



Business Bulletin for the Free State of Saxony

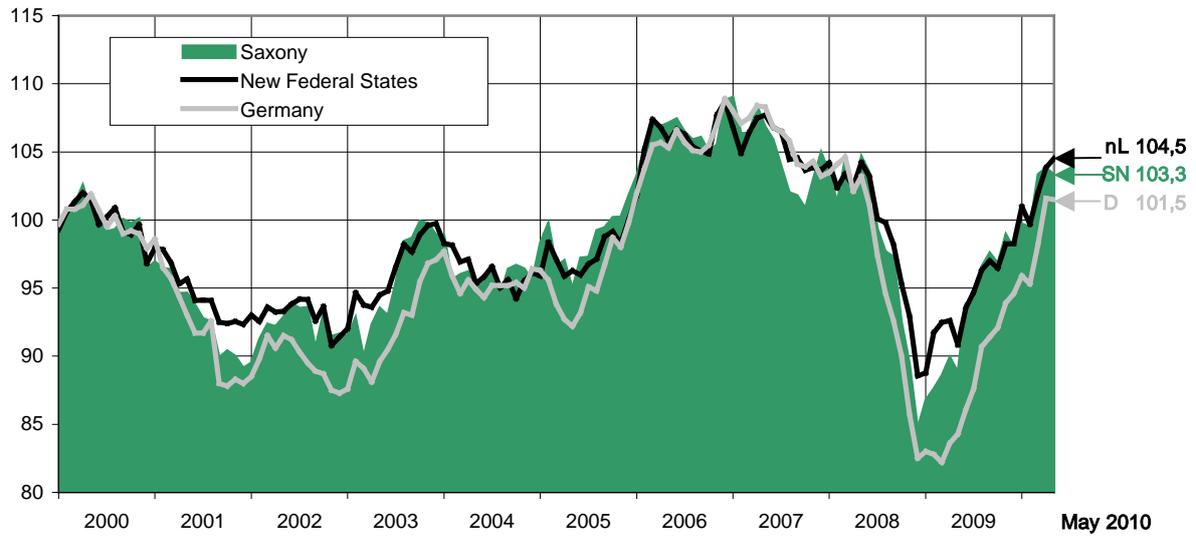
May 2010



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Economic Trend

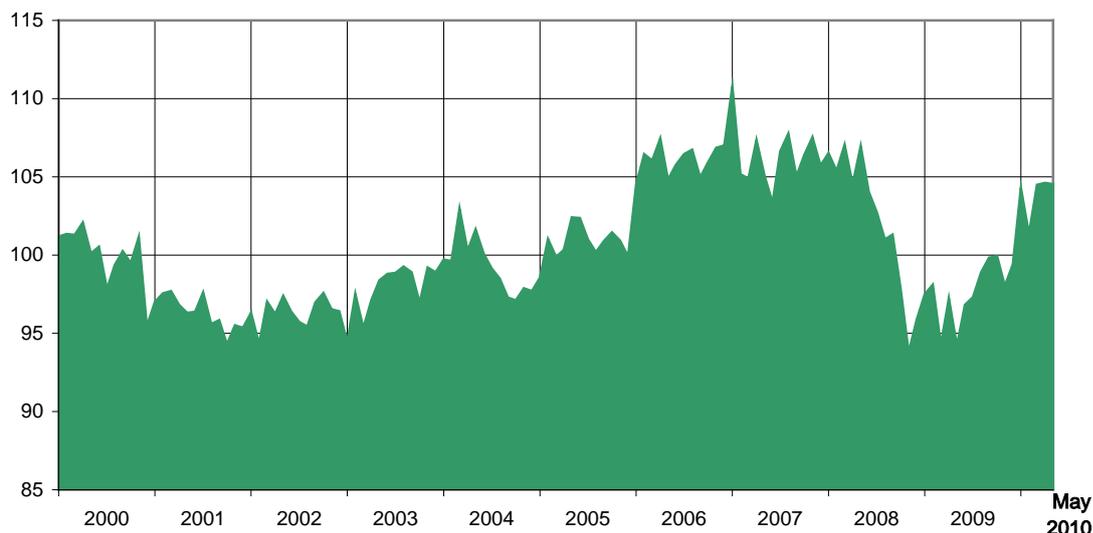
Business Climate in Saxony in a Comparison



ifo Business Climate Index for industry and trade in Saxony, the new federal states, and Germany; index values, year 2000 = 100; seasonally adjusted. Comments: Since the commencement of the surveys in Saxony (January 1994), the ifo Business Climate Index for industry and trade in Saxony reached a minimum value of 84.7 (December 2008) and a maximum value of 109.0 (January 2007). Source: ifo Institute for Economic Research

In May, the ifo Business Climate Index for industry and trade in Germany remained virtually unchanged. While the Business Climate Index for the new federal states continued to increase, the business climate for Saxony's economy recorded a decline. Decisive for this trend in Saxony's industry and trade were primarily the reports on the overall business situation which the enterprises assessed as being less favorable. Slightly more optimism was ascertained in the statements on the overall business expectations for the next six months.

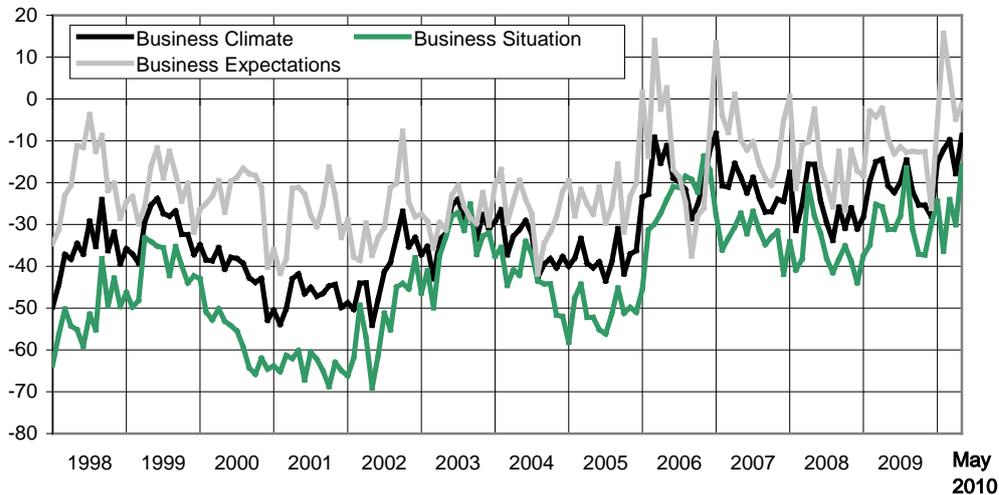
Employment Barometer for Saxony



ifo Employment Barometer for industry and trade in Saxony; index values, year 2000 = 100; seasonally adjusted Source: ifo Institute for Economic Research

In May, the ifo Employment Barometer for industry and trade in Saxony continued to remain at approximately the value of the previous month. In wholesale and retail trade as well as in the main construction industry, the employment expectations brightened while Saxony's manufacturing industry exhibited a slight decline. All told, the enterprises still intend to reduce their existing workforce rather than increasing it.

Business Climate in Select Sectors of the Saxon Economy Focus: Development in Saxony's Main Construction Industry



Seasonally adjusted balances
Source: ifo Institute for Economic Research

In Saxony's main construction industry, the business climate brightened significantly once again in May. This is primarily due to the reports on the overall business situation which the construction enterprises evaluated as being not as bad as previously. When it comes to the overall business expectations, the enterprises were slightly less skeptical about the future; positive and negative statements are essentially balanced. In May, the average equipment utilization amounted to 66.9 % which exceeded the value of the previous month by approximately three percent (63.8 %). When it comes to the average range of orders received, no change was ascertained. Compared to the previous month, the respective figure was once again 2.2 months. According to official statistics, the turnover realized in all divisions of the construction industry during the first quarter of 2010 fell below last year's level. In public construction, which continues to be state-supported through economic stimulus packages, the turnover of the construction industry decreased by 8.9 % when compared to the previous quarter. Obviously, the extraordinarily cold winter played a decisive role in this. The more positive assessments made by enterprises in May are probably due to the fact that companies are catching up on orders again. For example, the construction firms evaluated their current overall volume of orders as being less bad than previously. Only about every fourth company considered its current volume of orders to be too small.

Manufacturing Industry:

- Once again, the business climate in Saxony's manufacturing industry faltered in May.
- The surveyed enterprises considered their current overall business situation as being slightly worse than previously.

Wholesale and Retail:

- The brightening business climate in Saxony's trade, which has been ascertained since March, did not continue in May.
- The primary reason was the current overall business situation which the surveyed wholesale and retail enterprises assessed as being significantly worse.

Development of Select Business Climate Indicators in the Manufacturing Industry, Construction Industry as well as in the Wholesale and Retail Trade in Saxony^{a)}

| Indicator | Saxony | In Comparison: | | | |
|---|-------------|-------------------------|-----------------------|--|---------|
| | May 2010 | Saxony April 2010 | Saxony May 2009 | New Federal States ^{c)} May 2010 | Germany |
| Manufacturing Industry | | | | | |
| Actual Demand ^{b)} | 13.5 | 27.9 | -18.5 | 14.3 | 30.4 |
| Production Plans ^{b)} | 13.8 | 11.8 | -13.3 | 12.7 | 17.3 |
| Anticipated | | | | | |
| Number of Employees ^{b)} | 1.2 | 4.7 | -25.8 | -1.0 | -5.8 |
| Anticipated | | | | | |
| Sales Prices ^{b)} | 0.6 | -2.2 | -13.5 | 7.8 | 10.3 |
| Main Construction Industry | | | | | |
| Volume of Orders in Months | 2.2 | 2.2 | 2.0 | 2.2 | 2.4 |
| Equipment Utilization in % | 66.9 | 63.8 | 71.6 | 68.8 | 67.3 |
| Anticipated | | | | | |
| Number of Employees ^{b)} | -13.6 | -15.3 | -25.8 | -16.5 | -11.8 |
| Anticipated | | | | | |
| Construction Prices ^{b)} | -5.1 | -12.2 | -11.1 | -8.0 | -14.4 |
| Wholesale | | | | | |
| Turnover Compared to Previous Year ^{b)} | 12.0 | 16.0 | -48.0 | 16.0 | 9.0 |
| Planned Purchase Orders ^{b)} | 7.7 | 3.7 | -45.3 | 5.7 | 2.1 |
| Anticipated | | | | | |
| Sales Prices ^{b)} | 59.9 | 48.0 | 23.8 | 31.4 | 26.5 |

a) Seasonally adjusted values (exception: Indicated turnover compared to previous year)

b) Balance of positive and negative percentages reported by enterprises

c) New federal states including East Berlin

Source: ifo Institute for Economic Research

Business Registry

- In **February 2010, 3,049 businesses** were **registered** in the Free State of Saxony which included 2,542 start-ups; compared to February 2009, the number of business registrations increased by 168.
- **3,019 businesses** were **deregistered**; 2,452 of which gave up their business; compared to the same month last year, the number of deregistrations increased by 301.

(Please see also the table in Appendix 1)

Price Trend

- Compared to the previous month, the **consumer price index** in the Free State of Saxony increased by 0.1 % to **109.2** (basis 2005 = 100) in **May 2010**.
- The **annual inflation rate** amounted to **1.1 %** in May (previous month: 1.1 %).

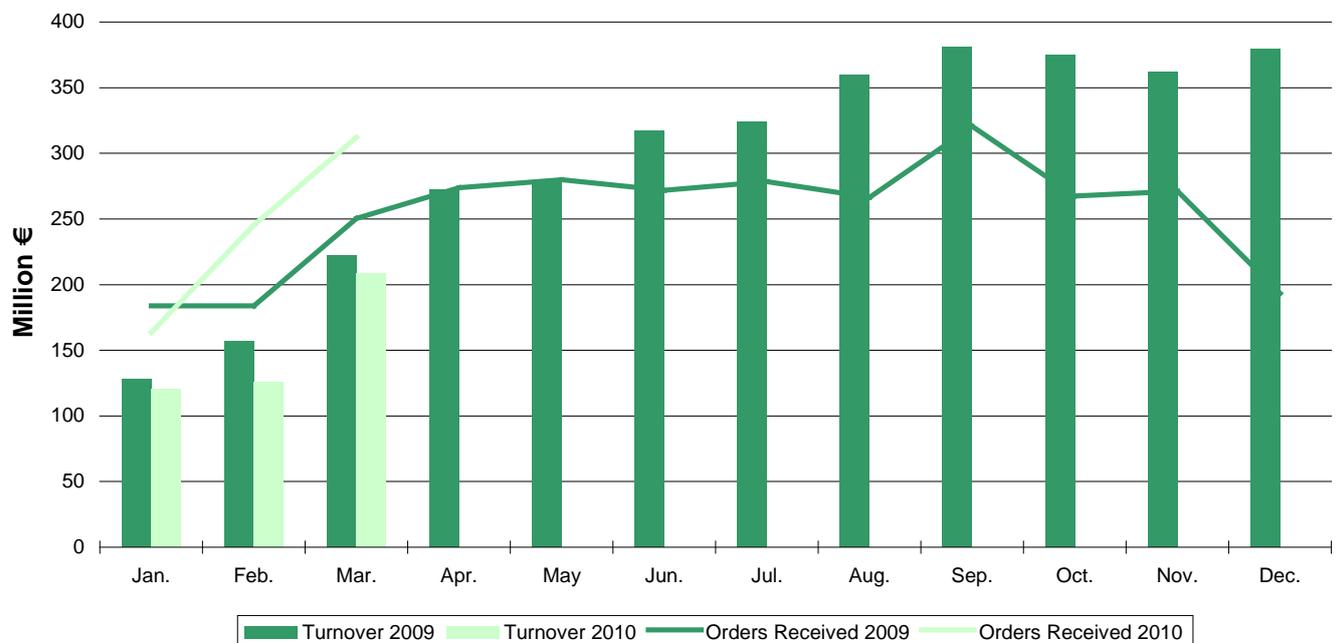
(Please see also the table in Appendix 1)

Construction Industry

The following information applies to enterprises with 20 or more employees.

- Compared to the previous month, the **turnover** in Saxony's main construction industry increased by 66.3 % to **€208.6 million in March 2010**; compared to March 2009, the turnover decreased by 6.2 %.
- Compared to February, the **value of orders received** increased by 27.3 % to **€312.2 million in March**; this exceeded last year's value for the same month by 24.6 %.

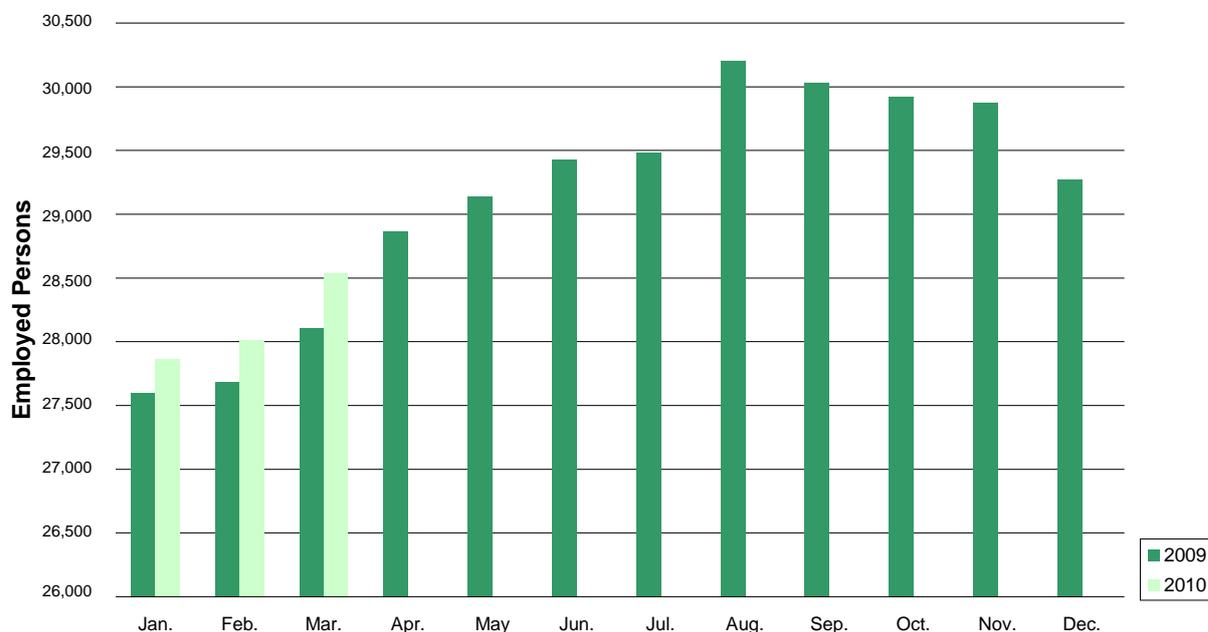
Turnover and Orders Received (in Million Euros) in Saxony's Main Construction Industry



Enterprises with 20 or more employees
Source: Statistical Office of the Free State of Saxony

- Compared to the previous month, **employment** increased by 1.9 % to **28,539 persons** in March; compared to March 2009, employment increased by 1.5 %, i.e. **432 persons**.

Employed Persons in Saxony's Main Construction Industry



Enterprises with 20 or more employees
Source: Statistical Office of the Free State of Saxony

Compared to the same period last year, **employment** in Saxony's main construction industry (enterprises with 20 or more employees) increased by **1.2 %** while the **total turnover** decreased by **10.3 %** during the **first three months of 2010**. The value of **orders received** increased by **16.6 %** (please see the following table).

| Period | Employees | Total Turnover | Orders Received |
|----------------|-----------|----------------|-----------------|
| | Persons | EUR 1,000 | |
| 2009 | | | |
| January-March | 27,791 | 506,782 | 618,266 |
| 2010 | | | |
| January-March | 28,139 | 454,426 | 721,050 |
| Change | | | |
| 2010/2009 in % | 1.2 | -10.3 | 16.6 |

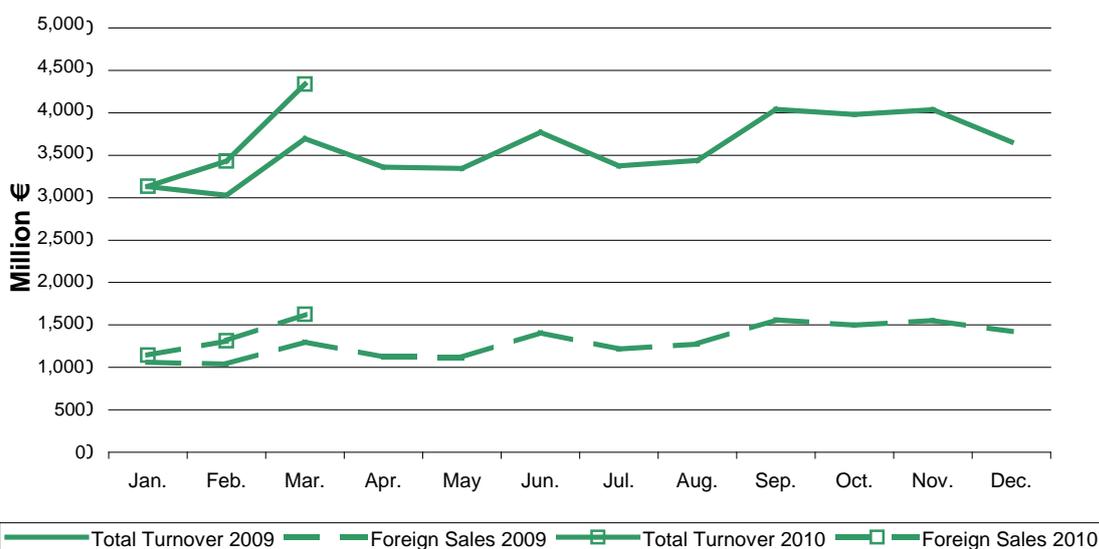
1) Average values for the months January - March
Source: Statistical Office of the Free State of Saxony

Industry (Mining and Extraction of Rocks and Stones; Manufacturing Industry)

The following information applies to enterprises with 50 or more employees.

- In **March 2010**, the **total turnover** in Saxony's industry increased by 26.5 % to **€4,338.8 million** compared to the previous month; this exceeded the result of the respective month last year by 16.8 %.
- Compared to February, **foreign sales** went up by 23.9 % to **€1,626.6 million** in March; compared to March 2009, this figure also increased by 23.9 %.

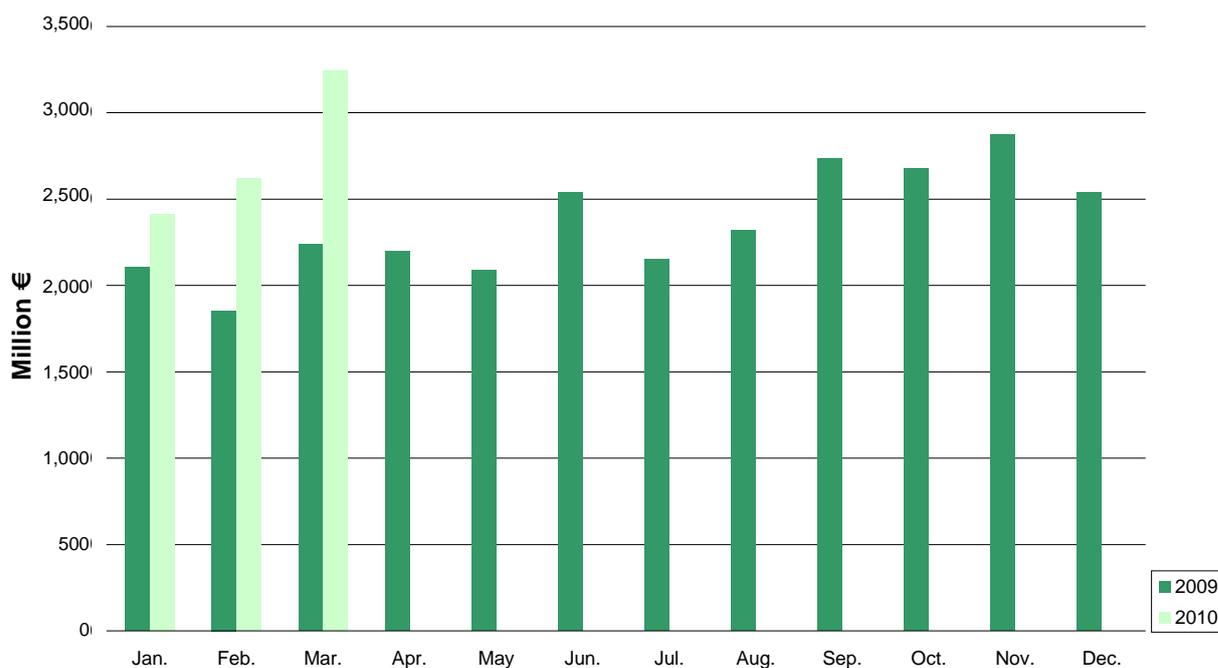
Monthly Development of Total Turnover and Foreign Sales (in Million Euros)



Enterprises with 50 or more employees
Source: Statistical Office of the Free State of Saxony

- In March, the **export rate** (foreign sales proportion of the total turnover) in Saxony's industry decreased by 0.8 % to **37.5 %** when compared to the previous month; last year's rate of the same month (35.2 %) was exceeded by 2.3 %.

Monthly Development of Orders Received in Saxony's Industry (in Million Euros)



Enterprises with 50 or more employees
Source: Statistical Office of the Free State of Saxony

- In March, the **value of orders received** increased by 23.6 % to **€3,241.0 million** when compared to February; compared to March 2009, this figure increased by 44.8 %.
- Compared to the previous month, the **number of employees** remained almost unchanged at **186,539 persons** in March 2010 (-0.1 %); this was 4.1 % lower than the number of persons employed in March 2009.

Compared to the same period last year, **employment** in Saxony's industry decreased by **4.7 %** while the **total turnover** increased by **10.6 %** and **foreign sales** went up by **20.1 %** during the **first three months of 2010**. The **export rate** (foreign sales proportion of the total turnover) increased from 34.5 % to **37.4 %** (please see the following table).

| Period | Employees | Total Turnover | Foreign Sales | Export Rate |
|----------------|-----------|----------------|---------------|-------------|
| | Persons | EUR 1,000 | | % |
| 2009 | | | | |
| January-March | 195,630 | 9,859,591 | 3,399,356 | 34.5 |
| 2010 | | | | |
| January-March | 186,391 | 10,903,792 | 4,081,255 | 37.4 |
| Change | | | | |
| 2010/2009 in % | -4.7 | 10.6 | 20.1 | 2.9 |

1) Average values for the months January – March

2) Foreign sales proportion of the total turnover

3) Percentage

Preliminary results for 2010

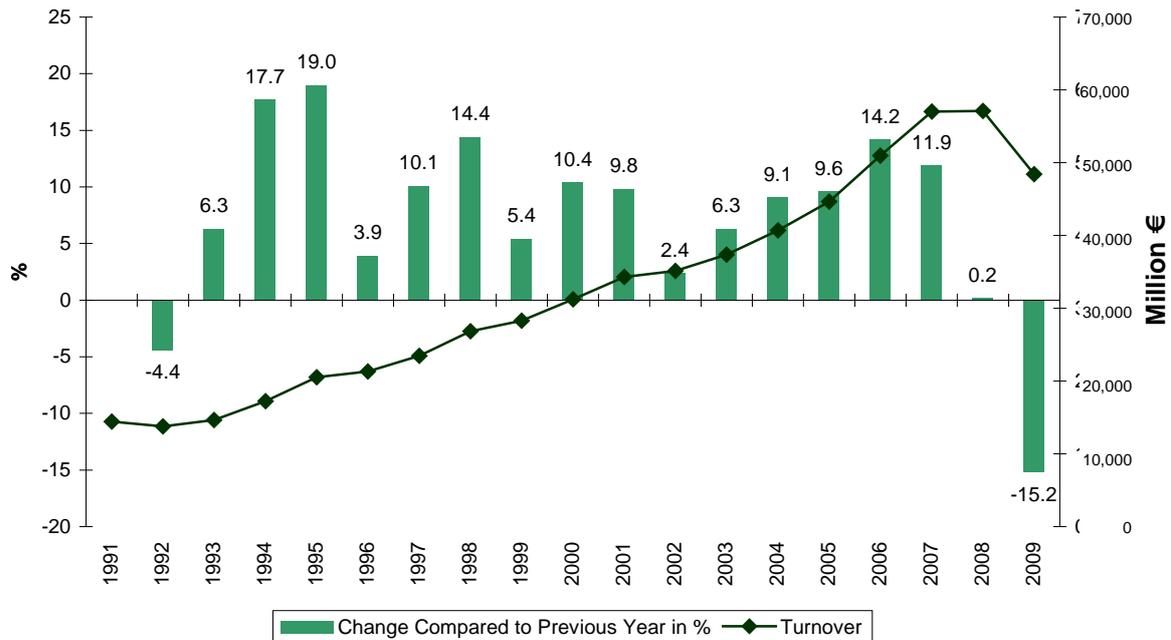
Source: Statistical Office of the Free State of Saxony

This Month

Industry 2009

For the first time ever since 1992, Saxony's industry exhibited a decline in 2009 which was due to the economic crisis. Last year, the total turnover of the enterprises in the mining, extraction of rocks and stones as well as the manufacturing industries with 20 or more employees decreased by 15.2 % to €48,432.6 million when compared to 2008.

Development of Turnover in Saxony's Industry¹⁾ 1991 - 2009



1) Mining and extraction of rocks and stones, manufacturing industry; enterprises with 20 or more employees
As of 2008, new classification of economic branches; limited comparability with previous years
Source: Statistical Office of the Free State of Saxony

Compared to 2008, the turnover in the sector mining and extraction of rocks and stones remained almost stable at €672.5 million (-0.1 %). In the manufacturing industry, though, the turnover decreased significantly by 15.4 % to €47,760.1 million.

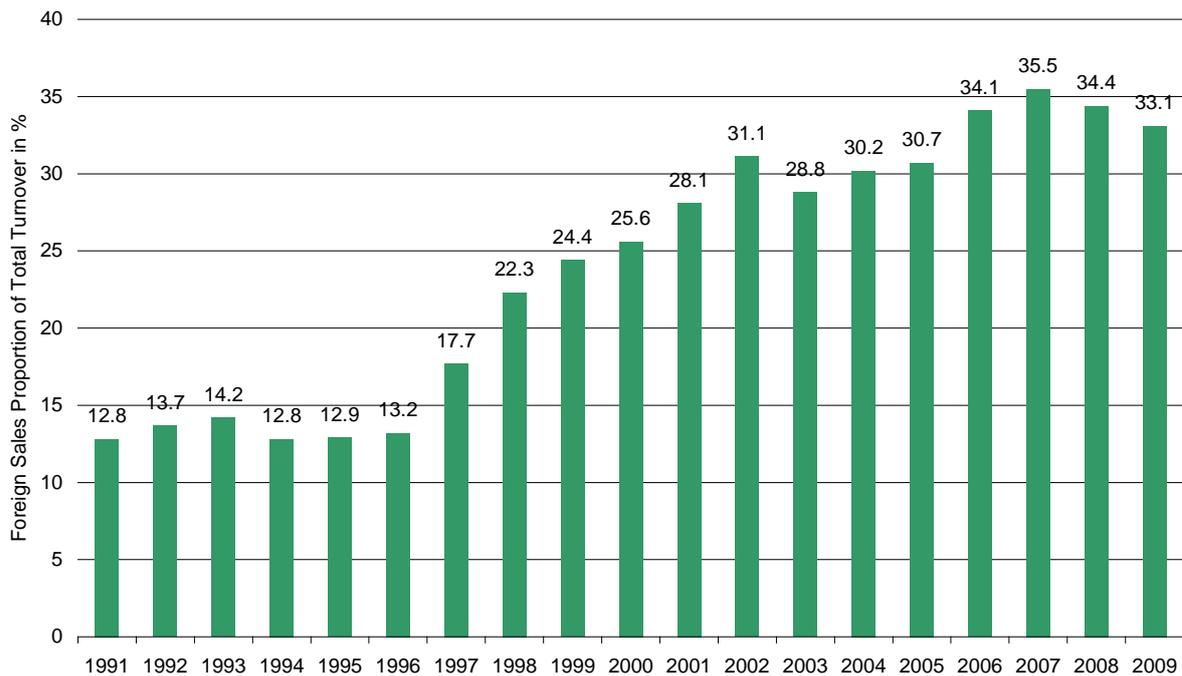
The turnovers in the sectors metal production and metal processing (-41.7 %), manufacture of electrical equipment (-31.0 %), machine construction (-22.9 %), manufacture of data processing systems, electronic and optical products (-21.8 %) as well as manufacture of metal products (-18.4 %) exhibited above average decreases.

Both domestic and foreign sales declined in 2009. Compared to 2008, domestic sales went down by 13.4 % while foreign sales actually decreased by 18.6 %.

Consequently, the export rate (foreign sales proportion of the total turnover) decreased as well. Compared to 2008, the export rate decreased by 1.3 % to 33.1 % last year (please see also the diagram on the following page).

The number of employees also decreased in 2009. Compared to 2008, this figure declined by 5.2 % to 234,986 persons. A particularly unfavorable trend was reported for employment in the sectors manufacture of data processing systems, electronic and optical products (-21.6 %), manufacture of textiles (-14.2 %), manufacture of chemical products (-8.4 %) as well as manufacture of electrical equipment (-8.2 %).

Export Rate in Saxony's Industry¹⁾ 1991 - 2009



1) Mining and extraction of rocks and stones, manufacturing industry; enterprises with 20 or more employees

As of 2008, new classification of economic branches; limited comparability with previous years

Source: Statistical Office of the Free State of Saxony

The most important sectors of the manufacturing industry include the manufacture of motor vehicles and vehicle parts, machine construction, the production of food and animal feed, the manufacture of metal products as well as the manufacture of data processing systems, electronic and optical products. In 2009, these five sectors encompassed about 54 % of the total number of employees and about 60 % of the total turnover achieved in Saxony's manufacturing industry (please see also the following table).

Development in the Mining & Manufacturing Industries¹⁾ in the Free State of Saxony in 2009

| Industrial Sector (IS 2008) | Employees at the End of September | | Turnover for the Entire Year | |
|--|-----------------------------------|--|------------------------------|--|
| | absolute Number | Change Compared to Previous Year % | absolute EUR 1,000 | Change Compared to Previous Year % |
| Mining and Extraction of Rocks and Stones; Manufacturing Industry | 234,986 | -5.2 | 48,432,598 | -15.2 |
| Proportion of: | | | | |
| Mining and Extraction of Rocks and Stones | 3,261 | -0.3 | 672,498 | -0.1 |
| Manufacturing Industry which includes: | 231,725 | -5.3 | 47,760,100 | -15.4 |
| Production of Food and Animal Feed | 16,495 | * | 5,083,109 | * |
| Production of Beverages | 2,232 | -3.2 | 892,343 | -4.2 |
| Manufacture of Textiles | 7,825 | -14.2 | 802,811 | -12.7 |
| Manufacture of Clothing | 2,113 | -5.2 | 202,244 | 0.1 |
| Manufacture of Wood, Braided, Wicker, and Cork Products (Excluding Furniture) | 4,283 | -0.3 | 919,287 | -4.6 |
| Manufacture of Paper, Cardboard, and Products Made Thereof | 6,152 | -1.4 | 1,374,621 | -8.2 |
| Manufacture of Printed Products; Duplication of Recorded Sound Carriers, etc. | 5,770 | -4.0 | 663,986 | 1.4 |
| Manufacture of Chemical Products | 7,776 | -8.4 | 2,314,057 | -15.3 |
| Manufacture of Pharmaceutical Products | 2,376 | * | 560,748 | * |
| Manufacture of Rubber and Plastic Products | 11,218 | -4.8 | 1,564,688 | -7.1 |
| Manufacture of Glass and Glass Products, Ceramics; Processing of Rocks and Stones | 11,123 | -3.7 | 1,636,258 | -13.1 |
| Metal Production and Metal Processing | 9,413 | -6.0 | 1,857,289 | -41.7 |
| Manufacture of Metal Products | 35,449 | -4.6 | 3,905,882 | -18.4 |
| Manufacture of Data Processing Systems, Electronic and Optical Products | 13,627 | -21.6 | 3,416,565 | -21.8 |
| Manufacture of Electrical Equipment | 12,004 | -8.2 | 1,537,779 | -31.0 |
| Machine Construction | 34,496 | -6.1 | 5,597,566 | -22.9 |
| Manufacture of Motor Vehicles and Vehicle Parts | 24,164 | -1.3 | 10,711,841 | -12.2 |
| Manufacture of Furniture | 3,763 | 1.3 | 476,937 | -1.9 |
| Manufacture of Other Products | 6,045 | -1.2 | 550,502 | -5.3 |
| Repair and Installation of Machinery and Equipment | 9,552 | -0.7 | 1,237,319 | -13.4 |

1) Mining and extraction of rocks and stones, manufacturing industry; enterprises with 20 or more employees
Source: Statistical Office of the Free State of Saxony

Current Economic Data for the Free State of Saxony

- Business Registry -

| Year/Month | Business Registrations | Business Deregistrations | Balance of Registrations and Deregistrations |
|--------------|------------------------|--------------------------|--|
| 1990 | 77,668 | 7,578 | 70,090 |
| 1991 | 91,992 | 30,788 | 61,204 |
| 1992 | 63,457 | 36,496 | 26,961 |
| 1993 | 54,209 | 34,038 | 20,171 |
| 1994 | 51,315 | 35,082 | 16,233 |
| 1995 | 51,067 | 38,718 | 12,349 |
| 1996* | 45,337 | 36,167 | 9,170 |
| 1997 | 45,484 | 36,995 | 8,489 |
| 1998 | 45,582 | 38,819 | 6,763 |
| 1999 | 43,714 | 37,968 | 5,746 |
| 2000 | 39,433 | 36,981 | 2,452 |
| 2001 | 37,926 | 36,090 | 1,836 |
| 2002 | 35,681 | 34,931 | 750 |
| 2003** | 41,952 | 32,600 | 9,352 |
| 2004 | 49,171 | 32,630 | 16,541 |
| 2005 | 45,386 | 35,776 | 9,610 |
| 2006 | 43,736 | 35,256 | 8,480 |
| 2007 | 39,038 | 34,965 | 4,073 |
| 2008 | 39,526 | 36,696 | 2,830 |
| 2009 | 38,639 | 35,094 | 3,536 |
| 2010 | | | |
| January | 3,248 | 3,577 | -329 |
| February | 3,049 | 3,019 | 30 |
| Total | 986,601 | 690,264 | 296,337 |

* As of 1996, data collection has been put on a new legal basis (without vending machine service and travel business); a comparison with the previous years is, thus, only possible up to a limited extent.

** In 2003, amendment of the trade law; a comparison with the previous years is, thus, only possible up to a limited extent.

Source: Statistical Office of the Free State of Saxony

- Price Trend in the Free State of Saxony -

| Year/Month | Price Index ¹⁾ 2005 = 100 | Change in % Compared to | |
|------------|---|-------------------------|---|
| | | Previous Month | Previous Year and/or Same Month of Previous Year |
| 2005 Ø | 100.0 | * | 1.6 |
| 2006 Ø | 102.1 | * | 2.1 |
| 2007 Ø | 104.8 | * | 2.6 |
| 2008 Ø | 107.7 | * | 2.8 |
| 2009 Ø | 108.1 | | |
| 2010 | | | |
| January | 108.2 | -0.6 | 0.7 |
| February | 108.5 | 0.3 | 0.5 |
| March | 109.2 | 0.6 | 1.3 |
| April | 109.1 | -0.1 | 1.1 |
| May | 109.2 | 0.1 | 1.1 |

1) Standard of living for all private households in Saxony; Ø = annual average

Source: Statistical Office of the Free State of Saxony

Current Economic Data for the Free State of Saxony

- Manufacturing Industry¹⁾ -

| | Unit | March 2009 | February 2010 | March 2010 |
|---|---------|---------------|------------------|---------------|
| Mining and Manufacturing Industry²⁾ | | | | |
| Employees | Persons | 194,369 | 186,329 | 186,539 |
| Total Turnover | € 1,000 | 3,695,881 | 3,430,216 | 4,338,839 |
| Foreign Sales | € 1,000 | 1,300,261 | 1,312,374 | 1,626,583 |
| Export Rate ³⁾ | % | 35.2 | 38.3 | 37.5 |
| Orders Received | € 1,000 | 2,237,568 | 2,621,217 | 3,240,966 |
| Main Construction Industry⁴⁾ | | | | |
| Employees | Persons | 28,107 | 28,014 | 28,539 |
| Total Turnover | 1 | 222,321 | 125,415 | 208,577 |
| Orders Received | € 1,000 | 250,506 | 245,267 | 312,164 |

1) No current data are available for the sectors services (e.g. trade, banks, government) and agriculture.

2) Enterprises with 50 or more employees

3) Foreign sales proportion of the total turnover

4) Enterprises with 20 or more employees

Source: Statistical Office of the Free State of Saxony