

Siemens Shake Up Aims For Profit

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FRANKFURT, Germany (AP) — German industrial equipment maker Siemens AG has launched a sweeping restructuring to raise disappointing profits and better compete with peers such as General Electric.

The company said Wednesday it is knocking out a layer of upper management, buying a key business to strengthen the crucial power generation division and shedding its line of hearing aids.

Siemens is a huge company with 359,000 employees worldwide that makes everything from gas- and wind-powered turbines to trains, medical imaging devices, factory machines and security equipment. But it has struggled to cut costs and raise profit margins.

Its new CEO, Joe Kaeser, hopes to make it nimbler by eliminating the four broad sectors overseeing its many businesses, and trimming the number of those business divisions from 16 to nine. Each division will get a profit margin target as Siemens aims to focus on fields where it can grow and earn the most.

Cutting out an entire level of management will reduce bureaucracy, speed up decisions, and save 1 billion euros a year, the company says.

Kaeser, who laid out the changes at a news conference in Berlin on Wednesday, took over last year after the previous CEO, Peter Loescher, missed several profit targets.

The revamp comes as Siemens is considering making an offer for the power generating business of France's Alstom, which has already received an offer from General Electric. Kaeser dismissed speculation that Siemens wasn't really serious about Alstom and mainly hoped to raise the price that GE would pay. "If I was not serious I would not waste my time or the time of my team," Kaeser said.

The company meanwhile said it had agreed to buy the gas turbine and compressor business from Britain's Rolls-Royce PLC for 950 million euros (\$1.32 billion). The business makes small, highly efficient turbines the oil and gas industry can use to supply power, in particular on offshore platforms where space is limited.

Siemens will also spin off its hearing-aid business through a stock-market offering, and manage its medical business as a separate entity within Siemens.

The company meanwhile announced what it called a "mixed" earnings performance in the first three months of the year, the company's fiscal second quarter. Net profit rose 12 percent to 1.15 billion euros (\$1.61 billion). But revenues fell 2 percent to 17.78 billion euros, and new orders slipped 13 percent to 18.43 billion euros. New

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orders are key to future profits as it delivers large projects with long lead times.

The results "showed that we still have a lot to do to improve our operating performance," Kaeser said. He reaffirmed the company's earnings projections.

The company named American oil executive Lisa Davis, until now with Royal Dutch Shell, to the top management board overseeing the company's businesses in gas and steam turbines and wind power, as well as its North and South America regions. She replaces Michael Suess, who resigned.

Shares in Siemens, which is based in Munich, rose 1.6 percent to 95.28 euros in early afternoon trading in Europe.

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