

Germany Investment NEWS

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Major Investments

- **Lanxess**, a German specialty chemicals group, has announced plans to build a new membrane filtration facility in the Chemical Park Bitterfeld-Wolfen in the eastern German state of Saxony-Anhalt. The investment, valued at EUR 30 million, is being actively supported by the Saxony-Anhalt state government. The state has reportedly agreed to provide up to EUR 6 million in assistance.

Slated to begin production in 2011, the new plant will produce membrane filter products to serve the growing market for water treatment technology. The project includes manufacturing and logistics facilities, laboratories and office space covering an area of 4,000 square meters. The plant represents Lanxess's second major investment in the Chemical Park Bitterfeld-Wolfen; the past decade the company has been producing ion exchange resins there through its **IAB Ionenaustauscher GmbH** subsidiary.

Lanxess considered several locations including Singapore and Spain before settling on Saxony-Anhalt for its new plant. CEO Dr. Axel C. Heitmann says: "Favorable basic conditions and opportunities to cooperate with nearby colleges and universities were key factors in selecting the site."

- **Soitec Group**, a France-based supplier to the microelectronics industry, has acquired a controlling stake in **Concentrix Solar GmbH**. The acquisition gives Soitec an 80 percent stake

in the privately held German company. Soitec produces engineered substrates which are used to help boost performance in computer chips. The company claims to produce over four fifths of the world's silicon-on-insulator (SOI) wafers.

Concentrix, whose shares are valued at EUR 55 million, produces concentrated photovoltaic solar systems. The company was founded five years ago as a spin-off from Germany's **Fraunhofer Institute for Solar Energy Systems ISE**. Located in Freiburg, Concentrix operates a fully-automated production line and employs about 60 people. Soitec expects to utilize its substrate technology to boost solar cell performance.

FDI Special

- Foreign investors continued to invest heavily in German blue-chip stocks in 2009, demonstrating confidence in the country's corporate giants during the global economic downturn. A number of the 30 companies listed on Germany's leading stock index, the DAX, saw investors from abroad not only retain their holdings but increase them, reports Germany's business daily *Handelsblatt*.

The paper notes that as of January this year the portion of DAX-listed shares in foreign hands was just over 51 percent. For three years in a row the majority of DAX shares have been held by investors from overseas. Eight years ago, foreign ownership of DAX-listed stock accounted for only a third of the total.

According to Germany's central bank, the **Bundesbank**, foreign investors pumped EUR 7.1 billion into the German stock market during the first nine months of 2009. *Handelsblatt* identifies **Capital Research** and **Black Rock** as the most active non-German institutional investors in the company's capital markets.

- Assessing foreign investment levels in Europe is about to become a lot easier. In order to give a more complete picture of this complex phenomenon, the EU is introducing a new unified set of tracking indicators called foreign affiliates statistics (FATS). These statistics gauge the activities of foreign affiliates in a given country – that is, enterprises controlled or owned by (multinational) enterprises from outside that country.

Eurostat, the European Commission's statistics unit, claims that by looking at a country's inward FATS it is possible to obtain a much clearer picture of how many jobs and how much turnover are generated by foreign investors. "While FDI statistics give an idea of the total amount of capital invested by foreigners in the EU economy", says Eurostat, "FATS add to that information by providing insight into the economic impact those investments have in the EU in terms of job creation, etc." The first FATS statistics – covering the year 2007 – are to be made available sometime this spring.



GERMANY
TRADE & INVEST

News from the Federal States

- Seventy-seven companies moved to **Berlin** or expanded existing operations in the capital last year, representing total investment of EUR 138 million. Though year-on-year investment was down, the dip was less than many had feared. Outperforming the country as a whole in 2009, Berlin's economy contracted by just 4.2 percent. (1)
- A *Manager Magazin* ranking of communal-level business locations in Europe shows five of the top ten in Bavaria. Munich, Munich Region, Ingolstadt, Regensburg and Starnberg were singled out as having particularly good prospects for economic development. (2)
- **Fatronic**, a research services company headquartered in Spain, has set up an operation in Tübingen, Baden-Württemberg. It is the firm's first location in Germany. The new unit plans to cooperate on research projects with the University of Tübingen. (3)
- **Guardian Flachglas GmbH**, a company in Saxony-Anhalt specializing in glass building materials, has begun delivery of glass facade elements for Hamburg's new concert hall complex, the *Elbphilharmonie*. Valued at EUR 12 million, the facade is said to be the most expensive of its kind ever built in Germany. Guardian Flachglas is a subsidiary of US-based **Guardian Industries**. (4)
- **Hamburg's** aircraft construction industry is celebrating its 75th anniversary this year. Describing itself as "one of the world's top three locations" for aircraft construction, the city-state will be marking the occasion with a colloquium on June 4th followed by a reception in the Airbus Delivery Centre. (5)



- **Sberbank Rossii**, a Russian bank headquartered in Moscow, has opened new offices in Frankfurt, Hessen. Sberbank is majority controlled by the Russian central bank and is widely represented in Eastern Europe. (6)
- **Invest in MV**, Mecklenburg-Vorpommern's business development agency, is adapting its resources to better serve the needs of Russian investors. The state is also highlighting its strengths as a location for renewable energies, particularly wind power. (7)
- A multi-platform PR campaign promoting **Lower Saxony's** image as a place for innovation has been recognized by Germany's *Jahrbuch der Werbung 2010* ("Advertising Yearbook 2010") as the best in its category. It is the second time the state has won the award with such a campaign. (8)

- **Saxony** says it provided financial assistance for 438 technology projects in the state last year - 69 more projects than in 2008. The support, which included state and EU funds, amounted to EUR 127.5 million, an increase of more than eight percent over the previous year. (9)
- **Vega Salmon**, a privately owned Danish production company specializing in smoked fish, has agreed to invest EUR 12 million in a new processing plant near Handewitt, Schleswig-Holstein. The project is being supported with nearly EUR 3 million in state and EU funding. (10)
- The meat products wing of Germany's **Kaufland-Gruppe**, a retail food group, is investing EUR 85 million in a new processing operation in Heiligenstadt, Thuringia. **Kaufland Fleischwaren SB GmbH & Co. KG** will supply meat to some 600 Kaufland supermarkets in Germany. (11)
- **Aramex International**, a logistics company headquartered in Jordan, has announced plans to establish a hub in Cologne, North Rhine-Westphalia. The company says it will expand in several markets this year. (12)
- The **Brandenburg Economic Development Board** reports says the state came through 2009 in better shape than many had anticipated the year before. In a "Dynamics Ranking" index of Germany's sixteen federal states, published by the **Initiative Neue Soziale Marktwirtschaft GmbH**, Brandenburg placed second. (13)



Measures to Accelerate Economic Growth

The German government has introduced a new package of stimulus measures aimed at buffering the impact of the financial crisis. Known as the Economic Growth Acceleration Act, it is the third major stimulus program to be enacted in Germany since the economic downturn began.

The new Act provides targeted tax relief for both companies and individuals. On the corporate side, the stimulus package gives qualified companies a higher exemption limit for tax deduction on interest payments. The limit has been raised from EUR 1 million to EUR 3 million, with interest above the limit deductible for up to five years through carryforwards. Deductions for corporate losses and new investments have also been expanded.

Beyond this, the government has streamlined regulations on the transfer of private company ownership (succession), reducing holding periods, and cutting inheritance taxes. The value-added tax on short-term lodging has also been sharply reduced, offering a boost for the travel industry.

Government Economic Outlook Report for 2010

The German economy is expected to grow at a modest rate this year, bouncing back from the tribulations of 2009. In its official economic outlook report for 2010, released in January, the German government says it expects the country's gross domestic product to grow at an average annualized rate of 1.4 percent this year. This cautious forecast follows a year in which the economy contracted five percent - an unprecedented development in German post-war history.

The report suggests that German exports will gain considerable strength in 2010 as global demand - particularly for industrial goods - begins to recover. Federal Minister of Economics and Technology Rainer Brüderle expressed confidence that the worst of the crisis is now over, but added that recovery could be "long and difficult." The government says it is hoping to stimulate domestic demand with new simplified tax system. Sweeping changes to the tax code could be introduced as early as January 2011.

Industry News

Travel

The German travel industry has emerged from the economic storm relatively unscathed. According to the German Travel Association DRV, revenue dropped by just three to four percent last year.

Germans are traditionally at the top of the European scale when it comes to the amount of travel they undertake. While the tendency to fly off to faraway destinations diminished some-

what during the economic crisis, German holidaymakers continued to make vacation, which typically amounts to six weeks annually.

Wellness

Demand for wellness products and services in Germany has grown steadily over the past few years, maintaining its momentum throughout the international financial crisis. The business daily *Handelsblatt* reports that, during the past five years, the sector has grown at an average rate of nine percent. Spa hotels have apparently benefited most from the wellness boom, bucking a negative trend among hotels catering to business travelers and conference goers. Many Germans are believed to have opted for a wellness vacation in their home country as a less costly alternative to a lavish overseas holiday.

Food

Organic supermarkets in Germany bucked the negative trend in the retail food industry last year, reporting a solid four percent increase in sales. Agricultural suppliers of organic food products did better still, posting a five to six percent gain. That compares to a 2.4 percent drop in revenue for the retail food industry as a whole.

Revenue growth for the organic food sector as a whole was flat, due to a harvest-related price drop and altered merchandising policies at discount supermarkets. However, the volume of goods sold in the sector actually rose. Analysts say health-conscious consumers have remained loyal to their organic food sources.

Germany and Its Competitors

Worldwide Logistics Champion Germany

Germany's reputation as a logistics champion has been positively reaffirmed in a newly released **World Bank** report. The study, which compares the logistics landscapes and infrastructures of 155 countries places Germany at the very top, awarding it the maximum possible score of 100 percent.

"Connecting to Compete: Trade Logistics in the Global Economy" is a highly detailed biannual publication produced by the World Bank and various academic institutions. The previous study, which appeared in November 2007, awarded Germany a third-place ranking overall.

Assessing both the challenges and opportunities relating to a country's trade logistics performance, the report examines "an array of essential activities - from transport, warehousing, cargo consolidation, and border clearance to in-country distribution and payment systems - involving a variety of public and private agents." The report's authors note that the logistics sector is

enormously relevant to a country's economic development. "For countries at the same level of per capita income," the report says, "those with the best logistics performance experience additional growth: one percent in gross domestic product and two percent in trade." Led by Germany, eight of the top ten countries in this year's report are European.

Germany: A Stable and Mature Location

IBM's latest Global Location Trends report asserts that Germany has "significantly improved" its position as a destination for foreign investment relative to other countries. The "2009 Annual Report Germany," which looks at data for 2008, shows that Europe's largest economy attracted "substantial levels of foreign investment" that year, with 709 foreign investment projects creating 26,700 jobs. Overall, based on figures from IBM's Global Investment Locations Database, Germany was ranked as the world's ninth largest recipient of foreign investment.

Industrial machinery and equipment, business services, and ICT were the three sectors showing strongest job cre-

ation in Germany as a result of foreign direct investment (FDI) in 2008. FDI-related job growth in these sectors was between 40 and 300 percent. Explaining some of the reasons for these favorable developments in Germany, the report points out that that "concerted efforts of recent years to moderate wage growth, reduce taxes and improve the business environment have enhanced the country's competitiveness." Moreover, the study describes Germany as a "key beneficiary" of companies looking to "consolidate activities in more stable and mature locations."

Most Productive and Competitive Economy in Europe

A survey of leading executives has identified Germany as Europe's most productive and competitive economy. The *Handelsblatt Business Monitor*, an annual survey co-commissioned by the business daily *Handelsblatt* and management consultant **Droege & Comp**, ranks Germany number one in Europe and number two worldwide just behind China in terms of international competitiveness.

This represents the fourth consecutive year that the survey of European business leaders has ranked Germany number one in the EU region. Among the factors contributing to Germany's high standing, the survey says, are the strength of the country's small and medium-sized enterprises, moderate overall wage growth and below average price increases.

One notable development in this year's survey is a tendency among German executives to view business conditions at home more positively than they have in the past. In previous years foreign business leaders had viewed business conditions in Germany more favorably than their domestic counterparts.

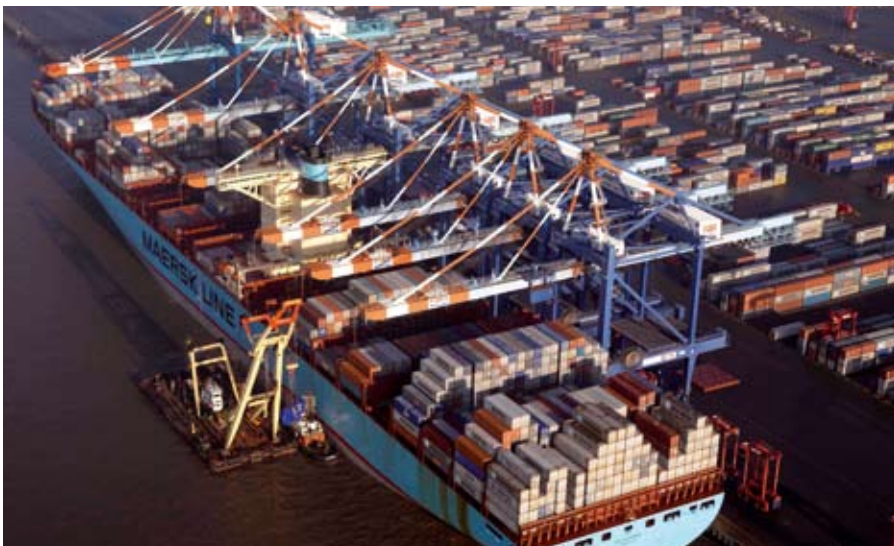


Photo: BLG LOGISTICS

North Sea Terminal Bremerhaven

Cleantech News

About the Industry

- Germany's Batteries Act (BattG) implements the EU Batteries Directive. The new regulations, which came into effect on December 1, 2009, will furthermore limit the future use of cadmium in batteries. An official register will make sure that the manufacturers of batteries and accumulators meet their responsibilities regarding the recovery and disposal of their products.
- Two significant legislative steps have been taken to support development of offshore wind parks in Germany. The federal cabinet has approved physical planning measures in the Baltic Sea while the Bundestag passed an act (EnLAG) last summer to expedite the integration of wind-generated electricity into the national grid.
- Germany's Federal Ministry of Economics and Technology is redoubling efforts to promote development of innovative power storage solutions. Among the cutting-edge projects the ministry is supporting is a joint corporate initiative based on the AA-CAES technology (Advanced Adiabatic Compressed Air Energy Storage).
- Robert Gillette, CEO of the US-based solar energy specialist **First Solar**, expects the market for solar energy systems to grow "35 percent annually over the next three years," reports the *Financial Times Deutschland*. First Solar has a major production facility in Germany, Frankfurt (Oder).
- Four companies and a research institute have been awarded the "German Material Efficiency Prize" 2009: Blechwarenfabrik Limburg GmbH; Helmut Diebold GmbH; Helmut Jelschen GmbH; LIC Langmatz GmbH; and TU Clausthal, Clausthal-Zellerfeld. The award, sponsored by Germany's

Federal Ministry of Economics and Technology, highlights the economic benefits of material and energy efficiency.

- Major industry associations in Germany are anticipating "significant growth" in the country's wind-powered electrical generating capacity this year. According to the wind energy association BWE, capacity rose around eight percent in 2009 to nearly 26,000 MW.

About Companies

- **Centrotherm Photovoltaics GmbH**, a German provider of technology and services for the PV industry, reported a surge in orders during the last quarter of 2009. The company says it is expecting double-digit growth this year.
- Installation work has been completed on a high-voltage transmission line connecting Germany's first commercial offshore wind park, **Bard Offshore 1**, to the national power grid. The cable system was engineered and installed by the Swiss-Swedish company **ABB**.
- **SGL Rotec**, part of Germany's **SGL Group**, has been awarded a five-year contract to provide carbon-based rotor blades for the German wind power company **Bard**. SGL said the euro value of the deal was in the "low triple-digit million" area.
- Brazilian petrochemicals company **Braskem SA** has secured a contract to deliver annually 5,000 tons of high-density polyethylene (HDPE) based on renewable resources to the German packaging firm **Tetra Pak** starting in 2011. Tetra Pak GmbH & Co. KG in Hochheim/Main plans to use the material to produce caps.

- Thomas Richterich, CEO of German wind turbine supplier **Nordex AG**, has told the *Handelsblatt* newspaper that his company aims to quadruple sales to over EUR 4.5 billion by 2014. The company is currently investing EUR 68 million in the expansion and modernization of its rotor manufacturing unit in the northern German city of Rostock.

About Regions

- **Berlin** is creating a cleantech business park. The industrial park is being set up on 90 hectares of land in the northeastern district of Marzahn-Hellersdorf. The city aims to become a leading center for "green economy" companies.

Electromobility

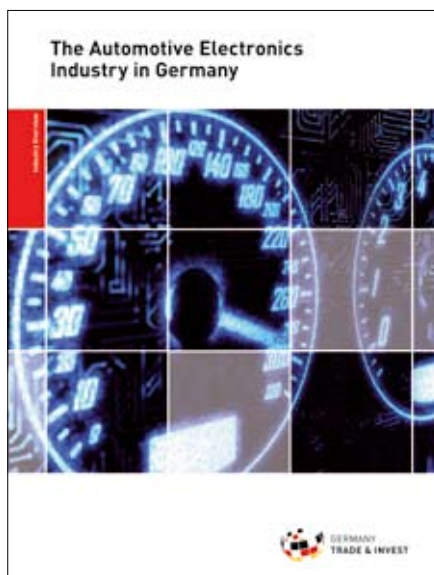
- German carmaker **Daimler** and energy company **RWE** have launched a pilot program in Berlin to promote electric vehicle use. 100 electrically powered Smart cars are being leased out to private individuals in the capital for EUR 700 per month. There is no additional charge for the electricity.
- The German government is actively supporting European Union efforts to develop Europe-wide standards and norms for electric vehicles. Spain is giving the initiative priority during its EU presidency.
- A new government-sponsored agency for electromobility has been launched in Germany. The **GGEMO** will coordinate federal electromobility measures aimed at putting one million electric vehicles on German roads by 2020.

About Us – New Publication

In order to keep investors abreast of developments in vital industries, *Germany Trade & Invest* periodically produces sector-specific informational brochures. Our latest publication focuses on “The Automotive Electronics Industry in Germany.”

The 16-page full-color brochure provides a timely snapshot of a fast-moving sector that accounts for over 40 percent of the entire market for electronic devices in Germany. Aside from key data on production and sales, the publication provides a convenient breakdown of the industry into its essential parts. Readers can find out how the market for automotive electronics has evolved in Germany compared to other leading industrialized nations and see what analysts are predicting down the road. Chronological charts and maps provide plenty of context.

One page is devoted entirely to automotive electronics trends. There are sections on “Market Structure”, “Creating Value” and “Electronics and Sustainable Development” as well as an overview of Germany’s R&D resources, the labor market and government incentives. You



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R & D

Year of Science 2010

How long can fossil fuels provide us with energy? What are the consequences of subterranean CO₂ storage? These are just a couple of the many intriguing questions young people in Germany are being invited to consider during the Year of Science 2010. Concentrating this year on energy-related issues, the government-sponsored initiative hopes to capture the imagination of Germany’s budding scientific minds and inspire innovative approaches to real-world challenges.



Biogas plant, photovoltaic panels and wind turbines on a farm

Numerous events, workshops and competitions are planned throughout the year, offering young scientists a chance to explore the world of energy research and take part in hands-on experiments. Renowned institutions are opening up their laboratories to groups of young visitors from around the country. Focusing particularly on energy efficiency and renewables, the

initiative offers participants the opportunity to reflect on a wide range of energy-related topics from wind power and biofuels to hybrid engines and nuclear fusion.

Devoting the Year of Science to energy-related topics reflects one of Germany’s key policy priorities. The federal government says it plans to spend 819 million euros on energy research in 2010.

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Notes

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