

Hot Hot Topics – September 2003

Siemens Buys Danfoss Flow Division

May 12, 2003 – Danfoss A/S, Nordborg, Denmark, have signed an agreement on May 12, 2003 about the acquisition of the Flow Division of Danfoss by Siemens A&D. Siemens reports that this acquisition will be completed on September 1, 2003.

According to Anton S. Huber, member of the A&D Group Executive Management, the greatest potential for growth for A&D lies in process automation. Around a quarter of today's requirement for process instrumentation are flow meters: "With the acquisition of the Danfoss Flow Division, we consistently continue to expand our process automation sector. The Danfoss flowrate meters perfectly complement our process instrumentation and close an important product and technology gap in our portfolio. We are also considerably improving our market access to important customers and regions. The enhanced product portfolio improves our competitive position considerably and we will become an even more attractive partner for our customers".

Jørgen M. Clausen, President and CEO of Danfoss, comments: "This step is intended to place the innovative Danfoss flow measurement technology in a leading market position and will allow Danfoss to concentrate on its core businesses in the future."

The Danfoss Flow Division, a leading manufacturer of electronic flow measurement devices for liquids and gases, achieved annual sales of around 60 million euros in 2002, employs 450 people and has a worldwide sales organization as well as two manufacturing sites – at the company headquarters in Nordborg and in Stonehouse, UK. The product portfolio comprises products involving flow-measuring systems with magnetic-inductive, Coriolis and ultrasound measurement features.

The agreement is designed to combine the flow activities of Siemens and the Danfoss Flow Division into a new A&D business unit, Siemens Flow Instruments, with its

headquarters in Nordborg, which will be responsible worldwide for development, production and marketing.

“Our Flow Division has achieved good results in the last few years with its magnetic, Coriolis and ultrasound products and has grown considerably,” says Clausen. According to Clausen, customers are tending towards the direction of single source; they want to purchase their entire field instrumentation from a single supplier. He sees better opportunities for the Danfoss Flow Division with a complete systems provider such as Siemens. “I am convinced that Siemens will further improve our flow business, will make jobs even more secure and open up new career prospects for our employees,” he adds.

According to Huber, Siemens needs a wide range of field devices in order to be able to offer its customers optimum solutions: “Field devices are becoming more and more powerful due to integrated processors and they communicate via digital field buses with the control system. Process systems are thus further optimized, their efficiency is increased and maintenance costs are lowered. Field devices are an important element of our Totally Integrated Automation strategy. We can provide our customers with automation solutions comprising optimally tuned products and components from a single source.“

Comment: This acquisition of the Danfoss Flow Division (www.danfoss.com) stems mainly from Siemens’ desire to increase its market share as a flowmeter supplier. Previous acquisitions by Siemens (www.siemens.com) include Turbo-Werk (1999), Milltronics (2000) and Moore Products (2000). While Danfoss is much stronger in Europe than in the US, the acquisition of the Danfoss Flow Division will help Siemens worldwide in flow, and will give them a significantly broader product line. Danfoss is a supplier of magnetic, Coriolis, and ultrasonic flowmeters.

From Danfoss’ perspective, the acquisition enables them to become part of a company that can offer a much broader range of solutions. Siemens has an extremely broad product line that extends far beyond instrumentation, and is very dominant in Germany

and elsewhere in Europe. It remains to be seen how Danfoss' flow products will fit into the flow products that Siemens already has. But it is clear that this acquisition will give Danfoss much greater flexibility in bidding for projects.

NOTE: See the Worldflow Market Barometer, Q3 2003, for a much more extensive look at the recent wave of acquisitions that has swept through the flowmeter business.