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Siemens off to a good start in new fiscal year 2011

Siemens is off to a good start in the new fiscal year 2011. The company expects a strong increase in new orders in the first quarter of the year, compared to the comparable period in fiscal 2010. Revenue will also probably increase substantially year-over-year. Income from continuing operations in the first quarter is expected to exceed the prior-year level. “We’re off to a good start and are fully on track to reach our targets,” stated Siemens CFO Joe Kaeser at an investor conference in New York on Monday.

New orders at Siemens are expected to show a robust increase year-over-year, exceeding the comparable prior-year figure of about €19 billion. However, they will probably not reach the traditionally strong fourth-quarter level of around €23.5 billion. According to Kaeser, revenue is also expected to considerably exceed the prior-year level of €17.4 billion but to remain substantially below the level of roughly €21.2 billion achieved in fourth quarter of fiscal 2010 – a result that will further increase the company’s order backlog. Income from continuing operations in the first quarter of 2011 will probably exceed that of the first and fourth quarters of fiscal 2010. Income from continuing operations in the first quarter of fiscal 2010 totaled some €1.5 billion.

The Industry Sector profited in the first quarter of fiscal 2011 from ongoing, strong momentum in its short-cycle businesses. This momentum will probably continue in the first half of fiscal 2011. However, dynamical growth is expected to slow in the second half of fiscal 2011, said Kaeser. “The party isn’t going to last forever because it’s partly the effect of efforts to catch up on crisis year 2009,” he explained. However, the environment for long-cycle businesses continued to improve in the first quarter. The Mobility Division will report a solid level of new orders and brisk bidding activity. The Industry Solutions Division also showed catch-up potential – for example, in business connected with the steel industry, in ecofriendly water technology and in market penetration in the area of services. Overall, new orders for the entire Industry Sector are expected to be above those for the comparable prior-year period and at about the same level as in the fourth quarter of fiscal 2010. First-quarter revenue and profit will probably be higher than in the first quarter a year ago. In

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the first quarter of fiscal 2010, Sector profit totaled €840 million on revenue of some €8.1 billion and new orders of about €8.2 billion.

At the Energy Sector, the recently positive trend in new orders is expected to continue in the first quarter of fiscal 2011. According to Kaeser, new orders will probably be considerably above the prior-year figure of slightly more than €6.9 billion but are not likely to reach the high level of about €9.1 billion achieved in the fourth quarter of 2010. The substantial increase over the prior-year level will probably be the result primarily of ongoing, solid demand at the Fossil Power Generation Division and the Oil & Gas Division. At the Renewable Energy Division, seasonal effects will reduce new orders considerably. However, this decline will be only temporary, said Kaeser. Double-digit growth in new orders is still expected for the current fiscal year as a whole. Preliminary work on the further global expansion of the wind business and the ongoing integration of solar technology activities would also lead to a noticeable, temporary decline in Division profit, Kaeser added.

Revenue at the Energy Sector would probably be well above the comparable prior-year figure of €5.6 billion but below the level of €7.3 billion achieved in the fourth quarter of fiscal 2010. Profit is expected to be above the level of the first quarter of fiscal 2010, when it totaled around €771 million.

At the Healthcare Sector, new orders are also expected to be above the comparable prior-year figure of about €2.9 billion. Once again, the key driver here will probably be the Sector’s market-leading imaging business. With a well-filled innovation pipeline, the Division is expected to continue maintaining its strong position in the future, said Kaeser. In its new setup, the diagnostics business, which had recently been disappointing, was on track. However, this would probably be reflected in accelerating growth only in the medium term. Projects in the area of particle therapy also continued to be challenging. The company was cooperating with customers here to develop pioneering technologies for combating cancer. However, the special expenses in this area were currently still unsatisfactory, said Kaeser.

Revenue at the Sector is expected to be between the prior-year figure of €2.8 billion and the previous-quarter level of €3.4 billion. Sector profit will probably be below the level of €499 million achieved in the comparable prior-year period but above the previous-quarter figure, excluding the goodwill impairment at the diagnostics business.

With regard to operations at Siemens IT Solutions and Services (SIS), Kaeser referred to a first-quarter stabilization. However, the announced transaction with Atos Origin will probably generate

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charges from a goodwill impairment. According to Siemens Annual Report as of September 30, 2010, goodwill for SIS totaled around €132 million. In the first half-year, Siemens expects the figure for one-time effects due to the sale of the business to Atos Origin to be in the mid-to-high triple-digit-million euro range – independently of and in addition to the anticipated carve-out-related costs totaling about €200 million to €300 million, said Kaeser.

The Siemens CFO referred once again to the distinctive value-creating potentials generated by the merger with Atos Origin. The cooperation could be expanded even further in the future to create a global alliance, Kaeser said. Industrial IT and software expertise and partnerships were becoming increasingly important in growth fields – such as energy-saving technologies for smart grids and smart buildings, the management of cities and conurbations, mobility management and industrial integration – and in healthcare technology, he said in conclusion.

Siemens AG (Berlin and Munich) is a global powerhouse in electronics and electrical engineering, operating in the industry, energy and healthcare sectors. For over 160 years, Siemens has stood for technological excellence, innovation, quality, reliability and internationality. The company is the world's largest provider of environmental technologies, generating some €28 billion – more than one-third of its total revenue – from green products and solutions. In fiscal 2010, which ended on September 30, 2010, revenue totaled €76 billion and net income €4.1 billion. At the end of September 2010, Siemens had around 405,000 employees worldwide. Further information is available on the Internet at: www.siemens.com.

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