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Discussion Paper
Preliminary Views on Amendments to IAS19 Employee Benefits

Ladies and gentlemen,

We would like to comment on your Discussion Paper, issued on March 27, 2008.

While we are in agreement about some of the basic points, we feel that some of the proposals would lead to more expenditures in the companies and to a general new classification of the pension plans. In addition, these changes would not result in more transparency and comparability.

See our comments as follows to the main points:

- Actuarial gains and losses
First of all, we agree with the idea of eliminating options for recognizing actuarial gains and losses. This would enhance comparability and transparency of accounting for post-retirement benefits. Our preference would be the option IAS 19.93A, the "SORIE-Approach".

In our opinion, the option of showing the actuarial gains and losses in the profit and loss statement would lead to an unclear operating income because of changes in actuarial assumptions.

In contrast, the "SORIE-Approach, which shows the actuarial gains and



losses in equity, makes a transparent statement of the funded status. It also avoids volatility in the profit and loss statement. Meanwhile, it has been adapted by many other companies, including Robert Bosch GmbH.

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- Classification of pension plans

The current classification of pension plans is based on the risk of the company's commitment. This is a clear and useful criterion for differentiating between defined benefit and defined contribution plans.

The proposal of classification as a defined benefit and contribution-based commitment, on the other hand, is not, we feel, very useful. The allocation depends on many criteria which would cause a new classification of most of the pension plans at Robert Bosch GmbH as well as at many other companies. Many plans considered as defined benefit would be classified as contribution-based plans. And the further consequence would be the effect on the operating profit caused by this new classification.

- Evaluation

One proposal you made regarding evaluation was that the risk of the companies shall be considered by the fair value evaluation. The consequence of this proposal is that the commitments of the same pension plan by different companies would be evaluated differently, which wouldn't support the aim of comparability of financial statements.

A further disadvantage of this method is that the evaluation of the liability after the beginning of retirement would vary depending on whether the liability has been classified as a defined benefit or as a contribution based benefit. Furthermore, the change of the Liability of contribution-based commitments would be considered in the profit and loss statement.

Such an evaluation would force the companies to externalize the commitments and to link the liability with the asset side of the commitments. This would not conform to current practices in Germany or in many other countries. To change these practices would be nearly impossible because of legal requirements.

In conclusion, we feel that it would not be productive to change the method of evaluation.

Yours sincerely

Robert Bosch GmbH