

Siemens 4Q Net Profit Falls 17 Percent

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FRANKFURT, Germany (AP) — Industrial equipment maker Siemens AG said Tuesday that net profit fell 17 percent to €1.46 billion (\$1.89 billion) in the final quarter of 2011 due to delays in major wind-power and rail projects, and as the uncertain global economic outlook hurt orders.

Chief executive officer Peter Loescher said the result showed that troubles on financial markets from Europe's debt crisis "have left their mark on the real economy" through weaker demand.

"The real economy cannot escape the effects of the volatility on the financial markets, public budgets are increasingly strained, anxiety about credit bottlenecks is dampening willingness to invest and global economic growth is levelling off," he said at a news conference webcast from the company's Munich headquarters.

The first quarter net profit figure exceeded average estimates of €1.396 billion among analysts surveyed by FactSet. Revenue, which grew 3 percent to €17.9 billion, was below expectations, while new orders slipped 5 percent to €19.8 billion.

As a result, the company's shares fell 3.7 percent to €75.49 in morning trading in Germany.

Siemens is one of the first big industrial companies to report earnings for the last three months of 2011, the fourth quarter for most companies but the first quarter of Siemens' fiscal year. Its fortunes are a clue to demand in the global economy, since the company is active far beyond its German home in the United States, Asia and the developing world.

The company sees a "mild" recession in the eurozone and a pickup in the second half of the year. Loescher said that the economic environment would remain difficult in the second quarter and then improve.

Europe is struggling with a crisis over too much government debt in some countries. The financial market turmoil has created fears of losses for banks that would lead to reduced credit availability for companies.

The company stayed with its outlook for income from continuing operations of €6 billion. But Loescher added that the company would have to work hard to reach that goal and that "it's all about operational execution and the margin for error has narrowed."

He said an order backlog of €100 billion would continue to support earnings.

CFO Joe Kaeser said the company foresaw a recovery in the second half of the year

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because of an expected improvement in investment among German mid-sized companies, as well as China, as businesses hope Europe might be getting a handle on its debt crisis.

Siemens makes heavy-duty industrial products such as wind turbines, power generation and transmission equipment, trains and medical diagnostic machines for hospitals. Such goods represent large investments for customers, who may decide to put them off in times of uncertainty about future demand.

The company said it took €203 million in charges from a delay in permission to connect offshore windfarms to the power grid in Germany because of issues regarding the project's specifications. Loescher said the company was in "an intensive dialogue" with German government officials about the windfarms.

Kaeser said the charges from the delay to the North Sea project were the company's best estimate but might not be capped yet. He said there was "no guarantee this is the final version... we book what we see."

The company said higher research and investment costs and pricing pressures from stiff competition in its wind energy business also reduced profit. So did delays in delivering new high-speed trains to German rail operator Deutsche Bahn AG. That led to a charge of €69 million.

The train delay was caused by a supplier of equipment needed to make sure the trains can run on both the German and French rail systems.

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