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Update on the German Business Environment in 2011

Fall Meeting, Medical Device Supply Chain Council

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Presentation Outline

- I. The Transatlantic Business Partnership
- II. The German and European Economies at a Glance
- III. The Global and German Healthcare/Medtech Markets
- IV. The German Logistics Scene
- V. Business Environment: Did You Know...?
- VI. GTAI: Mandate and Services

Emerging Markets? Yes, but USA's key business relationship is the TA economy.

Transatlantic Investment: Driving the Transatlantic Economy

- Europe the top destination for US investment—2000-2010 Europe accounted for over 60% of US FDI
- Europe's share of total US FDI in 2010 was 52%.
- US FDI outflows to the BRICS between 2001-2010: 3.7% of US global FDI outflows.

Transatlantic Trade Flows

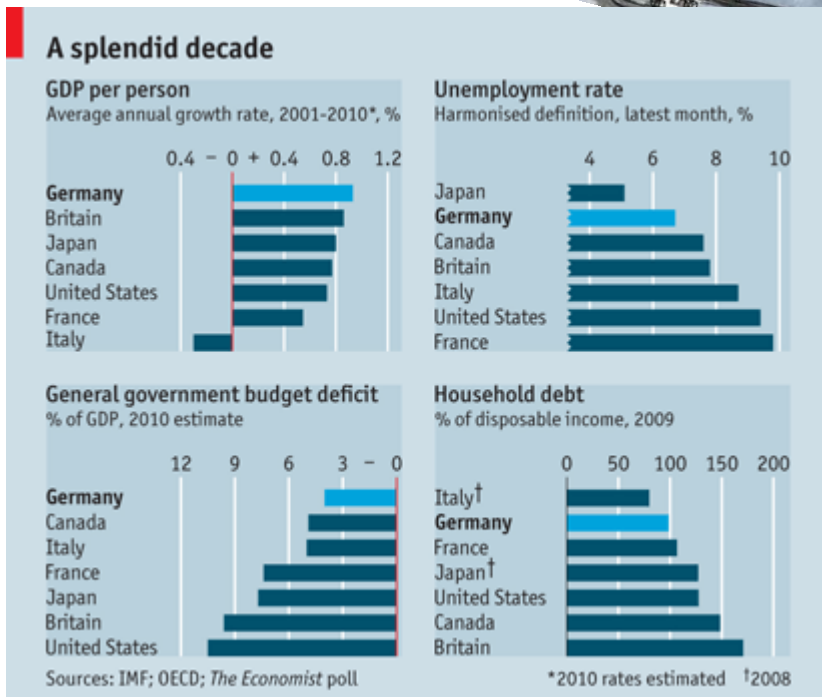
- The US is the #1 country market for EU goods exports (20% in 2009) as well as for service exports (43% in 2009)
- Total U.S. exports to the EU + 7.1% in early 2010 vs. the same period
- U.S. exports to the world + 22% over the same time frame, far ahead of U.S. export growth to Europe.

On the Mend, but Still Hurting

- In 2010 TA economy rebounded sharply, in trade, investment, foreign affiliate income, and M & A transactions.
- 3-speed global economy in 2011: Eur/US <2%, Japan -.4 %, emerging markets 7+%, 2012: ???
- Debt crisis in the Eurozone; new perils for the US economy?

Source: 2011 Edition, *Transatlantic Economy*, Center for Transatlantic Relations

NYT, 11/13/2011:
"...German Economy's unusual strength throughout the crisis."



The Economist

German business

A machine running smoothly

German companies great and small are making the most of globalisation. Their success owes more to judgment than to luck

Feb 3rd 2011 | BERLIN | from the print edition

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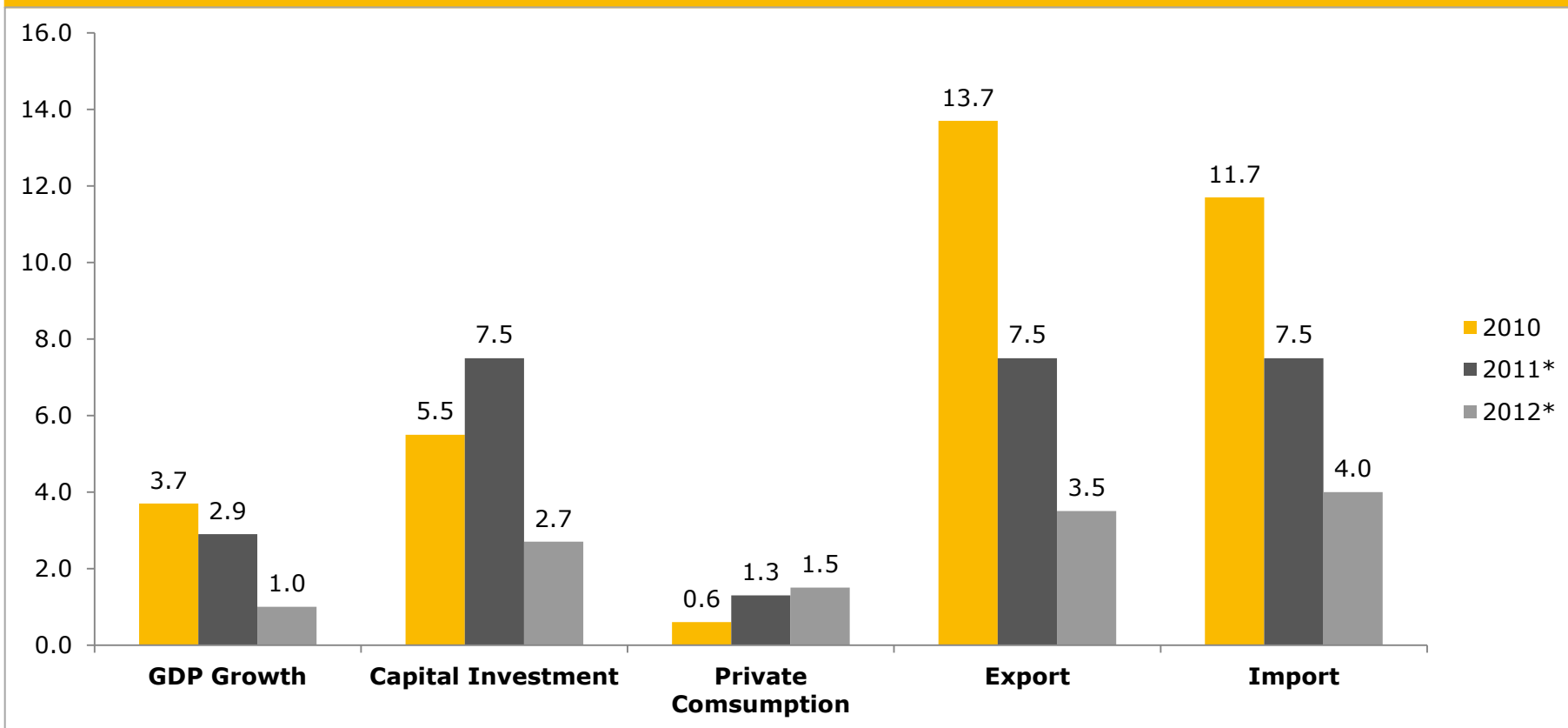


THE silence is unsettling, as is the sight of half-assembled cars gliding about on robotic transporters that move as if they had minds of their own. The scene of this industrial serenity is Porsche's assembly line in Leipzig. The airy, almost clinical factory provides a good illustration of how, even as its European neighbours and other rich economies splutter fitfully out of recession, Germany has been zooming along the economic autobahn.

The production line that ends in Leipzig spans whole countries. Painted bodies for the Cayenne, a sport-utility vehicle, are brought by train from a factory owned by Volkswagen (with which a merger is pending) in Slovakia. Those for the Panamera, a hatchback, come in from Hanover. The robotic carriers then ferry them from one group of assembly workers to the next. Parts arrive just as they are needed. The system is flexible, allowing two different models to roll off the line in exactly the required numbers. The cars then head east and west to Porsche's two biggest markets, China and America.

Dramatic turnaround in 2010 – solid growth in 2011 – a modest 2012

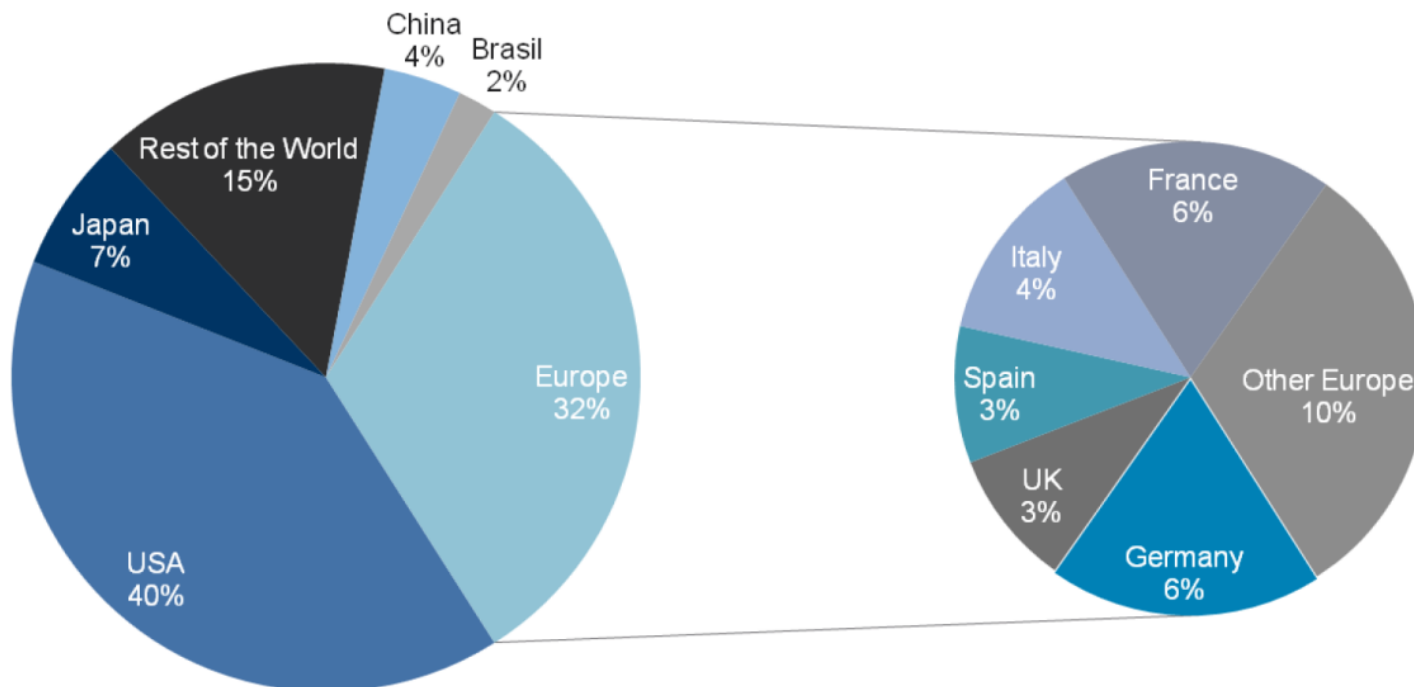
Growth Rates (2010 – 2012, in percent)



Note: Export and import of goods and services, *projections by the federal government
Sources: Federal Statistical Office 2011, Federal Government (Autumn Forecast) 2011

The USA and Europe account for 72% of global healthcare expenditures.

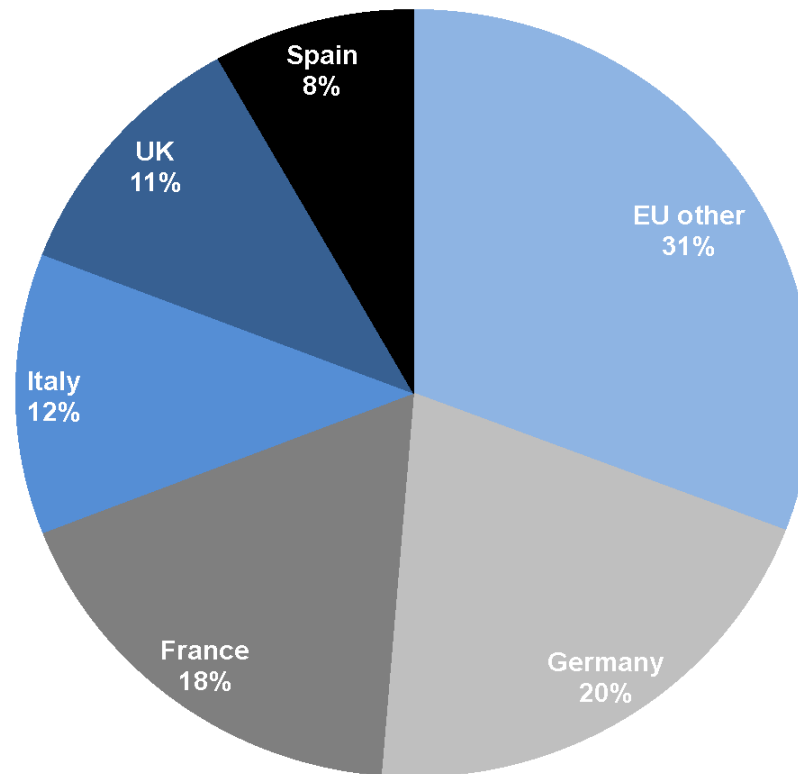
The total global healthcare expenditure counts for 5.7 trillion US\$ in 2009*.



Source: Eucomed - Medical Technology

Germany ranks first in European healthcare expenditures.

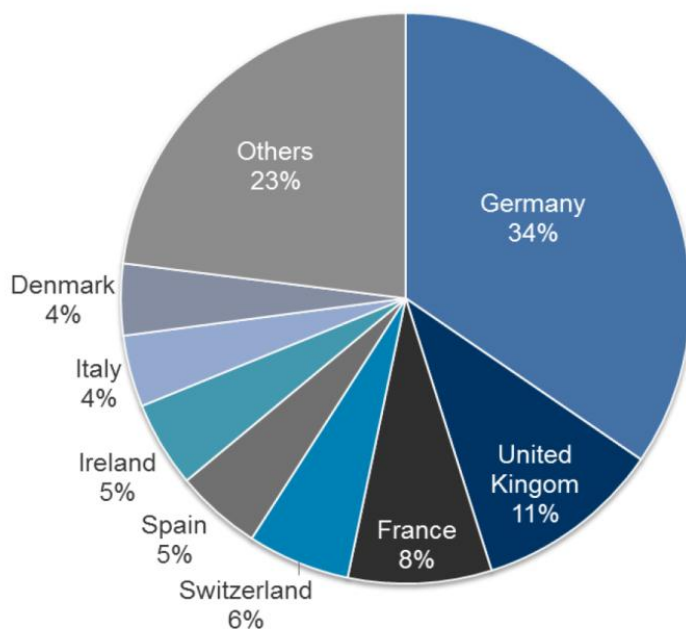
The European healthcare expenditure counts for 1.78 trillion US\$ in 2009*



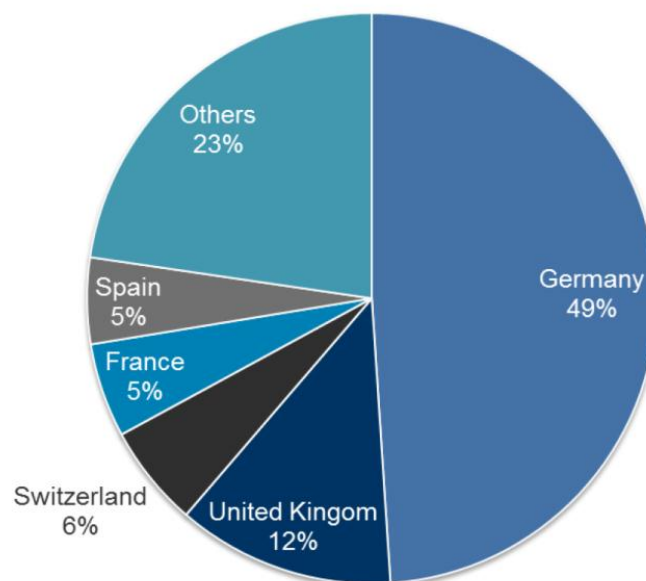
Source: Eucomed - Medical Technology

Germany has the #1 MedTech industry in Europe measured by employment and number of companies.

Nearly 500,000 Employees in Europe



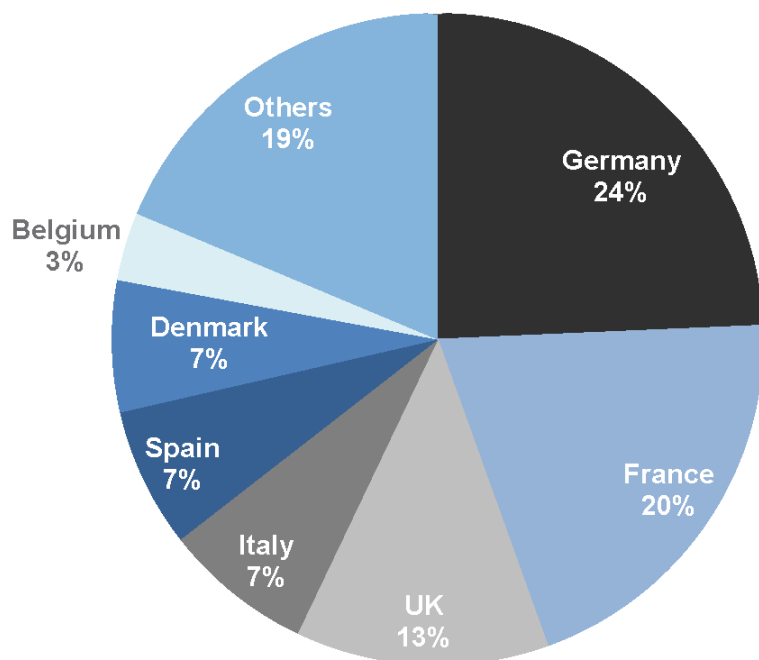
Almost 22,500 companies active in MedTech



Source: Eucomed - Medical Technology

Medtech sales in Europe 2009 – Germany is Europe’s leading market with the USA the leading source of MedTech products.

€95 billion Medical Technology Sales in Europe



- The US is the leading supplier of medical devices to Germany, accounting for 28-30% of imports
- 22% of imports in F, 18% UK, 10% in IT
- Germany accounts for 18% of US MedTech imports

Source: Eucomed - Medical Technology

The German market continues to be receptive to U.S. Products

- High quality advanced diagnostic and therapeutic equipment
- Innovative technologies and minimally invasive equipment, such as laser-optics in vascular surgery, urology, gastrology, dermatology, and neuro-surgery
- New diagnostic and imaging devices
- Specialized wound care and easy-to-use home care products
- Trend: miniaturized electro-medical equipment and nano-technology products
- Preventive diagnostics and medical products
- Innovative orthopedic and physiotherapy devices
- Biomaterial, cardiovascular and endoscopy products
- Natural orifice surgery, novel imaging technologies, e-health and e-care, mobile medical products

Germany – an Innovator in medical technologies

- Significance of the Healthcare industry in Germany
 - ✓ *"A Beacon of Light" ; "Will Germany Be the Driving Force in Global Medical Technology?"*
 - ✓ Economic Growth, jobs, exports, maintaining and improving quality of life
- Driver in Medtech innovation: start-ups, output of technology, quality of science, excellence in clinical research
- Earlier product launch than in the USA? Stanford Study (Nov 2010): After initial contact with regulatory authority, 54 months until product launch (US) vs. 11 months + significantly lower costs (CE quality mark vs. FDA) in EU
- Better financing opportunities for start-ups in Germany than in the UK or USA?

The global healthcare industry is under increasing pressure to cut costs, providing opportunities for improved supply chain management.

1. Reducing costs to serve customers

- ✓ Vendor managed inventories
- ✓ Multi-user warehouses
- ✓ IT solutions

2. Serving emerging markets – distribution network analysis and optimization

3. Increasing sales and profitability through logistics

- ✓ Management of reverse logistics
- ✓ Shorter lead times, better management of inventory
- ✓ Rapid, efficient, consistent service

Explore working more closely with logistics service providers in Germany!

Germany's leading courier, express and parcel services (CEP) and general cargo parcel service providers (GCPS):

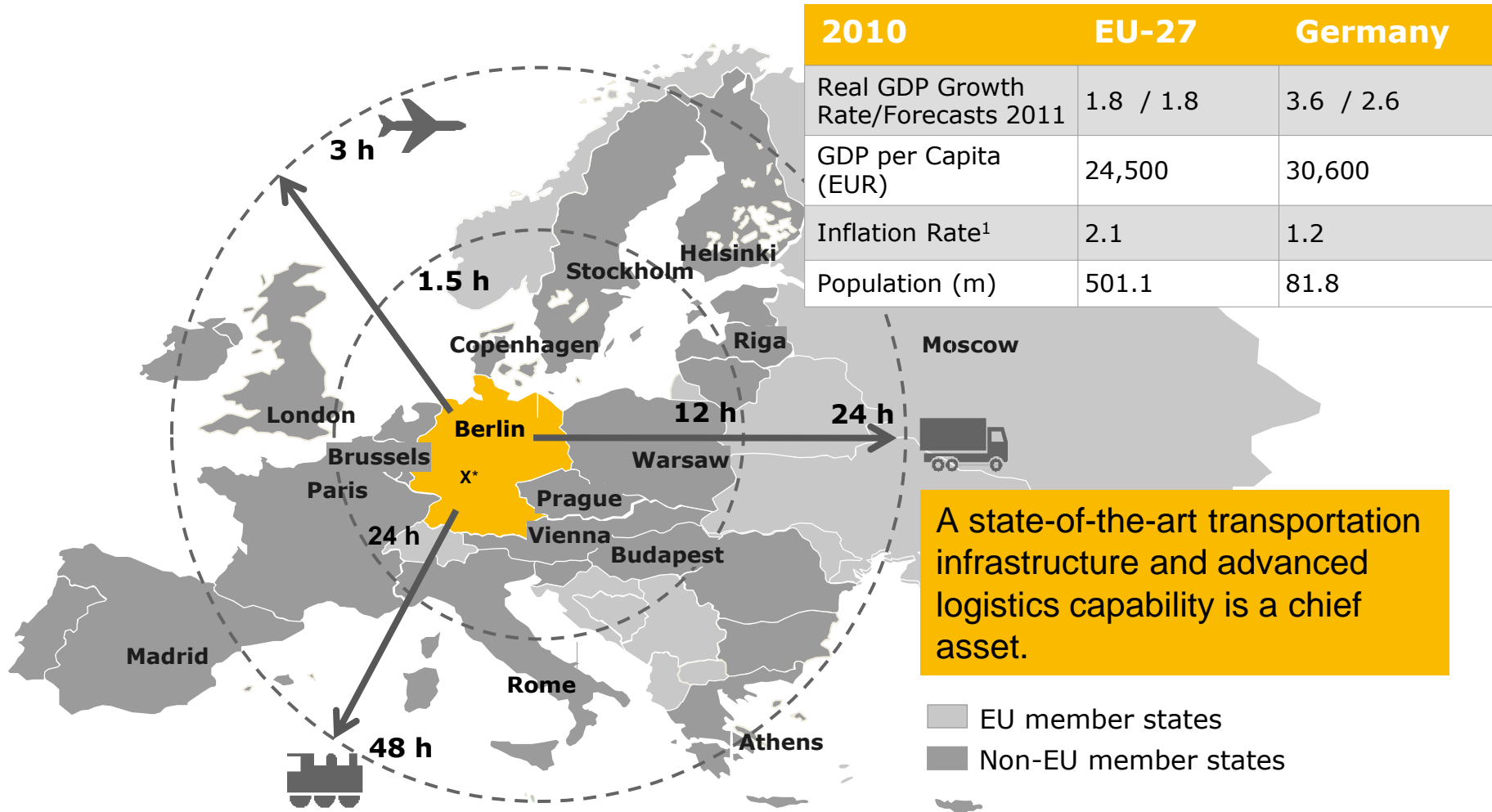
No.	Company	CEP (in EUR m)
1	DHL Express (Deutsche Post)	3,200
2	UPS Deutschland	1,400
3	Dynamic Parcel Distribution	1,305
4	General Logistics Systems	888
5	Hermes Logistik	750
6	TNT Express	600
7	Trans-o-flex Schnell-Lieferdienst	505
8	GO! General Overnight Service	225
9	PROFEX	111
10	IN TIME	100
	Sum Top 10	9,084

No.	Company	GCPS (in EUR m)
1	Dachser	783
2	System Alliance	480
3	Deutsche Post DHL	600
4	DB Schenker Logistics	500
5	IDS Logistik	429
6	CargoLine	475
	Rhenus (Systems Alliance)	410
7	24plus Systemverkehre	360
	Kühne + Nagel (IDS)	260
	Hellmann (System Alliance)	201
	Hans Geis (IDS)	171
8	CTL Cargo Trans Logistik	150
9	ONLINE Systemlogistik	135
10	Emons Holding	120
	Sum Top 10	4,032

Note: Denotes capabilities for healthcare/medtech firms

Source: Fraunhofer, Die Top 100 der Logistik, 2010/2011

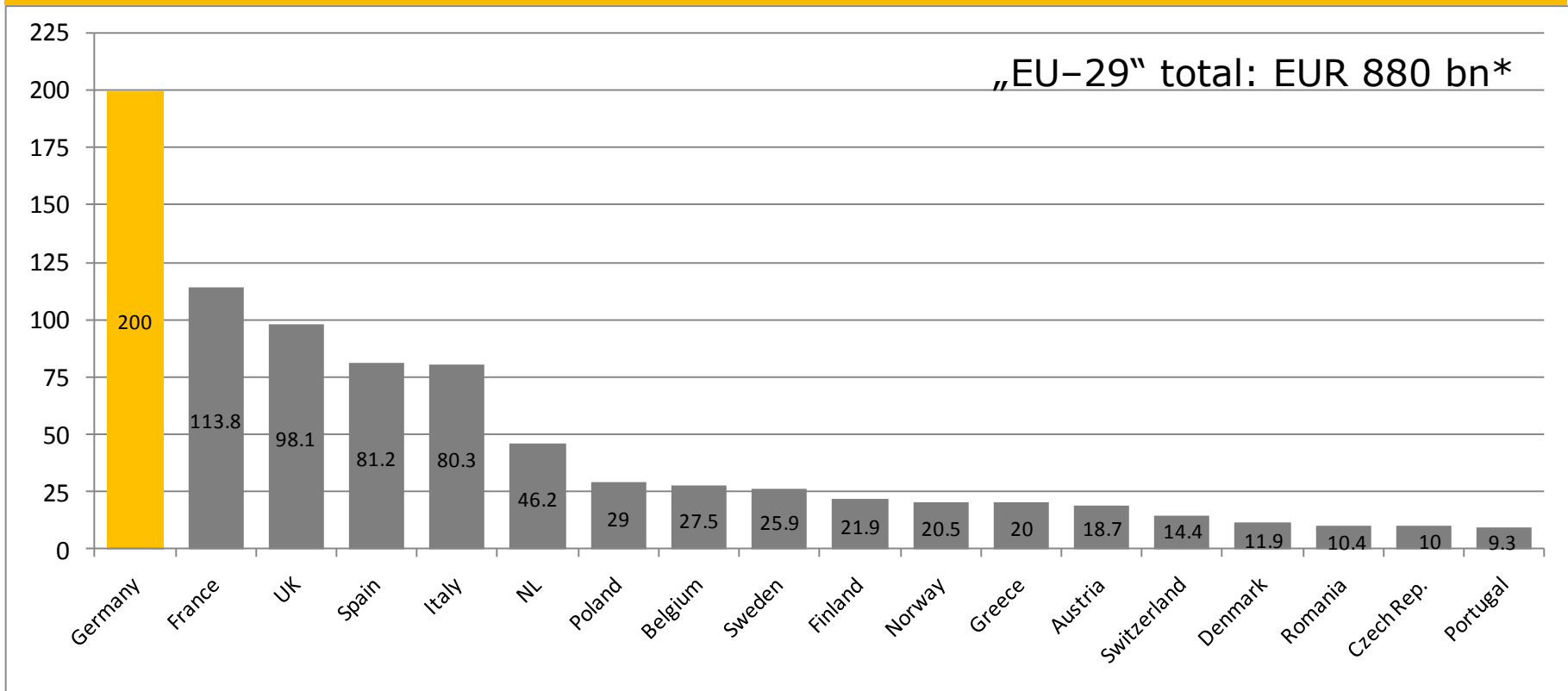
Located at the new new geographic center of Europe, Germany is a springboard to all European markets.



Source: Statistisches Bundesamt, Eurostat 2011; Note: 1 = yearly average 2010; X*) EU-27's geographic center: 42 km east of Frankfurt/Main in Meerholz, Hesse

Germany's logistics market generated revenue of € 200 bn. in 2010 and continues to lead Europe's transportation and logistics sector.

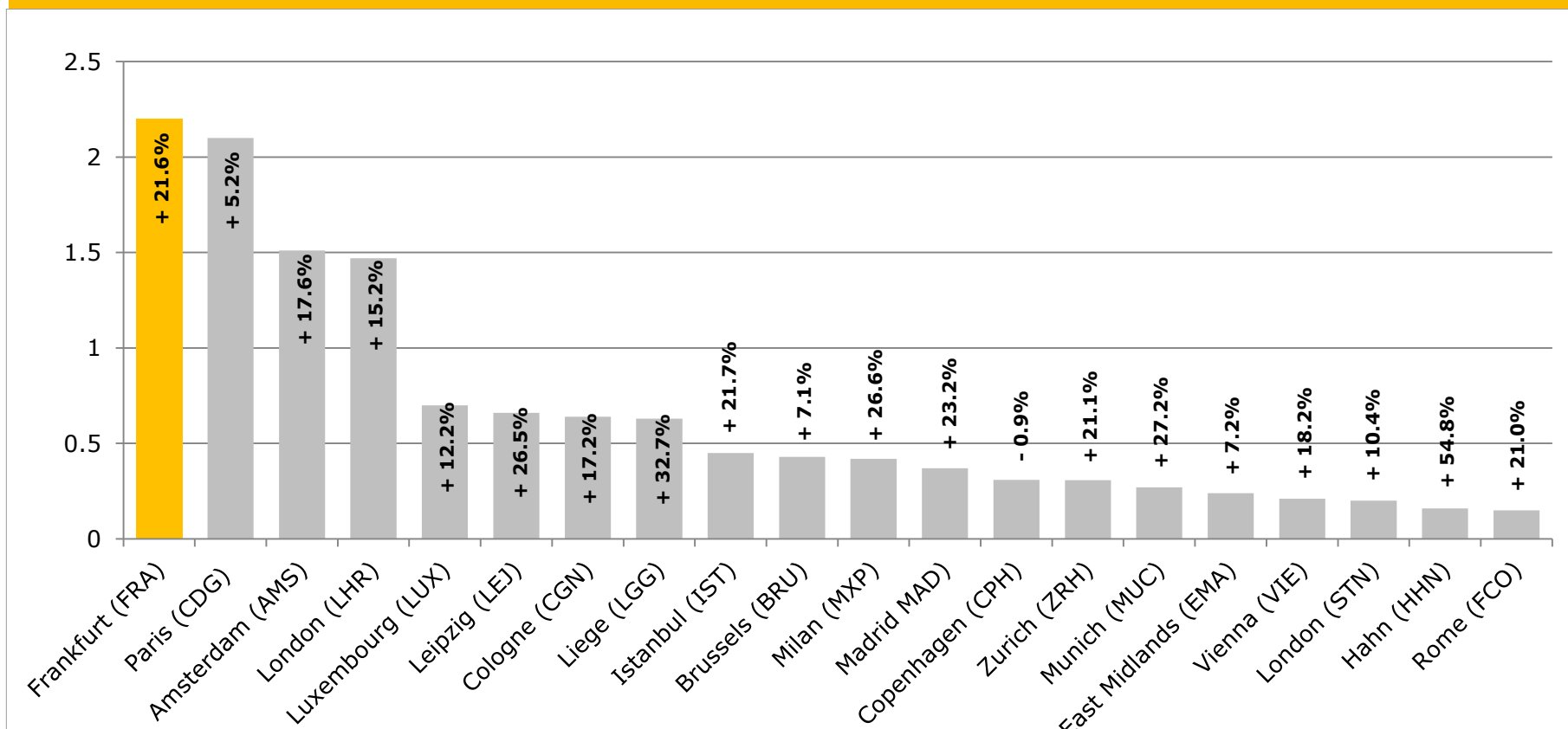
Logistics Revenue 2010 (in EUR bn)



Source: Fraunhofer, Die Top 100 der Logistik, 2010/2011, Note: *) i.e. European Union plus Norway and Switzerland

Three German airports are among Europe's top 10 air freight hubs:
Frankfurt, Leipzig and Bonn/Cologne.

Ranking of Europe's Top 20 Air Cargo Airport*



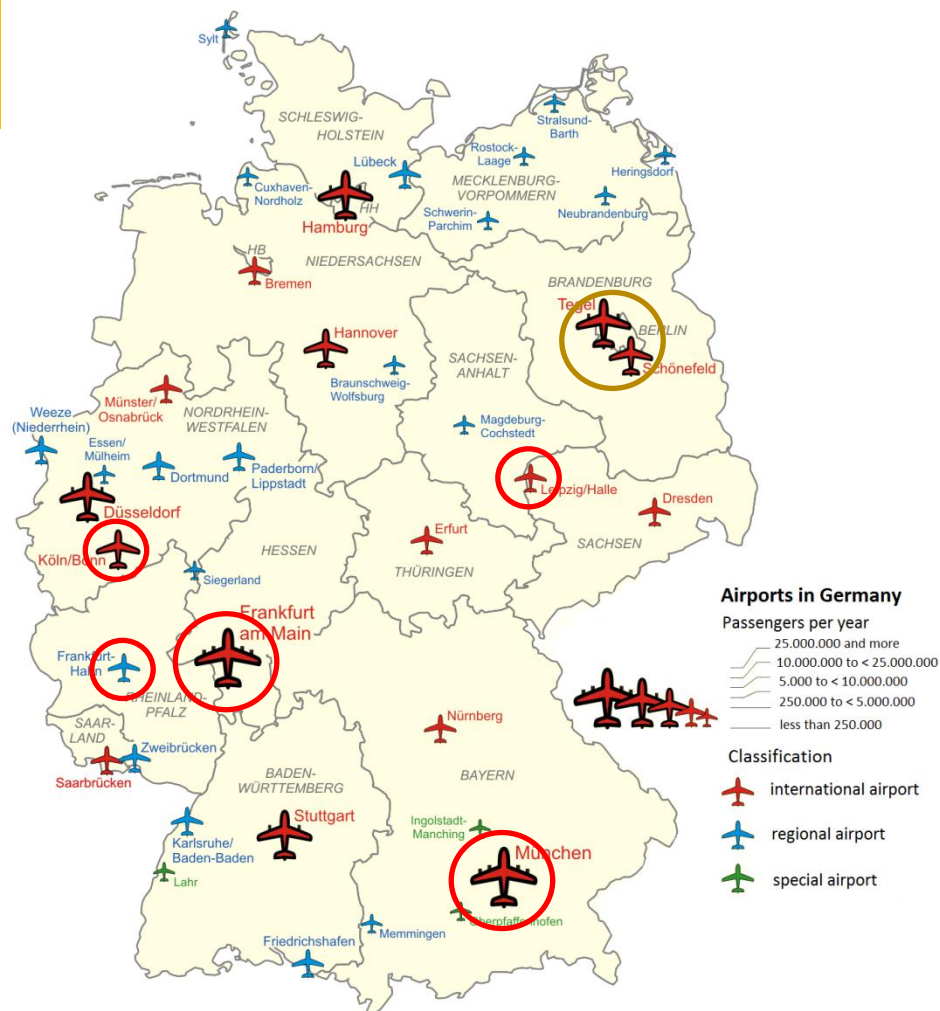
Note: *in m metric tons; ± % change over 2009
Source: ACI, International Transport Journal

German airports and leading air cargo locations:

Top 10 Cargo Airports in Germany 2010 (in m metric tons)

1) Frankfurt/Main	(FRA)	2.31
2) Leipzig/Halle	(LEJ)	0.66
3) Cologne/Bonn	(CGN)	0.66
4) Munich	(MUC)	0.30
5) Hahn	(HHN)	0.23
6) Dusseldorf	(DUS)	0.09
7) Stuttgart	(STR)	0.03
8) Hamburg	(HAM)	0.03
9) Berlin Tegel	(TXL)	0.02
10) Hanover	(HAJ)	0.02

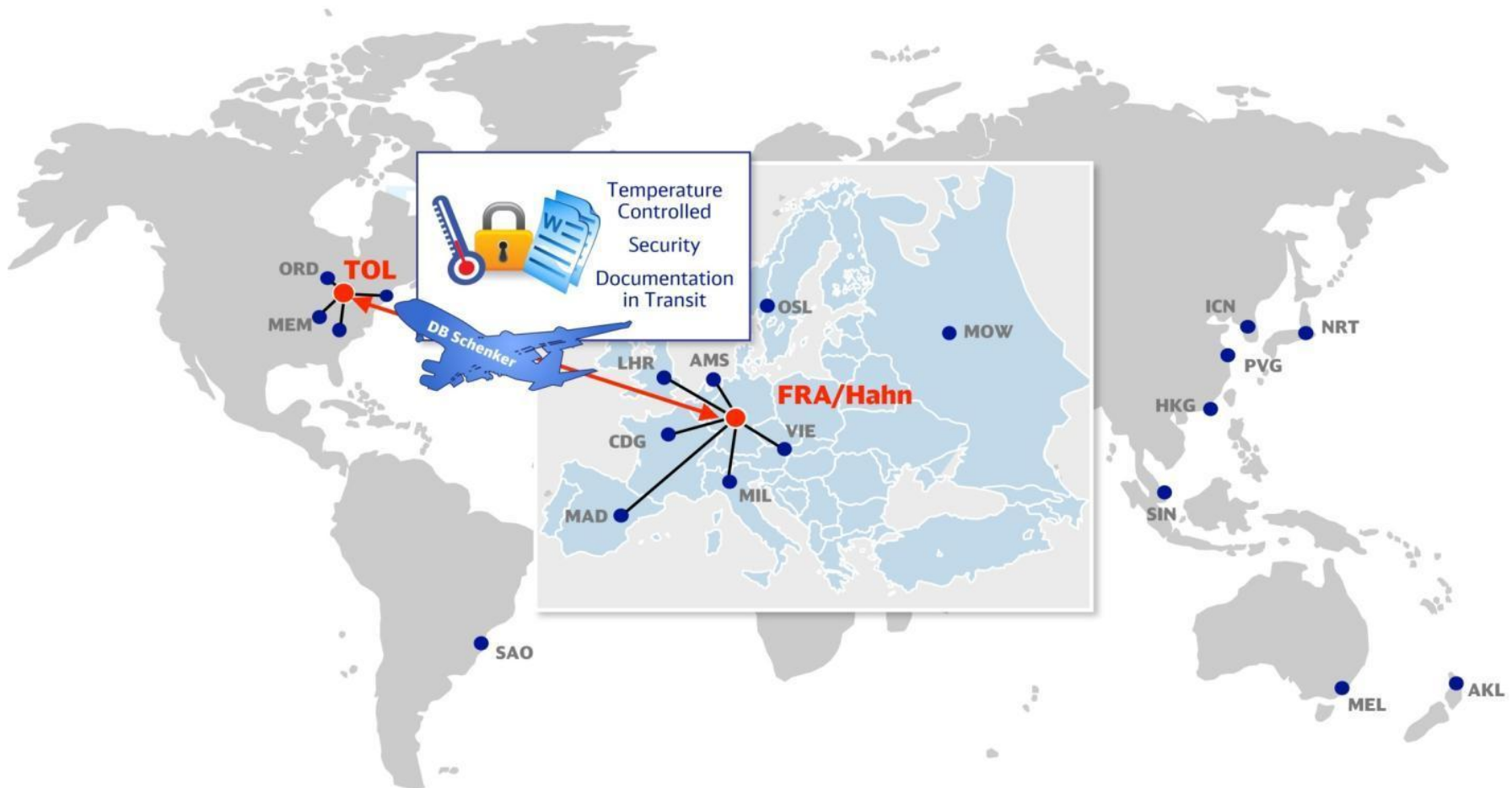
Note: 24/7 air cargo



- \$200 million project will be completed by the end of 2013.
- Expanded hub will allow UPS to sort 80,000 more packages each hour, transitioning from 110,000 to 190,000 parcels.
- UPS's largest expansion outside of the U.S. in its 104-year history.
- Choice of Cologne for its European air hub was a strategic decision
 - ✓ Strong infrastructure and an extensive road network
 - ✓ Advanced airport runway system
 - ✓ Night flights until at least 2030



DB Schenker offers temperature-controlled flights across the Atlantic.



Source: DB Schenker, Global Healthcare Capabilities



- 15,000 m² multi-user, “end-of-runway” distribution center, May 2012/2014
- Customers mainly from the Life Sciences & Healthcare and Technology sectors, will allow for very late cut-off times, speed to market and integrated services coordination
- This new site will also act as medical device warehouse complying with the highest requirements for pharmaceuticals incl. processes, security and handling of temperature-sensitive medical products.
- Proximity to other key European markets will allow customers in the Technology sector to offer improved repair services with a faster return and repair turnaround and integrated solutions for spare parts logistics.



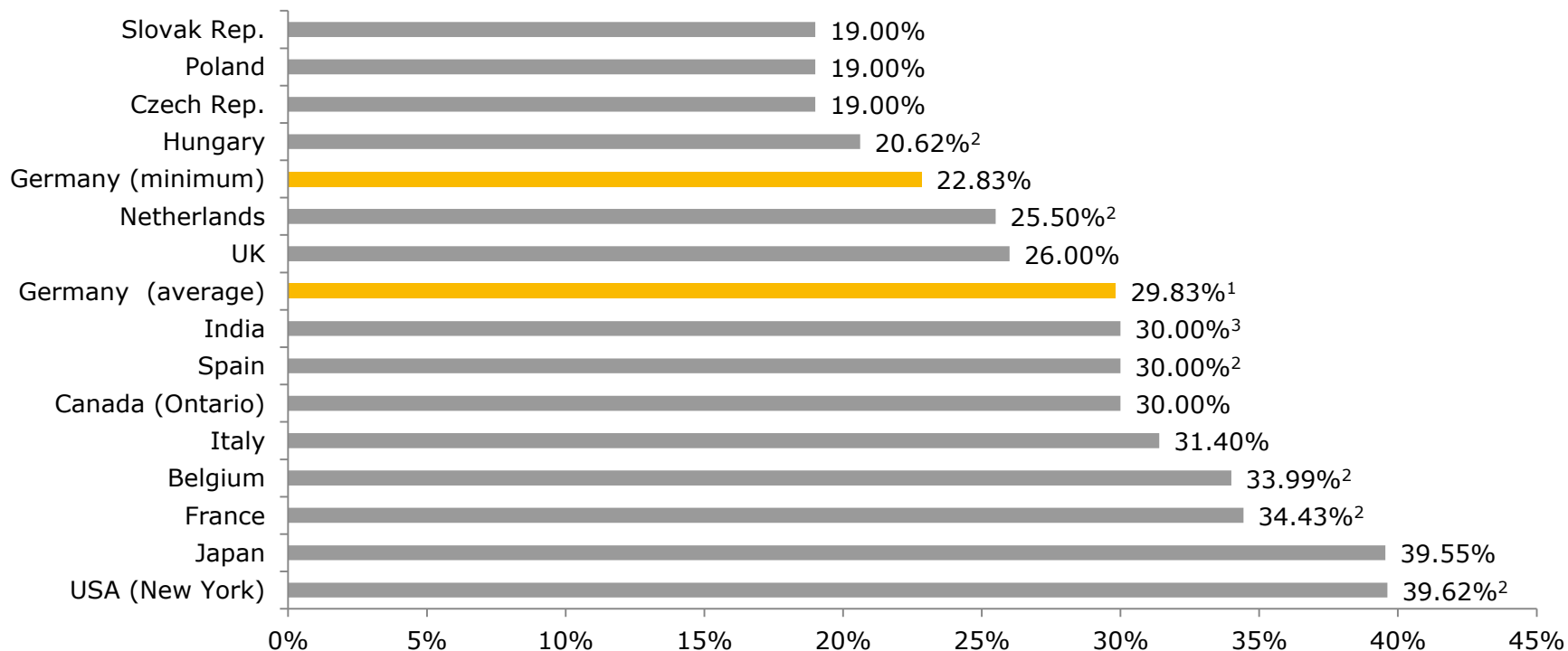
Netzwerk Logistik Leipzig-Halle



- Operated by Ceva Logistics
- Extension of the European Operations Center (EOC) in Heerlen, Netherlands
- Will serve growing markets in Germany and Eastern Europe
- All Medtronic therapies and products will be distributed from new DC
- 8,000 m² site, more than 65 specially trained staff
- Can be enlarged from 8,000 m² to 24,000 m² within the existing building + location has space for another building of the same size.

Among the large industrialized countries, Germany offers a competitive tax system.

Average corporate tax burden (2010, in %)



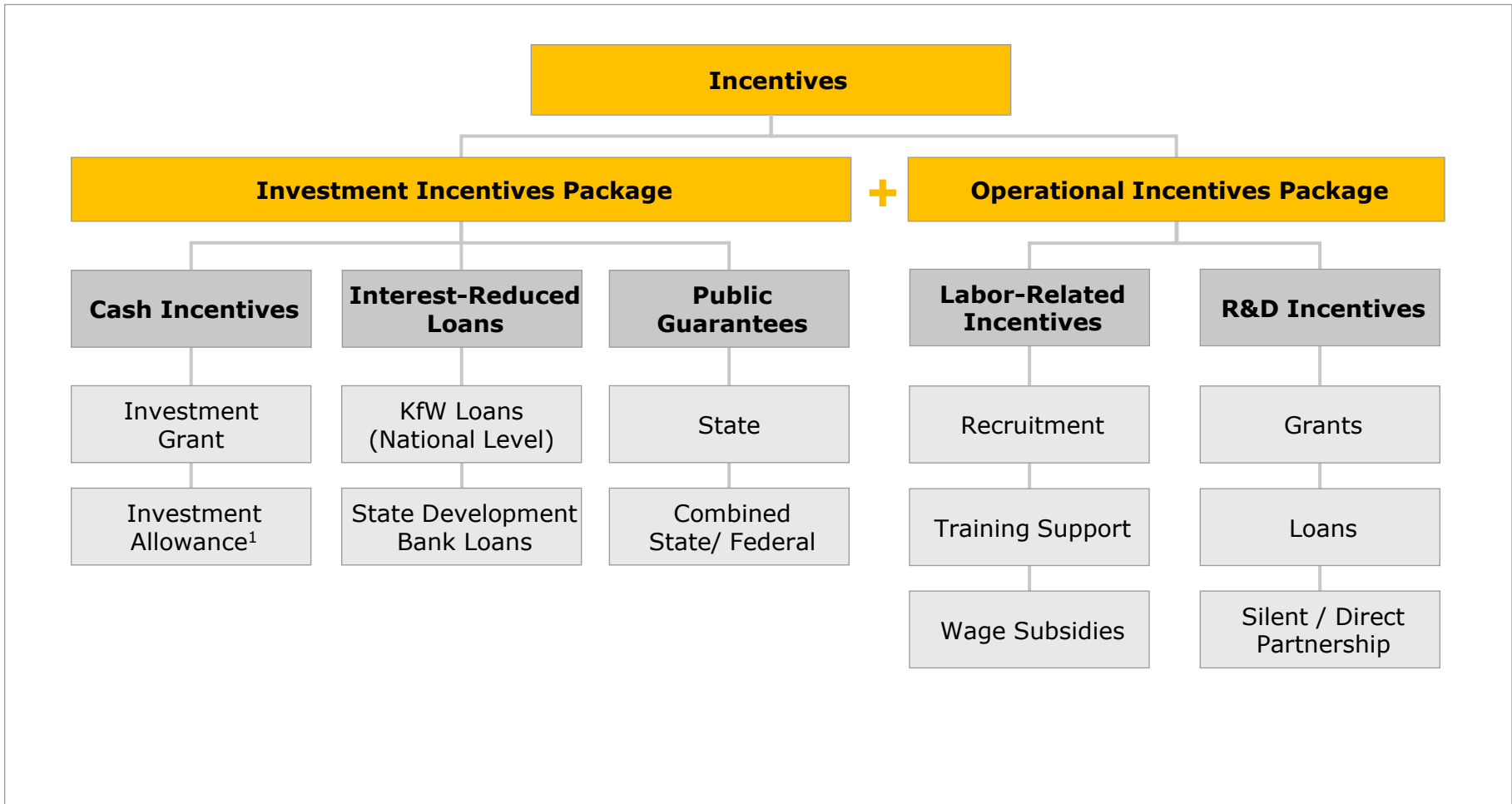
¹National German average. Lower overall tax rates in certain areas are possible, e.g. only 22.83% in certain municipalities.

²Top corporate income taxation rate incl. local taxes; lower starting rates or other special tax rates available. Example USA: progressive rate for the federal corporate income tax from 15 % to 35 %.

³ A surcharge of 5% is levied on taxable income exceeds INR 1 mio.

Source: Federal Ministry of Finance (BMF) , Germany Trade and Invest 2011

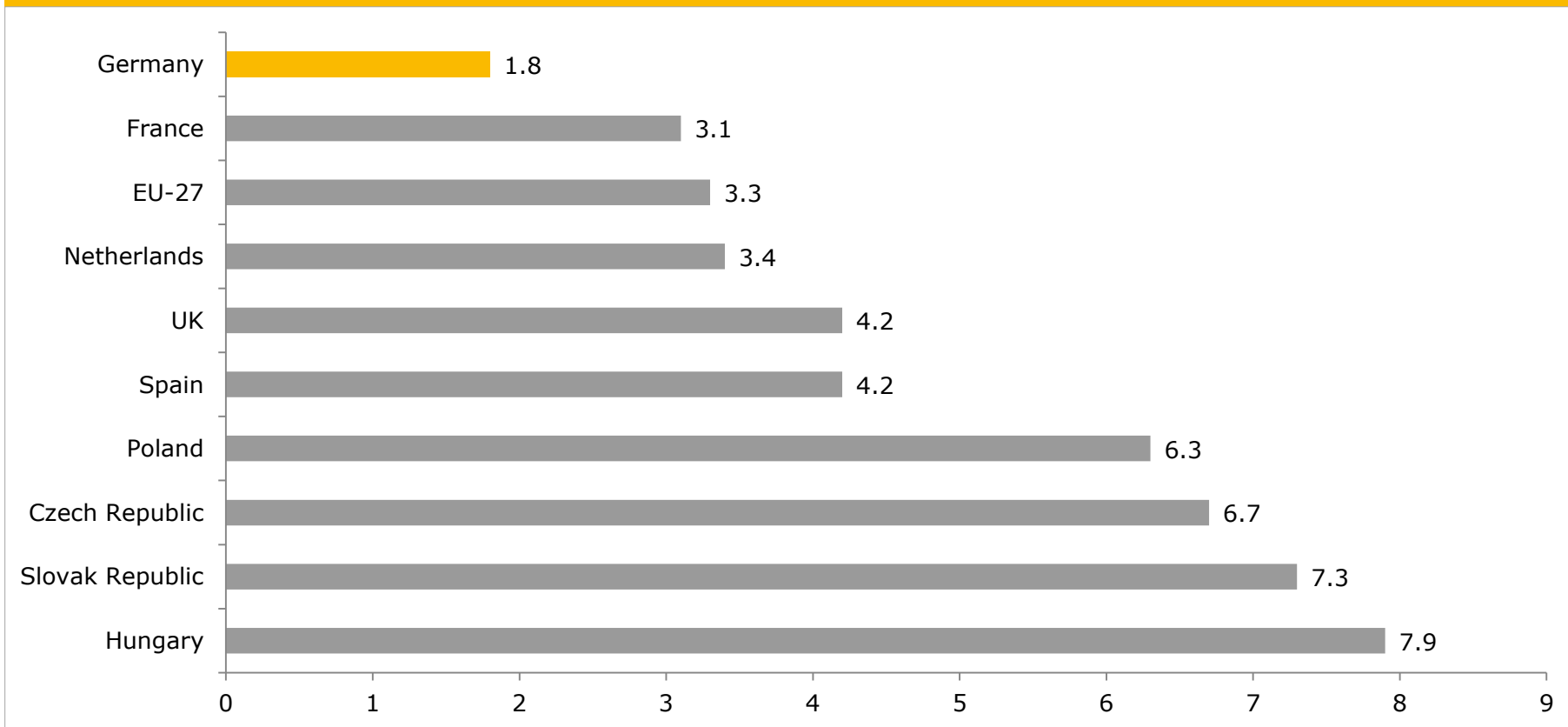
A variety of financial incentives support foreign investment in Germany, with special allowances available in Eastern Germany.



¹ only available in Eastern Germany

Over the past decade German wages have increased moderately.

Growth of Labor Costs (2001-2010, annual average growth in %)



MedTech Industry

- 1. US Commercial Service:** Anette Salama (anette.salama@trade.gov)
- 2. American Chamber of Commerce in Germany**
 - Healthcare Committee, Chairperson, Matthias Borst, VP & GM/Central Europe, Becton Dickinson GmbH
- 3. Trade Associations:**
 - Federal Association of the Medical Devices Industry: www.bvmed.de
 - Federal Association of Electro-Medical Industry: www.zvei.de/medtech
 - German Medical, Optical and Mechatronic Technologies Industry Association (SPECTARIS): www.spectaris.de

Logistics Industry

- 1. Logistics Alliance Germany** www.logistics-alliance-germany-en.de
- 2. German Logistics Association (BVL)** www.bvl.de/en
- 3. Industry Contacts** (DHL, DB Schenker, UPS, Kuehne & Nagel, etc.)

A two-fold mandate: assisting foreign investors and German exporters

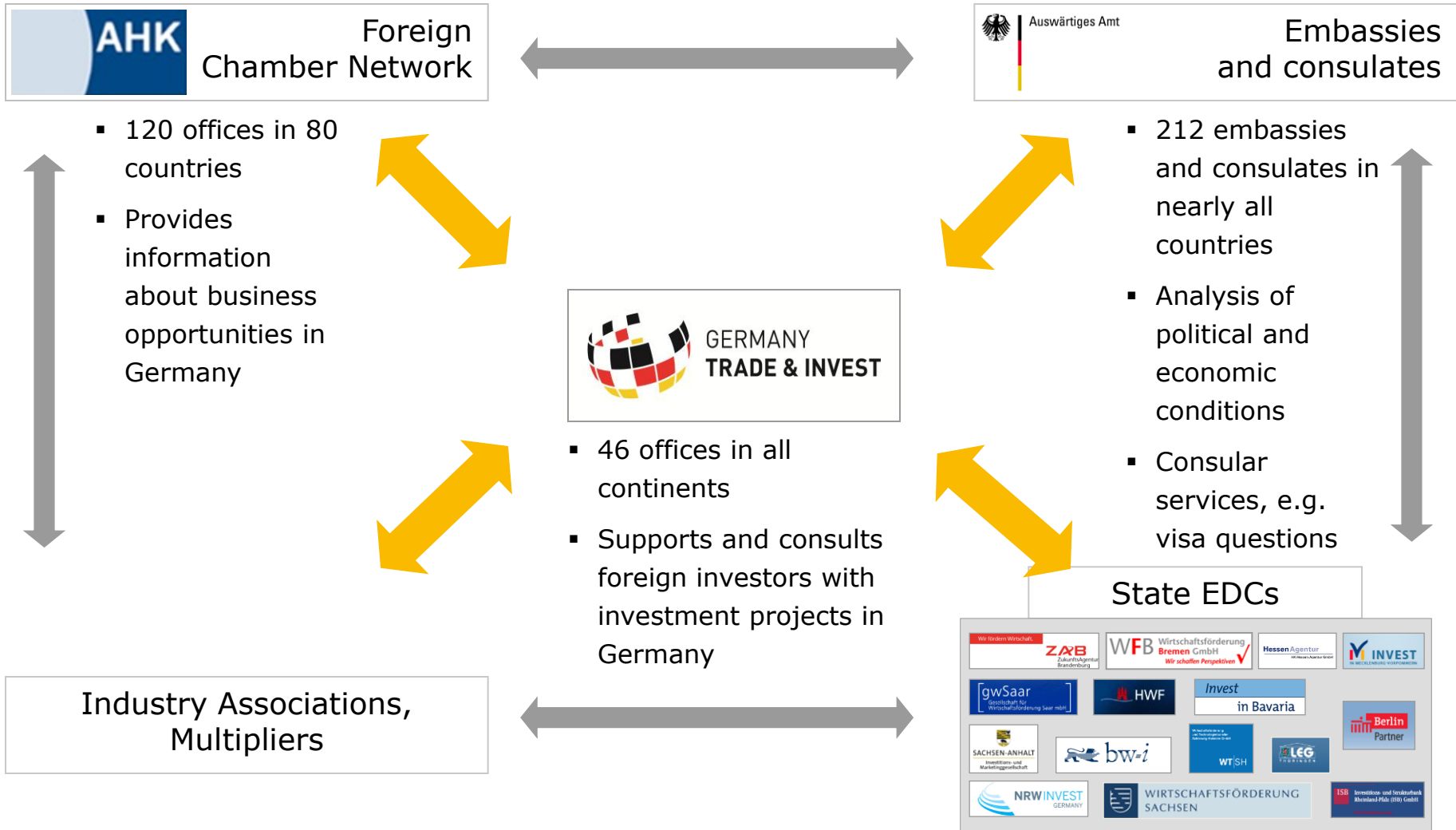
- *Germany Trade & Invest* is the foreign trade and inward investment promotion agency of the Federal Republic of Germany.
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- *Germany Trade & Invest...*
 - Promotes Germany abroad as an investment location
 - Provides consulting services to foreign companies wishing to set up in Germany
 - Supports German exporters with reports on global markets

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