Dow Chemical Posts 4Q Loss On Charge

Samantha Bomkamp, Sandy Shore, AP Business Writers

The Dow Chemical Co. is feeling the impact of the slowing European economy, and seeing some weakness in North America as well.

And the nation's largest chemical maker doesn't expect to see much improvement in overall demand until the second quarter. That's when it believes stronger economies in the United States and emerging countries will offset continued weakness in Europe, which is embroiled in a crippling debt crisis.

Dow said Thursday that it posted a loss of 2 cents per share in the fourth quarter as a one-time charge resulted in higher taxes at its Brazilian operations.

Excluding charges, Dow earned 25 cents per share. But that fell short of analysts' expectations.

Price hikes helped revenue increase 2 percent to $14.1 billion. But overall volume was down 3 percent, or flat excluding businesses that Dow has sold off. The company said demand slipped as customers in North America, Europe and other regions worked through existing inventory instead of replenishing their stockpiles.

Volumes declined in Western Europe and the United States which, combined, make up about 70 percent of the company's overall sales. That was offset by stronger sales in China, the Asia Pacific region and Latin America.

Andrew N. Liveris, chairman and CEO, said they saw global economic "deterioration" in the period, with "considerable weakness" in Western Europe. Europe, which is embroiled in a debt crisis, accounts for a quarter of the company's sales.

Dow Chemical's performance can offer insight into the strength of the global economy because it sells such a wide range of products used in everything from televisions and toys to automobiles and agriculture producers.

The Midland, Mich., company's quarterly loss totaled $20 million. That compares with a year-ago profit of $426 million, or 37 cents per share.

Analysts polled by FactSet expected a profit, excluding items, of 31 cents per share on revenue of $14.18 billion.

Sales in the company's largest segment, performance plastics, fell 6 percent to $3.7 billion. That unit makes plastics for use in everything from artificial turf to diapers and food packaging.

Revenue was flat or improved in all other segments, with the biggest jump — 14 percent — in feedstocks, or the raw materials used in some industrial production

and energy products.

For the year, the company earned $2.4 billion, or $2.05 per share, up 22 percent from its 2010 profit of $1.97 billion, or $1.72 per share. Revenue rose 12 percent to $59.99 billion.

Dow said that while it expects its business to strengthen in the U.S., it's less optimistic about conditions in Europe. The company believes higher volumes in North America, China and the Asia Pacific region will make up for the weakness in Europe.

"We do not anticipate material improvements in market conditions for the first quarter of the year, but do project economic recovery will gain momentum as we move through the second quarter and the remainder of the year," Liveris said in a statement.

Liveris told analysts during a conference call that management expects growth to come from within the company and not through new acquisitions.

Dow's performance was similar to that of other specialty chemical manufacturers, which saw softer fourth-quarter demand. Most expect the first quarter to be weak, with better volumes and results beginning in the second quarter.

Argus Research analyst Bill Selesky said the "wild card" is Europe, where talks continue to drag on about how to resolve debt issues in countries like Greece, Spain and Italy, and jump-start economic growth.

Shares of the Dow fell 49 cents to $33.45 in midday trading.

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