IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

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This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither BSH Bosch und Siemens Hausgeräte GmbH (the **Issuer**) nor Deutsche Bank AG, Hong Kong Branch and The Hongkong and Shanghai Banking Corporation Limited (the **Joint Lead Managers**) nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

Offering Circular dated 26 September 2011

BSH Bosch und Siemens Hausgeräte GmbH

(*incorporated with limited liability in Germany*)

CNY 850,000,000 2.375 per cent. Notes of 2011 due 2014

CNY 750,000,000 3.375 per cent. Notes of 2011 due 2016

CNY 400,000,000 4 per cent. Notes of 2011 due 2018

Issue price of each tranche: 100 per cent.

BSH Bosch und Siemens Hausgeräte GmbH (the **Issuer**) will issue on 28 September 2011 (the **Issue Date**) CNY 850,000,000 2.375 per cent. Notes due 2014 (the **2014 Notes**), CNY 750,000,000 3.375 per cent. Notes due 2016 (the **2016 Notes**) and CNY 400,000,000 4 per cent. Notes due 2018 (the **2018 Notes**, and, together with the 2014 Notes and the 2016 Notes, the **Notes**). The 2014 Notes will bear interest from and including the Issue Date to, but excluding, 29 September 2014 at a rate of 2.375 per cent. *per annum*, payable semi-annually in arrear on 29 March and 29 September in each year. The first payment of interest on the 2014 Notes shall be made on 29 March 2012. The 2014 Notes will be redeemed at par on 29 September 2014. The 2016 Notes will bear interest from and including the Issue Date to, but excluding, 28 September 2016 at a rate of 3.375 per cent. *per annum*, payable semi-annually in arrear on 28 March and 28 September in each year. The first payment of interest on the 2016 Notes shall be made on 28 March 2012. The 2016 Notes will be redeemed at par on 28 September 2016. The 2018 Notes will bear interest from and including the Issue Date to, but excluding, 28 September 2018 at a rate of 4 per cent. *per annum*, payable semi-annually in arrear on 28 March and 28 September in each year. The first payment of interest on the 2018 Notes shall be made on 28 March 2012. The 2018 Notes will be redeemed at par on 28 September 2018. The interest payment dates of each tranche of Notes are subject to being postponed or brought forward in accordance with the modified following business day convention.

The Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest in the event of certain tax changes as set out in § 6(2) of the Terms and Conditions.

This Offering Circular has not been approved by any regulatory authority and does not constitute a prospectus for purposes of the Prospectus Directive (Directive 2003/71/EC, as amended). No application has been made to list the Notes on any securities market.

The Issuer's long-term debt has been rated "A" by Standard & Poor's Rating Services, a Division of the McGraw-Hill Companies Inc. (**Standard & Poor's**). The Notes are expected to be rated "A" on issue by Standard & Poor's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Each of the 2014 Notes, the 2016 Notes and the 2018 Notes will initially be represented by a temporary global note, without interest coupons, which will be deposited on or about the Issue Date with a common depositary for Euroclear Bank SA/NV and Clearstream Banking, société anonyme.

Interests in each temporary global note will be exchangeable for interests in a permanent global note without interest coupons on or after 7 November 2011, upon certification as to non-U.S. beneficial ownership.

An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" beginning on page 10.

Joint Bookrunners and Joint Lead Managers

Deutsche Bank **HSBC**

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

NOTICE

The Issuer has confirmed to the joint lead managers set forth on the front page and the address list on the last page of this Offering Circular (each a **Joint Lead Manager** and together, the **Joint Lead Managers**) that this Offering Circular contains the information which, according to the particular nature of the Issuer, as well as of the Issuer and the companies, which qualify as subsidiaries under § 2(6) of the of the German Takeover Code (*Wertpapiererwerbs- und Übernahmegesetz* - **WpÜG**) or in which the Issuer holds at least 30 per cent. of the voting rights, taken as a whole (the **Group**) and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, and of the rights attaching to the Notes; that the information contained herein with respect to the Issuer, the Group and the Notes is true, accurate and not misleading in all material respects; that any opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts, the omission of which would make any statement, whether fact or opinion, in this Offering Circular misleading in any material respect; and that all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained herein.

The only persons authorised to use this Offering Circular in connection with the offering of the Notes are the Issuer and the Joint Lead Managers (as described under "*Subscription and Sale*" beginning on page 63).

The Joint Lead Managers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the offering of the Notes. No Joint Lead Manager accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer any of the Joint Lead Managers.

This Offering Circular (a) is not intended to provide the basis of any credit or other evaluation or (b) should not be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Offering Circular or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. This Offering Circular does not constitute an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **U.S. Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see "*Subscription and Sale*" beginning on page 63.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, Japan, Hong Kong, Singapore and the People's Republic of China, see "*Subscription and Sale*" beginning on page 63.

This Offering Circular has not been approved by any regulatory authority and does not constitute a prospectus for purposes of the Prospectus Directive (Directive 2003/71/EC, as amended). No application has been made to list the Notes on any securities market.

All references in this document to the **PRC** and **China** are to the People’s Republic of China (excluding the Hong Kong Special Administration Region of the People’s Republic of China, the Macao Special Administrative Region of the People’s Republic of China and Taiwan), all references to **Renminbi**, **RMB** and **CNY** are to the lawful currency of the PRC and all references to **Euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

CONTENTS

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.

SUMMARY OF THE TERMS AND CONDITIONS AND GENERAL INFORMATION

Issuer:	BSH Bosch und Siemens Hausgeräte GmbH
Description of Notes:	The Issuer will issue on 28 September 2011 (the **Issue Date**) three tranches of notes which have identical terms and conditions save as to aggregate principal amount, term and maturity, interest period and applicable interest rate. These tranches are the **2014 Notes**, the **2016 Notes** and the **2018 Notes**. All notes under any tranche are defined as the **Notes**. The 2014 Notes are issued in the aggregate principal amount of CNY 850,000,000 and will be redeemed at par on 29 September 2014. The 2016 Notes are issued in the aggregate principal amount of CNY 750,000,000 and will be redeemed at par on 28 September 2016. The 2018 Notes are issued in the aggregate principal amount of CNY 400,000,000 and will be redeemed at par on 28 September 2018.
Joint Lead Managers:	Deutsche Bank AG, Hong Kong Branch and The Hongkong and Shanghai Banking Corporation Limited
Principal Paying Agent:	Deutsche Bank Aktiengesellschaft
Interest:	The 2014 Notes will bear interest from and including the Issue Date to, but excluding, 29 September 2014 at a rate of 2.375 per cent. *per annum*, payable semi-annually in arrear on 29 March and 29 September in each year. The first payment of interest on the 2014 Notes shall be made on 29 March 2012. The 2016 Notes will bear interest from and including the Issue Date to, but excluding, 28 September 2016 at a rate of 3.375 per cent. *per annum*, payable semi-annually in arrear on 28 March and 28 September in each year. The first payment of interest on the 2016 Notes shall be made on 28 March 2012. The 2018 Notes will bear interest from and including the Issue Date to, but excluding, 28 September 2018 at a rate of 4 per cent. *per annum*, payable semi-annually in arrear on 28 March and 28 September in each year. The first payment

	of interest on the 2018 Notes shall be made on 28 March 2012. All interest payment dates are subject to being postponed or brought forward in accordance with the modified following business day convention.
Events of Default:	Events of Default under the Notes include non-payment of principal or interest for 15 days, breach of other obligations under the Notes (which breach is not remedied within 30 days), cross default in relation to financial indebtedness in excess of € 50,000,000 and certain events related to insolvency or winding up of the Issuer or its material subsidiaries, all as more fully set out in § 8 of the Terms and Conditions.
Negative Pledge:	The terms of the Notes contain a negative pledge provision under which the Issuer undertakes, subject to certain exemptions, not to provide any security interest over its assets to secure any capital market indebtedness and to procure that none of its material subsidiaries will grant or permit to subsist any security interest over their assets to secure any capital market indebtedness without providing the Noteholders with the same security, all as more fully set out in § 2(2) of the Terms and Conditions.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of § 2(2) (Negative Pledge) of the Terms and Conditions, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Change of Control:	The Terms and Conditions contain a change of control provision (§ 7 of the Terms and Conditions) which entitles the Noteholders under certain conditions to request the early redemption of the Notes in the case of a Change of Control. If 80 per cent. or more in principal amount of the Notes have been redeemed pursuant to the change of control provision, the Issuer may redeem the remaining Notes.
Amendments to the Terms and Conditions by Resolution of the Noteholders and Noteholders' Representative:	The Terms and Conditions may be amended with the consent of the Issuer by means of majority resolution of the Noteholders pursuant to the German Bond Act (*Schuldverschreibungsgesetz*) as further specified in the Terms and Conditions.
Withholding Tax and Additional Amounts:	All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of the Federal Republic of Germany or any

	political subdivision or any authority thereof or therein having power to tax (the **Withholding Taxes**), unless such withholding or deduction is required by law. In such event, the Issuer shall, subject to the exceptions set out in the Terms and Conditions, pay such additional amounts of principal and interest (the **Additional Amounts**) as shall be necessary in order that the net amounts received by the Noteholders, after such withholding or deduction, shall equal the respective amounts which would otherwise have been received by the Noteholders in the absence of such withholding or deduction.
Optional Redemption by Issuer for tax reasons:	If, as a result of any change in, or amendment to, the laws or regulations prevailing in the Federal Republic of Germany Germany, certain withholding taxes are levied on payments of principal or interest in respect of the Notes and the Issuer is obliged to pay Additional Amounts, the Issuer may redeem the Notes in whole, but not in part (§6(2)) of the Terms and Conditions).
Listing :	No application has been made to list the Notes on any securities market.
Governing Law:	The Notes will be governed by German law.
Place of Jurisdiction:	Non-exclusive place of jurisdiction for all proceedings arising from matters provided for in the Terms and Conditions shall be Munich, Germany.
Form:	The Notes will be issued in bearer form in denominations of CNY 1,000,000.
Credit Ratings:	The Issuer's long-term debt has been rated "A" by Standard & Poor's. The Notes are expected on issue to be rated "A" by Standard & Poor's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Selling Restrictions:	The Notes have not been and will not be registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes may be sold in other jurisdictions (including Germany, Hong Kong and Singapore) only in compliance with applicable laws and regulations. See "*Subscription and Sale*" beginning on page 63.
Clearing and Settlement:	The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

Security Codes:	2014 Notes:	ISIN XS0683640949 Common Code 068364094 German Securities Code (WKN) A1K0VC
	2016 Notes:	ISIN XS0683641756 Common Code 068364175 German Securities Code (WKN) A1K0VD
	2018 Notes:	ISIN XS0683642051 Common Code 068364205 German Securities Code (WKN) A1K0VE
Use of Proceeds:	The net proceeds of the issue of the Notes will be applied by the Issuer for financing the working capital needs of its operations in China.	

SUMMARY OF THE RISK FACTORS

There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These are set out under "*Risk Factors*" below and include risks relating to the Issuer and BSH as well as risks relating to the Notes. The risks relating to the Issuer and BSH include (i) market risks such as risks relating to the global economic and political conditions, country-specific conditions, competition and overcapacity, intellectual property rights, consolidation of retail chains and increased dependence on large customers, (ii) business-related risks such as risks relating to the development of new products and production technologies, operational issues, raw materials and energy, dependency on third-party suppliers, IT, product recalls and liability, warranties, environmental contigencies, default of contracting parties, legal and regulatory issues, exchange rates, interest rates, capital markets, liquidity, personnel, and insurance coverage, and (iii) other risks such as risks relating to ratings and pension commitments. The risks relating to the Notes include risks relating to the suitability of the Notes for investors, creditworthiness of the Issuer, exchange rates, currencies, interest rates, secondary markets, inflation, early redemption, change of control, taxation, EU Savings Directive, amendments of the Terms and Conditions by noteholders' resolutions, and Noteholders' representatives.

SUMMARY OF THE ISSUER DESCRIPTION

The Issuer is a limited liability company under German law, registered in the commercial register of the Local Court of Munich under HRB 75534. It has its registered office in Munich and its business address at Carl-Wery-Straße 34, 81739 Munich, Germany (telephone: +49-89-459001). The Issuer was founded in 1967 as a joint venture of Robert Bosch GmbH and Siemens AG when both parents combined their respective white goods divisions in a joint venture.

The Issuer is the parent company of the BSH group which develops, manufactures and distributes home appliances. The BSH group's product portfolio comprises home appliances for laundry (washing and drying), cooling and freezing, cooking, dishwashing and consumer products such as coffee machines, irons, floor care and water heaters. For the distribution of its products, BSH uses a brand portfolio of two main brands (Bosch and Siemens), seven special brands (Gaggenau, Neff, Thermador, Constructa, Viva, Ufesa and Junker) and four regional brands (Balay, Pitsos, Profilo and Coldex). BSH considers its brand portfolio as one of its main assets.

The Issuer together with its consolidated subsidiaries (together **BSH**) is by revenues one of the largest manufacturers of home appliances on a world-wide basis. BSH generated consolidated revenues of 9.073 billion Euro in the year 2010. Together with a global network of sales and customer service firms, BSH consists of about 70 companies in 46 countries, with a total workforce of close to 43,000 people.

The Issuer's share capital amounts to EUR 125,000,000 and is fully paid in. The shareholders of the Issuer are Robert Bosch GmbH, Stuttgart, and Siemens Aktiengesellschaft, Berlin and Munich. Each of the two shareholders holds 50 per cent. of the Issuer's share capital (i.e. EUR 62,500,000 each).

The governing bodies of BSH are the Board of Management, the Supervisory Board and the Shareholders' Meeting. The Board of Management consists of Dr. sc. pol. Kurt-Ludwig Gutberlet (Chairman), Jean Dufour (Chief Sales and Marketing Officer), Johannes Närger (Chief Financial Officer), and Winfried Seitz (Chief Technology Officer).

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich („Deloitte“), Rosenheimer Platz 4, 81669 München, Federal Republic of Germany, audited BSH Bosch und Siemens Hausgeräte GmbH's consolidated financial statements for the financial year ended 31 December 2010. These consolidated financial statements of the Issuer for the year ended 31 December 2010 were prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the EU and the additional requirements of German commercial Law pursuant to § 315a (1) German Commercial Code (*Handelsgesetzbuch – HGB*).

The following table sets out the key financial information about BSH:

(EUR million)	**2010** **IFRS**	**2009** **IFRS**
Sales revenue Year-to-year change in percent International sales revenue proportion (percent)	9,073 8 79	8,405 -4 78
Employees (in thousands at Jan. 1 of the following year)	42.8	39.6
Personnel expenses	1,858	1,739
Capital investment[1] As percentage of sales revenue	403 4.4	294 3.5
Depreciation, impairment losses on property, plant, and equipment[2] As percentage of capital investment	298 74	320 109
Balance sheet total	6,901	6,443
Fixed and intangible assets and noncurrent financial assets	2,688	2,496
Inventories	1,226	1,032
Trade receivables from sales of goods and services and other current assets (unaudited)	2,199	1,954
Equity As percentage of total equity and liabilities	2,408 35	2,535 39
Provisions	1,857	1,702
EBITDA[3] **(unaudited)**	1,001	854
EBIT[4] **(unaudited)**	703	534
Profit before taxes	691	517
Net income for the year before profit transfer	465	324

[1] Corresponding column “Additions” at the Consolidated Statement of Changes in Fixed and Intangible Assets, excluding Goodwill.

[2] Corresponding column “Additions” at the Consolidated Statement of Changes in Fixed and Intangible Assets, excluding Goodwill.

[3] EBITDA for fiscal year 2009, 2010 means the profit before taxes, before finance income, before finance cost, before depreciation, before amortization and before impairment losses.

[4] EBIT for fiscal year 2009, 2010 means the profit before taxes, before finance income, before finance cost.

RISK FACTORS

The following is a description of the principal risk factors which are material in respect of the Notes and the financial situation of the Issuer and its consolidated subsidiaries (together ***BSH****) and may affect the Issuer's ability to fulfil its obligations under the Notes, and which prospective investors should consider before deciding to purchase the Notes.*

The sequence in which the following risk factors are listed is not an indication of the likelihood of their occurrence or of the extent of their commercial consequences. The following statements are not exhaustive. In particular, they do not consider an investor's specific knowledge or understanding about risks typically associated with the Issuer and the acquisition and ownership of Notes, whether obtained through experience, training or otherwise, or the lack of such specific knowledge or understanding, or circumstances that may apply to a particular investor. Prospective investors should consider all of the information provided in this Offering Circular and consult with their own professional advisers (including their financial, accounting, legal, tax and other relevant advisers) as to the risks associated with, and consequences of, the purchase, ownership and disposition of Notes, including the effect of any laws of the countries of which they are residents. In addition, investors should be aware that the risks described herein may combine and thus intensify one another.

RISKS RELATING TO THE ISSUER AND BSH

Market Risks

Global economic and political conditions

BSH's business is dependent on general global economic conditions, particularly within Europe (including Turkey), the United States and Asia. The global economy and the business conditions in many of the economies, in which BSH operates may be adversely affected by political and economic instability. The high level of debt of many countries is also a major potential threat. A significant deterioration in these conditions, such as a continued economic slowdown, recession or sustained loss of consumer confidence and consumer demand, could trigger a decline in industries in which BSH operates. A decline in demand could, besides a decline in sales, also entail a reduced utilisation of production capacity. BSH's operations are also subject to a variety of other risks and uncertainties related to trading in numerous foreign countries, including political or economic upheaval and the imposition of import, investment or currency restrictions, including tariffs and import quotas or restrictions on the repatriation of earnings and capital. Such economic or political developments could have a negative impact on BSH's revenues and business prospects, which in turn could have a material adverse effect on the net assets, financial position and results of operations of BSH.

Country risks

BSH operates in numerous countries and distributes its products and services globally. The general conditions in some of the countries in which BSH operates or to which it exports its products are different to those in Western Europe and the economic, political or legal situation is less stable. BSH therefore might face a number of political, social, economic, financial, legal and market-related instabilities in those countries (such as for example in North Africa and the Middle East) and may also be subject to currency control regulations or import/export rules it cannot influence. These factors include also the risk of possible nationalisations. In such countries, BSH's operations may also be jeopardised by insufficient infrastructure, trade limits or under-developed legal and administrative systems. The realisation of any of the aforementioned risks may have a material adverse effect on net assets, financial condition and results of operation of BSH.

Competition and overcapacity

The markets for BSH's products are highly competitive, with BSH facing competition from several international companies, as well as from local and regional companies in the countries in which it operates. BSH faces strong competitors, who may prove to have greater resources in a given business area, and the likely emergence of new competitors, particularly from Asia. Increased competition and unanticipated actions by competitors or customers, as well as overcapacity in certain industries, could lead to downward pressure on prices, which could result in reduced profit margins and/or a decline in BSH's market share. Reduced profit margins and a decline in market share could have a negative impact on BSH's revenues and business prospects, which in turn could have a material adverse effect on the net assets, financial position and results of operations of BSH.

Intellectual property rights

BSH possesses a large number of intellectual property rights such as patents as well as non-patentable or non-patented business secrets. Such intellectual property rights (including the business secrets which may be stolen, e.g. by way of espionage) are a target for counterfeiting and imitation. Insufficient protection or enforcement of its intellectual property rights may limit BSH's ability to make use of technological advantages reached in a profitable manner or result in a reduction of future profits. This may cause competitive restrictions and have a material adverse effect on the net assets, financial position and results of operations of BSH.

BSH has established invention administration processes. Should BSH, however, not invoke and/or have invoked its rights concerning individual inventions within the scope of the provisions of the German Employee Invention Act (*Arbeitnehmererfindergesetz*) or similar regulations in other countries, there may be a risk of individual employees eventually becoming owners of the rights relating to their respective inventions. BSH would then have to acquire licence rights from these employees or obtain licences for similar/alternative technologies from third parties in order to be permitted to use these technologies or procedures. Furthermore, employee inventors may raise remuneration claims against BSH for inventions made by them in the course of their employment.

Since third parties such as BSH's competitors also submit patent applications relating to their inventions to a significant extent and obtain the relevant protection, BSH research and development activities may collide with third parties' patents and other intellectual property rights and BSH's products may infringe third parties' patents and other intellectual property rights. BSH may have to rely on using third parties' intellectual property rights by acquiring the relevant licences, which would entail licence fees and other costs or may be prohibited from using technology protected by third parties’ intellectual property rights. Possible supply and production restrictions due to such prohibitions may cause competitive restrictions and the acquisition of the relevant licences may have a material adverse effect on the net assets, financial position and results of operations of BSH. It cannot be ruled out that BSH may have to face, and resolve, claims of infringements of third parties' patents and other intellectual property rights in the future. Such cases of infringement of third parties' intellectual property rights may lead to expensive and protracted lawsuits and material claims for damages may be raised by the owners of such third parties' intellectual property rights.

Consolidation of retail chains and increased dependence on large customers

Due to a potential consolidation of retail chains, major retail customers may account for a large and increasing part of BSH’s sales and have a stronger negotiating position than previously. This trend towards consolidation has resulted in greater commercial and credit exposures. If BSH were to experience a material reduction in orders or become unable to collect fully its accounts receivable from a major customer, its net sales and financial results would suffer.

Business-related Risks

Development of new products and production technologies

BSH's operating results significantly depend on (i) the development of attractive, energy-efficient, commercially viable new products and production technologies, tailored to the needs of its customers, and (ii) the development, manufacturing and offer of such products on competitive terms and conditions. A significant factor in BSH's future success is its ability to recognize trends in customer requirements in sufficient time to react to these changes and thus to strengthen its position in its existing product range and the market segments it already serves, as well as to expand into new market segments. To meet customers' demands, in particular the demand for better environmental performance and lower cost of use, BSH must continuously design new, and update existing, products and services and invest in and develop new technologies. The increasing complexity of BSH's products and the introduction of new, more environmentally friendly technologies, represent research and development challenges. If BSH is unsuccessful in developing new products and production processes in the future, BSH's competitive position and operating results might be harmed. Any significant changes in customer preferences and failure to anticipate and react to such changes could result in reduced demand for BSH's products and services and the erosion of its competitive and financial position.

Operational risks

BSH is exposed to the risks of interruptions in its operations, quality problems and unexpected technical difficulties, as well as to product safety, occupational safety (*Arbeitsunfälle*) and environmental risks. The continuing growth including the opening of new or transfer of existing production sites poses particular challenges for quality assurance.

Despite the high technical and safety standards BSH applies to the construction, operation and maintenance of its production sites, the risk of operational disturbances cannot be excluded. These may be caused both by external factors, which BSH is unable to influence, such as natural disasters, war, acts of terrorism, strikes, pandemics, official orders, technical interruptions or material defects, or accidents such as fires, explosions or the release of toxic or hazardous substances. In all of these cases human individuals, third party property or the environment may sustain damages resulting in material financial liabilities for BSH. Damage of this kind may entail civil or criminal law proceedings as well as the protracted inactivity of the relevant production site. The realisation of any of the aforementioned risks may have a material adverse effect on net assets, financial condition and results of operation of BSH.

As part as of its continuous efforts to improve operating efficiencies and profitability BSH might divest or consolidate certain operations, concentrate production to lower-cost countries, streamline the supply chain and/or apply other cost-cutting measures. There can be no assurance that these measures will provide the estimated increase of efficiency and profitability. In addition, cost cutting measures present the possibility of operational disruptions and delays during their implementation. Any prolonged disruption in its operations whether due to technical or labour difficulties or delays in regulatory approvals or other reasons, could result in increased costs and reduced revenues and could have a material adverse effect on the net assets, financial position and results of operations of BSH.

Relation to major shareholders

Each of Robert Bosch GmbH and Siemens AG hold 50 per cent. of the share capital of BSH. In addition, they have granted BSH the non-exclusive right to distribute and sell its products under their respective brand names. These contributions are relevant for BSH's business and if any of Robert Bosch GmbH or Siemens AG withdraws or otherwise amends the rights to use their brand, including granting similar rights to third parties and/or sells its interest in BSH to another shareholder, this could have a material adverse effect on the results of operations, financial position and net assets of BSH.

Raw materials and energy

Significant fluctuation in the cost and availability of raw materials such as oil-derived products (e.g. plastics), steel, copper, aluminium, nickel or rare earths, and energy might reduce BSH's operating results. The prices and availability of raw materials and energy fluctuate with market conditions and may be highly volatile. An increase in demand for raw materials and energy could lead to shortage of raw materials, which are important to BSH's production and further price increases for these and other raw materials, resulting in further manufacturing cost increases for end products, parts and components. This risk likewise applies to the energy required by BSH for production. There have been in the past, and may be in the future, periods during which BSH may not be able to find substitutes for such raw materials or to pass raw material price increases on to customers. If BSH cannot pass on these price increases, its profit margins may decrease, whilst if it can pass them on, this could reduce sales revenue. Even in periods during which raw material prices decrease, BSH may suffer decreasing operating profit margins if the prices of raw materials decrease more slowly than the selling prices of BSH's products. In addition, interruptions in the supply of production materials, resulting from shortages, labour strikes, supplier insolvencies or other factors, could have a negative effect on the Issuer. BSH conducts physical hedging for defined raw materials mainly through its suppliers for Nickel, Copper and Aluminium. BSH also conducts, to a limited extent, financial hedging via exchange traded commodities (ETCs). BSH undertakes hedging activities to hedge price and availability risks through derivatives and procurement contracts but there can be no assurances that this hedging activity will be sufficient or effective. These commodities risks, or any losses resulting from related hedging transactions, could have a material adverse effect on the net assets, financial position and results of operations of BSH.

Dependency on third-party suppliers

BSH is dependent on the timely availability of third parties' supply of parts and components, such as for example electronic components, compressors and raw materials, such as steel, aluminium, nickel, rare earths and copper. BSH uses long term procurement contracts and other measures to reduce supply-related problems but there can be no assurances that such measures will prevent supply-related problems in the future.

Although BSH attempts to procure individual parts, components and raw materials from multiple suppliers, for certain parts, components and materials there is only one or few suppliers. In these cases, there is a risk of possible production downtime if one or more suppliers becomes unable to fulfil its delivery obligations due to internal reasons (e.g. financial difficulties) or due to factors beyond its control (e.g. transportation strike). Increasing local production by BSH may increase such risk, since regionally-based suppliers may be adversely affected by regional conditions and events. Delay or non-availability of parts and components and other materials required for production may have material adverse effects on the financial state or the delivery situation of BSH's individual suppliers. In certain cases, this could lead to financial difficulties for individual suppliers and, possibly, to their insolvency. In individual cases, to prevent supply disruptions for parts and components and other damage to BSH, BSH may provide assistance to affected suppliers. The realisation of any of the aforementioned risks may have a material adverse effect on net assets, financial condition and results of operation of BSH.

IT risks

BSH is dependent on the efficient and uninterrupted operation of its computer and data processing systems. Computer and data processing systems are generally prone to failures, damage, power outages, computer viruses, fire, unauthorised access to sensitive electronic corporate data by third parties including hacker attacks or similar events. As the worldwide activities of BSH continuously grow, so do the intensity and sophistication of the attacks on its IT systems and data resources. Despite all provisions and redundancy concepts and measures a failure or interruption in the operation of these systems can therefore not be ruled out. BSH operates highly consolidated data processing systems in its corporate data centres and connects its subsidiaries through wide area networks to these corporate data centers. Failures or interruptions in the operation of the computer and data processing systems in these data centres, in the subsidiaries and/or the network connections used by BSH could pose an obstacle to the effective management of BSH and/or make the effective daily operations of BSH impossible. This could have a material adverse effect on the net assets, financial position, sales, services, revenues and results of operations of BSH.

Product recall and liability risks

On the basis of statutory provisions in Germany or comparable provisions in other countries, in the event that any of BSH's products proves to be defective, BSH may be obliged to notify the competent and responsible supervisory authority and to perform recall campaigns. BSH may also recall appliances and/or exchange parts and components based on voluntary service campaigns. BSH furthermore may need to redesign such products. Recalls or service campaigns are prepared and conducted on the basis of internal product monitoring and recall management systems. In this context, there is a risk that BSH may not have claims against third parties (for example suppliers) for expenses and costs associated which such recalls or part exchanges. There is also a risk that product defects arising from design or production errors arose at BSH itself. Any repurchase or recall of products could be costly to BSH, damage its reputation and have a material adverse effect on its net assets, financial position and results of operations.

Warranty risks

As a result of contractual and legal provisions, BSH is obliged to provide an extensive warranty to its distributors and/or customers. Existing and future warranty obligations in relation to its products place BSH at risk of incurring future repair and/or replacement costs. Substantial, extraordinary amounts of warranty claims could have a material adverse effect on the reputation, net assets, financial position and results of operations of BSH.

Environmental risks

BSH is subject to various laws and regulations relating to the protection of the environment, health and public safety in the countries in which it operates. Liabilities, costs, penalties, soil remediation orders by courts or authorities or operational restrictions may be imposed on or incurred by BSH in connection with environmental and health and safety issues, which could have a material adverse effect on the net assets, financial position and results of operations of BSH.

Default of contracting parties

BSH is exposed to a risk of payment default by, or lack of credit facilities for, those customers who have agreed to purchase products from BSH. Other parties with which BSH has entered into financial or other arrangements could also be in default or have no access to credit facilities. The default of contracting parties could have a material adverse effect on the net assets, financial position and results of operations of BSH.

Legal risks

BSH is exposed to risks relating to current or future legal disputes, administrative proceedings, tax audits, fines or damage claims involving, *inter alia*, allegations of improper delivery of goods or services, product liability, product defects, quality problems, antitrust infringements or breaches of environmental law, as well as guarantee claims from divestments or claw-back claims concerning payments made to BSH by contracting parties which have become insolvent. This may lead to expensive and protracted lawsuits, other proceedings or penalty payments. Such legal disputes, administrative proceedings, tax audits, fines or damage claims could have a material adverse effect on the financial condition and results of operation of BSH.

Regulatory risks

The business operations of BSH throughout the world are subject to comprehensive and constantly changing government regulation. BSH is affected by and must comply with a number of different and not always homogenous regulatory requirements. This results in a particularly high level of complexity due to the manifold and often divergent requirements in the various markets. Changes in Germany, or other countries in which BSH operates, to the legal framework relating to employee safety, employee relations, product safety, exchange controls and other areas important to BSH's business could limit BSH's operations in the relevant country and result in increased costs and restricted sales opportunities. Changes to competition rules in individual sections of the markets might also bring disadvantages. Any violation or alleged violation of legal requirements could lead to the imposition of penalties, fines, damages or similar legal consequences. Existing permits and licenses may also be restricted or revoked and BSH’s business operations may be restricted or prohibited. The occurrence of the specified factors may have a material adverse effect on BSH’s reputation and general business activities as well as on its net assets, financial position and results of operations. Furthermore, it cannot be ruled out that BSH’s employees may violate legal provisions, in particular anti-money-laundering rules and provisions preventing unlawful business practices, that risks may not be identified or evaluated incorrectly, that no appropriate countermeasures may be taken, that the compliance and risk management systems may not be appropriate to the size, complexity and geographical diversification of BSH, or that a failure may occur for other reasons. The occurrence of one or more of the specified risks may result in a reputational loss to individual brands or BSH as well as in legal consequences such as the imposition of fines and penalties on BSH and/or its subsidiaries and/or the members of its governing bodies or employees, to the assertion of damages claims by third parties or to other detrimental legal consequences. The occurrence of the specified factors may have a material adverse effect on BSH’s general business activities and on its net assets, financial position and results of operations.

Exchange, interest and capital market risks

BSH conducts a significant portion of its operations outside the Euro zone. Fluctuations in currencies of countries outside the Euro zone may materially affect BSH's revenues and operating results. For example, changes in currency exchange rates may affect (i) the relative prices at which BSH sell products in the same market, (ii) the cost of products and services BSH requires for its operations, and (iii) the Euro-denominated items in BSH's financial statements. BSH is also exposed to the risk of interest rate changes relating to its borrowing and cash holdings. BSH raises and invests liquidity in the international money and capital markets in different currencies and at different maturities. Interest rate fluctuations could affect the amount of interest payable on existing debt, refinancing costs and interest received on cash holdings. These currency and interest rate risks, or any losses resulting from related hedging transactions, could have a material adverse effect on the net assets, financial position and results of operations of BSH. BSH uses derivatives to hedge its exposure to currency and interest rate fluctuations but there can be no assurances that this hedging activity will be sufficient or effective.

BSH has furthermore financial investments, such as bonds, equities and other financial instruments. Despite using a risk adjusted investment policy which aim is to minimize the capital market risks, changes in market valuation of these financial instruments may lead to significant increases or decreases in BSH’s net assets and could have a material adverse effect on financial positions and results of operations of BSH.

Liquidity risks

BSH is exposed to liquidity risks in that it may be unable to meet payment obligations because it has insufficient cash funds at its disposal. The inability to ensure sufficient liquidity could have a material adverse effect on the net assets, financial position and results of operations of BSH.

Personnel

The knowledge and expertise of its employees constitute one of BSH's most important success factors. It cannot be guaranteed that BSH will succeed in retaining employees in key technical and management positions or in recruiting a sufficient number of new employees with the required skills and qualifications. If BSH is unable to retain or recruit a sufficient number of qualified employees, maintaining its market position, as well as future growth, will be at risk. This could have a material adverse effect on the net assets, financial position and results of operations of BSH.

Insurance coverage

BSH has taken out commercial insurance in an amount it believes appropriate to protect itself against risks such as property damage, business interruption and product liability claims. There is, however, no guarantee that BSH will be able to obtain corresponding coverage on acceptable terms in the future or that the insurance taken out will provide sufficient coverage for all potential claims. If sufficient insurance coverage is not in place in any individual case, or the cover amount is not sufficient for a claim asserted against BSH, this could have a material adverse effect on the net assets, financial position and results of operations of BSH.

Other Risks

Rating risk

Standard & Poor's has assigned a credit rating to the long term and short term debt of the Issuer. These ratings may not reflect the potential impact of all risks related to the Issuer. A downgrade of the ratings may increase BSH's cost of capital and, as a result, could negatively affect its business.

Pension commitments

BSH has pension and other long-term employee benefit obligations in various countries. A portion of such obligations is funded via investments in equities, bonds and other financial assets in pension schemes. Changes and movements in the equity, fixed income and other financial markets could significantly change the valuation of the assets of BSH's pension schemes. Changes in pension or long-term employee benefit assumptions, such as rates for salary increase, rates for pension increase, mortality rates and other factors, may lead to significant increases or decreases in BSH's pension or other long-term employee benefit obligations, which would affect the reported funded status of BSH's pension schemes and therefore could also negatively affect the net periodic pension cost or necessitate cash contributions in the future. Any future expenses or cash contributions that become necessary under BSH's pension schemes could have a material adverse effect on the net assets, financial position and results of operations of BSH.

RISKS RELATING TO THE NOTES

An investment in the Notes involves certain risks associated with the characteristics and type of the Notes which could lead to substantial losses that Noteholders would have to bear in the case of selling their Notes or with regard to receiving interest payments and repayment of principal. Risks regarding the Notes comprise, among other things, the following:

Suitability for investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Creditworthiness of the Issuer

The materialisation of any of the risks referred to above (see *Risks relating to the Issuer*) may affect the Issuer's ability to fully perform all obligations under the Notes when they fall due in which case the market value of the Notes may suffer. In addition, even if the likelihood that the Issuer will be in a position to fully perform all obligations under the Notes when they fall due actually has not decreased, market participants could nevertheless have a different perception. Market participants may in particular be of such opinion if market participants' assessment of the creditworthiness of corporate debtors in general or debtors operating in the industries sector adversely change.

If any of these risks occur, third parties would only be willing to purchase Notes for a lower price than before the materialisation of said risk. The market value of the Notes may therefore decrease.

Exchange rate risks

The Issuer will pay principal and interest on the Notes in Chinese Renminbi (CNY). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than Renminbi. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Renminbi or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Renminbi would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Currency related risks

Currency regulation

The Notes are denominated in Chinese Renminbi. Renminbi is not a freely convertible currency; there are significant restrictions on remittance of Renminbi into and outside the People's Republic of China (the **PRC**). The PRC government continues to regulate conversion between Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current account. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover twenty provinces and cities in the PRC and to make Renminbi trade and other current account item settlement available in all countries worldwide. In August 2011, the pilot scheme was further extended to cover all provinces and cities in the PRC.

Subject to limited exceptions, there is currently no specific PRC regulation on the remittance of Renminbi into the PRC for settlement of capital account items. Investors outside the PRC may only remit offshore Renminbi into the PRC for capital account purposes such as shareholders' loan or capital contribution upon obtaining specific approvals from the relevant authorities on a case by case basis.

There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

The Issuer intends to use the net proceeds from the Notes to finance the working capital needs of its operations in China. BSH believes that it has all necessary approvals in place to remit the funds into the PRC. However, the legal requirements for the remittance of Renminbi (including laws, regulations and administrative practices of the PRC) may change and might have an impact on the repatriation of the funds into the PRC. In addition, there is no assurance that the necessary approvals from and registrations with the relevant government authorities will be obtained or, if obtained, they will not be revoked or amended in the future.

Limited availability of Renminbi

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Notes and the Issuer's ability to source Renminbi outside the PRC to service the Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The People's Bank of China (the **PBOC**) has also established an Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the **Settlement Agreement**) between the PBOC and Bank of China (Hong Kong) Limited (the **Renminbi Clearing Bank**) to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong, there is no longer any limit (other than as provided in the following paragraph) on the ability of corporations to convert Renminbi and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. As of 31 January 2011, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately CNY 370.6 billion. In addition, participating banks are also required by the Hong Kong Monetary Authority (**HKMA**) to maintain a total amount of Renminbi (in the form of cash and its settlement account balance with the Renminbi Clearing Bank) of no less than 25 per cent. of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Bank only has access to onshore liquidity support from PBOC to settle open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers with accounts in Hong Kong of up to CNY 20,000 per person per day. The Renminbi Clearing Bank is not obliged to settle for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to settle such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service the Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Renminbi exchange rate risks

The value of the Renminbi against euro, U.S. dollar, Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. In addition, although the Issuer's primary obligation is to make all payments with respect to the Notes in Renminbi, in the event access to Renminbi deliverable in Hong Kong becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Terms and Conditions), the Issuer is unable, or it is impracticable for it, to make payments in Renminbi in Hong Kong, the terms of the Notes allow the Issuer to make payments in U.S. dollars at the prevailing spot rate of exchange, all as provided for in more detail in the Terms and Conditions. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the euro, U.S. dollar, Hong Kong dollar or other foreign currencies, the value of a Noteholder's investment in euro, U.S. dollar, Hong Kong dollar or other applicable foreign currency terms will decline.

Interest rate risk

If interest rates in general or particularly with regard to obligations of corporate debtors or corporate debtors with activities in the industries sector for durations equal to the remaining term of the Notes increase, the market value of the Notes may decrease. The longer the remaining term of a debt instrument, the stronger its market value is affected by changes of the interest rate level. As the term of the Notes is 3, 5 and 7 years, changes in interest rates will have a strong impact on the market value of the Notes which might vary depending on the respective tenor. There are further factors which may affect the market value of the Notes, including, but not limited to policies of central banks, global or national economic factors and crises in the global or national financial or corporate sector.

Secondary market risk

No application to list the Notes has been made and it is not intended that a listing will be applied for in the future. As a result, a secondary market for the Notes may not develop or, if one does develop, it may not be maintained. If an active secondary market for the Notes fails to develop or be sustained, the trading price and liquidity of the Notes could be adversely affected. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Inflation risk

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on the Notes. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or even negative. The market value of the Notes decreases if the inflation rate increases.

Early redemption risk

In the event that (i) the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Germany or any political subdivision thereof or any authority therein or thereof having power to tax, or (ii) if 80 per cent or more of the aggregate principal amount of the Notes then outstanding has been redeemed following a Change of Control (as defined in the Terms and Conditions), the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes. Noteholders are exposed to risks connected to the reinvestment of cash proceeds from the redemption amount and might suffer a lower than expected yield.

Risks in case of change of control

§ 7 of the Terms and Conditions grants the Noteholders a right of early redemption in case of a Change of Control (as defined in the Terms and Conditions). While the right of early redemption allows Noteholders to disengage from their investment in the Notes, they will be exposed to the risk that – if they exercise their right to demand early redemption – their investment has a lower than expected yield. In addition, Noteholders may only be able to reinvest the amount received from the Issuer upon such early redemption on less favourable conditions as compared to the original investment. For Noteholders who do not exercise their right to demand early redemption upon the occurrence of a Change of Control, payments made to Noteholders and other debtors as a result of any early redemption might increase the risks relating to the Issuer, in particular, with respect to the Issuer's liquidity and funding risks. Furthermore, it should be noted that the risk with respect to the Issuer's liquidity will increase if all Noteholders exercise their right to demand early redemption upon the occurrence of Change of Control.

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors are advised not to rely on the tax summary contained in this Offering Circular but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. These risk factors have to be read in connection with the section Taxation of this Offering Circular beginning on page 58.

EU Savings Directive

If a payment were to be made or collected through a member state of the European Union which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

Amendments of the Terms and Conditions by noteholders' resolutions

A Noteholder is subject to the risk of being outvoted and of losing rights towards the Issuer against his will in the case that Noteholders agree pursuant to the Terms and Conditions of the Notes to amendments of the Terms and Conditions of the Notes by majority vote according to the German Bond Act (*Schuldverschreibungsgesetz*).

Noteholders' representative

Since the Notes provide for the appointment of a Noteholders' representative (*gemeinsamer Vertreter*) in accordance with the German Bond Act (*Schuldverschreibungsgesetz*), it is possible that a Noteholder may be deprived of its individual right to pursue and enforce its rights under the Terms and Conditions against the Issuer, such right passing to the Noteholders' representative who is then exclusively responsible to claim and enforce the rights of all the Noteholders.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the notes (the **Terms and Conditions**) applicable to the 2014 Notes, the 2016 Notes and the 2018 Notes. The final Terms and Conditions of each of the 2014 Notes, the 2016 Notes and the 2018 Notes will be an integral part of the respective global notes.

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be the legally binding version. The English language translation is provided for convenience only.

Nachfolgend ist der Text der Anleihebedingungen (die **Anleihebedingungen**) für die 2014 Schuldverschreibungen, die 2016 Schuldverschreibungen und die 2018 Schuldverschreibungen abgedruckt. Die endgültigen Anleihebedingungen für die 2014 Schuldverschreibungen, die 2016 Schuldverschreibungen und die 2018 Schuldverschreibungen werden Bestandteil der jeweiligen Globalurkunde.

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer englischen Übersetzung versehen. Der deutsche Wortlaut ist rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

ANLEIHEBEDINGUNGEN

§ 1
(Währung, Nennbetrag, Form und Clearing System)

(1) *Währung, Nennbetrag.* Die auf Renminbi (**CNY**) lautenden Schuldverschreibungen (die **Schuldverschreibungen**) der BSH Bosch und Siemens Hausgeräte GmbH, München (die **Emittentin**) im Gesamtnennbetrag von **[im Fall der 2014 Schuldverschreibungen einfügen:** CNY 850.000.000**]** **[im Fall der 2016 Schuldverschreibungen einfügen:** CNY 750.000.000**]** **[im Fall der 2018 Schuldverschreibungen einfügen:** CNY 400.000.000**]** sind eingeteilt in **[im Fall der 2014 Schuldverschreibungen einfügen:** 850**]** **[im Fall der 2016 Schuldverschreibungen einfügen:** 750**]** **[im Fall der 2018 Schuldverschreibungen einfügen:** 400**]** auf den Inhaber lautende Schuldverschreibungen im Nennbetrag von je CNY 1.000.000 (der **Nennbetrag**).

(2) *Vorläufige Globalurkunde – Austausch gegen Dauerglobalurkunde*

a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Inhaberglobalurkunde (die **Vorläufige Globalurkunde**) ohne Zinsscheine verbrieft. Die Vorläufige Globalurkunde wird gegen eine Inhaberdauerglobalurkunde (die **Dauerglobalurkunde**) (die Vorläufige Globalurkunde und die Dauerglobalurkunde

TERMS AND CONDITIONS

§ 1
(Currency, Denomination, Form and Clearing System)

(1) *Currency, Denomination.* The Renminbi (**CNY**) denominated notes (the **Notes**) issued by BSH Bosch und Siemens Hausgeräte GmbH, Munich (the **Issuer**) in the aggregate principal amount of **[in the case of the 2014 Notes insert:** CNY850,000,000**]** **[in the case of the 2016 Notes insert:** CNY750,000,000**]** **[in the case of the 2018 Notes insert:** CNY 400,000,000**]** are divided into **[in the case of the 2014 Notes insert:** 850**]** **[in the case of the 2016 Notes insert:** 750**]** **[in the case of the 2018 Notes insert:** 400**]** Notes in the principal amount of CNY 1,000,000 (the **Principal Amount**) each payable to bearer.

(2) *Temporary Global Note – Exchange against Permanent Global Note*

a) The Notes are initially represented by a temporary global bearer Note (the **Temporary Global Note**) without interest coupons. The Temporary Global Note will be exchangeable, free of charge to the holder of Notes, in whole or in part for a permanent global bearer Note (the **Permanent Global Note**) (the Temporary Global Note and jeweils auch eine **Globalurkunde** und gemeinsam die **Globalurkunden**) ohne Zinsscheine ausgetauscht werden. Die Vorläufige Globalurkunde und die Dauerglobalurkunde tragen die Unterschriften zweier Zeichnungsberechtigter der Emittentin und sind mit einer Kontrollunterschrift der Hauptzahlstelle oder eines Vertreters der Hauptzahlstelle versehen.

the Permanent Global Note, each a **Global Note** and, together, the **Global Notes**) without interest coupons. The Temporary Global Note and the Permanent Global Note shall bear the signatures of two authorised signatories of the Issuer and shall each be authenticated with a control signature of the Principal Paying Agent or a agent of the Principal Paying Agent.

b) Die Vorläufige Globalurkunde wird an einem Tag (der **Austauschtag**), der nicht mehr als 180 Tage nach dem Tag der Ausgabe der Vorläufigen Globalurkunde liegt, gegen die Dauerglobalurkunde ausgetauscht. Der Austauschtag für einen solchen Austausch darf nicht weniger als vierzig Tage nach dem Tag der Ausgabe der Vorläufigen Globalurkunde liegen. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der bzw. die wirtschaftliche(n) Eigentümer (*beneficial owner*) der durch die Vorläufige Globalurkunde verbrieften Schuldverschreibungen keine US-Person ist bzw. keine US-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der Vorläufigen Globalurkunde eingeht, wird als ein Ersuchen behandelt, diese Vorläufige Globalurkunde gemäß diesem Unterabsatz (b) dieses Absatz (2) auszutauschen. Wertpapiere, die im Austausch für die Vorläufige Globalurkunde geliefert werden, sind nur außerhalb der Vereinigten Staaten zu liefern.

b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the **Exchange Date**) not later than 180 days after the date of issue of the Temporary Global Note. The Exchange Date for such exchange will not be earlier than forty days after the date of issue of the Temporary Global Note. Such exchange shall only be made to the extent that certifications have been delivered to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person or are not U.S. persons (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. Any such certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this sub-paragraph (b) of paragraph (2). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States.

Vereinigte Staaten bezeichnet die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Besitzungen (einschließlich Puerto Ricos, der U.S. Virgin Islands, Guams, American Samoas, Wake Islands und der Northern Mariana Islands).

United States means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(3) *Clearing System.* Die Vorläufige Globalurkunde und die Dauerglobalurkunde werden von einer gemeinsamen Verwahrstelle für ein Clearing System verwahrt bis, im Fall einer Dauerglobalurkunde, sämtliche Verbindlichkeiten der Emittentin aus den Schuldverschreibungen erfüllt sind. **Clearing System** bezeichnet jeweils Clearstream Banking,

(3) *Clearing System.* The Temporary Global Note and the Permanent Global Note will be held by a common depositary on behalf of a Clearing System until, in the case of Permanent Global Note, all obligations of the Issuer under the Notes have been satisfied. **Clearing System** means each of Clearstream Banking, *société anonyme,* Luxembourg (**CBL**) and Euroclear Bank

société anonyme, Luxemburg (**CBL**) und Euroclear Bank SA/NV (**Euroclear**) sowie jeden Nachfolger in dieser Eigenschaft.

(4) *Schuldverschreibungsgläubiger*. **Schuldverschreibungsgläubiger** bezeichnet jeden Inhaber eines Miteigentumsanteils oder eines anderen vergleichbaren Rechts an den Schuldverschreibungen, die bei einem Clearing System hinterlegt sind.

§ 2
(Status und Negativverpflichtung)

(1) *Status.* Die Schuldverschreibungen stellen nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin dar und stehen im gleichen Rang mit allen anderen nicht besicherten und nicht nachrangigen derzeitigen und zukünftigen Verbindlichkeiten der Emittentin, soweit zwingende gesetzliche Bestimmungen nichts anderes vorschreiben.

(2) *Negativverpflichtung.* Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle geschuldeten Beträge an das Clearing System oder an dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems zur Verfügung gestellt worden sind,

a) keine Sicherungsrechte (wie nachstehend definiert) in Bezug auf ihre gesamten gegenwärtigen oder zukünftigen Vermögenswerte oder Teile davon zur Sicherung von anderen Kapitalmarktverbindlichkeiten (wie nachstehend definiert) (einschließlich für Kapitalmarktverbindlichkeiten gegebener Garantien oder anderer Gewährleistungen) zu gewähren; und

b) ihre Wesentlichen Tochtergesellschaften (wie nachstehend definiert) zu veranlassen (soweit rechtlich möglich und zulässig), ihre gegenwärtigen und zukünftigen Vermögenswerte weder ganz noch teilweise zur Besicherung von Kapitalmarktverbindlichkeiten, die von der jeweiligen Wesentlichen Tochtergesellschaft eingegangen sind, mit Sicherungsrechten zu belasten oder eine solche Belastung zu diesem Zweck bestehen zu lassen und keine Garantien oder andere Gewährleistungen für fremde Kapitalmarktverbindlichkeiten zu geben,

SA/NV (**Euroclear**) and any successor in such capacity.

(4) *Noteholders.* **Noteholder** means any holder of a proportionate co-ownership or comparable other right in the Notes deposited with any Clearing System.

§ 2
(Status and Negative Pledge)

(1) *Status.* The Notes constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future, unless mandatory provisions of law accord other obligations.

(2) Negative Pledge. The Issuer undertakes, as long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System,

a) not to provide any Security Interest (as defined below) over the whole or any part of their present or future assets to secure any Capital Market Indebtedness (as defined below) (including any guarantees or other indemnities in relation to any Capital Market Indebtedness); and

b) to procure (to the extent legally possible and permissible) that none of its Material Subsidiaries (as defined below) will grant or permit to subsist any Security Interest over the present or future whole or any part of its assets, as security for any Capital Market Indebtedness entered into by the respective Material Subsidiary and grant any guarantee or other indemnities for third-party Capital Market Indebtedness, ohne gleichzeitig die Schuldverschreibungsgläubiger gleichrangig an einem solchen Sicherungsrecht zu beteiligen oder ihnen ein gleichwertiges Sicherungsrecht zu gewähren. Die Verpflichtung nach diesem Absatz 2 besteht jedoch nicht für Zulässige Sicherungsrechte.

without at the same time letting the Noteholders share *pari passu* in such Security Interest or giving to the Noteholders an equivalent Security Interest. The undertaking pursuant to this paragraph (2) shall not apply to a Permitted Security Interest.

Eine nach diesem Absatz 2 zu leistende Sicherheit kann auch zu Gunsten eines Treuhänders der Schuldverschreibungsgläubiger bestellt werden, welcher die Sicherheit zugunsten der Schuldverschreibungsgläubiger und ggf. gleichzeitig zugunsten der Gläubiger anderer Verbindlichkeiten hält.

Any security which is to be provided pursuant to this paragraph (2) may also be provided to a person acting as trustee for the Noteholders, who will hold the security for the benefit of the Noteholders and who may at the same time hold for the benefit of creditors of other obligations.

(3) *Definitionen.* Für Zwecke dieser Anleihebedingungen gelten die folgenden Definitionen:

(3) *Definitions.* The following definitions apply for purposes of these Terms and Conditions:

a) **Sicherungsrecht** bezeichnet jedes Grund- und Mobiliarpfandrecht, sonstige Pfandrecht oder sonstige dingliche Sicherungsrecht;

a) **Security Interest** means any mortgage, charge, pledge, lien or other form of *in rem* encumbrance or security interest;

b) **Kapitalmarktverbindlichkeiten** bezeichnet jede Verbindlichkeit zur Zahlung aufgenommener Gelder, die durch Schuldverschreibungen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder gehandelt werden können, verbrieft oder dokumentiert ist, und Schuldscheindarlehen;

b) **Capital Market Indebtedness** means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by notes or other securities which are, or are capable of being, quoted, listed or traded on a stock exchange or other recognised securities market, or certificates of indebtedness (Schuldscheindarlehen);

c) **Wesentliche Tochtergesellschaft** bezeichnet jede (unmittelbare oder mittelbare) Tochtergesellschaft der Emittentin, deren Abschlüsse mit denen der Emittentin konsolidiert werden und für die zusammen mit ihren eigenen konsolidierten Tochtergesellschaften eines der beiden nachfolgenden Kriterien gilt:

c) **Material Subsidiary** means a (direct or indirect) subsidiary of the Issuer which is included in the Issuer's consolidated accounts and which together with its consolidated subsidiaries complies with one of the following two criteria:

(i) das Ergebnis vor Steuern (jeweils wie im letzten geprüften unkonsolidierten Jahresabschluss oder, falls die betreffende Tochtergesellschaft ihrerseits konsolidierte Jahresabschlüsse erstellt, jeweils wie im letzten geprüften konsolidierten Jahresabschluss dieser Tochtergesellschaft festgestellt) beträgt mindestens 10 % des Ergebnisses vor Steuern der Emittentin und deren konsolidierten Tochtergesellschaften (wie im letzten geprüften Konzernabschluss der Emittentin festgestellt); oder

(i) the profit before tax (as provided for in the most recent audited unconsolidated annual accounts or, as the case may be, in the most recent audited consolidated annual accounts of such subsidiary, if the subsidiary prepares consolidated annual accounts) is equal or exceeds 10 per cent. of the profit before tax of the Issuer and its consolidated subsidiaries (as provided for in the Issuer's most recent audited consolidated accounts); or

(ii) die Bilanzsumme (jeweils wie im letzten geprüften unkonsolidierten Jahresabschluss oder, falls die betreffende Tochtergesellschaft ihrerseits konsolidierte Jahresabschlüsse erstellt, jeweils wie im letzten geprüften konsolidierten Jahresabschluss dieser Tochtergesellschaft festgestellt) beträgt mindestens 5 % der konsolidierten Bilanzsumme der Emittentin (wie im letzten geprüften Konzernabschluss der Emittentin festgestellt).

(ii) the total assets (as provided for in the most recent audited unconsolidated annual accounts or, as the case may be, in the most recent audited consolidated annual accounts of such subsidiary, if the subsidiary prepares consolidated annual accounts) is equal or exceeds 5 per cent. of the Issuer's consolidated total assets (as provided for in the Issuer's most recent audited consolidated accounts).

d) **Zulässiges Sicherungsrecht** bezeichnet Sicherheiten, (i) die gesetzlich vorgeschrieben sind, (ii) die als Voraussetzung für staatliche Genehmigungen verlangt werden, (iii) die gestellt werden im Zusammenhang mit einer Emission von Asset Backed Securities (d.h. strukturierten Wertpapieren, die mit Forderungen besichert sind, und deren Zahlungspflichten von der Erfüllung dieser Forderungen abhängen) mit einem Gesamtnennbetrag von bis zu € 200.000.000, die von der Emittentin oder von einer Zweckgesellschaft begeben werden, wobei die Emittentin im Fall der Begebung durch eine Zweckgesellschaft die ursprüngliche Inhaberin der zugrunde liegenden Forderungen ist, oder (iv) für Kapitalmarktverbindlichkeiten, die aufgrund einer Akquisition eine Verbindlichkeit der Emittentin oder einer Wesentlichen Tochtergesellschaft werden, es sei denn diese Kapitalmarktverbindlichkeiten sind für Zwecke dieser Akquisition eingegangen worden.

d) **Permitted Security Interest** means any security (i) which is mandatory according to applicable laws, (ii) which is required as a prerequisite for governmental approvals, (iii) provided in connection with any issue of asset backed securities (i.e. structured securities which are secured by receivables, and whose payment obligations are dependent upon the performance of such receivables) with an aggregate nominal amount of up to € 200,000,000 issued by the Issuer, or by a special purpose vehicle where the Issuer is the originator of the underlying exposures, or (iv) for Capital Market Indebtedness which becomes an obligation of the Issuer or any Material Subsidiary due to an acquisition, unless such Capital Market Indebtedness is entered into for such acquisition.

§ 3
(Verzinsung)

(1) *Zinssatz und Zinsperioden.*

a) Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar vom 28. September 2011 (einschließlich) (der **Zinslaufbeginn**) bis zum Fälligkeitstag (wie in § 4 Absatz 1 definiert) (ausschließlich) mit jährlich **[im Fall der 2014 Schuldverschreibungen einfügen:** 2,375 %**]** **[im Fall der 2016 Schuldverschreibungen einfügen:** 3,375%**]** **[im Fall der 2018 Schuldverschreibungen einfügen:** 4 %**]**. Die Verzinsung erfolgt auf jede Zinsperiode.

§ 3
(Interest)

(1) *Rate of Interest and Interest Periods.*

a) The Notes bear interest on their Principal Amount from (and including) 28 September 2011 (the **Interest Commencement Date**) to (but excluding) the Maturity Date (as defined in § 4(1)) at the rate of **[in the case of the 2014 Notes insert:** 2.375 per cent. *per annum***]** **[in the case of the 2016 Notes insert:** 3.375 per cent. *per annum***]** **[in the case of the 2018 Notes insert:** 4 per cent. *per annum***]**. Interest will accrue in respect of each Interest Period.

b) **Zinsperiode** bezeichnet den Zeitraum vom Zinslaufbeginn (einschließlich) bis zum ersten Zinszahltag (ausschließlich) und danach jeweils von einem Zinszahltag (einschließlich) bis zum nächstfolgenden Zinszahltag (ausschließlich). Falls ein Zinszahltag wie in Absatz 2 beschrieben vorgezogen oder verschoben wird, verschiebt sich die Zinsperiode entsprechend und der Zinsbetrag wird der geänderten Zinsperiode entsprechend angepasst.

c) **Bankgeschäftstag** ist, vorbehaltlich des nachfolgenden Satzes, ein Tag (außer Samstag oder Sonntag), an dem (i) Geschäftsbanken in Frankfurt geöffnet sind, (ii) Geschäftsbanken und Devisenmärkte in Hong Kong generell für den Geschäftsverkehr und Abwicklungen von Zahlungen in Renminbi geöffnet sind und (iii) das Clearing System betriebsbereit ist, um die betreffende Zahlung abzuwickeln. Sofern Zahlungen gemäß § 5 Absatz 4 in US-Dollar erfolgen, ist ein Tag nur dann ein Bankgeschäftstag, wenn, zusätzlich zu den vorstehend unter (i) bis (iii) aufgeführten Vorraussetzungen, auch Geschäftsbanken und Devisenmärkte in New York generell für den Geschäftsverkehr und Abwicklungen von Zahlungen in US-Dollar geöffnet sind.

(2) *Zinszahltage.* Die Zinsen sind halbjährlich nachträglich am **[im Fall der 2014 Schuldverschreibungen einfügen:** 29. März und 29. September**]** **[im Fall der 2016 Schuldverschreibungen und der 2018 Schuldverschreibungen einfügen:** 28. März und 28. September**]** eines jeden Jahres und am Fälligkeitstag zahlbar (jeweils ein **Zinszahltag**). Falls ein Zinszahltag auf einen Tag fallen würde, der kein Bankgeschäftstag ist, wird der Zinszahltag auf den nächsten Tag verschoben, der ein Bankgeschäftstag ist, es sei denn, er würde dadurch in den folgenden Kalendermonat fallen; in diesem Fall wird der Zinszahltag auf den unmittelbar vorangegangenen Bankgeschäftstag vorgezogen. Die erste Zinszahlung erfolgt am **[im Fall der 2014 Schuldverschreibungen einfügen:** 29. März 2012**]** **[im Fall der 2016 Schuldverschreibungen und der 2018 Schuldverschreibungen einfügen:** 28. März 2012**]** (**Erster Zinszahltag**) und bezieht sich auf den ersten Zinszeitraum vom Zinslaufbeginn (einschließlich) bis zum Ersten Zinszahltag

b) **Interest Period** means the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date. If an Interest Payment Date is, as described in paragraph (2), brought forward or postponed, the Interest Period will be adjusted accordingly and the amount of interest will be adjusted in accordance with the adjusted Interest Period.

c) **Banking Day** shall mean, subject to the following sentence, a day (other than a Saturday or Sunday) on which (i) commercial banks in Frankfurt are open, (ii) commercial banks and foreign exchange markets in Hong Kong are generally open for business and settlement of Renminbi payments, and (iii) the Clearing System is operational to effect the relevant payment. If payments are to be made in US-dollars pursuant to § 5(4), a day only qualifies as Banking Day if on such day, in addition to the requirements set out under (i) to (iii) above, commercial banks and foreign exchange markets in New York are also generally open for business and settlement of US-dollar payments.

(2) *Interest Payment Dates.* Interest shall be payable semi-annually in arrears on **[in the case of the 2014 Notes insert:** 29 March and 29 September**]** **[in the case of the 2016 Notes and the 2018 Notes insert:** 28 March and 28 September**]** in each year and on the Maturity Date (each an **Interest Payment Date**). If any Interest Payment Date would fall on a day which is not a Banking Day, then, such Interest Payment Date shall be postponed to the next day which is a Banking Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Banking Day. The first Interest Payment Date shall be made on **[in the case of the 2014 Notes insert:** 29 March 2012**]** **[in the case of the 2016 Notes and the 2018 Notes insert:** 28 March 2012**]** (the **First Interest Payment Date**) and relates to the first interest period from (and including) the Interest Commencement Date to (but excluding) the First Interest Payment Date.

(ausschließlich).

(3) *Verzugszinsen.* Sofern die Emittentin die Rückzahlung der Schuldverschreibungen bei Fälligkeit oder, wenn der Fälligkeitstag kein Bankgeschäftstag ist, am darauffolgenden Bankgeschäftstag unterlässt, erfolgt die Verzinsung der Schuldverschreibungen vom Tag der Fälligkeit bis zum Tag der tatsächlichen Rückzahlung der Schuldverschreibungen in Höhe des gesetzlich festgelegten Satzes für Verzugszinsen. Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutschen Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz, §§ 288 Absatz 1, 247 Absatz 1 BGB.

(3) *Default Interest.* If the Issuer fails to redeem the Notes when due or, where the Maturity Date is not a Banking Day, on the next succeeding Banking Day, interest shall continue to accrue until the expiry of the day preceding the day of actual redemption of the Notes at the default rate of interest established by law. The default rate of interest established by law is five percentage points above the basic rate of interest published by Deutsche Bundesbank from time to time; §§ 288(1), 247(1) German Civil Code (*Bürgerliches Gesetzbuch*, BGB).

(4) *Zinsbetrag.* Der auf die Schuldverschreibungen in Bezug auf den Nennbetrag für die jeweilige Zinsperiode zahlbare Zinsbetrag wird durch Anwendung des Zinssatzes und des Zinstagequotienten (wie nachstehend definiert) auf den Nennbetrag unter Rundung des Ergebnisses auf die nächste CNY 0,01 berechnet, wobei CNY 0,005 aufgerundet wird.

(4) *Interest Amount.* The amount of interest payable in respect of the Principal Amount for the relevant Interest Period shall be calculated by applying the Rate of Interest and the Day Count Fraction (as defined below) to the Principal Amount and rounding the resultant figure to the nearest CNY 0.01, with CNY 0.005 being rounded upwards.

Zinstagequotient bezeichnet im Hinblick auf die Berechnung eines Zinsbetrags auf eine Schuldverschreibung für einen beliebigen Zeitraum (der **Zinsberechnungszeitraum**) die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch 365 (Act/365 (fixed)).

Day Count Fraction shall mean with regard to the calculation of interest on a Note for any period of time (the **Calculation Period**) the actual number of days in the Calculation Period, divided by 365 (Act/365 (fixed)).

§ 4
(Rückzahlung und Rückkauf)

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt (z.B. aufgrund einer vorzeitigen Rückzahlung aus steuerlichen Gründen gemäß § 6 Absatz 2 oder einer vorzeitigen Rückzahlung aufgrund eines Kontrollwechsels gemäß § 7) oder angekauft und entwertet, werden die Schuldverschreibungen am **[im Fall der 2014 Schuldverschreibungen einfügen:** 29. September 2014**][im Fall der 2016 Schuldverschreibungen einfügen:** 28. September 2016**] [im Fall der 2018 Schuldverschreibungen einfügen:** 28. September 2018**]** (der **Fälligkeitstag**) zum Nennbetrag zurückgezahlt.

§ 4
(Redemption and Repurchase)

(1) *Redemption at Maturity.* Unless previously redeemed in whole or in part (e.g. because of a early redemption for tax reasons pursuant to § 6(2) or a early termination because a change of control pursuant to § 7) or purchased and cancelled, the Notes will be redeemed at their Principal Amount on **[in the case of the 2014 Notes insert:** 29 September 2014**][in the case of the 2016 Notes insert:** 28 September 2016**] [in the case of the 2018 Notes insert:** 28 September 2018**]** (the **Maturity Date**).

(2) *Rückkauf.* Die Emittentin ist berechtigt, Schuldverschreibungen im Markt oder anderweitig zurück zu erwerben. Die zurückerworbenen Schuldverschreibungen können nach Wahl der

(2) *Repurchase.* The Issuer is entitled to repurchase Notes in the market or otherwise. Any repurchased Notes may, at the Issuer's option, be held, resold or cancelled by the Issuer.

Emittentin von ihr gehalten, weiterverkauft oder entwertet werden.

§ 5
(Zahlungen)

(1) a) *Zahlungen von Kapital.* Zahlungen von Kapital auf die Schuldverschreibungen erfolgen an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage und (außer im Fall von Teilzahlungen) Einreichung der die Schuldverschreibungen zum Zeitpunkt der Zahlung verbriefenden Globalurkunde bei der bezeichneten Geschäftsstelle der Hauptzahlstelle außerhalb der Vereinigten Staaten.

b) *Zahlungen von Zinsen.* Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

(2) *Erfüllung.* Zahlungen an das betreffende Clearing System oder dessen Order befreien die Emittentin in Höhe der geleisteten Zahlungen von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen.

(3) *Zahlungsgeschäftstag.* Fällt ein Tag, an dem eine Zahlung in Bezug auf die Schuldverschreibungen fällig ist, auf einen Tag, der kein Bankgeschäftstag ist, dann hat der Schuldverschreibungsgläubiger keinen Anspruch auf Zahlung vor dem nächsten Bankgeschäftstag. Die Schuldverschreibungsgläubiger sind nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verschiebung zu verlangen.

(4) *Zahlung des US-Dollar-Gegenwerts.* Ungeachtet etwaiger gegenteiliger Bestimmungen gilt: Ist die Emittentin aufgrund Fehlender Konvertierbarkeit, Fehlender Übertragbarkeit oder Illiquidität nicht in der Lage, Zahlungen auf die Schuldverschreibungen bei Fälligkeit in voller Höhe in CNY zu leisten, so kann sie solche Zahlungen am Fälligkeitstermin (vollständig oder teilweise) in US-Dollar in Höhe des US-Dollar-Gegenwerts des betreffenden CNY-Betrags leisten. Wird das Vorliegen Fehlender Konvertierbarkeit, Fehlender Übertragbarkeit oder Illiquidität festgestellt, so wird die Emittentin bis spätestens um 10.00 Uhr (Ortszeit in Hong Kong) am Kursberechnungstag die Berechnungsstelle und

§ 5
(Payments)

(1) a) *Payments of Principal.* Payment of principal in respect of Notes shall be made to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and (except in the case of partial payment) surrender of the Global Note representing the Notes at the time of payment at the specified office of the Principal Paying Agent outside the United States.

b) *Payment of Interest.* Payment of interest on Notes shall be made to the Clearing System or to its order for credit to the relevant account holders of the Clearing System.

(2) *Discharge.* Payments to the relevant Clearing System or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Notes.

(3) *Payment Business Day.* If a date on which a payment in respect of the Notes is due is not a Banking Day, then the Noteholder shall not be entitled to payment until the next Banking Day. The Noteholders shall not be entitled to further interest or other payment in respect of such postponement.

(4) *Payment of US Dollar Equivalent.* Notwithstanding any provisions to the contrary, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy in full payments in respect of Notes when due in CNY, the Issuer may settle any such payment (in whole or in part) in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such CNY amount. Upon the determination that a condition of Inconvertibility, Non-transferability or Illiquidity prevails, the Issuer shall by no later than 10:00 a.m. (Hong Kong time) on the Rate Calculation Date notify the Calculation Agent and the Clearing System. The Issuer shall, in addition, give notice of the determination to the

das Clearing System benachrichtigen. Ferner wird die Emittentin die Schuldverschreibungsgläubiger von dieser Feststellung so bald wie bei vernünftiger Betrachtungsweise möglich gemäß § 12 benachrichtigen. Der Zugang einer solchen Benachrichtigung ist keine Vorraussetzung für eine Zahlung in US-Dollar.

Noteholders in accordance with § 12 as soon as reasonably practicable. The receipt of such notice is not a requirement for payments in US-dollars.

Für die Zwecke dieser Anleihebedingungen haben die nachstehenden Begriffe die folgende Bedeutung:

For the purposes of these Terms and Conditions, the following terms shall have the following meanings:

Begebungstag bezeichnet den 28. September 2011.

Issue Date means 28 September 2011.

Berechnungsstelle bezeichnet die Hauptzahlstelle.

Calculation Agent means the Principal Paying Agent.

CNY-Händler bezeichnet einen unabhängigen, international anerkannten Devisenhändler, der im CNY-Devisenmarkt in Hong Kong aktiv ist.

CNY Dealer means an independent foreign exchange dealer of international repute active in the CNY exchange market in Hong Kong.

Hong Kong bezeichnet die Sonderverwaltungszone Hong Kong der Volksrepublik China.

Hong Kong means the Hong Kong Special Administrative Region of the People's Republic of China.

Illiquidität bezeichnet den Fall, dass der allgemeine CNY-Devisenmarkt in Hong Kong illiquide wird, und die Emittentin dadurch nicht in der Lage ist, in ausreichendem Maße CNY zu beschaffen, um ihre Verpflichtung zur Leistung von Zins- oder Kapitalzahlungen auf die Schuldverschreibungen (ganz oder teilweise) zu erfüllen, wie von der Emittentin nach dem Grundsatz von Treu und Glauben und in wirtschaftlich angemessener Weise nach Rücksprache mit zwei CNY-Händlern festgestellt.

Illiquidity means the general CNY exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient CNY in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two CNY Dealers.

Fehlende Konvertierbarkeit bezeichnet den Eintritt eines Falles, der es der Emittentin unmöglich macht, einen in Bezug auf die Schuldverschreibungen fälligen Betrag am allgemeinen CNY-Devisenmarkt in Hong Kong zu konvertieren (hiervon ausgenommen sind die Fälle, in denen eine solche Unmöglichkeit ausschließlich darauf zurückzuführen ist, dass die Emittentin von einer Staatlichen Stelle erlassene Gesetze, Rechtsnormen oder sonstige Vorschriften nicht eingehalten hat, es sei denn, ein solches Gesetz, eine solche Rechtsnorm oder sonstige Vorschrift wurde erst nach dem Begebungstag der Schuldverschreibungen erlassen und es ist für die Emittentin aufgrund eines außerhalb ihres Einflussbereichs liegenden Ereignisses unmöglich, ein solches Gesetz, eine solche Rechtsnorm oder sonstige Vorschrift einzuhalten).

Inconvertibility means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general CNY exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

Fehlende Übertragbarkeit bezeichnet den Eintritt eines Falles, der es der Emittentin unmöglich macht, CNY von einem Konto in Hong Kong auf ein anderes Konto in Hong Kong bzw. von einem Konto in Hong Kong auf ein anderes Konto außerhalb Hong Kongs zu überweisen (hiervon ausgenommen sind die Fälle, in denen eine solche Unmöglichkeit ausschließlich darauf zurückzuführen ist, dass die Emittentin von einer Staatlichen Stelle erlassene Gesetze, Rechtsnormen oder sonstige Vorschriften nicht eingehalten hat, es sei denn, ein solches Gesetz, eine solche Rechtsnorm oder sonstige Vorschrift wurde erst nach dem Begebungstag der Schuldverschreibungen erlassen und es ist für die Emittentin aufgrund eines außerhalb ihres Einflussbereichs liegenden Ereignisses unmöglich, ein solches Gesetz, eine solche Rechtsnorm oder sonstige Vorschrift einzuhalten).

Non-transferability means the occurrence of any event that makes it impossible for the Issuer to deliver CNY between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation).

Kassakurs bezeichnet in Bezug auf einen Kursberechnungstag den CNY/USD-Devisenkassakurs für den Kauf von US-Dollar mit CNY am außerbörslichen CNY-Devisenmarkt in Hong Kong für Abwicklung in zwei Geschäftstagen, wie jeweils von der Berechnungsstelle um ca. 11.00 Uhr (Ortszeit in Hong Kong) an dem jeweiligen Tag (i) auf lieferbarer Basis unter Bezugnahme auf die Reuters-Bildschirmseite TRADCNY3, oder (ii), falls dieser Kurs nicht verfügbar ist, auf nicht-lieferbarer Basis unter Bezugnahme auf die Reuters-Bildschirmseite TRADNDF, oder (iii), falls keiner der vorgenannten Kurse verfügbar ist, als der jüngste verfügbare, von der staatlichen Devisenverwaltung der PRC (The State Administration of Foreign Exchange) mitgeteilte, offiziell festgestellte CNY/USD-Kurs für Abwicklung in zwei Geschäftstagen wie auf der Reuters-Bildschirmseite CNY=SAEC angezeigt, festgestellt. Bezugnahme auf eine Seite auf dem Reuters-Bildschirm bezeichnet die Anzeigeseite auf dem Reuter Monitor Money Rates Service (oder einem Funktionsnachfolger) oder eine solche andere Seite, die die betreffende Seite für Zwecke der Anzeige eines vergleichbaren Währungsumtauschkurses ersetzt.

Sollte keiner der vorstehend unter (i) bis (iii) aufgeführten Kurse zur Verfügung stehen, wird die Berechnungsstelle am betreffenden Kursberechnungstag von drei CNY-Händlern deren CNY/USD-Devisenkassakurse einholen. Falls zwei oder drei CNY-Händler der Berechnungsstelle

Spot Rate means, in respect of a Rate Calculation Date, the spot CNY/USD exchange rate for the purchase of U.S. dollars with CNY in the over-the-counter CNY exchange market in Hong Kong for settlement in two business days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on such date (i) on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or (ii) if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF, or (iii) if neither of the aforementioned rates is available, as the most recently available CNY/USD official fixing rate for settlement in two business days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

If neither of the rates mentioned under (i) to (iii) above is available, the Calculation Agent shall request on the relevant Rate Calculation Date any three CNY Dealers to provide the Calculation Agent with its offered CNY/USD exchange rate. If two or three CNY Dealers provide the Calculation Agent with such rate, the Spot Rate shall be the arithmetic mean. If on the relevant Rate Calculation Date only one or none CNY Dealers provide the Calculation Agent with a CNY/USD exchange rate, the Issuer shall determine the Spot Rate in its equitable solche Kurse nennen, ist der Kassakurs das arithmetische Mittel. Falls kein oder nur ein CNY-Händler der Berechnungsstelle einen solchen Kurs nennt, wird der Kassakurs von der Emittentin nach billigem Ermessen und in wirtschaftlich angemessener Weise unter Berücksichtigung der marktüblichen Praxis bestimmt wird.

Sämtliche Benachrichtigungen, Gutachten, Feststellungen, Bestimmungen, Bescheinigungen, Berechnungen, Kurse und Entscheidungen, die für die Zwecke dieser Bestimmungen von der Berechnungsstelle oder der Emittentin vorgenommen, abgegeben, getroffen oder eingeholt werden, sind (außer im Falle von Vorsatz, einer Zuwiderhandlung gegen den Grundsatz von Treu und Glauben oder eines offensichtlichen Irrtums) für die Emittentin und sämtliche Schuldverschreibungsgläubiger verbindlich.

discretion and in a commercial reasonable manner having taken into account relevant market practice.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these provisions by the Calculation Agent or the Issuer, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and all Noteholders.

Kursberechnungs-Geschäftstag bezeichnet einen Tag (außer einem Samstag oder Sonntag), an dem Geschäftsbanken in Hong Kong, Frankfurt, Peking und New York City für den gewöhnlichen Geschäftsverkehr (einschließlich des Handels mit Devisen) geöffnet sind.

Rate Calculation Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, Frankfurt, Beijing and New York City.

Kursberechnungstag bezeichnet den Tag, der auf den zweiten Kursberechnungs-Geschäftstag vor dem Fälligkeitstermin des betreffenden Betrags im Rahmen dieser Anleihebedingungen fällt.

Rate Calculation Date means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions.

Staatliche Stelle bezeichnet jede *de facto* oder *de iure* staatliche Stelle (einschließlich der dazu gehörenden Behörden oder Organe), jedes Gericht, jedes Schiedsgericht, jede verwaltungs- oder sonstige regierungsbehördliche Stelle und jeden sonstigen (privatrechtlichen oder öffentlich-rechtlichen) Rechtsträger (einschließlich der Zentralbank), dem bzw. der die Aufsicht über die Finanzmärkte von Hong Kong obliegt.

Governmental Authority means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong.

US-Dollar-Gegenwert eines CNY-Betrags bezeichnet den betreffenden in US-Dollar umgerechneten CNY-Betrag, dessen Umrechnung unter Zugrundelegung des Kassakurses für den betreffenden Kursberechnungstag, wie jeweils von der Berechnungsstelle um ca. 11.00 Uhr (Ortszeit in Hong Kong) am Kursberechnungstag festgestellt und der Emittentin und der Hauptzahlstelle jeweils umgehend mitgeteilt, erfolgt ist.

U.S. Dollar Equivalent of an CNY amount means the relevant CNY amount converted into U.S. dollars using the Spot Rate for the relevant Rate Calculation Date as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date and promptly notified to the Issuer and the Principal Paying Agent.

(5) *Bezugnahmen.* Bezugnahmen auf **Hong-Kong-Dollar**, **HK-Dollar** und **HK$** sind als Bezugnahmen auf die gesetzliche Währung von Hong Kong zu verstehen, und Bezugnahmen auf **Renminbi**, **CNY** und **RMB** sind als Bezugnahmen auf die gesetzliche Währung der Volksrepublik China (Festlandchina) unter Ausschluss von Hong Kong, der Sonderverwaltungszone Macao der Volksrepublik China und von Taiwan zu verstehen

(5) *References.* References to **Hong Kong dollars**, **HK dollars** and **HK$** are to the lawful currency of Hong Kong and references to **Renminbi**, **CNY** and **RMB** are to the lawful currency of the mainland People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan.

§ 6
(Steuern)

§ 6
(Taxes)

(1) *Quellensteuern und Zusätzliche Beträge.* Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind an der Quelle ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der oder in der Bundesrepublik Deutschland auferlegt oder erhoben werden (nachstehend zusammen **Quellensteuern** genannt), es sei denn ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In diesem Fall wird die Emittentin diejenigen zusätzlichen Beträge (die **Zusätzlichen Beträge**) an Kapital und Zinsen zahlen, die erforderlich sind, damit die den Schuldverschreibungsgläubigern zufließenden Nettobeträge nach einem solchen Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Schuldverschreibungsgläubigern empfangen worden wären. Die Verpflichtung zur Zahlung solcher Zusätzlichen Beträge besteht jedoch nicht für solche Steuern und Abgaben, die

(1) *Withholding Taxes and Additional Amounts.* All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax (hereinafter together **Withholding Taxes**), unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts (the **Additional Amounts**) of principal and interest as shall be necessary in order that the net amounts received by the Noteholders, after such withholding or deduction, shall equal the respective amounts which would otherwise have been received by the Noteholders in the absence of such withholding or deduction. No such Additional Amounts shall be payable on account of any taxes or duties which:

a) von einer als Depotbank oder Inkassobeauftragter des Schuldverschreibungsgläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder

a) are payable by any person acting as custodian bank or collecting agent on behalf of a Noteholder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or

b) wegen gegenwärtiger oder früherer persönlicher oder geschäftlicher Beziehungen des Schuldverschreibungsgläubigers zu der Bundesrepublik Deutschland oder einem anderen Mitgliedstaat der Europäischen Union zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf

b) are payable by reason of the Noteholder having, or having had, personal or business connection with the Federal Republic of Germany or another member state of the European Union and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder

c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

d) aufgrund einer Rechtsänderung zahlbar sind, die später als 30 Tage (i) nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, (ii) wenn die ordnungsgemäße Bereitstellung aller fälligen Beträge später erfolgt, nach einer solchen ordnungsgemäßen Bereitstellung und einer diesbezüglichen Bekanntmachung gemäß § 12, wirksam wird; oder

e) von einer auszahlenden Stelle einbehalten oder abgezogen werden, wenn die Zahlung von einer anderen auszahlenden Stelle ohne den Einbehalt oder Abzug hätte vorgenommen werden können; oder

f) der Schuldverschreibungsgläubiger aus irgendeinem anderen Grund als allein der bloßen Tatsache, dass er Inhaber von Schuldverschreibungen oder Empfänger von Kapital oder Zinsen aus den Schuldverschreibungen ist, zu zahlen hat, und zwar insbesondere wenn der Schuldverschreibungsgläubiger aufgrund einer persönlichen unbeschränkten oder beschränkten Steuerpflicht derartigen Steuern oder Abgaben unterliegt, oder wenn der Schuldverschreibungsgläubiger für die Zwecke der betreffenden Steuergesetze als gebietsansässige natürliche oder juristische Person in einem anderen Mitgliedstaat der Europäischen Union angesehen wird.

(2) *Vorzeitige Rückzahlung.* Falls infolge einer am oder nach dem 28. September 2011 wirksam werdenden Änderung oder Ergänzung der in der Bundesrepublik Deutschland geltenden

taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany; or

c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or

d) are payable by reason of a change in law that becomes effective later than 30 days (i) after the relevant payment of principal or interest becomes due, or (ii) if the due provision of all amounts due takes place later, after such a due provision and the publication of a notice thereof pursuant to § 12; or

e) are withheld or deducted by a disbursing agent from a payment if the payment could have been made by another disbursing agent without such withholding or deduction; or

f) the Noteholder has to pay for any reason other than the mere fact of his being a holder of Notes or receiving principal or interest in respect thereof, in particular if the Noteholder is subject to such taxes or duties because of a personal unrestricted or restricted tax liability or if the Noteholder for the purposes of the relevant tax laws is regarded as an individual or corporate resident in another member state of the European Union.

(2) *Early Redemption.* If, as a result of any change in, or amendment to, the laws or regulations prevailing in the Federal Republic of Germany, which change or amendment becomes effective on or after

Rechtsvorschriften oder einer vor diesem Zeitpunkt nicht allgemein bekannten Anwendung oder amtlichen Auslegung solcher Rechtsvorschriften Quellensteuern auf die Zahlung von Kapital oder Zinsen bezüglich der Schuldverschreibungen anfallen oder anfallen werden und die Quellensteuern wegen der Verpflichtung zur Zahlung Zusätzlicher Beträge der Emittentin zur Last fallen, ist die Emittentin berechtigt, alle ausstehenden Schuldverschreibungen, jedoch nicht nur einen Teil von ihnen, unter Einhaltung einer Kündigungsfrist von mindestens 30 Tagen jederzeit zum Nennbetrag zuzüglich bis zum Rückzahlungstag aufgelaufener Zinsen zu tilgen. Eine solche Kündigung darf jedoch nicht früher als 90 Tage vor dem Zeitpunkt erfolgen, an dem die Emittentin erstmals Quellensteuern einbehalten oder zahlen müsste, falls eine Zahlung in Bezug auf die Schuldverschreibungen dann geleistet würde.

28 September 2011, or as a result of any application or official interpretation of such laws or regulations not generally known before that date, Withholding Taxes are or will be leviable on payments of principal or interest in respect of the Notes by reason of the obligation to pay Additional Amounts, such Withholding Taxes are to be borne by the Issuer, the Issuer may redeem the Notes in whole, but not in part, at any time, on giving not less than 30 days' notice, at the Principal Amount thereof, together with interest accrued to the date fixed for redemption. No such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to withhold or pay Withholding Taxes were a payment in respect of the Notes then made.

(3) *Mitteilung.* Die Kündigung nach § 6 Absatz 2 erfolgt durch Mitteilung gemäß § 12. Sie ist unwiderruflich und muss den Rückzahlungstermin sowie in zusammenfassender Form die Tatsachen angeben, die das Kündigungsrecht begründen (nachstehend **Steuer-Ereignis** genannt); ferner muss sie eine Erklärung des Inhalts enthalten, dass die Emittentin den Eintritt oder Fortbestand des Steuer-Ereignisses nach ihrer geschäftlichen Beurteilung nicht durch ihr mögliche zumutbare Maßnahmen (und zwar andere als eine Ersetzung der Emittentin gemäß § 10) vermeiden kann.

(3) *Notice.* Any such notice pursuant to § 6(2) shall be given by publication in accordance with § 12. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem (hereinafter an **Tax Event**), and shall include a statement to the effect that the Issuer, in its business judgement, cannot avoid the occurrence or persistence of such Tax Event by the use of reasonable measures available to it (other than the substitution of the Issuer according to § 10).

(4) *Sitzverlegung.* Für den Fall einer Sitzverlegung der Emittentin in ein anderes Land, Territorium oder Hoheitsgebiet gelten die vorstehenden Bestimmungen mit der Maßgabe, dass sich jede Nennung der Bundesrepublik Deutschland als auf dieses andere Land, Territorium oder Hoheitsgebiet bezogen versteht.

(4) *Transfer of Domicile.* In the case of a transfer of the Issuer's domicile to another country, territory or jurisdiction, the preceding provisions shall apply with the understanding that any reference to the Federal Republic of Germany shall from then on be deemed to refer to such other country, territory or jurisdiction.

(5) *Bezugnahmen.* Bezugnahmen in diesen Anleihebedingungen auf Kapital oder Zinsen schließen gemäß diesem § 6 zahlbare Zusätzliche Beträge ein.

(5) *References.* References in these Terms and Conditions shall be deemed to include any Additional Amounts payable pursuant to this § 6.

(6) *Kapitalertragssteuer.* Die in der Bundesrepublik Deutschland geltende Kapitalertragsteuer und der darauf erhobene Solidaritätszuschlag sind keine Quellensteuer im oben genannten Sinn.

(6) *Tax on Interest Payments.* The tax on interest payments (*Kapitalertragsteuer*) and the solidarity surcharge (*Solidaritätszuschlag*) imposed thereon do not constitute such a Withholding Tax on interest payment as described above.

§ 7
(Kontrollwechsel)

(1) *Kündigungsrecht der Schuldverschreibungsgläubiger.* Tritt ein Kontrollwechsel (wie nachstehend definiert) ein, hat jeder Schuldverschreibungsgläubiger das Recht (sofern nicht die Emittentin, bevor die nachstehend beschriebene Kontrollwechselmitteilung gemacht wird, die Rückzahlung der Schuldverschreibungen nach § 6 Absatz 2 angezeigt hat), die Rückzahlung seiner Schuldverschreibungen durch die Emittentin zum Nennbetrag, zuzüglich aufgelaufener Zinsen am Wahl-Rückzahlungstag (ausschließlich), nach Maßgabe dieses § 7 zu verlangen.

(2) *Mitteilung.* Sofort nachdem die Emittentin vom Eintritt eines Kontrollwechsels Kenntnis erlangt, wird die Emittentin den Schuldverschreibungsgläubigern unter Einhaltung der Regelungen des § 12 Mitteilung vom Eintritt eines Kontrollwechsels machen (eine **Kontrollwechselmitteilung**). Diese Mitteilung umfasst die Umstände des Kontrollwechsels sowie das Verfahren für die Ausübung des in § 7 Absatz 1 genannten Rechts auf vorzeitige Rückzahlung.

Zur Ausübung dieses Rechts auf vorzeitige Rückzahlung muss der Schuldverschreibungs-gläubiger innerhalb eines Zeitraums von 45 Tagen nach Veröffentlichung der Kontrollwechsel-mitteilung (der **Rückzahlungszeitraum**) der Hauptzahlstelle eine Ausübungserklärung (die **Ausübungserklärung**) zukommen lassen, in der er mitteilt, dass er das Recht auf vorzeitige Rückzahlung ausübt. Die Ausübungserklärung ist der Hauptzahlstelle entweder (i) in Form einer an die angegebene Niederlassung der Hauptzahlstelle geschickte schriftlichen Mitteilung oder (ii) nach dem hierfür vom jeweiligen Clearing System vorgesehenen Prozedere, das vom jeweiligen Clearing System von Zeit zu Zeit festgelegt wird (und auch vorsehen kann, dass die Mitteilung durch oder auf Veranlassung des jeweiligen Clearing Systems oder einer gemeinsamen Verwahrstelle auf elektronischem Wege an die Hauptzahlstelle übermittelt wird) zukommen zu lassen. In der Ausübungsmitteilung sind (i) die Anzahl der Schuldverschreibungen, für die das Kündigungsrecht ausgeübt wird und (ii) die ISIN der Schuldverschreibungen anzugeben. Ein so ausgeübtes Recht auf vorzeitige Rückzahlung kann nicht ohne vorherige Zustimmung der Emittentin widerrufen oder zurückgezogen werden.

§ 7
(Change of Control)

(1) *Termination Right of the Noteholders.* In the event that a Change of Control (as defined below) occurs , each Noteholder will have the option (unless, prior to the giving of the Change of Control Notice referred to below, the Issuer gives notice to redeem the Notes in accordance with § 6(2)) to require the Issuer to redeem the Notes held by him on the Optional Redemption Date at the Principal Amount together with interest accrued to but excluding the Optional Redemption Date (excluding) in accordance with this § 7.

(2) *Notice.* Without undue delay upon the Issuer becoming aware that a Change of Control has occurred, the Issuer shall give notice of the Change of Control (an **Change of Control Notice**) to the Noteholders in accordance with § 12. This notice comprises the nature of the Change of Control and the circumstances giving rise to it and the procedure for exercising the right of early redemption set out in § 7(1).

In order to exercise such right of early redemption, the Noteholder must submit an exercise notice (the **Exercise Notice**) in which it declares its exercise to the Principal Paying Agent within the period of 45 days after a Change of Control Notice is given (the **Put Period**). The Exercise Notices must be submitted to the Principal Paying Agent either (i) by means of a written notice sent to the specified office of the Principal Paying Agent or (ii) in accordance with the standard procedures of any of the Clearing Systems in a form acceptable to the relevant Clearing System from time to time (which may include notice being given on his instruction by the relevant Clearing System or any common depositary for them to the Principal Paying Agent by electronic means). The Exercise Notice must state (i) the number of Notes in respect of which the redemption right will be exercised and (ii) the ISIN of the Notes. No right of early redemption so exercised may be revoked or withdrawn without the prior consent of the Issuer.

(3) *Kündigungsrecht der Emittentin.* Wenn 80 % oder mehr des Gesamtnennbetrags der dann ausstehenden Schuldverschreibungen gemäß dieses § 7 zurückgezahlt oder zurückerworben wurde, ist die Emittentin berechtigt, nach vorheriger Mitteilung, die innerhalb von 30 Tagen nach dem Wahl-Rückzahlungstag erfolgen muss, gegenüber den Schuldverschreibungsgläubigern mit einer Frist von mindestens 30 und höchstens 60 Tagen nach ihrer Wahl alle ausstehenden Schuldverschreibungen zum Nennbetrag zuzüglich bis zum Tag der Rückzahlung (ausschließlich) aufgelaufenen Zinsen zurück zu zahlen.

(3) *Termination Right of the Issuer.* If 80 per cent. or more in the aggregate principal amount of the Notes then outstanding have been redeemed or purchased pursuant to the provisions of this § 7, the Issuer may, on not less than 30 or more than 60 days' notice to the Noteholders given within 30 days after the Optional Redemption Date, redeem, at its option, the remaining Notes as a whole at a redemption price of the Principal Amount thereof plus interest accrued to but excluding the date of such redemption.

(4) *Definitionen.* Für Zwecke dieser Anleihebedingungen gelten die folgenden Definitionen:

(4) *Definitions.* The following definitions apply for purposes of these Terms and Conditions:

Ein **Kontrollwechsel** gilt jedes Mal als eingetreten, wenn (i) Robert Bosch GmbH und Siemens Aktiengesellschaft (oder ein Rechtsnachfolger der vorgenannten Gesellschaften) zusammen gerechnet Geschäftsanteile der Emittentin halten, auf die weniger als 51 % der Stimmrechte entfallen, oder (ii) eine oder mehrere Personen (die **relevante(n) Person(en)**), die abgestimmt handeln (§ 22 Absatz 2 des Wertpapierhandelsgesetzes (WpHG) gilt entsprechend), oder ein oder mehrere Dritte(r), die im Auftrag der relevanten Person(en) handeln, zu irgendeiner Zeit mittelbar oder unmittelbar (unabhängig davon, ob die Geschäftsführung oder der Aufsichtsrat der Emittentin eine Zustimmung erteilt hat) eine solche Anzahl von Geschäftsanteilen der Emittentin hält bzw. halten oder erworben hat bzw. haben, auf die mehr als 50 % der Stimmrechte entfallen.

A **Change of Control** shall be deemed to have occurred at each time that (i) Robert Bosch GmbH and/or Siemens Aktiengesellschaft (or a legal successor of such companies) hold, in aggregate, shares of the Issuer carrying less than 51 per cent. of the voting rights, or (ii) any person or persons (**Relevant Person(s)**) acting in concert within (§ 22(2) of the German Securities Trading Act (*Wertpapierhandelsgesetz*) applies accordingly) or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly acquire(s) or come(s) to own such number of the shares of the Issuer carrying more than 50 per cent. of the voting rights (whether or not approved by the Management Board or Supervisory Board of the Issuer).

Kontrollwechselzeitraum bezeichnet den Zeitraum, der (i) mit dem früheren der folgenden Ereignisse beginnt: (x) einer öffentlichen Bekanntmachung oder Erklärung der Emittentin hinsichtlich eines möglichen Kontrollwechsels oder (y) dem Tag der ersten öffentlichen Bekanntmachung des eingetretenen Kontrollwechsels und (ii) der am 90. Tag (einschließlich) nach dem Eintritt des Kontrollwechsels endet.

Change of Control Period means the period (i) commencing on the earlier of (x) any public announcement or statement of the Issuer relating to any potential Change of Control or (y) the date of the first public announcement of the Change of Control having occurred and (ii) ending on the 90 day (inclusive) after the occurrence of the relevant Change of Control.

Wahl-Rückzahlungstag ist der siebte Tag nach dem letzten Tag des Rückzahlungszeitraums (wie in § 7 Absatz 2 definiert).

Optional Redemption Date is the seventh day after the last day of the Put Period (as defined in § 7(2)).

§ 8
(Kündigungsgründe)

(1) *Kündigungsrecht.* Jeder Schuldverschreibungsgläubiger ist berechtigt, seine Schuldverschreibungen zu kündigen und deren sofortige Rückzahlung zum Nennbetrag zuzüglich aufgelaufener Zinsen zu verlangen, falls

a) die Emittentin Kapital oder Zinsen entsprechend diesen Anleihebedingungen nicht innerhalb von 15 Tagen nach einem Tag, an dem eine Zahlung in Bezug auf die Schuldverschreibungen fällig ist, zahlt; oder

b) die Emittentin die ordnungsgemäße Erfüllung einer anderen Verpflichtung aus den Schuldverschreibungen unterlässt und die Unterlassung länger als 30 Tage fortdauert; oder

c) die Emittentin oder eine Wesentliche Tochtergesellschaft innerhalb einer Frist von 30 Tagen nach Fälligkeit einer Verpflichtung zur Zahlung von Kapital oder Zinsen aus Finanzverbindlichkeiten in einem Gesamtnennbetrag von mindestens € 50.000.000 oder einem entsprechenden Gegenwert in anderen Währungen nicht nachkommt oder infolge des Eintritts eines Kündigungsgrundes oder aufgrund einer Pflichtverletzung eine solche Verpflichtung vorzeitig fällig gestellt wird bzw. fällig gestellt werden kann oder wenn dafür eingeräumte Sicherheiten zugunsten der oder durch die berechtigten Gläubiger in Anspruch genommen werden und die Nichterfüllung, der Eintritt des Kündigungsgrundes, die Pflichtverletzung oder die Inanspruchnahme nicht darauf beruht, dass die Emittentin oder eine solche Wesentliche Tochtergesellschaft mittelbar oder unmittelbar durch Maßnahmen irgendeiner Regierung oder Behörde an der Erfüllung der betreffenden Verpflichtungen gehindert ist; oder

d) die Emittentin oder eine Wesentliche Tochtergesellschaft der Eröffnung eines Insolvenz-, Vergleichs- oder sonstigen Konkursverfahrens gegen die Emittentin oder eine Wesentliche Tochtergesellschaft zustimmt oder dieses beantragt oder duldet oder ein solches Verfahren eröffnet und nicht innerhalb von 60 Tagen eingestellt wird oder die Eröffnung eines solchen Verfahrens mangels Masse abgelehnt wird; oder

§ 8
(Events of Default)

(1) *Termination Right.* Each Noteholder shall be entitled to terminate his Notes and demand immediate redemption thereof at the Principal Amount plus accrued interest in the event that

a) the Issuer fails to pay principal or interest in respect of the Terms and Conditions within 15 days from a date on which a payment in respect of the Notes is due; or

b) the Issuer fails to duly perform any other obligation arising from the Notes and such failure continues unremedied for more than 30 days; or

c) the Issuer or any Material Subsidiary, within 30 days after the due date fails to fulfil an obligation to pay principal or interest in respect of, or is called upon or may be called upon to repay prematurely due to default or breach of agreement, any Financial Indebtedness having an aggregate principal amount of at least € 50,000,000 or its equivalent in other currencies or if securities granted therefore are enforced on behalf of or by the creditors entitled thereto and the failure, default or breach of agreement, or enforcement is not caused by the fact that the Issuer or any such Material Subsidiary is prevented, directly or indirectly, by any government or other authority from fulfilling the relevant obligations; or

d) the Issuer or a Material Subsidiary agrees to or applies for or tolerates the institution insolvency, composition or other bankruptcy proceedings against the Issuer or a Material Subsidiary or such proceedings are instituted and not discontinued within 60 days, or the institution of such proceedings is rejected due to lack of assets to cover the cost of the proceedings; or

e) die Emittentin oder eine Wesentliche Tochtergesellschaft Zahlungen an ihre Gläubiger allgemein einstellt oder die Einstellung der Zahlungen bekannt gibt; oder

f) der gesamte oder nahezu gesamte Geschäftsbetrieb der Emittentin vollständig oder nahezu vollständig veräußert oder eingestellt wird.

Finanzverbindlichkeiten bezeichnet jede bestehende oder zukünftige Verbindlichkeit aus aufgenommenen Geldern, unabhängig davon, ob sie verbrieft ist oder nicht.

(2) *Erlöschen des Kündigungsrechts.* Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

(3) *Kündigungserklärung.* Eine Kündigungserklärung gemäß Absatz 1 ist unwiderruflich und hat in der Weise zu erfolgen, dass der Hauptzahlstelle eine entsprechende schriftliche Erklärung in deutscher oder englischer Sprache übergeben oder durch eingeschriebenen Brief übermittelt wird. Der Kündigungserklärung ist ein Nachweis beizufügen, aus dem sich ergibt, dass der betreffende Schuldverschreibungsgläubiger zum Zeitpunkt der Abgabe der Kündigungserklärung Inhaber der betreffenden Schuldverschreibung ist. Der Nachweis kann durch eine Bescheinigung der Depotbank (wie nachstehend definiert) oder auf andere geeignete Weise erbracht werden.

Depotbank bezeichnet jede Bank oder jedes sonstige anerkannte Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der bzw. bei dem der Schuldverschreibungsgläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich jedes Clearing Systems.

e) the Issuer or a Material Subsidiary generally ceases to make payments to its creditors or publishes a cessation of payments; or

f) the entire or almost the entire business operations of the Issuer are completely or almost completely sold or discontinued.

Financial Indebtedness means any present or future indebtedness for monies borrowed whether or not certificated.

(2) *Expiry of Termination Right.* The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(3) *Termination Notice.* A notice of termination pursuant to paragraph 0 is irrevocable and must be made by means of a written declaration in German or English language delivered by hand or registered mail to the Principal Paying Agent. The notice of termination shall be provided together with proof that such Noteholder at the time of such notice of termination is a holder of the relevant Notes by means of a certificate of its Custodian (as defined below) or in another appropriate manner.

Custodian means any bank or other financial institution of recognised standing authorised to engage in securities custody business with the Noteholder maintains a securities account in respect of the Notes and includes any Clearing System.

§ 9
(Agents)

(1) *Bestellung.* Die anfänglich bestellte Hauptzahlstelle und deren anfänglich bezeichnete Geschäftsstelle lautet wie folgt:

Deutsche Bank Aktiengesellschaft
Trust & Security Services
Grosse Gallusstrasse 10-14
60311 Frankfurt am Main
Deutschland

(die **Hauptzahlstelle**).

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Hauptzahlstelle zu ändern oder zu beenden und eine andere Hauptzahlstelle oder eine oder mehrere zusätzliche Zahlstellen zu bestellen, vorausgesetzt, dass (i) die Emittentin zu jedem Zeitpunkt eine Hauptzahlstelle unterhält und (ii) solange die Schuldverschreibungen auf Antrag oder mit Zustimmung der Emittentin zum Handel an einer oder mehreren Börsen zugelassen sind und diese es erfordern, jederzeit eine Zahlstelle an dem betreffenden Börsenplatz besteht. Den Schuldverschreibungsgläubigern werden Änderungen in Bezug auf die Hauptzahlstelle bzw. eine zusätzliche Zahlstelle umgehend gemäß § 12 bekannt gemacht.

(3) *Beauftragte der Emittentin.* Die Hauptzahlstelle handelt in ihrer Eigenschaft als solche ausschließlich als Beauftragte der Emittentin und steht nicht in einem Auftrags- oder Treuhandverhältnis zu den Schuldverschreibungsgläubigern.

§ 10
(Ersetzung der Emittentin)

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Schuldverschreibungsgläubiger eine Tochtergesellschaft als Hauptschuldnerin für alle Verpflichtungen aus und im Zusammenhang mit dieser Schuldverschreibungsemission einzusetzen (die **Neue Emittentin**), sofern:

a) die Neue Emittentin alle Verpflichtungen der Emittentin aus oder im Zusammenhang mit dieser Schuldverschreibungsemission übernimmt; und

§ 9
(Agents)

(1) *Appointment.* The initial Principal Paying Agent and its initial specified offices shall be:

Deutsche Bank Aktiengesellschaft
Trust & Security Services
Grosse Gallusstrasse 10-14
60311 Frankfurt am Main
Germany

(the **Principal Paying Agent**).

(2)*Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint successor principal paying agent or additional paying agents provided that (i) the Issuer maintains a Principal Paying Agent at all times and (ii) as long as the Notes are admitted to trading on one or more stock exchanges at the request or with the consent of the Issuer and they so require, there shall at all times be a paying agent in the city in which the respective stock exchange is or stock exchanges are located. Notice of any change in respect of the Principal Paying Agent or an additional paying agent will promptly be given to the Noteholders pursuant to § 12.

(3) *Agents of the Issuer.* The Principal Paying Agent in its capacity as such is acting exclusively as agent for the Issuer and does not have any relationship of agency or trust with the Noteholders.

§ 10
(Substitution of Issuer)

(1) *Substitution.* The Issuer shall without the consent of the Noteholders be entitled at any time to substitute for the Issuer any Subsidiary as principal debtor in respect of all obligations arising from or in connection with this issue of Notes (the **Substitute Issuer**), provided that:

a) the Substitute Issuer assumes all obligations of the Issuer arising from or in connection with this issue of Notes; and

b) die Neue Emittentin sämtliche sich aus oder im Zusammenhang mit dieser Schuldverschreibungsemission ergebenden Zahlungsverpflichtungen in Renminbi ohne die Notwendigkeit einer Einbehaltung irgendwelcher Steuern oder Abgaben an der Quelle erfüllen sowie die hierzu erforderlichen Beträge ohne Beschränkungen an die Hauptzahlstelle transferieren kann und sie insbesondere jede hierfür notwendige Genehmigung der Behörden ihres Landes erhalten hat; und

c) die Neue Emittentin sich verpflichtet, jedem Schuldverschreibungsgläubiger alle Steuern, Gebühren oder Abgaben zu erstatten, die ihm infolge der Schuldübernahme durch die Neue Emittentin auferlegt werden und die der Schuldverschreibungsgläubiger ohne die Ersetzung der Emittentin nicht hätte tragen müssen;

d) die Emittentin unwiderruflich und unbedingt gegenüber den Schuldverschreibungsgläubigern die Zahlung aller von der Neuen Emittentin auf die Schuldverschreibungen zahlbaren Beträge garantiert und in dieser Garantie eine § 2 Absatz 2 entsprechende Negativverpflichtung enthalten ist; und

e) der Hauptzahlstelle ein Rechtsgutachten von anerkannten Rechtsanwälten vorgelegt wird, das (vorbehaltlich marktüblicher Annahmen und Qualifikationen) bestätigt, dass die Bestimmungen in den vorstehenden Unterabsätzen a), b) und c) erfüllt wurden.

(2) *Bekanntmachung.* Eine solche Ersetzung ist gemäß § 12 bekannt zu machen.

(3) *Bezugnahmen.* Im Falle einer solchen Ersetzung gilt jede Nennung der Emittentin in diesen Anleihebedingungen als auf die Neue Emittentin bezogen und jede Nennung der Bundesrepublik Deutschland in § 6 als auf das Land bezogen, in dem die Neue Emittentin ihren Sitz hat. Des weiteren gilt in § 2 Absatz 2 und § 8 Absatz 1 c) eine alternative Bezugnahme auf die Emittentin in ihrer Eigenschaft als Garantin als aufgenommen (zusätzlich zu der Bezugnahme auf die Neue Emittentin).

b) the Substitute Issuer is in a position to fulfil all payment obligations arising from or in connection with this issue of Notes in Renminbi without the necessity of any taxes or duties to be withheld at source and to transfer all amounts which are required therefore to the Principal Paying Agent without any restrictions, and that in particular all necessary authorisations to this effect by any authority of its country have been obtained; and

c) the Substitute Issuer undertakes to reimburse any Noteholder for such taxes, fees or duties which may be imposed upon him as a consequence of the assumption of the Issuer's obligation by the Substitute Issuer and which the Noteholders would not have to bear without the substitution of the Issuer; and

d) the Issuer irrevocably and unconditionally guarantees in favour of each Noteholder the payment of all sums payable by the Substitute Issuer in respect of the Notes and such guarantee contains a negative pledge undertaking corresponding to § 2(2); and

e) there shall have been delivered to the Principal Paying Agent an opinion of lawyers of recognised standing to the effect (subject to market standard assumptions and qualifications) that subparagraphs a), b) and c) above have been satisfied.

(2) *Publication.* Any such substitution shall be published in accordance with § 12.

(3) *References.* In the event of such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Issuer and any reference in § 6 to the Federal Republic of Germany from then on be deemed to refer to the country of domicile of the Substitute Issuer. In addition in § 2(2) and § 8(1) c) an alternative reference to the Issuer in its capacity as guarantor shall be deemed to have been included in addition to the reference to the Substitute Issuer.

§ 11
(Änderung der Anleihebedingungen durch Beschluss der Schuldverschreibungsgläubiger und gemeinsamer Vertreter)

(1) *Anwendbarkeit des Schuldverschreibungsgesetzes.* Die Schuldverschreibungsgläubiger können mit Zustimmung der Emittentin durch Mehrheitsbeschlusses nach Maßgabe des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz - **SchVG**) Änderungen der Anleihebedingungen zustimmen und zur Wahrnehmung ihrer Rechte einen gemeinsamen Vertreter für alle Gläubiger bestellen (§ 5 Abs. 1 Satz 1 SchVG).

(2) *Abstimmung ohne Versammlung.* Beschlüsse der Schuldverschreibungsgläubiger werden im Wege der Abstimmung ohne Versammlung nach § 18 SchVG getroffen.

§ 11
(Amendments to the Terms and Conditions by Resolution of the Noteholders and Noteholders' Representative)

(1) *Application of the German Bond Act.* The Noteholders may, with the consent of the Issuer, agree by majority vote pursuant to the German Bond Act (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* - **SchVG**) to amendments of the Terms and Conditions and appoint a noteholders' representative for all Noteholders for the preservation of their rights (§ 5 subparagraph (1) sentence 1 SchVG).

(2) *Voting without Physical Meeting.* Resolutions of the Noteholders shall be passed by means of a voting not requiring a physical meeting (*Abstimmung ohne Versammlung*) in accordance with § 18 SchVG.

§ 12
(Mitteilungen)

Alle die Schuldverschreibungen betreffenden Mitteilungen erfolgen durch Mitteilung an ein Clearing System zur Weiterleitung an die Schuldverschreibungsgläubiger. Jede empfangsbedürftige Mitteilung, die auf diese Weise veröffentlicht wurde, gilt am siebten Tag nach dem Tag ihrer Veröffentlichung als wirksam erfolgt.

§ 12
(Notices)

All notices concerning the Notes will be made by a notice to a Clearing System for communication by the Clearing System to the Noteholders. Any notice requiring acknowledgement so given will be deemed to have been validly given on the seventh day following its publication.

§ 13
(Begebung weiterer Schuldverschreibungen)

Die Emittentin behält sich vor, von Zeit zu Zeit ohne Zustimmung der Schuldverschreibungsgläubiger weitere Schuldverschreibungen auch mit gleicher Ausstattung zu begeben. Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Zinslaufbeginns und/oder des Ausgabepreises) können mit diesen Schuldverschreibungen zusammengefasst werden, eine einheitliche Schuldverschreibungsemission mit ihnen bilden und ihren Gesamtnennbetrag erhöhen. Der Begriff "Schuldverschreibungen" umfasst im Falle einer solchen Aufstockung auch solche zusätzlich begebenen Schuldverschreibungen.

§ 13
(Issuance of additional Notes)

The Issuer reserves the right, from time to time, without the consent of the Noteholders to issue additional notes also with identical terms. Notes with identical terms (or, as the case may be, in all respects except for the issue date, interest commencement date and/or issue price) can be consolidated, form a single issue with and increase the aggregate principal amount of these Notes. The term "Notes" shall, in the event of such increase, also comprise such additionally issued notes.

§ 14
(Vorlegungsfrist/Verjährung)

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt. Die Verjährungsfrist für Ansprüche aus den Schuldverschreibungen, die innerhalb der Vorlegungsfrist zur Zahlung vorgelegt wurden, beträgt zwei Jahre von dem Ende der betreffenden Vorlegungsfrist an.

§ 14
(Presentation Period/Prescription)

The presentation period provided in § 801(1) sentence 1 German Civil Code (*Bürgerliches Gesetzbuch*, BGB) is reduced to 10 years for the Notes. The period of limitation for claims under the Notes presented during the period for presentation will be two years calculated from the expiration of the relevant presentation period.

§ 15
(Anwendbares Recht und Gerichtsstand)

(1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Schuldverschreibungsgläubiger, der Emittentin und der Hauptzahlstelle bestimmen sich in jeder Hinsicht nach deutschem Recht.

(2) *Gerichtsstandswahl.* Nicht-ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten in den in diesen Anleihebedingungen geregelten Angelegenheiten ist München, Deutschland. Dies gilt nicht für Entscheidungen gemäß §§ 9 Absatz 2 und 13 Absatz 3 Satz 1 SchVG, für die gemäß § 9 Absatz 3 SchVG das Amtsgericht zuständig ist, in dessen Bezirk die Emittentin ihren Sitz hat, sowie für Entscheidungen gemäß § 20 Absatz 3 SchVG, für die das Landgericht ausschließlich zuständig ist, in dessen Bezirk die Emittentin ihren Sitz hat.

(3) *Gerichtliche Geltendmachung.* Jeder Schuldverschreibungsgläubiger kann in Rechtsstreitigkeiten gegen die Emittentin im eigenen Namen seine Rechte aus den ihm zustehenden Schuldverschreibungen unter folgenden Vorausetzungen geltend machen: (i) er legt eine Bescheinigung seiner Depotbank (wie in § 8 Absatz 3 definiert) vor, die (a) den vollen Namen und die volle Anschrift des Schuldverschreibungsgläubigers bezeichnet, (b) den Gesamtnennbetrag von Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung dem bei dieser Depotbank bestehenden Wertpapierdepot dieses Schuldverschreibungsgläubigers gutgeschrieben sind und (c) bestätigt, dass die Depotbank gegenüber dem betreffenden Clearing System und der Hauptzahlstelle eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält, und

§ 15
(Applicable Law and Place of Jurisdiction)

(1) *Governing Law.* The Notes, both as to form and content, as well as the rights and duties of the Noteholders, the Issuer and the Principal Paying Agent shall in all respects be determined in accordance with German law.

(2) *Submission to Jurisdiction.* Non-exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions shall be Munich, Germany. This shall not apply for decisions pursuant to §§ 9(2) and 13(3) sentence 1 SchVG, for which the local court (*Amtsgericht*) of the district where the Issuer has its registered office shall be competent for all judgments according to § 9(3) SchVG as well as for decisions pursuant to § 20(3) SchVG for which the regional court (*Landgericht*) of the district where the Issuer has its registered office shall be competent for all judgments.

(3) *Judicial Enforcement.* Any Noteholder may in any proceedings against the Issuer protect and enforce in its own name its rights arising under its Notes on the basis of: (i) it submits a statement issued by its Custodian (as defined in § 8(3)) which must (a) state the full name and address of the Noteholder, (b) specify the aggregate principal amount of Notes credited to such securities account on the date of such statement, and (c) confirm that the Custodian has given a written notice to the relevant Clearing System and the Principal Paying Agent containing the information pursuant to (a) and (b), and (ii) it submits a copy of the Global Note certified as being a true copy by a duly authorised officer of the relevant Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note representing the Notes. Each Noteholder may, without prejudice to the foregoing, protect and

(ii) er legt eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des betreffenden Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Unbeschadet des Vorstehenden kann jeder Schuldverschreibungsgläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die in dem Land, in dem der Rechtsstreit geführt wird, prozessual zulässig ist.

enforce its rights under the Notes also in any other way which is admitted in the country of the proceedings.

§ 16
(Teilunwirksamkeit)

Sollte eine der Bestimmungen dieser Anleihebedingungen unwirksam oder undurchführbar sein oder werden, so bleibt die Wirksamkeit oder die Durchführbarkeit der übrigen Bestimmungen hiervon unberührt. Anstelle der unwirksamen oder undurchführbaren Bestimmungen soll, soweit rechtlich möglich, eine dem Sinn und Zweck dieser Anleihebedingungen entsprechende Reglung gelten.

§ 16
(Severability)

Should any of the provisions of these Conditions of Issue be or become invalid or unenforceable, the validity or the enforceability of the remaining provisions shall not in any way be affected or impaired thereby. In this case the invalid or unenforceable provision shall be replaced by a provision which, to the extent legally possible, provides for an interpretation in keeping with the meaning and economic purposes of these Conditions of Issue at the time of issue of the Notes.

§ 17
(Sprache)

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung ist unverbindlich und dient nur der Information.

§ 17
(Language)

These Terms and Conditions are provided in the German language and a translation into the English language is attached. The German text is the legally binding one. The English translation is not binding and is for information purposes only.

USE OF PROCEEDS

The proceeds of the issue of the Notes before deduction of expenses and fees, amounting to CNY 2,000,000,000, will be applied by the Issuer for financing the working capital needs of its operations in China.

DESCRIPTION OF THE ISSUER

INCORPORATION AND HISTORY

The Issuer is a limited liability company under German law. It has its registered office in Munich and its business address at Carl-Wery-Straße 34, 81739 Munich, Germany (telephone: +49-89-459001). The Issuer is registered in the commercial register of the Local Court of Munich under HRB 75534.

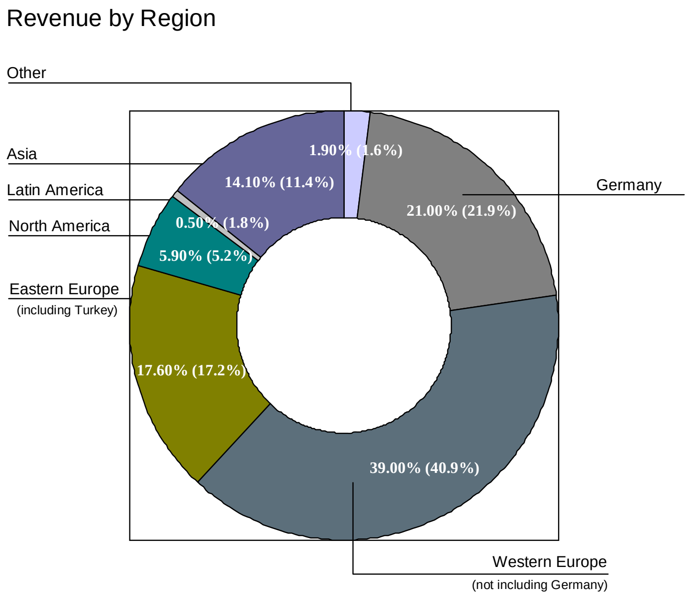
The Issuer was founded in 1967 as a joint venture of Robert Bosch GmbH and Siemens AG when both parents combined their respective white goods divisions in a joint venture.

CORPORATE PURPOSE

The corporate purpose of the Issuer (*Unternehmensgegenstand*) includes (i) the manufacture or procurement and marketing, as well as research and development, of industrial products in the area of electrical engineering, precision mechanics, and related technology, especially in the area of home appliances; and (ii) the manufacture or procurement and marketing of goods for use as accessories, auxiliary materials, or tools with the manufactured or marketed products.

BUSINESS OVERVIEW

The Issuer is the parent company of the BSH group which develops, manufactures and distributes home appliances. The BSH group's product portfolio comprises home appliances for laundry (washing and drying), cooling and freezing, cooking, dishwashing and consumer products such as coffee machines, irons, floor care and water heaters. The Issuer together with its consolidated subsidiaries (together **BSH**) is by revenues one of the largest manufacturers of home appliances on a world-wide basis. BSH generated consolidated revenues of 9.073 billion Euro in the year 2010 compared to 8.405 billion Euro in 2009, which corresponds to a year on year increase of 7.9 per cent. The regional shares in such revenues expressed as percentage are set out in the following diagram. The figures without brackets refer to the financial year 2010 and the figures in brackets refer to the financial year 2009.

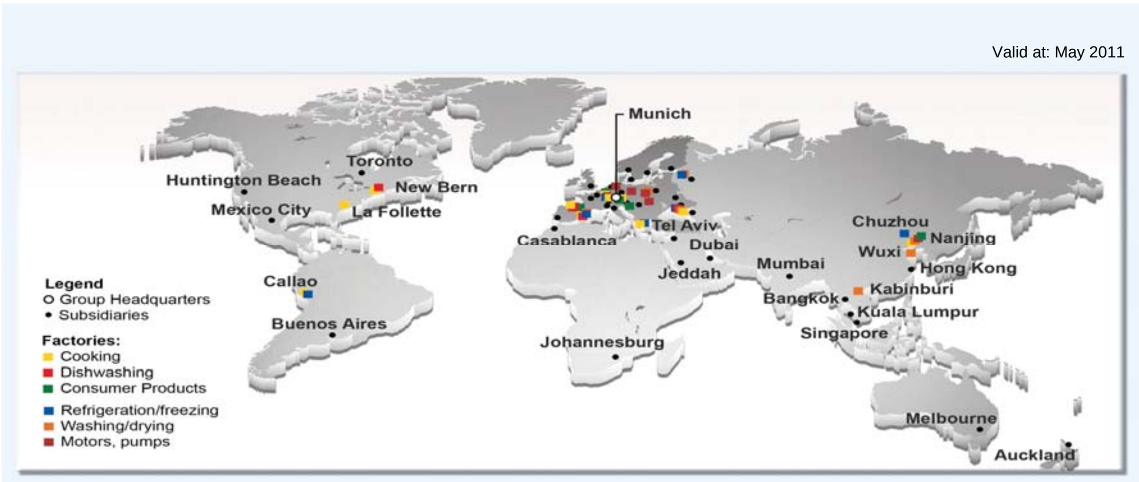


Valid at: 31 December 2010

Together with a global network of sales and customer service firms, BSH consists of about 70 companies in 46 countries, with a total workforce of close to 43,000 people. The regional presence of BSH entities is set out in the following charts:

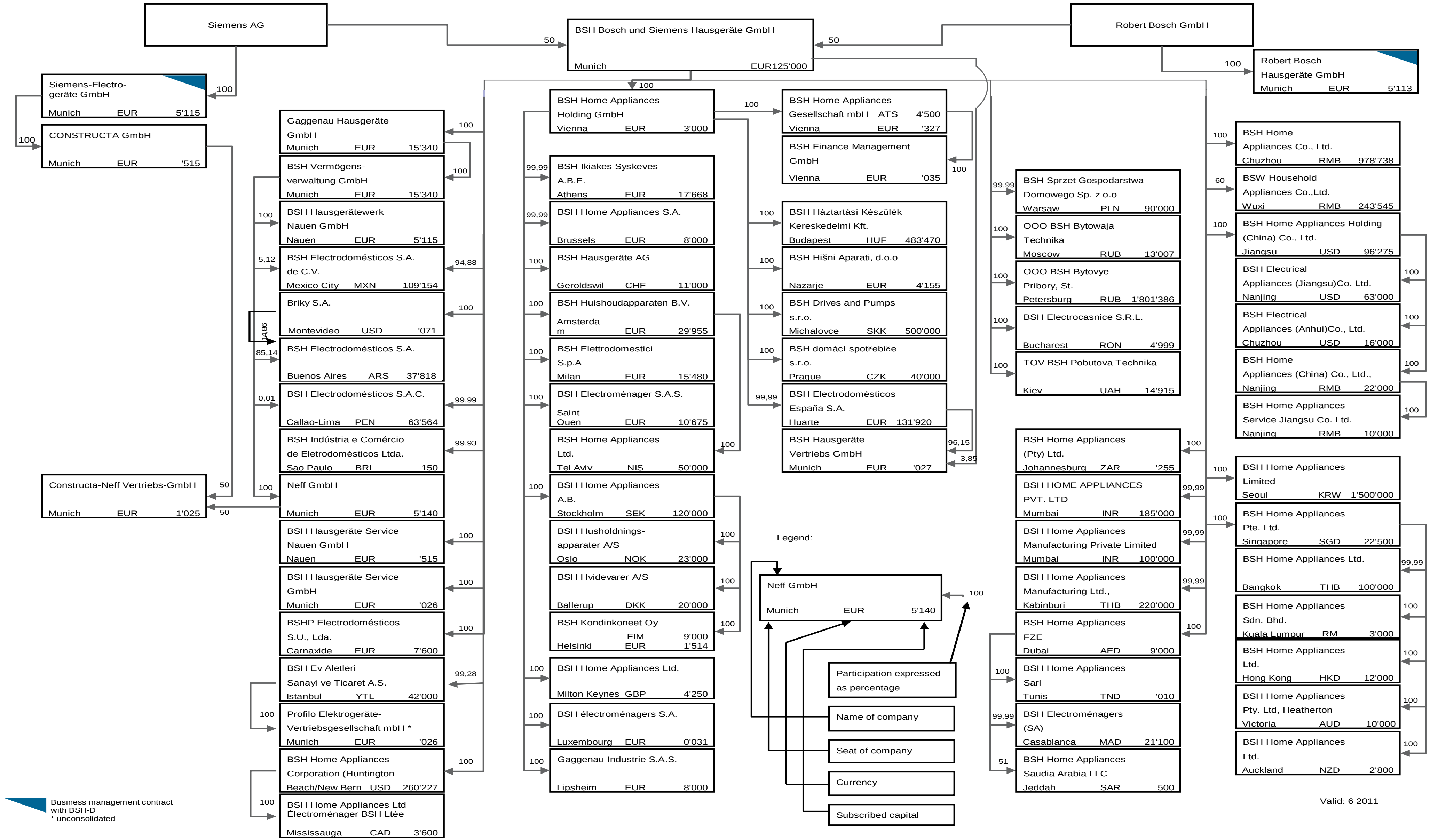
BSH's locations in Europe

BSH's global locations



ORGANISATIONAL STRUCTURE

The following chart shows the Issuer's parent companies, consolidated subsidiaries of the Issuer and selected subsidiaries of the Issuer's parent companies. The organisational structure set out on such chart is based on the accounting standards IAS 27.



Siemens AG
BSH Bosch und Siemens Hausgeräte GmbH
Munich EUR125'000
Robert Bosch GmbH
50
50
100
Robert Bosch Hausgeräte GmbH
Munich EUR 5'113
Siemens-Electro-geräte GmbH
Munich EUR 5'115
CONSTRUCTA GmbH
Munich EUR '515
Constructa-Neff Vertriebs-GmbH
Munich EUR 1'025
Gaggenau Hausgeräte GmbH
Munich EUR 15'340
BSH Vermögens-verwaltung GmbH
Munich EUR 15'340
BSH Hausgerätewerk Nauen GmbH
Nauen EUR 5'115
BSH Electrodomésticos S.A. de C.V.
Mexico City MXN 109'154
Briky S.A.
Montevideo USD '071
BSH Electrodomésticos S.A.
Buenos Aires ARS 37'818
BSH Electrodomésticos S.A.C.
Callao-Lima PEN 63'564
BSH Indústria e Comércio de Eletrodomésticos Ltda.
Sao Paulo BRL 150
Neff GmbH
Munich EUR 5'140
BSH Hausgeräte Service Nauen GmbH
Nauen EUR '515
BSH Hausgeräte Service GmbH
Munich EUR '026
BSHP Electrodomésticos S.U., Lda.
Carnaxide EUR 7'600
BSH Ev Aletleri Sanayi ve Ticaret A.S.
Istanbul YTL 42'000
Profilo Elektrogeräte-Vertriebsgesellschaft mbH *
Munich EUR '026
BSH Home Appliances Corporation (Huntington Beach/New Bern USD 260'227
BSH Home Appliances Ltd Électroménager BSH Ltée
Mississauga CAD 3'600
BSH Home Appliances Holding GmbH
Vienna EUR 3'000
BSH Ikiakes Syskeves A.B.E.
Athens EUR 17'668
BSH Home Appliances S.A.
Brussels EUR 8'000
BSH Hausgeräte AG
Geroldswil CHF 11'000
BSH Huishoudapparaten B.V.
Amsterdam EUR 29'955
BSH Elettrodomestici S.p.A
Milan EUR 15'480
BSH Electroménager S.A.S.
Saint Ouen EUR 10'675
BSH Home Appliances Ltd.
Tel Aviv NIS 50'000
BSH Home Appliances A.B.
Stockholm SEK 120'000
BSH Husholdnings-apparater A/S
Oslo NOK 23'000
BSH Hvidevarer A/S
Ballerup DKK 20'000
BSH Kondinkoneet Oy
Helsinki FIM EUR 9'000 1'514
BSH Home Appliances Ltd.
Milton Keynes GBP 4'250
BSH électroménagers S.A.
Luxembourg EUR 0'031
Gaggenau Industrie S.A.S.
Lipsheim EUR 8'000
BSH Home Appliances Gesellschaft mbH ATS 4'500
Vienna EUR '327
BSH Finance Management GmbH
Vienna EUR '035
BSH Háztartási Készülék Kereskedelmi Kft.
Budapest HUF 483'470
BSH Hišni Aparati, d.o.o
Nazarje EUR 4'155
BSH Drives and Pumps s.r.o.
Michalovce SKK 500'000
BSH domácí spotřebiče s.r.o.
Prague CZK 40'000
BSH Electrodomésticos España S.A.
Huarte EUR 131'920
BSH Hausgeräte Vertriebs GmbH
Munich EUR '027
BSH Sprzet Gospodarstwa Domowego Sp. z o.o
Warsaw PLN 90'000
OOO BSH Bytowaja Technika
Moscow RUB 13'007
OOO BSH Bytovye Pribory, St. Petersburg RUB 1'801'386
BSH Electrocasnice S.R.L.
Bucharest RON 4'999
TOV BSH Pobutova Technika
Kiev UAH 14'915
BSH Home Appliances (Pty) Ltd.
Johannesburg ZAR '255
BSH HOME APPLIANCES PVT. LTD
Mumbai INR 185'000
BSH Home Appliances Manufacturing Private Limited
Mumbai INR 100'000
BSH Home Appliances Manufacturing Ltd.,
Kabinburi THB 220'000
BSH Home Appliances FZE
Dubai AED 9'000
BSH Home Appliances Sarl
Tunis TND '010
BSH Electroménagers (SA)
Casablanca MAD 21'100
BSH Home Appliances Saudia Arabia LLC
Jeddah SAR 500
BSH Home Appliances Co., Ltd.
Chuzhou RMB 978'738
BSW Household Appliances Co.,Ltd.
Wuxi RMB 243'545
BSH Home Appliances Holding (China) Co., Ltd.
Jiangsu USD 96'275
BSH Electrical Appliances (Jiangsu)Co. Ltd.
Nanjing USD 63'000
BSH Electrical Appliances (Anhui)Co., Ltd.
Chuzhou USD 16'000
BSH Home Appliances (China) Co., Ltd.,
Nanjing RMB 22'000
BSH Home Appliances Service Jiangsu Co. Ltd.
Nanjing RMB 10'000
BSH Home Appliances Limited
Seoul KRW 1'500'000
BSH Home Appliances Pte. Ltd.
Singapore SGD 22'500
BSH Home Appliances Ltd.
Bangkok THB 100'000
BSH Home Appliances Sdn. Bhd.
Kuala Lumpur RM 3'000
BSH Home Appliances Ltd.
Hong Kong HKD 12'000
BSH Home Appliances Pty. Ltd, Heatherton
Victoria AUD 10'000
BSH Home Appliances Ltd.
Auckland NZD 2'800
Legend:
Neff GmbH
Munich EUR 5'140
100
Participation expressed as percentage
Name of company
Seat of company
Currency
Subscribed capital
Business management contract with BSH-D
* unconsolidated
Valid: 6 2011

PRODUCT AREAS

BSH's product portfolio comprises the following product areas:

- Washing and drying (e.g. washing machines, dryers, washer-dryers);
- Cooling and freezing (e.g. refrigerators, fridge-freezer combinations, american-style fridge-freezers, wine coolers, undercounter fridges and freezers);
- Cooking and ventilation (e.g. ovens, microwave ovens, steam ovens, freestanding and range cookers, electrical and gas cooktops, warming drawers, hoods);
- Dishwashing (e.g. full-size dishwashers, slim line dishwashers, compact dishwashers); and
- Consumer products such as espresso and coffee machines, small household appliances (e.g. food processors, steam irons, steam generators, kettles, toasters, food mixers, hand blenders, hair dryers, straighteners, hair stylers), floor care appliances (e.g. bagged vacuum cleaners, bagless vacuum cleaners) and hot water appliances (e.g. boilers, flow heaters).

BSH places much emphasis on sustainability and resource efficiency. This applies on the one hand to its production procedures and production sites. On the other hand this extends also to the products and product features where innovative technologies are offered to the consumer as an option to achieve substantial energy savings, e.g. by means of the patented and award winning Zeolite® drying system in dishwashers or the patented "self-cleaning technology" for tumble dryers.

The most energy and water efficient appliances have been collected into the so-called "Super Efficiency Portfolio" which is marketed with specific emphasis as BSH wishes to further increase the sales of its super-efficient appliances. Many products fall significantly below the energy consumption of the minimum requirements of the highest energy efficiency class A and thus qualify as super efficient home appliances. In 2010, every fourth appliance sold by BSH fell into this super-efficient class, making 30 per cent. of its sales and revenues.

BRAND PORTFOLIO

BSH uses a brand portfolio of two main brands (Bosch and Siemens), seven special brands (Gaggenau, Neff, Thermador, Constructa, Viva, Ufesa and Junker) and four regional brands (Balay, Pitsos, Profilo and Coldex) to distribute its products. BSH considers its brand portfolio as one of its main assets. Each of the brands is focused on specific target groups:

<u>Main brands</u>

- **Bosch**

  Bosch stands for reliable and durable products, tailored to the particular needs of consumers and raising standards in appliance quietness, efficiency and integrated design. The brands history reaches back to 1866 when Robert Bosch established his "*Werkstätte für Feinmechanik und Elektrotechnik*" (Workshop for Precision Mechanics and Electrical Engineering). The product portfolio comprises among other products dishwashers, ovens, cooktops, ranges, ventilation appliances, microwaves, refrigerators, freezers, washing machines, dryers, vacuum cleaners and small appliances such as coffee machines, kitchen machines, steaming irons, kettles, blenders, mixers, toasters, juice extractors, toasters, choppers, food slicers, steam generators, scales, hairdryers, hair straighteners, hair stylers, foot spas, massagers, electric pads, and electric blankets.

- **Siemens**

  Siemens stands for innovation, pioneering technology and top-quality design. The brands history reaches back to 1847 when Werner von Siemens established together with Johann Georg Halske the "*Telegraphen-Bauanstalt von Siemens & Halske*". The product portfolio comprises among other products dishwashers, ovens, cooktops, ranges, ventilation appliances, microwaves, refrigerators, freezers, washing machines, dryers, vacuum cleaners and small appliances such as coffee machines, water dispensers, kitchen machines, steaming irons, kettles, blenders, mixers, toasters, juice extractors, toasters, choppers, food slicers, steam generators, hairdryers, and hair stylers. Certain product lines are characterised by distinguished designs.

<u>Special brands</u>

- **Gaggenau**

  Gaggenau stands in respect of both function and design for high-end integrated kitchen appliances. The brand has a history of over 300 years. Gaggenau's product portfolio comprises among other products ovens, combi-steam ovens, warming drawers, microwaves, coffee machines, vario cooktops, cooktops, ventilation appliances, cooling appliances, wine cabinets and dishwashers. In recent years, Gaggenau has won various design awards including the "iF design awards", "red dot design award" and the "GOOD DESIGN Award" of the Athenaeum Museum of Architecture and Design in Chicago.

- **Neff**

  Neff stands for integrated appliances for individually planned kitchens with a focus on stoves and ovens. The brand's history reaches back to 1877. Its product portfolio comprises among other products conventional ovens, microwave ovens, induction cookers, dishwashers, fridges, freezers and washing machines. Neff is known as innovator in the area of kitchen appliances as it was among the first companies to offer new technologies such as, for instance, microwave ovens (in 1957), induction cookers (in 1957), integrated cooker units (in 1961), and convection ovens (in 1971).

- **Thermador**

  Thermador is the classic American luxury brand for genuine U.S. style cooking and kitchen appliances. Thermador was founded in 1916. Its product portfolio comprises ovens, ranges, cooktops, refrigerators, and dishwashers.

- **Constructa**

  Constructa stands for brand quality and value for money. Its product portfolio comprises washing machines, dryers, dishwashers, refrigerators, freezers, ovens, cooktops and vacuum cleaners.

- **Viva**

  Viva is a brand which offers freestanding and built-in appliances with a good price/performance ratio for selected retail partners. Products under the Viva brand are available in France since 2006. The introduction in further European markets is currently under consideration.

- **Ufesa**

  Ufesa is a special brand for small appliances in the Iberian peninsula. Its product portfolio comprises among other products steam irons and steam stations, vacuum cleaners, coffee makers, kettles, juice extractors, toasters, blenders, choppers, mixer, food, grills, hairdryers, hair straighteners, hair stylers and electric blankets.

- **Junker**

  Junker is a special brand for exclusive built-in kitchen appliances such as ovens, cooktops, refrigerators, freezers, and dishwashers.

Regional brands

- **Balay**

  Balay is a regional brand for the Spanish market. Its product portfolio comprises ranges, ovens, cooktops, washing machines, dryers, dishwashers and refrigerators.

- **Coldex**

  Coldex is a regional brand for the Peruvian market. Its product portfolio comprises ranges, freezers and refrigerators.

- **Pitsos**

  Pitsos is a regional brand for the Greek market. The brand history reaches back to 1865. Its product portfolio comprises among other products refrigerators, fridges, ovens, dishwashers and washing mashines. While roughly two third of the brand's production is distributed on the Greek market the other third is mainly exported to other European countries and the Middle East.

- **Profilo**

  Profilo is a regional brand for the Turkish market. The brand's history reaches back to 1976. Profilo's product portfolio comprises among other products fridges, freezers, washing machines, dryers, dishwashers, ovens, cooktops, ventilation appliances, air-conditioners, water heaters, water dispensers, vacuum cleaners, dust busters, carpet cleaners, hand blenders, mini blenders, juice extractors, tea maker, kettles, sandwich toasters, hair dryer, hair straighteners. The brand stands for durability and easy handling.

PROCUREMENT

Raw materials account for a significant portion of BSH’s cost of sales. The principal raw materials used in the products are steel and plastic. BSH purchases raw materials from a range of suppliers with the objective of optimising quality, service and price and securing a stable supply.

As a significant buyer of steel and plastic, the group has historically been able to negotiate attractive and flexible terms with its suppliers, such as volume discounts and annual rebates. In addition, despite significant fluctuation in prices of steel and plastic in recent years, BSH has been successful in substantially mitigating the effect of rising prices due to the early conclusion of medium and long-term contracts, hedging strategies and broadening of the supplier base. This was achieved on the one hand through intensified use of the opportunities offered by international supplier markets and the realization of productivity advances with parts and components suppliers. On the other hand, a considerable contribution was also made by the expansion of e.g. copper hedges as part of the management of commodity risks.

Another prime pillar combining production and procurement is a supply chain management program rolled out worldwide in 2010. It describes a holistic supply chain process, which assures a fast response to customer requirements and changing market situations on the basis of continuous monitoring and control and integrated information flow. The concept of direct integration of sales and marketing in the supply chain process represents a process innovation. All performance indicators in the supply chain are reported every month on the basis of a supply chain scorecard. The supply chain process is managed by the newly established Corporate Supply Chain Management department, highlighting the key significance of supply chain management for the procurement organization and the Group.

PRODUCTION

BSH operates 41 factories at 28 locations in 13 countries (in Europe: France, Germany, Greece, Poland, Russia, Slovakia, Slovenia, Spain and Turkey; in North America: USA; in Latin America: Peru, in Asia: China, Thailand). The factories are, with very few exceptions, owned by the issuer. The office spaces are, with very few exceptions, leased on a long-term basis.

National production sites enable BSH to tailor its products to specific local requirements. BSH maintains a strong presence in China where it has three production sites (in Chuzhou, Nanjing, and Wuxi) and a development centre for all product areas since 2010. Approximately 9,000 employees work for BSH in China.

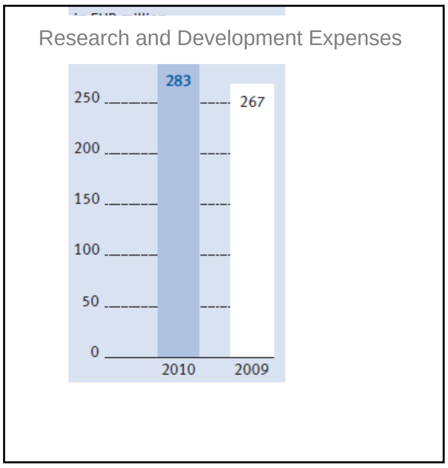
Technology transfer has enabled BSH to set-up comparable management and technology standards throughout the group providing it with a competence network for developing products. BSH has invested in modern equipment to satisfy growing demand for products based on advanced technologies. BSH has concentrated capital expenditures on product areas in which it has leading positions, technological advantages and high quality customer relationships. BSH believes that its global footprint and high quality production capabilities will enable it to continue to take advantage of attractive organic growth opportunities.

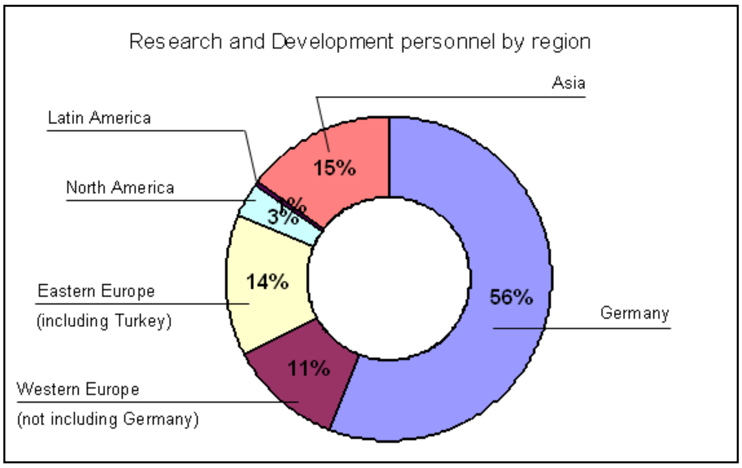
SALES/DISTRIBUTION

The Issuer has 7 sales regions: Germany/Austria, Western/Northern/Southern Europe, Eastern Europe, Turkey/Middle East/Africa, North-America, China and Asia/Pacific.

RESEARCH AND DEVELOPMENT

BSH places much emphasis on research and development to keep competitive with innovative products. In 2010, the research and development expenses amounted to EUR 283 million, representing 3.1 per cent. of revenue. As of 31 December 2010, BSH had a workforce of 2,503 employees involved in research and development (2009: 2,280 employees), and of them 1,397 (2009: 1,270 employees) in Germany, while the rest is distributed according to our presence, distribution and needs worldwide as depicted in the following diagrams:





Valid at: 31 December 2010

As part of its research and development activities, BSH has recently opened a new technology centre for laundry care in Berlin. The research and development centre employs around 750 employees including the additional future recruitment of around 100 employees, primarily engineers, and should further intensify the existing cooperation with the Berlin universities and scientific institutions.

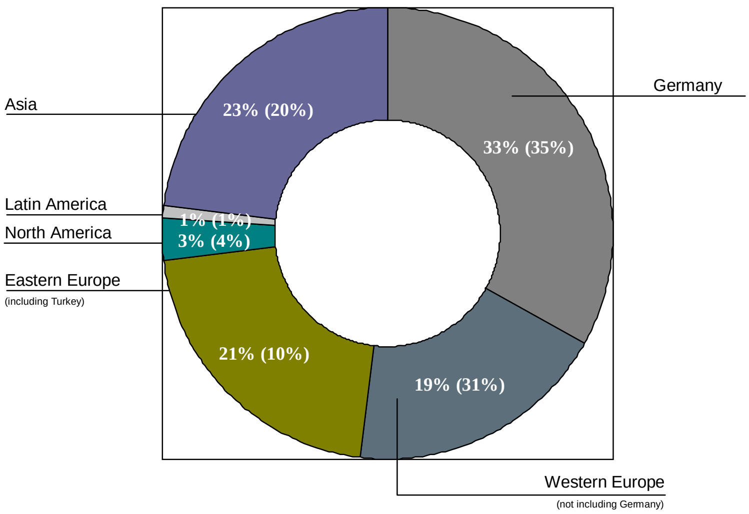
In 2010, BSH concluded numerous cooperation agreements with universities and research institutes both in Germany and abroad so as to be able also to participate early on in forward-looking technologies. Key topics in this regard include energy efficiency, use of plasma technology for modifying surfaces as well as networking of appliances.

As a result of its research and development activities numerous patents and licences have been registered by BSH with the German Patent and Trademark Office and with other offices in China, Spain, France, Turkey and USA. In 2010, the number of patent applications filed by BSH with the German Patent and Trademark Office totalled 931.

HUMAN RESOURCES

As of 31 December 2010, BSH employed nearly 43,000 people worldwide compared to nearly 40,000 in 2009. Of this total, nearly 29,000 (2009: nearly 26,000) were employed outside Germany and around 14,200 (2009: around 13,900) in Germany. The headcount decreased slightly in Spain and Greece owing to the consequences of the financial markets crisis and to a minor extent in Slovakia, Great Britain, and the USA. In contrast, BSH's headcount increased substantially in China. Alongside this, additional employees were recruited primarily in Turkey and Germany as well as, but to a lesser extent, in Russia, Poland and Slovenia. The regional apportionment of the workforce expressed as a percentage is set out in the following diagram. The figures without brackets refer to the financial year 2010 and the figures in brackets refer to the financial year 2009.

Workforce by Region



Valid at: 31 December 2010

RECENT DEVELOPMENTS

Revenues

The revenues of the Issuer in the first six months increased by 4.9 per cent. compared to the same period in 2010. The growth was driven in particular by the positive business development in Eastern Europe, Turkey and China.

The Issuers' business in the first half-year of the current fiscal year was influenced in Europe by a wide variety of developments in the individual markets. In Germany the major domestic appliances market and the small domestic appliances market was supported by the stable domestic macroeconomic situation. In the remaining Western European countries there was a split between stable markets in Central and Northern Europe and the more difficult situation in the markets in Southern Europe affected by the debt crisis. Business in Eastern Europe was driven by the strong demand in volume markets like Russia and Turkey.

Outside Europe the growth momentum in China slowed down in 2011 but the Group's business still developed significantly above previous year levels. Production facilities are increased constantly in China and amongst other projects the Group has started with the construction of a new major cooling factory. Growth in South East Asia will be supported by a focused expansion strategy. The Group is currently in the process of founding new subsidiaries in India, South Korea, Indonesia and Taiwan. In the North American region the Group is faced with a low demand due to the overall economic problems.

Confirmation of Rating

The long term Issuer rating A (outlook stable) was confirmed by Standard & Poor's on 31 August 2011. The short term rating A1 was also confirmed on 31August 2011.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Tax Audit

In 2011 the regular audit for the business years 2003 to 2006 by the fiscal authorities has been completed. The result were payment obligations in connection with income tax, local business tax and VAT, which were only partially covered by corresponding provisions. The 2011 net income of the Issuer will be impacted with a higher double digit Mio. EUR amount. No more impacts in this connection are expected and the Issuer does not see any further issues pending.

Change in accounting treatment related to IAS 19 ("Employee Benefits")

BSH historically has chosen to account for certain interest items ("Interest Costs" resulting from the accumulation of pension provisions and "Interest Income" from its plan assets, the "Expected Return on Plan Assets") related to its pensions plans as part of operating personnel expenses. The Issuer has decided from 2011 onwards to adopt a different treatment by excluding the Interest Costs related to IAS 19 from operating personnel expenses and including them and the Interest Income in the financial result. This resulted in a positive low double digit effect on EBIT in the first half year of the fiscal year 2011. Earnings before tax and net income will not be affected by this change.

Amended disclosure of draft discounting in China

BSH's management decided based on a more appropriate disclosure to show the Chinese drafts beginning January 2011 in gross values. Therefore the Issuer's accounts show an increase in trade receivables as well as an increase in short term liabilities by EUR 312 Mio. as of 30 June 2011. It has to be noted that this change is not cash relevant, it results only in an extension of the balance sheet total.

SHARE CAPITAL AND SHAREHOLDERS

The Issuer's share capital amounts to EUR 125,000,000 and is fully paid in. The shareholders of the Issuer are Robert Bosch GmbH, Stuttgart, and Siemens Aktiengesellschaft, Berlin and Munich. Each of the two shareholders holds 50 per cent. of the Issuer's share capital (i.e. EUR 62,500,000 each).

MANAGEMENT AND SUPERVISORY BODIES

The governing bodies of BSH are the Board of Management, the Supervisory Board and the Shareholders' Meeting.

Board of Management

At present, the Board of Management consists of the following members:

- Dr. sc. pol. Kurt-Ludwig Gutberlet (Chairman), born 1957, graduated with Dipl. sc. pol. (diploma in political science), doctorate in political science, Chairman since 2001, responsible for:
  - Corporate Strategy,
  - Corporate Communications,
  - Law and Industrial Policy,
  - Compliance,
  - Internal Audit,
  - Information Security,
  - Consumer Products,
  - Corporate Responsibility (since 1 January 2011), and
  - Customer Service.

- Jean Dufour (Chief Sales and Marketing Officer), born 1955, studied Business Administration, Marketing and Political Science, board member since 2005, responsible for:
  - Corporate Sales,
  - Brand Management, and
  - Logistics.

- Johannes Närger (Chief Financial Officer), born 1960, studied Business Administration, MBA-program at INSEAD, board member since 2009, responsible for:
  - Finance and M&A,
  - Balancing, Accounting,
  - Corporate Development and Controlling,
  - Labor Relations Director, Human Resources,
  - Data Protection,
  - Information Technology,
  - Purchasing,

- Tax, Customs,
- Insurance, and
- Process and Performance Management.

- Winfried Seitz (Chief Technology Officer), born 1953, studied Business Administration, responsible for:
    - Product Area Dishwashers,
    - Product Area Cooking,
    - Product Area Cooling,
    - Product Area Laundry,
    - Electronic Systems and Drives,
    - Corporate Technology,
    - Environmental, Occupational, Health, and
    - Fire and Disaster Protection.

Supervisory Board

At present, the Supervisory Board consists of the following members:

- Joe Kaeser, Munich (Chairman)
  Member of the Managing Board of Siemens AG

- Elmar Freund, Bad Neustadt (Vice-Chairman)
  Chairman of the Group Works Committee

- Dr. rer. oec. pol. Rudolf Colm, Stuttgart (Vice-Chairman)
  Member of the Board of Management of Robert Bosch GmbH

- Dr. rer. pol. Stefan Asenkerschbaumer, Stuttgart
  Deputy Managing Director of Robert Bosch GmbH

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

- Dr. rer. nat. Siegfried Dais, Stuttgart
  Deputy Chairman of the Board of Management of Robert Bosch GmbH

- Axel Fischer, Berlin
  Head of Purchasing for the Product Area Laundry

- Mehmet Gürcan Karakaş, Stuttgart

- Director Corporate Sales and Marketing of Robert Bosch GmbH

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

- Stefan Rauschhuber, Rosenheim
  Senior authorized representative of the IG Metall trade union, Rosenheim Administrative Office

- Prof. Dr. phil. nat. Dipl.-Phys. Hermann Requardt, Munich
  Member of the Managing Board of Siemens AG

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

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

- Karl-Heinz Seibert, München
  Corporate Vice President, Head of Mergers, Acquisitions and Post Closing Management for Siemens AG

- Siegfried Stegmann, Nürnberg
  Chairman of the Nuremberg Works Committee

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

Business addresses

The members of the Issuer's Board of Management as well as the members of the Issuer's Supervisory Board can be contacted at the Issuer's business address.

Conflict of interests

No conflicts of interest or potential conflicts of interest exist between the obligations of the members of the Board of Management or the Supervisory Board towards the Issuer and their respective private interests or other obligations.

MATERIAL CONTRACTS

Neither the Issuer nor other BSH companies have entered into contracts outside the ordinary course of business which could result in any BSH company being under an obligation or entitlement that is material to BSH's ability to meet its obligations under the Notes.

LEGAL AND ARBITRATION PROCEEDINGS

BSH is defendant in a pending law suit in Turkey based on the alleged infringement of a distribution agreement. In the proceeding there have been two differing experts' opinions, one in favour of the claimant, the other in favour of BSH stating that there was no breach of agreement. Currently a third expert opinion is being commissioned by the competent court. BSH is of the opinion that there was no breach of the distribution agreement. However, as the future court ruling cannot be anticipated, BSH has made a provision in a low double digit Euro amount. Apart from that, no government interventions, court or arbitration proceedings have been conducted during the past twelve months or are pending or threatened to the knowledge of BSH which may materially impact, or have recently materially impacted, the financial position or the profitability of BSH.

AUDITORS

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich („Deloitte"), Rosenheimer Platz 4, 81669 München, Federal Republic of Germany, audited BSH Bosch und Siemens Hausgeräte GmbH's consolidated financial statements for the financial year ended 31 December 2010. These consolidated financial statements of the Issuer for the year ended 31 December 2010 were prepared in accordance with

International Financial Reporting Standards ("IFRS"), as adopted by the EU and the additional requirements of German commercial Law pursuant to § 315a (1) German Commercial Code (*Handelsgesetzbuch – HGB*).

SELECTED FINANCIAL INFORMATION

(EUR million)	2010 IFRS	2009 IFRS
Sales revenue Year-to-year change in percent International sales revenue proportion (percent)	9,073 8 79	8,405 -4 78
Employees (in thousands at Jan. 1 of the following year)	42.8	39.6
Personnel expenses	1,858	1,739
Capital investment[1] As percentage of sales revenue	403 4.4	294 3.5
Depreciation, impairment losses on property, plant, and equipment[2] As percentage of capital investment	298 74	320 109
Balance sheet total	6,901	6,443
Fixed and intangible assets and noncurrent financial assets	2,688	2,496
Inventories	1,226	1,032
Trade receivables from sales of goods and services and other current assets (unaudited)	2,199	1,954
Equity As percentage of total equity and liabilities	2,408 35	2,535 39
Provisions	1,857	1,702
EBITDA[3] **(unaudited)**	1,001	854
EBIT[4] **(unaudited)**	703	534
Profit before taxes	691	517
Net income for the year before profit transfer	465	324

NO MATERIAL ADVERSE CHANGE

There has been no material adverse change in the prospects and no significant change in the financial or trading position of the Issuer and its consolidated subsidiaries since the date of its last published audited financial statements as of 31 December 2010.

HISTORICAL FINANCIAL INFORMATION

The audited consolidated financial statements of the Issuer for the financial year from 1 January 2010 to 31 December 2010 and the auditors' report thereon are set out in on pages F-1 to F-46 of this Offering Circular.

1 Corresponding column "Additions" at the Consolidated Statement of Changes in Fixed and Intangible Assets, excluding Goodwill.
2 Corresponding column "Additions" at the Consolidated Statement of Changes in Fixed and Intangible Assets, excluding Goodwill.
3 EBITDA for fiscal year 2009, 2010 means the profit before taxes, before finance income, before finance cost, before depreciation, before amortization and before impairment losses.
4 EBIT for fiscal year 2009, 2010 means the profit before taxes, before finance income, before finance cost.

TAXATION

The following summary of certain German, PRC and Hong Kong tax consequences of the purchase, holding and disposal of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, hold or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile or whose tax laws apply to them for other reasons.

GERMANY

Tax Residents

The section *Tax Residents* refers to persons who are tax residents of Germany (i.e. persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Withholding tax on ongoing payments and capital gains

Ongoing payments received by an individual Noteholder will be subject to German withholding tax (*Abgeltungsteuer*) if the Notes are kept in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a **Disbursing Agent**, *auszahlende Stelle*). The tax rate is 25 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon, the total withholding being 26.375 per cent.). If the individual Noteholder is subject to church tax, upon application a church tax surcharge will also be withheld.

The same treatment applies to capital gains (i.e. the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by an individual Noteholder provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. Where Notes are issued in a currency other than Euro any currency gains or losses are part of the capital gains.

To the extent the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding applies at a rate of 26.375 per cent. (including solidarity surcharge) to 30 per cent. of the disposal proceeds (plus interest accrued on the Notes (**Accrued Interest**, *Stückzinsen*), if any), unless the current Disbursing Agent has been notified of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with Art. 17 para. 2 of the EC Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**) (e.g. Switzerland or Andorra).

In computing any German tax to be withheld, the Disbursing Agent may, subject to certain requirements and restrictions, deduct from the basis of the withholding tax negative investment income realised by the individual Noteholder via the Disbursing Agent (e.g. losses from sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent may credit foreign withholding taxes levied on investment income (*Einkünfte aus Kapitalvermögen*) in a given year regarding securities held by the individual Noteholder in the custodial account with the Disbursing Agent to the extent such foreign withholding taxes cannot be reclaimed in the respective foreign country.

In addition, for individual Noteholder an annual allowance (*Sparer-Pauschbetrag*) of euro 801 (euro 1,602 for married couples filing jointly) applies to all investment income received in a given year. Upon the individual Noteholder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the Noteholder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of the Notes held by a corporation as Noteholder while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). The same exemption for capital gains may be applied for where the Notes form part of a trade or business subject to further requirements being met.

Taxation of current income and capital gains

The personal income tax liability of an individual Noteholder deriving income from capital investments under the Notes is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in case of Notes kept in custody abroad or if no Disbursing Agent is involved in the payment process or if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30 per cent. of the disposal proceeds (rather than from the actual gain), the individual Noteholder must report his or her income and capital gains derived from the Notes on his or her tax return and then will also be taxed at a rate of 25 per cent. (plus solidarity surcharge and church tax thereon, where applicable). Further, an individual Noteholder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any withholding tax withheld in excess of the tax assessed being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemised basis is disallowed. Further, any loss resulting from the Notes can only be off-set with investment income of the individual Noteholder realised in the same or following years.

Where the Notes form part of a trade or business the withholding tax, if any, will not settle the personal or corporate income tax liability. Where the Notes form part of the property of a trade or business interest (accrued) must be taken into account as interest income. The respective Noteholder will have to report income and related (business) expenses in the tax return and the balance will be taxed at the Noteholder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the Noteholder. Where the Notes form part of the property of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax.

Non-residents

Interest, including Accrued Interest, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder; or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above under *Tax Residents* applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. Where the Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of a Note are paid by a Disbursing Agent to a non-resident, withholding tax generally will also apply. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Gross-up

According to the Terms and Conditions, the Issuer undertakes in case of an obligation by law to withhold taxes at source or deduct taxes at source for or on account of any present or future taxes or duties of whatever nature which are imposed or levied by or on behalf of Germany or any political subdivision thereof or any authority therein or thereof having power to tax (the **Withholding Tax** in this paragraph) to pay such additional amounts of principal and interest as may be necessary, subject to certain exceptions as set forth in the Terms and Conditions, in order that the net amounts received by the Noteholder, after the withholding or deduction of such Withholding Tax, shall equal the respective amounts which would have been received by such Noteholder had no such Withholding Tax been required. In accordance with these exceptions the withholding tax to be withheld on interest payments (*Kapitalertragsteuer*) and the solidarity surcharge (*Solidaritätszuschlag*) imposed thereon do not constitute such a Withholding Tax. The Issuer may also choose not to undertake to gross up payments as described above by way of terminating the Notes for tax reasons pursuant to § 6(2) of the Terms and Conditions early Redemption.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Notes will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

EU SAVINGS DIRECTIVE

Under the EU Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the EU Savings Directive into German law. These provisions apply from 1 July 2005.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

THE PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for the PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this "The PRC Taxation" section. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management organisation" are within the territory of China shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management organisation" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside the PRC. As of the date of the Offering Circular, the Issuer confirms that it has not been noticed or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that it will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or its incomes have no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on the incomes sourced inside the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, it shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC enterprise Noteholder. However, despite the potential withholding of the PRC tax by the Issuer, it has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "Terms and Conditions of the Notes".

Non-PRC Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside mainland China between non-PRC Noteholders, except however, if the Company is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax. No PRC stamp duty will be imposed on non-PRC holders either upon issuance of the Notes or upon a subsequent transfer of Notes.

HONG KONG

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal or interest with respect to the Notes or in respect of any capital arising from the sale of Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets). Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the Inland Revenue Ordinance) as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, professional or business carried in Hong Kong in the following circumstances:

a) Interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

b) interest on the Notes is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person (other than a company) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Notes will be subject to profits tax.

Stamp duty

The Notes, under the present terms and conditions, should constitute loan capital (as defined in the Stamp Duty Ordinance) and accordingly no Hong Kong stamp duty will be chargeable upon the issue, transfer or exchange of a Note.

Estate duty

No Hong Kong estate duty is payable in respect of the Notes.

SUBSCRIPTION AND SALE

Deutsche Bank AG, Hong Kong Branch and The Hongkong and Shanghai Banking Corporation Limited (the **Joint Lead Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 26 September 2011, severally agreed to subscribe or procure subscribers for the Notes at the issue price of 100 per cent. of the principal amount of Notes. The Issuer will pay combined fees for the marketing, placement and subscription of the Notes to the Joint Lead Mangers and will reimburse the Joint Lead Managers in respect of certain of their expenses. The Issuer has also agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to settlement. In such event, no Notes will be delivered to investors.

General

No action has been taken by the Issuer or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

United States

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Each Joint Lead Manager has represented that it has not offered or sold, and will not offer or sell, any Notes except in accordance with Rule 903 of Regulation S under the U.S. Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, each Joint Lead Manager has represented, warranted and agreed that, except to the extent permitted under U.S. Treasury Regulations section 1.163-5(c)(2)(i)(D) (the **Tefra D Rules**):

(a) it has not offered or sold Notes, and during the restricted period shall not offer or sell Notes, directly or indirectly to a United States person or to a person who is within the United States or its possessions, and it has not delivered and shall not deliver within the United States or its possessions Notes that are sold during the restricted period;

(b) it has and throughout the restricted period it shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a United States person or to a person who is within the United States or its possessions, except as permitted by the Tefra D Rules;

(c) if it is a United States person, it is acquiring the Notes for purposes of resale in connection with their original issuance and not for the purpose of resale directly or indirectly to a United States person or a person within the United States or its possessions and it shall acquire or retain Notes for its own account only in accordance with the requirements of section 1.163-5(c)(2)(i)(D)(6) of the Tefra D Rules;

(d) with respect to each affiliate that acquires Notes from it for the purpose of offering or selling such Notes during the restricted period, it either (i) repeats and confirms the representations contained in clauses (a), (b) and (c) of this paragraph on behalf of such affiliate or (ii) agrees that it shall obtain

(d) with respect to each affiliate that acquires Notes from it for the purpose of offering or selling such Notes during the restricted period, it either (i) repeats and confirms the representations contained in clauses (a), (b) and (c) of this paragraph on behalf of such affiliate or (ii) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in clauses (a), (b) and (c) of this paragraph; and

(e) it shall obtain for the benefit of the Issuer the representations and agreements contained in clauses (a), (b), (c) and (d) of this paragraph from any person other than its affiliate with whom it enters into a written contract, as defined in section § 1.163-5(c)(2)(i)(D)(4) of the Tefra D Rules, for the offer or sale of Notes during the restricted period.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury Regulations thereunder, including the Tefra D Rules.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes to the public in that Relevant Member State at any time unless the Notes have a minimum denomination of an amount equivalent to at least EUR 50,000 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, an amount equivalent of at lest EUR 100,000, or

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

- in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive;

provided that no such offer of Notes shall require the Issuer or any Joint Lead Manager to publish a Prospectus pursuant to Article 3 of the Prospectus Directive or supplement a Prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Joint Lead Managers has represented and agreed, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each of the Joint Lead Managers has acknowledged that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the **SFA**) and accordingly, the Notes may not be offered or sold, nor may the Notes be the subject of an invitation for subscription or purchase, nor may the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its

equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

2) where no consideration is or will be given for the transfer;

3) where the transfer is by operation of law; or

4) as specified in Section 276(7) of the SFA.

GENERAL INFORMATION

AUTHORISATION

The creation and issue of the Notes has been authorised by resolutions of the Board of Management of the Issuer dated 28 June 2011 and the shareholders of the Issuer by way of circulation procedure in the months July and August 2011.

LISTING

No application has been made to list the Notes on any securities market.

NOTEHOLDER RESOLUTIONS UNDER THE GERMAN BOND ACT

The Terms and Conditions may be amended with the consent of the Issuer by means of majority resolution of the Noteholders pursuant to §§ 5 et seqq. of the German Bond Act (*Schuldverschreibungsgesetz* - **SchVG**), as amended from time to time. Resolutions of the Noteholders shall be passed by means of a voting not requiring a physical meeting (*Abstimmung ohne Versammlung*) in accordance with § 18 SchVG. The Noteholders may also provide by majority resolution for the appointment or dismissal of a noteholders' representative, the duties and responsibilities and the powers of such noteholders' representative, the transfer of the rights of the Noteholders to the noteholders' representative and a limitation of liability of the noteholders' representative. Any such resolution duly adopted by resolution of the Noteholders with the consent of the Issuer shall be binding on each Noteholder, irrespective of whether such Noteholder took part in the vote and whether such Noteholder voted in favour or against such resolution.

RATINGS

The Issuer's long-term debt has been rated "A" by Standard & Poor's. The Notes are expected on issue to be rated "A". A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Ratings are an indicator of the Issuer's ability to meet its financial obligations in a timely manner. The lower the assigned rating is on the respective scale the higher the respective rating agency assesses the risk that financial obligations will not be met at all or not be met in a timely manner.

CLEARING SYSTEM

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The 2014 Notes have been assigned the following securities codes ISIN XS0683640949, Common Code 068364094, and German Securities Code (WKN) A1K0VC. The 2016 Notes have been assigned the following securities codes ISIN XS0683641756, Common Code 068364175, and German Securities Code (WKN) A1K0VD. The 2018 Notes have been assigned the following securities codes ISIN XS0683642051, Common Code 068364205, and German Securities Code (WKN) A1K0VE.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brusssels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

POST-ISSUANCE INFORMATION

The Issuer does not intend to provide any post-issuance information in relation to this issue of Notes.

JOINT LEAD MANAGERS TRANSACTING WITH THE ISSUER

The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

FINANCIAL INFORMATION

The auditors' report (*Bestätigungsvermerk*) set out on page F-46 has been issued in accordance with § 322 German Commercial Code (*Handelsgesetzbuch*) in German language on the German version of the consolidated financial statements of BSH Bosch und Siemens Hausgeräte GmbH as of and for the fiscal year ended December 31, 2010 and the group management report. The group management report is not part of this Offering Circular.

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Consolidated Financial Statements

Consolidated Statement of Income

January 1 to December 31, 2010 (in EUR million)	Note	2010	2009
Revenue	4	9,073	8,405
Cost of sales	5	5,625	5,378
Gross profit		**3,448**	**3,027**
Selling and administrative expenses	6	2,386	2,129
Research and development expenses	7	283	267
Other operating income	8	303	212
Other operating expenses	8	363	273
Goodwill impairment	21	–	5
Operating profit		**719**	**565**
Finance income	9	46	52
Finance cost	9	58	69
Other net finance income/cost	10	–16	–31
Profit before taxes		**691**	**517**
Income taxes	11	224	189
Profit after taxes		**467**	**328**
Of which attributable to			
Shareholders of the parent (consolidated net profit)		**465**	**324**
Non-controlling interests	12	2	4

Consolidated Statement of Comprehensive Income

	2010	2009	(in EUR million)
Profit after taxes	**467**	**328**	
Gains and losses on translating foreign operations	85	-6	
Gains and losses on available-for-sale financial assets	10	37	
Fair value measurement of hedging instruments (CFH)	2	-9	
Actuarial gains/losses on defined benefit pension plans and similar obligations	-53	14	
Income taxes relating to components of other comprehensive income	10	-4	
Other comprehensive income	**54**	**32**	
Total comprehensive income	**521**	**360**	
Total comprehensive income attributable to			
The parent	**519**	**356**	
Non-controlling interests	2	4	

Consolidated Balance Sheet

As of December 31, 2010 (in EUR million)

	Note	12/31/2010	12/31/2009
ASSETS			
Current assets			
Cash and cash equivalents	14	575	742
Securities	15	19	64
Trade accounts receivable	16	1,735	1,656
Income tax receivables		37	57
Other current assets	17	427	241
Inventories	18	1,226	1,032
Assets classified as held for sale	3	–	5
Total current assets		**4,019**	**3,797**
Noncurrent assets			
Noncurrent financial assets	19	891	849
Income tax receivables		0	0
Property, plant, and equipment	20	1,536	1,395
Intangible assets	21	261	252
Deferred tax assets	11	194	150
Total noncurrent assets		**2,882**	**2,646**
Total assets		**6,901**	**6,443**

Consolidated Balance Sheet

As of December 31, 2010 (in EUR million)

	Note	12/31/2010	12/31/2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
Current liabilities			
Financial liabilities	22	288	78
Trade accounts payable	23	1,020	793
Current income tax liabilities		12	11
Other current liabilities	24	1,029	867
Other current provisions	24	489	419
Liabilities associated with assets held for sale	3	–	2
Total current liabilities		**2,838**	**2,170**
Noncurrent liabilities			
Financial liabilities	22	245	439
Other noncurrent liabilities	25	20	16
Other noncurrent provisions	25	525	509
Provisions for pensions and other postretirement benefits	26	843	774
Deferred tax liabilities	11	22	0
Total noncurrent liabilities		**1,655**	**1,738**
Equity			
Subscribed capital	27	125	125
Retained earnings and other reserves	27	1,798	2,070
Consolidated net profit		465	324
Non-controlling interests	27	**20**	16
Total shareholders' equity		**2,408**	**2,535**
Total shareholders' equity and liabilities		**6,901**	**6,443**

Consolidated Statement of Cash Flows (in EUR million)

	Note	2010	2009
Profit after taxes		467	328
Income taxes	11	224	189
Profit before tax		**691**	**517**
Non-controlling interests	12	–2	–4
Depreciation, amortization, and impairment of noncurrent assets and reversals of impairment losses		295	321
Gains and losses on disposal of assets		2	6
Net finance cost		12	17
Finance cost paid		–54	–56
Finance income received		46	52
Income taxes paid		–239	–187
Other noncash income and expenses		–82	–123
Change in assets and liabilities			
Change in inventories		–140	52
Change in trade accounts receivable and other accounts receivable		8	156
Change in trade accounts payable and other accounts payable		324	185
Change in provisions		133	102
Change in deferred taxes		–10	9
Net cash from operating activities	28	**984**	**1.047**
Payments for financial assets		0	0
Payments for investments in intangible assets and property, plant, and equipment		–403	–305
Proceeds from the disposal of assets		9	14
Additions to financial receivables		–21	0
Investments in securities (available-for-sale)		–810	–544
Disposal of securities (available-for-sale)		698	390
Acquisition of equity investments		–	–32
Disposal of equity investments		–	5
Net cash used in investing activities	28	**–527**	**–472**
Dividend payments		–653	–216
Non-controlling interests		7	–1
Proceeds from borrowings		111	27
Repayment of financial liabilities		–103	–131
Net cash used in financing activities	28	**–638**	**–321**
Net change in cash and cash equivalents		**–181**	**254**
Cash and cash equivalents at the beginning of the period	28	**742**	**503**
Change in cash and cash equivalents due to changes in exchange rates		14	15
Change in cash and cash equivalents due to changes in basis of consolidation		–	–30
Cash and cash equivalents at the end of the period	28	**575**	**742**

Consolidated Statement of Changes in Shareholders'

Equity (in EUR million)

Note 27	Subscribed capital	Retained earnings	Accumulated other comprehensive income: Cumulative translation differences	Fair value measurement of securities	Derivative financial instruments (CFH)	Actuarial gains / losses on pension provisions	Equity holders of the parent	Non-controlling interests	Total share-holders' equity
At January 01, 2009	**125**	**2,295**	**–59**	**2**	**6**	**5**	**2,374**	**22**	**2,396**
Profit after taxes	–	324	–	–	–	–	**324**	4	**328**
Net income recognized in other comprehensive income	–	–	–6	35	–6	9	**32**	0	**32**
Total comprehensive income	**–**	**324**	**–6**	**35**	**–6**	**9**	**356**	**4**	**360**
Dividend payments	–	–211	–	–	–	–	**–211**	–5	**–216**
Other changes	–	–	–	–	–	–	**–**	–5	**–5**
At December 31, 2009	**125**	**2,408**	**–65**	**37**	**0**	**14**	**2,519**	**16**	**2,535**
Profit after taxes	–	465	–	–	–	–	**465**	2	**467**
Net income recognized in other comprehensive income	–	–	85	6	1	–38	**54**	1	**55**
Total comprehensive income	**–**	**465**	**85**	**6**	**1**	**–38**	**519**	**3**	**522**
Dividend payments	–	–650	–	–	–	–	**–650**	–3	**–653**
Other changes	–	–	–	–	–	–	**–**	4	**4**
At December 31, 2010	**125**	**2,223**	**20**	**43**	**1**	**–24**	**2,388**	**20**	**2,408**

1 General

BSH Bosch und Siemens Hausgeräte GmbH (BSH-D) was formed in 1967 as a joint venture of Robert Bosch GmbH, Stuttgart, and Siemens AG, Berlin and Munich. The activities of the BSH Group (hereafter referred to as "Group" or "BSH") comprise: the man u-facture or procurement and marketing, as well as research and development, of industrial products in the area of electrical engineering, precision mechanics, and related technology, especially in the area of home appliances; the manufacture or procurement and marketing of goods for use as accessories, auxiliary materials, or tools with the manufactured or marketed products. The registered office of the parent company (BSH Germany) is situated at Carl-Wery-Strasse 34, 81739 Munich, Germany. The Board of Management prepared and approved the consolidated financial statements for publication on February 23, 2011.

2 Presentation of accounting policies

The following significant accounting policies were used in the preparation of the consolidated financial statements of BSH.

2.1 Statement of compliance

The consolidated financial statements of BSH for the year ended December 31, 2010, 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 effect on the balance sheet date, and in accordance with the additional requirements of German commercial law in accordance with section 315a (1) of the German Commercial Code (HG B).

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).

The income statement is presented using the function-of-expense format. For the 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 following exception:
"Financial assets held for trading" and "Available-for-sale financial assets" are recognized at fair value.

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

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

2.3 Amendments to accounting standards

2.3.1 Standards and interpretations with mandatory application requirement from January 01, 2010 onward.

The Group implemented all accounting standards with a mandatory application requirement from fiscal 2010 onward.

The following standards and interpretations were applied for the first time in the reporting period and have affected the consolidated financial statements.

Framework concept for financial reporting 2010 (revised September 2010)

Amendments to IFRS 5 "Noncurrent Assets Held for Sale and Discontinued Operations" (May 2008) and to IFRS 1 "First-time Adoption of International Financial Reporting Standards" as part of the annual IFRS improvements (revised November 2008)

The amendment relates to a clarification by the IASB that the disclosure requirements relating to noncurrent assets held for sale and discontinued operations in standards other than IFRS 5 must not be applied.

Amendments arising from the annual IFRS improvements (April 2009)

The purpose of the IFRS amendments from April 2009 is to make the standards more specific and remove unintended inconsistencies between the standards.

(Amendments to IAS 1, IAS 7, IAS 17, IAS 36, IAS38, IAS39, IFRS2, IFRS 5, IFRS 8, IFRIC9 and IFRIC16).

The amendments have no material impact on the consolidated financial statements of BSH.

Revision of IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements"

IFRS 3 specifies new rules for applying the acquisition method (previously known as the "purchase method") to account for business combinations. The revised standard must be applied to business combinations in which the date of acquisition falls in fiscal years that begin on or after July 1, 2009. The most significant changes relate to the measurement of the noncontrolling interest (formerly called "minority interest"), accounting for step acquisitions, and the treatment of contingent consideration and acquisition costs. According to the new guidance, minority interest can be measured either at fair value (full goodwill method) or at the fair value of the acquiring entity's portion of identifiable net assets. In step acquisitions, shares held at the time control is obtained are to be remeasured at fair value through profit or loss. A change in the amount of contingent consideration recognized as a liability at the time of the acquisition will be recognized in profit or loss in the future. Acquisition costs will be expensed as incurred.

The amendment has no material impact on the consolidated financial statements of BSH.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Suitable hedged items

The amendments to the standard specify the details of the basic principles regarding the accounting treatment of hedges. The amendments make additions to applying the basic principles relating to the designation of inflation risk as a hedged item and the designation of hedges for the purposes of hedging a unilateral risk.

The amendment has no material impact on the consolidated financial statements of BSH.

The following standards and interpretations have no impact on the consolidated financial statements.

Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Oil and gas/embedded leasing contracts

The amendment affects assets used for exploration of oil and gas and introduces an exemption for embedded leasing contracts.

Revision of IFRS 1 "First-time Adoption of International Financial Reporting Standards" – revised specifications for first application of I FRS

The revised version of IFRS 1 retains the content of the preceding version but has a revised structure compared with the original version.

Amendments to IFRS 2 "Share-based Payment"

The amendment clarifies that vesting conditions are service conditions and performance conditions only. It also stipulates that all cancellations should receive the same accounting treatment, irrespective of whether the plan is canceled by the entity itself or by another party.

I FRIC 12 "Service Concession Arrangements"

Service concession arrangements are recognized as a financial asset (receivable) by the operator if the grantor is contractually obliged to pay a defined cash amount or another financial asset for the contribution. Service concession arrangements are recognized as intangible assets by the operator if the grantor simply gives the operator the right in return to request payment from the users for use of the service. If a service concession arrangement includes both variants, an allocation is made.

IFRIC 15 "Agreements for the Construction of Real Estate"

IFRIC 15 provides guidance for the accounting treatment of real estate sales where contracts are signed with buyers before construction is completed. The interpretation clarifies under what circumstances an agreement falls within the scope of IAS 11 or that of IAS 18.
In addition, it provides guidance on when revenue is recognized and what disclosures have to be made in the notes to the financial statements.

IFRIC16 "Hedges of a Net Investment in a Foreign Operation"

This interpretation includes guidelines on the detailed requirements for hedges of a net investment in a foreign operation for certain types of designation.

IFRIC 17 "Distributions of Non-cash Assets to Owners"

This interpretation provides guidance on the accounting treatment of non-cash dividends. It clarifies how an entity measures non-cash assets distributed as dividends to shareholders. A dividend payable should be recognized when a dividend has been authorized by the bodies responsible and is no longer at the discretion of the entity.

IFRIC 18 "Transfers of Assets from Customers"

IFRIC 18 is particularly relevant to the utilities industry. The interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

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

The consolidated financial statements for fiscal 2010 does not take into account 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 fiscal years starting from	Adoption by the EU by 12/31/2010	Anticipated effects
Amendment to IFRS 1	Limited exemption of first-time adopters from additional disclosures under IFRS 7	July 1,2010	Yes	None
Amendment to IFRS 1	Amendments in relation to marked high inflation	July 1, 2011	Yes	None
Amendment to IFRS 7	Financial instruments: Amendment for improving information for transferring financial assets	July 1, 2011	Yes	Nothing critical
IFRS 9	Financial instruments: Classification and Evaluation	January 1, 2013	No (still open)	Modified Classification and evaluation of financial instruments
Amendment to IAS 12	Tax on profits: Limited amendment in relation to recovery of underlying assets	January 1, 2012	Yes	Nothing critical
IAS 24 ®	Information on relationships with related companies and persons	January 1, 2011	Yes	Nothing critical
Amendment to IAS 32	Classification of subscription rights	February 1, 2010	Yes	None
Amendment to IFRIC 14	Advance payments in framework of minimum funding requirements	January 1, 2011	Yes	Nothing critical
I FRIC 19	Repayment of financial liabilities through equity instruments	July 1, 2010	Yes	None
Improvements to IFRS 2009	Minor changes to a variety of standards	Various	Yes	Nothing critical
Improvements to IFRS 2010	Minor changes to a variety of standards	Various	Yes	Nothing critical

2.4 Foreign currency translation

Foreign currency transactions included in the annual financial statements of BSH-D and the 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 exchange rate differences are recognized directly to a currency translation reserve in other comprehensive income (OCI).

In the separate financial statements of BSH-D and the 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 are as follows:

Closing rate			Average rate	
	12/31/2010	12/31/2009	2010	2009
US dollar	1.3362	1.4406	1.3257	1.3949
Pound sterling	0.8608	0.8881	0.8579	0.8913
Russian ruble	40.8200	43.1540	40.2629	44.1417
Turkish lira	2.0601	2.1479	1.9944	2 .1546
Chinese renminbi	8.8065	9 .7971	8.9740	9.5167

2.5 Basis of consolidation and consolidation principles

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

Consolidation starts from the date on which the BSH Group acquires control. Consolidation ends when control no longer exists.

The financial statements of BSH-D and its consolidated subsidiaries have been prepared, audited, and included in the consolidated financial statements in accordance with IAS 27 with the application of accounting policies that are uniform throughout the BSH Group.

	Germany	Other countries	Total
Consolidated as of December 31, 2009	11	55	66
Consolidated for the first time in 2010	0	2	2
Deconsolidated in 2010 (including mergers)	0	2	2
Consolidated as of 12/31/2010	11	55	66

See note 3 for more information on changes to the basis of consolidation.

The consolidated entities also include a special fund. As of December 31, 2010, four (December 31, 2009: four) companies were not consolidated because there were no business activities, or only insignificant business activities, in these companies. This does not have any material impact on the Group's financial position and financial performance. In addition, BSH Bosch und Siemens Hausgeräte Altersfürsorge GmbH, Munich, is not consolidated because its assets are defined as plan assets and these are deducted from pension provisions in accordance with IAS 19. The consolidated financial statements and group management report of BSH are published in the electronic German Federal Gazette. See Annex II of the notes to the consolidated financial statements for more information on shareholdings.

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

Intragroup balances and intragroup transactions as well as resulting intragroup profits and losses are eliminated in full. Deferred taxes are recorded for consolidation transactions recognized in the income statement.

2.6 Revenue

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

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

2.7 Research and development costs

Research costs are recognized as an expense when incurred. Likewise, development costs are 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 benefits (e.g., the entity can demonstrate the existence of a market for the product or, if it is to be used internally, its usefulness);
– There are adequate technical, financial, and other resources to complete the project.

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

2.8 Trade accounts receivable

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

2.9 Inventories

Inventories are recognized at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Work in process and finished goods are recognized at the cost of conversion. This includes all costs directly assignable to the production process and an appropriate portion of production overhead. In turn, this includes production-related depreciation, a proportion of administrative costs and pro rata employee benefit costs. Borrowing costs are not capitalized. Inventory risks that result from the duration of storage or reduced usefulness or marketability are taken into account by recognizing write-downs. The net realizable value is recognized at the balance sheet date if this value is lower than the cost.

2.10 Financial assets/financial liabilities
The shares in nonconsolidated affiliated companies and associates reported under financial assets are recognized at cost, unless a different market value is available.

As specified by IAS 39, financial investments are broken down into the following categories:
(a) held-to-maturity investments,
(b) financial assets at fair value through profit or loss,
(c) available-for-sale financial assets, and
(d) loans and receivables.

Financial assets with fixed or determinable payments and a fixed maturity that the Company has the positive intent and ability 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.

Securities held as financial assets at fair value through profit or loss and securities held for trading are recognized at market value, if available. If no market value is available, they are carried at cost.

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

All other financial assets, other than loans and receivables originated by the Company, are classified as available-for-sale financial assets. Until realized, gains and losses on the fair-value measurement of an available-for-sale financial asset are recognized in OCI, and reflect the impact of deferred taxes.

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

2.11 Property, plant, and equipment
Property, plant, and equipment is measured at cost, less straight-line depreciation and, in some cases, impairment losses. Immaterial 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 overhead. This includes production-related depreciation, as well as a proportion of the costs for the Company's pension plan and voluntary employee benefits. Interest on borrowings is capitalized for qualifying assets.

Depreciation is based on the following useful lives:

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

Land is not depreciated.

In accordance with IAS 36 "Impairment of Assets", impairment losses are recognized on property, plant, and equipment if both the realizable value and the value in use of the asset concerned fall below its carrying amount. An impairment loss is then recognized to reduce the carrying amount of the asset to the lower of realizable value 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.

Depreciation and impairment losses charged during the year under review are reported under functional costs or other operating expenses. Reversals of impairment losses are reported under functional costs or other operating income.

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.

Interest on borrowings is capitalized for qualifying assets.

Amortization is based on the following useful lives:

Patents, licenses, and customer bases in accordance with normal operating life (contract, license period, etc.)

Purchased software	4 years
Internally generated intangible assets	4–6 years

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

Amortization and impairment losses charged during the year under review are reported under functional costs or other operating expenses. Reversals of impairment losses are reported under functional costs or other operating income.

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

To meet the requirements of IFRS 3, in combination with IAS 36, and to test for goodwill impairment, the Group has defined cash-generating units that match the legal entities. These cash-generating units were subjected to an impairment test.

For purposes of impairment testing, 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 fair value less costs to sell or 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 based on business plans with a planning horizon of three years. A standard inflation-related growth rate of 1.0 percent per annum was assumed for the years after the end of the three-year planning period. The calculation also used a specific discount rate for each country which, including an additional risk factor, was between 8.2 percent and 16.9 percent per annum (2009: between 8.0% and 15.5% per annum).

2.14 Goodwill

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

2.15 Noncurrent assets and disposal groups held for sale

This category comprises individual noncurrent assets or groups of assets, together with directly associated liabilities, whose carrying amount is primarily to be realized via disposal rather than continued use. This condition is only deemed to be satisfied if the disposal is highly probable and the noncurrent asset is available for immediate sale in its current condition. Management must have taken a decision to dispose of the asset and must expect the sale to take place within one year of the classification of the asset in this category.

If the Group has committed to a disposal that involves the loss of control over a subsidiary, all the assets and liabilities of the subsidiary must be classified as held for sale, provided that the above-mentioned criteria for this category are satisfied.

Noncurrent assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.16 Pension provisions

Provisions for pensions and other postretirement benefits are recognized using the projected unit credit method as specified in IAS 19 "Employee Benefits". In addition to the pensions 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 consider mortality rates.

The actuarial gains and losses that arose in the year under review are recognized in other comprehensive income in accordance with IAS 19.93 A et seq.

2.17 Provisions

A provision is recognized only if a present (legal 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 evaluated 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. The interest cost arising when the discount on tax provisions is accreted is recognized under income tax expense.

2.18 Derivative financial instruments

Derivative financial instruments are employed solely for hedging purposes, in order to reduce exchange rate, interest rate, and fair value risks from operating business and any resultant finance requirements. According to IAS 39, all derivative financial instruments such as raw material derivative, interest rate, currency and combined interest rate and currency swaps, as well as currency forwards 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 accumulated OCI as part of shareholders' equity. 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 not qualifying for hedge accounting, which hedge the operative hedged items, is shown under other operating expenses or income. The change in fair value and the realization of derivatives for hedging financial hedged items is recognized in other net finance income/cost.

If hedging includes a "combined instrument" for which separate measurement of the embedded derivative instrument is not possible, the entire "combined instrument" is recognized at fair value through profit or loss.

2.19 Leases
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.

2.20 Government grants
A government grant is not recognized until there is reasonable assurance that the Company will comply with the conditions attached 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 of property, plant, and equipment are treated as a reduction in the cost of such assets. Other grants received are initially recognized as a liability on the balance sheet (miscellaneous other liabilities), which are then used to offset the corresponding depreciation charges over the useful life of the asset concerned.

2.21 Management judgment
The preparation of the consolidated financial statements in accordance with IFRS requires that assumptions and estimates be made that may impact the amount recognized for the assets and liabilities on the balance sheet, income and expenses, as well as contingent liabilities. Estimates and assumptions may change over time and have a significant impact on the Group's financial position and financial performance. The assumptions and estimates relate primarily to the measurement of property, plant, and equipment, 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 that are based on 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 using measurement methods that are based on discounted cash flows and use estimated growth rates, weighted average cost of capital, and tax rates. The planning horizon is a three-year plan approved by management.

Deferred tax assets are recognized to the extent that it is probable taxable profits will be available against which temporary differences and as yet unused tax loss carryforwards/tax credits can be utilized.

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 postretirement benefits.

The measurement of provisions for warranties, losses expected on uncompleted transactions, and litigation involves significant future estimates, some of which are determined on the basis of past experience and adjusted in line with the latest assessment.

3 Changes in the basis of consolidation

The subsidiaries BSH Home Appliances Holding (China) Co. Ltd. (Jiangsu) and BSH Electrical Appliances (Anhui) Co., Ltd. (Chuzhou), which were newly established in the year under review, were included in the consolidated financial statements for the first time.

The Group sold off 44 percent of BSH Home Appliances Saudi Arabia LLC, Jeddah in the year under review with no impact on the basis of consolidation.

4 Revenue

Revenue was primarily generated from electrical and gas appliance sales, as well as from related customer services; it breaks down as follows:

	2010	%	2009	%
Germany	1,906	21.0	1,842	21.9
Western Europe (not including Germany)	3,540	39.0	3,441	40.9
Eastern Europe (including Turkey)	1,598	17.6	1,440	17.2
North America	534	5.9	440	5.2
Latin America	45	0.5	156	1.8
Asia	1,281	14.1	955	11.4
Rest of world	169	1.9	131	1.6
Total	9,073	100.0	8,405	100.0

5 Cost of sales

The cost of sales figure of EUR 5,625 million (2009: EUR 5,378 million) comprises the full production-related costs incurred in the manufacture of the products sold.

6 Selling and administrative expenses

Selling and administrative expenses amounted to EUR 2,386 million (2009: EUR 2,129 million) and comprised solely costs, income, and expenses allocated to these categories. General and administrative expenses include personnel costs, other administrative expenses, and depreciation/amortization in corporate departments that cannot be assigned to production, sales and marketing, or research and development.

7 Research and development costs

Research and development costs amounting to EUR 283 million (2009: EUR 267 million) include research costs and development costs not recognized in the balance sheet. No development costs were capitalized during fiscal year 2010 as in the previous year.

8 Other operating income and expenses

	2010	2009
Income from the reversal of provisions (not function-related)	37	8
Foreign currency gains on trade accounts receivable and payable	94	96
Income from the reversal of valuation allowances on receivables and write-ups	19	12
Rental and leasing income	4	2
Income from the disposal of assets	4	2
Gains on foreign exchange derivatives	63	37
Income from costs transferred to third parties	35	31
Miscellaneous other operating income	47	24
Total other operating income	303	212
Expenses to record provisions (not function-related)	114	12
Foreign currency losses on trade accounts receivable and payable	80	86
Expenses from allowances on receivables	35	55
Expenses from the disposal of assets	7	8
Impairment losses	14	44
Other taxes	1	1
Losses on foreign exchange derivatives	78	36
Miscellaneous other operating expenses	34	31
Total other operating expenses	363	273

9 Finance income and finance expense

	2010	2009
Finance income	46	52
Finance cost	58	69
– of which to nonconsolidated – affiliated companies:		
EUR 0.1 million (2009: EUR 0.2 million)		
Net finance income/cost	–12	–17
Breakdown as specified by IFRS 7.20b using IAS 39 measurement categories:		
Loans and receivables	29	35
Financial assets, available-for-sale	14	17
Financial liabilities, carried at amortized cost	–55	–69

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.

10 Other net finance income/cost

Other net finance income/cost relates to the fair-value measurement as well as realization of derivatives for safeguarding financial hedged items, the disposal of securities, the measurement of receivables and liabilities denominated in foreign currency, interest cost arising from the accretion of the discount on provisions, and miscellaneous other finance income and expense. In 2010, available-for--sale financial assets were sold. This resulted in a decrease in equity of EUR 15 million (2009: decrease of EUR 4 million) and the recognition of an equivalent amount as income under other net finance income/cost as in the previous year. An impairment of EUR 3 million (2009: EUR 20 million) was recorded based on the guidance in IAS 39.61 Reversals of impairments for debt instruments generated income of EUR 0 million. There were reversals of EUR 2 million in 2009.

11 Income taxes

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

	2010	2009
Effective taxes	232	204
Deferred taxes	–8	–15
Total income taxes	224	189

Income taxes paid or payable in the various countries as well as deferred taxes are reported under income taxes. Deferred taxes are calculated on the basis of temporary differences between the carrying amounts of assets and liabilities in the IFRS financial statements and those in the tax base, and on the basis of consolidation 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 provisions in force or enacted at the balance sheet date.

Germany's corporate income tax rate in 2010 was 15 percent plus a solidarity surcharge of 5.5 percent of the corporate income tax charge. Taking into account trade tax at 13.52 percent, the overall tax rate for the companies in the German tax group was 29.35 percent (2009: 29.35%).

The reported income tax expense in the year under review of EUR 224 million is EUR 21 million higher than the expected income tax expense of EUR 203 million, which 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:

	2010	2009
Profit before taxes	691	517
Expected taxes when using the tax rate applicable to the parent company of 29.35% (2009: 29.35%)	203	152
Effects of differences in foreign tax rates	–40	–43
Effects of changes in tax rates	–3	8
Effects of permanent differences	72	41
Change in the recoverability of deferred tax assets	–12	26
Other changes	4	5
Reported income tax expense	224	189
Group tax rate (percent)	32.5	36.6

Deferred taxes in the consolidated balance sheet:

	2010	2009
Deferred tax assets	194	150
Deferred tax liabilities	22	0
	172	150
Of which: Arising from the following recognized in equity		
Available-for-sale financial assets	7	4
Cash flow hedging instruments (CFH)	1	0
Actuarial gains/losses from defined benefit pension and similar obligations	–9	6
	–1	10

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

	Deferred tax assets		Deferred tax liabilities	
	2010	2009	2010	2009
Intangible assets and property, plant, and equipment	25	17	58	57
Receivables and other assets	26	22	26	29
Inventories	56	48	4	3
Liabilities	51	43	2	1
Pension provisions	49	51	0	9
Other provisions	106	94	2	0
Available-for-sale securities	0	0	8	4
Tax loss carryforwards and tax credits	88	84	0	0
Miscellaneous	0	0	11	0
Gross total	401	359	111	103
Impairment losses	–118	–106	0	0
Netting	–89	–103	–89	–103
Deferred taxes after netting	194	150	22	0

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. A write-down of deferred tax assets was performed on tax loss carryforwards and tax credits amounting to EUR 82 million (2009: EUR 73 million) and on deductible temporary differences totaling EUR 36 million (2009: EUR 33 million), as direct use in the foreseeable future seems improbable. The change in the write-downs was recognized in the income statement. Of the total amount from these potential tax advantages of EUR 118 million (2009: EUR 106 million), EUR 36 million (2009: EUR 33 million) can be carried forward without limitation and EUR 82 million (2009: EUR 73 million) for more than three years.

As of December 31, 2010, the BSH Group had unutilized tax loss carryforwards of EUR 143 million (2009: EUR 157 million).

The following table shows the utilization periods for tax loss carryforwards:

Utilization periods	2010	2009
Limited carryforward period, less than 3 years	2	2
Limited carryforward period, more than 3 years	137	152
Unlimited carryforward period	4	3
	143	157

Loss carryforwards for which no deferred tax assets have been recognized amounted to EUR 134 million (2009: EUR 150 million).

The deferred taxes recognized directly in equity include deferred tax liabilities on securities and derivative financial instruments amounting to EUR 8 million in total (2009: EUR 4 million) and deferred tax assets on actuarial gains and losses related to pension liabilities totaling EUR 9 million (2009: EUR 6 million deferred tax liabilities).

Deferred tax liabilities of EUR 11 million were recognized for temporary differences in connection with investments in subsidiaries. These "outside basis differences" include the taxes on possible dividend payments. Furthermore, in accordance with IAS 12.39, no deferred taxes were recognized for temporary differences in connection with investments in subsidiaries because there is little probability that these temporary differences will reverse in the foreseeable future.

12 Noncontrolling interest

The net profit attributable to the noncontrolling interest amounting to EUR 2 million (2009: EUR 4 million) was generated by BSH Ev Aletleri Sanayi ve Ticaret A.Ş., Istanbul, BSW Household Appliances Co., Ltd., Wuxi, and BSH Home Appliances Services Ltd., Jeddah.

13 Other income statement disclosures

The functional costs include the following personnel expenses:

	2010	2009
Wages and salaries	1,491	1,384
Social security contributions	259	250
Expenses for pension plans and benefits	108	105
Personnel expenses	**1,858**	1,739

The cost of materials totaled EUR 4,345 million (2009: EUR 4,091 million).

The Group received government grants for research and development amounting to EUR 3 million (2009: EUR 3 million) and other grants amounting to EUR 4 million (2009: EUR 4 million), which were recognized directly in the income statement.

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

	2010	2009
BSH GmbH		
Direct employees	6,368	6,378
Indirect employees	5,909	5,860
of which trainees and apprentices	331	327
Other companies in Germany	1,699	1,709
Companies outside Germany	26,960	25,736
Total	**40,936**	39,683

14 Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	2010	2009
Checks	6	14
Cash on hand	8	5
Bank balances	561	723
Cash and cash equivalents	**575**	742

All items under cash and cash equivalents are due within three months, as in 2009.

15 Securities

In accordance with IAS 39, securities are classified as available for sale and recognized at a fair value of EUR 19 million (2009: EUR 64 million).

16 Trade accounts receivable

	2010	2009
Trade accounts receivable (third parties)	1,851	1,773
Trade accounts receivable (non-consolidated affiliated companies)	0	0
Allowances on receivables	–116	–117
Trade accounts receivable, net	**1,735**	1,656
Trade accounts receivable	1,851	1,773
of which, as of the balance sheet date, neither written down nor overdue	1,468	1,434
of which, as of the balance sheet date, not written down but overdue as follows:	82	82
less than 1 month	42	43
between 1 month and 3 months	20	26
more than 3 months	20	13

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

	2010	2009
Balance at January1	117	103
Exchange rate differences	4	6
Change in basis of consolidation	–	–23
Additions	24	43
Utilization	17	8
Reversals	12	4
At December 31	116	117

Regarding trade accounts receivable that were neither written down nor in default, there were no indications as of the balance sheet date that the debtors were unable to meet their payment obligations. Additionally, one third of trade accounts receivable are insured, individually and on a country-specific basis, for the companies concerned. Furthermore, securities are available for some trade accounts receivable in the form of guarantees, collateral, mortgages, and collateral securities.

As of December 31, 2010, the carrying amount of trade accounts receivable for which contractual conditions were being renegotiated was EUR 1 million (December 31, 2009: EUR 3 million).

Trade accounts receivable include an amount of EUR 0.1 million (2009: EUR 0.1 million) that is due for payment in more than one year.

17 Other current assets

	2010	2009
Other receivables (third parties)	262	78
Other receivables from nonconsolidated affiliated companies	1	0
Prepaid expenses	20	16
Current derivative financial instruments (note 29)	8	6
Other tax receivables and receivables from employees	141	146
Allowances on other current assets	–5	–5
Total other current assets	427	241

Prepaid expenses primarily consist of IT service payments made in advance.

18 Inventories

	2010	2009
Finished goods and merchandise	834	715
Work in process	31	30
Raw materials, consumables, and supplies	289	221
Spare parts	53	56
Advance payments	19	10
Total	1,226	1,032

The spare parts item comprises components held in warehouses to cover a 10-year parts warranty on home appliances. The write-down recognized in the year under review was EUR 93 million (2009: EUR 109 million). As in 2009, no inventories were pledged as collateral.

19 Noncurrent financial assets

Noncurrent financial assets included the following:

	2010	2009
Financial assets	880	840
Financial investments	0	0
Total other noncurrent	11	9
Noncurrent financial assets	**891**	849

The following table shows the breakdown of other noncurrent assets:

	2010	2009
Loans (third parties)	1	1
Noncurrent derivative financial instruments (note 29)	0	1
Miscellaneous other noncurrent assets	10	7
Total other non-current assets	**11**	9

No impairment losses were recognized for loans (2009: EUR 0 million). There were no overdue loans in the year under review.

20 Property, plant, and equipment

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

As a result of the economic situation, impairment losses amounting to EUR 14 million were recognized in the year under review (2009: EUR 49 million). These impairment losses related primarily to the subsidiary in Peru (2009: USA).

As of the balance sheet date, obligations incurred in connection with the acquisition of property, plant, and equipment amounted to EUR 2 million (2009: EUR 2 million). As in 2009, there were no restraints on the utilization of property, plant, and equipment in the year under review. Government grants with a total value of EUR 2 million (2009: EUR 0 million) were deducted from new additions in the year under review; they include incentives for structurally weak regions in Germany.

21 Intangible assets

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

Additions under this item included the costs of purchased software, tool licenses, industrial and similar rights, brand names, customer bases, and similar assets. A material item included in intangible assets is goodwill of EUR 160 million (2009: EUR 153 million) relating to a subsidiary in Turkey. There were no additions in the year under review (2009: EUR 11 million) for intangible assets (goodwill).

All goodwill recognized in the consolidated balance sheet and assigned to cash-generating units was tested for impairment. No impairment was recognized (2009: EUR 5 million).

As in 2009, there were no restraints on the utilization of intangible assets in the year under review.

22 Current and noncurrent financial liabilities

Current and noncurrent financial liabilities comprise primarily liabilities to banks.

The financial liabilities have the following remaining periods to repayment:

	2010	2009
Up to 1 year	288	78
1–5 years	236	377
More than 5 years	9	62
Total	**533**	517

Financial liabilities due within one year are reported as current financial liabilities; financial liabilities due after one year are classified as noncurrent financial liabilities.

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

	Carryin g 12/31/2010	2011	2012	2013	2014	2015	>2015
Trade accounts payable	1,029	1,029	–	–	–	–	–
Liabilities to banks	533	299	68	64	61	59	9
Other financial liabilities	176	176	0	0	–	–	–
Derivative financial instruments	7	6	1	–	–	–	–

	Carrying amount 12/31/20	2010	2011	2012	2013	2014	>2014
Trade accounts payable	793	793	0	0	0	0	0
Liabilities to banks	517	94	209	67	63	61	64
Other financial liabilities	117	117	0	0	0	0	0
Derivative financial instruments	7	9	0	0	0	0	0

23 Trade accounts payable

Trade accounts payable are recognized at the higher of their nominal amount and settlement amount; all trade accounts payable are due within one year, as in 2009.

24 Other liabilities and provisions (current)

Current provisions and other current liabilities break down as follows:

	2010	2009
Provisions for taxes	83	71
Other provisions	406	348
Current provisions	**489**	**419**
Notes payable	175	113
Advance payments received	52	38
Accrued liabilities	483	407
Deferred income	2	2
Other tax liabilities	67	83
Current derivative financial instruments (note 29)	6	7
Miscellaneous other liabilities	244	217
Other current liabilities	**1,029**	**867**

Other liabilities include public investment grants of EUR 16 million, which were made by a governmental agency to a new subsidiary established in China in the year under review and which was fully consolidated in December 2010. These grants will offset the acquisition cost of newly acquired production facilities in 2011.

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

25 Other liabilities and provisions (noncurrent)

The following table shows the breakdown of other noncurrent liabilities and noncurrent provisions:

	2010	2009
Noncurrent derivative financial instruments (note 29)	1	0
Miscellaneous other liabilities	19	16
Other noncurrent liabilities	**20**	**16**
Provisions for taxes	100	138
Other provisions	425	371
Noncurrent provisions	**525**	**509**

The following table shows the breakdown of other provisions, both current and noncurrent:

	Provisions for taxes	Personnel and social security obligations	Sales-related obligations	Other provisions	Total
Balance at January 01, 2010	**209**	**147**	**360**	**212**	**928**
Foreign currency translation	4	0	12	1	17
Utilization	68	33	211	27	339
Reversals	4	1	31	30	66
Additions	42	40	250	121	453
Interest cost (accretion of discount)	0	6	10	3	19
Reclassifications	0	–1	1	2	2
Balance at December 31, 2010	**183**	**158**	**391**	**282**	**1,014**
Current portion of provisions	83	44	252	110	489
Noncurrent portion of provisions	100	114	139	172	525

The reclassifications are shown under accrued liabilities (note 24).

Noncurrent 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 semiretirement, employee long-service awards, the collective pay agreement (ERA) adjustment fund, and performance-related arrangements. The sales-related provisions primarily comprise provisions for general and extended warranty obligations.

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

BSH has recorded provisions for existing legal disputes on the scale deemed necessary at this time to cover claims that may arise. Although the Group essentially considers the claims made to be unjustified, liabilities over and above this also cannot be ruled out completely.

As a result of the termination of several business relationships at the end of 2010, the Group has recorded a significant provision for possible compensation claims.

26 Provisions for pensions and other postretirement benefits

26.1 Defined benefit plans

As of December 31, 2010, the consolidation for the first time included pension obligations in subsidiaries in China and Saudi Arabia.

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

The postretirement benefits in Germany are mainly financed by the recognition of pension provisions; part of the obligation is funded through an employee trust. In other countries, they are mainly funded through insurers and pension funds.

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

In accordance with IAS 19.93A, the other comprehensive income rule is applied in determining pension provisions and the pension expense. Actuarial gains and losses are reported in OCI in the year in which they arise.

The breakdown of pension obligation funding is as follows:

	Germany 2010	Other countries 2010	Germany 2009	Other countries 2009
Present value of unfunded pension obligations	43	51	39	42
Present value of funded pension obligations	810	99	745	83
External plan assets	–77	–83	–68	–67
Funded balance	776	67	716	58
Unrecognized actuarial gains (+)/losses(–)	–	–	–	–
Unrecognized past service cost	–	0	–	0
Effect of asset limitation (IAS 19.58 [b])	–	0	–	0
Pension provisions	776	67	716	58

The pension provisions changed as follows in the course of fiscal 2010:

	Germany 2010	Other countries 2010	Germany 2009	Other countries 2009
Brought forward	716	58	710	53
Exchange rate differences	–	1	–	2
Transfer values	0	–	0	–
Obligations transferred as a result of business combination	–	0	–	0
Pension and lump-sum amounts paid by the Company	–40	–14	–39	–6
Employer contributions to external funds	–13	–5	–4	–5
Reversal (–)/addition (+)	67	20	64	13
Amount recognized in OCI	46	7	–15	1
Pension provisions	776	67	716	58

Contributions in connection with deferred compensation in Germany are reported under service cost. In 2010, these contributions amounted to EUR 3 million (2009: EUR 3 million).

The expense recognized in the income statement breaks down as follows:

	Germany 2010	Other countries 2010	Germany 2009	Other countries 2009
Service cost	22	6	22	5
Interest expense	45	7	45	6
Expected return on external plan assets	–3	–4	–3	–3
Amortization of actuarial gains (–)/losses (+)	–	–	–	–
Amortization of past service cost	3	5	–	4
Expense (+)/ income (–) from curtailment and settlement	–	6	–	1
Amount reported as expense (+)/income (–)	**67**	**20**	64	13

The total expense is recognized by function.

The reconciliation of benefit obligations and assets is as follows:

	Germany 2010	Other countries 2010	Germany 2009	Other countries 2009
Present value of obligations at beginning of year	784	125	777	110
Service cost	22	6	22	5
Interest expense	45	7	45	6
Employee contributions	–	1	–	1
Actuarial gain (–)/loss (+)	44	9	–16	3
Exchange rate effects	–	7	–	5
Total amount of pensions and lump sums paid	–45	–16	–44	–9
Past service cost	3	5	–	4
Transfer values	0	–	0	–
Obligations transferred as a result of business combination	–	–	–	0
Effect of curtailments and settlements	–	6	–	0
Present value of obligations at end of year	**853**	**150**	784	125
Fair value of plan assets at beginning of year	68	67	67	57
Expected return on external plan assets	3	4	3	3
Actuarial gain (+)/loss (–)	–2	2	–1	2
Exchange rate effects	–	5	–	3
Employer contributions to external pension funds	13	5	4	5
Employee contributions to external pension funds	–	1	–	1
Amounts of pension and lump sums paid by external funds	–5	–1	–5	–3
Transfer values	–	–	–	–
Assets acquired as a result of business combination	–	–	–	0
Effects of plan settlement	–	–	–	–1
Fair value of plan assets at end of year	**77**	**83**	68	67

The actual return on external plan assets was as follows:

	Germany 2010	Other countries 2010	Germany 2009	Other countries 2009
Expected return on external plan assets	3	4	3	3
Actuarial gain (+)/loss (–)	–2	2	–1	2
Actual return on external plan assets	**1**	**6**	2	5

For 2011, contributions paid to external funds are expected to total approximately EUR 5 million and direct pension payments of approximately EUR 41 million.

The amounts reported in OCI are as follows:

	Germany 2010	Other countries 2010	Germany 2009	Other countries 2009
Actuarial gain (+)/loss (–)	–46	–7	15	–1
Effect of asset limitation (IAS 19.58[b])	–	0	–	0
Total amount for the year recognized in OCI	**–46**	**–7**	15	–1
Cumulative actuarial gains (+)/losses (–), recognized in OCI	–17	–15	29	–8
Deferred taxes on actuarial gains (+)/losses (–)	13	2	–5	0
Total recognized in OCI	4	4	–9	2
Net actuarial gains (+)/ losses (–) recognized in equity	**–13**	**–11**	20	–6

The actuarial gains and losses incurred are attributable to the following categories:

	Germany 2010	Other countries 2010	Germany 2009	Other countries 2009
Difference between expected and actual return on external plan assets	–2	2	–1	2
Difference between expected and actual amounts	–1	3	4	0
Adjustment due to changes in measurement assumptions	–43	–12	12	–3
Total actuarial gain (+)/ loss (–)	**–46**	**–7**	15	–1

The breakdown in prior reporting periods in accordance with IAS 19.120 A (p) was as follows:

	Germany 2008	Other countries 2008	Germany 2007	Other countries 2007	Germany 2006	Other countries 2006
Present value of pension obligations	777	110	809	117	859	124
Fair value of plan assets at end of year	–67	–57	–66	–65	–66	–61
Funded balance	710	53	743	52	793	63
Difference between expected and actual return on plan assets	–3	–10	0	0	0	1
Difference between expected and actual amounts	–1	–1	1	–2	17	1

The reported plan assets break down as follows:

	Germany 2010	Other countries 2010	Germany 2009	Other countries 2009
	Values in percent		Values in percent	
Equities and other securities	12	42	5	40
Bonds	42	36	53	35
Real estate	6	10	6	8
Other assets	40	12	36	17
Total	100	100	100	100

The assumptions regarding the expected return on fund assets are made on the basis of a uniform method, which in turn is based on the actual long-term returns of the past, the portfolio structure and long-term returns expected in the future. The assumptions regarding the expected return on the fund assets essentially remained unchanged for fiscal 2010 and 2009.

The expected return on plan assets in Germany was assumed to be 5.0 percent. The expected return on external plan assets for companies outside Germany ranges between 3.5 percent and 5.9 percent.

38.3 percent (2009: 32.8%) of the plan assets reported for Germany are invested in the sponsors of the support fund. These largely comprised pension trust (employee trust) receivables due from BSH-D. As of December 31, 2010, the receivables amounted to EUR 29 million (2009: EUR 22 million). In addition, the German plan assets include real estate leased to the Group.

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

	Germany 2010	Other countries 2010	Germany 2009	Other countries 2009
	Values in percent		Values in percent	
Discount rate	5.3	4.7	6.0	5.5
Expected return on external plan assets	5.0	4.8	5.0	4.9
Salary inflation	3.0	3.9	3.0	4.0
Pension inflation	1.5	–	1.8	–

The measurement assumptions used for countries outside Germany are weighted averages. The expected long-term return on investment is determined on the basis of publicly available and internal capital market studies and forecasts.

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

26.2 Defined contribution plans

In 2010, the Company made contributions of EUR 98 million (2009: EUR 93 million) to defined contribution plans (employer contributions to statutory pension insurance).

26.3 Partial retirement agreements and long-service bonus commitments

In some countries, BSH also has employee benefit obligations in connection with the termination of employment contracts and the payment of long-service bonuses. The amount of the obligation for these arrangements was approximately EUR 92 million at the end of 2010 (EUR 96 million at the end of 2009).

27 Equity

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

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

In accordance with IAS 19, the actuarial gains/losses item comprises actuarial gains/losses on pension provisions (net of deferred taxes) recognized directly in equity.

The reserve for available-for-sale financial assets includes the measurement gains or losses on securities and derivative financial instruments, net of deferred taxes, recognized directly in equity.

Retained earnings and reserves include the income earned in the past by the companies included in the consolidated financial statements, insofar as they have not been paid as dividends, and other recognized gains and losses. The development of retained earnings was due to dividend distributions to shareholders as well as the significantly improved consolidated net profit. The executive management of BSH is proposing an appropriation of the unappropriated profit of BSH-D at December 31, 2010 in the form of a dividend distribution of EUR 233 million in total.

Minority interests include the paid-in capital and the net profit for the year generated by the sales companies whose shares are held by Robert Bosch GmbH and Siemens AG. This item also includes the noncontrolling interest in the equity of BSH Ev Aletleri Sanayi ve Ticaret A.Ş., Istanbul, BSW Household Appliances Co., Ltd., Wuxi, and BSH Home Appliances Services Ltd., Jeddah, including the portion of profit or loss attributable to the noncontrolling shareholders.

BSH is not subject to any statutory requirements to maintain a minimum capital balance. As part of its normal business activities, the Group maintains a reasonable equity ratio. BSH uses the concept of economic value added
as a basis for managing the business. The objective of capital management is to maintain the Group's external long-term rating. In the year under review, Standard & Poor's, the international rating agency, upgraded this rating to "A" with stable outlook.

28 Notes to the cash flow statement

The cash flow statement 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 cash flow statement is determined using the indirect method starting from net income. The cash flows from operating activities are determined after applying adjustments for non-cash income and expenses, primarily depreciation and amortization, and after taking into account any changes in working capital. Investment activity includes outflows for noncurrent assets and the purchase or sale of securities. Cash flows from financing activities presents cash inflows and outflows from the drawdown or repayment of financial liabilities and from dividends.

The cash and cash equivalents reported in the cash flow statement comprise cash on hand, checks, and bank balances, providing they are available within three months. The effect of exchange rate changes on cash and cash equivalents and the effect of changes in the consolidated group are reported separately. The changes in the balance sheet items reported in the cash flow statement 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. Immaterial amounts of cash and cash equivalents are subject to exchange control restrictions (2009 and 2008: EUR 0 million).

29 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 involve non-derivative as well as derivative assets or liabilities. Derivative financial instruments are used to hedge future cash flows.

IAS 39 specifies four categories of financial instruments:

- Financial investments held to maturity
- Financial assets/liabilities at fair value through profit or loss
- Available-for-sale financial assets
- Loans and receivables
- Other financial liabilities.

In the BSH Group, financial instruments are generally classified as "loans and receivables" or as "available for sale". The non-derivative financial liabilities are assigned to the category "other financial liabilities". Derivative financial instruments not qualifying for hedge accounting are classified as "held for trading". Regular way purchases or sales of financial instruments are accounted for on the settlement date.

Net gains/losses by category

	2010	2009
Loans and receivables	20	2
Available-for-sale financial assets	18	4
Financial assets and financial liabilities at fair value through profit or loss	–44	–8
Financial liabilities carried at amortized cost	–5	–70

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

Net gains and losses on the sale of available-for-sale financial assets comprise gains and losses on the derecognition of available-for-sale financial assets and interest income from these financial instruments. See the consolidated statement of changes in equity for disclosures on the amount of unrealized gains and losses on available-for-sale financial assets recognized in OCI during the fiscal year, and the amount reclassified from OCI and recognized as income in the year.

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

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

Carrying amounts and fair values by category

	IAS39 measurement categories	12/31/2010 Carrying amount	12/31/2010 Fair Value	12/31/2009 Carrying amount	12/31/2009 Fair Value
ASSETS					
Cash and cash equivalents	n.a.	575	575	742	742
Trade accounts receivable	LaR	1,735	1,735	1,656	1,656
Other financial receivables	LaR	254	255	213	217
Available-for-sale financial assets	AfS	894	894	750	750
Derivative financial assets not qualifying for hedge accounting	FAHfT	5	5	6	6
Derivative financial assets (hedge accounting)	n.a.	3	3	1	1
Financial assets with embedded derivatives	FVTPL	6	6	16	16
LIABILITIES					
Trade accounts payable	FLAC	1,020	1,020	793	793
Liabilities to banks	FLAC	533	599	517	521
Other financial liabilities	FLAC	398	398	321	321
Finance lease liabilities	n.a.	1	1	0	0
Derivative financial liabilities not qualifying for hedge accounting	FLHfT	5	5	6	6
Derivative financial liabilities (hedge accounting)	n.a.	2	2	1	1
Financial assets with embedded derivatives	FVTPL	–	–	–	–
Of which aggregated by measurement category					
Loans and receivables	LaR	1,989	1,990	1,869	1,873
Available-for-sale financial assets	AfS	894	894	750	750
Financial assets at fair value through profit or loss	FAHfT	5	5	6	6
Financial liabilities carried at amortized cost	FLAC	1,951	2,017	1,631	1,635
Financial liabilities at fair value through profit or loss	FLHfT	5	5	6	6
Financial assets at fair value through profit or loss	FVTPL	6	6	16	16
Reconciliation to balance sheet					
Other nonfinancial receivables					
(included in other current assets, securities, and noncurrent financial assets)		212	212	225	225
Other nonfinancial liabilities					
(included in other current and noncurrent liabilities)		655	655	566	566

LaR Loans and Receivables
AfS Available for Sale financial assets
FAHfT Financial Assets Held for Trading
FLAC Financial Liabilities measured at Amortized Cost
FLHfT Financial Liabilities Held for Trading
FVTPL Fair Value Through Profit or Loss

Financial instruments measured at fair value on the balance sheet

The following overview shows the allocation of our 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 prices for similar financial instruments that do not fall under level 1. In this case, fair value can be determined either directly (e.g. prices) or indirectly (e.g. derivation of prices).

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

				12/31/2010
	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value				
Derivative financial assets	–	14	–	14
Available-for-sale financial assets	894	-	–	894
Total	**894**	**14**	–	908
Financial liabilities measured at fair value				
Derivative financial liabilities	–	7	–	7
Total	**–**	**7**	**–**	7

				12/31/2009
	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value				
Derivative financial assets	–	23	–	23
Available-for-sale financial assets	750	–	–	750
Total	**750**	**23**	–	773
Financial liabilities measured at fair value				
Derivative financial liabilities	–	7	-	7
Total	**–**	**7**	**–**	7

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

29.1 Non-derivative financial instruments

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

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

Loans/receivables and financial liabilities Loans/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 – Loans under financial assets

– Trade receivables and trade payables
– Other current assets and liabilities

As in the previous year, most loans under financial assets have a maturity in excess of four years, but trade accounts receivable and payable are, as in the previous year, due within one year.

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

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

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

29.2 Derivative financial instruments

Hedging policy and financial derivatives

The activities of BSH are also impacted by exchange rate fluctuations. 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.

A limit is imposed on transactions with each contract partner.

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

The Group employs the treasury control and value contribution monitor used in the finance unit to control interest rate and currency management activities. These information systems are used to support the identification and assessment of interest rate and currency risks throughout the Group for the next twelve 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 outlined by the Treasury Committee, which meets regularly under the chairmanship of a member of executive management.

If cash flow hedge accounting is applied, changes in the fair value of derivative financial instruments are reported in OCI as part of other recognized gains and losses. If cash flow hedge accounting cannot be applied, the changes in fair value are recognized in the income statement.

Currency risk

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

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

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

	Notional Value				Fair value	
	2010		2009		2010	2009
Maturity	Up to 1year	1–5 years	Up to 1year	1–5 years		
Derivatives with positive fair values						
Foreign currency derivatives not qualifying for hedge accounting						
Currency forwards	227	–	183	–	5	2
Other foreign currency derivatives	–	–	16	24	–	3
Interest rate and other derivatives not qualifying for hedge accounting						
Other interest rate derivatives	1	–	74		0	1
Share-based derivatives and options	3	–	–	–	0	–
Other price hedging instruments	–	–	0	–	–	–
Foreign currency derivatives, hedge accounting						
Currency forwards	99	–	29	4	3	1
Derivatives with negative fair values						
Foreign currency derivatives not qualifying for hedge accounting						
Currency forwards	200	–	196	–	4	5
Other foreign currency derivatives	–	24	–	–	1	–
Interest rate and other derivatives not qualifying for hedge accounting						
Other interest rate derivatives	26	–	–	–	0	–
Share-based derivatives and options	12	–	–	–	0	–
Other price hedging instruments	–	–	42	–	–	1
Foreign currency derivatives, hedge accounting						
Currency forwards	80	–	94	–	2	1

The fair values disclosed in the above list were determined on the basis of information available on the balance sheet date. They represent the settlement amounts (redemption values) of the financial derivatives. Redemption values are calculated on the basis of quoted prices and standardized procedures. The maximum credit risk from derivative financial instruments is limited to the total positive fair values in the event of default by a contract partner of BSH-D or BSH Group companies.

Changes in the fair value of financial instruments from the hedging of planned transactions and available-for-sale financial instruments are recognized in OCI under other recognized gains and losses. As of December 31, 2010, EUR 43 million (2009: EUR 37 million) was included in OCI after the deduction of deferred taxes. Of this figure, the effects of cash flow hedges accounted for EUR 1 million (2009: EUR 0 million). During the year under review, BSH sold currency derivatives subject to hedge accounting. This resulted in the recognition of a net loss amount of EUR 3 million (2009: income of EUR 5 million) under other operating income/expense. As in the previous year, no gains or losses were recognized from the remeasurement of ineffective cash flow hedges for fiscal year 2010.

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

BSH has implemented a system based on the sensitivity analysis, made up of various risk analyses and risk management methods. The sensitivity analysis quantifies an approximation of the risk that can occur subject to the given assumptions if particular parameters are changed to a defined extent. The risk assessment here assumes:

- a parallel 10% decrease/increase in the exchange rate of the Russian ruble against the euro
- a parallel 10% decrease/increase in the exchange rate of the pound sterling against the euro
- a parallel 10% decrease/increase in the exchange rate of the Turkish lira against the euro
- a parallel shift in the yield curves for all currencies by 100 basis points (1 percentage point)
- a 10 % rise or fall in the 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 implied within the framework of the sensitivity analysis will materialize. As a result of the global market trends that occur in reality, the actual effects on the consolidated income statement can differ significantly from these estimates. More than half of BSH's subsidiaries are located outside the eurozone. 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 resulting from changes in the value of net assets translated into euros caused by exchange rate fluctuations are recognized in OCI in the BSH consolidated financial statements; they are not included in the sensitivity analysis.

It was decided not to show the transaction-related effects of the US dollar compared with the euro because the US dollar development has no real direct impact on the income statement and equity development of the BSH Group.

Foreign currency risks (remeasurement)

	RUB +10%				RUB –10%			
	12/31/2010		12/31/2009		12/31/2010		12/31/2009	
	Effect on income	Effect on other transactions in equity	Effect on income	Effect on other transactions in equity	Effect	Effect on other transactions in equity	Effect on income	Effect on other transactions in equity
Financial assets								
Cash and cash equivalents (1)	0	–	0	–	0	–	0	–
Trade accounts receivable (2)	0	–	0	–	0	–	0	–
Other assets FVTPL (3)	8	–	4	–	–8	–	–4	
Derivatives FVTPL (4)	–6	–	0	–	6	–	0	–
Effect on financial assets before tax	**2**	**0**	**4**	**0**	**–2**	**0**	**–4**	**0**
Financial liabilities								
Derivatives FVTPL (4)	–2	–	0	–	2	–	0	–
Trade accounts payable (5)	3	–	7	–	–3	–	–7	–
Financial liabilities (6)	1	–	2	–	–1	–	–2	–
Effect on financial liabilities before tax	**2**	**0**	**9**	**0**	**–2**	**0**	**–9**	**0**
Total effect before tax	**4**	**0**	**13**	**0**	**–4**	**0**	**–13**	**0**

Foreign currency risks (remeasurement)

	GBP+10%				GBP–10%			
	12/31/2010		12/31/2009		12/31/2010		12/31/2009	
	Effect on income	Effect on other transactions in equity	Effect on income	Effect on other transactions in equity	Effect	Effect on other transactions in equity	Effect on income	Effect on other transactions in equity
Financial assets								
Cash and cash equivalents (1)	0	–	0	–	0	–	0	–
Trade accounts receivable (2)	0	–	0	–	0	–	0	–
Other assets FVTPL (3)	0	–	–	–	0	–	–	–
Financial assets AfS (7)	–	–	0	–	–	–	0	–
Derivatives FVTPL (4)	–	–	1	–	–	–	–1	–
Derivatives CFH (8)	–	–7	–	–1	–	7	–	1
Effect on financial assets before tax	**0**	**–7**	**1**	**–1**	**0**	**7**	**–1**	**1**
Financial liabilities								
Derivatives FVTPL (4)	5	–	–1	–	–5	–	1	–
Derivatives CFH (8)	–	–8	–	–8	–	8	–	8
Trade accounts payable (5)	6	–	3	–	–6	–	–3	–
Financial liabilities (6)	–6	–	0	–	6	–	0	–
Effect on financial liabilities before tax	**5**	**–8**	**2**	**–8**	**–5**	**8**	**–2**	**8**
Total effect before tax	**5**	**–15**	**3**	**–9**	**–5**	**15**	**–3**	**9**

Foreign currency risks (remeasurement)

	TRY +10%				TRY −10%			
	12/31/2010		12/31/2009		12/31/2010		12/31/2009	
	Effect on income	Effect on other transactions in equity	Effect on income	Effect on other transactions in equity	Effect	Effect on other transactions in equity	Effect on income	Effect on other transactions in equity
Financial assets								
Cash and cash equivalents (1)	0	–	–2	–	0	–	2	0
Trade accounts receivable (2)	–6	–	–5	–	6	–	5	0
Other assets FVTPL (3)	3	–	2	–	–3	–	–2	0
Derivatives FVTPL (4)	–5	–	4	–	5	–	–4	0
Effect on financial assets before tax	**–8**	**0**	**–1**	**0**	**8**	**0**	**1**	**0**
Financial liabilities								
Derivatives FVTPL (4)	2	–	–2	–	–2	–	2	–
Trade accounts payable (5)	5	–	9	–	–5	–	–9	–
Effect on financial liabilities before tax	**7**	**0**	**7**	**0**	**–7**	**0**	**–7**	**0**
Total effect before tax	**–1**	**0**	**6**	**0**	**1**	**0**	**–6**	**0**

AfS Available for Sale financial assets
FVTPL Fair Value Through Profit or Loss
CFH Cash Flow Hedge

Explanatory notes:

(1) Cash and cash equivalents comprises checks, cash on hand, and bank credit balances. The currency risk relates to remeasurement.

(2), (5) Trade accounts receivable and payable relate to both external and intercompany receivables and payables subject to remeasurement risk.

(3) Other assets relate in particular to intercompany loan receivables and cash pool amounts subject to remeasurement risk as a result of exchange rate fluctuations.

(4) Derivatives not qualifying for hedge accounting include currency forwards, currency options, stock index futures, currency swaps, and interest rate index futures. Any effect of the scenarios in question is recognized in the income statement.

(6) Financial liabilities include both external borrowings and intercompany loan liabilities. The currency risk relates to remeasurement.

(7) AfS financial assets specifically comprise securities. In the case of interest-bearing securities, exchange rate changes bring about a change in market values, which impacts on the income statement. Mutual funds in bonds and money market funds are not included. Currency fluctuations in the case of stock funds and mutual funds in stocks would likewise be reported in the revaluation reserve.

(8) Derivative instruments with hedge accounting (cash flow hedges) only include currency forwards. For the effective portion, the effect of exchange rate changes is thus recognized in OCI.

Interest rate risk

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

Interest rate risk								
	+1%				–1%			
	12/31/2010		12/31/2009		12/31/2010		12/31/2009	
	Effect on income	Effect on other transactions in equity	Effect on income	Effect on other transactions in equity	Effect	Effect on other transactions in equity	Effect on income	Effect on other transactions in equity
Financial assets								
Cash and cash equivalents (1)	6	–	7	–	–6	–	–7	–
Financial assets AfS (2)	–	–16	–	–13	–	16	–	13
Derivatives FVTPL (3)	0	–	4	–	0	–	–4	–
Effect on financial assets before tax	**6**	**–16**	**11**	**–13**	**–6**	**16**	**–11**	**13**
Financial liabilities								
Derivatives FVTPL (3)	2	–	–	–	–2	–	–	–
Financial liabilities (4)	–1	–	–1	–	1	–	1	–
Effect on financial liabilities before tax	**1**	**0**	**–1**	**0**	**–1**	**0**	**1**	**0**
Total effect before tax	**7**	**–16**	**10**	**–13**	**–7**	**16**	**–10**	**13**

AfS Available for Sale financial assets
FVTPL Fair Value Through Profit or Loss

Explanatory notes:

(1) Cash and cash equivalents comprises checks, cash on hand, and bank credit balances. A change in interest rates would result in increased/reduced interest income based on the demand and fixed-term deposits and accounts with interest-bearing balances as of the reporting date.

(2) AfS financial assets specifically comprise securities. In the case of interest-bearing securities, a change in interest rates brings about a change in market values, which is reflected in the revaluation reserve. Mutual funds in bonds and money market funds are not included. Stock funds and mutual funds in stocks are in particular subject to other price risks, which are always recognized in the revaluation surplus. The simulation is conducted through the income statement only if impairments have already been recognized through profit or loss.

(3) Derivatives not qualifying for hedge accounting include currency forwards, currency options, stock index futures, currency swaps, and interest rate index futures. Any effect of the scenarios in question is recognized in the income statement.

(4) Financial liabilities include external borrowings. A change in interest rates would result in increased/reduced interest expense based on the variable-interest liabilities as of the reporting date.

Commodity price risks

Group-wide hedging is required to counter the substantial fluctuations in commodity prices and the resulting risks to earnings. In so far as possible, the hedging is performed via contractual agreements with suppliers. In other cases, the Group has also been using derivative financial instruments beginning in 2010.

Other price risks

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

Other price risks

	+10% shares				–10% shares			
	12/31/2010		12/31/2009		12/31/2010		12/31/2009	
	Effect on income	Effect on other transactions in	Effect on income	Effect on other transactions in equity	Effect	Effect on other transactions in equity	Effect on income	Effect on other transactions in equity
Financial assets								
Financial assets AfS (1)	0	11	0	12	–1	–11	–1	–12
Derivatives FVTPL (2)	0	–	–5	–	0	–	6	–
Effect on financial assets before tax	**0**	**11**	**–5**	**12**	**–1**	**–11**	**5**	**–12**
Financial liabilities								
Derivatives FVTPL (2)	1	–	–6	–	–1	–	6	–
Effect on financial liabilities before tax	1	0	–6	0	–1	0	6	0
Total effect before tax	**1**	**11**	**–11**	**12**	**–2**	**–11**	**11**	**–12**

AfS Available for Sale financial assets
FVTPL Fair Value Through Profit or Loss

Explanatory notes:

(1) AfS financial assets specifically comprise securities. In the case of interest-bearing securities, a change in interest rates brings about a change in market values, which is reflected in the revaluation reserve. Mutual funds in bonds and money market funds are not included. Stock funds and mutual funds in stocks are in particular subject to other price risk, which is always recognized in the revaluation surplus. The simulation is conducted through the income statement only if impairments have already been recognized through profit or loss.

(2) Derivatives not qualifying for hedge accounting include currency forwards, currency options, stock index futures, currency swaps, and interest rate index futures. Any effect of the scenarios in question is recognized in the income statement.

Credit and liquidity risk

The liquidity risk for the Company is the risk that it may be unable to meet its financial obligations, for example the repayment of financial liabilities or payments in connection with purchase commitments. BSH limits this risk by means of effective central cash management, global access to lines of credit provided by prime-rated banks, and a syndicated credit line primarily entered into for contingencies. A significant portion of the external bank loans are long term borrowings, thus obviating short-term liquidity risks from repayment obligations. To supplement the above-mentioned 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 secure BSH's financial flexibility and to limit unreasonable refinancing risks.

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

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

30 Leases

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

Maturity	2010	2009
Less than year	72	64
1–5 years	164	120
More than five years	71	62
Total	**307**	246

The minimum lease payments relate primarily to rents paid for real estate. Under rental agreements and leases, minimum lease payments of EUR 90 million (2009: EUR 89 million) and sublease payments of EUR 5 million (2009: EUR 5 million) were recognized in the income statement in 2010.

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

31 Contingent liabilities and other financial liabilities

No provisions have been recognized for the following contingent liabilities, stated at their nominal values, because there is a low probability that the risk will occur.

	2010	2009
Guarantees and letters of comfort	2	17
Liabilities on notes	2	2
Other contingent liabilities	1	1
Total	**5**	20

32 BSH compliance

The clarification and processing of matters by the BSH compliance organization for investigations commenced in the previous year against the company by the Munich State Prosecutor's Office into possible compliance cases in the area of sales promotion were concluded at the end of the year under review.

33 Related party disclosures

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

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

Transactions with these related parties are conducted on an arm's length basis. The goods and services bought from related parties include primarily production supplies and sales services, and a small volume of training and other services. The goods and services supplied to related parties primarily involve the sale of household appliances. Most of these transactions are conducted by the companies in Germany.

	2010		2009	
	Robert Bosch-Group	Siemens-Group	Robert Bosch-Group	Siemens-Group
Receivables	0	0	0	0
Liabilities	2	6	1	5
Revenue	2	0	2	0

34 Compensation of members of the executive management and the Supervisory Board

The compensation paid to the Supervisory Board amounted to EUR 0.1 million (2009: EUR 0.1 million); executive management compensation amounted to EUR 3.8 million (2009: EUR 3.5 million). Former members of executive management and their surviving dependants received payments of EUR 1.7 million, including pensions and transitional payments (2009: EUR 2.3 million). As of December 31, 2010, provisions amounting to EUR 20.7 million (2009: EUR 20.0 million) were recognized for pensions and benefit entitlements for these persons.

In the fiscal year, as in the previous year, there were no loans to members of the executive management or the Supervisory Board. The members of the executive management and the Supervisory Board are listed in the annexes.

35 Auditor fees and services in accordance with section 314 HGB

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

	2010	2009
a) Financial statements auditing services	0.4	0.7
b) Other attestation services	0.9	1.0
c) Tax consultancy services	0.0	0.0
d) Other services	0.5	0.3
	1.8	2.0

Item a) comprises solely 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, 2010.

The figure under b) primarily includes the fees for the auditors´ review of interim financial statements for the periods ending June 30, 2010 and September 30, 2010 as well as attestation services in connection with the review of IT systems. For billing reasons, the figure also includes services performed by local Deloitte companies outside Germany on behalf of Deloitte &Touche GmbH, Munich.

The figure under c) comprises a very small number of tax consultancy services.

The figure under d) largely comprises services for due diligence as part of selling and buying processes.

Munich, February 23, 2011

BSH Bosch und Siemens Hausgeräte GmbH
Executive Management

Annex I
Consolidated Statement of Changes in Fixed

January 1 to December 31, 2010 (in EUR million)

	Note	Cost			
		Jan. 1, 2010	Currency translation differences	Additions	Disposals
I. Property, plant, and equipment	**20**				
Land and buildings		800	23	28	9
Technical equipment and machinery		1,488	38	72	117
Other equipment, operating, and office equipment		1,370	25	100	136
Assets under construction		95	1	123	0
Advance payments on property, plant, and equipment		52	2	68	0
		3,805	**89**	**391**	**262**
II. Intangible assets	**21**				
Purchased intangible assets					
Patents, licenses, brand names, customer bases, etc. (excl. software)		69*	2	0	0
Software		76	1	6	3
Goodwill		181*	10	0	0
Advance payments on intangible assets		0	0	0	0
		326	**13**	**6**	**3**
Internally generated intangible assets					
Software		36	0	3	0
Development expenditure		3	0	0	0
Intangible assets in development		7	0	3	0
		46	**0**	**6**	**0**
		4,177	**102**	**403**	**265**

			Depreciation, amortization, impairment losses							Net book value
	Reclassifications	Dec. 31, 2010	Jan. 1, 2010	Currency translation differences	Additions***	Disposals	Reclassifications	Reversals	Dec. 31, 2010	12/31/2010
	13	855	361	8	33	6	1	0	397	458
	91	1,572	1,064	22	105	115	9	0	1,085	487
	28	1,387	983	15	141	129	–9	0	1,001	386
	–87	132	2	0	4	0	–1	1	4	128
	–45	77	0	0	0	0	0	0	0	77
	0	**4,023**	**2,410**	**45**	**283**	**250**	**0**	**1**	**2,487**	**1,536**
	0	71	35**	0	3	0	0	2	36	35
	0	80	61	1	7	3	0	0	66	14
	0	191	4**	2	0	0	0	0	6	185
	0	0	0	0	0	0	0	0	0	0
	0	**342**	**100**	**3**	**10**	**3**	**0**	**2**	**108**	**234**
	4	43	18	0	4	0	0	0	22	21
	0	3	2	0	1	0	0	0	3	0
	–4	6	0	0	0	0	0	0	0	6
	0	52	20	0	5	0	0	0	25	27
	0	4,417	2,530	48	298	253	0	3	2,620	1,797

* Reclassification of a brand name amounting to EUR 17 million from goodwill as patents, licenses, brand names, customer bases, etc. (excl. software).

** Reclassification of a brand name amounting to EUR 5 million from goodwill as patents, licenses, brand names, customer bases, etc. (excl. software).

*** Including impairment losses on property, plant, and equipment of EUR 14 million.

Consolidated Statement of Changes in Fixed

January 1 to December 31, 2009 (in EUR million)

		Cost					
	Note	Jan. 1, 2009	Currency translation differences	Additions from business combinations	Reclassification to assets held for sale	Additions	Disposals
I. Property, plant, and equipment	**20**						
Land and buildings		801	1	0	8	19	17
Technical equipment and machinery		1,568	11	0	0	37	172
Other equipment, operating, and office equipment		1,325	2	1	0	93	108
Assets under construction		101	0	0	0	86	4
Advance payments on property, plant, and equipment		25	0	0	0	45	0
		3,820	**14**	**1**	**8**	**280**	**301**
II. Intangible assets	**21**						
Purchased intangible assets							
Patents, licenses, brand names, customer bases, etc. (excl. software)		59*	–1*	11	0	1	1
Software		74	0	0	0	6	5
Goodwill		169*	1*	0	0	11	0
Advance payments on intangible assets		0	0	0	0	0	0
		302	**0**	**11**	**0**	**18**	**6**
Internally generated intangible assets							
Software		36	0	0	0	0	0
Development expenditure		3	0	0	0	0	0
Intangible assets in development		0	0	0	0	7	0
		39	**0**	**0**	**0**	**7**	**0**
		4,161	**14**	**12**	**8**	**305**	**307**

* Reclassification of a brand name from goodwill as patents, licenses, brand names, customer bases, etc. (excl. software), of which EUR 18 million was reclassified on January 01, 2009 and EUR 1 million was reclassified as currency translation differences.

Reclassifications	Dec. 31, 2009	Depreciation, amortization, impairment losses: Jan. 1, 2009	Currency translation differences	Reclassification to assets held for sale	Additions***	Disposals	Reclassifications	Reversals	Dec. 31, 2009	Net book value 12/31/2009
4	800	350	1	3	29	17	1	0	361	439
44	1,488	1,101	17	0	112	166	0	0	1,064	424
57	1,370	925	0	0	154	101	5	0	983	387
–88	95	4	0	0	7	3	–6	0	2	93
–18	52	0	0	0	0	0	0	0	0	52
–1	**3,805**	**2,380**	**18**	**3**	**302**	**287**	**0**	**0**	**2,410**	**1,395**
0	69	29**	1	0	7**	2	0	0	35	34
1	76	59	0	0	8	6	0	0	61	15
0	181	3**	0	0	1**	0	0	0	4	177
0	0	0	0	0	0	0	0	0	0	0
1	**326**	**91**	**1**	**0**	**16**	**8**	**0**	**0**	**100**	**226**
0	36	14	1	0	3	0	0	0	18	18
0	3	1	1	0	0	0	0	0	2	1
0	7	0	0	0	0	0	0	0	0	7
0	**46**	**15**	**2**	**0**	**3**	**0**	**0**	**0**	**20**	**26**
0	**4,177**	**2,486**	**21**	**3**	**321**	**295**	**0**	**0**	**2,530**	**1,647**

** Reclassification of a brand name from goodwill as patents, licenses, brand names, customer bases, etc. (excl. software), of which EUR 1 million was reclassified on January 01, 2009 and EUR 4 million was reclassified as depreciation for current year.

*** Including impairment losses on property, plant, and equipment of EUR 43 million and impairment losses on intangible assets of EUR 6 million.

Shareholdings of BSH Bosch und Siemens Hausgeräte GmbH

as of 31. 12.10

Annex II

	Shareholding %
Subsidiaries included in the consolidated financial statements in accordance with IAS 27.12	
Germany	
Constructa-Neff Vertriebs-GmbH, Munich	50
Neff GmbH, Munich	100
BSH Hausgeräte Service GmbH, Munich	100
BSH Hausgerätewerk Nauen GmbH, Nauen	100
BSH Hausgeräte Service Nauen GmbH, Nauen	100
Gaggenau Hausgeräte GmbH, Munich	100
BSH Vermögensverwaltungs-GmbH, Munich	100
BSH Hausgeräte Vertriebs GmbH, Munich	100
Europe	
BSH Home Appliances S.A., Brussels	100
BSH 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 Ltd., Milton Keynes	100
BSH Elettrodomestici S.p.A., Milan	100
BSH Huishoud-elektro B.V., Amsterdam	100
BSH électroménagers S.A., Luxembourg	100
BSH Husholdningsapparater A/S, Oslo	100
BSH Hausgeräte Gesellschaft mbH, Vienna	100
BSH Home Appliances Holding GmbH, Vienna	100
BSH Finance Management GmbH, Vienna	100
BSH Sprzet Gospodarstwa Domowego Sp.z o.o., Warsaw	100
BSHP Electrodomésticos, S.U., Lda., Carnaxide	100
BSH Electrocasnice S.R.L., Bucharest	100
OOO BSH Bytowaja Tech nika, Moscow	100
OOO BSH Bytovye Pribory, St. Petersburg	100
BSH Home Appliances AB, Stockholm	100
BSH Hausgeräte AG, Geroldswil	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 spotřebicˇe s.r.o., Prague	100
BSH Ev Aletleri Sanayi ve Ticaret A.Ş., Istanbul	99.28
TOV BSH Pobutova Technika, Kiev	100
BSH Háztartási Készülék Kereskedelmi Kft., Budapest	100
North America	
BSH Home Appliances Ltd./Électroménagers BSH Ltée, Mississauga	100
BSH Electrodomésticos S.A. de C.V., Mexico City	100
BSH Home Appliances Corporation, Huntington Beach/New Bern	100

	Shareholding %
South America	
BSH Electrodomésticos S.A., Buenos Aires	100
BSH Indústria e Comércio de Eletrodomésticos Ltda., São Paulo	100
BSH Electrodomésticos S.A.C., Callao-Lima	100
Briky S.A., Montevideo	100
Asia/Oceania	
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	60
BSH Home Appliances Ltd., Hong Kong	100
BSH Home Appliances Ltd., Tel Aviv	100
BSH Home Appliances Sdn. Bhd., Kuala Lumpur	100
BSH Home Appliances Pte. Ltd., Singapore	100
BSH Home Appliances Pty. Ltd., Heatherton, Victoria	100
BSH Home Appliances Ltd., Auckland	100
BSH Home Appliances Ltd., Bangkok	100
BSH Home Appliances Manufacturing Ltd., Kabinburi	100
BSH Home Appliances FZE, Dubai	100
BSH Home Appliances Saudi Arabia LLC, Jeddah	51
BSH Home Appliances Private Limited, Mumbai	100
Africa	
BSH Electroménagers (SA), Casablanca	100
BSH Home Appliances (Pty) Ltd., Johannesburg	100
Consolidated subsidiaries according to IAS 27.13 (b)	
Robert Bosch Hausgeräte GmbH, Munich	–
Siemens-Electrogeräte GmbH, Munich	–
CONSTRUCTA GmbH, Munich	–
Not consolidated subsidiaries according to IAS 27.13	
BSH Bosch und Siemens Hausgeräte Altersfürsorge GmbH, Munich	100
Companies not included in the consolidated financial statements due to immateriality:	
BSH I.D. Invalidska družba d.o.o. (Nazarje)	100
BSH Home Appliances Sarl, Tunis	100
Plus one subsidiary without business operations	
Profilo Elektrogeräte-Vertriebsgesellschaft mbH, Munich	100

Independent Auditors' Report

The following auditors' report (*Bestätigungsvermerk*) has been issued in accordance with § 322 German Commercial Code (*Handelsgesetzbuch*) in German language on the German version of the consolidated financial statements of BSH Bosch und Siemens Hausgeräte GmbH as of and for the fiscal year ended December 31, 2010 and the group management report. The group management report is not included in this Offering Circular.

We have audited the consolidated financial statements prepared by BSH Bosch und Siemens Hausgeräte GmbH, Munich, comprising the balance sheet, the income statement and statement of comprehensive income, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, and management report for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and group management report according to the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to §315a (1) HGB (German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, February 25, 2011

Deloitte &Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Plendl)	(Prosig)
Wirtschaftsprüfer	Wirtschaftsprüfer

(German Public Auditors)

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