TechXplore

Siemens pins hopes on rail as manufacturing gloom hits home

August 1 2019

Siemens' rail unit has been a bright spot in its earnings and it has high hopes for its new high-speed Velaro Novo trains which are being tested

German industrial conglomerate Siemens reported Thursday falling profits in its third quarter across most of its sprawling operations as manufacturers worldwide suffered, but said it could still reach full-year targets.

Net profit fell six percent year-on-year between April and June, to 1.1 billion euros ($1.2 billion).

But revenues at Siemens, which makes products from wind turbines to trains and medical scanners, edged up two percent, to 21.3 billion euros, when adjusted for the effects of its restructuring and exchange rates.

"As indicated already quite some time ago, geopolitics and geoeconomics are harming an otherwise positive investment sentiment," chief executive Joe Kaeser said.

Germany's mighty industrial sector is suffering a slowdown as uncertainty over the US-China trade conflict, the risk of a no-deal Brexit and emerging market volatility weigh on demand.

Manufacturers of goods like cars, auto components and machine tools have all suffered the effects.

But Kaeser added that a third-quarter bright spot, rail manufacturing, as well as "stringent project execution" would help Siemens stay on track for the end of its financial year in September.

Across the group's divisions, its "digital industries" unit, which offers factory automation equipment and software, saw operating profit tumble 27 percent.

Meanwhile, the operating result at its power and gas unit, which makes turbines for gas-fired power stations, dropped by 37 percent.

In June, the Munich-based group announced that job cuts at the division would mount to more than 8,000 over the coming years "to reduce costs and adjust to the declining numbers of major projects".

Siemens' wind turbine unit Gamesa also saw profits eroded in the third quarter, leaving its Healthineers medical devices division and rail manufacturing as the only ones to swell their bottom lines.

The train business secured a 1.2-billion-euro contract for high-speed trains and maintenance in Russia and another major order for light rail in San Diego and Portland, Oregon, crowning an overall order book up 18 percent at almost 3.0 billion.

Looking ahead, Siemens stuck to its forecast of "moderate growth in revenue", an adjusted operating margin of 11-12 percent and net earnings per share between 6.30 and 7.00 euros—"even though it becomes more challenging".