********Press Conference of Phoenix Contact at SPS IPC Drives 2015**

**On the road to the digital future**

At the automation show SPS IPC Drives (24-26 November 2014) in Nuremberg, Executive Vice President Roland Bent spoke on occasion of a press conference about the cool off of the economy due to global changes and political instability throughout 2015. The growth of the Phoenix Contact Group is currently around 8.5 percent in euros. Due to the fact that the euro is currently very weak compared to most other local currencies, non-market-related currency gains make up over 50 percent of the Group’s current growth. An adjusted assessment of the market situation therefore only shows a growth in local currencies of around four percent. Phoenix Contact Group still ranks among the top in growth for the industry in 2015. The regional differences become clear upon closer inspection. The growth in Europe, without Germany, is over eight percent in local currency while the growth in the U.S. is 15 percent in euros with a slight decline in local currency. China has a growth in local currency of just 3.5 percent. Even the currency leverage, which has led to 20 percent growth in euros, does not disguise these figures. The German market continues to indicate a positive trend for Phoenix Contact. We predict sales of 470 million euros by the end of 2015. That figure corresponds to a growth of around three percent, which, adjusted to take special projects into account, reflects a growth of five percent compared to 2014. Many of the current destabilising geopolitical factors have been present since 2014, so we have been cautious when it comes to developing additional structures in 2015. Nevertheless, we again reached an investment rate of seven percent. By the end of 2015, the Phoenix Contact Group worldwide will grow by 600 employees compared to 2014. In Germany, we expect to gain 230 new employees. Many of these employees are highly qualified specialists, technicians, and engineers. We will achieve a growth of around eight percent well over 1.9 billion euros.

**Phoenix Contact 4.0**

Phoenix Contact continually invests in research and development. In 2015 we achieved a R&D rate of seven percent. Looking forward, the megatrend of digitalisation in industry – often referred to as Industrie 4.0 in Germany – will have a growing impact on the technological aspects of innovation at Phoenix Contact. The digitalisation of industry involves much more than just the use of new technologies in factories and administrative processes. Digitalization of the industry also means overcoming previous departmental boundaries in organisations, introducing new forms of work, and above all, the ability to integrate the company and its products into the digital supply chain of customers. Phoenix Contact has launched extensive technological activities in recent years in order to prepare the Group for the coming changes. Thus, for instance, Phoenix Contact is actively involved in research networks such as the ‘It’s OWL’ Leading-Edge Cluster.

In 2010 already, this network laid the foundation for the application stage of the ‘It’s OWL Intelligent Technical Systems’ Leading-Edge Cluster. From the very beginning, Phoenix Contact was one of the core Groups involved in the Leading-Edge Cluster. In 2012, Phoenix Contact was one of the first companies to join the Industrie 4.0 platform association. Early in 2015 as part of the second phase, the activity was transferred to a new platform structure coordinated by the German Federal Ministry for Economics and Energy and the Ministry for Education and Research. Phoenix Contact is active in many important areas here as well. The company is a member of the platform’s management board and are active in four of the five working groups (Group 1: Reference Architecture and Standardisation, Group 2: Research and Innovation, Group 3: Security of Networked Systems, Group 5: Work, Education, and Further Training). Applications that have already been integrated in production facilities and development areas of Phoenix Contact have been published on the Industrie 4.0 platform. These are included among the 200 sample applications in the ‘Industrie 4.0 Online Map’ which was published on 18 November 2015 within the framework of the IT summit.

 Digitalisation does not only change the technical systems and value creation chains – indeed it requires a major change in the processes and structures in the company. In the future, products will be developed simultaneously alongside their production equipment, and that means that the necessary specialist departments must work in close cooperation with one another. The teams from the areas of Product Development, Equipment Engineering, and Production must work across departmental borders as early as the development phase for new products while simultaneously cooperating in agile team structures in order to achieve the joint task. It is also important for company employees to view the necessary changes as opportunities so that they can actively participate in developing and implementing these changes. The Works Committee at Phoenix Contact facilitates an active exchange focused on the changes that this digitalisation will bring to our day-to-day work. Regular dialog allows any fears to be analysed early on so that the necessary measures can be implemented and employees can be prepared for any changes.

**Innominate Security Technologies AG becomes Phoenix Contact Cyber Security AG**

The security of networks and data is a central topic of Industrie 4.0, alongside the topic of digital value chains. In a highly networked world that will increasingly encompass developmental, manufacturing, and logistics processes in addition to consumer applications, it is essential that processes, products, and information exchanges be protected. Therefor Phoenix Contact will be expanding Innominate Security Technologies AG within the Phoenix Contact Group into a competence center that specialises in industrial cyber security. Innominate Security Technologies AG will therefore be rebranded as Phoenix Contact Cyber Security AG on 1 January 2016.

**Sütron becomes Phoenix Contact HMI-IPC Technology GmbH**

Operating and monitoring devices serve as the essential interface between man and machine, an interface that will still exist in an Industrie 4.0 with its autonomously communicating machines. The efficient and user-friendly configuration of this interface will play a major role in integrating people into the world of networked machines and processes. Since 2008, Sütron electronic GmbH in Filderstadt has been a one-hundred-percent subsidiary of the Phoenix Contact Group. The company develops and manufactures operating and monitoring devices. Sütron will be renamed as Phoenix Contact HMI-IPC Technology GmbH on 1 January 2016.

**Strengthening solution expertise in building automation**

In addition to preparing the company for the challenges of the digital transformation of the industry, we also place strategic emphasis on developing solution expertise. In order to develop this expertise further, Phoenix Contact purchased Sysmik GmbH in Dresden on 1 October 2015 for the new building-infrastructure function module. The company provides control technologies and software for building automation. Both have worked together for more than ten years. The products and technologies will undergo further development at the Dresden site. Phoenix Contact will continue to invest in this site and will develop it into the Building Technology Competence Center of the Phoenix Contact Group.

**New space for ‘Solutions for the Future’**

In recent years, a process was carried out aimed at increasing solution expertise within the Group. One effect of this process has been a considerable staff increase at the Bad Pyrmont site, home of Phoenix Contact’s electronics divisions. At the start of 2015, construction work started on a five-story laboratory and office building. New space for a projected staff of 600 will be provided here. The building will have approximately 18,000 square meters of useable space, as well as large combined exhibition and workshop area on the ground floor, where the Solutions for the Future program will be presented. The development, industrial marketing, and application engineering departments will occupy the four other stories. The building is scheduled for completion by the end of next year. The total building costs are estimated at around 25 million euros.

**Future needs space**

In February 2016, training activities will move to the Professional Education Center at the Schieder site. Professional training will then take place under a single roof. The Center features more than 10,000 square meters of training workshops, laboratories, and seminar rooms for trainees, dual students, and employees. In order to convey information across disciplinary boundaries in a hands-on manner, there will be a project area where real work processes and tasks are handled and resolved. The training center also offers external participants an attractive seminar environment with comprehensive training subjects. Combining the vocational training in all of the areas will yield new perspectives and interesting possibilities that every participant can benefit from.

In order to analyse and promote the theme of work and Industrie 4.0, one of Phoenix Contact important tasks is to implement a digitisation laboratory. The lab will be used to consolidate the results obtained by different working groups at Phoenix Contact and to test these results in a protected working environment and develop them further. The Professional Education Center offers an ideal environment for these tasks as well. The same goes for the Lean Lab, which offers Lean management training modules, a permanent part of our training portfolio for employees.

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Phoenix Contact Ltd

Halesfield 13

Telford

Shropshire

TF7 4PG

Tel: 0845 881 2222

Fax: 0845 881 2211

[www.phoenixcontact.co.uk](http://www.phoenixcontact.co.uk)

info@phoenixcontact.co.uk

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For further information on this press release please contact:

Phoenix Contact Ltd, Halesfield 13, Telford, TF7 4PG.

Becky Smith DD 01952 681756 bsmith@phoenixcontact.com