise and expected synergies.

Receivables acquired in the course of the transaction were primarily trade receivables, and include contractually agreed gross amounts of EUR 42 million, of which EUR 3 million was presumed uncollectible as of the acquisition date.

Including the effects of the purchase price allocation, the acquired companies contributed revenue of EUR 142 million to the consolidated financial statements of BSH following their acquisition, together with a net after-tax loss of EUR 10 million. If the acquired companies had been included in the consolidated financial statements since January 1, 2013, the impact on consolidated revenue would have been EUR 176 million and on the consolidated profit after tax would have been EUR – 14 million for the full year.

4 Revenue

Revenue was primarily generated from electrical and gas appliances, as well as from related customer services.

in EUR million	2013	2012
White goods	8,822	8,398
Other	1,686	1,402
Total	**10,508**	**9,800**

The segment report (Note 29) provides a further explanation and breakdown of revenue.

5 Cost of sales

The cost of sales figure of EUR 6,540 million (2012: EUR 6,128 million) comprises the full production-related costs incurred in the manufacture of the products sold

6 Selling and administrative expenses

Selling and administrative expenses amounted to EUR 2,939 million (2012: EUR 2,665 million) and comprised solely the costs and expenses to be allocated to these categories. General and administrative expenses include personnel costs, other administrative expenses and depreciation/amortization/impairment in corporate departments that cannot be assigned to production, sales and marketing, or research and development.

7 Research and development expenses

Research and development expenses amounting to EUR 334 million (2012: EUR 326 million) include research costs and development costs not recognized in the balance sheet. As in 2012, no development costs were capitalized during 2013.

8 Other operating income and expenses

in EUR million	2013	2012
Foreign currency gains on trade accounts receivable and payable	81	76
Gains on derivatives	70	61
Income from costs transferred to third parties	52	49
Income from the reversal of provisions (not function-related)[1]	38	21
Income from the reversal of allowances and remeasurement of receivables	3	13
Gains on the disposal of property, plant and equipment and intangible assets	3	7
Reversal of impairment losses on property, plant and equipment and intangible assets	2	12
Rental and leasing income	2	2
Other operating income[2]	39	40
Total other operating income	**290**	**281**
Expenses to set up provisions (not function-related)[1]	264	41
Foreign currency losses on trade accounts receivable and payable	83	74
Losses on derivatives	59	72
Impairment losses	41	11
Losses on the disposal of property, plant and equipment and intangible assets	7	8
Expenses from allowances on receivables	2	27
Other operating expenses	17	27
Total other operating expenses	**473**	**260**

1) See also Note 25.
2) Other operating income contains insurance settlements amounting to EUR 5 million (2012: EUR 17 million).

As of financial year 2013, impairment losses and income from reversals of impairments on trade receivables are no longer included in other operating income, but as part of selling expenses. In case of application of this change to the previous year, the other operating income would have been EUR 11 million lower, and the other operating expenses would have been EUR 26 million lower, than shown for 2012.

9 Finance income and finance cost

in EUR million	2013	2012
Finance income	34	60
Finance cost	104	127
– of which to non-consolidated affiliated companies: EUR 0.0 million (2012: EUR 0.1 million)		
Net finance income/cost	**–70**	**–67**
Allocation as specified by IFRS 7.20 (b) using IAS 39 measurement categories:		
Loans and receivables	23	40
Financial assets, available-for-sale	8	13
Financial liabilities carried at amortized cost	–59	–70
No allocation as specified by IFRS 7.20 (b):		
Interest expense and income from plan assets from pension, partial retirement, and long-service award obligations	–42	–50

Interest income and expense calculated under the effective interest rate method was recognized in the income statement for financial assets and financial liabilities not measured at fair value.

Interest expenses were reduced in 2013 by capitalized borrowing costs for qualifying assets amounting to EUR 0.2 million (2012: EUR 0.6 million). The borrowing rate used for this purpose was 3.3% (2012: 3.3%).

10 Other net finance income/cost

Other net finance income/cost relates to the fair-value measurement and realization of derivatives for hedging financial items, the disposal of securities, the measurement of receivables and liabilities denominated in foreign currency, interest cost arising from the unwinding of the discount on provisions, and miscellaneous other financial income and expense. Available-for-sale financial assets were sold in 2013. This resulted in a decrease in equity of EUR 3 million (2012: decrease in equity of EUR 21 million) and the recognition of an equivalent figure as income under net finance income/cost. Expenses according to IAS 39.67 amounted to EUR 1 million (2012: EUR 3 million). As in 2012, income generated from reversals of impairments of debt instruments was immaterial.

11 Income taxes

The breakdown of the BSH Group's tax on income by source is as follows:

in EUR million	2013	2012
Current tax	205	196
Deferred tax	−75	−45
Total	**130**	**151**

Income tax paid or payable in the various countries as well as deferred tax is reported under income tax. Deferred tax is calculated on the basis of temporary differences between the carrying amounts of assets and liabilities in the IFRS financial statements, and their tax base, and on the basis of consolidated transactions, recoverable loss carryforwards, and tax credits. The calculation is based on the tax rates expected to be in force in the various countries at the time the asset is realized or the liability is settled. In all cases, the rates are derived from the laws and regulations in force or enacted at the balance sheet date.

Germany's corporate income tax rate in 2013 was 15% plus a solidarity surcharge of 5.5% of the corporate income tax charge. Taking into account "trade tax" (local business income tax) at 13.66%, the overall tax rate for the companies in the German tax group was 29.49% (2012: 29.49%).

The reported income tax expense of EUR 130 million for the year under review is EUR 1 million more than the expected income tax expense of EUR 129 million that would in theory arise if the German tax rate were to be applied to the consolidated profit before tax.

The reconciliation between the expected tax expense and the reported tax expense is as follows:

in EUR million	2013	2012
Profit before tax	**439**	**616**
Expected tax charge when using the tax rate applicable to the parent company of 29.49% (2012: 29.49%)	129	182
Effects of differences in foreign tax rates	−13	−21
Effects of changes in tax rates	−2	−1
Effects of permanent differences	53	2
Tax expenses relating to other periods	15	19
Change in the recoverability of deferred tax assets	−56	−32
Other changes	4	2
Reported income tax expense	**130**	**151**
Group tax rate (in %)	29.6	24.5

Deferred tax in the consolidated balance sheet:

in EUR million	2013	2012
Deferred tax assets	385	304
Deferred tax liabilities	39	18
Total	**346**	**286**

Of the deferred tax assets and liabilities, the following items were recognized in equity:

Deferred tax assets (+) and liabilities (–) recognized directly in OCI (in EUR million)	2013	2012
Available-for-sale financial assets	–3	–9
Cash flow hedging instruments	0	0
Actuarial gains/losses on defined benefit pension plans and similar obligations	72	79
Total	**69**	**70**

Deferred tax assets and liabilities are derived from the following individual balance sheet items:

	Deferred tax assets		Deferred tax liabilities	
in EUR million	2013	2012	2013	2012
Intangible assets and property, plant and equipment	55	31	87	67
Receivables and other assets	29	34	39	11
Inventories	67	59	3	3
Liabilities	64	35	21	12
Other provisions	90	97	3	3
Pension provisions	138	138	1	2
Available-for-sale securities	1	1	3	11
Tax loss carryforwards and tax credits	124	99	–	–
Other	2	0	3	0
Gross total	**570**	**494**	**160**	**109**
Impairment losses	–64	–99	–	–
Netting	–121	–91	–121	–91
Deferred tax after netting	**385**	**304**	**39**	**18**

Deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which losses can be utilized. At each balance sheet date, a new assessment is made of unrecognized deferred tax assets and of the carrying amount of deferred tax assets. Write-downs on deferred tax assets were recognized in the amount of EUR 17 million for tax loss carryforwards (2012: EUR 66 million for tax loss carryforwards and tax credits) and EUR 47 million (2012: EUR 33 million) for deductible temporary differences, as direct utilization in the foreseeable future seems improbable. The change in the write-downs was recognized in the income statement. Out of the total writedowns in the amount of EUR 64 million (2012: EUR 99 million), EUR 48 million (2012: EUR 33 million) can be carried forward without limitation and EUR 11 million (2012: EUR 62 million) can be carried forward for more than three years. EUR 5 million (2012: EUR 4 million) will lapse within the next three years.

As of December 31, 2013, the BSH Group had unutilized tax loss carryforwards of EUR 381 million (2012: EUR 153 million) and tax credits of EUR 60 million (2012: EUR 54 million). The following table shows the utilization periods for the loss carryforwards:

Utilization period of tax loss carryforwards (in EUR million)	2013	2012
Limited carryforward period, less than 3 years	20	15
Limited carryforward period, more than 3 years	65	113
Unlimited carryforward period	296	25
Total	**381**	**153**

Loss carryforwards for which no deferred tax assets have been recognized amounted to EUR 78 million (2012: EUR 121 million).

Utilization periods for tax credits (in EUR million)	2013	2012
Limited carryforward period, less than 3 years	7	3
Limited carryforward period, more than 3 years	46	51
Unlimited carryforward period	7	0
Total	**60**	**54**

Deferred tax assets were recognized for all available tax credits. In 2012, tax credits for which no deferred tax assets were recognized amounted to EUR 27 million.

Deferred tax liabilities of EUR 16 million (2012: EUR 6 million) were recognized for temporary differences in connection with investments in subsidiaries. These “outside basis differences” include for the most part the tax on possible dividend payments. Furthermore, in accordance with IAS 12.39, no deferred tax liabilities were recognized for temporary differences amounting to EUR 237 million (2012: EUR 211 million net) in connection with investments in subsidiaries, because the Group is able to control the timing of the reversal of the temporary differences and it is unlikely that these temporary differences will be reversed in the foreseeable future.

12 Non-controlling interests

The profit attributable to non-controlling interests, amounting to EUR 1 million (2012: loss of EUR 1 million) was generated largely by BSH Ev Aletleri Sanayi ve Ticaret A. Ş., Istanbul, BSH Home Appliances Saudi Arabia LLC, Jeddah, Robert Bosch Hausgeräte GmbH, Munich, and Siemens-Electrogeräte GmbH, Munich.

13 Other income statement disclosures

The functional costs include the following personnel expenses:

in EUR million	2013	2012
Wages and salaries	1,784	1,664
Social security contributions	334	317
Expenses for pension plans and benefits	77	62
Total	**2,195**	**2,043**

The average number of employees in the year under review was as follows:

	2013	2012
BSH GmbH		
Direct employees	6,459	6,498
Indirect employees	6,630	6,433
of which apprentices	*345*	*327*
Other companies in Germany	1,803	1,809
Companies outside Germany	33,622	31,940
Total	**48,514**	**46,680**

The Group received government grants for research and development amounting to EUR 4 million (2012: EUR 6 million) and other grants amounting to EUR 5 million (2012: EUR 2 million), which were recognized directly in the income statement.

14 Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

in EUR million	2013	2012
Checks	9	9
Cash in hand	1	7
Bank balances	975	578
Total	**985**	**594**

As in 2012, all items under cash and cash equivalents are due within three months calculated from the date of acquisition.

15 Securities

In accordance with IAS 39, current securities are classified as available for sale and recognized at fair value.

16 Trade accounts receivable

in EUR million	2013	2012
Trade accounts receivable (third parties)	2,723	2,511
Allowances on receivables	−96	−103
Trade accounts receivable, net	**2,627**	**2,408**
Trade accounts receivable	2,723	2,511
– of which, as of the balance sheet date, neither written down nor overdue	2,450	2,199
– of which, as of the balance sheet date, not written down but overdue as follows:	90	109
less than 1 month	66	79
between 1 month and 3 months	9	17
more than 3 months	15	13

The changes in allowances for trade accounts receivable (loans and receivables category) were as follows:

in EUR million	2013	2012
Balance at 01/01	**103**	**103**
Exchange rate differences	– 4	0
Change in basis of consolidation	3	–
Additions	24	21
Utilization	8	12
Reversals	22	9
Balance at 12/31	**96**	**103**

As regards trade accounts receivable that were neither written down nor in default, there were no indications as of the balance sheet date that the debtors would not meet their payment obligations. Additionally, a Group average of more than one-third of trade accounts receivable is insured by the companies concerned. Furthermore, security has been provided for some trade accounts receivable in the form of guarantees, land charges, mortgages and collateral securities.

The net figure for trade accounts receivable shown in the balance sheet, at EUR 2,627 million (2012: EUR 2,408 million), includes an amount of EUR 335 million (2012: EUR 340 million) that was offset against the gross amount of EUR 2,962 million (2012: EUR 2,748 million) recognized for trade accounts receivable (see also Note 23).

Trade accounts receivable include an amount of EUR 0.1 million (2012: EUR 0.1 million) that is due for payment in more than one year.

17 Other current assets

in EUR million	2013	2012
Other tax receivables and receivables from employees	183	169
Other receivables (third parties)	127	103
Prepaid expenses	25	24
Current derivative financial instruments (Note 30)	18	2
Other receivables from non-consolidated affiliated companies	1	1
Allowances on other current assets	– 2	– 6
Total	**352**	**293**

18 Inventories

in EUR million	2013	2012
Finished goods and merchandise	916	856
Work in progress	28	31
Raw materials, consumables, and supplies	293	284
Spare parts	60	59
Advance payments	3	5
Total	**1,300**	**1,235**

The write-down recognized in the year under review was EUR 111 million (2012: EUR 105 million). The spare parts comprise components for home appliances. As in 2012, no inventories were pledged as collateral.

Cost of sales includes inventories recognized as expenses of EUR 5,034 million (2012: EUR 4,722 million).

19 Non-current financial assets

Non-current financial assets included the following:

in EUR million	2013	2012
Financial assets	979	894
Other non-current assets	30	18
Total	**1,009**	**912**

Non-current financial assets primarily comprise available-for-sale securities.

As in 2012, no impairment losses were recognized for loans in this category and there were no overdue loans.

20 Property, plant and equipment and investment property

The statement of changes in non-current assets (see Annex I) shows a breakdown of the property, plant and equipment items and investment property aggregated on the face of the balance sheet, together with the changes in these items in the year under review.

As a result of the economic situation in some countries, impairment losses amounting to EUR 41 million (2012: EUR 11 million) were recognized on the basis of value in use; these impairment losses related primarily to a subsidiary in Russia (Segment SR I). The figure for 2012 related primarily to subsidiaries in Greece (Segment SR II) and China (Segment SR III).

No impairment losses on property, plant and equipment from prior years were reversed for the financial year (2012: EUR 11 million).

Property, plant and equipment includes the following carrying amounts for finance leases under which BSH is the lessee:

- Land and buildings: EUR 12 million (2012: EUR 0 million)
- Technical equipment and machinery: EUR 1 million (2012: EUR 0 million)
- Other equipment, operating and office equipment: EUR 1 million (2012: EUR 1 million)

The finance leases pertain primarily to a production building of the Zelmer Group, which was acquired during the year (see Notes 3 and 31).

As of the balance sheet date, obligations incurred in connection with the acquisition of property, plant and equipment amounted to EUR 62 million (2012: EUR 21 million). As in 2012, there were no restraints on the utilization of property, plant and equipment in the year under review. No government grants were deducted from new additions in the year under review (2012: EUR 17 million).

Borrowing costs of EUR 0.2 million (2012: EUR 0.6 million) were capitalized for qualifying assets.

The carrying amount of investment property was EUR 9 million (2012: EUR 0 million), compared to a fair value of EUR 9 million (2012: EUR 0 million). Fair value was determined by an independent appraiser using a form of income capitalization approach (*Ertragswertverfahren*) based essentially on input factors from level 2 of the fair value hierarchy under IFRS 13. The current use constitutes the highest and best possible use of the properties. Rental income from investment property was recognized in the amount of EUR 2 million (2012: EUR 0 million). This income was countered by directly attributable expenses of EUR 1 million (2012: EUR 0 million). There were only minor reclassifications between investment property and property, plant and equipment.

21 Intangible assets

Please refer to the statement of changes in non-current assets (Annex I) for information on changes in intangible assets.

Additions under this item included the costs of purchased software, tool licenses, industrial and similar rights, brand names, customer bases, and similar assets. A material item included in intangible assets is goodwill of EUR 162 million (2012: EUR 167 million). EUR 112 million of this figure (2012: EUR 140 million) relates to the Group's Turkish subsidiary. There was an addition of EUR 23 million to goodwill during the year from the acquisition of Zelmer S.A. (see Note 3).

Due to the improving economic outlook, a reversal of EUR 2 million (2012: EUR 1 million) in an impairment loss on a brand name at the Group's subsidiary in the USA (Segment SR III) was recognized during the year.

All goodwill items recognized in the consolidated balance sheet and assigned to cash generating units were tested for impairment. As in 2012, no impairment was recognized.

As in 2012, there were no restraints on the utilization of intangible assets in the year under review.

22 Current and non-current financial liabilities

Current and non-current financial liabilities primarily comprise liabilities to banks and bonds.

The financial liabilities have the following remaining periods to repayment:

in EUR million	2013	2012
Up to 1 year	246	146
1 – 5 years	1,058	652
More than 5 years	225	165
Total	**1,529**	**963**

Financial liabilities due within one year are reported as current financial liabilities; financial liabilities due in more than one year are classified as non-current financial liabilities.

The following table shows the contractually agreed (undiscounted) interest and redemption payments for primary financial liabilities and the derivative financial instruments with negative fair value:

in EUR million	Carrying amount 12/31/2013	2014	2015	2016	2017	2018	› 2018
Bonds	882	119	55	108	111	60	540
Liabilities to banks	647	155	157	100	98	93	82
Other financial liabilities	121	121	0	–	–	–	–
Finance lease liabilities	13	2	2	2	1	1	10
Derivative financial instruments	9	8	0	2	–	–	–

in EUR million	Carrying amount 12/31/2012	2013	2014	2015	2016	2017	› 2017
Bonds	390	12	115	46	100	103	72
Liabilities to banks	573	152	98	125	68	65	103
Other financial liabilities	167	149	5	4	3	2	3
Derivative financial instruments	11	12	6	0	2	–	–

In November 2013, BSH placed a bond issue in over-the-counter trading on the Frankfurt Stock Exchange, having a volume of EUR 500 million and maturing on November 13, 2020.

23 Trade accounts payable

Trade accounts payable are recognized at the higher of their nominal amount and settlement amount; trade accounts payable with a remaining term of more than one year amount to EUR 2 million (2012: EUR 0 million).

The net figure of EUR 1,317 million shown for trade receivables in the balance sheet (2012: EUR 1,202 million) includes an amount of EUR 335 million (2012: EUR 340 million) that was off-set against the gross amount of trade liabilities of EUR 1,652 million (2012: EUR 1,542 million) (see also Note 16).

24 Other liabilities and provisions (current)

The items for other current liabilities and current provisions break down as follows:

in EUR million	2013	2012
Accrued liabilities	809	704
Advance payments received	73	82
Other tax liabilities	69	74
Notes payable	64	70
Current derivative financial instruments (Note 30)	8	9
Deferred income	5	6
Finance lease liabilities (Note 31)	1	1
Miscellaneous other liabilities	157	129
Other current liabilities	**1,186**	**1,075**
Provisions for tax	22	36
Other provisions	443	391
Other current provisions	**465**	**427**

The statement of changes in provisions (Note 25) gives details of changes in other current provisions.

25 Other liabilities and provisions (non-current)

The following table shows the breakdown of other non-current liabilities and other non-current provisions:

in EUR million	2013	2012
Non-current derivative financial instruments (Note 30)	1	2
Finance lease liabilities (Note 31)	12	0
Miscellaneous other liabilities	18	20
Other non-current liabilities	**31**	**22**
Provisions for tax	128	120
Other provisions	390	306
Other non-current provisions	**518**	**426**

The following table shows the changes in other provisions, both current and non-current:

in EUR million	Tax provisions	Provisions for personnel and employee benefit obligations	Provisions in relation to sales	Miscellaneous other provisions	Total
Balance at 01/01/2013	**156**	**171**	**368**	**158**	**853**
Foreign currency translation	– 1	0	– 16	– 2	**– 19**
Change in basis of consolidation	4	0	2	1	**7**
Utilization	27	48	201	38	**314**
Reversals	7	31	25	13	**76**
Additions	25	44	374	83	**526**
Interest cost (unwind of discount)	0	3	3	0	**6**
Reclassifications	0	0	0	0	**0**
Balance at 12/31/2013	**150**	**139**	**505**	**189**	**983**
Current portion of provisions	22	56	287	100	**465**
Non-current portion of provisions	128	83	218	89	**518**

The reclassifications are shown in the item for accrued liabilities (Note 24).

Non-current provisions predominantly cover a period of up to five years.

For provisions in relation to sales, there are refund claims, EUR 2 million of which are included in other current assets.

The provisions for personnel and employee benefit obligations include for the most part obligations related to partial retirement, employee long-service awards, the collective pay agreement (ERA) adjustment fund, and performance-related arrangements. The sales-related provisions primarily comprise provisions for general and extended warranty obligations.

Other provisions include provisions to cover obligations under guarantees, contractual agreements in Germany and abroad, environmental protection, and other risks.

The reversal in provisions related to personnel and employee benefit obligations is primarily associated with the completion of investigations of sales and distribution matters.

The increase in provisions in relation to sales results primarily from the voluntary safety measures for dishwashers and the adjustment of provisions for field actions begun previously in this connection in other countries (see Note 8).

Provisions have been formed for pending legal disputes on the scale deemed necessary to cover claims that may arise. Although the Group essentially considers the asserted claims unjustified, liabilities over and above this amount cannot be ruled out completely.

Provisions were set up in the amounts deemed necessary at this time for the study and analysis of further sales and distribution matters in countries other than Germany (see Note 8).

26 Provisions for pensions and other post-retirement benefits

26.1 Defined benefit plans

BSH has obligations under a Company pension plan for employees in Germany. This plan largely involves the payment of lump-sum benefits or a recurring pension and/or individual fixed amounts. For employees in other countries (including the United Kingdom, Switzerland, Sweden, Belgium, and Norway), the benefits mainly depend on the number of years of service and the salary received immediately prior to retirement. The post-retirement benefits granted in the other countries are lump-sum payments.

The obligation under defined benefit plans is measured annually using the projected unit credit method or approximations.

The Group has applied Standard IAS 19 (revised 2011) as of January 1, 2013. The changes relevant to the Group as a result of the change to IAS 19 (revised 2011) are as follows: Net interest income to be recognized in the income statement is determined on the basis of the net pension obligation. This means that implicitly, an expected return on plan assets is measured after allowing for a potential limitation in the amount of the discount rate (AA bonds), which is to be applied uniformly. Additionally, from now on the past service cost will be recognized in profit or loss in the period in which it is incurred. The past service cost that applied at the beginning of 2013 and had not yet been realized was recognized outside profit or loss, in retained earnings. The change to IAS 19 (revised 2011) also resulted in an adjustment of the pension obligation in some countries. These adjustments include the treatment of employee contributions in Switzerland and the recognition of taxes in Sweden, Belgium, and Luxembourg. The above changes as a result of IAS 19 (revised 2011) have no material effect on the consolidated financial statements. The prior-year figures have been restated accordingly. Since the change to IAS 19 (revised 2011), expressed in millions of euros, had no effect on the consolidated financial statements of BSH, it was decided that no disclosure of the information required under IAS 8 was needed.

In Germany, the Group has introduced several defined-benefit pension plans over the years, some of which have been terminated or rolled over to new plans. A large share of beneficiaries is already drawing benefits from these pension plans. In general, defined-benefit pension plans in Germany are subject to the terms of the Company Pensions Act (*Betriebsrentengesetz, BetrAVG*) and of labor law. The pension plan in which new employees are included is a defined-contribution plan. This means that an annual contribution is provided for each potential beneficiary. This amount is converted to a component of principal, and is credited to an individual pension account. In the event of retirement, disability, or death, the credit balance in the pension account is disbursed. Here the employee can choose between various payout options such as lump-sum, installment, or pension payments. Measurement takes the different payout options into account on the basis of probabilities that are derived from past values and reviewed at regular intervals. The post-retirement benefits from defined-benefit pension plans are financed mainly by the recognition of pension provisions; part of the obligation is funded through an employee trust.

A substantial portion of this trust's assets are invested in a fund. The Board of Directors of the employee trust in Germany is informed regularly about the fund's current activities. The investment policy is decided by the asset manager, subject to the prescribed guidelines. At the Investment Committee meetings, which are prescribed by law, the members of the Investment Committee (the management of BSH Bosch und Siemens Altersfürsorge GmbH, representatives of BSH Bosch und Siemens Hausgeräte GmbH, and the chairman of the Group Works Committee) are informed about the performance and the future investment strategy, and provide appropriate recommendations to the asset manager.

In the United Kingdom, there is a defined-benefit pension plan, contingent on final salary, that has been set up for new employees. The legal context is set by UK pension law and the UK pensions regulator, which also prescribe a minimum endowment obligation. The responsibilities of the trustee board include the endowment of the plan and defining the contributions and investment strategy. These pursue the goal of keeping volatility in funding levels as low as possible.

Under the Swiss Federal Act on Company Retirement, Survivors' and Disability Benefits (*Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge, BVG*), each employer in Switzerland is required by law to insure its employees under a defined-contribution pension plan that provides for a guaranteed return. The law also sets a minimum endowment. The contributions are paid into a pension fund, and converted to a benefit. The pension fund is responsible for the investment strategy.

The Group's defined-benefit pension plans are subject to risks that result from possible changes in actuarial assumptions (the risk of changes in asset value, risk of changes in interest rates) and longevity. A low discount rate results in higher pension obligations, which in turn may lead to a higher fund endowment. If the return is lower than expected, the funding level will deteriorate, and it may be necessary to pay higher contributions into the fund assets. With regard to longevity, there are risks for plans that ensure lifelong pension payments, such that benefits during the retirement phase are paid out over a longer time than was assumed in the mortality tables, and therefore the calculated scope of the obligation may be too low from today's vantage point.

About 88% of the DBO pension obligations are in Germany, and 4% each are in the UK and Switzerland. The following tables therefore break the figures down between Germany and other countries.

The breakdown of pension obligation funding is as follows:

	Germany	Other countries	Germany	Other countries
in EUR million	2013	2013	2012	2012
Present value of unfunded pension obligations	60	49	57	57
Present value of funded pension obligations	1,076	111	1,063	122
External plan assets	– 64	– 112	– 67	– 105
Funding balance	**1,072**	**48**	**1,053**	**74**
Effect of asset limitation (IAS 19.64)	–	0	–	0
Net pension obligation	**1,072**	**48**	**1,053**	**74**
Capitalized assets	–	11	–	–
Pension provisions	**1,072**	**59**	**1,053**	**74**

In Israel, the assets of fund-financed benefit obligations was reduced by EUR 0.1 million (2012: EUR 0.3 million) in accordance with IAS 19.64 (revised 2011).

The fully funded pension plan in the UK had surplus coverage of EUR 11 million as of the reporting date. For that reason, an asset for the same amount was recognized.

The pension provisions changed as follows in the course of 2013:

	Germany	Other countries	Germany	Other countries
in EUR million	2013	2013	2012	2012
Brought forward	1,053	74	821	65
Exchange rate differences	–	– 6	–	2
Transfer values	0	–	– 1	–
Obligations assumed in business combination	–	1	–	–
Pension and lump-sum amounts paid by the Company	– 43	– 7	– 42	– 12
Employer contribution to external funds	–	– 7	–	– 6
Reversal (–)/Addition (+)	72	12	71	16
Amount recognized in OCI	– 10	– 19	204	9
Net pension obligation	**1,072**	**48**	**1,053**	**74**
Capitalized assets	–	11	–	–
Pension provisions	**1,072**	**59**	**1,053**	**74**

The pension obligations that were assumed in Poland as a result of the acquisition of the Zelmer companies are recognized as “obligations assumed in business combination.” In addition, benefits from pension plans in Indonesia were recognized for the first time in the pension provisions.

The pension expense recognized in the statement of comprehensive income and in other comprehensive income breaks down as follows:

	Germany	Other countries	Germany	Other countries
in EUR million	2013	2013	2012	2012
Current service cost	36	7	28	7
Net interest, of which	36	4	43	3
Interest expense	*38*	*7*	*46*	*7*
Interest income	*– 2*	*– 3*	*– 3*	*– 4*
Past service cost	–	0	–	1
Expense (+)/income (–) from plan settlement	–	1	–	5
Net investment-related administrative costs paid by the plan	–	0	–	0
Effect of asset limitation (IAS 19.64)	–	0	–	–
Expense (+)/income (–) reported in income statement	**72**	**12**	**71**	**16**
Earnings of plan assets (other than interest income)	1	– 3	0	– 4
Actuarial losses (+)/gains (–) from experience-based adjustments	1	– 2	1	0
Actuarial gains (+)/losses (–) from changes in financial assumptions	13	– 11	203	11
Actuarial gains (+)/losses (–) from changes in demographic assumptions	– 25	– 3	–	2
Expense (+)/income (–) from revaluations recognized in OCI	**– 10**	**– 19**	**204**	**9**
Total expense (+)/total income (–) recognized in income statement or other comprehensive income	**62**	**– 7**	**275**	**25**

Current service costs are recognized by function; the net interest is shown within net finance income/cost. The current service cost also includes contributions in connection with deferred compensation in Germany. In 2013, these contributions amounted to EUR 3 million (2012: EUR 2 million). The interest income includes interest income from reimbursement rights in Germany and the interest on the effects of asset limitation in Israel. Closing out a pension plan in Greece resulted in an expense of EUR 1 million. The expense or income recognized under “other income/expense,” which leads to a reduction or increase in equity, as the case may be, results primarily from the change in the discount rate (financial assumption) and the revision of the final funding age for the segment above the collectively bargained benefits in Germany (demographic assumption).

The reconciliation of the present value of pension obligations is as follows:

	Germany	Other countries	Germany	Other countries
in EUR million	2013	2013	2012	2012
Present value of pension obligations at beginning of year	1,120	179	891	157
Current service cost	36	7	28	7
Interest expense	38	7	46	7
Employee contributions	–	1	–	1
Actuarial gain (–)/loss (+)	– 10	– 16	204	13
Exchange rate effects	–	– 8	–	3
Total amount of pensions and lump sums paid	– 48	– 12	– 48	– 15
Past service cost	–	0	–	1
Transfer values	0	0	– 1	–
Obligations assumed in business combination	0	1	–	–
Effects of plan settlement	–	1	–	5
Present value of pension obligations at end of year	**1,136**	**160**	**1,120**	**179**

The present value of pension obligations can be broken down as follows by beneficiary:

	Germany	Other countries	Germany	Other countries
in EUR million	2013	2013	2012	2012
Present value of pension obligations for active employees	517	105	509	129
Present value of pension obligations of former employees with non-vested entitlements	89	24	86	26
Present value of pension obligations for recipients of benefits	530	31	525	24
Total present value of pension obligations	**1,136**	**160**	**1,120**	**179**

The calculation of the pension obligations and pension expense was based on the following assumptions:

	Germany	Other countries	Germany	Other countries
Values in %	2013	2013	2012	2012
Discount rate (DBO)	3.4	4.3	3.5	3.9
Pension inflation	1.8	1.6	1.8	1.6

The measurement assumptions used for countries outside Germany are weighted averages.

The discount rate for the euro zone is determined from a yield curve taking high quality corporate bonds as a basis.

In Germany, the 2005G Heubeck tables were used as the biometric basis for the calculations. Employee turnover probabilities were estimated for specific age groups and genders.

The following table shows the impact of potential changes in the material actuarial assumptions on the pension obligations in Germany.

The sensitivity calculations revised only the particular assumption indicated; all other actuarial assumptions were left unchanged. Due to the plan structures in Germany, changes in salary trends play only a secondary role, because the pension obligation for most pension plans does not depend on future salary changes.

Possible correlations between individual assumptions were not taken into account. The listed sensitivities are not necessarily representative of changes in the scope of obligations because in many cases the change in an assumption will automatically entail a change in another assumption.

	Germany
in EUR million	2013
Present value of pension obligations	1,136
Present value of pension obligations assuming	
– 0.5% increase in discount rate	1,073
– 0.5% decrease in discount rate	1,205
– 0.25% rise in future pension increases	1,156
– 0.25% decline in future pension increases	1,115
– 1 year increase in life expectancy	1,164

The duration of pension obligations in Germany is approximately 12 years (2012: 12 years). In the UK it is approximately 18 years (2012: 22 years) and in Switzerland it is approximately 16 years (2012: 16 years). The reduction of duration in the United Kingdom results from the assumption, made for the first time in 2013, that beneficiaries will have the maximum possible portion of their benefits paid out in cash at retirement.

The reported plan assets break down as follows:

	Germany		Other countries		Germany		Other countries	
	2013		2013		2012		2012	
	in EUR million	in %	in EUR million	in %	in EUR million	in %	in EUR million	in %
Cash and cash equivalents	1	1.6	9	8.0	1	1.5	7	6.7
Equities and similar securities	13	20.3	47	42.0	7	10.4	40	38.1
Bonds	31	48.4	37	33.1	36	53.7	39	37.1
Real estate	4	6.3	9	8.0	3	4.5	9	8.6
Other assets	15	23.4	10	8.9	20	29.9	10	9.5
Total	**64**	**100.0**	**112**	**100.0**	**67**	**100.0**	**105**	**100.0**

In Germany, the plan assets are recognized at the market price quoted on an active market, except for the figures listed under “real estate” and “other assets.” The bonds are both corporate and government bonds. The portion of plan assets in Germany recognized as “other assets” is invested in the fund entities of the employee trust. These assets largely comprised pension trust (employee trust) receivables due from BSH-D. As of December 31, 2013, the receivables stood at EUR 15 million (2011: EUR 20 million). “Real estate” includes real estate leased to BSH companies. This value is recognized at the estimated market value, and was EUR 4 million at December 31, 2013 (2012: EUR 3 million).

A total of 54% (2012: 52%) of plan assets in other countries were situated in the United Kingdom and 35% (2012: 37%) in Switzerland. Plan assets in the United Kingdom are held by a trust independent of the Company. Plan assets in Switzerland are invested in a pension fund.

Plan assets for Switzerland include real estate in the amount of EUR 8 million (2012: EUR 9 million) that has no market price quoted on an active market.

The reconciliation of the fair value of the plan assets is as follows:

	Germany	Other countries	Germany	Other countries
in EUR million	2013	2013	2012	2012
Fair value of plan assets at beginning of year	67	105	69	92
Interest income	2	3	3	4
Earnings of plan assets (other than interest income)	0	3	–	4
Exchange rate effects	–	–2	–	1
Employer contributions to external pension funds	–	6	–	6
Employee contributions to external pension funds	–	1	–	1
Amounts of pension and lump sums paid by external funds	–5	–4	–5	–3
Fair value of plan assets at end of year	**64**	**112**	**67**	**105**

In essence, an investment strategy is pursued with the objective of making payments from the covered pension plan when due, keeping funding constant, and generating an adequate return.

Reimbursement rights in Germany result from reinsurance that was taken out to hedge pension obligations. The market value of the reinsurance policies was EUR 4 million at the end of 2013 (EUR 3 million at the end of 2012). Actual earnings from external plan assets came to EUR 2 million (2012: EUR 3 million) in Germany and EUR 6 million (2012: EUR 8 million) in other countries.

For 2014, contributions paid to external funds are expected to total around EUR 4 million and direct pension payments around EUR 46 million.

26.2 Defined contribution plans

In 2013, the Company made contributions of EUR 117 million (2012: EUR 110 million) to defined contribution plans (employer contributions to statutory pension insurance).

26.3 Other long-term benefits to employees

Other long-term benefits to employees still exist in some countries. These include items such as obligations under partial retirement agreements and long-service award commitments. The scope of these obligations amounted to approximately EUR 92 million (2012: EUR 84 million) at the end of 2013.

The reclassification of benefits for partial retirement resulted in a change in the measurement method, leading to a reduction of EUR 1 million outside profit or loss. As a result of the immaterial effects from the transition to IAS 19 (revised 2011), BSH has decided to forgo disclosing the information required under IAS 8. As of the 2013 balance sheet date, securities with a value of EUR 21 million (2012: EUR 19 million) were pledged as security for claims under partial retirement agreements.

27 Equity

The consolidated statement of changes in equity shows the changes in the BSH Group's equity and its components.

Retained earnings and reserves include the income earned in the past by the companies included in the consolidated financial statements, insofar as they have not been paid as dividends, and other recognized gains and losses. The development of retained earnings was due to dividend distributions to shareholders as well as to a lower consolidated net profit compared with 2012. Regarding the allocation of the unappropriated profit of BSH-D as of December 31, 2013, the Board of Management is proposing a dividend distribution of EUR 154 million.

The differences resulting from the translation of the financial statements of subsidiaries outside Germany are reported under the currency translation reserve in other comprehensive income.

The reserve for available-for-sale financial assets includes the measurement gains or losses on securities, net of deferred tax.

The reserve for derivative financial instruments in connection with cash flow hedges includes the measurement gains or losses on derivatives, net of deferred tax, to the extent that these relate to the effective portion of the hedging relationship.

In accordance with IAS 19 (revised 2011), the “actuarial gains/losses” item comprises actuarial gains and losses on pension provisions (net of deferred tax) recognized directly in equity.

The paid-in capital and the net profit for the year generated by the sales companies whose shares are held by Robert Bosch GmbH or Siemens AG are shown in the balance sheet under “non-controlling interests.” This item also includes the minority interests in the equity of BSH Ev Aletleri Sanayi ve Ticaret A. Ş., Istanbul, BSH Home Appliances Saudi Arabia LLC, Jeddah, and Constructa-Neff Vertriebs-GmbH, Munich, including the portion of profit or loss attributable to the minority shareholders.

BSH is not subject to any statutory requirements on minimum capital adequacy. As part of its normal business activities, the Group maintains a reasonable equity ratio. In managing its business, BSH is guided by an economic value added (EVA) system that is based primarily on EBIT and business assets. The objective of its capital and financial management is to maintain the Group’s external long-term rating, which, as in 2012, Standard & Poor’s rated “A” with a stable outlook.

28 Notes to the statement of cash flows

The statement of cash flows reports how the BSH Group’s cash and cash equivalents changed in the course of the year under review as a result of cash inflows and outflows. In accordance with IAS 7, “Statement of Cash Flows,” a distinction is made between cash flows from operating, investing, and financing activities.

The statement of cash flows is determined using the indirect method starting from the profit after tax. The cash flows from operating activities are determined after applying adjustments for non-cash income and expenses, primarily depreciation and amortization, and after taking into account any changes in working capital. Investing activities comprise additions to non-current assets and the purchase or sale of securities, as well as the acquisition of subsidiaries. Cash flows from financing activities show cash inflows and outflows from the drawdown or repayment of financial liabilities and from dividends.

The cash and cash equivalents reported in the statement of cash flows comprise cash on hand, checks, and bank balances, provided they are available within three months. The effect of exchange rate changes on cash and cash equivalents and the effect of changes in the basis of consolidation are reported separately. The changes in the balance sheet items reported in the statement of cash flows cannot be directly reconciled to the balance sheet statement because they have been adjusted for exchange rate effects. The exception to this is the figure for cash and cash equivalents.

29 Segment reporting

in EUR million	SR I		SR II		SR III		**Total reportable segments**		Other		Reconciliation		**Group**	
	2013	2012	2013	2012	2013	2012	**2013**	**2012**	2013	2012	2013	2012	**2013**	**2012**
Revenue	3,211	3,193	3,347	3,234	3,410	3,004	**9,968**	**9,431**	540	369	0	0	**10,508**	**9,800**
Cost of sales	2,091	2,092	2,074	2,040	2,095	1,959	**6,260**	**6,091**	393	257	– 113	– 220	**6,540**	**6,128**
EBIT	202	273	231	215	323	200	**756**	**688**	– 247	– 5	0	0	**509**	**683**
Total assets[1]	1,163	1,106	762	827	1,393	1,323	**3,318**	**3,256**	146	218	5,278	4,391	**8,742**	**7,865**
Capital expenditure[2]	123	132	95	115	140	151	**358**	**398**	19	23	0	0	**377**	**421**
Depreciation and amortization[3]	110	99	84	86	125	113	**319**	**298**	17	17	0	0	**336**	**315**
Non-cash items	38	– 13	40	– 13	41	– 12	**119**	**– 38**	6	– 2	0	0	**125**	**–40**

1) Business assets are shown here for the segments.
2) Investments in property, plant and equipment, and intangible assets (excluding goodwill).
3) Depreciation of property, plant and equipment, and amortization of intangible assets.

29.1 Bases

The segment reporting follows the requirements of IFRS 8, using the management approach. This means that the segment reporting is based on the Company's internal reporting to its principal decision makers, and contains the information that is submitted to these decision makers in regular reports and used by them in order to allocate resources to the individual segments of the group. The principal decision maker of the BSH Group is defined as the joint Board of Management of BSH.

The BSH Group is managed on the basis of economic value added (EVA) as the value-oriented key performance figure. In operating terms, this figure is based on EBIT (earnings before interest and tax) and the business assets of the individual segments.

EBIT is defined as the segment's external revenue less directly attributable costs and indirectly allocated overheads. This corresponds to the profit or loss before tax shown in the consolidated statement of income, before application of the net total of finance income and costs.

The segments' business assets correspond to the capital employed for which the cost of capital must be earned from business operations. In determining business assets, the consolidated assets are corrected for certain line items in order to reconcile with the assets available for operations (which are expected to earn a return), as well as to ensure comparability in options for the structuring of financing and risk coverage.

The BSH Board of Management manages the Company's business on the basis of both sales regions and product areas, in a matrix organization. In accordance with the fundamental principle under IFRS 8, BSH management has defined the sales regions as the Company's reportable operating segments. Since the product portfolio is comparable among all regions, the focus is on management by regional market potential.

In accordance with the presentation in the Group's internal reporting, Sales Regions SR I, SR II, and SR III are reported separately as segments, while other activities are aggregated under "Other":

- **Sales region I (SR I)**
  The SR I sales region comprises sales responsibility for Germany, Austria, Ukraine, Poland, Romania, Russia, Hungary, the Czech Republic, Slovenia, Croatia, Serbia, and Bulgaria.

- **Sales region II (SR II)**
  The SR II sales region comprises the sales responsibility for Belgium, France, Greece, the United Kingdom, Israel, Italy, Finland, Sweden, Norway, Denmark, Portugal, Spain (including Morocco), Switzerland, the Netherlands, Luxembourg, Latvia, Lithuania, Estonia, and South Africa.

- **Sales region III (SR III)**
  The SR III sales region comprises the sales responsibility for Hong Kong, Singapore, Thailand, Taiwan, India, Indonesia, Australia, New Zealand, Malaysia, Korea, China, the USA, Canada, and Turkey.

- **Other**
  The "Other" category includes, among other items, the Electronic Systems, Drives Product Division, the sale of finished products and components to commercial and factory customers, portions of sales of the Consumer Products Product Division, the financial holding company in Austria, the special fund, and other immaterial companies outside the sales regions described above, together with items that are not allocated to the operating companies. As of 2013, this segment also includes the companies of the Zelmer Group, except for the assets, investments, and depreciation or amortization that are associated with these companies but contained in the sales regions.

29.2 Segment information

Unless indicated otherwise below, segment data is calculated on the basis of the accounting policies applied in the consolidated financial statements.

The sales regions' revenue is revenue from sales transactions for large and small home appliances, together with vacuuming and hot-water appliances and customer service provided (2013 revenue: white goods: EUR 8,822 million (2012: EUR 8,398 million), other: EUR 1,686 million (2012: EUR 1,402 million)). These figures substantially correspond to the revenue shown in the consolidated statement of income.

Cost of sales represents the cost shown in internal reporting that is directly attributable to revenue, and also includes certain cost items that are not included in the cost of sales under IFRSs (e.g., installation costs, cost of customer-service workshops; see the reconciliation column (EUR 113 million)).

The non-cash items primarily comprise changes in provisions, non-cash income from the sale of non-current assets, effects of currency translation outside profit or loss, and other components of other comprehensive income.

Intra-Group transactions are normally conducted at arm's length transfer prices. Only external revenue is reported to the Board of Management.

29.3 Additional disclosures on the reconciliation of business assets

The Group's assets can be reconciled as follows with the business assets of the reportable segments:

in EUR million	2013	2012
Business assets of reportable segments	3,318	3,256
Business assets of "Other" segment	146	218
Total business assets	**3,464**	**3,474**
Deductible capital items (non-interest-bearing liabilities and provisions)	3,560	3,202
Financial adjustments	– 351	– 343
Items not allocated to segments (cash pool, special fund, deferred tax assets, other)	2,069	1,532
Total reconciling items	**5,278**	**4,391**
Group assets	**8,742**	**7,865**

Business assets primarily include current and non-current assets less the total of non-interest-bearing liabilities (e.g., trade accounts payable) and provisions (deductible capital items).

Finance adjustments include corrections for uncapitalized assets (e.g., leases and rental agreements), as well as certain financing transactions for which BSH has assumed the risk (recourse factoring, contingent liabilities).

Business assets also do not include the cash pool and the special fund, the resulting liabilities, or deferred tax assets or liabilities.

The Group's liabilities can be reconciled as follows with the business assets of the reportable segments:

in EUR million	2013	2012
Business assets of reportable segments	3,318	3,256
Business assets of "Other" segment	146	218
Total business assets	**3,464**	**3,474**
Asset items in business assets	– 6,672	– 6,332
Financial adjustments	– 351	– 343
Items not allocated to segments (liabilities of cash pool and special fund, deferred tax liabilities, other)	– 2,686	– 2,085
Total reconciling items	**– 9,709**	**– 8,760**
Group liabilities	**– 6,245**	**– 5,286**

29.4 Information about geographical areas

Revenue breaks down by customer domicile as follows:

in EUR million	2013	2012
Germany	2,174	2,151
China	1,556	1,246
Other countries	6,778	6,403
Total	**10,508**	**9,800**

Revenue generated with third parties is recognized in the geographical market where the revenue is realized. No single customer accounted for more than 10% of revenue.

Non-current assets:

in EUR million	2013	2012
Germany	585	561
China	356	363
Turkey	306	380
Other countries	759	695
Total	**2,006**	**1,999**

Non-current assets are allocated to the geographical market as defined by the company's domicile, irrespective of segment structure. Financial instruments and deferred tax assets are not taken into account in calculating non-current assets.

30 Financial instruments

In the BSH Group, financial instruments are generally classified as "loans and receivables" or as "available for sale." Non-derivative financial liabilities are assigned to other financial liabilities. Derivative financial instruments are used to hedge future cash flows. Derivative financial instruments not qualifying for hedge accounting are classified as "held for trading." Purchases or sales of financial instruments are accounted for on the transaction date.

Net gains/losses by category

in EUR million	2013	2012
Loans and receivables	– 7	18
Available-for-sale financial assets	15	32
Financial assets and financial liabilities at fair value through profit or loss	34	– 53
Financial liabilities carried at amortized cost	– 65	– 53

The net gains and losses from the loans and receivables category include changes in write-downs, gains and losses on derecognition, payments received, exchange rate gains and losses, and reversals of impairment losses on impaired or derecognized loans and receivables.

Net gains and losses on the disposal of available-for-sale financial assets comprise gains and losses on the derecognition of available-for-sale financial assets and interest income from these financial instruments. See the consolidated statement of changes in equity for disclosures on the amount of unrealized gains and losses on the disposal of available-for-sale financial instruments recognized directly in equity during the financial year, and the amount that was removed from equity and recognized in profit or loss during the year.

The net gains or losses on financial assets and liabilities at fair value through profit or loss include not only the effects of changes in fair value, but also interest expense or income from these financial instruments.

The net expense from financial liabilities measured at amortized cost is made up of interest expenses and currency gains and losses.

The information required under IFRS 7.20 (b) is provided in Note 9, "Finance income and finance cost." Information on impairment losses, as required by IFRS 7.20 (e), is contained, where necessary, in the explanatory notes on items within the balance sheet and income statement.

Carrying amounts and fair values by category

in EUR million	Measurement categories per IAS 39	12/31/2013 Carrying amount	12/31/2013 Fair value	12/31/2012 Carrying amount	12/31/2012 Fair value
ASSETS					
Cash and cash equivalents	n.a.[1]	985	985	594	594
Trade accounts receivable	LaR	2,627	2,627	2,408	2,408
Other financial receivables	LaR	99	99	77	77
Available-for-sale financial assets	AfS	1,011	1,011	938	938
Derivative financial assets not qualifying for hedge accounting	FAHfT	18	18	2	2
Derivative financial assets (hedge accounting)	n.a.[1]	0	0	0	0
Financial assets with embedded derivatives	FVTPL	0	0	3	3
LIABILITIES					
Trade accounts payable	FLAC	1,317	1,317	1,202	1,202
Bonds	FLAC	882	858	390	378
Liabilities to banks	FLAC	647	661	573	601
Other financial liabilities	FLAC	121	121	167	167
Finance lease liabilities	n.a.[1]	13	13	1	1
Derivative financial liabilities not qualifying for hedge accounting	FLHfT	8	8	11	11
Derivative financial liabilities (hedge accounting)	n.a.[1]	1	1	0	0
Of which aggregated by measurement category					
Loans and receivables	LaR	2,726	2,726	2,485	2,485
Available-for-sale financial assets	AfS	1,011	1,011	938	938
Financial assets at fair value through profit or loss	FAHfT	18	18	2	2
Financial liabilities carried at amortized cost	FLAC	2,967	2,957	2,331	2,347
Financial liabilities at fair value through profit or loss	FLHfT	8	8	11	11
Financial assets at fair value through profit or loss	FVTPL	0	0	3	3
Reconciliation to balance sheet					
– Other non-financial receivables		311	311	305	305
(included in other current and non-current assets and current recoverable income taxes)					
– Other non-financial liabilities		1,103	1,103	944	944
(included in other current and non-current liabilities and current income tax liabilities)					

LaR	Loans and receivables
AfS	Available-for-sale financial assets
FAHfT	Financial assets held for trading
FLAC	Financial liabilities measured at amortized cost
FLHfT	Financial liabilities held for trading
FVTPL	Fair value through profit or loss

[1] not applicable.

Financial instruments measured at fair value on the balance sheet
The following overview shows the allocation of the financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy:

Level 1:
Measurement using quoted market prices observable in an active market for identical assets or liabilities.

Level 2:
Measurement of assets or liabilities using inputs for similar financial instruments that do not fall under level 1. In this case, fair value can be determined either directly (e.g., quoted prices) or indirectly (e.g., derivation of quoted prices).

Level 3:
This category covers all financial instruments that cannot be classified under level 1 or level 2 because no observable inputs are available. In this case, special valuation techniques must be used to determine the fair value of assets and liabilities.

in EUR million				**12/31/2013**
	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value				
Derivative financial assets	–	18	–	**18**
Financial assets at fair value through profit or loss	0	–	–	**0**
Available-for-sale financial assets	1,011	–	–	**1,011**
Total	**1,011**	**18**	**–**	**1,029**
Financial liabilities measured at fair value				
Derivative financial liabilities	–	9	–	**9**
Total	**–**	**9**	**–**	**9**

in EUR million				**12/31/2012**
	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value				
Derivative financial assets	–	2	–	**2**
Financial assets at fair value through profit or loss	3	–	–	**3**
Available-for-sale financial assets	938	–	–	**938**
Total	**941**	**2**	**–**	**943**
Financial liabilities measured at fair value				
Derivative financial liabilities	–	11	–	**11**
Total	**–**	**11**	**–**	**11**

There were no reclassifications between level 1 and level 2 in the year under review.

For financial assets and liabilities not recognized at market value, the following allocation to the three levels of the fair value hierarchy results for determining the fair values provided in the notes:

in EUR million				12/31/2013
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	985	–	–	985
Total financial assets	**985**	**–**	**–**	**985**
Liabilities measured at amortized cost				
Bonds	–	858	–	858
Liabilities to banks	–	661	–	661
Finance lease liabilities	–	–	13	13
Total financial liabilities	**–**	**1,519**	**13**	**1,532**

in EUR million				12/31/2012
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	594	–	–	594
Total financial assets	**594**	**–**	**–**	**594**
Liabilities measured at amortized cost				
Bonds	–	378	–	378
Liabilities to banks	–	601	–	601
Finance lease liabilities	–	–	1	1
Total financial liabilities	**–**	**979**	**1**	**980**

30.1 Non-derivative financial instruments

Available-for-sale financial instruments
Available-for-sale financial instruments are always reported at fair value. The fair value is generally the market value. If there is no active market, fair value is determined using a generally accepted valuation technique.

Investments in non-consolidated subsidiaries and associates
Shares in non-consolidated subsidiaries and associates are always reported at cost; impairment losses are recognized where appropriate. There is no active market for these companies and fair value therefore cannot be reliably determined with reasonable time and effort.

Loans/receivables and financial liabilities
Loans and receivables, and financial liabilities, are measured at amortized cost using the effective interest method, provided they are not related to hedges. In particular, these are:

- Trade receivables and trade payables
- Liabilities to banks
- Bonds
- Other financial assets and liabilities.

The amortized cost is calculated as the amount at which a financial asset or a financial liability was measured on initial recognition, less any principal repayments, reductions for impairment or uncollectibility, and net of the premium/discount. The premium/discount is allocated using the effective interest rate method over the life of the financial asset or liability.

For current receivables and liabilities, amortized cost equals the principal amount or the settlement amount, respectively.

Because of the Company's customer structure, there is no substantial concentration of credit risk in reported receivables, nor is disclosure required.

30.2 Derivative financial instruments

Hedging policy and financial derivatives
The activities of BSH are also impacted by such risks as fluctuations in exchange rates and interest rates. It is the aim of the Company's business policies to limit these risks with hedging measures. Hedging transactions are entered into exclusively with first-rate national and international banks.

To avoid an accumulation of counterparty risk, a limit is imposed on transactions with each contract partner. These limits are reviewed continuously on the basis of the banks' current credit default swaps.

Binding internal rules and guidelines provide firm guidance on permitted actions and responsibilities for hedging, especially the hedging relationship with operating business and financial investment or financing transactions. BSH does not use derivative financial instruments for speculative purposes.

The Group employs a treasury control monitor and a value contribution monitor for liquidity management and currency management. These information systems are used to support the identification and assessment of liquidity and currency risks throughout the Group for the next 12 months, based on planned cash flow. These activities are subject to compliance with the minimum hedging rates stipulated in the Company's financial guidelines, and take into account the strategy laid down by the Treasury Committee, which meets regularly under the chairmanship of a member of the Board of Management.

If cash flow hedge accounting is applied, changes in the fair value of derivative financial instruments are recognized in equity as part of accumulated other comprehensive income. If cash flow hedge accounting cannot be applied, the changes in fair value are recognized in the income statement.

Currency risk

As a basis for controlling its exposure to currency risks, BSH primarily uses a Group-wide cash flow reporting system, differentiated by currency; the subsidiaries outside Germany prepare rolling monthly reports on their liquidity planning for headquarters.

Most of the hedging instruments used are forward exchange contracts; options are used in some cases. To monitor the risks from financial derivatives, hedges are marked to market on each bank working day; this valuation, plus additional information such as exchange rate gains or losses and foreign currency risks, is available to the employees concerned and to the relevant managers.

The nominal volumes of the reported derivatives represent the total of purchase and selling amounts on which the hedges are based.

	Nominal volumes				Fair value	
in EUR million	2013		2012		2013	2012
Maturity	Up to 1 year	1 – 5 years	Up to 1 year	1 – 5 years		
Derivatives with positive fair values						
– Foreign currency derivatives not qualifying for hedge accounting						
Currency forwards	680	–	202	–	15	1
Currency options	29	–	18	–	0	0
Other foreign currency derivatives	144	5	–	–	0	–
– Interest rate and other derivatives not qualifying for hedge accounting						
Other interest rate derivatives	102	–	22	–	1	0
Share-based derivatives and options	65	–	7	–	2	1
– Foreign currency derivatives, hedge accounting						
Currency forwards	19	20	44	–	0	0
Derivatives with negative fair values						
– Foreign currency derivatives not qualifying for hedge accounting						
Currency forwards	651	–	337	45	6	8
Currency options	31	–	–	–	0	–
Other foreign currency derivatives	17	29	–	46	2	2
– Interest rate and other derivatives not qualifying for hedge accounting						
Other interest rate derivatives	65	–	5	–	0	0
Share-based derivatives and options	2	–	27	–	0	1
– Foreign currency derivatives, hedge accounting						
Currency forwards	81	–	16	–	1	0

The fair values disclosed in the above list were determined on the basis of information available on the balance sheet date. They represent the settlement amounts (redemption values) of the financial derivatives. Redemption values are calculated on the basis of quoted prices and standardized procedures. A netting approach limits default risk on derivative financial instruments to the total of positive and negative market values for a given contract partner.

Changes in the fair value of financial instruments from the hedging of planned transactions and available-for-sale financial instruments are recognized in other comprehensive income under other recognized gains and losses. As of December 31, 2013, EUR 36 million (2012: EUR 33 million) was included in other comprehensive income after the deduction of deferred tax. As of the balance sheet date, the cash flow hedges – expressed in whole millions of euros – had no effect on equity after deduction of deferred tax (2012: EUR 0 million). In the course of the year under review, BSH sold currency derivatives subject to hedge accounting. This resulted in the recognition of a net income amount of EUR 2 million (2012: net expense of EUR 4 million) under other operating income/expense. As in 2012, no gains or losses were recognized from the remeasurement of ineffective cash flow hedges for 2013.

Fluctuations in market prices can create significant risks for the BSH Group. Changes in exchange rates, interest rates, and share prices affect operating activities worldwide, as well as investing and financing activities. To represent these risks, IFRSs require sensitivity analyses which indicate the effects of hypothetical changes in relevant risk variables on profit or loss and equity. The effects on the period concerned are determined by relating the hypothetical changes in the risk variables to the portfolio of financial instruments as of the reporting date. This assumes that the portfolio as of the reporting date is representative of the full year.

BSH has implemented a sensitivity-analysis-based system based on various risk analysis and risk management techniques. The sensitivity analysis approximately quantifies the risk that can occur under the given assumptions if particular parameters are changed to a defined extent. The risk assessment here assumes:

- a parallel 10% decrease/increase in the exchange rate of the Russian ruble (RUB) against the euro
- a parallel 10% decrease/increase in the exchange rate of the pound sterling (GBP) against the euro
- a parallel 10% decrease/increase in the exchange rate of the Turkish lira (TRY) against the euro
- a parallel 10% decrease/increase in the exchange rate of the Chinese renminbi (CNY) against the euro
- a parallel shift of 100 basis points (1 percentage point) in the yield curves for all currencies
- a 10% rise or fall in the share prices of all listed investments classified as available-for-sale financial assets.

The potential economic effects of this analysis represent estimates. They are based on the assumption that the market changes implicit in the sensitivity analysis will materialize. Actual global market trends may cause the actual effects on the consolidated income statement to differ significantly from these estimates.

More than half of BSH's subsidiaries are located outside the euro zone. As the Group's reporting currency is the euro, the Company translates the financial statements of these companies into euros. In order to address translation-related currency effects in risk management, BSH applies the assumption that investments in foreign companies are in all cases long-term in nature, and the returns are continuously reinvested.

Translation-related effects that occur when the value of net assets translated into euros changes because of exchange rate fluctuations are recognized in other comprehensive income in the BSH consolidated financial statements; they are not included in the sensitivity analysis.

	Foreign currency risks (revaluation)							
	+10%				−10%			
in EUR million	12/31/2013		12/31/2012		12/31/2013		12/31/2012	
	Effect on income	Effect on equity	Effect on income	Effect on equity	Effect on income	Effect on equity	Effect on income	Effect on equity
Russian ruble (RUB)	−2	–	3	–	2	–	−3	–
Pound sterling (GBP)	−2	−7	−1	−4	2	7	2	4
Turkish lira (TRY)	0	–	0	–	0	–	0	–
Chinese Renminbi (CNY)	1	–	0	–	−1	–	0	–
Total effect before tax	**−3**	**−7**	**2**	**−4**	**3**	**7**	**−1**	**4**

Interest rate risk

In order to determine interest rate risk, BSH simulates a flat-rate 1% increase or cut in interest rates. The changes in interest expense or income thus derive from the nominal volumes concerned. Changes in the fair values of fixed-income securities and derivatives that react to interest rates are determined by calculating the basis point value (1% = 100 BP).

	Interest rate risk							
	+1%				−1%			
in EUR million	12/31/2013		12/31/2012		12/31/2013		12/31/2012	
	Effect on income	Effect on equity	Effect on income	Effect on equity	Effect on income	Effect on equity	Effect on income	Effect on equity
Total effect before tax	**14**	**16**	**5**	**0**	**−14**	**−16**	**−5**	**0**

Commodity price risks

Group-wide hedging may be necessary at times to counter fluctuations in commodity prices and the resulting risks to earnings. So far as is possible, this hedging is performed via contractual agreements with suppliers. During 2013 the Group also used ETCs (exchange traded commodities) to hedge commodity price risks.

Other price risks

To determine other price risks, BSH simulates a 10% flat-rate increase or reduction in share prices, with the result that share prices or the corresponding share price indexes (relating to the mutual funds invested in equity funds or relating to the index futures concerned) are shown as being 10% higher or lower.

	Other price risks							
	+10%				−10%			
in EUR million	12/31/2013		12/31/2012		12/31/2013		12/31/2012	
	Effect on income	Effect on equity	Effect on income	Effect on equity	Effect on income	Effect on equity	Effect on income	Effect on equity
Total effect before tax	**6**	**18**	**4**	**11**	**−6**	**−18**	**−3**	**−11**

Credit and liquidity risks

The liquidity risk for the Company consists in the hypothetical possibility that the Company might be unable to meet its financial liabilities, for example to repay financial liabilities or to pay for purchase commitments. BSH limits this risk by maintaining its own good rating through effective central cash management and global access to lines of credit provided by banks. A significant portion of the external bank loans has been taken out with long terms, thus obviating short-term liquidity risks from repayment obligations. To supplement the above liquidity management tools, BSH continuously pursues funding opportunities presented by the financial markets. In addition, the Group monitors trends in the availability and cost of funding. A major objective is to safeguard BSH’s financial flexibility and to limit unreasonable financing risks.

No defaults in connection with financial investments subject to credit risk had been identified as of the reporting date.

The maximum credit risk is represented by the carrying amounts of financial assets reported on the face of the balance sheet.

31 Leases

Future minimum lease payments under finance leases and their reconciliation to the present value of lease payments recognized under “other liabilities” is shown in the following table:

in EUR million	2013	2012
Future minimum lease payments		
Less than 1 year	2	1
1 – 5 years	6	0
More than 5 years	10	0
Total	**18**	**1**
Interest component of future minimum lease payments		
Less than 1 year	1	0
1 – 5 years	2	0
More than 5 years	2	0
Total	**5**	**0**
Present value of future minimum lease payments		
Less than 1 year	1	1
1 – 5 years	4	0
More than 5 years	8	0
Total	**13**	**1**

The finance leases pertain primarily to a production building of the Zelmer Group, which was acquired during the year (see Notes 3 and 20).

The breakdown of future minimum lease payments under non-cancelable leases is as follows:

Maturity (in EUR million)	2013	2012
Less than 1 year	95	80
1 – 5 years	224	222
More than 5 years	61	81
Total	**380**	**383**

The minimum lease payments relate primarily to rents paid for real estate. Under rental agreements and leases, minimum lease payments of EUR 109 million (2012: EUR 103 million) and sublease payments of EUR 3 million (2012: EUR 6 million) were recognized in the income statement in 2013.

The part of a property that the pension trust (employee trust) of BSH-D had sold to an investor in 2007 was leased back in part in 2008 by the investor to a BSH Group company for a period of ten years, with an option to extend twice by a period of five years. The remainder of the real estate still owned by the employee trust has been leased to BSH companies under longer-term leases.

32 Contingent liabilities and other financial commitments

No provisions have been set up for the following contingent liabilities and other financial commitments, recognized at their nominal values, because it is not deemed probable that the risk will occur.

in EUR million	2013	2012
Guarantees and letters of comfort	3	3
Liabilities from the issuing of notes	2	2
Other contingent liabilities	1	11
Total	**6**	**16**

Other contingent liabilities of EUR 10 million to foreign tax authorities were recognized in the prior year (2013: EUR 0 million).

33 Related party disclosures

The following companies or persons are related parties for BSH-D under IAS 24:

- Robert Bosch GmbH, Stuttgart, Germany
- Siemens AG, Munich and Berlin, Germany
- Companies directly or indirectly controlled by BSH-D
- Other consolidated and non-consolidated affiliated companies of the Robert Bosch Group and the Siemens Group
- Members of the Board of Management or the Supervisory Board
- Members of the Board of Management, the Managing Board, or the Supervisory Board of Robert Bosch GmbH or Siemens AG
- Companies in which Robert Bosch GmbH, Siemens AG, or members of management hold a significant portion of voting rights.

Transactions with these related parties are conducted on an arm's length basis. The goods and services bought from related parties primarily include production supplies and sales services, as well as a small volume of training and other services. The goods and services supplied to related parties primarily involve the sale of home appliances.

in EUR million	2013		2012	
	Robert Bosch Group	Siemens Group	Robert Bosch Group	Siemens Group
Receivables	0	0	0	0
Liabilities	3	2	2	4
Revenue	1	0	2	0

As of the balance sheet date there were liabilities of EUR 15 million to unconsolidated affiliated companies (2012: EUR 20 million). Most of these were to BSH Bosch und Siemens Hausgeräte Altersfürsorge GmbH, Munich (see Note 26).

34 Remuneration of members of the Board of Management and the Supervisory Board

The remuneration paid to the Supervisory Board amounted to EUR 0.1 million (2012: EUR 0.1 million); remuneration to the Board of Management amounted to EUR 4.7 million (2012: EUR 3.8 million). Former members of the Board of Management and their surviving dependents received payments of EUR 4.5 million (2012: EUR 3.7 million), including pensions and transitional payments. These amounts include benefits from the termination of employment relationships. As of December 31, 2013, provisions amounting to EUR 21.6 million (2012: EUR 21.7 million) were recognized for pensions and benefit entitlements for these persons.

During 2013, as in 2012, there were no loans to members of the Board of Management or the Supervisory Board. The members of the Board of Management and the Supervisory Board are listed in the annexes.

35 Auditor fees and services in accordance with section 314 HGB

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, was paid the following fees for services performed during the year under review:

in EUR million	2013	2012
a) Financial statements auditing services	0.4	0.4
b) Other attestation services	0.5	0.6
c) Tax consultancy services	0.0	0.0
d) Other services	0.2	0.1
Total	**1.1**	**1.1**

Item a) comprises the fees for the statutory audits of annual financial statements for the German companies and the audit of the consolidated financial statements of BSH for the year ended December 31, 2013.

Item b) comprises for the most part the fees for the auditor's review of interim financial statements for the periods ending June 30, 2013, and September 30, 2013, as well as attestation services in connection with various projects and expenses occasioned by segment reporting.

Item c) comprises a very small number of tax consultancy services.

Item d) comprises for the most part services associated with an IT project.

36 Events after the reporting date

There were no known events after the reporting date that might have had a material influence on the Group's net assets, financial position, and results of operations.

Munich, March 18, 2014

BSH Bosch und Siemens Hausgeräte GmbH
The Board of Management

Annex I
Statement of Changes in Non-Current Assets
January 1 to December 31, 2013

		Acquisition and manufacturing costs						
in EUR million	Note	01/01/2013	Foreign currency movements	Additions	Disposals	Reclassifi-cations	Change in basis of consolidation	12/31/2013
I. Property, plant and equipment	20							
Land and buildings		971	–38	19	6	16	17	979
Investment property		0	0	0	0	0	10	10
Technical equipment and machinery		1,660	–57	67	74	75	9	1,680
Other equipment, operating and office equipment		1,569	–40	101	133	44	14	1,555
Assets under construction		146	–3	119	3	–103	2	158
Advance payments on property, plant and equipment		69	–4	53	0	–32	1	87
		4,415	**–142**	**359**	**216**	**0**	**53**	**4,469**
II. Intangible assets	21							
Purchased intangible assets								
Patents, licenses, brand names, customer bases, etc. (excl. software)		62	–2	0	1	0	63	122
Software		101	0	10	2	1	6	116
Goodwill		173	–30	0	0	0	23	166
Advance payments on intangible assets		7	1	5	0	–1	0	12
		343	**–31**	**15**	**3**	**0**	**92**	**416**
Internally generated intangible assets								
Software		44	0	1	0	0	0	45
Development expenditure		4	0	0	0	0	0	4
Intangible assets being created		4	0	2	0	0	0	6
		52	**0**	**3**	**0**	**0**	**0**	**55**
		4,810	**–173**	**377**	**219**	**0**	**145**	**4,940**

[1]) Included are impairment losses on property, plant and equipment of EUR 41 million (primarily in Segment SR I).
[2]) Included in Segment SR III.

	Depreciation, amortization, and impairment								Carrying amounts
	01/01/2013	Foreign currency movements	Current year[1]	Disposals	Reclassifications	Reversals[2]	Changes in basis of consolidation	12/31/2013	12/31/2013
	409	−10	53	5	1	0	0	448	**531**
	0	0	1	0	0	0	0	1	**9**
	1,120	−36	144	60	7	0	4	1,179	**501**
	1,133	−24	155	123	−5	0	6	1,142	**413**
	4	0	1	0	−3	0	0	2	**156**
	0	0	0	0	0	0	0	0	**87**
	2,666	**−70**	**354**	**188**	**0**	**0**	**10**	**2,772**	**1,697**
	27	−2	7	1	0	2	0	29	**93**
	79	0	11	2	0	0	3	91	**25**
	6	−2	0	0	0	0	0	4	**162**
	0	0	0	0	0	0	0	0	**12**
	112	**−4**	**18**	**3**	**0**	**2**	**3**	**124**	**292**
	31	0	4	0	0	0	0	35	**10**
	2	0	1	0	0	0	0	3	**1**
	0	0	0	0	0	0	0	0	**6**
	33	**0**	**5**	**0**	**0**	**0**	**0**	**38**	**17**
	2,811	**−74**	**377**	**191**	**0**	**2**	**13**	**2,934**	**2,006**

Annex I
Statement of Changes in Non-Current Assets
January 1 to December 31, 2012

		Acquisition and manufacturing costs					
in EUR million	Note	01/01/2012	Foreign currency movements	Additions	Disposals	Reclassifi-cations	12/31/2012
I. Property, plant and equipment	20						
Land and buildings		884	3	52	54	86	971
Technical equipment and machinery		1,634	9	73	137	81	1,660
Other equipment, operating and office equipment		1,475	7	117	99	69	1,569
Assets under construction		200	3	113	1	– 169	146
Advance payments on property, plant and equipment		93	1	48	2	– 71	69
		4,286	**23**	**403**	**293**	**– 4**	**4,415**
II. Intangible assets	21						
Purchased intangible assets							
Patents, licenses, brand names, customer bases, etc. (excl. software)		73	0	2	17	4	62
Software		86	1	12	1	3	101
Goodwill		166	6	1	0	0	173
Advance payments on intangible assets		7	0	3	0	– 3	7
		332	**7**	**18**	**18**	**4**	**343**
Internally generated intangible assets							
Software		45	– 1	0	0	0	44
Development expenditure		6	1	0	3	0	4
Intangible assets being created		3	0	1	0	0	4
		54	**0**	**1**	**3**	**0**	**52**
		4,672	**30**	**422**	**314**	**0**	**4,810**

[1]) Included are impairment losses on property, plant and equipment of EUR 11 million (primarily in Segments SR II and SR III).
[2]) Included in Segment SR III and “Other”.

Depreciation, amortization, and impairment							Carrying amounts
01/01/2012	Foreign currency movements	Current year[1]	Disposals	Reclassifi-cations	Reversals[2]	12/31/2012	12/31/2012
425	1	35	46	0	6	409	**562**
1,131	6	122	133	– 2	4	1,120	**540**
1,070	4	151	93	2	1	1,133	**436**
5	0	0	1	0	0	4	**142**
0	0	0	0	0	0	0	**69**
2,631	**11**	**308**	**273**	**0**	**11**	**2,666**	**1,749**
42	0	3	17	0	1	27	**35**
70	0	10	1	0	0	79	**22**
6	0	0	0	0	0	6	**167**
0	0	0	0	0	0	0	**7**
118	**0**	**13**	**18**	**0**	**1**	**112**	**231**
27	0	4	0	0	0	31	**13**
4	0	1	3	0	0	2	**2**
0	0	0	0	0	0	0	**4**
31	**0**	**5**	**3**	**0**	**0**	**33**	**19**
2,780	**11**	**326**	**294**	**0**	**12**	**2,811**	**1,999**

Annex II
Shareholdings of BSH Bosch und Siemens Hausgeräte GmbH as of December 31, 2013

	Shareholding %
Companies included in the consolidated financial statements as specified by IAS 27.12	
Germany	
Constructa-Neff Vertriebs-GmbH, Munich	50
Neff GmbH, Munich [1]	100
BSH Hausgeräte Service GmbH, Munich	100
BSH Hausgerätewerk Nauen GmbH, Nauen [1]	100
BSH Hausgeräte Service Nauen GmbH, Nauen [1]	100
Gaggenau Hausgeräte GmbH, Munich	100
BSH Vermögensverwaltungs-GmbH, Munich	100
BSH Hausgeräte Vertriebs GmbH, Munich	100
Europe	
BSH Home Appliances S.A., Brussels	100
BSH Domakinski Uredi Bulgaria EOOD, Sofia	100
BSH Hvidevarer A/S, Ballerup	100
BSH Kodinkoneet Oy, Helsinki	100
BSH Electroménager S.A.S., Saint Ouen	100
Gaggenau Industrie S.A.S., Lipsheim	100
BSH Ikiakes Syskeves A.B.E., Athens	100
BSH Home Appliances Limited, Milton Keynes	100
BSH Elettrodomestici S.p.A., Milan	100
BSH kucanski uredaji d.o.o. za usluge, Zagreb	100
BSH electroménagers S.A., Senningerberg	100
BSH Huishoudapparaten B.V., Amsterdam	100
BSH Husholdningsapparater A/S, Oslo	100
BSH Hausgeräte Gesellschaft mbH, Vienna	100
BSH Finance and Holding GmbH, Vienna	100
BSH Sprzet Gospodarstwa Domowego Sp.z o.o., Warsaw	100
Zelmer S.A., Rzeszow	100
Zelmer PRO Sp. z o.o., Rzeszow	100
REMZEL, Rzeszow	96.75
BSHP Electrodomésticos, S.U., Lda., Carnaxide	100
BSH Electrocasnice S.R.L., Bucharest	100
Zelmer South Europe SRL, Bucharest	100
OOO BSH Bytowaja Technika, Moscow	100
OOO BSH Bytovye Pribory, St. Petersburg	100
Zelmer Russia O.O.O., Moscow	100
BSH Home Appliances AB, Stockholm	100
BSH Hausgeräte AG, Geroldswil	100
BSH KUCNI APARATI d.o.o. Beograd, Beograd	100
BSH Drives and Pumps s.r.o., Michalovce	100
Zelmer Slovakia s.r.o., Bidowetz	100
BSH Hišni Aparati d.o.o., Nazarje	100
BSH Electrodomésticos España, S.A., Huarte	100
BSH domácí spotřebiče s.r.o., Prague	100
Zelmer Central Europe s.r.o., Ostrava	100
BSH Ev Aletleri Sanayi ve Ticaret A.Ş., Istanbul	99.28
TOV BSH Pobutova Technika, Kiev	100
Zelmer Ukraina T.B.O., Kiev	100
MBT Trade T.B.O., Kiev	100
BSH Háztartási Készülék Kereskedelmi Kft., Budapest	100
Zelmer Magyarorszag K.f.t., Budapest	100
SDA SUPPLY Ltd., Larnaca	100

	Shareholding %
North America	
BSH Home Appliances Ltd./Électroménagers BSH Ltée, Mississauga	100
BSH Home Appliances Corporation, Irvine/New Bern	100
South America	
BSH Electrodomésticos S.A., Buenos Aires	100
BSH Participações Ltda., São Paulo	100
BSH Electrodomésticos S.A.C., Callao-Lima	100
Briky S.A., Montevideo	100
Asia/Oceania	
BSH Home Appliances Pty. Ltd., Heatherton, Victoria	100
BSH Home Appliances Holding (China) Co., Ltd., Nanjing	100
BSH Home Appliances Co., Ltd., Chuzhou	100
BSH Home Appliances Service Jiangsu Co., Ltd., Nanjing	100
BSH Home Appliances (China) Co., Ltd., Nanjing	100
BSH Electrical Appliances (Jiangsu) Co., Ltd., Nanjing	100
BSH Electrical Appliances (Anhui) Co., Ltd., Chuzhou	100
BSW Household Appliances Co., Ltd., Wuxi	100
BSH Home Appliances Ltd., Hong Kong	100
BSH Home Appliances Private Limited, Mumbai	100
BSH Household Appliances Manufacturing Private Limited, Mumbai	100
PT BSH Home Appliances, West Jakarta	100
BSH Home Appliances Ltd., Tel Aviv	100
Zelmer Kazachstan Sp. z o.o., Almaty	100
BSH Home Appliances Sdn. Bhd., Kuala Lumpur	100
BSH Home Appliances Ltd., Auckland	100
BSH Home Appliances Saudi Arabia LLC, Jeddah	51
BSH Home Appliances Pte. Ltd., Singapore	100
BSH Home Appliances Limited, Yongin-City	100
BSH Home Appliances Private Limited, Taipei	100
BSH Home Appliances Ltd., Bangkok	100
BSH Home Appliances Manufacturing Ltd., Kabinburi	100
BSH Home Appliances FZE, Dubai	100
BSH Home Appliances Trading LLC, Dubai	100
Africa	
BSH Electroménagers (SA), Casablanca	100
BSH Home Appliances (Pty) Ltd., Johannesburg	100
Companies included in the consolidated financial statements in accordance with IAS 27.13 (b)	
Robert Bosch Hausgeräte GmbH, Munich	–
Siemens-Electrogeräte GmbH, Munich	–
Constructa GmbH, Munich	–
Companies not included in the consolidated financial statements as specified in IAS 27.13	
BSH Bosch und Siemens Hausgeräte Altersfürsorge GmbH, Munich	100
Companies not included in the consolidated financial statements due to immateriality	
BSH I.D. Invalidska družba d.o.o., Nazarje	100
BSH Home Appliances Sarl, Tunis	100
Plus two subsidiaries without business operations	
Profilo Elektrogeräte-Vertriebsgesellschaft mbH, Munich	100
BSH Home Appliances Trading Co., Ltd., Shanghai	100

1) These companies make use in part of the exemption under section 264 (3) HGB

Independent Auditors' Report

We have audited the consolidated financial statements prepared by BSH Bosch und Siemens Hausgeräte GmbH, Munich, comprising the balance sheet, the income statement and statement of comprehensive income, the cash flow statement, the statement of changes in equity and the Notes to the consolidated financial statements, and management report for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and group management report according to the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a (1) HGB (German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

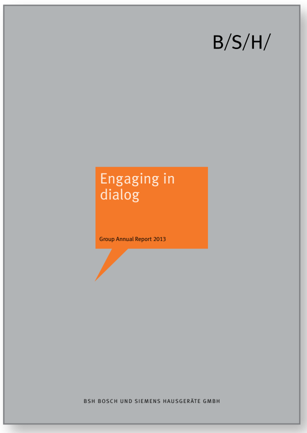
Our audit has not led to any reservations.

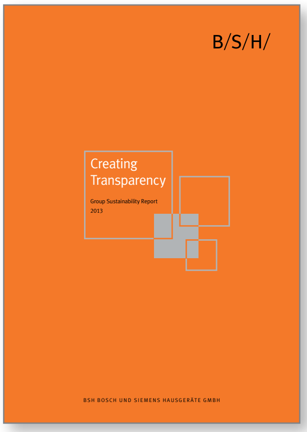
In our opinion, based on the findings of our audit, the consolidated financial statements of BSH Bosch und Siemens Hausgeräte GmbH, Munich, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Munich, March 20, 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Plendl)	(Prosig)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)





Engaging in dialog. Maximizing transparency.

In a networked world, dialog and transparency are more important than ever. We can only offer consumers the best solutions when we really understand their needs. That's why we make extensive use of our communications channels to provide consumers with every important aspect of information or service – before, during, and after a sale. Transparency and openness in our dialog with our stakeholders is an essential component of our sustainable corporate strategy. Our Annual Report and Sustainability Report show how we keep up that dialog.

Both reports are available as PDFs at http://publications.bsh-group.com. The Annual Report is also available as an iPad app from the App Store.

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• Sustainability Report 2013
• BSH at a Glance 2014

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| BSH Worldwide

Plants:
- Cooking
- Refrigeration/Freezing
- Dishwashing
- Laundry/Drying
- Consumer Products
- Motors, Pumps

- Corporate headquarters
- Subsidiaries/Sites

Summary of Past Performance

in EUR million	2013	2012	2011	2010	2009	2008	2007	2006
Revenue	**10,508**	9,800	9,654	9,073	8,405	8,758	8,818	8,308
Year-to-year change (%)	7.2	1.5	6.4	7.9	−4.0	−0.7	6.1	13.2
Percentage of international revenue	79.3	78.1	78.6	79.0	78.1	79.9	80.5	78.1
Employees	**49.9**	46.9	45.6	42.8	39.6	40.3	39.0	38.0
(in thousands at 01.01. of the following year)								
Personnel expenses	**2,195**	2,043	1,893	1,807	1,688	1,646	1,663	1,480
Research and development expenses	**334**	326	298	277	261	258	254	231
As percentage of revenue	3.2	3.3	3.1	3.1	3.1	2.9	2.9	2.8
Capital expenditure on property, plant and equipment and intangible assets*	**377**	421	453	403	294	382	378	358
As percentage of revenue	3.6	4.3	4.7	4.4	3.5	4.4	4.3	4.3
Depreciation, amortization and impairment on property, plant and equipment and intangible assets*	**377**	326	296	298	320	299	257	281
As percentage of capital expenditure	100.0	77.4	65.3	73.9	108.8	78.3	68.0	78.5
Total assets	**8,742**	7,865	7,435	6,901	6,443	6,173	6,276	5,950
Property, plant and equipment, intangible assets, and non-current financial assets	**3,015**	2,911	2,655	2,688	2,496	2,349	2,374	2,259
Inventories	**1,300**	1,235	1,305	1,226	1,032	1,074	1,103	1,019
Trade accounts receivable and other current assets	**3,024**	2,773	2,691	2,199	1,954	2,031	2,053	2,052
Equity	**2,497**	2,579	2,409	2,408	2,535	2,396	2,372	2,057
As percentage of total equity and liabilities	28.6	32.8	32.4	34.9	39.3	38.8	37.8	34.6
Provisions	**2,114**	1,980	1,760	1,857	1,702	1,593	1,673	1,709
EBITDA	**886**	1,009	943	1,052	905	867	949	868
EBIT	**509**	683	647	754	585	568	692	587
Profit before tax	**439**	616	538	691	517	510	637	542
Consolidated net profit	**308**	466	373	465	324	311	411	372

* Excluding goodwill.