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Siemens feels impact of more difficult market environment in third quarter

Revenue growth in all Sectors – OSRAM spinoff planned

Siemens felt the impact of a more difficult global market environment in the third quarter of fiscal 2012. Thanks to a solid order backlog and positive currency translation effects, revenue was up ten percent compared to the third quarter of fiscal 2011. On the other hand, new orders were down 23 percent due to a substantially lower volume from major orders like the ICx order from Deutsche Bahn in the prior-year quarter. Profit was considerably above the prior-year figure, which had been burdened by negative profit effects connected with an arbitration decision and the particle therapy business. “The deceleration of the world economy has increased in the past few months. We see growing reluctance among our customers regarding capital expenditures and stronger economic headwinds, especially in our industrial short-cycle businesses,” said Siemens CEO and President Peter Löscher. “Therefore, our focus above all is on increasing our productivity and efficiency. Given the deteriorating environment, it is becoming more difficult to achieve our guidance for the fiscal year.”

Given the difficult capital market environment, it is now planned to publicly list OSRAM via a spinoff to Siemens shareholders. Siemens still intends to retain a minority stake in OSRAM, in which it wants to remain a long-term anchor shareholder. Spinning off OSRAM will make the public listing more independent of capital market conditions. These moves will provide OSRAM with the independence it needs as well as more flexible financing options.

In the third quarter of fiscal 2012, which ended on June 30, 2012, revenue increased ten percent to €19.5 billion. New orders were down 23 percent year-over-year to €17.8 billion. The decline was due primarily to a considerably smaller volume from major orders compared to the prior-year period, in which new orders had included the ICx order from Deutsche Bahn – the largest order in Siemens' history. In the emerging countries, new orders climbed five percent to €6.7 billion. In the third quarter, the book-to-bill ratio was 0.91, and the order backlog – benefiting from positive currency translation effects – again totaled €100 billion.

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In the Energy Sector, new orders declined 28 percent to €5.2 billion, while revenue rose 14 percent to €7.0 billion thanks to the large order backlog. Factors contributing to the drop in new orders included a 66 percent decline at the renewable energies business due to a substantially lower volume in major orders compared to the prior-year quarter and a weaker market environment in the wind power business. However, the renewable energies business generated the highest growth in revenue – an increase of 48 percent.

The Healthcare Sector achieved double-digit growth in new orders and revenue in the third quarter, benefiting from positive currency translation effects, among other factors. While new orders increased ten percent to €3.3 billion, revenue rose 17 percent year-over-year to €3.3 billion. Thanks to positive currency translation effects, new orders at the Industry Sector were stable at €5.1 billion, while revenue climbed three percent to €5.1 billion. At the Infrastructure & Cities Sector, revenue rose six percent to €4.3 billion. At €4.2 billion, new orders were 45 percent lower than the prior-year figure due to the aforementioned record ICx order a year earlier.

Fewer burdens from special effects – Profit growth in third quarter

On the profit side, increased costs associated with innovation and growth initiatives, as well as lower profits at the short-cycle industry businesses were among the factors that had an impact. Nevertheless, Total Sectors profit increased in the third quarter to €1.8 billion (Q3 2011: €1.1 billion) since the prior-year quarter had been considerably burdened by negative profit effects in connection with an arbitration decision relating to Areva – amounting to €682 million – and with the particle therapy business – amounting to €381 million. Income from continuing operations at Siemens climbed to €1.2 billion in the third quarter, compared to €763 million a year earlier.

At the Energy Sector, profit was €683 million in the third quarter, compared to €214 million for the prior-year period. The largest contributor here was the Fossil Power Generation Division, with profit of €475 million. The Healthcare Sector generated profit of €396 million, following €8 million in the prior-year quarter.

At the Industry Sector, the market environment became more challenging during the third quarter, particularly for the Sector's short-cycle product businesses. Profit at the Sector declined 26 percent to €523 million. The Infrastructure & Cities Sector reported stable profit of €215 million for the third quarter.

Outlook

For fiscal 2012, Siemens expects moderate organic revenue growth compared to fiscal 2011, and a book-to-bill around one. Given the company's results for the first nine months, including substantially lower earnings than expected in its industrial short-cycle businesses, it has become clearly more ambitious to reach the range of the company's mid-year outlook of €5.2 to €5.4 billion in income from continuing operations.

This outlook excludes significant portfolio effects and impacts related to legal and regulatory matters in the second half of the fiscal year.

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Further information about risks and uncertainties affecting Siemens is included throughout our most recent annual, and interim reports as well as our most recent earnings release, which are available on the Siemens website, www.siemens.com, and throughout our most recent annual report on Form 20-F and in our other filings with the SEC, which are available on the Siemens website, www.siemens.com, and on the SEC's website, www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of Siemens may vary materially from those described in the relevant forward-looking statement as being expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

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