

Festo on track for success in global growth markets

As well as record growth in Germany, Festo benefits from record growth in Europe, Asia and the Americas

A strong market standing in Europe and Germany – coupled with its international alignment with the boom regions of Asia and America – helped Festo AG post record sales in its fiscal year 2010. Global sales climbed 37% to € 1.8 billion (prior year: € 1.3 billion). In Europe – traditionally Festo's largest market – the company raised sales by 31%. Asia grew by 75%, North and South America by 45%. On the domestic German market, sales began modestly but then climbed rapidly to 33% for the year as a whole. In Festo's new business fields, Process Automation posted sales growth of 25% while Electric Drives enjoyed growth in excess of 90%. In addition to its European activities, Festo has also been realigning its overseas business since 2010 in order to fully exploit growth opportunities in newly allocated global markets. As a family-owned company, Festo aims to strengthen its financial independence and align its global supply chain in such a way that it can react even more swiftly and flexibly in future to highly volatile international markets. The Electric Drives and Process Automation divisions are to be expanded further, together with industry-relevant training and consulting, in order to provide a full range of products and services as well as one-stop-shopping solutions from Factory to Process Automation. Global headcount rose to 14,600 in 2010 (prior year: 13,500), of which 6,800 people (prior year: 6,600) were employed in Germany and 7,800 (prior year: 6,900) abroad. The company invested strongly in education and training for its employees in 2010, as well as in future-oriented technologies. Spending on new product development in Germany amounted to 9.5% of sales. At the world's most important technology show, the Hanover Fair 2011, Festo will be presenting 66 new products and numerous solutions for safe, intelligent and energy-efficient green production under the heading "Focus on Efficiency" – from Mechatronic Motion Solutions to Bionics. Festo expects the Hanover Fair to give further impetus to demand, especially among its European customers. For its fiscal year 2011, the Management Board expects slower macroeconomic growth, but a double-digit increase in Festo's global sales of well over 10%.

Focus: strategic realignment with growth regions

Market re-allocation and customer demands for greater proximity in the boom regions of Asia and the Americas represent considerable challenges for Festo – challenges it has long since overcome in its core European market. Over the coming years, the company will

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therefore focus increasingly on aligning its structures and processes with these market changes. The company's markets in Germany and Europe will also benefit considerably from the dynamic trend in overseas exports.

"We reacted immediately to the boom in Asia during 2010 and recruited additional engineers at our national companies to provide local service and support for our clients. This was the only way we could tap the additional market opportunities and cope with the extreme rise in demand. This was also the reason for the above-average growth in headcount abroad," explains Dr. Eberhard Veit, Chairman of the Management Board of Festo AG.

"More so than in the past, Festo's growth in future will be strongly affected by international markets. Fast market changes will therefore require greater flexibility. Customers buying goods from Festo in Asia and the Americas expect service, consulting, application engineering and absolutely reliable delivery, just like customers in our own back yard in Europe. The trend is heading towards production in the region, for the region. But that does not mean that all parts will be fully manufactured there. Europe, and especially our German facilities, will contribute a high proportion of value added in all regions – now and in future. Based on such factors as customer requirements, market proximity and productivity, we must carefully consider which products are to be produced directly in the respective regions. Many customers in Asia/America also expect deliveries within 24 hours. There is no jet that can fly that fast. This has to be solved locally – also with regard to ecological criteria," says Dr. Veit and adds: "and this will also be a key prerequisite for the sustainable success of our company here in Germany."

In order to ensure maximum flexibility and quality in global market delivery for its customers, Festo plans to expand its facilities and service centres around the world. The aim is to achieve a further reduction in the company's time-to-market, especially for international customer-specific projects.

More than half of capital expenditure to be invested in Germany in 2011

Festo will therefore be investing over € 100 million world-wide in 2011. Outside Germany, the company aims to drive the expansion of its global production plants and logistics centres as part of its efforts to globalise local market deliveries. However, more than half of total capital expenditure will be invested in Germany alone.

Two thirds of capital spending in Germany will be invested in production: in machines, plant, equipment and tools, mainly for the production of new products. This will help keep the company's German facilities fit for the global competition between sites and secure supplies for the boom markets of Asia and the Americas.

Festo wins German Futures Award 2010: strong investment in research and technology – 80% of development expenses for new products spent in Germany

More than € 100 million is spent in addition on the development of new products – 80% of which in Germany alone.

“As a technology-driven company, we aim to be the performance leader. We have therefore invested heavily in R+D in the past few years,” explains Dr. Veit and adds: “Winning the German Futures Award 2010, the Oscar for technology, with our Bionic Handling Assistant shows that we're on the right track. Customers are already buying its pioneering technologies and cutting-edge components in the form of our latest products.”

Integrated solutions for Factory and Process Automation

Festo regards Process Automation, Electric Drives and selected future-oriented industrial sectors as its strategic business fields. “Biotech/Pharma and Water/Waste Water are already growth markets for us. Against the backdrop of increasingly scarce water supplies and rising health awareness among the world's population, we see considerable potential in these areas. The strategic investments we make in these future markets are also especially relevant for our German facilities – as are our growth regions abroad,” states Dr. Veit and adds: “Customers need globally integrated automation concepts and do not distinguish between Factory and Process Automation. We therefore aim to supply integrated solutions from a single source. With our international network of national companies, we can support our globally operating clients with consulting, services, products and application know-how. Our Didactic division also offers a growing range of training and consulting services, i.e. we advise customers on how production processes can be made even more efficient in the context of manpower, technology and organisation,” explains Dr. Veit.

Education and training at German sites given high priority

“We also continue to attach great importance to our investments in education and training. Despite the crisis, we raised our investments in education by 10% to over € 8 million in 2009 and approved 90 apprenticeship positions for both 2010 and 2011. This represents a clear

commitment to our German facilities,” stresses Alfred Goll, Member of the Management Board for Human and Intellectual Resources.

The know-how at Festo's main sites in Esslingen and St. Ingbert, Germany, is very high. These facilities will continue to make a decisive contribution in the case of challenging production start-ups and complex products. They will also play a coordinating role in the Group's global R+D, production and logistics network. "Our production facilities can only cope with the current strong sales increases for new products of over 100% with the aid of our highly skilled core work force," states Dr. Veit.

“We are undertaking considerable efforts to enhance the competitive edge of our facilities by offering continuous staff training and simultaneously adapting our structures. We must make further improvements to our cost positions. Our high level of value added in Germany must be continually measured against international benchmarks. This is the only way we can retain employment and know-how in Germany over the long term,” explains Dr. Veit.

Outlook: long-term growth plans for Germany and the global market

The strong growth of 2010 is expected to slow in the current year due to the higher base level. Following growth of 37% in 2010, the Management Board therefore forecasts sales of over € 2 billion for fiscal year 2011.

“We see tremendous growth potential in Asia, in particular, over the coming years. If we can grasp these opportunities, our other facilities – especially in Germany – will also benefit from this economic growth engine. Intelligent mechatronic products and integrated solutions for safe, energy-efficient, i.e. green manufacturing in Factory and Process Automation in the context of manpower, technology and organisation, as well as our training and qualification concepts, will shape our growth over the coming years,” says Dr. Veit.

Please refer to: Festo press photos
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Caption to illustration: Outstanding research and development: Dr. Eberhard Veit, Chairman of the Management Board of Festo AG, with the Bionic Handling Assistant by Festo, which won the German Futures Award 2010.

Please refer to: Festo press photos
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Caption to illustration: In the field of Process Automation, Festo also offers solutions for the growing water/waste water sector.

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Caption to illustration: Festo on course for success in its global growth markets with 75% growth in Asia in fiscal year 2010.

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Caption to illustration: Festo TechnologyCenter Esslingen a. N.

Please refer to: Festo press photo CC_10_11_Customers.tif



Caption to illustration: Festo offers one-stop-shopping from Factory to Process Automation.

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