Siemens to bolster customer financing
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Siemens, Europe's largest engineering group, yesterday warned that the credit crunch was hitting companies worldwide and said it was attempting to shore up struggling customers by extending financing to those affected.

Joe Kaeser, Siemens' chief financial officer, said many companies were struggling to obtain financing from their banks: "There is no doubt that a large liquidity crunch exists [for many our customers]. Suggestions to the contrary are simply rubbish."

Mr Kaeser's remarks came amid mounting fears about the viability of some smaller and medium-sized companies as banks began tightening credit terms.

In a report to be published today, Moody's, the rating agency, warned of .further refinancing risks for European companies. "If the range of liquidity sources is narrowed to available revolving bank facilities and cash balances, 19 per cent of all issuers do not have sufficient liquidity to cover the next 12 months' debt maturities," it said in the report.

Mr Kaeser said the liquidity crisis would stretch far into 2010. "Everybody with big refinancing needs in 2009 and 2010 will think about that with great nervousness," he said.

He described Siemen's financial position as "solid" with €7bn ($8.7bn) in cash and a €6bn credit line. The company also had converted most of its €3bn short-term commercial paper programme into longer-term financing some months ago.

Peter Löscher, Siemen's chief executive, said the company was well-prepared for the downturn. Since joining the company last year, Mr Löscher has pushed through a radical restructuring by selling off non-core assets and focusing the engineering group on three sectors: energy, healthcare and industrials.

"You have to fix the roof while the sun is shining," said Mr Löscher, adding: "The transformation of Siemens is over."

Mr Kaeser said Siemens would increasingly act as a bank for its customers. "We will use our financial services unit and our strong balance sheet to offer project finance to our customers.

We think that this is a competitive advantage."

Unlike Siemens, its main rival, General Electric of the US, is scaling back its stricken finance business, which has been hit severely by the credit crisis. The US group earlier this week secured a government debt guaranteed from Washington.

Siemens' financial services group is much smaller than GE's but Mr Kaeser said the German company had already expanded the unit's balance sheet by €2bn to €11bn in the last fiscal year.

Siemens yesterday posted a widely expected fourth-quarter loss of €2.4bn as the group had to shoulder €4bn in restructuring costs and provisions for possible fines from a large bribery scandal. But it surprised investors by reaffirming its profit outlook for 2009.

Its bullish assessment for next year surprised the markets and sent Siemens' shares up 5 per cent to close at €41.95. Siemens said it expected to post an operating profit in a range of €8bn to €8.5bn in 2009. In contrast, some of Siemens' rivals, including such as General Electric and Phillips, gave pessimistic outlooks last month.

The group also said its pension deficit had more than doubled to €2.5bn in the fiscal year 2008 owing to falling stock markets.

Fonte: Financial Times, London, November 14 2008, Companies & Markets, p. 18.