

Industry Sector

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Business outlook for Siemens Industry Sector slightly improves

The overall business outlook for the Industry Sector of Siemens AG has brightened somewhat in the last few months. “We decisively implemented targeted measures at an early stage and took effective steps to adjust our activities to the lower market level. Although we know we still have homework to do in some areas, we’re now seeing positive results. In the growth regions, we’re extremely well-positioned, ” said Heinrich Hiesinger, member of Siemens’ Managing Board and CEO of the company’s Industry Sector, at an investor event on Friday. Adjusted for restructuring costs, the Sector’s operating margin in fiscal 2010 is expected to be just above nine percent and at the low end of its margin target. The improved assessment of profitability development is due primarily to an earlier-than-expected stabilization of the Industry Sector’s short-cycle businesses. Some of the Sector’s longer-cycle businesses continue to decline, as expected. Assuming that there is a steady recovery of the businesses affected by the economy, new orders in the Industry Sector are expected to reach the prior-year level. Year-over-year revenue decline in fiscal 2010 is expected to be in a single-digit percentage range, cushioned by a moderate large order backlog of €28 billion.

Given the moderate stabilization in demand for capital goods, the Siemens Industry Sector is expecting its market to decline only two percent year-over-year in fiscal 2010, to roughly €360 billion. In fiscal 2009, market volume declined 12 percent as a result of the global economic crisis. “The market is stabilizing, although our business environment remains challenging,” remarked Hiesinger. Stabilizing factors include growth in the transportation and the rail market and we believe we have seen the bottom in the short-cycle manufacturing industries. By contrast, the longer-cycle businesses continue to decline. The Industry Sector is taking measures, previously announced, to put these businesses on a solid basis for the long term. Reflecting continued difficult market conditions, adjustments will be made at parts of the Drive Technologies and Industry Solutions Divisions. The company had already announced these plans in February 2010.

Expansion of footprint in growth markets

While the anticipated recovery will be considerably slower in developed markets due to existing overcapacities, an upturn is on the horizon – especially in emerging markets like Asia and the Middle East. Siemens expects that roughly one-third of the total growth in industry markets will come from China and India by 2015. “To seize our growth opportunities in emerging countries, such as Brazil, China and India, we will continue to expand our footprint,” announced Hiesinger. In this context, the six Industry Division CEOs will present their respective plans at the investor event. The entire local value chain and the product portfolio are to be expanded with solutions tailored specifically to the emerging countries. Siemens generates about one-quarter of the revenue from its Industry Sector in emerging countries. In China, the biggest emerging market, the Sector has approximately 21,000 employees.

Strengthening innovation and increasing the service business

Siemens intends to maintain its prior-year investment level of roughly €1.8 billion for research and development (R&D) in the industry business. Plans call for the R&D ratio – the ratio of R&D investment to revenue – to grow further in fiscal 2010. The Sector’s R&D ratio was 5.2 percent in fiscal 2009. “Our aim is to drive innovation as effectively as possible, regardless of the economic climate,” stated Hiesinger, noting that this applies, for example, to the use of technology platforms for automation, drives and software across the entire Siemens portfolio, as well as to the implementation of efficient eco-friendly technologies – with which the Industry Sector generated revenue of nearly €12 billion in fiscal 2009.

In addition, the potential of the services business – with which the Siemens Industry Sector generated just under one-fifth of its revenue in fiscal 2009 – is to be leveraged more intensively. Benefiting from its large installed base, Siemens intends to achieve substantial growth in this area while focusing in particular on high-value services.

The **Siemens Industry Sector** (Erlangen, Germany) is the world's leading supplier of production, transportation, building and lighting technologies. With integrated automation technologies as well as comprehensive industry-specific solutions, Siemens increases the productivity, efficiency and flexibility of its customers in the fields of industry and infrastructure. The Sector consists of six Divisions: Building Technologies, Drive Technologies, Industry Automation, Industry Solutions, Mobility and Osram. With around 207,000 employees worldwide Siemens Industry posted sales of about EUR35 billion in fiscal year 2009. <http://www.siemens.com/industry>

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