

Germany Investment NEWS

Issue 03 | May/June 2009

Major Investments

■ **Aabar Investments**, majority-owned by Abu Dhabi's state-owned **International Petroleum Investment Company**, has purchased a 9.1 percent stake in the German carmaker **Daimler**. The investment, valued at EUR 1.95 billion, makes Aabar the single largest shareholder in Daimler. The second biggest shareholder is the state of Kuwait, which has owned a stake in the company since the 1970s.

Daimler CEO Dieter Zetsche welcomed the investment, saying Aabar supported the carmaker's corporate strategy. Aabar expects to cooperate with Daimler in developing electric cars and new materials for the automotive industry.

■ Investment capital from Abu Dhabi's **Advanced Technology Investment Company (ATIC)** is fueling the continued development of Dresden's semiconductor industry. Since forming a joint venture in Dresden with the world's number two chipmaker **AMD**, ATIC has been pouring tens of millions of euros into semiconductor research and production units in the region that has become known as "Silicon Saxony." **Globalfoundries**, as the joint venture is called, is planning to raise its manufacturing capacity to 50,000 wafer starts per month over the next 24 months. Counting all its global units together, Globalfoundries is anticipating six billion dollars of investment over the next five years.

■ In what is being hailed as the first major acquisition in Germany by a Czech company, the power group **CEZ** is heading a consortium to buy the mining company **Mitteldeutsche Braunkohlengesellschaft (Mibrag)**. Together with the financial group **J&T**, CEZ is paying EUR 404 million for Mibrag which has two lignite mines in the eastern German states of Saxony and Saxony-Anhalt and also operates three small power plants. The mines have been producing 19 million tons of coal annually.

■ US-based **Ford Motor Company** has announced plans to invest EUR 200 million in its engine plant in the western German city of Cologne. The company plans to retool the production line to produce economical gasoline engines with a reduced environmental impact. Having previously used its Cologne plant to produce powerful six-cylinder engines for the US market, Ford says a worldwide drop in demand for large cars has prompted it to develop a line of fuel-efficient "EcoBoost" engines. The first of these units to be produced at the Cologne plant are expected to roll off the production line in 2011. Ford reportedly plans to turn out 350,000 units at the factory annually.

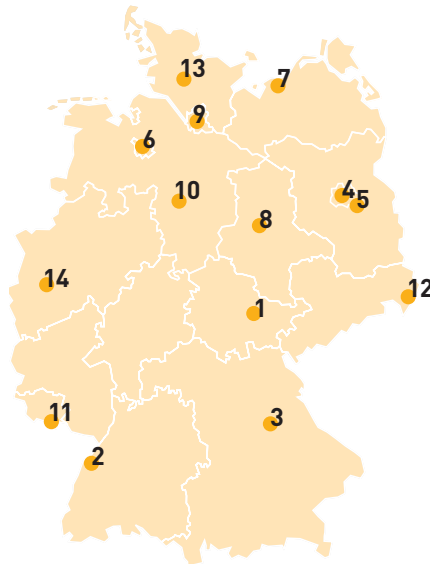
■ The German-Swedish joint venture **Solibro GmbH** is planning to invest around EUR 165 million in a new solar module production plant in Eastern Germany. Located in the Thalheim district of Bitterfeld-Wolfen, a region in Saxony-Anhalt known for its booming solar energy sector, Solibro specializes in producing thin-film photovoltaic modules based on state-of-the-art CIGS production technology. The company, which is a joint venture between Germany's **Q-Cells** and Sweden's **Solibro AB**, already has a manufacturing unit in Saxony-Anhalt's "Solar Valley." The new plant will more than double its current capacity to 135 megawatts.

■ **AkzoNobel**, a chemicals conglomerate based in the Netherlands, is acquiring the bulk of resources belonging to the Frankfurt-based chlor-alkali and derivatives company **LII Europe**. LII, which was once part of the German chemicals giant **Hoechst**, had become insolvent and was in dire need of capital investment. German media sources are reporting that AkzoNobel is planning to spend around EUR 100 million on updating the factories it has acquired from LII. AkzoNobel is among the market leaders in its field, reporting annual sales of some EUR 500 million.



News from the Federal States

- **Plantic Technologies Ltd.**, an Australian company specializing in biologically degradable packaging material, is building a production plant near Jena (Thuringia). The investment is valued at over EUR 8 million. (1)
- The Israeli company **Objet**, which produces 3D printing systems for rapid prototyping and manufacturing, has established its European headquarters at the Baden-Airpark in Rheinmünster (Baden-Württemberg). (2)
- **Zhafir Plastics Machinery GmbH**, a subsidiary of China's **Haitian International Holdings Ltd.**, has begun construction of a 4,300 square-meter manufacturing facility in Ebermannsdorf, Bavaria. Designed to produce injection molding machines, the plant is due to begin operation next year. (3)
- **Berlin** managed to convince 133 companies to come and set up shop within its city limits last year, creating 6,145 new jobs. The business development agency Berlin Partner says that constitutes a new record. (4)
- Brandenburg's economic development board ZAB reports continued growth in the number of queries from businesses seeking to locate at and around **Berlin-Brandenburg International Airport**. ZAB says it received 18 such queries in the first two months of this year. The airport is due to open in 2011. (5)



- China served as the partner country for the fourth annual **Bremen Logistics Day**, which was held in Bremerhaven. The city boasts the largest car terminal in Europe and the longest container terminal in the world. (6)
- The heavy equipment manufacturer **Liebherr** is continuing to develop its production facilities in Rostock (Mecklenburg-Vorpommern). The company, which produces maritime cranes in Rostock, recently announced it would be taking on more than 50 new apprentices this year. (7)
- **Saxony-Anhalt's** economics minister says corporate investment interest in his state remains strong. Reiner Haseloff notes that 334 corporate investment projects were recorded in the state last year. (8)
- The **Hamburg** area is registering sustained business growth. The Hamburg Business Development Corporation says it helped 95 companies set up shop in the area last year and assisted 52 existing companies with expansion projects. (9)

- **Lower Saxony** expects to become the first state in Germany to have a full-scale functioning wind farm off its coast. Work on two offshore wind parks in the North Sea is due to get under way this spring. (10)
- **Saarland** is reporting ongoing progress in its development as a business location for the logistics industry. Europa Hub Dachser and the Ford Industrial Supplier Park are cited as examples of this progress. (11)
- **Bombardier Transportation** has completed construction of a new assembly hall in the Saxon city of Görlitz. Representing an investment of EUR 5 million, the facility will initially produce rail cars for clients in Sweden and Denmark. (12)
- The state of **Schleswig-Holstein** is expecting its economy to benefit significantly from financial support being provided by the European Regional Development Fund. The state is due to receive EUR 722 million through the year 2013. (13)
- **NRW.INVEST**, the economic development corporation of **North Rhine-Westphalia**, is reporting a sharp rise in the number of foreign companies establishing operations in the state. The agency says 115 foreign companies created a business presence in the state last year – 40 percent more than in 2007. (14)

Major Investments



Production of wafers

- **Bosch Group** subsidiary **ersol Solar Energy AG** has broken ground on a new production plant in Arnstadt, a town in the eastern German state of Thuringia. Bosch says it is planning to invest around EUR 530 million in the operation over the next four years. The new facility, which is designed to produce crystalline solar cells and modules, will boost ersol's production capacity to 90 million solar cells per year. German Chancellor Angela Merkel participated in the ground-breaking ceremony. The plant is expected to employ 1,100 people.
- **Dow Wolff Cellulosics**, a business unit of **The Dow Chemical Company**, has opened a new manufacturing facility in the eastern German state of Saxony-Anhalt. Representing a EUR 60 million investment, it is regarded as one of the largest plants of its kind in the world. The plant, which is located in the Bayer Industrial Park Bitterfeld, produces methyl cellulose, a cellulose derivative used in various food, cosmetic, and pharmaceutical products.

DOW described the investment as "a step towards changing the game in the industry through more sustainable chemistry based on renewable resources." Saxony-Anhalt's economics minister expects 160 supply companies in the area to profit from the investment.

- London-based private equity investor **Pamplona Capital Management** has acquired the majority of the struggling German brake pad manufacturer **TMD Friction** for an undisclosed sum. The acquisition has rescued the company from receivership and is expected to help safeguard some 3,800 jobs worldwide. TMD Friction is the largest supplier of brake pads and linings in the automotive industry. It filed for insolvency late last year after a sharp downturn in car sales. The buyout will reportedly leave the company debt free.

Current Issues

New R&D Incentives for SMEs

To help cope with the global economic downturn, innovative small and medium-sized enterprises (SMEs) in Germany are being given an unprecedented boost by the federal government. Over the next two years the Federal Ministry of Economics and Technology is massively raising its funding for a key R&D incentives program known as the Zentrale Innovationsprogramm Mittelstand (central innovation program for small and medium-sized enterprises) or ZIM for short.

In 2009 and 2010 the ministry is providing an additional EUR 900 million for the program, bringing the total level of support in that one vehicle to EUR 1.5 billion. Combining those resources with the ministry's other research and innovation-oriented programs for SMEs, the funding adds up to about EUR 2.2 billion.

The new money is part of the federal government's second economic stimulus package that was passed at the beginning of the year. The measure is intended to encourage innovative companies to continue developing technologies needed to drive sustainable economic growth.

Announcing the funding increase, the Federal Ministry of Economics and Technology said that "a lack of financing must not be allowed to inhibit the capacity of companies to secure their future competitiveness through innovation." Eligibility requirements are being changed to make the funding available to a broader pool of recipients.

Germany and Its Competitors

- With respect to foreign investment, Eastern Germany has succeeded in attracting a higher portion of high-tech manufacturing jobs than business locations in neighboring eastern Europe. That's the chief finding of a recent survey carried out by the **Halle Institute for Economic Research**. The survey found that jobs in high-tech companies in Eastern Germany account for 12 percent of the foreign-owned manufacturing base compared to a figure of between two and ten percent in eastern Europe.
- Unit labor costs in Germany have increased less than in any other Eurozone country since monetary union in 1999. According to figures published by **The Cologne Institute for Economic Research (iw)**, unit labor costs in Germany rose by less than one percent between 1999 (when European monetary union was achieved) and 2007. Meanwhile, unit labor costs among the 11 other original Eurozone member countries rose anywhere between 4.2 percent and 32 percent. The IWF says monetary union has had a hugely positive impact on Germany's competitiveness as a business location.
- **The Federal Statistical Office of Germany** has released figures showing that German companies operating abroad have failed to match the high level of productivity they achieve at home. Examining statistics for German firms with more than 500 employees that have shifted some production abroad, the office found that productivity levels at foreign divisions were generally seven percentage points below the standard in Germany.

FDI Special

AmCham Business Barometer



The latest survey of American companies operating in Germany shows these firms consider Germany to be the most attractive location for investment in all of Europe. The sixth AmCham Business Barometer, an annual survey conducted by The Boston Consulting Group, notes that Germany has increased its attractiveness considerably compared to other European countries. This is the first time in the Barometer's history that Germany has topped the attractiveness ratings of business locations in Europe. In the two previous years eastern European countries had taken the top slots in the attractiveness ranking. The publishers of the survey attributed Germany's number-one ranking this year to companies placing greater value on security and quality during times of crisis. The survey also revealed expectations of closer economic cooperation with the new US government.

Foreign Companies in Germany

A new report published by the Federal Statistical Office of Germany shows that foreign-controlled companies account for about 20 percent of all business volume in the country. Together these companies employed 1.9 million workers in Germany in 2006. Their combined business volume amounted to EUR 884 billion.

Most of the parent companies of German subsidiaries are in neighboring countries such as Switzerland and the Netherlands. Dutch firms manage around 3,000 affiliates in Germany and account for 14 percent of foreign-created gross value added.

Outside of Europe, the United States and Japan are the most important foreign investors. US-controlled companies in Germany accounted for a whopping 24 percent of the gross value added among companies managed from abroad — far more than any other single group. In 2006 American enterprises in Germany provided employment for 430,000 people.

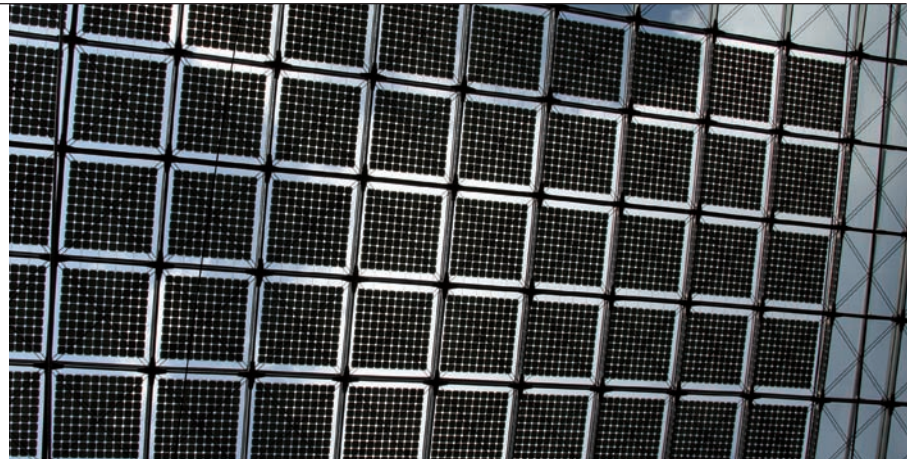
Cleantech News

About the Industry

- Despite the general economic downturn, **The German Wind Energy Association** says it is still anticipating strong sales growth in the sector this year.
- The German government has launched a major informational campaign to promote its new renewable energy law (Erneuerbare Energien Gesetz – EEG) which came into force on January 1, 2009.
- **The German Association of Energy and Water Industries** has revealed that the amount of electricity generated by biomass in Germany has now surpassed hydroelectric power production.
- To assure a sustainable supply of raw materials in the future, the German government is developing a joint platform with **The Federation of German Industries** and the **Extractive Industries Transparency Initiative**.
- **The German Renewable Energy Federation** has released a study suggesting that half of Germany's electricity needs could be met by renewable energy sources within 11 years.

About Companies

- The photovoltaics firm **Roth & Rau** has begun coordinating its research activities with the systems solutions company **Manz Automation** to develop a new generation of solar-cell production equipment.
- **Centrotherm, Aleo Solar** and **SMA Solar Technology AG** – three solar technology companies in Germany – are reporting positive developments. While SMA achieved record profits in 2008, Centrotherm and Aleo Solar are both anticipating strong sales growth in the current year.



Solar panels on the roof of Berlin Hauptbahnhof (Central Railway Station)

- A survey of 500 German companies has found that 80 percent of them have taken steps in recent years to improve their energy efficiency. The survey was conducted by **The German Energy Agency**.
 - German **Siemens AG** has secured a major cleantech order worth EUR 450 million from Norwegian energy companies **Statoilhydro** and **Statkraft**. Siemens will produce 88 wind power plants for an English offshore wind park which should begin operations in 2011. This is the second major cleantech order secured by Siemens this spring; they will also deliver 500 offshore windmills for Danish **Dong Energy** for an undisclosed sum.
 - **REpower Systems AG** has signed an agreement to provide up to 250 wind turbines for offshore farms planned by **RWE Innogy**. The deal has a potential volume of EUR 2 billion.
 - The solar module manufacturer **Sulfurcell** has begun construction of a cutting-edge production plant in Berlin. Next year the company expects to increase its sales more than tenfold to EUR 50 million.
- About the Regions*
- **Lower Saxony**, a state that uses renewable energy sources to meet 20 percent of its electricity needs, is planning to increase that portion and further develop its renewables-oriented industrial base. Companies in Lower Saxony account for a quarter of all sales generated by the wind technology sector in Germany.

R&D

Innovation in the EU and Germany

The **European Commission's** 2008 key figures report on Science, Technology and Competitiveness shows Germany and Scandinavia to be the most innovative regions in Europe. The Commission notes that innovation performance has improved throughout the European Union.

Germany's aeronautics industry has just received a big boost in the form of two major research centers. The **Centre for Applied Aeronautical Research (ZAL)** – a public-private partnership involving the city of Hamburg, Airbus and Lufthansa Technik – will pursue innovations in aircraft cabin interiors and air transportation systems as well as aviation-related fuel cell research. Meanwhile, in Stade (Lower Saxony) construction has begun on a new research center focusing on carbon fiber reinforced plastic (CFRP, or CFK in German). **The German Center for Aviation and Aerospace (DLR)** and **Fraunhofer-Gesellschaft** will be major tenants. It is to become an integral part of "CFK Valley," which has established itself as the leading international cluster for the CFRP.



Dirk Hilbert, Deputy Mayor of Dresden, Oliver Seiler, Director *Germany Trade & Invest* (with the award), and Dr. Peter Harrop, IDTechEx Chairman

About Us

Award-Winning Team

Germany Trade & Invest's Mechanical & Electronic Technologies investor consultancy team recently won the "Printed Electronics Europe Champion Award 2009" for its success in helping investors set up shop in Germany.

Mr. Raghu Das, CEO of the IDTechEx consulting company which endowed the prize, said that the award is to recognize the work carried out by *Germany Trade & Invest* to advance the printed electronics industry. He added that the organization's contribution has had a profound effect on the commercialization of the technology and has resulted in Germany becoming the global leader in this industry.

ACHEMA 2009

Leading German chemical parks and locations successfully presented together at this year's AICHEMA 2009.

Germany Trade & Invest and its partners succeeded in attracting the interest of visitors – above all international trade visitors and company representatives – to the German chemical park concept. The positive figures of the German Chemical Industry Association (VCI) correspond with this high level of interest: the number of companies (international and domestic) in the chemical parks rose from 840 to 920 between 2006 and 2008. The number of workers at the locations grew by 10,000 – clear recognition of the successful chemical park business model.

Industry News

■ **The 2009 Travel and Tourism Competitiveness Report**, published by the World Economic Forum, ranks Germany third in the world among 133 countries. Germany, Switzerland and Austria were found to have "the most attractive environments for developing the travel and tourism industry." Abundant cultural resources, an outstanding infrastructure and a high number of international fairs and exhibitions figure prominently among the principal assets that make Germany's T&T industry so attractive. The country's international air transportation network took first-place honors in the report. Germany also received excellent marks for environmental sustainability.

■ Germany has launched a major initiative to promote the integration of information and communications technology (especially the internet) into efforts to optimize the use of energy resources. Called "E-Energy," the program is creating six model regions in Germany where ICT is being utilized to improve grid efficiency, assure energy security and reduce environmental impact. The program, which has a budget of EUR 140 million, was initiated by the Federal Ministry of Economics and Technology and is being coordinated with the European Commission.

■ The materials science division of the Bayer group has begun building a new **carbon nanotube (CNT) production plant** in Leverkusen. With a capacity of 200 tons per year, the facility will be the largest of its kind in the world. **Bayer MaterialScience** is expecting 25 percent annual growth in the global market for carbon nanotubes. The company is investing some EUR 22 million in its new production plant. Nanotubes are used to make extremely strong and lightweight materials.

■ **Pharmaceutical companies** in Germany's Rhein-Neckar region are continuing to develop their capacity. The American firm **Abbot** has invested EUR 15 million in its Ludwigshafen research facilities over the past two years and now employs 4,000 people in Germany. Meanwhile, the Swiss-based **Roche** group has earmarked EUR 500 million for projects in Germany, 200 million of which is to flow into operations in Mannheim.

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