B/S/H/

On the Move

Group Annual Report 2014

BSH HAUSGERÄTE GMBH

Key figures

in EUR million	2014	2013
Revenue	**11,389**	**10,508**
Year-to-year change (%)	8.4	7.2
Percentage of international revenue	80.2	79.3
EBITDA*	**1,078**	**889**
EBIT*	**705**	**512**
Profit before tax	**637**	**439**
Consolidated net profit	**447**	**308**
Capital expenditure on property, plant and equipment and intangible assets**	**457**	**377**
As percentage of revenue	4.0	3.6
Depreciation, amortization, and impairment on property, plant and equipment and intangible assets**	**350**	**377**
As percentage of capital expenditure	76.6	100.0
Total assets	**9,147**	**8,742**
Equity	**2,388**	**2,497**
As percentage of total equity and liabilities	26.1	28.6

* 2013 figure shown on comparable basis because of revised definition of EBIT and EBITDA.
** Excluding goodwill.


NEFF


BOSCH


BOSCH


Quiche, Tarte

BSH 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.

Home appliances under the

Main brands

BOSCH
SIEMENS

Special brands

GAGGENAU
NEFF
Thermador
Constructa
viva
ufesa
JUNKER
zelmer

Regional brands

Balay
PITSOS
PROFILO
Coldex

BSH was very much on the move in 2014: toward an even greater consumer orientation, toward an open, more digital culture of innovation, and toward a clear focus on the Group’s individual regions. Dynamic growth in Asia, North America, and Europe yielded record revenue of EUR 11.4 billion and a clear gain in profits. BSH intends to remain on this profitable growth course in 2015.

On the move in Istanbul: BSH is adding digital products and new touchpoints to its appliances and services to adapt to consumers' changing lifestyles.

Adapting in Nanjing: Anyone who wants to have a part in shaping the megatrends of digitization and urbanization has to be alert to regional and cultural differences. BSH is attentively doing just that.

New momentum in Munich: BSH continues to pursue innovation with revolutionary technologies like 3D printing. Products are becoming more customized, and business models are being tailored to consumers' needs.

You can also use your laptop, tablet or smartphone to find out about what keeps us on the move. An online version of the BSH Group Annual Report 2014, with additional videos and photos, is available at *report2014.bsh-group.com*

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Dr. Michael Schöllhorn Johannes Närger Dr. Karsten Ottenberg Matthias Ginthum

Ladies and Gentlemen,

BSH enjoyed a very lively year in 2014, and most importantly, a very successful one. Our revenue passed the EUR 11 billion mark for the first time, even as we improved our EBIT margin to 6.2 percent. This means that amid a demanding environment, we gained significant ground with our ambitious strategy of profitable growth.

A key factor in this success was our dedicated team of employees all over the world. They have a deep understanding of consumers' varying needs in their own regions, and develop and manufacture the right products and services to meet those needs. Our innovative strength is especially clear in our product portfolio. After nearly five years of intensive development work, in September 2014 we presented an entirely new line of ovens at the IFA international trade show for consumer electronics and home appliances in Berlin, to great applause from both dealers and consumers. Our new ovens and dishwashers are the first to be network-capable, and can be controlled away from home using the Home Connect app that we've developed. This year, we'll be introducing additional networked appliances in other product categories to join those ovens and dishwashers on the market. Besides the appliances' digital functions, we'll also be systematically expanding and refining our service capabilities with new solutions and business models to make our consumers' daily lives easier.

Innovation calls for investment. That's why we've been expanding capacity in such countries as Spain, Turkey, and China, so we can meet growing demand there with top quality and reliable deliveries. All this is possible because of our company's strong profitability – a solid foundation for our growth road map and its requisite investments. Our consistently good credit rating underscores BSH's excellent financial stability.

The BSH Board of Management at the 2015 annual press conference: Watch the video at *report2014.bsh-group.com*

Another reason why we are so proud of our strong performance in the last fiscal year is that our growth performance bucked the trend of a relatively weak market in both Europe and the emerging economies. In Western Europe we achieved a significant upswing in spite of the market. The pattern was reinforced with ongoing strong growth in Asia and North America. By comparison, moderate setbacks in Eastern Europe – a reflection of the tense geopolitical situation and currency factors there – had less impact.

BSH began a new chapter in its corporate history in 2014. The takeover of full ownership by Robert Bosch GmbH marked the end of a 47-year joint venture with Siemens AG – and also represented an important step into the future. More than anything, for us the change means that we can maintain our successful record and pursue our ambitious growth strategy with the full support of Robert Bosch, under our new name BSH Hausgeräte GmbH. All signs point to further growth for BSH in 2015.

We want to thank our roughly 53,000 employees worldwide for their achievements and success last year. And we also want to thank our shareholders, governing bodies and business partners for their trust and support. We're looking forward to working with all of you to build an even more successful future at BSH.

Dr. Karsten Ottenberg

Matthias Ginthum

Johannes Närger

Dr. Michael Schöllhorn

On the Move

The world is getting more digital, more mobile, more urban. As a manufacturer of home appliances, it's our job to adapt to people's changing lifestyles, and to help guide the market as it changes. Products tailored to our regions, diverse opportunities for dialog, and new business models are essential for success. And the crucial question is not what's technically feasible, but what offers consumers a tangible, personal benefit in their own homes.

“We’re right on track.”

Bigger revenue, bigger profits, a bigger market share: BSH’s growth strategy, with its insistence on the consumer, yielded an extremely successful fiscal 2014. CEO Dr. Karsten Ottenberg sums things up in an interview – and points out how the new ownership structure will support the company’s approach.

Dr. Ottenberg, BSH added more than eight percent to its revenue last year, and significantly improved its EBIT margin. What was behind that achievement?

Markets are changing very fast worldwide – and we’ve done the same. Even last year, we were already making the most of the resulting opportunities. BSH has taken off the brakes on growth, and now we can put our strengths to even better use. After a lively year of many changes and challenges, we’re right on track with our growth strategy.

What are the strengths you’re relying on?

The special vigor of our brands, the superior customer benefits of our products and services, and of course our outstanding team all around the world. Whether we’re talking about development, production, or service, marketing, sales, or management – our employees’ exceptional dedication and many years of experience in the industry are one of the main drivers of our business. They’ve earned the trust of our consumers and business partners, and they’re what has made our record of success possible.

The new strategy is firmly focused on consumers. What’s your understanding of a consumer focus?

Everything we do starts with thinking about added value for the consumer. What products do consumers need? What features and services will offer them real personal benefits? And at the same time, we always bear in mind that customers’ needs can vary considerably from one region or country or target group to another. We’ve now refined our internal processes to take that even better into account.

In what sense?

To implement our growth strategy, we’ve given the regions a considerably larger voice in designing our product and service portfolio. That’s an important step so we can give even better attention to the different needs on the ground. And to that end, we’ve also needed to invest in research, development, and marketing. For the Indian market, for example, opening our first factory last year was an important milestone. The washing machines we produce there are meant primarily for the Indian market. We plan to expand our development, and production site in Chennai substantially over the next few years.

How did the new strategy affect growth in 2014?

We were quickly able to put our growth plans into concrete action in every region, and we made the most of every opportunity that opened up. The clarity of our strategic focus and our additional investments in products and marketing were important aids here.

“We’ve strategically refined BSH’s successful business model and raised it to a whole new level. BSH has taken off the brakes on growth, and now we can put our strengths to even better use.”

What’s the specific picture for regional growth in 2014?

We bucked the market trend in China to make very substantial gains. That was thanks to our strong brands and some very successful launches of products specifically tailored to that market – such as multi-door refrigerators. We were also very successful in North America, and grew so much in the premium segment that we actually gained market share overall. In Turkey and Russia, we dealt successfully with the challenges of a complex monetary and political environment – in Turkey we continued to gain market share, and in Russia we’re now number one in the appliances sector.

It’s been something of a surprise to see such strong growth in Western Europe even though the market there stagnated as a whole. What’s behind that exceptional picture?

We achieved our goal of competing harder and gaining market share in Europe in 2014 by applying the right programs and resources. The market environment continues to be difficult – especially in Southern Europe – and last year, that got a few vendors into serious trouble. We made the most of the resulting opportunities, which gave us considerably bigger gains in market share than any of our competitors.

How are you focusing the innovation process on the consumer?

Besides making greater allowances for regional differences, new developments in our products pay particular attention to the desire for individualization – our motto isn't "Here's a refrigerator," but "Here's your refrigerator." And of course we also watch out for trends and topics outside our own eco-system of home appliances. After all, social developments and new technologies can also lead to new products or services that could be of use to us as an appliance manufacturer. We're thinking, for example, of exciting fields like robotics and 3D printing. Maybe some day there will be appliances that are specially intended to help take care of seniors. Or maybe there will soon be kitchen appliances that can print out entire meals. For an innovative company like BSH it's important to be open to all kinds of new ideas. If we set a trend today, we always have to keep our eye on how it benefits the customer.

That must also be the case for digitization and networking, which were already hot topics in the industry last year.

They'll continue to be hot topics. After all, our consumers' daily lives have been digital and networked for a long time now. But that doesn't mean we'll be putting touch screens on our washing machines just because we know how. Instead, we'll carefully analyze what consumers really need, and develop solutions that meet those needs and offer genuine benefits.

Home Connect must surely have been a milestone in that context.

We brought out the world's first app that controls different brands of appliances – we put a pace-setting technology on the market and established ourselves as an innovative leader in networked appliances. High security standards and our firm commitment to data privacy have strengthened consumers' confidence in our products and brands. The new generation of ovens we presented at the IFA last September is a solid demonstration of our innovative strength. They have entirely new technologies, they can be networked, and so they offer a great many new services for consumers.

"We develop solutions that meet consumers' needs and offer genuine benefits."

How do intercompany cooperation arrangements play a role in those innovations?

Our first priority is always the consumer. If we see new opportunities that represent a major benefit for our consumers, we'll put them into operation. And in doing that, of course, we're open to cooperation, because only open business models will be able to make the full potential of networked products and services attractive to the consumer. For BSH, that might mean such possibilities as additional brand partnerships for our Home Connect platform – or collaborations to integrate networked appliances into a smart home system, such as the one we launched early this year with Nest and our parent company, Bosch.

While we're on the subject of Bosch – what's the connection between BSH and its owner?

Bosch, as the sole owner of BSH, has been good for us, and provides us with a secure, long-term foundation for implementing our growth strategy. We have a shared understanding of values like reliability and trust. Even as a shareholder, Bosch has been very involved in assisting our company's development, and it also fully supports our strategic reorientation toward faster, profitable growth. As a part of the Bosch Group, BSH will still be able to operate with a great deal of independence. And at the same time, we can learn a lot from each other, and thus make sure that one plus one adds up to more than two.

How can consumers benefit from our cooperation with Bosch?

BSH and Bosch have a lot of common ground in technology. Both of our companies are equally engaged in sensor engineering, robotics, and smart home solutions, and in the future we'll be deriving even greater benefits from those shared interests. For example, the baking sensor in our new line of ovens is essentially a lambda sensor that until now has been used only in automotive technology.

What challenges do you see ahead?

First of all, we need to prove that we can stay on our profitable growth track for the long term. We want to keep growing vigorously in China, India, and North America, and steadily expand our lead in Europe. To accomplish that, we'll be differentiating our brands even more clearly and aligning them with our various consumer groups' different profiles. Even more innovation, a stronger focus on the customer, and an expanded regional portfolio will provide further support for our growth track in 2015. And of course the process of change within BSH is not over. We'll continue to build on our special strengths: our outstanding team, our brands' strength, and the consumer benefits of our products and services.

Istanbul

TURKEY

DILEK-RUYA TURKKAHRAMANI is constantly in movement. In her home town – the megametropolis of Istanbul – and also on the Web. “It goes without saying that I’d get nothing done at all without my smartphone,” she says. Her phone is her organizer, and also her social network. “Despite my responsibilities as a manager and the mother of an eight-year-old daughter, I can stay in touch with friends and relatives thanks to Twitter, Skype, and Instagram.”

Like Turkkahramani, more and more people in Turkey have been taking advantage of the new digital communications channels. The country’s urban lifestyle – 72 percent of its population of more than 80 million lives in cities – has sped up digitization. It’s true that compared to the U.S. digital technology homeland, Turkey still has some catching up to do in terms of Internet connectivity and social media use. But even today, Internet users in Turkey spend more time on Facebook et al. than the Americans do: two and a half hours a day. A new generation of “digital natives” is arising here, and they’ll bring a radical digital change.

Turkkahramani knows all the main facts and figures on her fellow Turks' digital lifestyle. Which is no wonder, because as the Head of Marketing for Customer Service in Istanbul, she's expanding BSH's service network in her region into a highly effective team whose first priority is to digitize consumers' daily lives. That includes setting up new communication channels for repair and maintenance, as well as selling spare parts and accessories online. "Our customers expect to be able to shop anytime, anywhere," Turkkahramani explains.

Turkkahramani and her team have also set up BSH's Turkish brand websites in that same spirit. And it's been a success. Online sales figures are growing by over 50 percent annually. The new touchpoints for direct customer contact are also seeing more and more use – for instance, to book appointments online for maintenance. But shifting all services to a digital focus doesn't in any way mean that contact via classic channels like the telephone or direct

encounters on the sales floor has been wasting away. “We’re a Mediterranean people, communication is everything,” Turkkahramani explains, adding: “If there are several options for communication, we Turks will use them. On every channel.” And another way BSH shows how intently it’s focused on consumers is customer service’s short response times to inquiries, requests, or criticism – whether on Twitter, Facebook, the BSH website, or by telephone.

In terms of digitization, the Turkish marketing team has become a kind of role model within BSH. That’s something Turkkahramani is rightfully proud of. Most of all, though, she’s convinced it’s the only way to stay successful in the future: “It’s important for us to keep in contact with our consumers – it doesn’t matter how. That’s the only way we can grow.”

Consumers on the Move

Controlling the dishwasher by smartphone, leasing a coffeemaker, downloading new laundry programs from the Web – consumers today expect different things from their home appliances than they did just a few years ago. Megatrends like digitization, urbanization and changing work schedules are affecting people's lifestyles all over the world. BSH knows what its consumers want, and is developing solutions that will fit the world of tomorrow.

Who has the best deal on the washing machine I want? Has the dishwasher at home finished its cycle? Do I need to buy coffee beans for the weekend on the way home? Between search and testing portals, networked appliances, and digital shopping lists, today answers to all these questions are just a touch of the screen away. Smartphones – calendar and search engine, gateway to the bank and the social network, music database and bookstore, camera and GPS navigator all rolled into one – have become the control panel for people's digital day.

Digitization, one of the dominant trends of our time, is changing how we live and will thus also play a key role in defining the future of home appliances. New technologies provide the means for new services – a major opportunity for innovations in products and services both. And if you look at the pace of technological change, new technologies also pose a real challenge for appliance manufacturers like BSH. That's because digitization affects not just how we'll be communicating with consumers in the future, but how we'll be presenting our product information and sales channels. And digitization is also opening up a whole world of new possibilities when it comes to using data to improve our products' and services' appeal to consumers. Those are exactly the topics that the team headed by Mario Pieper, Head of Corporate Digital Transition at BSH, is trying to find new solutions for. "Consumers' daily lives are getting more and more digital. Which means that we too have to become more digital – in our products, our services, and our opportunities for dialog," Pieper explains. "And we're not just talking about adding functions. This is about integrating our entire company into the digital world." The logical consequence: new fields of action, new business models, and new value-added partnerships.

Consumers' wish list

Digitization isn't the only megatrend that is changing consumers' lives worldwide and thus affecting the home appliance industry. In the Europe of a few decades ago, housekeeping was still clearly women's work. But today, more and more women have moved out into the job market. Women's and men's career histories are coming to look more and more alike. And the more of the day your job takes up, the less time and effort you want to spend on housework. So consumers' wish list for appliances is headed by performance and ease of use. Plus, the machines should use as little water and power as possible. Using resources efficiently has been a constant

concern for the engineers at BSH. Thanks to innovative technologies, today's home appliances use as much as 70 percent less electricity and water than their equivalents did just 15 years ago.

Everyday products make a statement

The advance of urbanization worldwide also affects how we live together, and thus consumers' behavior in that regard. Cities bring different people and ideas together and create the social leeway for anyone to adopt their own individual approach to life. That's reflected in the changes in people's shopping habits, in different home furnishings, and not least of all, in a growing desire for individualized products. Whether it's running shoes with your own logo, personalized mobile phone covers, or custom granola blends – everyday products are more and more becoming a way of making a statement about one's own lifestyle. And the same goes for home appliances.

That's why the experts at BSH's Strategic Marketing unit have been conducting brand target group studies to find out what customers want and need. A broad survey of more than 30,000 consumers in nine European countries identified customer segments that differ fundamentally in what they want and need from an appliance. "We can appeal selectively through one or another of our brands to each of the customer segments we found," explains Dr. Patrick Riedemann, Head of Consumer Intelligence. "Our multibrand strategy gives us a direct fit with consumers' needs."

Networks on the Move

Exchanging and sharing instead of buying and owning – it's a principle that's spreading around the world. In part, thanks to increasingly well-networked consumers. Sharing knowledge or music is already a well-established phenomenon on the Web. But consumers are also coming more and more to rely on sharing instead of owning for commodity goods as well. The best-known example is car sharing, which not only makes economic sense, but can help solve the growing problem of traffic in large cities.

BSH is also keeping its eye on these networked movements. Increasingly networked homes open up new opportunities for the appliance industry. BSH has been carefully analyzing the demand and potential for new service solutions. Because the opportunities are extensive. For example: a push message on a smartphone could alert someone that at the moment no one is using the shared washing machine downstairs in their apartment house. Mobile pay functions could make coin automats superfluous. "Shared washers" equipped with functions like these could represent a new business model anywhere living space is in especially short supply.

Consumer Insights

To gain a systematic, heightened awareness of consumers for every region, last year BSH significantly expanded its Consumer Intelligence unit. The experts there analyze consumer needs, explore how those needs can be translated into new BSH products, and check out new marketing concepts aimed at particular target groups. But since buying habits vary not just from one consumer to another but between countries as well, individual teams have been set up in the regions as a complement to the work of the global Consumer Intelligence team. In the regions, they apply coordinated study concepts to investigate how consumers live in their own particular markets, and what appliance concepts fit those lifestyles.

Of course the resulting knowledge isn't just left at the regional level – it's gathered centrally and is used to gain a global perspective. In the end, it's the dialog between regions that reveals the real advantages. Innovative concepts can also tap new market opportunities that extend beyond regional borders. Because despite all regional differences, a technology originally developed for the Indian market might also work out very well someplace else.

The studies of brands' target groups are supplemented with consumer surveys in individual product categories to find out what customers want from specific appliances. "There's just no such thing as the 'average' consumer," says marketing specialist Eva Arzmiller. Together with the global Consumer Intelligence team, she was responsible in 2014 for conducting one of BSH's most extensive studies, this time to discover what consumers want from their refrigerators. The survey covered consumers in eight different countries from all over Europe. More than 8,000 responded online. A subgroup of 120 selected respondents were visited at home and interviewed there about their home lives and refrigerators. The results represent a clear rebuff to the notion of the average consumer who wants more features in return for a higher price. Instead, the analysis showed that customers may have similar ideas about price, but expect very different things from a product. For example, two groups of customers

“Digital change isn’t just about adding functions. It’s about integrating our entire company into the digital world.”

Mario Pieper, Head of Corporate Digital Transition

didn’t want to spend a lot on appliances – but one group set a special priority on design, while the other was more interested in how big the refrigerator’s cooling and freezing compartments were. The result: “A more diverse product range has to offer a more clearly distinguished assortment of feature packages,” Arzmiller says. “We’re going to make sure that if a customer spends more money, they don’t just get more features – they’ll get exactly the features they really want.”

Involving the consumer early

The segment and customer studies are examples of how BSH has been focusing on the consumer. “That’s how we can make sure our innovation is driven by the consumer, rather than just being driven by technology,” explains Dr. Gunnar Pautzke, Head of Consumer and Market Intelligence at BSH. Marketing experts, engineers, and designers meet at an early stage of the development process to establish a common understanding of consumers’ expectations. Detailed surveys, numerous workshops, and multidepartmental projects – it all sounds like a lengthy grind. “But that doesn’t conflict with fast development at all. Endless rounds of trial and error are a lot more complicated and expensive,” Pautzke explains. “The earlier we involve consumers, the sooner we’ll find the right way to get through to them. Bottom line, that even saves time.”

Driven by the various megatrends, consumers’ lives are changing all over the world. Markets, focusing on the consumer, are themselves also becoming a focus of attention worldwide. Or as digitization expert Pieper puts it: “Digitization is global, but the consumer is local.” So BSH has been strengthening the relevant structures in its various regions, and has long made a practice of surveying its consumers about products and services, about new ideas, and also about aspects of criticism. That enables it to make the right choice from among the broad range of possibilities.

The BSH Data Trust Report will tell you all about trends and requirements in the field of networked home appliances. More at *report2014.bsh-group.com*

Nanjing

CHINA

For **YUPENG WANG**, Chinese cuisine is a significant matter. “Cooking and eating are at the very heart of our culture. You can see that just from the diversity of our cuisine – from the light, fresh cooking of the Huaiyang region to the spicy dishes of Sichuan or the hearty foods of Shandong Province.”

“But one thing every Chinese cook shares is a passion for preparation,” Wang says. “It’s a combination of large quantities of oil, lots of spices, and a sense for the right level of flame on the stove.” So it’s no wonder that a traditional Chinese kitchen is full of steam and smoke when the wok gets fired up. But given that kitchens in the urban apartments of China’s major cities average just six square meters, it can become quite a problem when odors and steam don’t clear away fast enough. That’s why powerful, space-saving cooker hoods are in such demand.

Wang, Vice President of the Cooking Division at BSH China, lives with his family in a typical urban apartment in Nanjing. But his knowledge of cooking and appliance needs isn’t based on personal experience alone – it’s founded on extensive market research,

gained from a broad range of test purchases, surveys, and panel discussions with consumers. A good example is the Design to Value project of 2014, which relied on interviews to glean valuable insights into the Chinese customer market. So Wang and his team know exactly what products fit with the kitchens of China's urban population, and also how fast that market is changing. "Five years ago, you could not find an inclined cooker hood in China. Today they account for up to 40 percent of all cooker hoods sold."

Built-in appliances specially developed for the Chinese market – with high performance and low noise, easy-clean features and top-notch design – have earned BSH a significant share in the growth of this home appliance segment. And investments in marketing and sales have made sure consumers are also aware of these advantages, and the effort has been a success: Thanks to a launch concept initally carried out in six major cities, the company's share of the market for cooker hoods grew substantially last year. This concept is now being expanded to 19 cities.

Amid the hectic, noisy, crowded environment of China’s megacities, it’s not just demand for cooker hoods and other quiet, space-saving appliances that’s growing. People yearn for kitchens that stand for a Western lifestyle. So now there’s a market for built-in steamers – it grew 300 percent in 2013 alone, and again more than 100 percent in 2014, making China the largest BSH sales market for this type of appliance.

Urbanization and a new lifestyle – Wang views these as an ideal playing field for BSH. That’s why BSH has set out to achieve double-digit growth for Cooking Division sales in China in the next five years. An ambitious goal, considering the dynamic environment and the intense competition. But that doesn’t faze Yupeng Wang: “We just need to be faster and better,” he says. “And we have a good plan for getting there.”

Markets on the Move

Markets are on the move. Changes in society are changing people's living habits. Consumers' changing needs are being met with new technologies. New markets are emerging, and new vendors are crowding into the old ones. Familiar commercial structures are vanishing and new sales channels are opening up. BSH is quickly adapting to these moving markets, and helping to shape them.

It would be hard to name any other country where society is changing as fast as it is in China. The prevalence of smartphones – the unequaled embodiment of the digitization process – is a perfect example. In 2014, China had 520 million smartphone users, nearly 40 percent of the population. And the trend is rising: Experts expect the percentage to pass the halfway mark as early as 2018.

With a smartphone constantly at hand, access to information is always just a touch of the screen away. Digitization is changing the Chinese market as well. Ten percent of all home appliances are already being sold online. In the long term, the experts predict the figure will rise to 50 percent. BSH brands are featured on major Chinese sales platforms – those of authorized dealers and in its own brand shops. Local social media portals also play a major role in China – and not just for searching information, but for sharing complaints with the public. Responding fast to criticism is especially crucial. Which is why a special team was set up to address this aspect back at the end of 2011.

You can't always predict how digitization will affect consumer behavior. And the effects aren't the same everywhere by a long shot. Just look at India. More than 150 million Indians already have a smartphone, and that figure is expected to double this year alone. Yet the explosive spread of smartphones hasn't by any means endowed social networks with the power to shape opinions when it comes to rating appliances. "In spite of Indians' affinity for technology, online sales are also not highly developed yet," says Marc Hantscher, Head of BSH's Asia-Pacific region. "Just the contrary. Word of mouth is more important than ever, and a good salesman can play a big part in swaying a buyer's decision."

Amid change, "how" is the big question

The comparison between India and China shows that the way megatrends change our societies depends on what cultural and social foundations they're working with. That goes for digitization and urbanization, demographic change, and changes in the work environment. So a precise understanding of these "how" factors is essential for an appliance manufacturer. Because few things are more closely linked with cultural habits than how people use home appliances, and that use is especially sensitive to changes in lifestyle. So it's essential to keep a close eye on how consumer behavior changes – from one region to another and sometimes even from one country to another.

In China you can also see how the megatrend toward urbanization has thrown much of the appliance industry into disarray. Half the country's population already lives in cities, and China's metropolises continue to exert an undiminished allure. By 2018 they'll have more than 60 percent of the population. And the cities are groaning under the onslaught. Traffic is causing immense air pollution, it takes longer and longer to get to work, people are left with less and less time at home. And urban living space is getting scarce. Rents are soaring and apartments are generally much smaller than in European cities, even for the growing affluent middle class. All these factors are shaping a new urban lifestyle in China, and at the same time changing expectations about home appliances. Today's appliances need to be space-saving, efficient, up to date. Design is coming to play an especially large role for high-end consumer goods in China.

BSH in India

In India, with its great appetite for technology, BSH has been selling specially designed washing machines for years that work reliably even when the power and water supply fluctuates, and that offer unique functions. The Monsoon program, for example, promises very fast, efficient cleaning that represents an especially persuasive selling point on India's rainy west coast – because when rain keeps splashing urban dirt all over residents' clothes, laundry can pile up fast. Special programs for saris, intended particularly for delicate, colorful silks, are sold under the slogan "Better than hand wash."

BSH is steadily investing in India so that it will soon be able to sell its entire product range on the subcontinent. In Chennai, with its population of millions, the Company has been producing washing machines for the Indian market since last July. But the BSH factory there is also laid out to build more products to serve both the Indian market and the markets in neighboring countries. The site also has a state-of-the-art development center and facilities to train dealers at both basic and advanced levels.

A new generation of ovens

The pound cake is in the oven and the timer goes off at last. But is the cake really done? The famed "toothpick test" recommended in so many cookbooks has caused many an amateur baker to resort to some fairly esoteric options – poking their cakes with skewers, chopsticks, knives, forks, and even knitting needles to find out whether the batter has set but not dried out.

With the new generation of ovens from BSH – developed primarily for the European built-in market – all that is now a thing of the past. The new Bosch Series 8, presented at last year's IFA, is designed to fit consumers' needs like a glove, and isn't shy about advertising "perfect results." The oven uses a variety of new product features to keep that promise – including a baking sensor that constantly measures the cake's moisture and automatically adjusts the oven to suit how things are developing. No more toothpicks! And the new built-in iQ700 series in the Siemens brand offers the world's first networked ovens. They also have an integrated microwave that can cut cooking time as much as 50 percent.

And the changes in the Chinese market affect more than just product requirements – they're posing new challenges for marketing, sales, and service. With economic growth projected at roughly seven percent a year, by 2025 China will be the largest market in the world. Converting the burgeoning numbers of buyers into genuine market shares is at least as big a challenge as adapting and expanding regional service capabilities. Managing growth and significantly building market shares – these are tasks that demand top performance from BSH's employees in China. Yupeng Wang, in charge of all matters of Cooking at BSH in China, relies on his colleagues' understanding of the local picture: "We take a very entrepreneurial approach to every challenge. Every location in a major city – Nanjing, Shanghai, or Hangzhou – lets us know its special needs for investment funding so it can achieve our ambitious growth targets," Wang explains.

"In the Asia-Pacific region, for some product categories we're still at the beginning. But for others we're already developing and producing products that are a perfect fit."

Marc Hantscher, Head of BSH Asia-Pacific region

Explosive growth is also intrinsic to the other markets of Southeast Asia, whether in Thailand, Indonesia, or the Philippines. But in contrast to China or India, in these countries BSH is still more or less just starting out. Hantscher knows this market has many regional features in common, but there are also a number of local differences that significantly affect how people use appliances. And no wonder. After all, the region that Hantscher and his team serve out of Singapore is home to 2.1 billion people with some 90 ethnic groups, 55 languages, and 25 religions. And the stages of implementation are as diverse as the market itself. "For some product categories we're still in the process of gathering accurate knowledge of our various markets. But for others we're a good deal farther along and are already developing appropriate products."

It all depends on the region

The growth markets that BSH serves out of Istanbul are just about as diverse as in Southeast Asia. Our colleagues in the Turkish metropolis keep an eye on 87 countries in 12 time zones, from South Africa to the Middle East to Russia. And they too are seeing rapid changes, with all the attendant implications for the appliance market. After all, if you want to be a success at selling home appliances, you need an accurate understanding of your customers – from one city, one country, one region, to another. You have to allow for both urbanization and digitization. Because the megatrends of our age affect everything from clothing styles to eating habits to home furnishings.

Tapping markets, managing growth, squeezing additional market share out of a saturated market, expanding a market lead – just as change in its regions takes different forms, BSH varies its strategies so it can be a success anywhere in the world. Which is why last year, BSH reinforced its regional structure so it will be even better at knowing what the consumer on the ground wants. Which also lays the groundwork for creating innovations that are a perfect fit to BSH's markets.

A hub for 87 countries: Get to know BSH in Istanbul from a short video. More at *report2014.bsh-group.com*

Munich

GERMANY

EVGENI REHFUSS knows how important individualized products can be. After all, he has a two-year-old daughter who loves her stuffed animal toy more than anything in the world – and just the way it is, split seam, missing ear, and all. But what if her hand-sewn meerkat were to get lost? It’s a good thing Rehfuss is a tech type. He works in Corporate Innovation at BSH. He long ago used a 3D app to make a 3D image of the toy that he then stored in the Cloud. If the worst comes to pass, he can have the stuffed toy reproduced, and mitigate the anticipated drama.

Of course it would be even better if he could just print out a new stuffed toy for his daughter at home. But for things like that, 3D printing is still in its beginnings. “There’s still a lot to be explored in both processes and materials for additive manufacturing – better known as 3D printing,” Rehfuss explains. So far, the technology is used mainly for fast production of sample parts – “rapid prototyping” – including at BSH.

“3D printing is rightly considered a revolutionary field of technology,” Rehfuss explains. That’s especially because there are so many different ways to use additive techniques. Until a few years ago, the focus was on applications in plastics and metals. But today, researchers, developers, and entrepreneurs from a wide range of disciplines and industries around the world are working on applications in new fields like architecture, medicine, and food. Home printing as well is by no means limited to two dimensions anymore – you can already buy the first home 3D printers.

So the additive technique is an innovation driver par excellence, and is creating hitherto undreamed-of business opportunities. That goes for BSH too, says Rehfuss: “Even today we can already use 3D printing to meet people’s preferences for individualized accessories, and it’s opening up a wide range of new services and business models in cooperation with other companies.”

But Rehfuss and his colleagues are not just looking at the potential applications of 3D plastic products. They've also been keeping a close eye on developments in the food industry. People there are working on how to make complete meals with a 3D printer, optimized for individual needs. So there are any number of interesting connection points where BSH can get involved.

And that's far from the end of all the possibilities. "Consumers all over the world face us with new challenges every day with the things they'd like to have. 3D printing can play a key role in overcoming those challenges." And surely by the time a printer can print out dinner, making a fast copy of a painstakingly hand-sewn stuffed animal shouldn't be any problem at all.

Innovations on the Move

Changes always represent a motivation, an inspiration, and an incentive. BSH's strategic refocus is propelling new ideas, introducing new user-focused approaches in product development, and drawing designers, marketing experts, engineers, and sales experts to work together without regard to hierarchies or departmental boundaries so they can keep developing exactly the thing that sets BSH apart from everyone else: Innovation on the move.

All you need to do is ask consumers in various markets what they want and need, and you'll quickly find out that what they're really looking for is not so much a specific appliance as a specific solution for their day-to-day lives – whether it's the perfect wash for an expensive sari, a moist pound cake for dessert, or a good strong espresso at the touch of a button from a machine that then goes on to clean itself.

So for BSH, consumers are one of the most important sources of innovation. Knowing what consumers need and want, their daily lives, and how they deal with appliances is essential for developing new products and solutions. No wonder, then, that BSH's various innovation units are more and more often building their innovation process on user-oriented approaches. "We only equip our appliances with features that consumers really need – not just whatever's technically feasible," says Tanja Haberlander, who's in charge of the Strategy and Processes Department at Corporate Innovation.

And of course new technologies and trends from various directions are an important source of ideas for innovation. So interdisciplinary teams of Corporate Innovation employees scan and evaluate technologies and topics even outside the classic home appliance market. Haberlander explains, "we're interested in interproduct topics with an important future, topics that are still at too early a stage to fit into the individual units' road maps, and that range beyond the normal further development of our product portfolio. We analyze their potential, which lets us make sure we don't overlook any important technological development."

Making home life easier

The range of possible topics is immense. That's because the Corporate Innovation staff identifies not just pace-setting technologies, but potential new product fields, services, and business models. These may not always fit with existing processes, so they also may not have appropriate sales channels yet. "But even if some topics don't look like familiar territory for BSH at first glance, they might become important to us because they lead to innovations that relate to the heart of our business: making our consumers' homes and lives as easy as possible," Haberlander explains.

For example, the Corporate Innovation team deals with everything from new materials with special characteristics to new manufacturing methods and service concepts. Creativity workshops at BSH sites around the world attract designers and marketing experts, engineers and sales experts, regardless of rank or department, to develop ideas together. You can get a sense of what that might be like when you visit Haberlander's office. Team employees have left their mark here too – literally. Her office walls are plastered with moderators' cards in orange, yellow, and pink. Key words, diagrams, process chains, and lists dazzle the eye and give some idea of how hard everybody works on the innovation process.

The colorful Post-its are also familiar to Haberlander's colleague Evgeni Rehfuss, whose responsibilities include 3D printing. This additive technique is considered a "disruptive" technology – meaning a technology that breaks away from the traditional approach and might significantly alter or even

Three questions for Dr. Kai Grassie, Head of Corporate Innovation at BSH

Mr. Grassie, why are you working with topics like 3D printing and the Internet of Things?
The home appliance industry is interfacing more and more with other industries where technologies and business models are undergoing significant development. 3D printing and the Internet of Things are examples of disruptive technologies that will very probably have a massive influence on our products over the years to come. For example, our consumers will expect their appliances to be network capable and controllable via their smartphones.

So it's the consumer who decides what topics are relevant for your unit?
We start by being open to any new idea. That's the basic prerequisite for genuine innovation. Only if we know and understand new technologies and new business models we will be able to take advantage of their potential to improve our own products or offer something entirely new. But the goal is always the same – to develop solutions that provide a real benefit for the consumer.

So you're the head of the future topics center for the whole company?
Innovation happens throughout the Group – in product units, brand organizations, and the regions. The regions in particular will be playing a bigger role in the future, because the employees on the ground are the ones who have the necessary knowledge of what consumers want. That's what turns a mere idea into a real innovation.

"We equip our appliances with features that consumers really need – not just whatever's technically feasible."

Tanja Haberlander, Corporate Innovation

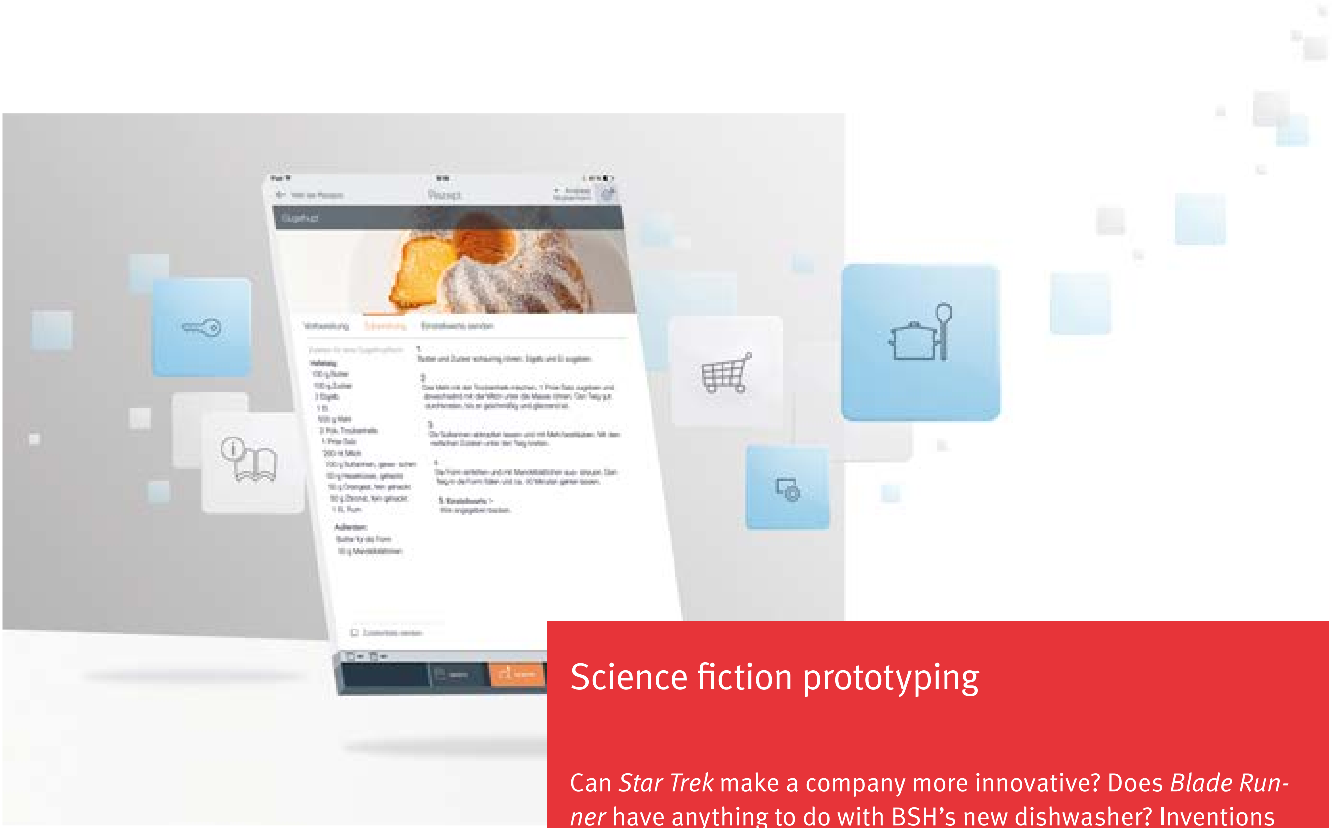
displace existing processes, products, or even entire markets. "3D printing is considered revolutionary because it has the potential to cause big disruptions in the global economy," Rehfuss explains. That disruptive aspect is already becoming evident in industries that need small runs of small products in complex shapes. It's the small runs that represent a particularly important advantage for BSH. They would make it possible to produce personalized products precisely tailored to a consumer's preferences. They'd also make it possible to tailor appliances better to individual needs and regions, and to include users right in the development process itself. So Rehfuss and his team are watching carefully how the field develops, and are already at work on the first promising concepts.

But it's not just the ability to look outside the box at a wide-open future that makes BSH so innovative. It's also the many small product refinements that begin very close to consumers and their needs. One good example was produced last year by the Refrigeration Product Division team in Russia. Russians still grow and preserve generous quantities of their own fruit and vegetables. Then the food is stored in big glass jars that have to be kept cold after they're opened. But until now, the standardized height of the glass shelves in a refrigerator made it impossible to chill such large jars. Which meant many Russians would improvise – for example by removing the shelves. So BSH developed a simple tailored solution for the refrigerators it builds in Russia – the shelf spacing is designed to fit local food containers, and consumers can adjust the height themselves. So far, that's a unique feature in the Russian market.

The networked home is becoming a reality

Another good example of consumer-oriented innovation is Home Connect. It's the world's first solution that allows the user to control different brands of networked appliances with one app, and makes new smart functions and services possible. For instance, Home Connect offers recipe databases for the oven. You can e-mail a list of ingredients from the app as a shopping list, get a step-

What's Home Connect?
We have a short video to introduce this smart app.
More at
report2014.bsh-group.com



by-step explanation of how to prepare the dish, and then control the oven from the app, tell it when to turn on and off, and set the heating mode and temperature. So the future vision of the networked home is becoming a reality. The platform's potential applications are constantly expanding and already meet a number of different requirements. Home Connect does a fine job of meeting the desire for both a customized, individualized fit and easier living.

New consumer needs and disruptive technologies, new market opportunities and societies heading in new directions – all of these are factors that keep BSH on the move. And they all lead to innovations big and small that will not only ensure future growth for BSH, but keep the home appliance industry on the move indefinitely.

Science fiction prototyping

Can *Star Trek* make a company more innovative? Does *Blade Runner* have anything to do with BSH's new dishwasher? Inventions from science fiction classics have already been enriching our lives for a good while now. The *Star Trek* classic – the Personal Access Display Device – is a routine accessory in most people's pocket today, in the form of a smartphone with a touch screen. It's true you can't control a spaceship with it yet. But you can control our dishwasher. It's by no means eccentric to take advantage of science fiction as a way of anticipating the future. One thing is clear – markets all over the world are so dynamic today that companies competing to innovate can have a hard time foreseeing future developments. Time-honored methods like scenario analyses, mind mapping, and the Delphi method are coming in for criticism because they focus too much on the past.

Which is why future science – which also includes the method of science fiction prototyping – is becoming more and more important, and is gaining intellectual respectability. The method relies on science fiction stories as prototypes for investigating the potential impact of new technologies on people and societies. Since these prototypes are written by a whole range of people, from professional authors, scientists, and engineers to filmmakers and even schoolkids, as a whole they're a good reflection of ideas within the population at large. According to the experts, that means that systematic analyses based on science fiction can significantly benefit companies, consumers, and society.

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 2013 financial year, as well as the 2013 financial statements and management report. During 2014, the Board of Management reported to the Supervisory Board on the development of business in the company's various sales regions. The Board of Management also presented the key data of the 2015 Business Plan, including financial and human resources planning. The Supervisory Board discussed these topics. The board also held written votes on resolutions on two occasions.

The Supervisory Board deliberated on the development of the Product Areas and on projects aimed at tapping further markets. The topics addressed by the Supervisory Board furthermore included projects to cut product costs, to enhance efficiency, and to develop certain significant locations.

The Supervisory Board received detailed and continuing reports from the Board of Management about the organizational refocusing of BSH Hausgeräte GmbH as part of the BSH/NextLevel project. It discussed this matter in depth.

The Board of Management kept the Supervisory Board continuously informed about the Group's compliance management and risk management system.

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 Hausgeräte GmbH and the consolidated financial statements as of December 31, 2014, together with the management report for BSH Hausgeräte GmbH and the Group management report, have been audited by PricewaterhouseCoopers Aktiengesellschaft 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 above documents. 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 Hausgeräte GmbH and the consolidated financial statements and Group management report; it recommends that the shareholder adopts the annual financial statements and approves the consolidated financial statements and Group management report.

In connection with the completion of the sale of the share formerly held by Siemens AG in BSH Bosch und Siemens Hausgeräte GmbH (now BSH Hausgeräte GmbH) to Robert Bosch GmbH, Dr. Ralf P. Thomas, Additional Deputy Chairman of the Supervisory Board, as well as Ms. Jumana Al-Sibai, Mr. Klaus Helmrich, Prof. Dr.-Ing. Dipl.-Ing. Siegfried Russwurm, and Mr. Karl-Heinz Seibert resigned as members of the Supervisory Board as of the end of the day on January 5, 2015. The new sole shareholder appointed Ms. Sabina Desiato, Mr. Christoph Kübel, Ms. Heike Niehues, Dr. Elmar Pritsch, and Ms. Yanyan Wang as new members of the Supervisory Board as of January 6, 2015.

Effective January 1, 2015, the Supervisory Board appointed Dr. Michael Schöllhorn as a member of the Board of Management and new Chief Operating Officer of BSH Bosch und Siemens Hausgeräte GmbH (now BSH Hausgeräte GmbH).

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 12, 2015

For the Supervisory Board

Uwe Raschke
Chairman

Board of Management

Dr. Karsten Ottenberg
Chairman of the Board of Management
Chief Executive Officer

Corporate Internal Audit
Corporate Communications
Corporate Digital Transition
Corporate Human Resources
Corporate Information Technology
Corporate Innovation
Corporate Legal, Compliance
Corporate Risk Management, Internal Control System
Corporate Strategy, Business Development
Region Greater China
Region Asia Pacific

Matthias Ginthum
Member of the Board of Management
Chief Markets Officer

Sales
Corporate Brand Bosch
Corporate Brand Gaggenau
Corporate Brand Neff, Regional Brands
Corporate Brand Siemens
Corporate Strategic Marketing
Product Division Consumer Products
Product Division Customer Service
Region Europe

Johannes Närger
Member of the Board of Management
Chief Financial Officer

Corporate Controlling, Accounting
Corporate Excellence
Corporate Finance, Insurance, M&A
Corporate Security
Corporate Taxes, Customs
Human Resources Germany
Product Divisions Business Administration, Projects
Product Division Consumer Products-Business Administration
Region North America

Dr. Michael Schöllhorn
Member of the Board of Management
Chief Operating Officer
(since 1/1/2015)

Corporate Supply Chain Management
Corporate Technology
Product Division Cooking
Product Division Dish Care
Product Division Electronic Systems, Drives
Product Division Laundry Care
Product Division Refrigeration
Region T-MEA-CIS

Supervisory Board

Uwe Raschke, Stuttgart
Chairman of the Supervisory Board
Member of the Board of Management,
Robert Bosch GmbH

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

Dr. Ralf P. Thomas, Dipl.-Kfm., Munich
(until 1/5/2015)
Additional Deputy Chairman of the Supervisory Board
Member of the Board of Management,
Siemens AG

Jumana Al-Sibai, Stuttgart
(until 1/5/2015)
Director of Corporate Marketing and Sales,
Robert Bosch GmbH

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

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

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

Sabina Desiato, Stuttgart
(since 1/6/2015)
Head of Corporate Finance and Reporting,
Robert Bosch GmbH

Jochen Hafner, Rosenheim
First Authorized Representative,
IG Metall trade union

Klaus Helmrich, Munich
(until 1/5/2015)
Member of the Board of Management,
Siemens AG

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

Christoph Kübel, Stuttgart
(since 1/6/2015)
Member of the Board of Management,
Robert Bosch GmbH

Heike Niehues, Stuttgart
(since 1/6/2015)
Commercial Director of Global Workshop Concepts Automotive Aftermarket,
Robert Bosch GmbH

Dr. Elmar Pritsch, Stuttgart
(since 1/6/2015)
Chairman of Corporate Information Processing and Chief Information Officer,
Robert Bosch GmbH

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

Prof. Dr.-Ing. Dipl.-Ing. Siegfried Russwurm,
Erlangen
(until 1/5/2015)
Member of the Board of Management,
Siemens AG

Roman Schnalzger, Dillingen
(since 5/16/2014)
Chairman of the Works Committee, Dillingen plant

Karl-Heinz Seibert, Munich
(until 1/5/2015)
Corporate Vice President, Head of Mergers, Acquisitions and Post Closing Management, Siemens AG

Margit Stegbauer, Munich
Head of Corporate Internal Audit,
BSH Hausgeräte GmbH

Siegfried Stegmann, Nuremberg
Chairman of the Nuremberg Works Committee

Franz Veh, Dillingen
(until 5/15/2014)
Chairman of the Works Committee, Dillingen plant

Yanyan Wang, Karlsruhe
(since 1/6/2015)
Head of Corporate Customs, Excise Tax and Export Control, Robert Bosch GmbH

| Group Management Report

With revenue up 8.4 percent to a record EUR 11.4 billion, BSH grew faster than the market as a whole, consolidating its position as Europe's largest manufacturer of home appliances. EBIT margin grew substantially to 6.2 percent, especially thanks to a business upswing in Western Europe and Asia. BSH will remain on its growth course in 2015 as a wholly owned subsidiary of Robert Bosch GmbH, under the name BSH Hausgeräte GmbH.

About the Group

BSH is the largest manufacturer of home appliances in Europe.

BSH Hausgeräte GmbH with its subsidiaries (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 an equal joint venture of Robert Bosch GmbH (Stuttgart) and Siemens AG (Berlin and Munich). In September 2014, Siemens AG (Berlin and Munich) sold its share in the business to Robert Bosch GmbH (Stuttgart). The transaction was finalized on January 5, 2015, after antitrust authorities had granted all the necessary approvals. BSH-D is now a wholly owned subsidiary of Robert Bosch GmbH (Stuttgart). On February 9, 2015, the company name of BSH-D was changed from BSH Bosch und Siemens Hausgeräte GmbH to BSH Hausgeräte GmbH.

BSH has 44 factories located in 13 countries in Europe, the United States, Latin America, and Asia. Including its worldwide network of sales and customer service outlets, BSH has more than 80 companies in some 50 countries with about 53,000 employees.

The principal brands in the Group's portfolio are Bosch and Siemens, which are used under long-term brand licensing agreements with Robert Bosch GmbH and Siemens AG. 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.

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

In the past fiscal year, BSH redefined its strategy to align with the Group's strengths. We also defined specific strategies for each region, product division, and brand. Going forward, the Group will be managed with a focus on the newly defined sales regions. In addition, production processes will be managed centrally by product divisions within the sales-oriented organizational structure. We have also established cross-product brand management.

The reorganization is one of the key measures undertaken to implement the new Group strategy. Following a six-month preparatory phase, the strategy has been implemented across the Group since November 1, 2014.

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)**
  Sales Region I comprises sales responsibility and customer service operations for Germany, Austria, Belgium, France, Greece, the United Kingdom (including Ireland sales), Israel, Italy, Portugal, Spain, Switzerland, the Netherlands, Luxembourg, Northern Europe (Finland, Sweden, Norway, Denmark, Estonia, Latvia, Lithuania), Poland, Romania, Hungary, the Czech Republic (including Slovakia sales), and the Eastern Adriatic (Slovenia, Croatia, Serbia, and Bulgaria). Organizationally, Peru (including Chile sales) is also assigned to Sales Region I.

- **Sales Region II (SR II)**
  Sales Region II comprises sales responsibility and customer service operations for Turkey, Morocco, the Middle East, Russia, Ukraine, Central Asia, and South Africa.

- **Sales Region III (SR III)**
  Sales Region III comprises sales responsibility and customer service operations for China, Hong Kong, Taiwan, Singapore, Thailand, Malaysia, India, Indonesia, Australia, New Zealand, the United States, and Canada.

- **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. In the prior year, the companies of the Zelmer Group were also reported in this category. Starting in fiscal 2014, they are allocated to Sales Regions I and II (SR I and SR II) according to where they are headquartered.

The sales regions were redefined in fiscal 2014 during implementation of the Group strategy. The prior year’s segment figures are presented in a comparable format in this Group Management Report.

Earnings before interest and taxes (EBIT) represent the key financial performance indicator within the Group. Earnings are calculated as revenue from the sale of products, the delivery of services, and the granting of licenses less discounts, price reductions, customer bonuses, and rebates. The EBIT is calculated as the profit or loss before tax reported in the consolidated statement of income less the net total of finance income and costs and the other net finance income and costs. The Group Management Report describes the trend of these financial performance indicators at the Group level and, where necessary, in the defined segments as well.

BSH does not rely on any non-financial performance indicators in its internal management of the Group.

Development of Business

Overall economic development

The assessments of overall economic development are based on information from banks, insurance companies, and leading economic research institutes.

Worldwide growth figures in 2014 were weak, as expected. The global economy expanded + 2.7 percent on average during the past year, approximately as much as in the two years preceding. In addition to the lingering effects of the debt crisis in Europe and the ongoing structural problems in various emerging economies, the world economy was burdened by the crisis in Ukraine and Japan's slide back into recession. The financial markets reflected these uncertainties in continued low rates of return, greater fluctuations in stock prices, and a pronounced devaluation of the euro relative to the US dollar in the second half of the year. A critical development on the commodity market was the sharp decline in the price of a barrel of oil, which fell intermittently to 50 US dollars, less than half the price it held as recently as mid-2014.

The regional distribution of global growth in 2014 followed the patterns familiar from past years. The emerging economies once again made a greater than average contribution to worldwide economic performance. The structural challenges there proved to be more daunting than anticipated, however, resulting in continued declines in growth in some of the larger economies in this group of countries. All told, the increase in gross domestic product of the emerging markets fell to its lowest level since 2009 and remained well below expectations at + 4.3 percent. Growth was once again strongest in Asia (+ 6.3 percent), with China (+ 7.4 percent) and India (+ 7.2 percent) showing by far the strongest uptick in gross domestic product.

Economic performance in the industrialized nations stabilized at a low level.

Economic performance in the industrialized nations remained tepid in the past year but did stabilize with growth of + 1.8 percent compared to the weak preceding years (about + 1.3 percent).

This was facilitated by slightly improved economic conditions in the European Monetary Union, which saw a small uptick in value added in 2014 (+ 0.9 percent) for the first time after two years, although momentum slowed again at year's end. A primary factor in the favorable development was a positive, though very hesitant, performance in the countries of Southern Europe that are in crisis. The economic problems in France and Italy have intensified, however, with both countries in or close to recession. The German economy posted slight gains once more after two very weak years. Nevertheless, growth of + 1.6 percent still lagged behind the very high expectations of many observers. Impetus, however modest, came from foreign trade and capital expenditure, although expenditures for machinery and equipment again fell well short of the peak levels reached before the financial crisis in 2007/2008. Continued stabilization was seen in private consumer spending, on the other hand, thanks not only to the sustained rise in employment levels but also to renewed sharp growth in real wages.

Economic growth in Eastern Europe declined to + 1.3 percent in 2014. While EU member states in Eastern Europe saw a surge in momentum at + 2.6 percent, regional development was clearly stunted by the conflict between Russia and Ukraine. The result was very slow growth of + 0.6 percent in the Russian economy, with both the economic sanctions and falling oil prices to blame.

Turkey also lagged behind expectations with an increase of + 2.3 percent in gross domestic product.

Growth in the United States was + 2.4 percent, on par with the prior years' level. The very vigorous development of the US economy toward the end of the year was dampened by weather-related slowdowns in the spring of 2014, however. Performance was weaker in Latin America, where the combination of postponed economic reforms and sharp declines in some commodity prices hampered growth.

Development of the market for large home appliances

The global market for home appliances showed only mild growth when measured in euros.

The market* for large home appliances performed well in 2014 when adjusted for currency fluctuations. Growth of the global market was mild when measured in euros, however, due to exchange rate effects with the euro. The picture varied sharply by region: The German and American markets once again exhibited solid growth, while the Chinese market remained more or less at the prior year's level. Although the markets in Turkey and Russia were up, this growth can be attributed primarily to price increases from exchange rate effects. Demand in both countries trended downward.

The market performance in the European region (Sales Region I) was positive, reversing the prior year's trend. Germany, the United Kingdom, Spain, the Netherlands, and Poland were the major contributors, with Italy also posting slight growth for the second year running. The Greek market showed slight growth again after having contracted in the prior year. France, on the other hand, was the only larger country to fall short of 2013 levels. The Scandinavian market for large appliances was mixed; Sweden and Denmark exhibited solid growth in their local currencies, while the market development in Finland and above all Norway was negative. A few smaller Eastern European countries – the Czech Republic, Romania, Hungary, and Slovakia, for example – ended the year with a solid gain.

The market in Sales Region II performed as follows: Market developments in Russia were cautious. Growth in Russian rubles was offset by a decrease in volumes and a double-digit drop when measured in euros. Continued price increases going back to 2013, coupled with the economic effects of international sanctions and steadily falling oil prices, are eroding the confidence of Russian consumers. Demand in Ukraine plummeted sharply. The Turkish market presents a mixed picture. Persistently high rates of inflation and the negative effects this has on private consumption stood in the way of any significant growth in demand here.

The other markets, assigned in the Group to Sales Region III, varied greatly in their performance: On the North American continent, both the US and Canada ended the year 2014 with gains. This was attributable primarily to the strong overall economic performance and the stabilized real estate markets. Growth was weaker when measured in euros, however.

The Chinese market has been strongly influenced in recent years by various government subsidy programs. After very vigorous growth in 2013, the Chinese market ended the past year more or less at the prior year's level. Taiwan and Hong Kong ended 2014 with gains.

The Asia and Pacific region (without China) once again performed above average in 2014. India, in particular, showed stronger momentum after moderate results in the prior year. The economic reforms undertaken by the new government also had a positive effect on the market for large home appliances. Indonesia and Thailand ended the year lower. The Australian market was stable at the prior year's level.

* The market performance assessment is based on data from a market research institute that has been adapted internally.

Revenue development

The new strategic orientation of BSH targets sustainably profitable revenue growth. Strong revenue growth was forecast in the prior year. This forecast was exceeded with fiscal year revenue of EUR 11,389 million thanks primarily to the elimination of a competitor.

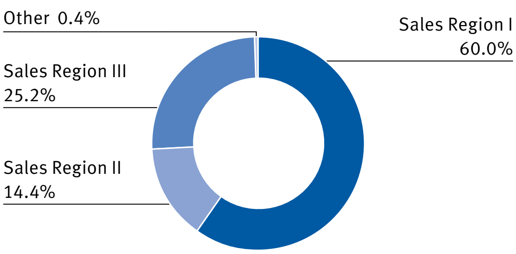
Consolidated revenue BSH	
in EUR million	
2014	2013
11,389	**10,508**

This gave BSH year-on-year growth of 8.4 percent, or EUR 881 million. Revenue when adjusted for currency fluctuations was EUR 11,678 million, an increase of 11.1 percent over the prior year. The total exchange rate losses in revenue come to EUR 289 million, or 2.7 percent.

BSH achieved above-average revenue growth in Europe.

In Sales Region I, which consists primarily of the European countries, BSH achieved year-on-year revenue growth of 11.6 percent, to EUR 6,830 million, outperforming the average growth in Group revenues. The strong growth was driven by the good performance in the high-volume markets of the UK, Italy, and the Netherlands. Market share was also gained in Spain and France thanks to the elimination of a competitor. Growth in the region's other countries was also up from the prior year's levels but was much less robust than in the aforementioned countries. Since most of the countries in this region use the euro, the exchange rate effects were not significant, boosting revenue by only EUR 11 million.

Revenue by sales region (financial year 2014)



In Sales Region II – which covers Russia, the Middle East, and Africa – revenue of EUR 1,635 million was down 3.1 percent from the prior year. Business in this region was defined by the two high-volume markets of Russia and Turkey. In both countries, revenue in the fiscal year remained below the prior year's level. The region's revenue trend was defined largely by the sharp devaluation of the Russian ruble. BSH achieved year-on-year revenue growth in both the Middle East and Africa, however. This region suffered significant exchange rate losses (EUR 284 million) due first and foremost to the sharp devaluation of the Russian ruble.

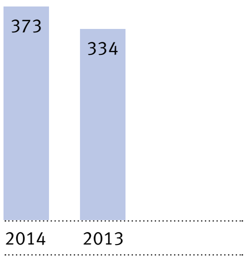
Sales Region III encompasses the regions of Greater China, North America, and Asia/Pacific. BSH revenue developments there were good overall at EUR 2,875 million in fiscal 2014, 14.5 percent above the prior year's level. Year-on-year revenue gains were especially pronounced in China and the US. Business in the Asia/Pacific region was somewhat more restrained but still above the prior year's level. Revenue in Australia remained below the prior year's level. The other countries in the region contributed to the positive revenue trend. The exchange rate losses in this region came to EUR 8 million.

Revenue of business activities summarized under "Other" fell 74.5 percent, to EUR 49 million. The revenue of the Zelmer Group reported here in the prior year was allocated in fiscal 2014 to the region of Europe. The presentation of the prior year's figures has been adapted for comparability.

Research and development

Expenditure on research and development

in EUR million



Strengthening innovation and its processes is critical to implementing the new BSH strategy. With this in mind, BSH once again increased its spending on research and development in the year under review by EUR 39 million to EUR 373 million, or 3.3 percent of revenue. The Group had 3,478 employees working in research and development as of December 31, 2014 (prior year: 3,140), including 1,887 in Germany (prior year: 1,745). As in the prior year, development costs were not capitalized.

In addition to the ongoing expenditures for innovation, BSH also invested in new buildings for research and development in 2014. One example is the newly built dishwasher technology center in Dillingen/Donau, Germany, inaugurated in August and featuring about 8,000 square meters of usable floor space. It will eventually accommodate approximately 300 employees working on new dishwashing products and technologies. BSH also moved into its new facility in Esquíroz, Spain, which develops heat pumps for dryers. Research and development investments in the year under review also focused on procuring state-of-the-art laboratory equipment such as environmental chambers, acoustic measurement chambers, and appliance and component testing systems.

As in the past years, BSH was on hand to impress industry professionals and consumers alike with new products and technologies at the IFA consumer electronics trade show in Berlin. Stealing the show among the product presentations was the new series of ovens with various innovations that include a baking and roasting sensor, innovative user interface, and microwave feature. BSH also presented various products with new multicolor high-resolution thin film transistor (TFT) displays, which will offer the consumers of tomorrow a wide range of user information in an easy-to-read format. BSH presented visitors with other highlights, including French door refrigerators and the newly developed MaxxiMUM kitchen machine, and improvements to existing products such as the high-flexibility basket systems for dishwashers. At IFA 2014, as in years past, BSH introduced the public to a wide selection of high-efficiency home appliances.

The Home Connect platform offers features that make the day-to-day lives of consumers noticeably easier.

BSH unveiled the Home Connect networking platform in 2014, an innovative solution that lets you control home appliances of different brands through a single app. The system offers features like appliance remote control that make the day-to-day lives of consumers noticeably easier. But above all, Home Connect is designed as an open platform that can evolve to accommodate a growing selection of services. Networked home appliances was the dominant theme at IFA 2014. The first Bosch and Siemens ovens and dishwashers with the Home Connect feature have been available in Germany and Austria since December 2014.

BSH products are loved not only for their quality and technical innovations but for their design. The designs of the new ovens, dishwashers, and coffee machines are brand-specific and perfectly coordinated. As in previous years, BSH brought home numerous design prizes – including the “iF gold” award for the KMF40S20TI refrigerator-freezer combination and the “Red Dot: Best of the Best” award for the WAY287W3 washing machine.

The BSH user experience campaign seeks to ensure that the brand and user experience of BSH products and services is constantly evolving. Examples of this include the methodical integration of users from the concept phase to the product validation, interdisciplinary co-creation to generate ideas, and the early creative testing and development of these ideas.

The BSH brands scored top marks in a total of 90 comparative product costs.

Comparative product tests by consumer magazines such as Stiftung Warentest in Germany offer consumers an objective assessment of home appliances. BSH brands once again stood out favorably from their European competitors in 2014. BSH took part in a total of 154 comparative product tests (prior year: 164), scoring top marks a total of 90 times with Group brands such as Bosch, Siemens, Constructa, Balay, Neff, and Zelmer. For more information about test victories and other distinctions, please visit http://testwinners.bsh-group.com.

BSH regards industrial property rights, especially patent and design rights, as an important tool for protecting innovative ideas in technology and design for the Group. The patent strategy and innovations in the fiscal year focused more consistently on the intrinsic value to the company. One specific focus was on protecting attractive features of relevance to the market.

BSH expanded its product portfolio in order to sustain its path of profitable growth. The goal is a combination of forward-looking technologies with customer-oriented, digital features and innovative service and business models. Themes such as robotics, user interfaces, sensor technology, and innovative materials and surfaces are front and center.

To enhance the effectiveness and efficiency within product development, existing methodologies of the “BSH development system” were refined and optimized during the year under review with a special focus on sustainable methodological approaches.

Activities that span across various product divisions were emphasized in the past fiscal year, building on regional customer demands to define product structures that allow for efficient modular management. BSH is now able to develop regional products with a high degree of flexibility while leveraging synergies and achieving better time-to-market in development and production. The BSH philosophy of always defining product and production architectures in all product divisions thus creates a solid foundation for continued success in penetrating regional markets.

The Group-level project “Team Center Next Generation” (TCNG) prepared the phase-out of the current product data management (PDM) platform and existing infrastructure while optimizing and standardizing existing processes. Building upon this, implementation of the new process, software, and system infrastructure was successfully launched in the product divisions in fiscal 2014.

Procurement

The situation in the procurement markets in fiscal 2014 was defined primarily by subdued demand and overcapacities. The crises in Russian, Ukraine, and the Middle East had no effect on commodity prices.

BSH was able to maintain the positive year-on-year trend in the prices of primary materials thanks to highly competitive negotiation methods and optimized specifications. The price levels achieved for steel and stainless steel, in particular, were much better overall than in the prior year due to the weak industrial demand and the resulting overcapacities on the market, helped along by declines in the price of the relevant raw materials for steel, iron ore, and coal. Well-placed hedges using exchange-traded commodities (ETCs) made it possible to avoid price increases despite rising market prices for certain commodities such as nickel.

The trend for plastic granulate was also positive thanks to reductions in the prices of primary products. One exception was polypropylene, whose price rose slightly year on year. The price of plastics was relatively consistent overall throughout the year, with the end of the year bringing a positive effect from falling oil prices.

The prices for the non-ferrous metals most important to BSH – copper, zinc, and aluminum – were especially volatile in the second half of the year. Aluminum and zinc showed marked year-on-year price increases. The price of copper, on the other hand, fell sharply relative to the prior year.

The market for manufacturing materials and parts was again mixed in the year under review. Positive price effects were seen in electrical, electronic, and metal parts – especially motors, pumps, cable harnesses, and compressors – while the trend for packaging materials was negative.

Optimization of the bidding process helped further reduce procurement costs.

Further consolidation of material groups in the bidding process for selected goods and services helped once again significantly improve the negotiated results relative to the prior year. Further internationalization of the purchasing organization and increasingly cross-division collaboration among the departments make it possible to continue honing and customizing the definition of material groups.

The “ESPRESSO” IT system for the standardized purchasing of indirect materials was introduced at more locations, further harmonizing the process environment for indirect purchasing as well. This ordering system now handles over 55 percent of the volume of indirect purchasing in the BSH Group.

The payment terms in all European countries in which BSH operates were adapted for compliance with the new EU Late Payment Directive 2011/7/EU.

Procurement-related risks relating to the financial stability of our suppliers are evaluated on an ongoing basis. The number of suppliers categorized as critical is up slightly year on year. BSH regularly assesses the measures undertaken to reduce and protect against supplier-related risks as part of its risk management program.

Production

BSH produces its large home appliances and small consumer products at 44 factories at 29 locations in 13 countries around the world.

Activities in the Cooking Product Division were focused on the introduction of a new series of built-in ranges. Two locations in Germany (Traunreut and Bretten) were given a green light to begin producing the new series following considerable investments in the past years. State-of-the-art manufacturing facilities combined with a modular product and production architecture make it possible to build next-generation built-in ranges.

Manufacturing capacity for the induction cooktops at the factory in Montañana (Spain) was greatly expanded to meet the rapidly growing demand. Production volumes were greatly increased even further at the locations in Çerkezköy (Turkey) and Nanjing (China). Investments were made to expand production capacities, especially in China.

The Dish Care Product Division saw very positive growth in production volume in the past fiscal year amid investments in additional capacities for specific areas of the dishwasher production facilities. As in earlier years, further investments were also made in the locations' production and development infrastructure.

Production of the compact dishwasher at the Estella factory in Spain ended in November 2014, moving to the BSH location Esquíroz (Spain), where it commenced on schedule in February 2015.

The themes for improving the competitiveness and flexibility of each location were continually refined in fiscal 2014 in keeping with the long-term master plans for the factories.

In 2014, BSH continued to invest in making its production sites more flexible and competitive.

The Laundry Care Product Division expanded its manufacturing network by one new site when production began on schedule in Chennai (India), which will supply the market in India and Southeast Asia. Production of new series of appliances using a standardized product platform was successfully launched at the locations in Nauen (Germany) and Nanjing (China). Investments in additional measures to boost capacity were made during the past fiscal year at the Nanjing site (China).

St. Petersburg (Russia) produced its one-millionth appliance since the plant was opened, and Wuxi (China) celebrated the 20th anniversary of its washing machine factory.

Activities in the Refrigeration Product Division were centered in China and Europe. Large investments were made in efficient manufacturing facilities at the location in Giengen, Germany. The investments were necessary for the production of next-generation built-in appliances, which is moving forward on schedule. Work was completed on the first production line for the future generation of NoFrost appliances in Çerkezköy, Turkey, and work began on an additional production line. The new refrigeration factory for side-by-side appliances in Chuzhou, China, was successfully commissioned in February 2014. The new factory became available with its full production capacity in February 2015 following the successive relocation of the equipment for side-by-side production from the old factory.

The Consumer Products Division greatly increased its efficiency at its Vitoria site (Spain) by applying "4K injection molding technology" and integrating laser inscription, thereby developing key technologies for large-scale deployment. The site in Rzeszów (Poland) significantly boosted its productivity by successfully introducing the BSH production system. The start of production of the new line of blowers at the Bad Neustadt site was an important milestone for the future in the Vacuum Cleaner Division. The introduction of new kitchen machines and the expansion of the coffee machine product line inaugurated the successful mass production of complex products and underscored the importance of the Nazarje site (Slovenia) for the Consumer Products Division.

New production lines were built in the Electronic Systems, Drives Product Division and capacities for the production of brushless DC drives were expanded at the Michalovce site (Slovakia). These motors are used in the production of dishwashers and washing machines. At the Nanjing site (China), a planned new manufacturing line was built and the capacity for production of brushless DC motors expanded. The production of dishwasher discharge pumps at this site was also begun on schedule.

Supply chain management

Supply chain management at BSH encompasses the entire planning and the systematic controlling of all functions and processes involved in the flow of material, information, and value along the supply chain. In this capacity, it is directly linked to the success of BSH's business operations.

BSH, like the industry as a whole, faces increasing challenges for which modern solutions must be developed and put forward. The focus of strategic considerations and changes in fiscal 2014 was therefore on protecting day-to-day business and operational performance while further integrating the supply chain organization.

All worldwide departments and divisions relevant to the supply chain were integrated into a single control function on the basis of standardized processes. This established a consistent structure applicable at both the global and regional level, building the foundation for a modern supply chain management equipped to meet the needs of the day.

The new supply chain organization harnesses synergies at the global and regional level and strives to serve as a customer-oriented, end-to-end supply chain solution for BSH. With this approach, the supply chain organization supports regional growth, extends the necessary competitive advantages, and ensures faster responses and greater flexibility. The new organization empowers all the regions to find an optimal response to the needs of business partners and end consumers while enabling a comprehensive view of total process costs.

Capital expenditure

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

in EUR million

2014	2013
457	**377**

BSH's strategic orientation toward sustainable revenue growth affected capital expenditures in fiscal 2014.

BSH invested EUR 457 million in property, plant, and equipment and intangible assets (excluding goodwill) in the past fiscal year, an increase of EUR 80 million over the prior year and 4.0 percent of Group revenue. Investments in property, plant, and equipment totaled EUR 443 million, including EUR 162 million in Germany and EUR 281 million abroad.

At German locations, the Group invested primarily in the production of new built-in ovens, energy-efficient refrigerators, vacuum cleaners, and dishwashers, and in the ongoing modernization of its production equipment. Funds were also spent on a new development facility, training centers for the IT equipment of the sales team, enhanced logistics equipment, and better information technology.

Foreign investments were focused on the regions of Turkey, China, Spain, the US, and Poland. Other investments included a new production facility in India, expanded capacity in Turkey and China, and new series of washing machines, refrigerators, dishwashers, built-in ovens, and gas cooktops. The Consumer Products Product Division made investments in new product series in China and Slovenia. In the US, investments were made in a new logistics center.

41 percent of capital expenditures was on new products.

Forty-one percent of capital expenditures was on new products and 25 percent on buildings and other infrastructure. BSH invested 20 percent in expansion and rationalization; 14 percent was for value preservation and environmental protection. These motivations will also be the focus of investment projects in 2015.

The liabilities assumed to purchase property, plant, and equipment were EUR 16 million on the reporting date (prior year: EUR 62 million).

Finance
The expanded monetary policy measures in the US, UK, and Japan coupled with the statement by the ECB Executive Board of its intent to buy unlimited government bonds calmed the financial markets and led to increased purchases of stock and government bonds in most countries. The greatest beneficiaries of this monetary policy were lower-rated government bonds in Southern Europe, which mostly saw significant increases in value thanks to a real yield that still remains. Selected stock indexes marked new highs, in some cases even historic highs.

The foreign exchange and commodity markets were more volatile than the stock markets. Many currencies dropped sharply against both the euro and the US dollar right at the beginning of the year. Among the currencies relevant for BSH, the Turkish lira in particular was greatly affected. The currencies stabilized in the second half of the year – though at a low level for the most part. The sanctions against Russia and a precipitous drop in the price of crude oil (more than 50 percent in US dollars) put tremendous pressure on the Russian ruble toward the end of the year, which by mid-December 2014 had lost nearly 40 percent of its value against the euro during the year. These uncertainties negatively affected the Polish zloty as well, which by year's end had also been greatly devalued against the euro and US dollar. The trend of the Chinese renminbi remained at the prior year's level on average and thus had no significant effect on BSH operations.

In the period under review, the Group continued its risk-adjusted investment strategy, which is designed to prevent the fund investments that safeguard pensions from material losses in the event of price collapses. As a result, the risk budget of 5 percent was not exhausted at any time in 2014. The overall return on the fund investments of almost 7 percent exceeded expectations.

The net cash position – negative balance of cash and cash equivalents less financial liabilities – came to EUR 959 million on the reporting date (prior year: EUR 544 million). The year-on-year change of EUR 415 million stems largely from the higher dividend payment to shareholders in fiscal 2014.

The bonds issued in 2011 and 2012 on the offshore renminbi market in Hong Kong have an outstanding nominal value of CNY 2,400 million, remaining terms ranging from less than one year to eight years, and nominal interest rates ranging from 2.900 percent to 4.375 percent annually. A tranche of CNY 850 million of the bond issued in 2011 was repaid in the past fiscal year. The euro bond of EUR 500 million issued in 2013 has a remaining term of six years and a nominal interest rate of 1.875 percent annually.

In September 2014, the rating agency Standard & Poor's confirmed 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, underscoring the excellent creditworthiness of BSH.

BSH's excellent creditworthiness was once again confirmed in 2014.

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, making it possible to initiate any necessary control measures without delay.

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 in the past, the hedging policy defined in internal guidelines was reviewed regularly at the quarterly meetings of the Treasury Committee, and was implemented centrally.

As in the prior year, price risks for industrial metals used in production are largely hedged by way of suppliers. Hedges are created as needed for those portions of copper, aluminum, nickel, and crude oil that cannot be hedged through suppliers. The detailed procedure is likewise coordinated by the Treasury Committee.

Key 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. Structured financing with medium- and long-term fixed interest rates protects the Group from the risk of rising interest rates.

BSH constantly monitors counterparty risks from the banks with which it does business through external ratings and credit default swaps. The defined limits for investments and the volumes of hedges are reviewed monthly.

Human resources and social issues

Part of BSH's hands-on growth strategy in 2014 was the further development of the global BSH organization, which included extensive personnel changes.

BSH places great importance on promoting and developing each qualified employee.

One of the key challenges of forward-looking human resources management at BSH was to create an environment amid this process of change that highlights the diverse and challenging job profiles at BSH on its clear growth path, thereby offering qualified employees individually tailored opportunities and paths for their ongoing development.

A clearly identifiable employer branding plays a key role in the perception of BSH as an attractive employer with a broad spectrum of specific training and job profiles: BSH scored high marks here with good talent management and target group-specific qualification programs designed to promote and develop each and every motivated employee.

BSH had 53,211 employees worldwide as of December 31, 2014 (prior year: 49,876), including trainees. Of this number, 37,224 were employed outside of Germany (prior year: 34,718) and 15,987 in Germany (prior year: 15,158).

Employee numbers rose in all BSH regions, especially in China (+1,124), Germany (+829), and Turkey (+475). The year-on-year growth in the number of employees in Germany is attributable in part to increased hiring of temporary workers. Revenue goals were achieved only through a high degree of flexibility at the production sites, with effective support from flexible work models.

The employee breakdown by sales region was as follows:

	Reporting date as of December 31		Change	
	2014	2013	absolute	in %
Sales Region I	29,522	28,085	1,437	5.1
Sales Region II	7,481	7,132	349	4.9
Sales Region III	15,056	13,542	1,514	11.2
Other	1,152	1,117	35	3.1
Total	**53,211**	**49,876**	**3,335**	**6.7**

As of December 31, 2014, 905 staff members were in training programs (prior year: 829). For the German development and production locations, this meant 490 trainees and students in the "DH" dual study program. BSH's international trainee program graduated 19 participants from Germany and from six subsidiaries in other countries.

The results of the employee survey conducted in all worldwide subsidiaries in the fall of 2013 were evaluated, analyzed, and presented to employees in early 2014. The results were used to determine where improvements should be made. In general, the employee survey showed a high degree of motivation and affinity for the company and a high level of employee satisfaction. This was also reflected in the excellent overall participation rate of 88 percent of all BSH employees.

Diversity remains an important recurring theme of the human resources strategy. Active encouragement of the diversity embodied in the BSH workforce is anchored in the company's diversity management policies and integrated in its personnel processes.

Increased internationalization is also important in this context. The forward-looking regionalization strategy of BSH significantly increased the number of employees assigned to work as expatriates outside their home country: Senior management saw a roughly 44 percent increase of foreign assignments in fiscal 2014 compared to the prior year. As of the reporting date, a total of 332 employees were working as expatriates in foreign assignments (prior year: 326).

BSH offers opportunities for flexible work hours adapted to the changing phases of life through numerous part-time models. This is supported by various childcare options in Munich as well as at the Traunreut and Berlin sites.

Employer branding is gaining strategic relevance in the context of BSH's growth strategy. Various programs are designed to position BSH as an employer brand: For the eighth year running, BSH had great success at the Top Employer in Germany competition sponsored by the Top Employers Institute. BSH was once again ranked #1 of all participating companies in Germany for the certification of Top Employer for Engineers. At the international level, BSH was once again certified as a Top Employer in Europe. The subsidiaries in Belgium, the Netherlands, Poland, Spain, and Turkey were also recognized as Top Employers at their local levels. Also, in late 2014, our subsidiary in China was certified as a Top Employer in China for the first time.

BSH was certified as a Top Employer in several countries in 2014.

The BSH Facebook page – live in Germany since May 2014 – now provides the opportunity to present BSH genuinely as an attractive employer to specific target groups through social media.

In the past fiscal year, BSH expanded its activities to market itself to university-level students. In addition to the fellowships already established in Germany, a company scholarship was launched, and the program of panel discussions presented in partnership with the Die Zeit publishing group was expanded.

Talent management remained a focus in 2014. The aim here was to identify high performers who can exercise their potential through targeted professional development in an international environment.

Another source of professional development opportunities at BSH is offered by the Project Management career path, implemented for product, factory, and IT projects at all locations in Germany and many locations outside of Germany.

The focus on “Experts as a Development Perspective,” initiated in the prior year, continued in 2014. This initiative identifies expert positions for relevant specialties with an international outlook for the technical function areas. Rollout began in Germany at the end of 2013 and was extended internationally during the year under review.

The new concept for the Junior Excellence Program was introduced in 2014.

The BSH professional development programs introduced many new initiatives and training seminars in 2014. One particularly successful example was the newly introduced concept for the Junior Excellence Program (JEP). The content of the JEP modules is coordinated to offer participants orientation and support for international professional development and help them expand the skill sets this requires. The International Executive Program (IEP) offers its roughly 100 members the opportunity to engage in a global network and take part in activities developed specifically for their target group that prepare them for further international management assignments. The international Senior Executive Program (SEP), which develops targeted personal and professional skills among participants from senior management, continued with great success. In recent years, BSH was able to fill most of the vacancies in upper management from the graduates of this program.

International cooperation among the seven “academies” – the large internal continuing education organizations worldwide – was also stepped up in fiscal 2014 under the umbrella of the Corporate Learning Landscape, which encompasses all BSH training programs, processes, and standards relating to learning and qualification. International working groups developed concepts to standardize the “strategic analysis of qualification needs,” for example, and to measure the effectiveness of training programs. In this context, more qualification programs aligned to specific divisions and target groups were designed and rolled out internationally. For the second year in a row, the BSH Corporate Academy was honored in the year under review as a Company of Excellence at the German Education Awards sponsored by the TÜV SÜD Academy and the market research firm EuPD Research Sustainable Management.

BSH recognized the demographic impact of an aging workforce very early on and has addressed the issue through company-wide projects since 2006. This task fell first to the “Perspective 67” initiative, which was succeeded in 2013 by the “Demographic Change in Production” project. Cross-location teams develop solutions that minimize stress and optimize leadership structure in the workplace and promote a dialog between the senior and junior generations. The focus here is on workplace ergonomics, an all-inclusive health management system, flexible work schedules, and appropriate leadership structures.

Sustainability

Sustainability is an integral part of the Group strategy, the BSH business model, and the principles of our corporate mission statement.

The activities of the Social Audit Program continued in the year under review at selected suppliers of production material in order to ensure compliance with minimum standards relating to working conditions and environmental protection in the upstream value chain. The program focuses on written acceptance of the BSH Suppliers’ Code of Conduct and binding documentation that social audits have been carried out.

BSH released its 22nd Sustainability Report in the year under review. The report, titled "Creating Transparency," focused on how sustainability programs are managed and aligned with the action items in the BSH sustainability strategy.

Environmental protection

BSH earned third place in the Energy Efficiency Award 2014, presented by the German Energy Agency, for the Group's "Resource Efficiency 2015" program. The award honored the systematic worldwide implementation of several energy efficiency measures that reduced annual energy consumption by some 160 million kilowatt hours. The Slovenian site in Nazarje also received a local green company award in November 2014 for the second time since 2006 in acknowledgment of its resource-efficiency programs in 2014. The European Chamber of Commerce also presented the refrigerator factory in Chuzhou, China, with the "Corporate Social Responsibility Award" in October 2014 for the numerous energy-saving projects implemented there in recent years.

BSH received multiple distinctions for its commitment to the environment.

The Group's "Resource Efficiency 2015" project, which BSH launched in 2010, set specific goals to reduce the consumption of energy and water throughout the Group by 25 percent from 2010 levels by 2015.

All resource-intensive processes were systematically analyzed to identify potential savings. A critical factor in the success of the program was the involvement of all employees. Action undertaken in the year under review include the replacement of lighting systems, upgrades to the compressed air supply system, and infrastructure optimizations at selected locations.

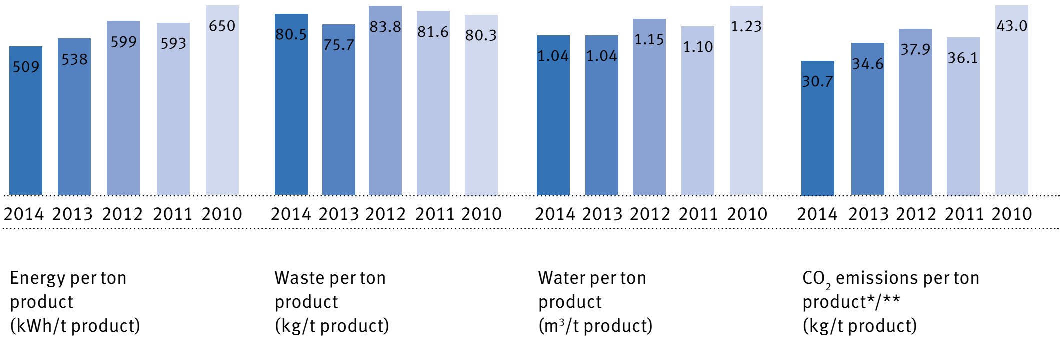
The ISO 50001:2011-certified energy management system is being gradually introduced at all production and logistics locations. At the conclusion of the year under review, all production and logistics locations in Germany and the site in Turkey had been certified. The site of the appliance maker Zelmer in Rzeszów was integrated into the BSH environmental management system in 2014 and is to be certified in 2015. All the Group's other production units were certified in the year under review under ISO 14001:2004, the international standard for environmental management systems.

The ongoing costs and investments for site-related environmental protection came to EUR 19 million.

The actions undertaken in 2014 led to a substantial improvement in the specific energy consumption indicator. Resource efficiency projects in particular made it possible, as in the prior year, to reduce absolute energy consumption while increasing product tonnage. Water consumption and the specific indicator were outside the target range, however, due to increased expenditures for development and lifespan testing. Production-related waste depends on product design and is at the level from 2010. Production waste was recycled at a rate of 93 percent (92 percent in 2010), however, increasing BSH's contribution to circular economy for materials. The reduction of site-related CO_2 emissions is attributable to the efficient use of oil and gas resources coupled with lower heating needs in the heating period relative to the prior year.

Energy consumption was reduced once again in 2014.

Environmental indicators for production (internal sources)*



* Calculation of CO_2 emission per metric ton of product from 2014 onward is based on the IEA data service "CO_2 emissions from fuel combustion (2008 edition)"; prior years have been adjusted accordingly.
** Excluding share from electric power generation, district heating, and transport.

Significant developments during the year

In September 2014, Siemens AG (Berlin and Munich) sold its shareholding in BSH to Robert Bosch GmbH (Stuttgart). The transaction was finalized on January 5, 2015, after antitrust authorities had granted all the necessary approvals. As part of this process, BSH sent both stakeholders a payment of EUR 346 million on December 29, 2014, as an advance dividend on the net retained profits for 2014 (special profit distribution).

In fiscal 2013, BSH launched a multiphase 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. In fiscal 2014, BSH continued this voluntary safety precaution by performing the necessary repairs at no costs to the consumer or offering a special discount on a new dishwasher. The appropriate share of provisions set aside for this purpose in the prior year were used.

The Zelmer Group was compelled to undertake an impairment of assets pursuant to IAS 36 due to weaker business prospects in some Eastern European markets. These impairments affected the goodwill, the customer base, and the Zelmer brand.

Net Assets, Financial Position, and Results of Operations

The management assesses the development of business and the state of the Group at the conclusion of the fiscal year as favorable overall.

Results and key influencing factors

BSH increased its consolidated revenue in fiscal 2014 by 8.4 percent over the prior year, to EUR 11,389 million (see also Revenue development above).

BSH increased its consolidated revenue by 8.4 percent in 2014.

The cost of sales in the fiscal year were EUR 7,103 million (prior year: EUR 6,540 million), with EUR 4,293 million attributable to Sales Region I, EUR 1,171 million to Sales Region II, and EUR 1,678 million to Sales Region III. EUR -39 million was attributable to other business activities (including reconciliation items to internal accounting). The cost of sales as a share of revenue came to 62.4 percent, up slightly from the prior year's value of 62.2 percent and at the prior year's level when adjusted for currency fluctuations. Gross profit was up 8.0 percent year on year overall.

Selling and administrative expenses in the fiscal year totaled EUR 3,206 million. Selling expenses were up EUR 201 million year on year, to EUR 2,513 million, and administrative expenses rose EUR 66 million, to EUR 693 million. The share of selling and administrative expenses of 28.1 percent overall was nearly unchanged from the prior year (28.0 percent). Total selling expenses developed proportionately with revenue, but marketing expenses grew disproportionately in a year-on-year comparison.

BSH increased research and development expenses by EUR 39 million over the prior year, to EUR 373 million. This represents 3.3 percent of revenue (prior year: 3.2 percent).

Other operating income of EUR 282 million was nearly unchanged from the prior year. Other operating expenses fell EUR 212 million in the fiscal year, to EUR 261 million in total. The decrease is attributable to the expenditures reported here in the prior year from setting aside provisions for voluntary safety precautions for dishwashers. In both fiscal years, this item also included impairments of assets under IAS 36. These impairments pertained to companies allocated to Sales Regions I and II in fiscal 2014 and to Sales Region II in the prior year.

The financial result (finance income, finance cost, and other net finance income/cost) improved by EUR 5 million over the prior year, yielding a net expense of EUR 68 million. The balance of finance income and cost in the fiscal year yields an expense that is up EUR 14 million. This is offset by an improvement of EUR 19 million in other net finance income/cost due primarily to exchange rate effects from loans and cash pool items.

The EBIT in the past fiscal year was EUR 705 million, which represents a margin of 6.2 percent of revenue (prior year: EUR 512 million, 4.9 percent). A strong uptick was forecast as a goal for the EBIT in the prior year. The EBIT achieved in this fiscal year exceeded this forecast. Based on the largely positive earnings trend in the Western European countries, BSH achieved an EBIT in Sales Region I of EUR 499 million, up EUR 38 million from the prior year. The EBIT in Sales Region II of EUR 25 million was down sharply from the prior year (EUR 61 million). The tense economic situation in Russia in the past fiscal year was a major obstacle to earnings. The EBIT in Sales Region III was up EUR 44 million, to EUR 295 million thanks primarily to good business in China and the US.

Despite difficulties in Eastern Europe, EBIT was up strongly over the prior year.

All in all, the Group's EBIT was substantially above the prior year's level. This can be explained in part by the expenses associated with the voluntary safety measure that significantly reduced earnings in the prior year. Moreover, the growth in revenue during the fiscal year also yielded higher earnings.

BSH achieved a profit before tax of EUR 637 million in the fiscal year (prior year: EUR 439 million).

Income tax expenditures, including allocations to tax provisions, totaled EUR 190 million (prior year: EUR 130 million). This represents a Group tax rate of 29.8 percent in the past fiscal year (previous year: 29.6 percent).

Consolidated net profit

in EUR million

2014	2013
447	**308**

After tax, the profits came to EUR 447 million (prior year: EUR 309 million). The consolidated net profit after deduction of non-controlling interests was also EUR 447 million (prior year: EUR 308 million).

Assets

Total assets in 2014 rose EUR 405 million, to EUR 9,147 million (prior year: EUR 8,742 million).

Cash and cash equivalents for the year fell EUR 492 million, to EUR 493 million. One key reason for the reduction was the special profit distribution of EUR 346 million paid out to shareholders in addition to the annual dividend as a result of the complete acquisition of the BSH share by Robert Bosch GmbH in Stuttgart.

Trade accounts receivable of EUR 2,972 million were up EUR 345 million over the prior year. The increase of 13.1 percent is attributable primarily to revenue growth in China and the longer payment targets that are customary there due to the use of bills of exchange.

Assets: Structure in %

2014	2013	
7	12	Cash and cash equivalents, securities
33	30	Trade accounts receivable
16	15	Inventories
35	34	Property, plant and equipment, intangible assets, and non-current financial assets
9	9	Other assets
9,147	8,742	Balance sheet total (in EUR million)

Other current assets for the year fell EUR 12 million, to EUR 340 million. The change stemmed primarily from reduced down payments and higher write-downs on other receivables. Inventories rose EUR 166 million, to EUR 1,466 million, an increase of 12.8 percent over the prior year's level of EUR 1,300 million. The uptick is due primarily to the production and sales boom in China.

Non-current financial assets grew once again by EUR 54 million, to EUR 1,063 million due primarily to the acquisition of fund shares.

The Group invested EUR 457 million in property, plant, and equipment and intangible assets (prior year: EUR 377 million). The share of investments for Sales Region I was EUR 239 million (prior year: EUR 203 million). Sales Region II accounted for EUR 63 million (prior year: EUR 53 million), Sales Region III for EUR 146 million (prior year: EUR 114 million). Investments were up year on year in all sales regions, exceeding current depreciations, amortizations, and write-downs in the fiscal year. Property, plant, and equipment was up EUR 163 million as a result, to EUR 1,860 million. This was offset by the trend in intangible assets, which were reduced by EUR 43 million, to EUR 266 million due to the Zelmer Group's impairments on intangible assets taken under IAS 36.

Investments were up year on year in all regions.

Deferred tax assets were recognized with the amount of EUR 503 million (prior year: EUR 385 million). The domestic share was EUR 241 million (prior year: EUR 170 million), and the foreign share EUR 216 million (prior year: EUR 161 million), while consolidation effects yielded EUR 46 million (prior year: EUR 54 million). The change from the prior year is attributable primarily to actuarial losses that greatly increased pension provisions in the fiscal year and yielded corresponding deferred tax assets.

Equity and liabilities

Trade accounts payable increased EUR 38 million from the prior year, to EUR 1,355 million, which corresponds to the expanded volume of business. The increase is manifested primarily in China, Turkey, and the US.

Other current and non-current liabilities rose EUR 241 million, to EUR 1,458 million. The increase was triggered primarily by an outstanding withholding tax payment on the special profit distribution (EUR 91 million) and higher allowances for commissions and employee bonuses.

The current and non-current financial liabilities fell by EUR 77 million from the prior year, to EUR 1,452 million. These consist primarily of financial liabilities to banks and from bonds. Current financial liabilities accounted for EUR 300 million; another EUR 538 million have a remaining term of over five years. In Germany, financial liabilities of EUR 152 million were paid down, while financial liabilities outside of Germany rose EUR 75 million.

Equity and liabilities: Structure in %

Current and non-current provisions of EUR 990 million remained at the prior year's level (EUR 983 million). Of the provisions set aside in the prior year for voluntary safety measures, EUR 68 million were used in the fiscal year. The allocations were primarily to provisions for warranty claims.

Provisions for pending litigation are in place for the amount of the estimated probable claim. Although the Group regards all the claims as unjustified, further financial burden cannot be entirely ruled out.

The provisions for pensions and similar liabilities netted out at EUR 1,423 million (prior year: EUR 1,131 million). The year-on-year increase is attributable primarily to actuarial losses of EUR 262 million resulting largely from lower discount rates: 1.9 percent for Germany (prior year: 3.4 percent).

Deferred tax liabilities came to EUR 49 million (prior year: EUR 39 million).

Equity decreased in the fiscal year by EUR 109 million, to EUR 2,388 million, which represents an equity ratio of 26.1 percent (prior year: 28.6 percent).

The outflow from the dividend payment of EUR 500 million (including the special profit distribution as an advance dividend of EUR 346 million on the net retained profits for 2014) was offset primarily by the positive changes in currency exchange rates of EUR 121 million. The additions of EUR 447 million from the consolidated net profit were up EUR 139 million over the prior year.

Statement of cash flows

The cash inflow from operating activities was EUR 685 million during the fiscal year (prior year: EUR 646 million).

The sharp increase in earnings led to a much higher cash inflow from operating activities.

The higher cash inflow stemmed from much higher year-on-year earnings before taxes of EUR 637 million (prior year: EUR 439 million). This was offset by the adjustment of the other non-cash changes in fiscal 2014, however, which stemmed primarily from a sharp reduction in discount rates that led to actuarial losses of EUR 187 million when calculating pension provisions after taxes. More funds were also tied up as a result of rising receivables and inventories in the fiscal year, though rising provisions and liabilities had a positive impact on the cash inflow from operating activities in fiscal 2014.

The cash outflow from investing activities of EUR 555 million is at the prior year's level. Investments in property, plant, and equipment and intangible assets of EUR 457 in the fiscal year were much higher than in the prior year (EUR 377 million), but more funds were spent in the prior year for the acquisition of the Zelmer Group. The purchase and sale of securities in the current fiscal year resulted in a cash outflow exceeding the prior year figure. Overall, there was no significant change in the cash outflow from investing activities.

The cash outflow from the net balance of the proceeds and repayment of financial liabilities, together with dividend payments of EUR 500 million, yielded a total cash outflow from financing activities of EUR 623 million.

Including changes in exchange rates, cash and cash equivalents decreased by EUR 492 million during the year, to EUR 493 million.

Management of Opportunities and Risks

Compliance management
BSH, as a global enterprise, bears a special responsibility to society, its business partners, and its employees in keeping with its corporate values. Compliance is a core element of this responsibility and must be practiced by company executives, managers, each and every employee, and third parties that act on behalf of BSH. BSH lives up to this corporate responsibility by framing all company decisions within a shared system of values and refusing to engage in any illegal business transactions.

At the heart of this are the BSH Business Conduct Guidelines, to which the company executives and all managers and employees around the world are bound. The BSH Business Conduct Guidelines provide a uniform set of compulsory rules that govern the conduct and business activities of all employees. They are also an expression of our company's values and describe how every employee at BSH bears responsibility for his or her actions.

The job of the corporate department Corporate Compliance is to establish risk-based compliance structures and actions to prevent violations of applicable law. The value-based management approach at BSH creates a stable foundation and a uniform orientation for all business decisions. BSH values are the maxim for the conduct of all employees and define a framework that governs everyone's actions. Uncompromising compliance with the law and company policies is critical to understanding the values of BSH and the basis for all business decisions. This zero tolerance policy is underscored by measures designed to best ensure that all employees act in accordance with the law.

Following the realignment of Corporate Compliance in fiscal 2013, the compliance management system was further developed in line with the new organizational structure. Every BSH region is supported by a Regional Compliance Officer to whom Local Compliance Officers report. In subsidiaries that do not fall under the jurisdiction of a Regional Compliance Officer or Local Compliance Officer, colleagues from other departments take on the role of the Local Compliance Officer.

The compliance management system was adapted to the new organizational structure.

Compliance at BSH consists of three elements: prevention, investigation, response. This means avoiding violations of the compliance rules outlined above (prevention), investigating any breaches that do occur despite the preventive measures (investigation), and responding to any actions that led to a violation and making sure such actions cease (response). Corporate Compliance focuses on the core risks of corruption, money laundering, and anti-competitive behavior.

The preventive efforts carried out by Corporate Compliance aim to prevent compliance breaches anywhere in the world through both Group-wide and country-specific guidelines and internal regulations that are continuously updated and honed to respond to specific risks.

A newly designed training program instructs all employees around the world on the core risks of corruption, money laundering, and anti-competitive behavior and teaches them to deal effectively with these risks. The program consists of both on-site training and Web-based training and is adapted to the specific needs of each target group. Plans for 2015 include the worldwide rollout of a tool to manage and document the training process. A Compliance Help Desk was introduced in 2014 for Germany, Austria, and Switzerland to provide ongoing communication and consultation on the core risks of corruption, money laundering, and anti-competitive behavior. Compliance Help Desks will be gradually extended to other BSH subsidiaries as the need is identified.

Another plan for 2015 is to introduce a high-risk transaction (HRT) scanner. The HRT scanner will introduce risk filters for all outgoing payments that are applied before a transaction is executed. Incoming payments will also undergo retroactive risk screening. The purpose of the HRT scanner is to identify all transactions with a high risk for BSH.

The second core responsibility of Corporate Compliance is to investigate any potential compliance breaches. Indications are pursued on the basis of a defined, objective, appropriate process, and suitable steps are initiated where called for.

The third core responsibility of the compliance management system is to respond promptly to any shortcomings identified in compliance management and any compliance breaches. If compliance breaches are found, BSH takes systematic action (response): Appropriate disciplinary measures are taken by a Corporate Sanction Board. In addition, safety measures are implemented and any weaknesses in processes are remedied to avert any such compliance breaches in the future. The lessons learned are used for preventive consultation and training programs.

A whistleblower system lets employees report compliance breaches in confidentiality.

In 2014, BSH rolled out the "Trust and Tell" whistleblower system, which gives employees anywhere in the world the opportunity to report compliance breaches confidentially.

Risk management

Success in business requires conscious risk-taking. Enterprise Risk Management (ERM) 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. The system is also based 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).

The goal of BSH ERM is the early identification, assessment, and management of those risks with the potential to significantly impair the company in realizing its objectives and, in so doing, lay the foundation for BSH to succeed.

The Risk Management Committee and Corporate Risk Management, Internal Control System have a mandate on behalf of the company management to organize, implement, and continuously improve the risk management system for all companies in the BSH Group. ERM is also expanded in individual departments to include risk identification, assessment, and management tools adapted to specific processes. The quality and processes of ERM was further standardized and enhanced in the year under review. This included adaptations and standardizations of the risk reporting process and extensive communications outreach. The core operational processes of data collection, data analysis, and data processing were also more closely monitored.

The internal control system is currently being redesigned and standardized.

In fiscal 2014, the corporate department Corporate Risk Management, Internal Control System took over conceptual responsibility for the internal control system (ICS) in addition to ERM. The ICS encompasses the management and monitoring of process- and transaction-based risks and is currently undergoing a redesign as part of a Group-wide project. The project's top-down approach is designed to optimize the ICS framework and standardize the monitoring requirements throughout BSH. The specially developed platform was rolled out at 33 selected organizational units in the initial project phase. The rollout will continue at the remaining units in 2015.

Risks of future development
For management of the Group, potential risks are classified into four groups based on a qualitative assessment of their negative impact and likelihood: low, medium, high, major.

The following outlines the risks classified as high or major in the risk management system and capable of having a correspondingly negative impact on the net assets, financial position, and results of operation or on the business objectives, compliance, or reputation of the Group. The order in which the risks are presented reflects the relative risk assessment at the present time and offers an indication of the current significance of these risks for BSH. Except where otherwise noted, the following risks relate to all segments equally.

The following is an overview of major risks:

The volatility of the global economy continues to destabilize the assessment of future revenue and earnings for home appliances in the various regions in which BSH operates. The macroeconomic conditions in Europe pose particular challenges for BSH: There is still an acute risk of economic changes in Western Europe from a possible collapse of the euro zone and the associated loss of a competitive cost position for export. A collapse of the euro zone could be expected to lead to an upward revaluation of the currencies of the countries with stronger economies, with a severe negative impact on BSH.

It is still likely that the economic recovery in some Southern European countries (such as Greece, Italy, and Spain) will remain fragile and the weak economic performance will continue. The significant shifts and declines in demand that this might possibly produce could lead to the loss of customer and supplier relationships. BSH counters these risks with targeted initiatives to improve cost positions across the board, manage receivables, and optimize capital structures.

As in the prior reporting period, compliance breaches in fiscal 2014 cannot be ruled out. But given the systematic development of compliance management and the associated risk assessment by BSH, the consequences of possible breaches are classified as higher than in the prior reporting period. Such breaches, should they occur, could carry severe penalties and a loss of reputation for BSH. Numerous measures are in place to reduce and prevent such risks: comprehensive employee training programs, BSH-wide guidelines, a focus on legal counseling, and the optimization of critical processes (such as contract management).

The intense competition in the global marketplace continues to present a challenge for BSH and its competitors. More likely than not, increasing numbers of non-European competitors will very aggressively expand their market position in BSH's core European markets. The strategic realignment of BSH, complemented by a variety of standalone measures in individual countries and regions, is designed to strengthen the competitive position and proactively negate any significant negative impact on the ability to achieve the business objectives.

The following is an overview of high risks, which are secondary to the aforementioned risks:

The consistent platform strategy, together with the use of the same parts in different BSH products, could in the unlikely event of quality problems lead to severe material losses or personal injury and entail downstream costs in the form of warranty service or goodwill payments. BSH counteracts this continued risk with a fully implemented quality management system and responds to any such incident with targeted task force management. The Group manages product liability and safety risks in close cooperation with the appropriate regions, countries, and departments. The "BSH Focus Quality" project to improve product quality was launched during the year under review. The aim is to continuously develop competencies throughout the organization so that the BSH brands meet high customer expectations of quality as successfully as possible.

BSH, as a global enterprise, is subject to both German corporate governance laws and the laws of other jurisdictions. This means that BSH is affected by numerous amendments to applicable regulations, laws, and guidelines that pertain to BSH products, processes, and services and that change the business environment. An unlikely change in EU legislation that lengthened warranty obligations from the current two years to five years, for example, could have severe consequences for BSH, imposing significant additional warranty costs. The risk, classified as medium in the last reporting period, is now viewed as high. Corporate Technology and Corporate Legal, Industrial Policy constantly monitor the relevant political and legislative activities in order to be informed early and ensure a prompt response in the event of any changes.

The Siemens brand remains of strategic importance to BSH.

When Robert Bosch GmbH (Stuttgart) acquired the Siemens shareholding, a new brand licensing agreement was signed that provides a framework for the long-term use of the Siemens brand by BSH. It is unlikely that the exit of Siemens AG (Berlin and Munich) as a shareholder will lead to significant changes for BSH as a corporate group with multiple brands in how the Siemens brand is perceived in the home appliance market or in the management of local business activities in a way that would reduce revenue potentials. In light of this change to the shareholder structure, the risk was upgraded from medium to high. The stipulations from the brand licensing agreement are implemented through brand management specifications differentiated by national company and Group function. Stable investments in the positioning of the Siemens brand and active communications regarding the long-term importance of the Siemens brand in the BSH strategy also help reduce this risk.

BSH is exposed to litigation, lawsuits, and trials that in unlikely individual cases could have severe negative consequences on the Group’s business, financial commitments, or reputation. BSH again faced claims in the year under review. Although the Group regards all the claims as unjustified, significant financial burden still cannot be ruled out.

Risks classified as low or medium are not addressed here but may be presented in their more specific context (financial risks, etc.) in other sections of this management report.

As in the prior year, no risks have been identified that individually or cumulatively could jeopardize the Group’s existence as a going concern, nor has there been any significant change in the spectrum of risks that BSH faces.

Opportunities of future development

An opportunity is a future event or circumstance that, if it occurs, would have a positive effect on the ability to achieve the Group's objectives. The sequence in which following opportunities are presented offers an indication of their current importance for BSH.

Adapting product ideas to local target groups offers opportunities for growth.

The continued low saturation in some markets with which private households are equipped with modern home appliances and the preference of high-income demographic groups for high-quality brand-name products will continue to offer growth potential going forward. BSH seeks to better exploit these opportunities by regionalizing the BSH organization and expanding its already strong international presence. The aim is to benefit not only from the above-average economic growth in Asia but also from national markets with less economic momentum. A strengthening of regional decision-making powers should lead to the development and more effective marketing of a greater number of product ideas for local target groups. It is hoped that this enhanced understanding of markets will maintain and expand the basis of the future economic success of BSH.

A more favorable global trend of oil and commodity prices is emerging, which could have a positive effect on material and logistics costs. Over the medium term, further systematization of the procurement and distribution processes coupled with Group-wide bundling activities should unlock further potential for cost reductions in purchasing and logistics. This can strengthen global competitiveness relative to competitors from countries with more favorable cost structures. This might also help us reach our strategic growth and profitability goals.

Our close cooperation with Robert Bosch GmbH gives us the opportunity of easier access to various Bosch fields of expertise, such as technology, quality, and integration. This could yield possible synergies that give BSH the potential for innovation, cost-cutting, or expansion. The BSH product portfolio could be further developed, current technologies improved, and additional market potential developed, for example.

Since late 2014, the BSH organization has paid special attention to thoroughly reviewing new ideas for products and services. A new corporate office of innovation was created for this purpose. The brand organizations that work across product lines should also place specific references to product categories and customer experience across the entire marketing matrix. It is expected that this will accelerate and improve internal cooperation and make the marketing and innovation strategy more efficient.

The BSH product portfolio plays a key role in defining technology and design standards in the Western European premium segment. The organization's stronger focus on consistent brand management offers the opportunity to make these qualities even more pronounced and widespread for customers in the future, achieving a successful and sustainable positioning in the corresponding premium market segment. This could boost market share in the premium segment, especially for built-in appliances.

The digital transformation makes it possible for BSH to move closer to its end customers.

Key global megatrends such as the demographic shift, urbanization, globalization, and environmental awareness generally offer additional growth opportunities in various areas. New technological and social trends such as digitization and the increasing interest in home appliance connectivity offer BSH further potential. BSH is systematically pursuing new, high-quality solutions in these fields – for example, by integrating home appliances and online services. The digital transformation makes it possible to offer customers valuable services quickly and affordably, even from far away. This might include remote diagnoses to obtain the preliminary information needed to arrange customer service visits, for example, or recipe suggestions tailored to a specific user or appliance. This is helping BSH to develop links in the value chain that are both highly dynamic and closer to the end customer.

Geopolitical and macroeconomic conditions have a significant impact on BSH business operations. Potential improvements in the overall economic climate offer the opportunity that BSH will experience stronger demand in certain sales markets. For this reason, BSH continuously monitors the economy to adapt capacities and financial resources as required.

Outlook

Overall economic outlook

The assessments and forecasts of overall economic development are based on information from banks, insurance companies, and leading economic research institutes.

The global economy should continue on its slow path to recovery in the coming year. Very low oil prices, stabilization in North America, and also economic reforms in key emerging markets of Asia signal further economic stabilization. On the other hand, geopolitical conflicts and the lingering crisis in the euro zone pose significant risks to global growth.

Increased domestic demand is expected to be strongest in the US and Germany.

For these reasons, BSH assumes that worldwide growth in 2015 will remain more at less at 2014 levels. Impetus may come less from global trade than from stronger domestic demand in key countries such as China, the US, and isolated countries in Europe. In the US and Germany in particular, improved job market statistics signal a robust trend in consumer demand. Low oil prices also have the effect of a stimulus program whose effects have not been fully reflected in the expectations of BSH.

BSH sees the greatest risks in a further intensification of the European debt crisis, especially given the critical developments that continue in France and Italy. Other threats come from increased obstacles to growth in the emerging markets, especially Latin America, and from the escalation of the conflict in Ukraine. On the other hand, BSH currently rates the threat of an economic slowdown due to fiscal policy as low. Although the US may raise money market interest rates later in the year for the first time since 2006, the interest rate signals are expected to be very slight at first. Moreover, the central banks in Europe and Japan will likely continue their very expansive course well beyond 2015.

The global gross domestic product is expected to grow by nearly +2.75 percent in 2015, barely above last year's figure and still below the long-term growth trend of about +3.3 percent that BSH estimates. The primary drivers of this are the emerging economies, for which BSH expects only a slightly stronger economic performance than in the prior year. The rise in their gross domestic product of +4.25 percent is once again well above that of the global economy but noticeably lower than the long-term median growth of +6.5 percent. By contrast, growth expectations for the industrialized nations of +1.8 percent are much lower and unchanged from 2014.

Growth in many emerging markets is still hampered by structural deficits, especially in Latin America and Africa. Added to this mix is the sometimes strong corrections in commodity prices, which will slow growth above all in Latin America but also in Russia and South Africa. The beneficiaries of this trend are key importers of raw materials such as India, China, and Turkey. Overall, BSH does not expect a widespread rejuvenation of growth in the emerging markets. This applies to China as well, despite continued clear signals for a far-reaching modernization of its economic system. The willingness for economic reforms in Central Asian emerging nations seems to have improved, however, which speaks for a more favorable perspective there. This is true of India and Indonesia, for example. That is why the emerging economies in Asia are expected to once again perform much stronger at +6 percent than those in Latin America (+1 percent) and Eastern Europe (+1.25 percent), where political tensions in some countries, slow growth of the global economy, and low commodity prices stand in the way of a faster recovery.

Western Europe is once again exhibiting a halting economic development, with growth of + 1.25 percent expected to be about the same as in 2014. More and more impetus is coming from Spain and Portugal, which in all likelihood will continue their slow recovery, while the French and Italian economies will not likely manage more than stagnation. The hesitant pace of reforms and ongoing uncertainty about the future of the currency union will also dampen the investment mood in the economically stronger countries. For this reason, BSH expects the gross domestic product in Germany to rise only + 1.0 percent in the coming year. The robust rise in private consumption fueled by rising employment and a downward trend in energy prices will largely offset the sluggish performance in exports and investments.

The outlook for the US has visibly improved in recent months. Most early economic indicators signal healthy development. This is driven primarily by private consumption, which benefits from the good employment picture of late and from the decline in energy prices and a noticeable effect from capital gains. Impetus may also come from investment activities. The picture could be subdued by the strong US dollar, on the other hand, along with the anticipated hike in the key interest rate, moderate though it may be. For this reason, BSH expects overall growth to be just + 2.5 percent in 2015.

Outlook for the sector and Group

In view of the slightly improving overall economic picture, BSH expects the world market for large home appliances to continue growing in 2015. This growth will likely be slightly higher than in 2014.

BSH expects positive development at a low level in 2015 for Sales Region I, which primarily covers the European market. The situation in the Southern European markets is expected to further stabilize, even though the moderate fervor for reform in France and Italy dampens expectations and it is still too early to predict how the Greek market will develop. For Germany, on the other hand, BSH expects the market to continue its path of slight growth as in recent years.

In Sales Region II, a slight gain is expected for Turkey. This result may end up negative when measured in euros, however, given the realistic threat of further devaluation of the Turkish lira. Developments on the Russian market in 2015 will continue to be shaped in large part by the further development of the current geopolitical crisis. If the situation does not worsen, BSH expects low-level growth here as well.

BSH expects much higher revenue and a strong growth in EBIT.

A positive development is expected for Sales Region III: In China, the market for large electrical appliances will likely grow much more strongly than in the prior year. Unlike in the past, this trend will be driven more by the rising standards of the growing middle class than by a strict growth in volume. A gain is expected in the Asia and Pacific region as well. India will continue to perform well, and Indonesia will return to a path of growth. Growth in the North American market is expected to once again outpace that of the European market in the coming year.

BSH developed a scenario for future development based on assumptions for development of both the economy as a whole and the market for home appliances as well as the strategic goals for fiscal 2015. This scenario calls for sharp revenue growth and a sharp rise in overall EBIT as a result of greater regionalization.

The business development at the start of the current year strengthens BSH in its expectation that the revenue and earnings targets set in the business planning for 2015 can be achieved.

Events after the reporting date
In September 2014, Siemens AG (Berlin and Munich) sold its share in the business to Robert Bosch GmbH (Stuttgart). The transaction was finalized on January 5, 2015, after antitrust authorities had granted all the necessary approvals. BSH-D is now a wholly owned subsidiary of Robert Bosch GmbH (Stuttgart). On February 9, 2015, the company name of BSH-D was changed from BSH Bosch und Siemens Hausgeräte GmbH to BSH Hausgeräte GmbH.

The BSH Board of Management is not aware of any other 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 31, 2015

BSH Hausgeräte GmbH
The Board of Management

Dr. Karsten Ottenberg	Johannes Närger
Matthias Ginthum	Dr. Michael Schöllhorn

| Consolidated Financial Statements

In connection with the takeover of full ownership by Robert Bosch GmbH, BSH made an advance payment of EUR 346 million from the distributable profit of 2014 as a nonrecurring distribution to shareholders. The equity ratio for 2014 was a solid 26.1 percent at year's end. In September, Standard and Poor's reconfirmed the Company's excellent long and short-term rating, outlook stable.

Consolidated Statement of Income
January 1 to December 31, 2014

in EUR million	Note	2014	2013
Revenue	4	11,389	10,508
Cost of sales	5	7,103	6,540
Gross profit		**4,286**	**3,968**
Selling and administrative expenses	6	3,206	2,939
Research and development expenses	7	373	334
Other operating income	8	282	290
Other operating expenses	8	261	473
Goodwill amortization	21	23	–
Operating profit		**705**	**512**
Finance income	9	45	34
Finance cost	9	129	104
Other net finance income/cost	10	16	– 3
Profit before tax		**637**	**439**
Income taxes	11	190	130
Profit after tax		**447**	**309**
Of which attributable to:			
Shareholders of the parent (consolidated net profit)		**447**	**308**
Non-controlling interests	12	0	1

Consolidated Statement of Comprehensive Income
January 1 to December 31, 2014

in EUR million	Note	2014	2013
Profit after tax		**447**	**309**
Items not subsequently reclassified to profit and loss			
Actuarial gains/losses on defined benefit pension plans and similar obligations	26	**– 262**	**29**
Income taxes relating to items not subsequently reclassified to profit and loss	12	**75**	**– 7**
		– 187	**22**
Items that may be subsequently reclassified to profit and loss			
Gains and losses on translating foreign operations	27	121	– 184
Gains and losses on available-for-sale financial assets	27	38	– 3
Gains and losses on cash flow hedging	27	0	0
Income taxes relating to items that may be subsequently reclassified to profit and loss	12	– 13	6
		146	**– 181**
Other comprehensive income		**– 41**	**– 159**
Total comprehensive income		**406**	**150**
Total comprehensive income attributable to:			
Shareholders of the parent		406	150
Non-controlling interests		0	0

Consolidated Balance Sheet
December 31, 2014

in EUR million	Note	12/31/2014	12/31/2013
ASSETS			
Current assets			
Cash and cash equivalents	14	493	985
Securities	15	143	33
Trade accounts receivables	16	2,972	2,627
Current recoverable income taxes		41	45
Other current assets	17	340	352
Inventories	18	1,466	1,300
Total current assets		**5,455**	**5,342**
Non-current assets			
Other non-current assets	19	1,063	1,009
Property, plant and equipment	20	1,860	1,697
Intangible assets	21	266	309
Deferred tax assets	11	503	385
Total non-current assets		**3,692**	**3,400**
Total assets		**9,147**	**8,742**

in EUR million	Note	12/31/2014	12/31/2013
EQUITY AND LIABILITIES			
Current liabilities			
Financial liabilities	22	300	246
Trade accounts payable	23	1,355	1,317
Current income tax liabilities		32	29
Other current liabilities	24	1,417	1,186
Other current provisions	24	487	465
Total current liabilities		**3,591**	**3,243**
Non-current liabilities			
Financial liabilities	22	1,152	1,283
Other non-current liabilities	25	41	31
Other non-current provisions	25	503	518
Provisions for pensions and similar obligations	26	1,423	1,131
Deferred tax liabilities	11	49	39
Total non-current liabilities		**3,168**	**3,002**
Equity			
Subscribed capital	27	125	125
Retained earnings and other reserves	27	1,813	2,058
Consolidated net profit		447	308
Non-controlling interests	27	3	6
Total equity		**2,388**	**2,497**
Total equity and liabilities		**9,147**	**8,742**

Consolidated Statement of Cash Flows
January 1 to December 31, 2014

in EUR million	Note	2014	2013
Profit after tax		447	309
Income taxes	11	190	130
Profit before tax		**637**	**439**
Non-controlling interests	12	0	– 1
Depreciation, amortization, impairment and reversals of impairment losses, net		370	375
Gains and losses on disposal of property, plant and equipment and intangible assets, net		7	4
Net finance cost (excluding other net finance income/cost)	9	84	70
Finance cost paid		– 54	– 31
Finance income received		31	19
Income tax paid		– 217	– 190
Other non-cash income and expenses		– 212	49
Changes in assets and liabilities			
Change in inventories		– 127	– 79
Change in trade accounts receivable and other accounts receivable		– 205	– 294
Change in trade accounts payable and other liabilities		169	212
Change in provisions		265	72
Change in deferred tax		– 63	1
Net cash generated by operating activities	28	**685**	**646**
Payments for financial assets		–	–
Purchase of intangible assets and property, plant and equipment		– 457	– 377
Acquisition of subsidiaries, net of cash acquired	3	–	– 138
Proceeds from the disposal of property, plant and equipment and intangible assets		10	24
Additions to financial receivables		– 1	0
Decrease in financial receivables		0	0
Investments in securities (available for sale)		– 995	– 983
Disposals of securities (available for sale)		888	911
Net cash used in investing activities	28	**– 555**	**– 563**
Dividend payments		– 500	– 233
Acquisition of non-controlling interests		– 15	–
Non-controlling interests		– 2	– 1
Proceeds from borrowings		347	956
Repayment of financial liabilities		– 453	– 398
Net cash used in (2013: net cash generated by) financing activities	28	**– 623**	**324**
Net change in cash and cash equivalents		**– 493**	**407**
Cash and cash equivalents at the beginning of the period	28	**985**	**594**
Change in cash and cash equivalents due to changes in exchange rates		1	– 16
Cash and cash equivalents at the end of the period	28	**493**	**985**

Consolidated Statement of Changes in Equity
January 1 to December 31, 2014

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 01/01/2013	**125**	**2,640**	**– 29**	**33**	**0**	**– 197**	**2,572**	**7**	**2,579**
Profit after tax	–	308	–	–	–	–	308	1	**309**
Net income recognized 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**
Profit after tax	–	447	–	–	–	–	447	0	**447**
Net income recognized in equity	–	–	121	25	0	– 187	–41	0	**– 41**
Total comprehensive income	**–**	**447**	**121**	**25**	**0**	**– 187**	**406**	**0**	**406**
Dividend payments	–	–500	–	–	–	–	– 500	0	**– 500**
Other changes	–	– 12	–	–	–	–	– 12	– 3	**– 15**
Balance at 12/31/2014	**125**	**2,652**	**– 92**	**61**	**–**	**–361**	**2,385**	**3**	**2,388**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General

BSH Hausgeräte GmbH (BSH-D), formerly BSH Bosch und Siemens Hausgeräte GmbH, was formed in 1967 as a joint venture of Robert Bosch GmbH, Stuttgart, and Siemens AG, Berlin and Munich. In September 2014, Siemens AG (Berlin and Munich) sold its interest in the company to Robert Bosch GmbH (Stuttgart). After all necessary approvals had been obtained from the antitrust authorities, the transaction closed on January 5, 2015, so that BSH-D is now a wholly owned subsidiary of Robert Bosch GmbH (Stuttgart). On February 9, 2015, the corporate name of BSH-D was changed from "BSH Bosch und Siemens Hausgeräte GmbH" to "BSH Hausgeräte GmbH." 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 20, 2015. The consolidated financial statements and group management report of BSH are published in the electronic German Federal Gazette.

2 Presentation of accounting policies

2.1 Statement of compliance

The consolidated financial statements of BSH-D for the year ended December 31, 2014, 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. Account was furthermore taken of the interpretations of the IFRS Interpretations Committee (IFRIC) 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, 2014

The Group implemented all accounting standards for which application was mandatory in the European Union from the 2014 financial year onward.

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

IFRS 10, "Consolidated Financial Statements"

The new standard replaces the consolidation requirements under the former IAS 27 and SIC-12 by introducing a uniform consolidation model for all companies, based on the parent company's control of a subsidiary. Under IFRS 10, three criteria must cumulatively be met to determine control: power over the subsidiary, variable returns from the investment, and the ability to affect those returns by exercising power over the subsidiary. The first application of IFRS 10 had no effect on the consolidated financial statements of BSH.

IFRS 12, "Disclosure of Interests in Other Entities"

The new standard governs disclosure obligations for all interests in subsidiaries, joint arrangements and associates, as well as unconsolidated structured entities. This standard has not resulted in any material new disclosures for BSH.

IFRS 10-12 Transition Guidance

The change clarifies that the "date of initial application" of IFRS 10 is the beginning of the reporting period in which the standard is applied for the first time. It furthermore specifies that at the time of the first application of the new consolidation rules, comparative information for the mandatory disclosure obligations under IFRS 12 in connection with subsidiaries, associates and joint arrangements are mandatory for the immediately preceding period only. This change had no effect on the consolidated financial statements of BSH.

Change to IAS 32, "Financial Instruments: Presentation": Netting of financial assets and financial liabilities

The change specifies details of the netting model already in force under IAS 32 with additional application guidance. This change has no effect on the consolidated financial statements of BSH.

Change to IAS 36, "Impairment of Assets": Disclosures about recoverable amount for non-financial assets

The change results in new disclosure obligations or corrects existing disclosure obligations that arise when a recoverable amount was determined on the basis of fair value less costs to sell. Since the recoverable amount at BSH was determined on the basis of value in use, this change had no effect on the consolidated financial statements.

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

- IFRS 10, 12, IAS 27, "Investment Companies"
- IFRS 11, "Joint Arrangements"
- IAS 27, "Separate Financial Statements (revised 2011)"
- IAS 28, "Investments in Associates and Joint Ventures (revised 2011)"
- Changes to IAS 39, "Financial Instruments: Recognition and Measurement": Novation of derivatives and continuation of hedge accounting

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

The consolidated financial statements for financial year 2014 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 12/31/2014	Anticipated effects
IFRS 9	Financial instruments	01/01/2018	No	Classification and measurement of financial assets (esp. impairment)
IFRS 10, IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	01/01/2016	No	Nothing material
IFRS 10, IFRS 12, IAS 28	Applying the consolidation exception	01/01/2016	No	Nothing material
IFRS 11	Joint arrangements – Accounting for acquisition of interests in joint operations	01/01/2016	No	Nothing material
IFRS 14	Regulatory deferral accounts	01/01/2016	No	Nothing material
IFRS 15	Revenue from contracts with customers	01/01/2017	No	Timing and amount of recognition of revenue
IAS 1	Disclosure initiative	01/01/2016	No	Nothing material
IAS 16, IAS 38	Property, plant and equipment/Intangible assets – Clarification of acceptable methods of depreciation and amortization	01/01/2016	No	Nothing material
IAS 16, IAS 41	Property, plant and equipment/ Agriculture: Bearer plants	01/01/2016	No	Nothing material
IAS 19	Employee benefits – Defined benefit plans: Employee contributions	07/01/2014	Yes	Nothing material
IAS 27	Separate financial statements – Equity method in separate financial statements	01/01/2016	No	Nothing material
IFRIC 21	Levies	06/17/2014	Yes	Nothing material
IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38	Annual improvements 2010 – 2012 cycle	07/01/2014	Yes	Nothing material
IFRS 1, IFRS 3, IFRS 13, IAS 40	Annual improvements 2011 – 2013 cycle	07/01/2014	Yes	Nothing material
IFRS 5, IFRS 7, IAS 19, IAS 34	Annual improvements 2012 – 2014 cycle	01/01/2016	No	Nothing material

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	
	12/31/2014	12/31/2013	2014	2013
US dollar (USD)	1.2141	1.3791	1.3285	1.3281
Pound sterling (GBP)	0.7789	0.8337	0.8061	0.8493
Russian ruble (RUB)	72.3370	45.3246	50.9518	42.3370
Turkish lira (TRY)	2.8298	2.9370	2.9081	2.5296
Chinese renminbi (CNY)	7.4556	8.4189	8.1640	8.2219

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. BSH-D controls an investee when it has power over the investee, it is exposed, or has rights, to variable returns from the investee, and has the ability to exercise its power in such a way as to affect those returns. Control usually exists if BSH-D, directly or indirectly, holds a majority of the voting rights in an entity deriving from equity instruments, or has the power to govern an entity's relevant activities through other contractual arrangements or potential substantial voting rights. 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 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.

The consolidated entities also include a special fund. As of December 31, 2014, six 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 Altersfürsorge GmbH, formerly 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. See Annex I 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 upon 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, in the form of individual or generalized valuation allowances, are recognized when there are objective indications that the receivable cannot be collected in full, such as default, default actions in court, or insolvency. Write-downs on trade accounts receivable are recognized using valuation allowance accounts. They are derecognized at the same time as the associated receivables. 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. Acquisition cost is measured using the average cost formula. The cost of conversion for work in progress and finished goods includes all costs directly assignable to the production process and an appropriate portion of production overheads (based on normal employment levels). 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 included. Inventory risks that result from reduced usefulness or marketability are taken into account by recognizing write-downs. Additional write-downs are taken if the net realizable value of inventories is less than their cost. 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.

2.10 Financial instruments

A financial instrument is a contract that simultaneously leads 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.

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

- held-to-maturity investments,
- loans and receivables,
- available-for-sale financial assets,
- financial assets or liabilities at fair value through profit or loss, and
- financial liabilities measured at amortized cost.

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.

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.

Financial assets and liabilities held for trading
Financial assets and liabilities recognized at fair value through profit or loss are recognized at BSH solely as held for trading. Changes in the fair value of financial assets and liabilities at fair value through profit or loss are recognized through the income statement.

Available-for-sale financial assets
All other financial assets, other than loans and receivables originated by the Company, are classified as available-for-sale financial assets. Available-for-sale financial assets 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.

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. A write-down is recognized if there is a prolonged and significant decline in fair value below cost. If there is an impairment, the cumulative net loss is reclassified from equity to profit or loss. If there is a recovery of value under IAS 39, in the case of equity instruments it is offset directly against equity. For borrowing instruments, a write-up is recognized in profit or loss, but cannot exceed the amount of the impairment recognized previously.

In deviation from the above, shares in unconsolidated subsidiaries and associates are always reported at cost; impairment losses are recognized where appropriate. There is no active market for these companies and future cash flows cannot be determined, and fair value therefore cannot be reliably determined with reasonable time and effort. The Company holds only a limited amount of shares in unconsolidated subsidiaries or associates; it has no plans to sell.

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	10.0 – 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 for 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 the asset's fair value less cost to sell or its value in use falls below its carrying amount. The asset is then written down to the higher of the two values (fair value less cost to sell or 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. Brands are recognized as having an indefinite useful life if they are established in their market and continually supported with marketing activities. 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 – 10 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 indefinite 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 (see also Note 2.14).

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 impairment of goodwill or of intangible assets with an indefinite useful life, 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 of disposal 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 percent p.a. The discount rate for each country (including an additional risk factor) amounted to between 6.5 percent p.a. and 30.0 percent p.a. (2013: between 8.4 percent p.a. and 27.5 percent p.a.). Notes 20 and 21 provide a further explanation.

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 among the “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.

Revaluations during the year under review are offset against equity and recognized in other comprehensive income in accordance with IAS 19.120(c).

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.

Tax provisions relate to liabilities for income taxes and other taxes. Deferred taxes are recognized in separate line items on the balance sheet.

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 other market price 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.

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 rates. 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. The expected tax payment is used as a best-estimate basis for recognized uncertain income tax items.

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, as well as other risks, 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

One subsidiary was deconsolidated in financial year 2014 because it was sold; there was no material impact on earnings. Five other subsidiaries were deconsolidated because of liquidation. These companies had no material impact on the Group's net assets, financial position and results of operations.

The acquisition of further shares from minority shareholders increased BSH-D's holding in the already fully consolidated subsidiary BSH Ev Aletleri Sanayi ve Ticaret A. Ş., Istanbul, to 99.95 percent at December 31, 2014, compared to 99.28 percent in 2013 (see also Note 27).

4 Revenue

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

in EUR million	2014	2013
White goods	9,712	8,822
Other	1,677	1,686
Total	**11,389**	**10,508**

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

5 Cost of sales

The cost of sales figure of EUR 7,103 million (2013: EUR 6,540 million) comprises the full production-related costs incurred in the manufacture of the products sold.

Cost of sales includes inventories recognized as expenses of EUR 5,418 million (2013: EUR 5,034 million).

6 Selling and administrative expenses

Selling and administrative expenses amounted to EUR 3,206 million (2013: EUR 2,939 million), comprising EUR 2,513 million (2013: EUR 2,312 million) for selling and EUR 693 million (2013: EUR 627 million) for administration. They represent 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 373 million (2013: EUR 334 million) include research costs and development costs not recognized in the balance sheet. As in 2013, no development costs were capitalized during 2014.

8 Other operating income and expenses

in EUR million	2014	2013
Foreign currency gains on trade accounts receivable and payable	82	81
Gains on derivatives	57	70
Income from costs transferred to third parties	44	52
Income from the reversal of provisions (not function-related)[1]	22	38
Reimbursements from insurers and other compensation payments	15	5
Other income relating to other periods	12	3
Gains on the disposal of property, plant and equipment and intangible assets	3	3
Reversal of impairment losses on property, plant and equipment and intangible assets	3	2
Rental and leasing income	3	2
Income from the reversal of allowances and remeasurement of receivables	1	3
Other operating income	40	31
Total other operating income	**282**	**290**
Foreign currency losses on trade accounts receivable and payable	114	83
Losses on derivatives	70	59
Impairment losses on property, plant and equipment and on intangible assets[2]	20	41
Expenses to set up provisions (not function-related)[1]	19	264
Losses on the disposal of property, plant and equipment and intangible assets	10	7
Expenses from allowances on receivables	1	2
Other operating expenses	27	17
Total other operating expenses	**261**	**473**

1) See also Note 25.
2) See also Notes 20 and 21.

9 Finance income and finance cost

in EUR million	2014	2013
Finance income	45	34
Finance cost	129	104
Net finance income/cost	**–84**	**–70**
Allocation as specified by IFRS 7.20 (b) using IAS 39 measurement categories:		
Loans and receivables	33	23
Financial assets, available-for-sale	8	8
Total financial assets	**41**	**31**
Financial liabilities carried at amortized cost	–84	–59
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	–41	–42

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 2014 by capitalized borrowing costs for qualifying assets amounting to EUR 0.2 million (2013: EUR 0.2 million). The borrowing rate used for this purpose was 3.6 percent (2013: 3.3 percent).

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 financial assets and liabilities denominated in foreign currency that are not attributable to business operations, 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 2014. This resulted in a decrease in equity of EUR 16 million (2013: decrease in equity of EUR 3 million) and the recognition of an equivalent figure as income under net finance income/cost. Expenses according to IAS 39.67 amounted to EUR 4 million (2013: EUR 1 million). As in 2013, 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	2014	2013
Current tax	225	205
Deferred tax	– 35	– 75
Total	**190**	**130**

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 2014 was 15 percent plus a solidarity surcharge of 5.5 percent of the corporate income tax charge. Taking into account "trade tax" (local business income tax) at 13.66 percent, the overall tax rate for the companies in the German tax group was 29.49 percent (2013: 29.49 percent).

The reported income tax expense of EUR 190 million for the year under review is EUR 2 million more than the expected income tax expense of EUR 188 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	2014	2013
Profit before tax	**637**	**439**
Expected tax charge when using the tax rate applicable to the parent company of 29.49% (2013: 29.49%)	188	129
Effects of differences in foreign tax rates	– 16	– 13
Effects of changes in tax rates	4	– 2
Effects of permanent differences	38	53
Tax effects relating to other periods	– 6	15
Change in the recoverability of deferred tax assets	–20	– 56
Other changes	2	4
Reported income tax expense	**190**	**130**
Group tax rate (in %)	29.8	29.6

Deferred tax in the consolidated balance sheet:

in EUR million	2014	2013
Deferred tax assets	503	385
Deferred tax liabilities	49	39
Total	**454**	**346**

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)	2014	2013
Available-for-sale financial assets	– 16	– 3
Cash flow hedging instruments	–	0
Actuarial gains/losses on defined benefit pension plans and similar obligations	147	72
Total	**131**	**69**

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

	Deferred tax assets		Deferred tax liabilities	
in EUR million	2014	2013	2014	2013
Intangible assets and property, plant and equipment	38	55	52	87
Receivables and other assets	51	29	49	39
Inventories	65	67	3	3
Liabilities	90	64	31	21
Other provisions	90	90	2	3
Pension provisions	217	138	1	1
Available-for-sale securities	2	1	17	3
Tax loss carryforwards and tax credits	89	124	–	–
Other	1	2	1	3
Gross total	**643**	**570**	**156**	**160**
Impairment losses	– 33	– 64	–	–
Netting	– 107	– 121	– 107	– 121
Deferred tax after netting	**503**	**385**	**49**	**39**
of which ‹ 1 year	170	134	28	23
of which › 1 year	333	251	21	16

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. The following write-downs were recognized on deferred tax assets:

in EUR million	2014	2013
Temporary differences	12	47
Tax loss carryforwards	19	17
Tax credits	2	0
Total	**33**	**64**

Out of the total write-downs of deferred tax assets, EUR 16 million (2013: EUR 48 million) can be carried forward without limitation, and EUR 13 million (2013: EUR 11 million) can be carried forward for more than three years. EUR 4 million (2013: EUR 5 million) will lapse within the next three years. BSH assumes that sufficient taxable profit will be available from future business activities against which the recognized deferred tax assets can be utilized.

As of December 31, 2014, the BSH Group had unutilized tax loss carryforwards of EUR 214 million (2013: EUR 381 million) and tax credits of EUR 50 million (2011: EUR 60 million). The following table shows the utilization periods for the loss carryforwards:

Utilization period of tax loss carryforwards (in EUR million)	2014	2013
Limited carryforward period, less than 3 years	21	20
Limited carryforward period, more than 3 years	58	65
Unlimited carryforward period	135	296
Total	**214**	**381**

Loss carryforwards for which no deferred tax assets have been recognized amounted to EUR 86 million (2013: EUR 78 million).

Utilization periods for tax credits (in EUR million)	2014	2013
Limited carryforward period, less than 3 years	0	7
Limited carryforward period, more than 3 years	42	46
Unlimited carryforward period	8	7
Total	**50**	**60**

Tax credits for which no deferred tax assets have been recognized amounted to EUR 2 million (2013: EUR 0 million).

Deferred tax liabilities of EUR 26 million (2013: EUR 16 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 374 million (2013: EUR 237 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 0.4 million (2013: EUR 0.7 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 SEG Hausgeräte GmbH (formerly Siemens-Electrogeräte GmbH), Munich.

13 Other income statement disclosures

The functional costs include the following personnel expenses:

in EUR million	2014	2013
Wages and salaries	1,929	1,784
Social security contributions	372	334
Expenses for pension plans and benefits	72	77
Total	**2,373**	**2,195**

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

	2014	2013
BSH-D		
Direct employees	6,868	6,459
Indirect employees	6,857	6,630
of which apprentices	*368*	*345*
Other companies in Germany	1,846	1,803
Companies outside Germany	36,381	33,622
Total	**51,952**	**48,514**

The business function an individual performs determines whether he or she is categorized as a direct or indirect employee. Employees whose business function is directly related to providing the Company's services are classified as direct employees. Employees who have an indirect relationship to providing the Company's services are classified as indirect employees.

Government grants

The Group received government grants for research and development amounting to EUR 2 million (2013: EUR 4 million) and other grants amounting to EUR 5 million (2013: EUR 5 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	2014	2013
Checks	4	9
Cash in hand	0	1
Bank balances	489	975
Total	**493**	**985**

As in 2013, 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	2014	2013
Trade accounts receivable (third parties)	3,070	2,723
Allowances on receivables	– 98	– 96
Trade accounts receivable, net	**2,972**	**2,627**

Trade accounts receivable include an amount of EUR 0.1 million (2013: EUR 0.1 million) that is due for payment in more than one year. At the reporting date there was a factoring agreement whose terms resulted in the derecognition in full of the transferred receivables.

Disclosures on credit risks for trade accounts receivable are provided in Note 31, under "Credit risks."

17 Other current assets

in EUR million	2014	2013
Other tax receivables and receivables from employees	178	183
Other receivables (third parties)	115	127
Prepaid expenses	32	25
Current derivative financial instruments (Note 30)	22	18
Other receivables from non-consolidated affiliated companies	1	1
Allowances on other current assets	– 8	– 2
Total	**340**	**352**

This item includes EUR 33 million (2013: EUR 27 million) current financial assets.

18 Inventories

in EUR million	2014	2013
Finished goods and merchandise	1,017	916
Work in progress	37	28
Raw materials, consumables and supplies	342	293
Spare parts	64	60
Advance payments	6	3
Total	**1,466**	**1,300**

The write-down recognized in the year under review was EUR 121 million (2013: EUR 111 million). The spare parts comprise components for home appliances. As in 2013, no inventories were pledged as collateral.

19 Other non-current assets

The other non-current assets included the following items:

in EUR million	2014	2013
Financial assets	1,026	979
Non-current derivative financial instruments (Note 30)	6	0
Other non-current assets	31	30
Total	**1,063**	**1,009**

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

As in 2013, 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 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:

in EUR million	Land and buildings	Investment property	Technical equipment and machinery	Other equipment, operating and office equipment	Assets under construction	Advance payments on property, plant and equipment	Total
Acquisition and manufacturing costs							
01/01/2013	**971**	**–**	**1,660**	**1,569**	**146**	**69**	**4,415**
Foreign currency movements	–38	–	– 57	– 40	– 3	– 4	– 142
Additions	19	–	67	101	119	53	359
Disposals	– 6	–	– 74	– 133	– 3	–	– 216
Reclassifications	16	–	75	44	– 103	– 32	–
Changes in basis of consolidation	17	10	9	14	2	1	53
12/31/2013	**979**	**10**	**1,680**	**1,555**	**158**	**87**	**4,469**
Depreciation, amortization and impairment							
01/01/2013	**409**	**–**	**1,120**	**1,133**	**4**	**–**	**2,666**
Foreign currency movements	– 10	–	– 36	– 24	–	–	– 70
Additions	34	1	130	148	–	–	313
Disposals	– 5	–	– 60	– 123	–	–	– 188
Impairment	19	–	14	7	1	–	41
Reversals	–	–	–	–	–	–	–
Reclassifications	1	–	7	– 5	– 3	–	–
Changes in basis of consolidation	–	–	4	6	–	–	10
12/31/2013	**448**	**1**	**1,179**	**1,142**	**2**	**–**	**2,772**
Carrying amount 12/31/2013	**531**	**9**	**501**	**413**	**156**	**87**	**1,697**
Acquisition and manufacturing costs							
01/01/2014	**979**	**10**	**1,680**	**1,555**	**158**	**87**	**4,469**
Foreign currency movements	20	–	29	25	3	3	80
Additions	39	–	97	127	127	53	443
Disposals	– 6	–	– 70	– 112	– 1	– 1	– 190
Reclassifications	36	–	73	89	– 129	– 69	–
12/31/2014	**1,068**	**10**	**1,809**	**1,684**	**158**	**73**	**4,802**
Depreciation, amortization and impairment							
01/01/2014	**448**	**1**	**1,179**	**1,142**	**2**	**–**	**2,772**
Foreign currency movements	2	–	19	17	–	–	38
Additions	33	0	130	146	–	–	309
Disposals	– 4	–	– 66	– 104	–	–	– 174
Impairment	–	–	–	–	–	–	–
Reversals	–	–	–	– 2	– 1	–	– 3
Reclassifications	2	0	– 10	8	–	–	–
12/31/2014	**481**	**1**	**1,252**	**1,207**	**1**	**–**	**2,942**
Carrying amount 12/31/2014	**587**	**9**	**557**	**477**	**157**	**73**	**1,860**

No impairment losses were recognized during the year (2013: EUR 41 million). The figure for 2013 related primarily to a subsidiary in Russia (Segment SR II).

Impairment losses from previous years of EUR 3 million on property, plant and equipment were reversed for the year under review (2013: EUR 0 million). These related primarily to the subsidiary in Peru (Segment SR I).

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

- Land and buildings: EUR 10 million (2013: EUR 12 million)
- Technical equipment and machinery: EUR 1 million (2013: EUR 1 million)
- Other equipment, operating and office equipment: EUR 1 million (2013: EUR 1 million)

The finance leases pertain primarily to a production building of the Zelmer Group (see also Note 32).

As of the balance sheet date, obligations incurred in connection with the acquisition of property, plant and equipment amounted to EUR 16 million (2013: EUR 62 million). As in 2013, there were no restraints on the utilization of property, plant and equipment, or of investment property, in the year under review. As in 2013, no government grants were deducted from new additions in the year under review.

Borrowing costs of EUR 0.2 million (2013: EUR 0.2 million) were capitalized for qualifying assets.

The carrying amount of investment property was EUR 9 million (2013: EUR 9 million), compared to a fair value of EUR 9 million (2013: EUR 9 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. There were only minor reclassifications between investment property and property, plant and equipment. Rental income from investment property was recognized in the amount of EUR 2 million (2013: EUR 2 million). This income was countered by directly attributable expenses of EUR 1 million (2013: EUR 1 million). Since the rental agreements generally have a three-month notice period, there are no material future minimum lease payments under non-cancelable operating leases.

21 Intangible assets

in EUR million	Patents, licenses, brand names, customer bases, etc.	Software	Goodwill	Advance payments on intangible assets	Internally generated intangible assets	Total
Acquisition and manufacturing costs						
01/01/2013	**62**	**101**	**173**	**7**	**52**	**395**
Foreign currency movements	– 2	–	– 30	1	–	– 31
Additions	–	10	–	5	3	18
Disposals	– 1	– 2	–	–	–	– 3
Reclassifications	–	1	–	– 1	–	–
Changes in basis of consolidation	63	6	23	–	–	92
12/31/2013	**122**	**116**	**166**	**12**	**55**	**471**
Amortization and impairment						
01/01/2013	**27**	**79**	**6**	**–**	**33**	**145**
Foreign currency movements	– 2	–	– 2	–	–	– 4
Additions	7	11	–	–	5	23
Disposals	– 1	– 2	–	–	–	– 3
Impairment	–	–	–	–	–	–
Reversals	– 2	–	–	–	–	– 2
Changes in basis of consolidation	–	3	–	–	–	3
12/31/2013	**29**	**91**	**4**	**–**	**38**	**162**
Carrying amount 12/31/2013	**93**	**25**	**162**	**12**	**17**	**309**
Acquisition and manufacturing costs						
01/01/2014	**122**	**116**	**166**	**12**	**55**	**471**
Foreign currency movements	6	1	7	–	– 2	12
Additions	1	11	–	1	1	14
Disposals	– 1	– 15	–	–	–	– 16
Reclassifications	–	12	–	– 12	–	–
12/31/2014	**128**	**125**	**173**	**1**	**54**	**481**
Amortization and impairment						
01/01/2014	**29**	**91**	**4**	**–**	**38**	**162**
Foreign currency movements	2	1	2	–	– 1	4
Additions	8	10	–	–	3	21
Disposals	–	– 14	–	–	– 1	– 15
Impairment	20	–	23	–	–	43
Reversals	–	–	–	–	–	–
12/31/2014	**59**	**88**	**29**	**–**	**39**	**215**
Carrying amount 12/31/2014	**69**	**37**	**144**	**1**	**15**	**266**

Internally generated intangible assets relate primarily to software. Brand names include a brand with an indefinite useful life and a carrying amount of EUR 19 million (2013: EUR 17 million) that is allocated to the Group's subsidiary in the USA. A discount rate of 11.1 percent (2013: 12.8 percent) was applied in determining the value in use of the associated cash generating unit. Out of goodwill, EUR 116 million (2013: EUR 112 million) relates to the Group's subsidiary in Turkey. A discount rate of 14.1 percent (2013: 17.1 percent) was applied in determining the value in use of the associated cash generating unit.

All goodwill items recognized in the consolidated balance sheet and assigned to cash generating units were tested for impairment. In this connection, goodwill impairment of EUR 23 million (2013: EUR 0 million) was recognized, attributable to the subsidiaries of the Zelmer Group (see below).

Impairment losses recognized for the year on goodwill, customer bases and one brand were calculated entirely on the basis of value in use. They pertain only to Zelmer Group subsidiaries (Segments SR I and SR II) and are the consequence of a less promising business outlook owing to economic developments in certain Eastern European countries. Value in use was calculated on the basis of a discount rate of 13.0 percent (2013: EUR 11.6 percent).

No reversals of impairments on intangible assets were recognized in the year under review (2013: EUR 2 million).

As in 2013, at the reporting date there were only minor obligations to acquire intangible assets. As in 2013, 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	2014	2013
Up to 1 year	300	246
1 – 5 years	614	684
More than 5 years	538	599
Total	**1,452**	**1,529**

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.

23 Trade accounts payable

Trade accounts payable are recognized at amortized cost, equivalent to the higher of their nominal amount and settlement amount; only a minor volume of trade accounts payable has a remaining term of more than one year (2013: EUR 2 million).

24 Other liabilities and provisions (current)

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

in EUR million	2014	2013
Accrued liabilities	937	809
Other tax liabilities	181	69
Notes payable	67	64
Advance payments received	66	73
Current derivative financial instruments (Note 30)	6	8
Deferred income	5	5
Finance lease liabilities (Note 32)	1	1
Miscellaneous other liabilities	154	157
Other current liabilities	**1,417**	**1,186**
Provisions for tax	49	22
Other provisions	438	443
Other current provisions	**487**	**465**

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	2014	2013
Non-current derivative financial instruments (Note 30)	6	1
Finance lease liabilities (Note 32)	11	12
Miscellaneous other liabilities	24	18
Other non-current liabilities	**41**	**31**
Provisions for tax	116	128
Other provisions	387	390
Other non-current provisions	**503**	**518**

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 01/01/2014	**150**	**139**	**505**	**189**	**983**
Foreign currency translation	– 1	0	12	0	**11**
Utilization	– 6	– 35	– 269	– 15	**– 325**
Reversals	– 15	– 11	– 32	– 10	**– 68**
Additions	37	38	286	23	**384**
Interest cost (unwind of discount)	0	2	3	0	**5**
Reclassifications	–	–	–	–	**–**
Balance at 12/31/2014	**165**	**133**	**505**	**187**	**990**
Current portion of provisions	49	48	285	105	**487**
Non-current portion of provisions	116	85	220	82	**503**

There were no reclassifications during the year.

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

The provisions for personnel and employee benefit obligations include for the most part obligations related to partial retirement, employee long-service awards, and performance-related arrangements.

The provisions in relation to sales primarily comprise provisions for general and extended warranty obligations and for voluntary safety measures.

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

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.

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.

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 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 Altersfürsorge GmbH – formerly BSH Bosch und Siemens Altersfürsorge GmbH – as well as representatives of BSH Hausgeräte GmbH – formerly BSH Bosch und Siemens Hausgeräte GmbH – and the chairman of the Group Works Committee) are informed about 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 closed to new entrants. As of 2014, it has no longer been possible to earn entitlements to future benefits. 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 87 percent of the DBO pension obligations are in Germany, and 4 percent each 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	2014	2014	2013	2013
Present value of unfunded pension obligations	75	65	60	49
Present value of funded pension obligations	1,323	139	1,076	111
External plan assets	−62	−127	−64	−112
Funding balance	**1,336**	**77**	**1,072**	**48**
Effect of asset limitation (IAS 19.64)	–	–	–	0
Net pension obligation	**1,336**	**77**	**1,072**	**48**
Capitalized assets	–	10	–	11
Pension provisions	**1,336**	**87**	**1,072**	**59**

In Israel, there was no need at the end of 2014 to reduce assets for fund-financed benefit obligations in accordance with IAS 19.64 (2013: EUR 0.1 million).

The fully funded pension plan in the UK had surplus coverage of EUR 10 million as of the reporting date (2013: EUR 11 million). For that reason, an asset for the same amount was recognized.

The pension provisions changed as follows in the course of 2014:

	Germany	Other countries	Germany	Other countries
in EUR million	2014	2014	2013	2013
Brought forward	1,072	48	1,053	74
Exchange rate differences	–	0	–	– 6
Transfer values	0	0	0	–
Obligations assumed in business combination	–	–	–	1
Pension and lump-sum amounts paid by the Company	–46	–5	– 43	– 7
Employer contribution to external funds	–	– 4	–	– 7
Reversal (–)/Addition (+)	73	13	72	12
Amount recognized in other comprehensive income (OCI)	237	25	– 10	– 19
Net pension obligation	**1,336**	**77**	**1,072**	**48**
Capitalized assets	–	10	–	11
Pension provisions	**1,336**	**87**	**1,072**	**59**

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

	Germany	Other countries	Germany	Other countries
in EUR million	2014	2014	2013	2013
Current service cost	38	6	36	7
Net interest, of which	35	3	36	4
Interest expense	*37*	*7*	*38*	*7*
Interest income	*– 2*	*– 4*	*– 2*	*– 3*
Past service cost	–	2	–	0
Expense (+)/income (–) from plan settlement	–	1	–	1
Net investment-related administrative costs paid by the plan	–	1	–	0
Effect of asset limitation (IAS 19.64)	–	–	–	0
Expense (+)/income (–) reported in income statement	**73**	**13**	**72**	**12**
Earnings of plan assets (other than interest income)	– 1	– 9	0	– 3
Actuarial losses (+)/gains (–) from experience-based adjustments	7	1	1	– 2
Actuarial gains (+)/losses (–) from changes in financial assumptions	231	30	14	– 11
Actuarial gains (+)/losses (–) from changes in demographic assumptions	–	3	– 25	– 3
Expense (+)/income (–) from revaluations recognized in other comprehensive income (OCI)	**237**	**25**	**– 10**	**– 19**
Total expense (+)/total income (–) recognized in income statement or other comprehensive income (OCI)	**310**	**38**	**62**	**–7**

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 2014, these contributions amounted to EUR 4 million (2013: EUR 3 million). The interest income includes interest income from reimbursement rights in Germany and the interest on the effects of asset limitation in Israel. The expense recognized under "other comprehensive income," which leads to a reduction in equity, results primarily from changes in the discount rate (financial assumption). In the UK, the closure of the plan for future increases in entitlements means that a portion of the entitlements must be made adjustable.

The resulting effects are recognized as a past service cost. In Turkey, on termination of an employee, payments become due whose effects are recognized as a past service cost. In Greece, portions of the pension obligations were settled. The resulting effects are recognized as an expense for plan settlements.

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

	Germany	Other countries	Germany	Other countries
in EUR million	2014	2014	2013	2013
Present value of pension obligations at beginning of year	1,136	160	1,120	179
Current service cost	38	6	36	7
Interest expense	37	7	38	7
Employee contributions	–	1	–	1
Actuarial gain (–)/loss (+)	238	34	–10	–16
of which: from experience-based adjustments	*7*	*1*	*1*	*–2*
of which: from financial assumptions	*231*	*30*	*14*	*–11*
of which: from demographic assumptions	*–*	*3*	*–25*	*–3*
Exchange rate effects	–	5	–	–8
Total amount of pensions and lump sums paid	–51	–12	–48	–12
Past service cost	–	2	–	0
Transfer values	0	0	0	0
Obligations assumed in business combination	–	–	0	1
Effects of plan settlement	–	1	–	1
Present value of pension obligations at end of year	**1,398**	**204**	**1,136**	**160**

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

	Germany	Other countries	Germany	Other countries
in EUR million	2014	2014	2013	2013
Present value of pension obligations for active employees	670	135	517	105
Present value of pension obligations of former employees with non-forfeitable entitlements	117	31	89	24
Present value of pension obligations for recipients of benefits	611	38	530	31
Total present value of pension obligations	**1,398**	**204**	**1,136**	**160**

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

	Germany	Other countries	Germany	Other countries
Values in %	2014	2014	2013	2013
Discount rate (DBO)	1.9	3.2	3.4	4.3
Pension inflation	1.8	1.5	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 company-specific.

Because of regulations on adjusting current pension benefits for inflation, pension obligations are subject to an inflation risk.

The following table shows the impact of potential changes in the material actuarial assumptions on the pension obligations located 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	Germany
in EUR million	2014	2013
Present value of pension obligations	1,398	1,136
Present value of pension obligations assuming		
– 0.5% increase in discount rate	1,312	1,073
– 0.5% decrease in discount rate	1,495	1,205
– 0.25% rise in future pension increases	1,423	1,156
– 0.25% decline in future pension increases	1,373	1,115
– 1 year increase in life expectancy	1,462	1,164

The duration of pension obligations in Germany is approximately 13 years (2013: 12 years). In the UK it is approximately 19 years (2013: 18 years) and in Switzerland it is approximately 18 years (2013: 16 years).

The reported plan assets break down as follows:

		Germany		Other countries		Germany		Other countries
		2014		2014		2013		2013
	in EUR million	in %	in EUR million	in %	in EUR million	in %	in EUR million	in %
Cash and cash equivalents	3	4.9	2	1.5	1	1.6	9	8.0
Equities and similar securities	10	16.1	34	26.8	13	20.3	47	42.0
Bonds	36	58.0	66	52.0	31	48.4	46	33.1
Real estate	3	4.9	10	7.9	4	6.3	9	8.0
Other assets	10	16.1	15	11.8	15	23.4	1	8.9
Total	**62**	**100.0**	**127**	**100.0**	**64**	**100.0**	**112**	**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, 2014, the receivables stood at EUR 10 million (2013: EUR 15 million). “Real estate” includes real estate leased to BSH companies. This value is recognized at the estimated market value, and was EUR 3 million at December 31, 2014 (2013: EUR 4 million).

A total of 56 percent (2013: 54 percent) of plan assets in other countries were situated in the United Kingdom and 35 percent (2013: 35 percent) 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 9 million (2013: EUR 8 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	2014	2014	2013	2013
Fair value of plan assets at beginning of year	64	112	67	105
Interest income	2	4	2	3
Earnings of plan assets (other than interest income)	1	9	0	3
Exchange rate effects	–	5	–	– 2
Employer contributions to external pension funds	–	4	–	6
Employee contributions to external pension funds	–	1	–	1
Amounts of pension and lump sums paid by external funds	– 5	– 8	– 5	– 4
Fair value of plan assets at end of year	**62**	**127**	**64**	**112**

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. The explanations on foreign currency risks, interest rate risks and other price risks in Note 31 essentially also apply to plan assets.

Reimbursement rights in Germany result from reinsurance that was taken out to hedge pension obligations. The fair value of the reinsurance policies was EUR 6 million at the end of 2014 (EUR 4 million at the end of 2013). The increase of EUR 2 million derives primarily from employer contributions. Actual earnings from external plan assets came to EUR 3 million (2013: EUR 2 million) in Germany and EUR 13 million (2013: EUR 6 million) in other countries.

For 2015, contributions paid to external funds are expected to total around EUR 3 million and direct pension payments around EUR 48 million.

26.2 Defined contribution plans

In 2014, the Company made contributions of EUR 140 million (2013: EUR 117 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 93 million (2013: EUR 92 million) at the end of 2014.

As of the 2014 balance sheet date, securities with a value of EUR 19 million (2013: EUR 21 million) were pledged as security for claims under partial retirement agreements in Germany. These were primarily European bonds and time deposits.

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 (other comprehensive income). The development of retained earnings was largely due to dividend distributions to shareholders as well as to a higher consolidated net profit compared with 2013.

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. At December 31, 2014, after deductions of deferred taxes, EUR 61 million (2013: EUR 36 million) was recognized in accumulated other comprehensive income.

The reserve for derivative financial instruments in connection with cash flow hedges for planned transactions 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. As no cash flow hedging was applied at the reporting date, it has no effect on accumulated other comprehensive income (2013: EUR 0 million). In 2013, derivatives in hedge accounting were sold, generating a net gain of EUR 2 million that was recognized in other operating income. In fiscal 2013, no gains or losses were recognized from the remeasurement of ineffective cash flow hedges.

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 were held at the reporting date 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.

The acquisition of further shares from minority shareholders increased BSH-D's holding in the already fully consolidated subsidiary BSH Ev Aletleri Sanayi ve Ticaret A. Ş., Istanbul, to 99.95 percent at December 31, 2014, compared to 99.28 percent in 2013. The shares were acquired as part of the current process of delisting from the Turkish exchange, which entitled the remaining non-controlling shareholders to sell their shares to BSH-D at a fixed price by February 2017. The purchase price for the shares was EUR 15 million. In return, the former equity attributable to non-controlling interests was reduced by EUR 3 million, and the remaining difference of EUR 12 million was offset against retained earnings. A liability of EUR 1 million was recognized against consolidated equity to cover the 0.05 percent of shares that had not yet been acquired at December 31, 2014.

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. One objective of its capital and financial management was to maintain the Group's external long-term rating, which, as in 2013, 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 taxes. The cash flows from operating activities are determined after applying adjustments for non-cash expenses and income – primarily in connection with actuarial losses on the measurement of pension obligations – 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

	SR I		SR II		SR III		Total reportable segments	
in EUR million	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	6,830	6,118	1,635	1,687	2,875	2,511	11,340	10,316
Cost of sales	4,293	3,809	1,171	1,208	1,678	1,483	7,142	6,500
EBIT (Operative Result)	499	461	25	61	295	251	819	773
Total assets [1]	1,534	1,399	722	730	1,458	1,323	3,714	3,452
Capital expenditure [2]	239	203	63	53	146	114	448	370
Depreciation and amortization [3]	173	180	46	47	105	102	324	329
Non-cash items	37	73	9	20	15	31	61	124

	Total reportable segments		Other		Reconciliation		Group	
in EUR million	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	11,340	10,316	49	192	0	0	11,389	10,508
Cost of sales	7,142	6,500	64	153	– 103	– 113	7,103	6,540
EBIT (Operative Result)	819	773	– 114	– 261	0	0	705	512
Total assets [1]	3,714	3,452	28	21	5,405	5,269	9,147	8,742
Capital expenditure [2]	448	370	9	7	0	0	457	377
Depreciation and amortization [3]	324	329	6	7	0	0	330	336
Non-cash items	61	124	0	2	0	0	61	126

[1] Business assets and liabilities 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.

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 and other net finance income or cost.

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 the sales responsibility and customer service activities for Germany, Austria, Belgium, France, Greece, the United Kingdom (including Ireland), Israel, Italy, Portugal, Spain, Switzerland, the Netherlands, Luxembourg, Northern Europe (Finland, Sweden, Norway, Denmark, Estonia, Latvia, Lithuania), Poland, Romania, Hungary, the Czech Republic (including Slovakia), and Adria East (Slovenia, Croatia, Serbia and Bulgaria). Organizationally, Peru (including Chile) is also included in the SR I sales region.

- **Sales region II (SR II)**
  The SR II sales region comprises the sales responsibility and customer service activities for Turkey, Morocco, the Middle East, Russia, Ukraine, Central Asia and South Africa.

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

- **Other**
  The "Other" category includes, among other items, the Electronic Systems, Drives Product Division, the sale of finished goods 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. In 2013, this category also included the Zelmer Group companies. As of fiscal year 2014, these have been allocated to sales regions I and II (SR I and SR II) depending on where they are domiciled.

As a consequence of organizational changes, the composition of the sales regions was partially revised during the year. In addition, the definition of EBIT was revised so that other financial result is no longer included in EBIT. The information from previous years in the segment reporting has therefore been presented in comparable form.

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 (2014 revenue: white goods: EUR 9,712 million (2013: EUR 8,822 million), other: EUR 1,677 million (2013: EUR 1,686 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 103 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 and 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	2014	2013
Business assets of reportable segments	3,714	3,452
Business assets of "Other" segment	28	21
Total business assets	**3,742**	**3,473**
Deductible capital items (non-interest-bearing liabilities and provisions)	3,845	3,560
Financial adjustments	−371	−351
Items not allocated to segments (cash pool, special fund, deferred tax assets, other)	1,931	2,069
Total reconciling items	**5,405**	**5,269**
Group assets	**9,147**	**8,742**

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	2014	2013
Business assets of reportable segments	3,714	3,452
Business assets of “Other” segment	28	21
Total business assets	**3,742**	**3,473**
Asset items in business assets	– 7,216	– 6,672
Financial adjustments	– 371	– 351
Items not allocated to segments (liabilities of cash pool and special fund, deferred tax liabilities, other)	– 2,914	– 2,695
Total reconciling items	**– 10,501**	**– 9,718**
Group liabilities	**– 6,759**	**– 6,245**

29.4 Information about geographical areas

Revenue breaks down by customer domicile as follows:

in EUR million	2014	2013
Germany	2,252	2,174
China	1,810	1,556
Other countries	7,327	6,778
Total	**11,389**	**10,508**

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

Non-current assets:

in EUR million	2014	2013
Germany	666	585
China	409	356
Turkey	351	306
Other countries	700	759
Total	**2,126**	**2,006**

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, non-derivative 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	2014	2013
Loans and receivables	4	– 7
Available-for-sale financial assets	24	15
Financial assets and financial liabilities at fair value through profit or loss	35	34
Financial liabilities carried at amortized cost	– 153	– 65

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 comprehensive income 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 pertain solely to financial instruments held for trading, and 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		12/31/2014		12/31/2013	
	Measurement categories per IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Current					
Cash and cash equivalents	LaR	493	493	985	985
Securities	AfS	143	143	33	33
Trade accounts receivable	LaR	2,972	2,972	2,627	2,627
Other current assets		340		352	
Other financial assets	LaR	69	69	90	90
Derivatives	FAHfT	22	22	18	18
Non-financial assets	n.a.	249	n.a.	244	n.a.
Non-current					
Other non-current assets		1,063		1,009	
Financial assets	AfS	1,026	1,026	978	978
Other financial assets	LaR	12	12	9	9
Derivatives	FAHfT	6	6	0	0
Non-financial assets	n.a.	19	n.a.	21	n.a.
LIABILITIES					
Current					
Financial liabilities		300		246	
Bonds	FLAC	46	46	102	102
Liabilities to banks	FLAC	254	254	144	144
Trade accounts payable	FLAC	1,355	1,355	1,317	1,317
Other current liabilities		1,417		1,186	
Notes payable	FLAC	67	67	64	64
Other financial liabilities	FLAC	42	42	57	57
Derivatives	FLHfT	6	6	8	8
Finance lease liabilities	n.a.	1	n.a.	1	n.a.
Non-financial liabilities	n.a.	1,301	n.a.	1,056	n.a.
Non-current					
Financial liabilities		1,152		1,283	
Bonds	FLAC	778	800	780	756
Liabilities to banks	FLAC	374	388	503	517
Other non-current liabilities		41		31	
Derivatives	FLHfT	6	6	1	1
Finance lease liabilities	n.a.	11	n.a.	12	n.a.
Non-financial liabilities	n.a.	24	n.a.	18	n.a.
Of which aggregated by measurement category					
Loans and receivables	LaR	3,546	3.546	3,711	3,711
Available-for-sale financial assets	AfS	1,169	1.169	1,011	1,011
Financial assets at fair value through profit or loss	FAHfT	28	28	18	18
Financial liabilities carried at amortized cost	FLAC	2,916	2.952	2,967	2,957
Financial liabilities at fair value through profit or loss	FLHfT	12	12	9	9

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
n.a.	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 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				12/31/2014
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	–	28	–	28
Available-for-sale financial assets	1,169	–	–	1,169
Total	**1,169**	**28**	**–**	**1,197**
Financial liabilities measured at fair value				
Derivative financial liabilities	–	12	–	12
Total	**–**	**12**	**–**	**12**

in EUR million				12/31/2013
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	–	18	–	18
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**

Fair values for level 2 financial instruments were determined using recognized measurement methods (primarily the discounted cash flow method) on the basis of such market data as stock prices, foreign exchange rates and yield curves. There were no reclassifications between level 1 and level 2 in the year under review.

For financial assets and liabilities not recognized at fair value, the following allocation to the three levels of the fair value hierarchy exists for determining the fair values provided in the Annex. For current receivables and liabilities, the amortized cost approximates the fair value. These items are therefore not included in the following table.

in EUR million				12/31/2014
	Level 1	Level 2	Level 3	**Total**
Loans and receivables				
Other non-current financial assets	–	12	–	**12**
Total financial assets	**–**	**12**	**–**	**12**
Financial liabilities measured at amortized cost				
Bonds	–	800	–	**800**
Liabilities to banks	–	388	–	**388**
Total financial liabilities	**–**	**1,188**	**–**	**1,188**

in EUR million				12/31/2013
	Level 1	Level 2	Level 3	**Total**
Loans and receivables				
Other financial assets	–	9	–	**9**
Total financial assets	**–**	**9**	**–**	**9**
Financial liabilities measured at amortized cost				
Bonds	–	756	–	**756**
Liabilities to banks	–	517	–	**517**
Total financial liabilities	**–**	**1,273**	**–**	**1,273**

The fair values shown in the Notes for non-current bonds and liabilities to banks are determined primarily on the basis of yield curves for industrial bonds from issuers with the same credit ratings.

Derivative financial instruments

	Nominal volumes				Fair value	
in EUR million	2014		2013		2014	2013
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	233	25	680	–	18	15
Currency options	–	–	29	–	–	0
Other foreign currency derivatives	131	–	144	5	5	0
– Interest rate and other derivatives not qualifying for hedge accounting						
Other interest rate derivatives	148	120	102	–	2	1
Share-based derivatives and options	43	–	65	–	3	2
– Foreign currency derivatives, hedge accounting					–	
Currency forwards	–	–	19	20	–	0
Total	**555**	**145**	**1,039**	**25**	**28**	**18**
Derivatives with negative fair values						
– Foreign currency derivatives not qualifying for hedge accounting						
Currency forwards	261	17	651	–	5	6
Currency options	–	–	31	–	–	0
Other foreign currency derivatives	–	29	17	29	4	2
– Interest rate and other derivatives not qualifying for hedge accounting						
Other interest rate derivatives	27	–	65	–	1	0
Share-based derivatives and options	23	–	2	–	2	0
– Foreign currency derivatives, hedge accounting						
Currency forwards	–	–	81	–	–	1
Total	**311**	**46**	**847**	**29**	**12**	**9**

The nominal volumes of the reported derivatives represent the total of purchase and selling amounts on which the hedges are based. The fair values disclosed in the above list were determined on the basis of market 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.

31 Risk management

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.

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 (non-derivative and derivative) 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 percent decrease/increase in the exchange rate of the Chinese renminbi (CNY), pound sterling (GBP), Polish zloty (PLN), Russian ruble (RUB) and Turkish lira (TRY) against the euro
- a parallel shift of 100 basis points (1 percentage point) in the yield curves for all currencies
- a 10 percent 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.

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; currency 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.

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	12/31/2014		12/31/2013		12/31/2014		12/31/2013	
	Effect on income	Effect on equity	Effect on income	Effect on equity	Effect on income	Effect on equity	Effect on income	Effect on equity
Chinese renminbi (CNY)	12	–	1	–	−12	–	−1	–
Pound sterling (GBP)	6	–	−2	−7	−6	–	2	7
Polish zloty (PLN)	−2	–	0	–	2	–	0	–
Russian ruble (RUB)	7	–	−2	–	−7	–	2	–
Turkish lira (TRY)	−1	–	0	–	1	–	0	–
Total effect before tax	**22**	**–**	**−3**	**−7**	**−22**	**–**	**3**	**7**

Interest rate risk
In order to determine interest rate risk, BSH simulates a 1 percent flat-rate 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 percent = 100 BP). The effect on equity derives solely from financial assets assigned to the "available for sale" category.

	Interest rate risk							
	+1%				−1%			
in EUR million	12/31/2014		12/31/2013		12/31/2014		12/31/2013	
	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	**7**	**16**	**14**	**16**	**−7**	**−16**	**−14**	**−16**

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 percent flat-rate increase or reduction in the relevant securities prices, with the result that the securities or corresponding indexes are shown as being 10 percent higher or lower. The effect on equity derives solely from financial assets assigned to the “available for sale” category. The range of securities included in the determination of other price risks was expanded slightly from 2013, and the 2013 figures have been presented in comparable form.

	Other price risks							
	+10%				−10%			
in EUR million	12/31/2014		12/31/2013		12/31/2014		12/31/2013	
	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	**7**	**23**	**6**	**22**	**−8**	**−23**	**−6**	**−21**

Credit risks

Credit risks for BSH arise primarily with regard to receivables from customers. To monitor these, appropriate areas of responsibility and tasks have been defined in an internal receivables management guideline. It includes rules for such matters as defining payment terms and credit limits, approvals for delivery, and ongoing monitoring of receivables. The credit risk on trade accounts receivable is additionally reduced by processing invoices together with the associated credit entries in a single work process. Moreover, a Group average of more than one-third of trade accounts receivable are insured by the companies concerned. Furthermore, security has been provided for some trade accounts receivable in the form of guarantees (primarily bank guarantees), land charges, mortgages and other collateral securities.

in EUR million	2014	2013
Trade accounts receivable (third parties)	3,070	2,723
Allowances on receivables	−98	−96
Trade accounts receivable, net	**2,972**	**2,627**
Trade accounts receivable	3,070	2,723
– of which, as of the balance sheet date, neither written down nor overdue	2,779	2,450
– of which, as of the balance sheet date, not written down but overdue as follows:	106	90
less than 1 month	69	66
between 1 month and 3 months	16	9
more than 3 months	21	15

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

in EUR million	2014	2013
Balance at 01/01	**96**	**103**
Exchange rate differences	1	–4
Change in basis of consolidation	0	3
Additions	35	24
Utilization	20	8
Reversals	14	22
Balance at 12/31	**98**	**96**

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.

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

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.

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 12/31/2014	2015	2016	2017	2018	2019	› 2019
Non-derivative financial liabilities							
Bonds	823	61	121	124	66	10	532
Liabilities to banks	629	262	101	100	94	74	23
Other financial liabilities	109	109	0	–	–	–	–
Finance lease liabilities	12	1	1	1	1	1	7
Derivative financial liabilities							
With gross settlement	9						
Cash outflows		247	55	–	–	–	–
Cash inflows		243	47	–	–	–	–
With net settlement	3						
Cash outflows		3	–	–	–	–	–

in EUR million	Carrying amount 12/31/2013	2014	2015	2016	2017	2018	> 2018
Non-derivative financial liabilities							
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 liabilities							
With gross settlement	9						
Cash outflows		780	1	31	–	–	–
Cash inflows		772	1	29	–	–	–
With net settlement	0						
Cash outflows		0	–	–	–	–	–

Financial liabilities redeemable at any time are allocated to the earliest time band. For derivatives with gross settlement, cash outflows and inflows are now shown separately. The figures from 2013 have been presented in comparable form.

Netting of financial assets and liabilities

The principal effects of global netting agreements and similar offsetting agreements on financial assets and liabilities in the balance sheet are shown below:

in EUR million	12/31/2014					
				Amounts not netted on the balance sheet		
	Gross amount	Netting	Net amount recognized on the balance sheet	Financial instruments	Collateral received/ furnished	Net amount
Derivative financial assets	28	–	28	–7	–	21
Trade accounts receivable	3,236	–264	2,972	–	–1,264	1,708
Total financial assets	**3,264**	**–264**	**3,000**	**–7**	**–1,264**	**1,729**
Derivative financial liabilities	12	–	12	–7	–	5
Trade accounts payable	1,619	–264	1,355	–	–	1,355
Total financial liabilities	**1,631**	**–264**	**1,367**	**–7**	**–**	**1,360**

in EUR million	12/31/2013					
				Amounts not netted on the balance sheet		
	Gross amount	Netting	Net amount recognized on the balance sheet	Financial instruments	Collateral received/ furnished	Net amount
Derivative financial assets	18	–	18	–7	–	11
Trade accounts receivable	2,837	–210	2,627	–	–1,028	1,599
Total financial assets	**2,855**	**–210**	**2,645**	**–7**	**–1,028**	**1,610**
Derivative financial liabilities	9	–	9	–7	–	**2**
Trade accounts payable	1,527	–210	1,317	–	–	1,317
Total financial liabilities	**1,536**	**–210**	**1,326**	**–7**	**–**	**1,319**

Derivative transactions are entered into on the basis of a standardized master agreement for financial forward transactions. This agreement does not meet the requirements for offsetting under IAS 32, because netting can be applied only in the case of insolvency.

For trade accounts receivable and payable, invoices are processed together with the associated credit entries in a single working process. Using a revised calculation method, the 2013 figure for netting of trade accounts receivable and payable has been presented in a comparable form.

32 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	2014	2013
Future minimum lease payments		
Less than 1 year	2	2
1 – 5 years	6	6
More than 5 years	8	10
Total	**16**	**18**
Interest component of future minimum lease payments		
Less than 1 year	1	1
1 – 5 years	2	2
More than 5 years	1	2
Total	**4**	**5**
Present value of future minimum lease payments		
Less than 1 year	1	1
1 – 5 years	4	4
More than 5 years	7	8
Total	**12**	**13**

The finance leases refer primarily to a production building.

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

Maturity (in EUR million)	2014	2013
Less than 1 year	95	95
1 – 5 years	195	224
More than 5 years	127	61
Total	**417**	**380**

The minimum lease payments relate primarily to rents paid for real estate. Under rental agreements and leases, minimum lease payments of EUR 119 million (2013: EUR 109 million) were recognized in the income statement in 2014. There were only minor payments under subleases (2013: EUR 3 million).

The part of a property that BSH Altersfürsorge GmbH, formerly BSH Bosch und Siemens Hausgeräte Altersfürsorge GmbH, Munich, (BSH-D's employee trust) 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.

33 Contingent liabilities

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

in EUR million	2014	2013
Guarantees and letters of comfort	4	3
Liabilities from the issuing of notes	2	2
Other contingent liabilities	3	1
Total	**9**	**6**

The change in other contingent liabilities results from a possible requirement to repay a received purchase price discount. We regard this risk as low.

Existing obligations under non-cancelable operating leases are shown in Note 32.

34 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	2014		2013	
	Robert Bosch Group	Siemens Group	Robert Bosch Group	Siemens Group
Receivables	0	0	0	0
Liabilities	8	4	3	2
Revenue	1	0	1	0

As of the balance sheet date, there were liabilities of EUR 10 million to unconsolidated affiliated companies (2013: EUR 15 million). Most of these were to BSH Altersfürsorge GmbH, formerly BSH Bosch und Siemens Hausgeräte Altersfürsorge GmbH, Munich (see Note 26). There were receivables from unconsolidated associates in the amount of EUR 4 million from BSH Wroclaw Spolka z o.o., Wroclaw.

35 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 (2013: EUR 0.1 million); remuneration to the Board of Management amounted to EUR 5.5 million (2013: EUR 4.7 million). Former members of the Board of Management and their surviving dependents received payments of EUR 2.3 million (2013: EUR 4.5 million), including pensions and transitional payments. These amounts include benefits from the termination of employment relationships. As of December 31, 2014, provisions amounting to EUR 28.2 million (2013: EUR 24.5 million) were recognized for pensions and benefit entitlements for these persons. Of this amount, EUR 26.6

million (2013: EUR 23.2 million) pertains to former members of the Board of Management and their surviving dependents.

During 2014, as in 2013, 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.

36 Auditor fees and services in accordance with section 314 HGB

The independent auditor was paid the following fees for services provided in Germany during the year under review:

in EUR million	2014	2013
a) Financial statements auditing services	0.6	0.4
b) Other attestation services	0.2	0.5
c) Tax consultancy services	0.7	0.0
d) Other services	0.8	0.2
Total	**2.3**	**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, 2014.

Item b) comprises for the most part the fees for the auditor’s review of interim financial statements for the periods ending June 30, 2014, and September 30, 2014.

Item c) comprises for the most part fees relating to transfer price documentation.

Item d) comprises for the most part services associated with projects.

37 Events after the reporting date

In September 2014, Siemens AG (Berlin and Munich) sold its interest in BSH-D to Robert Bosch GmbH (Stuttgart). After all necessary approvals had been obtained from the antitrust authorities, the transaction closed on January 5, 2015, so that BSH-D is now a wholly owned subsidiary of Robert Bosch GmbH (Stuttgart). On February 9, 2015, the corporate name of BSH-D was changed from “BSH Bosch und Siemens Hausgeräte GmbH” to “BSH Hausgeräte GmbH.”

There were no other 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 31, 2015

BSH Hausgeräte GmbH
The Board of Management

Dr. Karsten Ottenberg　　Johannes Närger

Matthias Ginthum　　Dr. Michael Schöllhorn

Annex I
Shareholdings of BSH Hausgeräte GmbH as of December 31, 2014

	Share-holding in %
Companies included in the consolidated financial statements	
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 (from October 15, 2014 to January 28, 2015: BSH Hausgeräte GmbH) (since January 29, 2015: BSH Zweite Verwaltungs GmbH)	100
Robert Bosch Hausgeräte GmbH, Munich [2]	–
Siemens-Electrogeräte GmbH, Munich [2] (since February 9, 2015: SEG Hausgeräte GmbH)	–
CONSTRUCTA Gesellschaft mit beschränkter Haftung, Munich [2]	–
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 kućanski uređaji d.o.o. za usluge, Zagreb	100
BSH électroménagers 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 Sprzęt Gospodarstwa Domowego Sp.z o.o., Warsaw	100
Zelmer S.A., Rzeszów	100
Zelmer PRO Sp. z o.o., Rzeszów	100
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 Bytowije 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, Belgrade	100
BSH Drives and Pumps s.r.o., Michalovce	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	99.95
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 Magyarország Kereskedelmi K.f.t., Budapest	100
SDA SUPPLY Limited, Larnaca	100
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 Electrodomésticos S.A.C., Callao/Lima	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., Herzlia	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 Private Limited, Taipei	100
BSH Home Appliances Ltd., Bangkok	100
BSH Home Appliances FZE, Dubai	100
BSH Home Appliances General Trading LLC, Dubai	100
Africa	
BSH Electroménagers (SA), Casablanca	100
BSH Home Appliances (Pty) Ltd., Johannesburg	100
Companies not included in the consolidated financial statements in accordance with IFRS 10.4 (b)	
BSH Bosch und Siemens Hausgeräte Altersfürsorge GmbH, Munich (since February 9, 2015: BSH Altersfürsorge GmbH)	100
Companies not included in the consolidated financial statements due to immateriality	
Home Connect GmbH, Munich	100
Profilo Elektrogeräte-Vertriebsgesellschaft mbH, Munich	100
BSH I.D. Invalidska družba d.o.o., Nazarje	100
BSH Wrocław Spółka z o.o., Breslau	100
BSH Home Appliances Sarl, Tunis	100
BSH Home Appliances Trading Co., Ltd., Shanghai	100

1) These companies make use in part of the exemption under section 264 (3) HGB.
2) Controlling influence under contractual agreements.

| Auditor's Report

We have audited the consolidated financial statements prepared by BSH Hausgeräte GmbH, Munich, comprising the income statement and statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Managing Directors. 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) (IDW). 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 the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Managing Directors, 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.

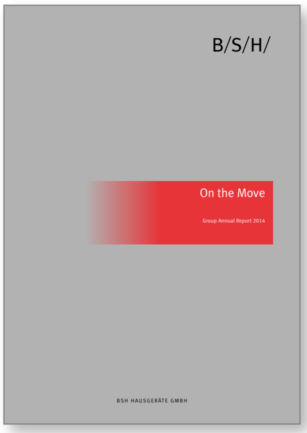
Our audit has not led to any reservations.

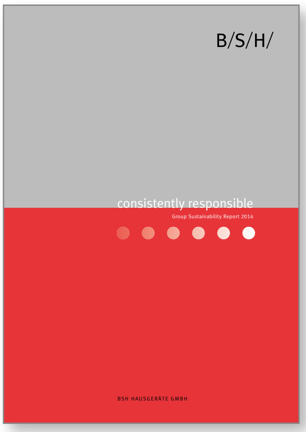
In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of 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 31, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Fell	Katharina Deni
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)





Movement and Consistency

Digitization, mobility, urbanization. Global trends are changing the world consumers live in. Markets are in a process of evolution. BSH is addressing these challenges with innovative strength, regionally tailored products, a diverse range of dialog opportunities, and a sustainable, value-oriented corporate management approach. The 2014 Group Annual Report and Sustainability Report show how BSH has been able to keep movement and consistency in harmony. Both reports are available in German and English and as PDF at: publications.bsh-group.com.

An online version of the BSH Group Annual Report 2014, with additional videos and photos, is available at *report2014.bsh-group.com*

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| BSH Worldwide

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

- Corporate headquarters
- Subsidiaries/Sites

As of May 2015

Summary of Past Performance

BSH Hausgeräte GmbH (Group)

in EUR million	2014	2013	2012	2011	2010	2009	2008	2007
Revenue	**11,389**	10,508	9,800	9,654	9,073	8,405	8,758	8,818
Year-to-year change (%)	8.4	7.2	1.5	6.4	7.9	– 4.0	– 0.7	6.1
Percentage of international revenue	80.2	79.3	78.1	78.6	79.0	78.1	79.9	80.5
Employees	**53.2**	49.9	46.9	45.6	42.8	39.6	40.3	39.0
(in thousands at 01.01. of the following year)								
Personnel expenses	**2,373**	2,195	2,043	1,893	1,807	1,688	1,646	1,663
Research and development expenses	**373**	334	326	298	277	261	258	254
As percentage of revenue	3.3	3.2	3.3	3.1	3.1	3.1	2.9	2.9
Capital expenditure on property, plant and equipment and intangible assets*	**457**	377	421	453	403	294	382	378
As percentage of capital expenditure	4.0	3.6	4.3	4.7	4.4	3.5	4.4	4.3
Depreciation, amortization and impairment on property, plant and equipment and intangible assets*	**350**	377	326	296	298	320	299	257
As percentage of capital expenditure	76.6	100.0	77.4	65.3	73.9	108.8	78.3	68.0
Total assets	**9,147**	8,742	7,865	7,435	6,901	6,443	6,173	6,276
Property, plant and equipment, intangible assets, and non-current financial assets	**3,189**	3,015	2,911	2,655	2,688	2,496	2,349	2,374
Inventories	**1,466**	1,300	1,235	1,305	1,226	1,032	1,074	1,103
Trade accounts receivable and other current assets	**3,353**	3,024	2,773	2,691	2,199	1,954	2,031	2,053
Equity	**2,388**	2,497	2,579	2,409	2,408	2,535	2,396	2,372
As percentage of total equity and liabilities	26.1	28.6	32.8	32.4	34.9	39.3	38.8	37.8
Provisions	**2,413**	2,114	1,980	1,760	1,857	1,702	1,593	1,673
EBITDA**	**1,078**	889	1,028	989	1,068	941	967	958
EBIT**	**705**	512	702	693	770	616	667	701
Profit before tax	**637**	439	616	538	691	517	510	637
Consolidated net profit	**447**	308	466	373	465	324	311	411

* Excluding goodwill.
** 2013 figure shown on comparable basis because of revised definition of EBIT and EBITDA.