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Magazine on Indo-German Economic Relations

Bavarian-Indian Cooperation Old tradition – new horizons

- Germany 2015 – Industrial scenarios
- On the road to electro-mobility
- Recent key changes to the legal environment

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Dear Readers,



STEPHAN MITTELHÄUSER
Editor in Chief

Optimism about the economic outlook continues to spread in Germany. Initially, several banks adjusted their growth forecasts for the Germany economy upwards, and a number of economic research institutes then followed suit. The economy is expected to contract this year by 5 per cent instead of 6 percent, and 1 per cent growth may be possible for next year.

Consumer confidence is on the increase, and shoppers welcome the fact that prices continue to remain stable. Confidence is also returning to the German business community. The best news is that economic indicators which are based on hard facts are also slowly heading in the right direction. German exports and industrial production are starting to recover.

Are we now seeing the long-awaited end of the crisis? Even if there are increasing indications that the recovery is underway, it would be wise not to get carried away. "German economic recovery will be sluggish following a steep decline," predicts Hans-Werner Sinn, President of the Ifo-Institute in Munich. The German Institute for Economic Research (DIW) issued the following assessment of the current situation in Germany: "The dark gloom has now lifted somewhat, but we are not out of the woods yet." It is still too early to give the all clear.

The crisis has given a new urgency to the debate surrounding Germany's future as a major industrial player. A study by the Boston Consulting Group looks at a number of possible scenarios for Germany's industrial base in the year 2015. The study evaluates the effects on five key German industries: metal-working, chemicals, electrical engineering, mechanical engineering and vehicle production.

"Given the similarities in the structure of the industrial base in India and Bavaria, a partnership between the two regions would appear to be an excellent fit," claims Bavarian Minister of Economic Affairs Martin Zeil. Economic relations between Bavaria and India go back a long way, and a delegation will be visiting India on October 25th - 31st, 2009. This is by no means a one-way street. The "Invest in Bavaria" agency now lists more than 60 Indian companies which have located in Bavaria. You can find out more about the current status of bilateral relations in this issue.

The German Federal Government has set a goal of one million electric cars on Germany's roads by 2020 in its National Electro-Mobility Development Plan, which was approved in the middle of August. The expectation is that electric propulsion systems will reduce the country's dependency on foreign oil and cut emission levels. It sounds good, but as always there are a number of engineering hurdles to overcome.

In an effort to combat the economic crisis and with elections looming at the end of September, the Federal Government recently enacted a number of laws, some of which directly effect foreign investment in Germany. We bring you up to date with the latest changes to the legal framework in this issue.

We wish you a pleasant reading.

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Science

Walking on the dark side

Using the x-ray vision of its seven "eyes", the eROSITA telescope will be on the lookout for black holes and dark matter. In the middle of August, members of the Executive Board at the German Aerospace Centre (DLR) signed an agreement with the Russian space agency to lay down the technical and organisational framework. The agreement gave researchers at the Max Planck Institute for Extraterrestrial Physics in Garching near Munich, who will be in charge of building eROSITA, the green light to go ahead. The telescope will be carried onboard the Russian Spectrum X-Ray Gamma satellite which is scheduled for launch from the Baikonur Space Centre in 2012.



The German eROSITA x-ray satellite is scheduled to join the search for dark matter in 2012

German Centre Delhi.Gurgaon

Nadine Ulrich named new Chief Executive



Bayerische Landesbank and Landesbank Baden-Württemberg have appointed Nadine Ulrich as Chief Executive of the German Centre Delhi.Gurgaon, which opened in the autumn of 2008. The centre is a joint venture which was set up by the two banks. Nadine will be taking over from Jochen Landes. She studied international business, has a business degree and worked as a Project Manager at the German Centre Beijing

from 2005 to 2009. Nadine was responsible for business development, and one of her roles was to provide practical advice to SMEs who wanted to gain a foothold in the Chinese market. Starting in November 2008, the 28-year-old business consultant spent half a year helping to get the new German Centre up and running. Companies can rent space (min. 25 m²) at the German Centre Delhi.Gurgaon and take advantage of a number of services including consultancy. The German Centre has good contacts to various institutions and the public sector and has access to important networks, which can make things easier for German companies.

Film partnership

Hamburg Media School goes behind the cameras with Roopkala Kendro



The partnership, which was announced last year between Hamburg Media School (HMS) and Roopkala Kendro Institute of Film, is taking concrete shape. During her trip to Kolkata in August, HMS Executive Board Chairperson Insa Sjurts had the opportunity to meet the Director of the Institute. HMS entered into the Indo-German partnership to achieve three things: student exchange, bridging (network building prior to the start of the career) and staging of a joint film festival. The link to the

subcontinent is another step on the road to internationalisation at HMS. The school is already involved in media management partnerships with universities in Sweden and China. The agreements are expected to be finalised in mid November.

University education

Comparison of higher education systems in Germany



As competition between universities increases and fees are introduced, there is growing interest in key statistical metrics that can be used to assess universities in different parts of Germany. The brochure entitled *Hochschulen auf einen Blick* (Universities - a Statistical Summary), which was published by the German Federal Statistics Office for the first time in 2006, contains key metrics on university admissions, graduates, personnel structure and support, national drawing power and financial resources. The commentary helps the reader understand the statistical methodology, the information content and key results which are presented in compact form with the aid of visuals. The latest edition of the brochure zeroes in on changes and trends that have been identified since publication of the previous issue including an increase in the number of graduates, which is having an effect on graduate quotas and a number of other academic metrics.

Contact
www.destatis.de

Indian embassy**New ambassador**

Sudhir Vyas is the new Indian ambassador in Germany. Meera Shankar, who had previously acted as India's highest diplomatic representative in Germany, was appointed as the first female Indian ambassador to the United States. Before coming to Germany, Vyas was the Indian Ambassador in Bhutan. Prior to that, he was a senior diplomatic official at the Indian High Commission in Pakistan.

IHK Cologne**Asian Economic Forum**

The North Rhine-Westphalian Economic Forum was held on July 23rd at the Cologne Chamber of Commerce. The event was staged to share information on current opportunities and risks in Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Vietnam, Hong Kong and of course China and India. Business leaders and experts from the German Chambers of Foreign Trade in the vari-



ous countries shared information about markets as well as sales and procurement opportunities.

Business leaders and experts from the German Chambers of Foreign Trade in the vari-

Verena Würz, who works as an advisor at the Indo-German Chamber of Commerce in Düsseldorf, gave a talk on "B 2 B - Indian companies as customers". She presented the basic outline of possible sales strategies for German companies operating in India. She also provided a number of tips on marketing and negotiating skills in dealings with Indian business partners.

Following the talks, the representatives of the Chambers of Foreign Trade were available to provide individual advice to persons at the forum who had questions on any aspect of doing business in Asia ranging from procurement and sales to investment issues.

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India week**Stuttgart goes Bollywood**

India Week and the 6th Indian film festival "Bollywood and beyond", which were staged in Stuttgart on July 13th - 19th at the SI Centre in Stuttgart, were a huge success, and many of the events were sold out. Viewers had the opportunity to see about 40 films which presented the vibrant diversity of the Indian subcontinent. The programme of drama and comedy included stories taken from the fullness of life as well as tales from the magical world of India. A number of other events were staged at the Lindenmuseum and the Indian Business Centre. Andreas Lapp, Honorary Consul of the Republic of India, and

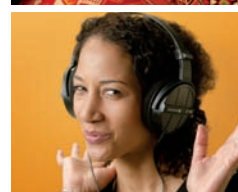


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one of the main sponsors of the festival, said the following: "My aim is to generate passion as well as understanding for Indian culture and the Indian way of life. It was important to me to support the festival in times of economic turbulence."

40 films were shown at the festival, most of which had never been seen in Europe before. The presentation of the German Star of India brought the festival to a glittering conclusion. Experts described the

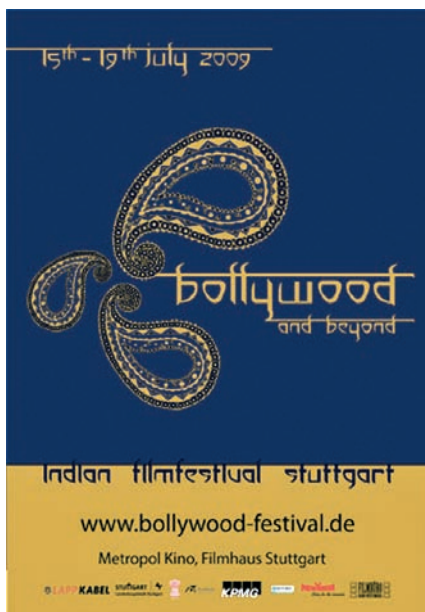
film programme as highly ambitious. The festival proved once again that India is a great film nation which offers unparalleled variety. Bollywood and beyond shows a large selection of films from all of India's regions, and it is generally regarded as offering the greatest variety outside of India.

A number of other events took place at venues such as the Lindenmuseum and the Indian Business Centre. The Indo-German Business Forum, which was organised by Filmbüro Baden-Württemberg and the accountancy firm KPMG, attracted

a large audience. Managers from all corners of Germany took the opportunity to learn more about business opportunities in India. The concerts, reading sessions and dance workshops were also well attended.

The next Bollywood and beyond film festival in 2010 is already on a firm footing. "We are on the right path. The fact that the response was so encouraging despite the financial limitations shows how much interest there is in Indian films and culture in Germany," observed Oliver Mahn who is in charge of the festival.

For details go to <http://www.bollywood-festival.de> and <http://www.ibestuttgart.com>.



GfK Study

Slight decline in organic products

In the first half of 2009 sales of organic products declined for the first time. Consumers spent approximately 4 per cent less on organic food and drinks in this period than they did during the same period in the previous year. These are the findings of a survey conducted by GfK Panel Services Germany which tracks sales of organic products continuously.

In total, 85 per cent of all households in Germany bought at least one organically produced item in the first six months of 2009. However, prices were down by 2 per cent on average compared with the previous year, and as the total consumption of organic products fell by 2%, the market recorded a 4 per cent decrease overall.

Spending on organic produce was much more reduced in the food retail sector. This segment recorded a fall of 6 per cent, which was also caused mainly by decreasing prices. Discount stores in particular, which had introduced a greater number of consumers to organic products in recent years, were unable to achieve a boost in terms of price competition by including this product group. Price levels declined by 7 per cent, while consumers spent only slightly more (+1 per cent) in this segment. Since around one in four euros spent through this sales channel relates to organic products, competitive pricing determines overall profits. Specialist stores fared better, with price and demand remaining at a constant level.

The amount of disposable household income largely determines the consumption of organic products. Based on their own estimates of their financial situation, the majority of all households still indicated that they "manage by and large". Overall, 26 per cent of households have to be very careful about what they spend. A respectable 28 per cent do not need to economise. At almost 30 per cent, this proportion is slightly higher for the group of consumers who regularly buy organic products. An analysis of spending shows that these households account for more than 40 per cent of the total market. Compared with the first half of 2008, their consumption of organic products rose fractionally.

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+++ FDI News August 2009 +++ FDI News August 2009 +++ FDI News August 2009 +++

- * US fashion retailer Abercrombie & Fitch is opening a Hollister store in Frankfurt's MyZeil shopping mall.
- * The Rabobank Group (Netherlands) has opened its third Bank Sarasin branch office in Nuremberg.
- * Leading French pharmaceutical company, Sanofi Aventis, plans to invest € 63 million in biotechnology research and insulin production in Frankfurt am Main. € 23 million will be used to expand the company's local insulin manufacturing capacity; € 40 million will fund facilities for antibody and molecular research.
- * Schroder Property Investment Management (UK) is concentrating its German operations in Frankfurt am Main by relocating its property business branch from Wiesbaden to its headquarters in Frankfurt's Japan Tower.
- * Financial services provider, Kneip (Luxembourg), has announced it will set up its first German office by August 2010.
- * Esade, a Spanish business school, has opened a global teaching center in Munich.
- * PSA Peugeot-Citroen (France) is creating 76 jobs by opening a 42,000 sq m warehouse in the German town of Rieste.
- * Cinram, a Canadian producer of storage media, is opening a new production facility in Alsdorf, creating 23 jobs.
- * General Logistics System (Netherlands) is building a logistics centre in the German city of Bornheim, creating 40 jobs.
- * La Poste's Direct Parcel Distribution (DPD) (France) has expanded and relocated its German depot in Bremerhaven: the new facility in Loxstedt can handle up to 10,000 parcels per day and employs four new staff.
- * Japanese car manufacturer, Nissan, has opened a sports car shop at the Nurburgring race track to display its 370Z and GT-R plus models.
- * Samsung Electronics (South Korea) has announced plans to open a store in the Hessen Center shopping mall in Frankfurt, creating 17 jobs.
- * 3CX (Cyprus), a telecommunications software developer, has opened an office in Munich.

Source: Invest in Germany

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Germany 2015 - Industrial scenarios

Key industries have to face new challenges



No dusk in sight for German industries

The current economic crisis has added to the urgency and relevance of the debate on Germany's future as a major industrial player. How well will German industry be positioned at the end of the crisis? A study entitled *Germany 2015 - Industrial Scenarios* was carried out by the Boston Consulting Group to take a closer look at this issue. The study assessed the effects of the crisis on five key German industries: metal-working, chemicals, electrical engineering, mechanical engineering and vehicle production.

In the past, Germany has held a leading or dominant position in these five major world markets. Will Germany be able to retain this dominance after the end of the crisis, or will the crisis lead to a fundamental change in the size and structure of the key industries in the country.

Position as world's leading exporter at risk

Around one in five gainfully employed persons in Germany work in the industrial sector. The country's reputation as the world's leading exporter is based on industrial production, which accounts for nearly 80 percent of German exports. The ability to develop new technology, revitalize existing industries and take advantage of new growth opportunities will have a decisive influence on Germany's future.

Protectionist tendencies, a sustained slowdown in worldwide growth and the trend (which is unrelated to the crisis) to relocate production operations to export markets will have a negative impact on the export of goods which are produced in Germany.

The results of the study leave no doubt that Germany must end its reliance on export markets and a continuation of the „leading exporter“ business model. The crisis will lead to structural change in the country's industrial landscape. Even if the five key industries recover very rapidly, there will be no return to the status quo which existed prior to

the crisis. Instead, companies in these industries will have to face up to a new reality.

The crucial question is whether German industry will be able to develop new technology, penetrate new markets and take advantage of growth opportunities.

Bright outlook for high-growth industries

The outlook is brightest for technologies that are closely related to industries which have been traditionally strong in Germany such as nanotechnology in the mechanical engineering industry, electrical propulsion technology in the car industry and white biology in the chemical industry. The size of these markets is still modest, but experts predict that the next peak of a new growth cycle in manufacturing will take place in these industries. However, the current technology leaders may have to withstand an extended lean period in the interim. How well Germany industry will be able to cope with structural change depends on the abilities, expertise and know-how of the people who work in these key sectors.

Extending technological leadership

If Germany does not react quickly enough to structural change in its industrial base, many highly-qualified professionals in particular will probably no longer be making an active contribution, at least not in Germany, as a result of brain drain or redundancies in the manufacturing industry. Action must be taken now to ensure that the knowledge base, which has been built up over many years, is not lost. If that is done, there is a chance that structural change will actually enhance the position of Germany industry.



BCG study: The future of German industry is based on know-how

Contact

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Economic Trends in Germany**80 Chambers of Industry and Commerce ask – more than 20,000 enterprises answer****Economic Situation**

All business branches in Germany – even the customer related ones – are hit by the current economic crises. The recent substantial order losses have turned into the reality of sales. Consequently, the low capital utilisation leads to a downturn in domestic investment. Planned governmental investment measures have not yet had any impact on the economic situation of the construction sector.

The money from the car scrapping campaign predominantly favours car traders. One out of six enterprises reports a good business situation, almost every second one is satisfied with its business situation. In contrast, more than one third of all enterprises see themselves in a bad economic situation.

Exports

The matchless decline of foreign orders is finally coming to an end. Export expectations have stabilised compared to the beginning of the year – but only slightly. Inbetween the interview time span of six weeks one can discern a visibly positive development. Dynamics arise from China, some EU-member states as well as the USA. Export expectations are brightening up especially under purchase materials and investment goods producers.

Domestic Investments

Enterprises have further reduced domestic investments in the months to come – yet not as significant as at the beginning of the year and not as strong as indicated by the recent deterioration of the economic situation. The balance of investment-plans is now on the level of the very weak investment years 2001 and 2003. As a consequence of low capital-utilisation replacement and rationalisation investments are prevailing.

Employment

Enterprises are reducing employment plans in response to the economic crisis, yet not as strong as in the past. The responses indicate a significant decline in employment in the months to come. However, the common application of short time working benefits shows that risen expectations and the efforts of the companies to maintain skilled personnel have been backing employment plans, keeping the economies immediate impact on employment at a minimum.

Expectations

Corporate expectations brightened slightly in the spring of 2009. Since the economic situation turned out to be better than expected at the beginning of the year, the picture started to change. Especially industrial enterprises report higher expectations concerning their economic situation. Many signs indicate that the bottom has been reached in these parts of the economy. Other parts of the economy, especially consumer related branches, however, report only slightly better prospects. All in all economic recovery will be a bumpy road, especially when bearing in mind that financing new orders is going to be difficult.

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Interview

Ramping up investment

with Michael Pfeiffer



MICHAEL PFEIFFER
CEO of Germany Trade and Invest GmbH,
Berlin

Mr. Pfeiffer, the so-called BRIC countries (Brazil, Russia, India and China) are an attractive place to invest for German companies. Do these countries see opportunities to make significant investments in Germany?

German companies primarily view India, Russia and China as export markets which are expanding very rapidly. Demand for German products is very strong. To remain cost competitive, German companies have invested heavily in manufacturing operations in those countries.

Companies in these countries are also exploiting rapid growth in the domestic market to expand their business. The BRIC countries have had a clear priority, namely investment at home. That is the reason why prior to 2000 there was little investment activity in Germany by Russia, China and India. That has changed since the turn of the century. There are now 800 Chinese companies in Germany, not counting restaurants and travel agents, plus 730 investors from Russia and 220 from India. Since the beginning of the economic crisis, interest in Germany as a business location has risen dramatically. Most of the investment queries are now coming from India.

However, at the moment they have not gone beyond the query stage.

Yes, but the increased number of queries is an important indicator. It is safe to assume that some of the queries will turn into projects. We expect that investment in Germany from India, China and Russia will increase dramatically and that these countries will soon be some of the top investors here.

Germany is one of the most attractive places in the world to invest. Thousands of companies from the Western industrialized nations continue to invest in the country. The BRIC countries have also become more active in recent years. GermanyContact spoke with Michael Pfeiffer about the level of interest on the part of companies from India, Russia and China in making investments in Germany and the services which German Trade and Invest GmbH (GTAI) provides to foreign companies.

ries is an important indicator. It is safe to assume that some of the queries will turn into projects. We expect that investment in Germany from India, China and Russia will increase dramatically and that these countries will soon be some of the top investors here.

What are these countries looking for?

Russia wants to invest in steel, energy, logistics and engineering. Unsurprisingly, IT is a priority for India. Around one third of investment in Germany is directed at the IT business. However, other industries are also well represented, for example steel. Investment from China covers a broader range. The Chinese are currently showing an increased interest in telecommunications.

In contrast to Western European companies, Russian and Chinese firms are primarily interested in taking a participating interest in German firms. They are looking for a strong partner to compensate for their lack of foreign investment experience. Companies from India have fewer reservations, and they are willing to invest in green field projects.

How well does that fit in with the goals of your agency?

Our plan is to acquire investment in high technology, which is targeted at high-growth sectors in Germany, namely renewable energy, medical technology, chemicals and services. We intend to attract innovative companies which operate in these sectors and are willing to invest in Germany.

Eastern Germany is another priority. The sectors I just mentioned are expanding very rapidly in that part of the country. Berlin Brandenburg International Airport will enhance the importance of the region as an aviation hub, and foreign companies will be able to exploit good business opportunities as a result.

We have limited experience in facilitating joint ventures, but we do of course have contacts which will help us assist foreign companies that are looking for suitable partners. We are a good starting point for companies that are interested in investing in Germany.

BRIC countries in particular are interested in finding high-tech partners in Germany, are they not?

Of course they invest here to take advantage of our know-how and advanced technology. However, that does not equate to a high technology sell-off.

The new Foreign Trade Act, which lays down rules for foreign investors in specific sectors for example sovereign wealth funds, went into effect recently. Are foreign companies concerned about the changes?

There is no reason why they should be. Nearly all of the OECD countries have enacted foreign trade legislation with similar provisions. Not even sovereign wealth funds raise the Foreign Trade Act as an issue in their discussions with us. Germany welcomes foreigners, and companies from around the world feel right at home here. Legal

certainty is highly appreciated. Management consultants Ernst & Young had good reason for recently nominating Germany as the most attractive place in Europe to invest.

How does your agency acquire investors from Russia, India and China?

Germany Trade and Invest has offices in 45 countries. The primary role of our people there is to provide advice to German companies on business opportunities in foreign countries. Of course, GTAI also uses these resources to attract investors.

Our roadshows have proven to be highly effective. We staged a series of events in India during the first six months to offer investment opportunities at the large airports in Eastern Germany. We will host two conferences this autumn in Russia on nanotechnology and Eastern Germany as a logistics base.

We receive good support for these events from the Foreign Chambers of Commerce.

GermanyCONTACT: Thank you for taking the time to talk with us.

Germans work longer

EU countries compared in Eurofound study

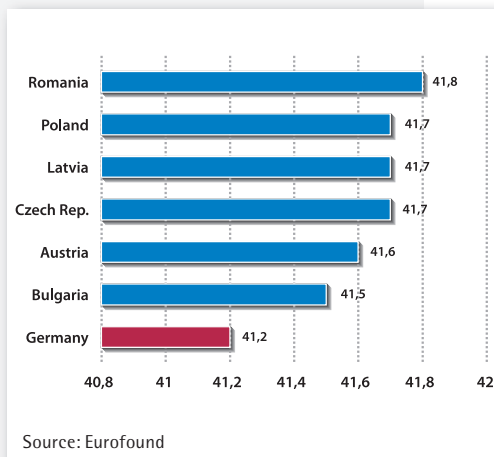
Germans work a lot, but they also take relatively long periods of relaxation.

People in Germany are working more and more hours per week, putting them near the top of the European rankings. These results are contained in a study conducted by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) in Dublin.

The actual number of hours worked per week in Germany last year was 41.2. To put that into context, the figure was 41.1 in 2007 and 39.6 in 2003. Germans have a longer working week compared to most other European countries. They are 7th in the rankings, ahead of all the other large economies in Europe. Workers in Germany put in 3.5 hours more per week than what is required by collective agreements.

Statistics show that the collectively agreed working week was an average 37.6 hours across all industries. A working week averaging 41.8 hours put Romania in top spot followed by the Czech Republic, Latvia and Poland at 41.7 hours. France, where the working week is 38.4 hours, was at the bottom of the rankings.

Source: Working time developments - 2008 by the European Foundation for the Improvement of Living and Working Conditions. More information: www.eurofound.europa.eu/eiro/studies/tn0903039s/tn0903039s.htm





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Long-term relationship is the key to success

500 years of economic ties between Bavaria and India



Solar power in Karnataka
a blend of tradition and modern

By Inken Heeb

Economic relations between Bavaria and India go back hundreds of years. Three ships chartered by Jakob Fugger sailed for the first time to the west coast of India in 1505 to buy spices. Today, Bavaria has a presence in the high-tech city of Bangalore to promote economic relations, and it is the only state in Germany which has established a partnership with the Indian state of Karnataka. Bavaria recognized the enormous potential of the Indian subcontinent a long time ago, and an increasing number of Indian companies are now venturing into Europe. The "Invest in Bavaria" agency, which is run by the Bavarian Ministry of Economic Affairs, now lists more than 60 Indian companies which have located in Bavaria.

* *About the author*
Inken Heeb works as a free-lance journalist in Munich.

"This century belongs to India," claims Armin Bruck, Managing Director of Siemens Ltd. India. The Siemens country manager has been living in Mumbai for the past two years. His conviction is based on a pivotal experience he had a few months ago. In February, he received an invitation to attend the re-opening of the Taj Mahal Hotel which had been destroyed during the devastating attacks in the city last November. In his address, Ratan Tata, the iconic manager and CEO of India's Tata Group, underlined the country's determination to remain resilient despite the setbacks and attacks. Bruck has taken this statement literally, and he is not alone in doing so.

350 Bavarian companies involved in joint ventures in India

A survey conducted by the Indo-German Chamber of Commerce (IGCC) last spring showed that German managers still regard India as a growth market despite the global economic crisis. The large domestic market and a middle class numbering some 300 million people are seen as the major factors which create opportunities. Private consumption now accounts for nearly 60 per cent of the country's gross domestic product (GDP), and that is not all. "We will need rapid, strong economic growth in the years to come to help another 700 to 800 million

Indians achieved a higher standard of living," explained Anup K. Mudgal, India's Consul General in Munich. The chances are high that investment in India will increase even further, especially as the global economy is likely to remain weak. In addition to Siemens, around 350 companies from Bavaria are engaged in joint ventures in India including big names like BMW, Allianz and MAN.

Siemens was one of the first German companies to invest in India, and the economic relationship extends well back into the 19th Century. "Siemens built a telegraph line from London to Kolkata 160 years ago. The company has had a presence in the country for 140 years, and it has been listed on the Indian stock exchange for 50 years," added Bruck. He regards this long-standing presence as the secret to success, because many people there now regard Siemens as an "Indian company with German roots". In general, investors who want to gain a foothold on the giant subcontinent will need to develop staying power, patience and an understanding of the local people.

Need for major investment in infrastructure

Siemens is active in three of the biggest high-growth industries in India: industrial production, energy and healthcare. The country has consider-

Photo: Tata Solar India

able ground to make up in these three industries as well as in the educational sector. The rapidly growing economy in this emerging country is driving a drastic increase in demand for energy. Bruck explained the situation: "The energy shortfall can be as high as 20 per cent at peak times. Over the next 20 years, at least 5,000 hospitals will have to be built to provide a minimum standard of healthcare, and there is also a need for more roads, railways, ports and airports." The subcontinent will have to expand its infrastructure and energy supply if it is to fully exploit its full development potential. In the energy sector, there is also rising demand for power generation from renewable sources. Solar energy could satisfy the energy needs of more remote areas, for example. National and international players are already active in many industries, but there are still good opportunities for niche suppliers of green technology.

Besides the choice of industry segment, the price-performance ratio and the willingness to set up production facilities are key success factors for an investment project. "India is a very price-sensitive market," emphasised Bruck. Competitive pricing is important. It would be wise to set up low-cost production facilities in the country, which can also serve as a base for supplying other emerging markets. Siemens has established a strong local presence and now has more than 20 factories around the country. TÜV Süd has been active in India since 1994, and it currently has a presence at 30 locations. "Selecting the right location is very important," explained Divya Rao,

spokesperson for TÜV-Süd in Mumbai. Companies should locate in areas that have strong future economic potential.

R&D partnership with India

Siemens has also put in place country-specific training programmes and training centres. The company has long-term plans to set up a "Siemens Academy". Rajnish Tiwari, scientific research assistant who specializes in India at Hamburg-Harburg University of Applied Sciences, sees even greater potential for scientific exchange between the two countries. "For many years, India preferred to develop its own universities without paternalistic interference from outside the country, but since 2003 the level of collaborative research has been on the increase." Collaboration now takes place in India and elsewhere. The Bavarian-Indian Centre for Business and University Cooperation (BayIND) opened in July at Hof University, and an increasing number of foreign firms are moving their R&D operations to India.

However, protracted political and judicial decision-making can make things somewhat difficult in India. The process flows at Indian companies could also stand some improvement according to Rao who works at TÜV Süd. The international service provider, which is based in Munich and carries out many ISO certifications in Southeast Asia, has some experience in this area: "The problem is the company organisation and not the quality of the products." However, TÜV Süd says that Indian companies are

making a concerted effort to adapt to international market requirements and country-specific regulations. Rajnish Tiwari from Hamburg-Harburg University of Applied Sciences believes that the multi-tiered hierarchy of Indian companies makes it difficult for them to set up foreign operations. One of the biggest intercultural challenges for Indian companies is deciding how much autonomy should be granted to foreign subsidiaries.

However that may be, Indian companies are no longer dependent on the spice and textile trade. More than 60 Indian companies are registered in Bavaria alone. Around 6,000 Indians live there, half of them in Munich. The city has one of the largest concentrations of Indians in Germany. According to a recent study conducted by Hamburg-Harburg University of Applied Sciences, Indian direct investment in Germany has reached \$4 billion, surpassing German direct investment (\$2.3 billion).

The main focus of Indian companies in Bavaria has been on the IT sector. The list includes HCL and Tata Consultancy Services (TCS). TCS is based in Munich and provides IT, consultancy and outsourcing services. Car manufacturing and aerospace also offer attractive opportunities. "Indian companies are increasing their activities in niche markets, for example in industrial design," explained Consul General Mudgal. India's biggest investment so far was in the pharmaceutical sector. Dr. Reddy's Laboratories, Hyderabad, acquired the Augsburg-based generics producer Betapharm in 2006 for a price of 480 million euros.



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Interview

Excellent partnership

with Martin Zeil



MARTIN ZEIL
Bavarian Minister of Economics

How would you assess the progress of the Indo-Bavarian business relationship up to this point?

Bavaria has maintained an intensive business and trade relationship for many years, and things have moved very quickly recently. In 2008, trade was up by another 20 per cent year-on-year. India is now Bavaria's fourth largest trading partner in Asia. Trade volume now stands at 2 billion euros. I have no doubt that we will continue to build on past success when the economic crisis has run its course.

We arrange delegation visits and maintain a presence at trade shows in India to support Bavarian companies. We established a presence in the high-tech metropolis Bangalore back in 2001. We use this base to maintain key local contacts, provide a point of call of

Interview with Bavarian Minister of Economics Martin Zeil prior to a scheduled trip to India by a delegation on October 25th – 31st, 2009. The itinerary includes stops in Delhi, Bangalore, and Kolkata. The centre of attention will be on IT, medical systems and infrastructure.

Bavarian companies and raise the profile of our region as a highly attractive place for Indian companies to locate. Ten new companies set up operations in Bavaria in 2008.

We also stage special events. In June of this year, around 200 Indian and international CEOs and government officials attended the Horasis Global India Business Meeting in Munich. World-class events like this play an important part in enhancing Bavaria's profile as a business partner.

What areas will your delegation concentrate on and why?

Given the similarities in the structure of the industrial base in India and Bavaria, a partnership between the two regions would appear to be an excellent fit. We already have close links in the IT, automotive, biotechnology, satellite navigation and aerospace industries. We also see also significant potential in other industries. Huge improvements need to be made to India's infrastructure, and the Indian government plans to tackle this problem in the coming years. We will be concentrating this year mainly on infrastructure, medical technology, biotechnology and IT.

Due to its sheer size, India confronts companies with an enormous challenge. My trip faces the same constraints. We cannot do everything at once. In drawing up the itinerary, we consciously included a mixture of familiar contacts and new stops. We will travel to Delhi and to Bangalore in the state of Karnataka to intensify the partnership which has been in place since 2007. We will also make a stop in Kolkata, which is a major IT centre, to raise our profile in the Northeast of the country.

Another purpose of your visit is to intensify academic and scientific exchange. In your view, what fields of specialisation offer the greatest potential?

IT, economics and engineering partnerships already exist at the university level. The University of Hof and the University of Erlangen-Nuremberg are already active in Bangalore. The Bavarian-Indian Centre for Business and University Cooperation (BayIND), which opened in Hof on July 28th, strengthens these links. Scientific exchange already takes place in the fields of environmental technology, biotechnology and IT, and I believe that these activities offer significant potential. It is also interesting to see that the younger age group is developing an interest in India. Two Bavarian schools organised an exchange program with a school in Bangalore last year.

Finally, on a more personal note, what impresses you the most about India?

I am most impressed with the friendliness of the people, the constructive energy and the desire to get things done. A new, undaunted spirit of optimism is very noticeable in India. We could learn something from this attitude.

The interview was conducted by Inken Heeb

Bavaria – Karnataka partnership

Bavaria entered into an official partnership with the state of Karnataka in Southern India in April 2007. Bavaria has had a presence in the capital of Karnataka, Bangalore, since 2002. According to the Bavarian government, this is the first time that an Indian state has formed an international partnership with a region outside the country. The main industries in Karnataka, which has a population of 56 million, are ICT and aerospace.

The former Bavarian Minister of Economics and current EU Minister Emilia Müller travelled to Karnataka at the end of July 2007 in the company of a business and scientific delegation. Collaboration on environmental technology and research activities is currently the top priority. Müller and Murugesh R. Niranie, Karnataka's Minister for Large and Medium Scale Industries, met in Munich on June 30th to sign an action plan for strengthening the partnership. One outcome of the agreement is the establishment of the Bavarian-Indian Centre for Business and University Cooperation (BayIND) which opened at Hof University on July 28th. The centre is dedicated to scientific and business exchange and will act as a network platform.

Bavarian-Indian Centre ceremonially opened



On 28 July 2009 the Bavarian-Indian Centre for Business and University Cooperation (BayIND) was inaugurated in the presence of almost 400 guests, who were greeted by the President of the University of Applied Sciences Prof. Dr. Jürgen Lehmann, who is also the Chairman of the Board of the Centre, and the Mayor of Hof Mr. Eberhard Siller. Following this, the Federal Minister of Economic Affairs Dr. Karl-

Theodor Freiherr zu Guttenberg gave a speech in which he emphasized the increasing importance of India as a trade partner, as well as a market for German products.

Strategic partnership

India and Germany are connected through a strategic partnership, this furthermore means that the co-operations in future oriented fields, such as the Energy sector, have to be developed and intensified. Scientifically, technically and socially competent people are required to facilitate such co-operations.

In his speech, the Director-General Dr. Wolfgang Zeitler from the Bavarian State Ministry of Sciences, Research and the Arts also put emphasis on the growing importance of India, especially in the area of Academics and Research. The Bavarian-Indian Centre should contribute in this context to an intensified exchange between Bavar-

ian universities and Indian universities and institutions, as both partners complement one another in several fields.

Building Bridges

Director-General Dr. Zeitler went on to express his appreciation of the centre's role of building bridges between universities and companies, so as to intensify the knowledge transfer between science and economy. Similarly, the Indian Ambassador H.E. Mr. Sudhir Vyas conveyed the Indian perspective by highlighting the importance of cooperation and the enhanced collaboration between India and Bavaria. Then the programme started with multifaceted lectures on India's academic landscape.

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Deutsche Börse Listing: Welcome to Your Future

Listing of Indian companies on the Frankfurt Stock Exchange

Numerous advantages for Indian companies

By Susanne Lotz and
Alexandra Zech

In November 2008, Deutsche Börse AG and the Bombay Stock Exchange (BSE) concluded a cooperation agreement in which both partners agreed to simplify access to their stock exchanges for companies in their respective markets. Currently, a total of 30 Indian companies are listed for Open Market trading on the Frankfurt Stock Exchange (FSE). The following article addresses the advantages and particularities of the listing of Indian companies on the FSE which is operated by Deutsche Börse AG.



There are many reasons why Indian companies are attracted to being listed on the Frankfurt Stock Exchange (FSE). A comparison of the liquidity situation of the different international stock exchanges has shown that, in general, liquidity in stock trading in Frankfurt is significantly higher. Greater liquidity through higher trading volumes is a good basis for a fair valuation of a company on the capital markets.

Companies in the renewable energy, chemical, software/IT, financial and automobile sectors in particular will encounter their peers on the FSE and stand direct comparison. In addition, the approved indices of the FSE increase the visibility of Indian companies and attract the attention of investors and clients to companies included

in the relevant index. In Germany, Indian companies meet up with analysts with expertise in a specific sector, especially in those sectors where Germany is - generally speaking - particularly strong.

Companies can access investors all over the world through the Xetra trading platform of the FSE. Currently, a total of 247 trading members are listed on the electronic trading platform, Xetra. Furthermore, the FSE offers a range of market segments which allow issuers to choose the market segment that best suits them, taking into account access criteria, post-admission obligations and the objectives pursued by the listing. The listing procedure at the FSE is one of the fastest in the world and the listing fees are highly attractive compared to other international FSE competitors.

Choice of market segments on the FSE

Issuers at the FSE can choose between the Regulated Market (General Stan-

dard/Prime Standard) and the stock exchange only-regulated Open Market (First/Second Quotation Board and Entry Standard).

In principle, access to the Regulated Market is only possible with a securities prospectus approved by the supervisory authority in the issuer's home member state within the European Economic Area (EEA). Moreover, issuers in the Regulated Market are subject to the post-admission obligations of the EU Transparency Directive as implemented in German law. As regards post-admission obligations, the Prime Standard offered by the FSE to its issuers is a quality segment which imposes even stricter requirements on issuers than the EU Transparency Directive.

Admission to the Open Market does not in principle require a securities prospectus or comparable document. In this respect and in comparison to some European competitors requiring a document similar to a prospectus for admission to their stock exchange-regulated market segments, the FSE provides easier, faster and less costly

* About the authors

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Photo: Deutsche Börse AG

es on the



Trading floor on the Frankfurt Stock Exchange

access to capital markets, especially as the drafting of a securities prospectus or comparable document is both time and money consuming for the issuer. However, companies listed on the Open

Market also have to draft a securities prospectus if they intend to offer securities to the public or if the planned marketing measures appear to make the publication of a securities prospectus advisable. A private placement to investors does not require a prospectus.

A securities prospectus does, however, also serve as a company's calling card in the capital markets; the majority of market participants thus recommend the drafting of a prospectus for stock exchange listing. In addition, the marketing of transactions without a prospectus is only possible to a very limited extent due to the broad concept of offering securities to the public.

The Open Market is divided into the First Quotation Board for companies which are not yet listed on any other stock exchange recognised by the FSE and the Second Quotation Board for companies already listed, as well as the Entry Standard. Whereas no post-admission obligations have to be observed for the First and Second Quotation Boards, issuers for the Entry Standard undertake to comply with certain post-admission obligations.

Particularities in connection with Indian issuers

One specific concern for Indian issuers is that, according to Indian law, a direct listing of shares of an Indian company on a foreign stock exchange is not possible. A direct admission would be conceivable only via a holding structure if the holding (and issuer of the shares to be admitted) has its registered office outside of India and only the operational companies are located in India.

However, Indian companies (which already have their shares listed on a stock exchange in India) could access foreign equity capital markets through a depositary receipts mechanism. As well as the Frankfurt Depositary Receipt Programme (Frankfurt GDR), the ADR and GDR programmes may also be admitted for trading on the FSE.

Equivalent to Indian GAAP

It is always a matter of considerable importance to companies to establish the accounting standards by which their historical financial information to be disclosed in the securities prospectus is to be declared. If Indian issuers are obliged to draft a prospectus for listing on a Regulated Market on the FSE or a public offering of their securities, the historical financial information which it is mandatory to incorporate into the securities prospectus has to be prepared in accordance with IFRS or an equivalent accounting standard. Through Commission Regulation (EC) No. 1289/2008, the GAAP of the People's Republic of China, Canada, the Republic of Korea and the Republic of India were recognised as equivalent for financial years beginning prior to 1 January 2012, as well as Japanese and US GAAP. This removed an obstacle to accessing the EEA's capital markets for companies reporting according to these accounting standards, thus further increasing the attractiveness of EEA capital markets.

However, this exemption is provided only for Indian issuers aiming to become listed on the FSE through a Depositary Receipt Programme. Companies which aim to become listed at the stock exchange through a foreign holding ultimately have to observe the accounting rules which apply to the state where their holding has its registered office and the (non-Indian) state of registration is unlikely to permit accounting practice according to Indian GAAP. If the state of registration is within the EEA, the financial information has to be prepared in accordance with IFRS or, if a securities prospectus is drafted for a public offering on the Open Market, in accordance with IFRS or the local GAAP of the EEC member state of registration.

Conclusion

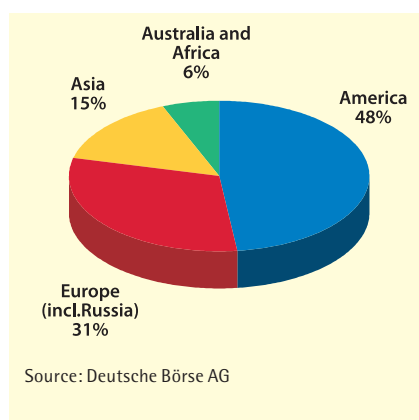
There are many good reasons for an Indian company to choose the FSE for its international listing. Interested companies are welcome to contact Deutsche Börse and its listing partners to discuss in person the advantages of being listed on the FSE and the choice of market segment suitable for a particular company.

Contact

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2009 – a crazy year for the German car sector

"Victims" of German scrappage incentive

By Eric Heymann

The German car business in 2009 was one of clear contrasts: while exports and output have plummeted during the year to date, new registrations of passenger cars have surged as a result of the scrappage scheme. In terms of its effectiveness as stimulus measure, the scheme is a success; however, in terms of bringing order to the market, there is cause for concern.

The downside of the scrappage scheme will become apparent in 2010 as new registrations will fall dramatically. Nevertheless, a further extension is unadvisable, as the subsequent short-fall in demand would be even more pronounced. Furthermore, it would raise expectations from the government which cannot be met in the long term.

Clear contrasts

2009 has been the most extraordinary year in the history of the German automotive industry. The German car sector is marked by clear contrasts. On the one hand, exports of German passenger cars are likely to fall by roughly

30% this year due to the global recession - irrespective of the fact that car sales are currently being subsidised in many countries. This has a negative effect on car production in Germany, which is expected to decline by one-fifth this year, and hurts the supplier industry as well. The crisis in the commercial vehicle segment is even more pronounced.

On the other hand, unit sales of German passenger cars boomed in 2009. New vehicle registrations are set to increase by up to 20 per cent in 2009 - bucking the global trend - and are thus likely to reach their highest level since 1999. Demand is being boosted by the scrappage scheme: the government has introduced a bonus of 2,500 euros towards the purchase of a new car or a one-year-old car if the buyer scraps a car which is at least 9 years old. Together with discount offers from

the car makers and dealers, the scheme has triggered a run on new vehicles, prompting many customers to bring forward car purchases planned for subsequent years.

As an economic stimulus, then, the scrappage scheme can be regarded as a success. The incentives have boosted demand quickly and contributed to an improvement in morale in the sector. Car dealers were the main beneficiaries, and the scrappage scheme has prevented an even greater slump in production. Along with other instruments, such as the extension of short-time working benefits, the bonus has helped to secure jobs in the sector for the time being.

Cause for concern

As far as market economy principles are concerned, however, the scrappage scheme gives cause for concern. Subsidies typically generate free-rider effects, and they distort competition with sectors having to face the crisis without the benefit of subsidies. Furthermore, the instrument has direct negative repercussions on other sectors, such as manufacturers of con-

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Photo: Auto Motor Sport

sumer durables and the tourism sector. This is because car purchases reduce the scope for other consumer spending. Motor vehicle repair businesses are also suffering, especially as older passenger cars, which need more frequent servicing, are disappearing from the market. What is more, the government is rewarding the destruction of real assets: it is impossible to export old cars, which in many cases are still in good condition, to emerging markets where they could replace even older and less efficient cars. In addition, the bonus has a downside from the social policy point of view, as the market for used cars in the under 2,500 euros price bracket has dried up.

Varied impact on segmentation

The car sector seems to have gone crazy in 2009, and hence the stimulus programme for the industry has had a varied impact on segments: small cars in particular are benefiting, while many high-end vehicles remain unsold in 2009. Furthermore, the diesel share of passenger cars for new registrations is declining dramatically. By contrast, the share of car purchases by private consumers is soaring. Ultimately, foreign brands are expanding their market share considerably.

It was clear right from the start that the car sector would have to foot the bill for the scrappage scheme once the programme ends, as new registrations will decline next year. In 2010, the demand for passenger cars may fall by as much as 25 per cent despite presumably large discount offers. Sales of small cars in particular will decline heavily next year, and what's more demand from private car owners is likely to plunge. Hopes are therefore pinned on a perceptible recovery in key foreign markets and the demand for commercial vehicles. Although there are noticeable indications of a revival in both market segments, this is far from guaranteed.

Extension is not advisable

Effective stimulus packages require limited timeframes and volumes in line with fiscal capacity. Nevertheless, the government must be able to readjust its measures if the macroeconomic climate changes dramatically. However, it would be unwise to extend the scrappage scheme further, even if foreign demand fails to recover or the planned fiscal resources (5 billion euros) are already used up before the end of the year. As the only incentive of the bonus results in purchases being

brought forward, shortfalls in demand turn out to be greater - following the introduction of these types of schemes - the longer they are applied (and the more successful they are). In addition to this, extending the bonus further would raise expectations of state support which cannot be met in the long term. In addition, even the biggest programmes would become ineffective at some point, as consumers do not buy a second or third car because of state subsidies alone.

Finally, the government should

allow the consolidation that the sector requires, as the international automotive industry has suffered from overcapacity for decades. Without such consolidation, price pressures will remain high and many structural problems will persist. This is, of course, a recommendation which applies equally to the governments of all the leading car manufacturing nations.

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Most innovative business development

Germany on the road to electro-mobility

Federal government approves National Electro-Mobility Development Plan / Battery research drives innovation

The goal of Germany's National Electro-Mobility Development Plan is to have a million electric vehicles on the road in Germany by the year 2020. The government unveiled the plan in the middle of August, and it regards propulsion system electrification as an opportunity to reduce the country's dependence on foreign oil and cut emission levels. However, a number of technical problems will have to be resolved in the meantime.

The National Electro-Mobility Development Plan, which was approved by the German government on August 19th, is intended to turn Germany into a benchmark e-mobility market over the next 10 years. E-mobility has become a major strategic issue for the German Government.

If sufficient amounts of electricity can be generated from renewable sources over the medium to long term, mobility will free itself from dependence on scarce fossil-based natural resources which cause climate change. "The National Electro-Mobility Development Plan sends the right message at the right time to the research and

business communities and to future car buyers," claimed German Research Minister Annette Schavan.

Electricity - tomorrow's energy source

In the future, it is highly likely that cars will be powered by electricity. Pioneering vehicles like the Tesla electric car in America are already on the market. However, high-profile manufacturers are also adding electrical propulsion to their product portfolios. Customers want technology that is more eco-friendly and costs less, and the industry is slowly making progress in producing vehicles which have hybrid or electric propulsion systems.

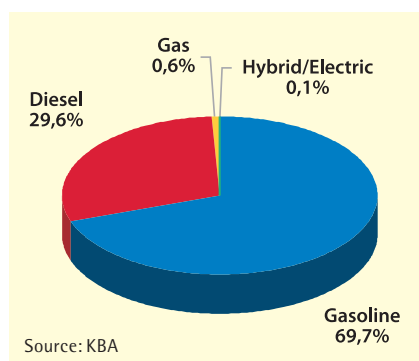
The environmental impact and noise levels of cars with electric propulsion systems are much lower compared to cars with conventional internal combustion engines. Electric motors are also more efficient than either diesel or petrol engines. As efficiency increases, unavoidable energy losses which occur during motor operation decrease. The energy costs of running an electric car are significantly lower. The electricity consumed during a journey is cheaper than the petrol that is needed for the same trip.

A number of major technical challenges ahead

Before electric cars can be rolled out on a broad basis, a number of major technical issues will have to be resolved.

Powertrain segmentation

New car registrations in Germany by powertrain (First half-year 2009)



It is not enough to simply replace the tank on a conventional auto with a battery and install an electric motor in place of the engine. The car must be completely redesigned.

Engineers will have to come up with totally new vehicle and battery designs, and the entire tank subsystem will no longer exist in its current form. The activities of everyone involved in the development effort will have to be carefully coordinated. This applies especially to the essential and extensive R&D work which is identified in the NDP. Research subsidies provided by the Federal Ministry of Education and Research (BMBF) will make a vital contribution.

700 million euro investment for latest technologies

The Federal Government has allocated 500 million euros to e-mobility in the 2nd Economic Stimulus Package, which is another indication of how important this technology will be in



Launch of the e-mobility Berlin pilot project

the future. The funding made available by the government for this technology in the period 2005 - 2013 has now risen to 700 million euros. The BMBF contribution between 2008 and 2013 will be around 200 million euros, 119 million of which are included in the 2nd Economic Stimulus Package.

BMBF is concentrating its funding on two key areas: batteries, which are the key components in tomorrow's marketable electric vehicles, and the development of system technology which delivers energy efficiency, safety and reliability. The funding is not limited to the amount available from the Economic Stimulus Package. BMBF will provide financial support for research over the long term. The Ministry will be spending 170 million euros on battery research alone.

Limited market acceptance despite advantages

Despite the apparent advantages of electric motors, the acceptance level in

Germany remains very low. Currently, cars with electric propulsion account for only about a 0.1 per cent share of new car registrations.

According to a recent study conducted by Aral, only 36 per cent of persons surveyed could envision purchasing an electric car. The reason for this reluctance is an unwillingness to spend more on new technology. 77 per cent would only be prepared to pay slightly more (2,000 euros max.) compared to a car with a conventional propulsion.

The persons who took part in the survey want a car that is suitable for everyday use and are not prepared to accept range restrictions. A range of 300 kilometres or more is the minimum requirement for three quarter of potential buyers.

To address the mass market will take time

The initial phase of e-mobility will be based on demonstration vehicles and

field trials. The first plug-in hybrids and electric cars should be ready for market introduction in Germany within a few years. Charging networks will be installed in phases with local concentrations.

Improvements will have to be made to the cost structure and suitability for everyday use to address the mass market. Given the current technological and economic challenges, it is likely to take ten years or more before electric cars will be able to capture a significant share of the market. The goal of the Federal Government is to have one million electric cars on Germany's roads by 2020.

Forging battery innovation alliances

BMBF is providing altogether 60 million euros of funding for the Lithium Ion Battery LIB 2015 innovation alliance. In the field of electrical and electrochemical modeling of lithium ion batteries it is a unique project. An industrial consortium including big players like BASF, BOSCH, EVONIK, LiTec and VW has committed to invest another 360 million euros. BMBF is also subsidising the ePerformance project. Well known companies and institutions such as Audi, Bosch and RWTH Aachen are taking part in this huge technical research project which will focus on the development of a totally new conceptual design for electric cars. BMBF is convinced that, in order to remain competitive in the international marketplace, Germany will have to become the flagship e-mobility market and play a leadership role in scientific research, car manufacturing and automotive supply.

BMBF plans to take specific measures to enhance the expertise of researchers who are working on tomorrow's battery technology. A research alliance was formed in mid July of this year to develop advanced battery technology. Six research institutes and universities, which are part of the Northern Electrochemical Research Alliance, will share a total of 11 million euros in funding. BMBF Parliamentary State Secretary Thomas Rachel believes that it is essential for Germany to become a flagship e-mobility market with all new technology possibilities. "The new research alliance will drive battery development as fast as possible", emphasises Rachel. *Stephan Mittelhäuser*

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Joint platform with India

63rd International Motor Show (IAA): The Cooperation between the German and Indian automotive industry intensifies



New bearer of hope for Indian Automotive Industry: Tata Nano

The 63rd International Motor Show (IAA) for passenger cars takes place in Frankfurt, Germany, from 17th to 27th September 2009. The IAA is one of the biggest motor shows worldwide. It represents an excellent opportunity for companies to showcase their expertise. At no other trade fair is the entire value chain of the car industry on show as it is at the IAA. The show will be officially opened by the German Chancellor, Angela Merkel, on 17th September and will occupy a total exhibition area

Special Indian Event at IAA Motor Show

22nd September 2009
India Day
10.00 am - 5.00 pm
CongressCenter Messe Frankfurt (CMF),
Fantasy Room

CONTACT

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of 170,000 sq m, with major OEMs and suppliers participating.

In view of the global slowdown and tremendous cost pressures on the global automotive industry, this exhibition has also become a major platform for identifying suppliers of various products for global outsourcing.

India Day: a unique platform

A high level delegation representing the Indian automotive industry

Photo: Tata

is expected to visit the IAA. "India-Day" is organised for 22nd September, and last time the seminar was well attended pulling in more than 250 dignitaries worldwide. "IAA India-Day" is a unique platform for forging new contacts, as it provides opportunities for participants to enter into dialogue, the round-table discussions being of particular interest to entrepreneurs. The Automotive Component Manufacturers' Association of India (ACMA) will appear on a joint platform at the IAA Motor Show supported by the Ministry of Heavy Industries and Public Enterprises.

Cooperation between the German and Indian automotive industries has intensified over recent years. Representatives of government and industry from both countries get together regularly at working group meetings. The VDA and its Indian partner associations, the ACMA and SIAM, will also be represented, in addition to a range of automotive industry institutions. The focus of this joint undertaking is the research and development of technologies for sustainable mobility as well as issues relating to international trade policy and access to markets.

Future engine of growth for global automotive industry

India has become increasingly important for the German automotive industry in recent years. In addition to China and Russia, it is considered to be a future engine of growth for the global automotive industry. The members of the three associations meet regularly on delegation visits and at Indo-German business meetings. In addition, the associations are also represented on joint stands at the Auto Expo in New Delhi.

BMW and Daimler have been manufacturing cars on the sub-continent for years, and VW also started operations in Pune a few months ago. Conversely, Indian manufacturers such as Tata Motors, with its acquisition of the Jaguar and Land Rover brands, are positioning themselves to gain new markets and make inroads into the lucrative luxury vehicle segment.

Global hub of mini and compact cars

ACMA has booked 120 square metres for a joint Indian presence in Hall 4.0.

Six member companies have booked the space in order to exhibit at the show. India is becoming more and more a global hub for mini and compact cars. All the major global vehicle manufacturers have either established or are in the process of establishing their presence in India and have big plans for outsourcing. Among the BRIC countries (Brazil, Russia, India, China), India is the destination of choice for companies that are increasingly establishing design and research centres in India. Research and design comes in addition to its more established role as a low-cost global sourcing destination and is equivalent to higher added value in the future.

ACMA is the nodal agency for the Indian auto component industry. Its active involvement in trade promotion, technology upgrades, quality improvement and the collection and dissemination of information has made it a key catalyst in this industry's development. Its other activities include participation in international trade fairs, dispatching trade delegations overseas and bringing out publications on various subjects relating to the automotive industry. ACMA / SM

WIP Renewable Energies

Fully booked

WIP, organiser of the 24th European Photovoltaic Solar Energy Conference and Exhibition, has announced that this year's exhibition is fully booked. More than 800 exhibitors (715 exhibitors in 2008) have registered for the event. The exhibition, which runs parallel to the conference, provides an important showcase for all fields of PV solar technology.

Peter Helm, Executive Conference Director, states: "The fact that the exhibition is fully booked demonstrates that the global PV community supports the concept of combining the largest PV solar conference with the PV industry trade fair, making it the leading international B2B networking platform."

The conference programme is available for downloading at http://www.photovoltic-conference.com/conference_programme.0.html

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Anuga

Trends for food & beverages

From 10th to 14th October 2009 Anuga, the most important trade show for the trade and food service/catering market will take place in Cologne. Many national and international top-level decision-makers from the trade and the food service will be present. Focus should be on growing health

and nutrition market and the desire for novel products. The last time 6,795 exhibitors from 95 countries came to Cologne. All in all 163,348 visitors from 174 countries visited the fair place.

Contact

www.anuga.com

Conference & Exhibition

24th European Photovoltaic Solar Energy Conference & Exhibition



The 24th European Photovoltaic Solar Energy Conference and Exhibition will be held at the CCH - Congress Center and International Fair - in Hamburg, Germany, on 21st-25th September and 21st-24th September 2009 respectively.

This year's event in Hamburg will provide an excellent platform for dialogue and information exchange across the world. This veritable „Who is Who“ of the solar industry

brings leading market players together to discuss the latest developments in science and industry. The European Photovoltaic Solar Energy Conference & Exhibition is a global event which provides a unique combination of scientific and industrial issues covering all solar technology perspectives. The five-day conference programme will be accompanied by a range of forums and workshops on current solar energy issues.

AUMA**Trade show funding extended**

The government program to assist innovative fledgling companies will be extended until at least 2013. 3 million euros have been earmarked for this program over each of the next four years according to information provided by the Ministry of Economics and Technology in the middle of August to the AUMA trade show association. 420 companies received financial support to take part in 37 international trade shows in Germany in 2008.

GLASSPEX INDIA**New event for the glass industry off to a good start**

The announcement by Messe Düsseldorf that it plans to stage an offshoot of its flagship glasstec event on the Indian subcontinent has already generated a lively response from the industry. Companies such as

Bystronic, Saint Gobain Sefpro, Bottero, Grenzebach, Zippe Industrieanlagen and Hindustan National Glass & Industries Ltd. will showcase their latest products and services at GLASSPEX INDIA - International Exhibition for Glass - Production Processing Products, which will open its doors for the first time on December 2nd - 4th, 2009 in New Delhi. The entire value-add chain from glass production and finishing to glass applications will be on display when the glass industry gathers in Halls 12 and 12a at the Pragati Maidan exhibition complex. Bookings and reservations received so far, five months prior to opening day, are very encouraging. More than 100 companies from 16 countries have already signed up.

Contact

www.glasspex.com.

Survey**Trade shows more attractive for young decision makers**

Results of a recent reader survey conducted in the spring of 2009 by LAE, a market research organisation which works on behalf of publishers and media agencies, indicate that younger generation managers in Germany attend trade shows just as often as the older generation. In the under 40 age group, 84.8 per cent of people surveyed attend trade shows and 68 per cent are at a show at least one a year. Overall, 84.4 per cent of the 2.4 million decision makers attend trade shows, and 68 per cent of them visit at least one show a year. 37 per cent attend more than one show a year. Two groups are particularly prominent: 95 per cent of R&D/Design Engineering Managers and 89 per cent of Sales and Marketing Managers regularly attend the events. Decision makers at the senior management level are also well represented. 90 per cent of them take advantage of the shows.

Contact

info@lae.de

IFA**"Cocooning effect" helps consumer electronics demand**

From 4 to 9 September 2009 Internationale Funkausstellung (IFA) took place in Berlin. 228,600 visitors (+ 8 per cent) came to the Berlin Exhibition Grounds. More than 3 billion euros worth of orders were generated, surpassing the record set in 2008. With everything from giant flat screens to the tiniest TV mobile phones, from mobile media players to complete home cinema - IFA presented the whole range of entertainment. The inclusion of electrical home appliances last year has created an unprecedented diversity, further increasing the appeal of IFA. IFA competes with the world's top gadgets fair, the U.S. Consumer Electronics Show (CES), held every January in Las Vegas. While



consumers in Europe are struggling with the effects of the recession, Germany is a good spot in electronic devices spending. According to research firm GfK, consumers in Western Europe spent 41 billion euros (58.4 billion dollars) on technical consumer goods in the second quarter of 2009, down 9.2 percent from the same period last year and continuing the trend from the first quarter when spending was down 8 percent year-on-year. "Germany has a special position in Europe. In the first half year decline in spending was 1.6 percent and for the full year we also expect a decline in that same area," said Rainer Hecker, chairman of the industry body Gesellschaft für Unterhaltungs- und Kommunikationselektronik (GFU). He explains this with the so called "cocooning effekt" (staying at home for entertainment). In the face of economic crisis consumers like to retreat to private life.

Contact

www.messe-berlin.de

IT & Business Stuttgart**Industry leaders have already booked space**

Several months ago, industry giants IBM and Microsoft booked space at the first ever IT & Business show. Another global player has now followed suit. SAP will also have a presence at the software, infrastructure and IT services event which will be held on October 6th - 8th at the New Stuttgart Trade Fair grounds. SAP will share a stand at IT & Business. In addition to the flagship players in the IT world, other exhibitors who are leaders in their respective segments and who for the most part are active in international markets have already included IT & Business in their marketing plan. The full spectrum of corporate IT will be represented at the show including general-purpose and special business software, IT-based business processes, system integration, infrastructure and IT services.

Contact

www.itandbusiness.de

FEV**Technical centre opens in Pune**

The engineering solutions provider FEV Motorentechnik GmbH has opened a technical centre in Pune, India to carry out development work on state-of-the-art vehicle transmissions. FEV India has its head office in New Delhi. The technical centre is the company's second operational base on the Indian subcontinent. Several German car manufacturers and suppliers are located in close proximity to the centre. In the first phase, an office building along with adjacent test bed and workshop facilities were constructed on the site which covers nearly 20,000 m². The test bed facility has space for 12 motor test beds and a test system assembly area. The site has been laid out to accommodate two additional test bed buildings, a roller dynamometer and an additional office building.

HDI-Gerling**Joint venture with Magma Fincorp**

The Cologne-based insurance provider HDI-Gerling plans to enter the Indian market. The company, which is part of the Talanx group, is setting up a joint venture with the Indian financial services company Magma Fincorp. The companies signed a joint venture agreement in Kolkata. The new entity is called HDI General Insurance, and it will have access to the Magma sales network. The local partner claims to have 4,100 employees and 200,000 customers. It is well represented in rural areas, and it has been providing financing for SMEs and farmers.

Hochtief AG**New contract to build IT park**

The HOCHTIEF subsidiary Leighton has been awarded a 164.6 million euro contract in India. In collaboration with other firms including Tata Realty and Infrastructure (TRIL), a Tata Group subsidiary, Leighton India will build an IT park in the city of Chennai. Work

got underway in June, and completion is scheduled for 2012. The Ramanujan IT Park will be located on a 570,000m² site. Office buildings, a conference centre, residential buildings, retail space and car parks will be constructed at the park. Leighton India and TRIL had worked together to draw up plans for the new business park.

ICICI**Private Indian bank to offer financing**

One and a half years after entering the market, India's largest private bank ICICI plans to make all of its deposits available for business financing. ICICI Chairman Kundapur Vaman Kamath announced that credit is now available for trade financing or as business financing to German and Indian firms. Since it began operating in Germany in February

2008, the bank claims to have taken in funds worth \$500 million from its German investment customers. The funds have been invested in bonds, and they will now be made available for financing. Corporate wide, the ICICI loan portfolio currently stands at around 43 billion dollars. The bank already provides financing in the UK and Canada, according to Kamath.

Logwin**New country organisation**

The global logistics service provider Logwin has set up a its own country organisation in India. Four new branches opened in Bangalore, Chennai, New Delhi and Pune during the first six months of the year. Logwin started up operations in Mumbai at the end of 2008. The company continues to pursue its programme of business expansion, building on more than 20 years logistics experience on the subcontinent. "India continues to be an attractive market for international investors. Many well-known companies have moved operations over there," explained Helmut Kaspers, COO of the Air + Ocean business at Logwin AG. Around 60 employees work at the five Logwin branches in India. The company offers a complete logistics service to its customers including air and sea freight, customs clearance, project management and warehousing.

Schindler Holding AG**New lifts for two airports**

Schindler Holding AG has acquired contracts for a total of 177 systems to be installed at airports in Germany and India. The company says that it will be supplying 117 lifts, escalators and moving walkways for the new BBI airport in Berlin and

60 solutions for a new terminal at the airport in Kolkata. Construction work on the two airports is expected to be completed in 2011. Schindler delivered the first systems for the Berlin airport in October 2009. The first delivery for the airport in Kolkata is scheduled for November 2010.

**Siemens****Company takes stake in Transparent Energy Systems**

Siemens Venture Capital (SVC) has taken a minority stake in an Indian supplier of waste heat recovery systems. Siemens explained that the investment in Transparent Energy Systems intensifies the company's involvement in energy and environmental technology. "Despite the economic turbulence, we expect to see attractive growth rates in the green technology sector", explained Ralf Schnell, CEO of Siemens Venture Capital. Siemens claims that Transparent Energy Systems is a leading supplier of energy and waste heat recovery systems. According to Siemens, the Indian company will use the capital infusion to expand its business operations.

Investing in Germany – six recent key changes to the legal environment

By Stephan Ulrich

German legislative bodies have been particularly active in the last few months. Some changes were clearly driven by the financial crisis, while the federal elections in autumn 2009 are also forcing parliament to finalise certain projects. A number of relevant changes have a direct impact on the activities of foreign investors. This article highlights some of the most important changes.

Higher thresholds for merger control filings

The acquisition of smaller target companies may no longer require time-consuming merger control filing with the Federal Cartel Office. On 25 March 2009, the Third Act on the lowering of bureaucratic obstacles in respect of SMEs (Drittes Mittelstands-Entlastungsgesetz) came into force. It covers an increase in the thresholds referred to in Section 35(1) German Act against Restraints of Competition (Gesetz gegen Wettbewerbsbeschränkungen - GWB) as a requirement for merger control under antitrust law.

Under the new Section 35(1) No. 2 Act against Restraints of Competition, the provisions for merger control are only applicable if “at least one interested company has achieved a turnover of more than 25 million euros and another interested company has achieved a turnover of more than five



million euros in Germany”. The turnover of five million euros required for the second company is new in this respect. This second new turnover threshold will lead to an increase in the number of amalgamations no longer needing merger control clearance.

This applies in particular to foreign mergers or foreign interests in major German companies, where the company being acquired or the buyer only has a very low turnover of less than five million euros in Germany. However, it should be noted that German merger control is already triggered for an acquisition of a 25 per cent shareholding (and sometimes even less), provided that the turnover thresholds are fulfilled.

New rights to intervene in company takeovers

The reform of the Foreign Trade Act (Außenwirtschaftsgesetz - AWG) came into effect on 27 May 2009. The Federal Ministry of Economics is now able to intervene in transactions with foreign investors.

The key benchmark for the two-stage investigation procedure is the “threat to public security and order”

(Gefährdung der öffentlichen Sicherheit und Ordnung). If the Federal Ministry of Economics and Technology regards this threat as present in a specific case, a foreign investor can be prohibited from purchasing shares.

With this new legislation, Germany is catching up with many other countries, such as the United States and France, where such intervention rights have already existed for years. It is assumed that recourse to this act will only be taken in limited number of cases where strategic interests or assets are at risk and that the German market will remain very much open to foreign investors in the future as it was in the past.

Investors have to disclose their reasons for purchasing shares. On 31 May 2009, the new Section 27a German Securities Trading Act (Wertpapierhandelsgesetz - WpHG) came into effect. It includes additional duties of notification for acquisitions of voting rights.

Buyers of a “significant” interest will in future have to disclose to the company their reasons for purchasing the voting rights and the origin of the capital spent on the acquisition. An interest is “significant” in terms of Section 27a Securities Trading Act where the purchaser owns at least 10 per cent of the voting rights in the company or where this number of voting rights is allocated to the purchaser.

The provision specifies various possibilities regarding the intention of the purchaser, such as the realisation of strategic aims or the realisation of profits. Moreover, the intention to acquire further voting rights within the next 12 months (no. 2), exert influence on membership of the company’s governing bodies (no. 3) or effect changes to the financial structure of the company (no. 4) is stipulated.

The origin of the invested capital also has to be disclosed. This aims to create greater transparency as regards the ratio of the equity capital of the investor to outside capital financed by third parties.

* About the author

Dr. Stephan Ulrich specialises in national and cross-border acquisitions, disposals and joint ventures, private and public mergers & acquisitions and provides a comprehensive range of corporate law advice. He is Head of the India Practice of Simmons & Simmons in Germany.

New guidelines for issuers published by BaFin

The German Federal Financial Supervisory Authority (BaFin) published a new version of the issuers' manual on 20 May 2009. This will be of interest to Indian companies planning to invest in or take over a listed German company in particular as regards the rules on disclosure of shareholding and confidentiality of initial contacts with the target management. The contents of the manual do not have statutory power but constitute a key tool for practitioners in legal interpretation.

Information on significant accumulations of voting rights

- * Section 25(1) Securities Trading Act provides that a duty of notification may also result from the holding of financial instruments entitling the holder to acquire an issuer's shares. In connection with this, BaFin states its administrative code of practice according to which - in a securities lending context - a lender's claim for reassignment does not render notification necessary in accordance with Section 25 Securities Trading Act.
- * In consensus with the prevailing view up until now, derivatives aimed at cash settlement do not lead to a duty of notification in accordance with Section 25(1) Securities Trading Act.

Disclosure in accordance with Section 15 Securities Trading Act

- * Exemption from the requirement for ad-hoc disclosure in accordance with Section 15(3) is not automatic but requires a resolution of the managing body with at least one member of the board of management participating.
- * In any case, a resolution on the exemption option is only permissible as long as there is no reason to expect that the public will be misled. In this context, BaFin does not regard a policy of "No comment" as misleading.

Special relief for foreign investors

The German Parliament has introduced a legislative initiative which provides for special relief with regard to the German thin capitalisation rules (the so-called interest barrier rules). The interest barrier threshold will be increased from one million euros to three million euros for a limited period. Only where the net inter-

est expense (i.e. interest expense less interest income) of a German business reaches or exceeds such a threshold will the restriction on deducting interest expense under the interest barrier apply in principle insofar as the net interest expense exceeds 30 per cent of the EBITDA as calculated for tax purposes and provided no exemption (non-consolidated business or application of the so-called escape clause) applies. The increase of the threshold applies to business years which commence after 25 May 2007 and end before 1 January 2010.

Use of tax-loss carry forwards in distressed M&A transactions

The German Parliament has passed a bill which provides for special relief with regard to the forfeiture of tax-loss carry forwards in cases where shares are transferred because of a distress scenario. Such rules have been regarded as intensifying the economic crisis and, although just introduced in 2008, are now to be diluted.

The proportional or full forfeiture of tax-loss carry forwards in accordance with Section 8c Corporate Income Tax Act will not apply to "distressed cases", in order to allow the use of tax-loss carry forwards by the purchaser of a company which is in crisis. Measures for financial restructuring are necessary which aim to avoid or overcome insolvency and maintain "substantial business structures".

The requirement to maintain "substantial business structures" is only fulfilled where: a company agreement is agreed upon in order to preserve jobs; the annual aggregate wages of the company over a five-year period after the takeover do not fall below 400 per cent of the aggregate wages before takeover, or substantial business assets of at least 25 per cent of the existing assets are contributed within 12 months.

At least one of these requirements has to be fulfilled. The new rules apply to share transfers between 01 January 2008 and 31 December 2009.

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The Indo-German Science and Technology Centre



 India and Germany -
Strategic Partners for Innovation
Official Participant

The Indo-German Science and Technology Centre (IGSTC) facilitates interaction in the field of science and technology at the government, university and business level. It was set up to create and enhance synergies between the two countries in research and technology. The main emphasis is on natural science, the life sciences and engineering science.

The goals of the IGSTC are to play an active role in facilitating participation by industrial partners in joint R&D projects and to make available, and support the mobilisation of, resources which are needed to carry out industrial R&D projects. The organisation will promote the electronic exchange and dissemination of information about opportunities for bilateral cooperation in the field of science and technology.

The primary role of the IGSTC is to act as a catalyst in creating synergies for the exploitation of resources which are relevant to industrial applications. It will also strengthen the bilateral basic research partnership and provide aid to selected R&D projects which link

the research and business communities (2+2 projects).

Achievement of these goals will enhance collaboration between German and Indian researchers and business entities. The term "2+2 project refers" to R&D projects which involve the participation of at least one German and one Indian research organisation and at least one German and one Indian industrial partner.

Within the framework described above, IGSTC will support joint applied R&D projects (and in some cases basic research) in the following areas:

- * biotechnology
- * energy
- * environmental technology
- * healthcare research
- * production technology

IGSTC will generate up-to-date reports on topics of interest and draw up reports with the support of highly-qualified scientists and technologists, one from each country. The organisation provides individual advice to research institutions and companies in the private sectors in the two countries on opportunities for Indo-German collaboration, and it also helps identify suitable partners.

The Federal Ministry of Education and Research (BMBF) and the Department of Science and Technology (DST) of the Ministry of Science and Technology (MST) will channel funding to joint research projects in selected fields of activity following the initial announcement of funding availability.

The purpose of the campaign is to raise the profile of Germany in India as an attractive place to conduct research and development and develop innovative technology. It is also designed to stimulate greater cooperation between German and Indian R&D organisations and companies.

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Information for Success



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