The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Staggering Economy and Sanctions Cut Siemens' Russian Growth Spurt Short

By Alexander Panin

November 11, 2014

Siemens is pushing to expand in the energy sector, where it is forced to step carefully to avoid running up against Western sanctions on Russian oil and gas majors.

Germany-based Siemens, the largest engineering company in Europe, on Tuesday reported a sharp drop in turnover as well as personnel cuts for its Russian operations as economic stagnation, Western sanctions and currency turbulence take their toll.

Siemens has enjoyed a decade of double-digit revenue growth in Russia, winning huge contracts with the country's rail monopoly and energy giants to supply trains and industrial equipment.

But in the financial year ended Sept. 30, Siemens Russia saw orders slump 30 percent and revenue fall 20 percent to 2 billion euros ($2.4 billion), the company's president, Dietrich Moeller, told a press conference.

The company has also cut staff number to 3,000 from 3,300, he said.

The results make Russia a dark spot on Siemens' otherwise bright horizon: Global revenue has increased by 26 percent to 7.3 billion euros ($9 billion) and new orders rose one percent to 78.4 billion euros ($97 billion), the company said in Berlin this month.

Moeller went down the list of culprits for the poor Russia performance: An economic slowdown has slashed growth in the company's markets, while Western sanctions have marred Russia's business climate and investment activity. A dramatic 25 percent slump in oil prices and the devaluation of the ruble by a third since the beginning of the year have exacerbated the uncertainty, he said.

But though Siemens is "forced to take the new political reality into consideration," the company will not fold operations in Russia, Moeller added.

The company is currently nearing completion of a gas turbine plant near St. Petersburg, and working on an order from Russian Railways to produce 1,200 Lastochka regional train cars.

Siemens also hopes to provide the trains and electrical equipment for a planned 1 trillion ruble ($21.5 billion) high-speed rail line from Moscow 800 kilometers east to Kazan, and will participate in a tender for 768 train cars for the expanding Moscow metro.

Siemens is pushing to expand in the energy sector, where it is forced to step carefully to avoid running up against Western sanctions on Russian oil and gas majors.

The company already supplies electrical power and supplementary equipment worth "several hundred million euros" for the $27 billion Yamal LNG project slated to export liquified natural gas from Russia's Yamal Peninsula, Moeller said.

Though Novatek, which operates the project, is on the U.S. sanctions list, Moeller said Siemens would continue to supply equipment in a way that complies with the imposed restrictions, adding that a second similar contract is under way.

Siemens is also looking to supply equipment for new LNG projects run by Russia's state-owned Gazprom, including an LNG plant in Vladivostok in the Far East and on the shore of the Baltic Sea in the West.

Contact the author at a.panin@imedia.ru