

Germany Investment NEWS



Issue 02 | March/April 2009

FDI Special

Qatari Sovereign Wealth Fund Weighs Up German Investment Options

The Gulf state of Qatar is considering raising its investment in German companies. Flush with some USD 50 billion in investment capital, representatives of the Qatar Investment Authority (QIA) are planning to visit Germany in June. They are reportedly looking to invest in well-established companies that require fresh capital to drive their expansion. Hamad Al-Thani, the Emir of Qatar, signaled his state's investment interest in Germany during a visit to Berlin last April.

According to the German business daily *Handelsblatt*, QIA is scouting for "blue chip companies with healthy sales and profits." Like other sovereign wealth funds in the Gulf region, QIA is reportedly not interested in small start-up companies, but rather in larger industrial enterprises that offer good prospects for knowledge transfer as well as capital growth.

Having recently led a German trade delegation to the Gulf region, Dr. Bernd Pfaffenbach, State Secretary of the Federal Ministry of Economics and Technology, said his group received "extraordinarily strong feedback" on the visit. Michael Pfeiffer, chief executive of *Germany Trade & Invest*, noted that the Gulf States are particularly interested in German companies that are already active in the Middle East or planning to become active.

Germany and Its Competitors

Japanese Companies Leaving London for Germany

The advantages of working and living in Germany are turning the heads of Japanese executives in London. According to a recent article on the British *Telegraph* website, London's "high costs, poor transport infrastructure and rising crime rates" are driving more and more Japanese companies to relocate their European operating bases from the British capital to Germany. The newspaper cites several examples of Japanese companies that have made the move, including the pharmaceutical firm **Maruho** (now operating in Düsseldorf) and the electronics distributor **Macnica**, which has moved its European headquarters to Munich.

The UK's geographic isolation from the rest of Europe and the country's decision not to introduce the euro are cited as additional factors motivating Japanese companies to switch locations. Echoing the rationale of many of his compatriots, one Japanese executive told the *Telegraph* that the "prime reason" his company upped stakes and moved to Germany was that "we needed easier access to our other markets in Europe." Major cities including Frankfurt, Düsseldorf, Munich, Hamburg, and Berlin count among the preferred German locations of Japanese companies.

Major Investment

PV Crystalox Solar Starts Production in Bitterfeld-Wolfen

A major new silicon production facility has begun operations in the Eastern German state of Saxony-Anhalt. **PV Crystalox Solar Silicon GmbH**, a subsidiary of the UK's **PV Crystalox Solar plc**, has so far invested EUR 90 million in its state-of-the-art manufacturing plant in the city of Bitterfeld-Wolfen. The facility began operations in February following a seventeen-month construction and ramp-up phase.

The new operation at Chemiepark Bitterfeld-Wolfen is producing solar-grade silicon using a modified version of the well-established Siemens process.

Evonik Degussa GmbH of Düsseldorf has signed a ten-year contract to supply the operation with highly pure chlorosilanes, the basic raw material required in the manufacturing process.

PV Crystalox Solar expects to produce some 900 metric tons of solar-grade silicon at the plant this year, with output doubling in the years ahead.

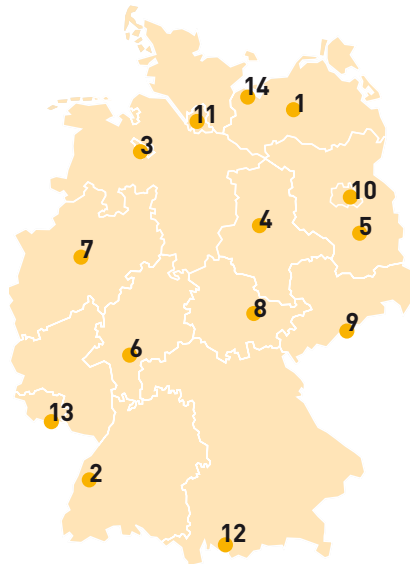
Dr. Hubert A. Aulich, executive director of the company's German operations, says that if the market develops as expected, the plant's production capacity could be further increased.

Photo: BSW Solar; Module production at also solar in Prenzlau. Soldering work is carried out on solar cells before they are fitted to the finished modules.



News from the Federal States

- **Invest in MV**, Mecklenburg-Vorpommern's economic development agency, reports that some 1,600 new jobs were created last year by new companies moving into the state. The agency has been working internationally to attract investment. (1)
- The US sporting goods firm **Sports Warehouse** has opened its European offices in Schutterwald, Baden-Württemberg. The company, which specializes in tennis equipment, is a partner of the ATP tour. (2)
- **Bremen Airport-Stadt**, a borough of Bremen encompassing the city's airport, has established itself as a thriving office and services location. Since its establishment in 1995, the borough has attracted some EUR 500 million in investment. (3)
- The latest ranking of companies in Saxony-Anhalt shows two foreign firms at the very top of the sales chart. German subsidiaries of the French petroleum giant **Total** and the American industrial group **DOW** reported higher revenues than any other companies in the state. (4)
- The region of **Dahme-Spreewald** in Brandenburg has the strongest and most dynamic economy of any area in Eastern Germany. That's the conclusion of a comparative ranking published by the German business magazine *Focus Money*. Developments connected with the construction of a new airport (BBI) in the region have given the local economy a big boost. (5)



- **Apollo Tyres**, India's leading tire producer, is establishing a European Technology Center in Rüsselsheim in the state of Hessen. (6)
- The state of **North Rhine-Westphalia** has launched an international campaign aimed at attracting international investment. Built around the "We love the new..." slogan, the campaign has been created to highlight the state's innovative strengths. (7)
- **Plantic**, an Australian company that produces biodegradable packaging, is setting up a new manufacturing operation in Thuringia. The company is investing EUR 8.3 million in the plant which is being built in Jena. (8)
- A large deposit of the rare and valuable metal indium has been discovered in the Ore Mountains of **Saxony**. Indium serves as an important material for the production of microchips, displays and solar cells. (9)

- More companies were recruited to the German capital last year than at any time during the past decade. The city of **Berlin's** economics ministry says 133 companies were persuaded to establish operations in Berlin, creating more than 6,000 jobs. (10)
- **Renewagy A/S**, a Danish operator of solar power plants and wind farms, is merging with the Hamburg-based company **COLEXON Energy AG**. The new company will be known as **COLEXON SE**. (11)
- The German subsidiary of **Icebreaker**, a New Zealand producer of outdoor clothing and technical apparel, has opened a European branch office in Starnberg, Bavaria. Icebreaker specializes in sportswear made from New Zealand merino wool. (12)
- The state of **Saarland** is developing a new set of industrial parks. The state hopes to develop seven large industrial areas over the next 12 years. The first of these should be up and running this year. (13)
- The **Goodman Group**, a property development company based in Australia, is building a new logistics center in Schönberg, Mecklenburg-Vorpommern. Featuring over 40,000 square meters of warehouse space, the facility will be used by the food logistics group **Nagel**. (14)
- A recent survey of foreign companies operating in **Eastern Germany** showed a third of them were planning to increase their investment there this year. The survey, conducted by **IWH** (Institut für Wirtschaftsforschung Halle), underlines the fact that these companies account for a quarter of all manufacturing jobs in the region. (4)

FDI Special

Successful Eastern European Investors in Germany

European Union enlargement has helped smooth the way for companies from central Europe to tap into western markets. Here's a look at two promising investments.

PKN Orlen

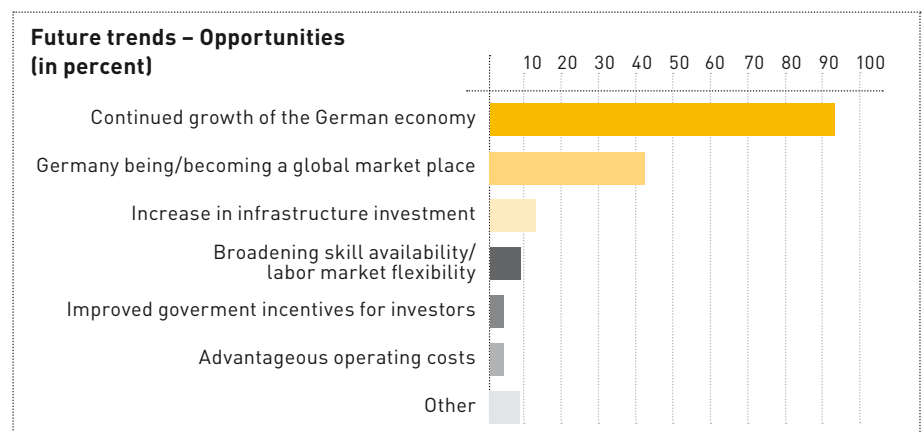
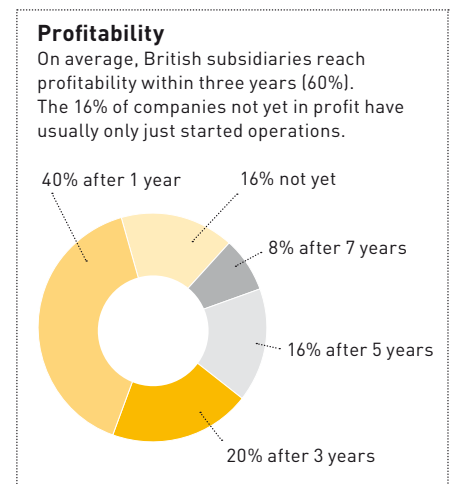
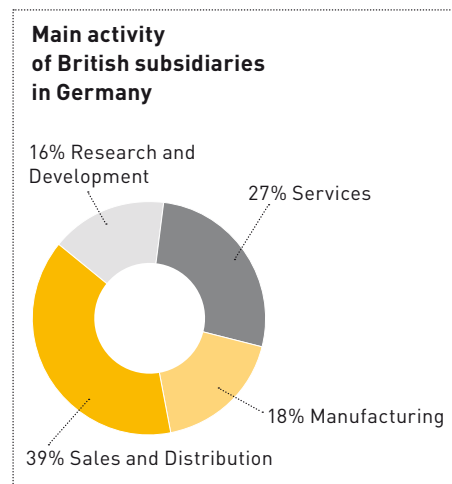
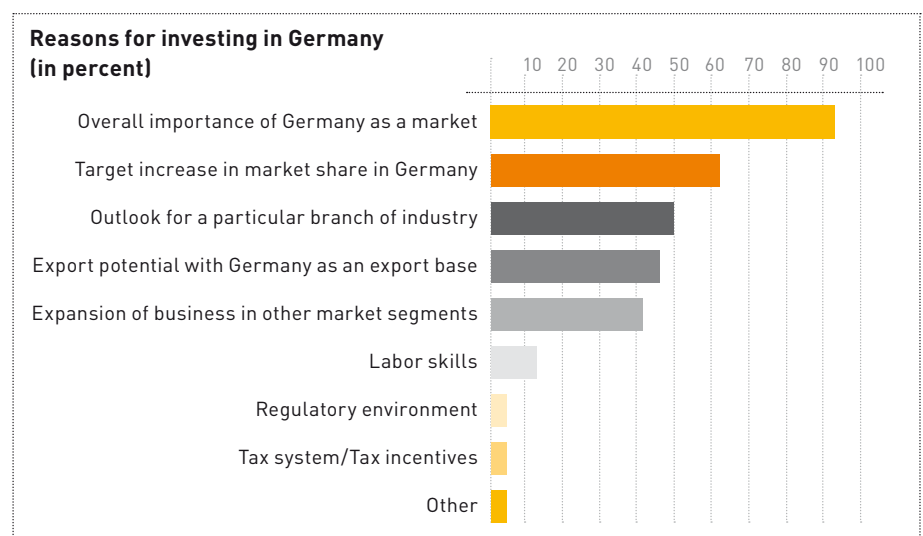
This Polish petroleum company made a big splash in the German market five years ago when it bought 500 filling stations from **BP** and **Aral**. After some initial problems the company decided to go on the offensive and purchased even more stations. Instead of trying to compete with deep-pocketed companies like **Esso** and **Shell** by offering premiums and frills, PKN Orlen opted for a no frills approach, rebranding its stations with the cheap-and-cheerful "Star" logo. The strategy paid off. In 2007 net profit was up more than 18 percent nationally. Even now, with profits under pressure from the economic downturn, the company says it plans to continue investing in Germany.

Comarch

Based in Krakow, Poland, this software firm had its work cut out trying to convince German companies that its products could compete with big-name companies in the west. But an ambitious marketing campaign helped Comarch get its foot in the door, and German executives liked what they saw. Mobile telecommunications giant **T-Mobile** has become a huge client for the company. The firm has also secured other large corporate accounts like **Procter & Gamble**, **BP** and **ING**. While already operating a development center in Dresden, Comarch extended its commitment to the German market late last year by buying up the Munich-based software firm **SoftM**.

FDI Charts

Trends and Views on Direct Investment by British Companies in Germany



Source: German-British Chamber of Industry & Commerce

Germany and Its Competitors

Studies Confirm Germany's Strengths as a Business Location

When it comes to accessing new technologies and getting good service, companies in Germany are far better off than those in China, eastern Europe or India. The same is true with respect to market proximity and custom development resources. These are among the main findings of a study carried out recently by the **Kienbaum** management consultancy.

The consultancy, which also provides executive search and human resource management services in Germany, surveyed more than 100 manufacturing executives for the study. The results show that in many cases the levels of productivity and experience within the German workforce are substantially higher than levels found abroad. "Germany's decisive competitive advantage" says Kienbaum Director Stefan Falkenberg, "lies in the potential of its workforce."

Another study, published by the **Fraunhofer Institute for Systems and Innovation Research**, has determined that fewer and fewer German companies are now relocating their operations outside the country. In fact, the number of firms moving offshore has been declining for about four years. Commenting on the study, the director of **The Association of German Engineers (VDI)**, Willi Fuchs, said many German companies that moved production abroad in the past are reversing their decision and repatriating their operations. "What we are happily witnessing," said Fuchs, "is a renaissance of Germany as a production location."

Laser welding technology is ten times as fast as the comparable riveting process and offers clear weight advantages for aircraft.

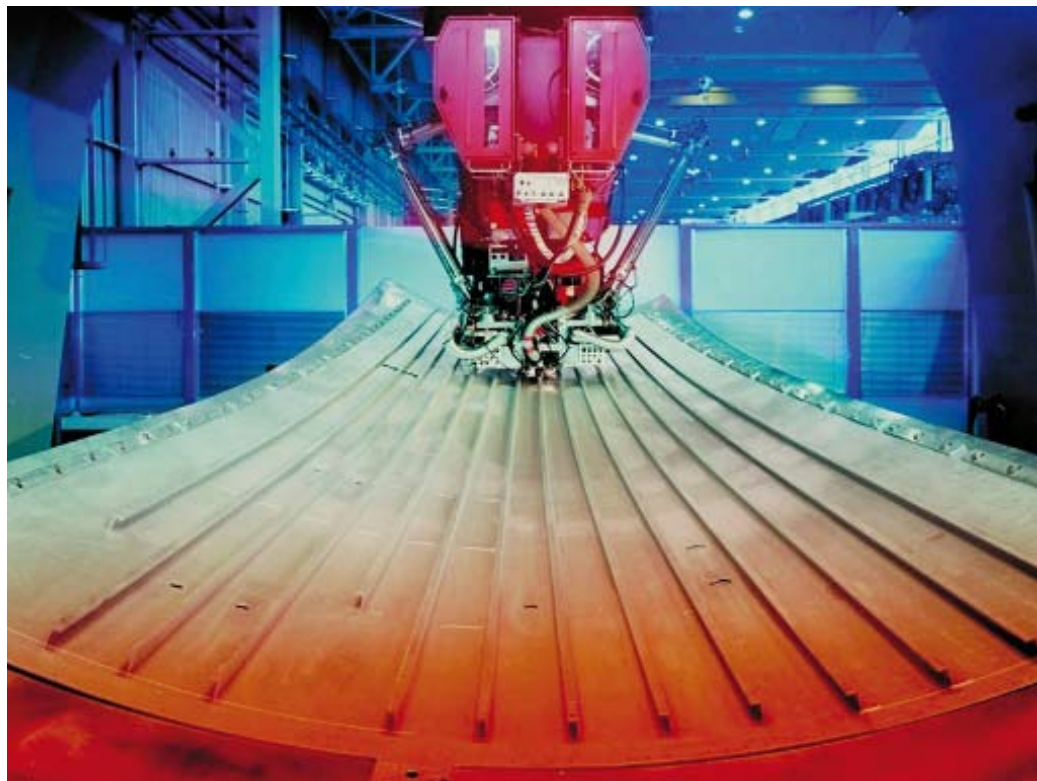
He pointed out that many companies that went abroad had unrealistic expectations. For firms currently operating in Germany, Fuchs recommended that they first seek to fully utilize their production capacity at home before considering alternatives.

News in Brief

- British IT company **Ascari**, which provides integrated software solutions for the semiconductor and photovoltaic industries, has announced plans to establish a business presence in the Eastern German city of Leipzig. The company, which also serves the automotive and medical device industries, has been active in the enterprise software market for some 20 years. Its clients in Germany include the semiconductor firm **Infineon**.
- Iconic US-based consumer electronics manufacturer **Apple** has opened its first flagship store in Germany. The store, which is located in the Bavarian capital Munich, is the first major outlet in Germany operated directly by the company itself.

To date Apple has sold its products in Germany over the internet or through third-party specialist chains and large electronics retailers. Apple's new flagship store in Germany is part of a global marketing thrust. In 2008 the company opened new stores in China, Australia and Switzerland. Average sales per store last year rose to USD 30 million.

- **Premium AEROTEC**, an independently operated subsidiary of Europe's **EADS** consortium, has officially begun operations at its three German locations. The company reports that it has now finalized the "carve-out process" at the former Airbus sites in Nordenham and Varel and the former EADS site in Augsburg. Focusing on the design and manufacturing of cutting-edge aerostructures, Premium AEROTEC says it plans to become "the leading supplier for both commercial and military aerostructures within the next few years." To help achieve this goal, EADS has announced plans to invest some EUR 500 million in the Premium AEROTEC sites between now and 2011.





Siemens Offshore Windpark Lillgrund

R&D

Research Funds

Committed to the goal of meeting 30 percent of Germany's electrical needs from renewable sources by 2020, the country's environment ministry has massively increased its funding for the sector. Last year the **Federal Ministry for the Environment (BMU)** doubled its support for renewable energy research to EUR 150 million.

More than half of that funding went to support projects related to photovoltaics (PV) and wind energy. Each of these technological areas received EUR 40 million. Another EUR 30 million went to support research into system integration, with the primary aim of funneling wind-generated electricity into the public grid more efficiently.

Of the 170 projects in receipt of BMU funding approval in 2008, the newly created **Fraunhofer Institute for Wind Energy Research** was among the most important. The institute is cooperating with several German universities to develop cutting-edge technologies to further strengthen Germany's credentials as the global cleantech leader.

Germany is already the largest market in the world for PV and wind energy. Other technology markets – such as geothermal and solar thermal – are also gaining ground. Part of this momentum is being generated by efforts to achieve Germany's goal of meeting 14 percent of its heating needs from renewable sources within the next 12 years.

Cleantech News

About the Industry

- The **German Renewable Energy Act (EEG)**, the cornerstone of Germany's green energy policy, is expected to generate between EUR 6 billion and EUR 8 billion of investment annually in renewable-related electricity generation between now and 2030.
- A recent study commissioned by Germany's government-backed **KfW bank** shows that some EUR 11 billion was invested in renewable energy in Germany in 2007.
- The **LBBW bank** (Landesbank Baden-Württemberg) says it expects the renewable energy sector to continue growing despite the global economic crisis.
- The **University of Applied Sciences in Jena** has launched Germany's first bachelor's program in the field of photovoltaics and semiconductor technology.

About the Regions

- **Berliner Energieagentur**, a public-private partnership in the German capital, has claimed that there is a great deal of unexploited potential for solar-thermal energy use in Berlin.
- The **Harz region** in Saxony-Anhalt is launching a model program to explore optimal integration of renewable energies, electromobility, energy storage and consumption.

- The **Neckar-Odenwald region** in Baden-Württemberg has achieved its goal of providing all private households in the area (150,000 residents) with electricity from renewable sources.

About Companies

- **Bosch** has announced plans to invest EUR 530 million in its **ersol** solar cell manufacturing unit in Arnstadt, Thuringia. The investment will create more than 1,000 new jobs.
- **RWE Innogy**, the renewables subsidiary of energy giant RWE, has announced plans to invest some EUR 34 million in two solar-thermal projects in Bavaria. The company says it also aims to play a leading role in implementing Germany's plans to develop offshore wind parks with 10,000 megawatts of electrical generating capacity by 2020.
- The solar module manufacturer **Inventux** has opened a new production facility in Berlin. Some EUR 50 million is being invested in the plant, which utilizes thin-film solar technology.
- **Siemens** reports that its environmental technologies portfolio generated revenues of nearly EUR 19 billion – around a quarter of the company's total revenue – in the fiscal year 2008.

Our Events

Meet Us at the ACHEMA 2009

With its globally unique concept of chemical parks and sites, Germany offers ideal conditions for both well established and young companies. At the 29th International Exhibition-Congress on Chemical Engineering, Environmental Protection and Biotechnology, *Germany Trade & Invest* and its partners want to highlight the advantages of Germany as a chemical industry location. Our partners are the German Association of Chemical Parks and Sites in the German Chemical Industry Association, regional initiatives of the chemical industry and others. Visit us in Frankfurt am Main between the 11th and 15th May at ACHEMA 2009 in Hall 9.2, Stand B35 E36.

Industry News

ICT: Cross-sectional Technologies

Germany's business community sees a promising future ahead for the country's information and communications technology (ICT) sector. A recent survey carried out by the **TNS Infratest** research group shows there is a tremendous degree of confidence in Germany's potential to exploit "cross-sectional" technologies in the sector. Half of all ICT executives surveyed said these technologies present a special opportunity for Germany. A further 17 percent said they feel Germany's high standards of data and internet security are advantageous for the country as a business location.

Looking to the future, the study shows ICT executives are also bullish about the future for internet services and radio-frequency identification (RFID) in Germany.

These are expected to be among the top growth areas in the field between now and 2013. "E-energy", "green IT" and mobile applications are also seen as having significant growth potential in Germany. Many executives, however, said they believe Germany's ICT sector would benefit from greater internationalization.

Pharmaceuticals: Optimistic in the Crisis

Like most industries, the pharmaceutical sector in Germany is concerned about the credit crisis, but a recent survey showed a large majority of German pharmaceutical companies expected to increase their sales in 2009. The survey, published by the **German Association of Research-based Pharmaceutical Companies (VFA)**, revealed that 72 percent of firms anticipated an improved revenue picture this year. That compares to just 59 percent of companies who said they were expecting improved sales when surveyed the previous year. VFA Chairman Wolfgang Plischke said there are two main reasons why the members of his association were so optimistic: the range of new products being introduced and the growing demand for medical services. He added that the "positive megatrend" in the health industry was helping to shield the pharmaceutical sector from economic volatility.

Automotive: To become a leading market for electromobility

Germany's mighty car industry has shifted into overdrive in its bid to develop electric vehicles. The motivation has come largely from the carmakers themselves, who are eager to serve the booming demand for environmentally sustainable technologies.

But the German government is also playing a significant role, with four federal ministries recently announcing an ambitious set of measures to boost the industry. The four responsible ministries – covering economics, transport, environmental affairs, and research – have jointly stated their goal of getting a million electric and hybrid cars on Germany's roads by the year 2020. Within ten years of that date the **German Federal Ministry for the Environment** says it expects the figure to rise to five million. Germany's automotive industry is already making significant strides in developing purely electric and hybrid electric vehicles.

Imprint

Publisher:

Germany Trade & Invest
Gesellschaft für Außenwirtschaft
und Standortmarketing mbH
Friedrichstraße 60
10117 Berlin
T. +49 30 200 099-0
F. +49 30 200 099-111
office@gtai.com
www.gtai.com

Chief Executive: Michael Pfeiffer

Director Public Relations: Eva Henkel

Editor: Eva Forinyak

Writer: Terry Martin

Layout: Typoly, Berlin (www.typoly.de)

Supported by

Germany Trade & Invest is supported by the Federal Ministry of Economics and Technology in accordance with a German Parliament resolution.

Notes

© Germany Trade & Invest,
March-April 2009

All information provided by Germany Trade & Invest has been put together with the utmost care. However we assume no liability for the accuracy of the information provided. Articles published under specific names do not necessarily reflect the opinion of the publisher. No reprints may be made without the prior consent of the publisher.