

## German enterprises' profitability and financing in 2004

This article continues our regular reporting on German enterprises' profitability and financing. This study is based on the Bundesbank's corporate balance sheet statistics. However, a number of methodological and statistical differences have to be taken into account when comparing the results with the data on profitability and financing from the national accounts, including the financial accounts, which are the point of reference for the analysis of investment and financing in Germany in 2005 that is also contained in the present *Monthly Report* (see box on pages 58-59.)

In 2004, up to which extrapolation results are available, German firms' profits showed a clear improvement. This was helped, first, by buoyant business activity in what had again become a more benign cyclical setting. Second, exceptionally strong positive working-day effects were a factor that made an increase in output possible without a matching rise in wage costs. Furthermore, firms' financial viability showed a marked improvement in 2004.

### Overall economic environment

---

In 2004, the German economy pulled out of the protracted sluggish phase that had lasted from mid-2000 to mid-2003. On an annual average, real gross domestic product (GDP) increased by more than 1% in working-day-

*Brighter cyclical  
picture ...*

adjusted terms, after declining by ¼% in 2003. Taking into consideration the exceptionally large number of working days – 2004 was a leap year and many public holidays fell on a weekend – the increase amounted to more than 1½%. As explained in greater detail below, this positive calendar effect left an obvious mark on corporate profits. In 2004, real gross value added in the sectors recorded in the corporate balance sheet statistics rose by as much as 3%, compared with a rise of 2¾% in trade and industry as a whole.<sup>1</sup> In nominal terms, growth was 3½% in each case. The well above-average performance of the enterprise sector under investigation here – in which, at the end of the period under review, just under three-quarters of the aggregate value added by the business sector was produced – was due mainly to the fact that the production sector, as the kernel of the corporate balance sheet statistics, benefited to a particular extent from the positive calendar effect and the dynamic world economy.

*... but still  
unbalanced  
demand  
structure*

Economic developments in Germany in 2004 were characterised by the unbalanced demand structure. Weak domestic activity contrasted with a 9¼% growth in real exports, although exports to non-euro-area countries were still lagging behind the general expansion of the relevant sales markets. The main reason for this was the continuing strong appreciation of the euro, especially against the US dollar, which had started in the autumn of 2000 and had been accelerating considerably since mid-2002; following a sharp rise in 2003 (12%), the euro's effective exchange rate (on a weighted average against 23 currencies) went up by a further 4% in 2004. At the

same time, imports also grew quite sharply at 7%. Shifts in exchange rates, the high import content of exports and the marked deceleration in the depletion of inventories all played a part in this. In purely mathematical terms, two-thirds of GDP growth was sustained by the rise in real net exports and one-third by changes in inventories. By contrast, as in 2003, domestic final demand failed to generate any expansionary stimuli for growth. The German economy therefore remained susceptible to disruptive external influences. This became especially clear in the second half of 2004, when there was a lull in exports resulting in a sideways movement of the economy.

Among the components of domestic final demand, real spending on new machinery and equipment and on other plant grew by 2½% and 1¾% respectively in 2004. Measured by the large need for replacement investments and the favourable financing conditions, the increase was quite moderate, however. Construction investment, by contrast, continued its downward trend and was 2¼% down on the year. Government consumption was likewise declining. Private consumption overshot its low prior-year level by ½%, with the flat underlying cyclical trend being obscured by the positive working-day effects. Households' weak propensity to consume was due mainly to their constrained income situation, higher

---

<sup>1</sup> The growth in real value added of all sectors in 2004, at 2%, was markedly slower than that of the business sector, mainly because there was a decline in the value added of public service providers. The still clearly positive gap between the growth rate of aggregate value added and real GDP is due to the fact that taxes on products, which are netted with subsidies on products and added to value added in order to obtain GDP at market prices, declined by 2½% in 2004.

inflation and a further rise in the propensity to save. Overall, households' nominal disposable income in 2004 was 2% more than in 2003; in real terms it increased by no more than ½%, however.

*Moderate wage developments and persistent decline in unit labour costs*

The small growth in wages and salaries in 2004 was due mainly to the difficult employment situation, which prompted moderation in negotiated pay rates. At 1¼% on a monthly basis, they rose almost 1 percentage point more slowly than in the year before. The increase in actual earnings was again clearly lagging behind the average increase in negotiated pay rates, which amounted to no more than ½%. At the same time, there was a 2% rise in labour productivity per employee – despite the sharp expansion in part-time work, above all, in the form of low-paid part-time work. This was due mainly, first, to the cyclical strengthening of productivity growth. Second, the additional working days in 2004 boosted production. This was accompanied by only a minor increase in wage costs because the majority of employees draw a fixed monthly salary. Overall, unit labour costs (calculated on an hourly basis) declined by 1½%.

*Sharp increase in aggregate profit ratio*

Owing to higher productivity growth along with a simultaneous minor increase in the compensation of employees (¼%), which includes not only wages and salaries but also employers' social contributions, entrepreneurial and investment income increased by no less than 11¾% in 2004. The aggregate profit ratio, as defined in the national accounts, therefore showed a further sharp rise and, at 31½%, achieved its highest figure since 1991, the start of the series for Ger-

many as a whole; in 2000, the figure had amounted to 27¾%. In 2004, the operating surplus of non-financial enterprises (including the imputed entrepreneurial income of non-corporations) amounted to 18¼% of national income, compared with 15¾% in 2000.

## Profitability

In line with the aggregate earnings trend, corporate profits in the production, trade, transport and business-related services sectors showed a sharp increase in 2004.<sup>2</sup> The annual result before taxes on income was 11% up on the 2003 level when it had fallen to its cyclical low.<sup>3</sup> At €135½ billion, the previous peak of 2001 was also exceeded for the first time (by 4%). The methodological differences compared with the national accounts mentioned at the beginning of this article, which are explained in greater detail on pages 58-59,

*Markedly higher pre-tax corporate profits ...*

<sup>2</sup> The following study for 2004 is based on around 60,000 annual accounts. The statistical base therefore comes quite close to the dataset in the preceding years of just under 70,000 annual accounts. The data from the annual accounts were extrapolated using (partly estimated) data from the turnover tax statistics. The text tables in this article show the earnings and financing positions of enterprises in the investigated economic sectors overall for the period 2002 to 2004. The appendix tables contain more detailed information for individual economic sectors for 2003 and 2004. Further data may be found in the Bundesbank's Special Statistical Publication 5 Extrapolated results from financial statements of German enterprises 1994 to 2003, March 2006. The data in that special publication may be downloaded from [www.bundesbank.de](http://www.bundesbank.de). The results may also be obtained as an Excel file from [statistik-s32-5@bundesbank.de](mailto:statistik-s32-5@bundesbank.de).

<sup>3</sup> The annual result corresponds to the net income for the financial year according to the German Commercial Code (HGB) before profit or loss transfers and provides a better indication of the actual earnings generated by the enterprises analysed in this article. This is because numerous firms are affiliated through (partial) profit transfer agreements with enterprises which are not included in the corporate balance sheet statistics (for example, holding companies) and to which their profits/losses are transferred.

## Comparability of data from the corporate balance sheet statistics and the national accounts, including the financial accounts

The Bundesbank regularly reports on German enterprises' profitability and financing on the basis of its corporate balance sheet statistics,<sup>1</sup> as well as on investment and financing in Germany based on the financial accounts (including the financial assets and liabilities accounts),<sup>2</sup> which are likewise compiled by the Bundesbank, and, in turn, form part of the national accounts. The investment and financing of German enterprises are also analysed in this context. However, it should first be noted that the two articles refer to different reporting years. This is due mainly to the fact that, owing to the (in some cases) considerable time lag in the compilation of the balance sheets, the current corporate balance sheet statistics are available significantly later than the more strongly aggregated financial accounts data. The national accounts figures on the profitability of non-financial enterprises, which, in accordance with the concept of ESA 95, include quasi-corporations (ie general partnerships and limited partnerships, as well as derived legal forms of business organisation), are already available a good two months after the end of the reporting year. The data from both the corporate balance sheet statistics and from the national accounts are still provisional when first published and may be revised in the following years.

For various reasons, the two sets of figures, as well as the analyses based on them, are comparable only to a limited extent. The most important differences are described below.

- The most striking difference concerns the reporting sample. In the relevant flow and stock figures of the national accounts, including the financial accounts, sole proprietorships are not assigned to the enterprise sector as in the corporate balance sheet statistics, but to the household sector instead. By contrast, production, trade, transport, and business-related services (ie not the entire non-financial sector) are captured in the corporate balance sheet statistics, which means that comparing the levels of the aggregates of the two sets of figures is uninformative in most cases.
- As far as the income statements are concerned, the national accounts include neither extraordinary earnings, nor holding gains and losses.<sup>3</sup> However, heavy valuation losses were incurred precisely at the beginning of this decade, leaving a deep mark on enterprises' income statements, and have therefore been recorded in the Bundesbank's corporate balance sheet statistics. The main reasons for this were the decline in share prices, particularly in 2001 and 2002, the depreci-

<sup>1</sup> Most recently in the Monthly Report of October 2005: "German enterprises' profitability and financing – an analysis based on a new da-

taset", pp 31-67. Methodological notes on the corporate balance sheet statistics, in particular, on the data and the extrapolation, may

ation of the US dollar, and the revaluation of property assets that become necessary in many cases. The valuation-related discrepancies between the two sets of statistics appear asymmetric insofar as increases in the value of corporate assets are entered in the annual accounts only in exceptional cases owing to the principle of applying the lower of cost or market value in accounting.

- The income statements also differ to the extent that the cost of depreciation of tangible fixed assets in the corporate accounting system is based on their book values and – with the exception of special depreciation allowances – is deducted at the statutory linear or degressive rates, whereas, in the national accounts, write-downs are determined by the replacement prices of the assets based on linear rates. These methodological differences are significant particularly in periods of sharp increases in the prices of capital goods, or following amendments to tax depreciation rules.
- Furthermore, a major methodology-related difference is evident when determining equity. For example, the level of equity in the financial accounts is calculated on the basis of market values in accordance with the provisions of ESA 95, whereas the annual ac-

counts in the corporate balance sheet statistics – which are single-entity annual accounts – contain book values in accordance with the accounting rules of the German Commercial Code. As the market values are generally well above the book values, both a higher level of equity and a higher equity ratio are shown in the financial accounts.

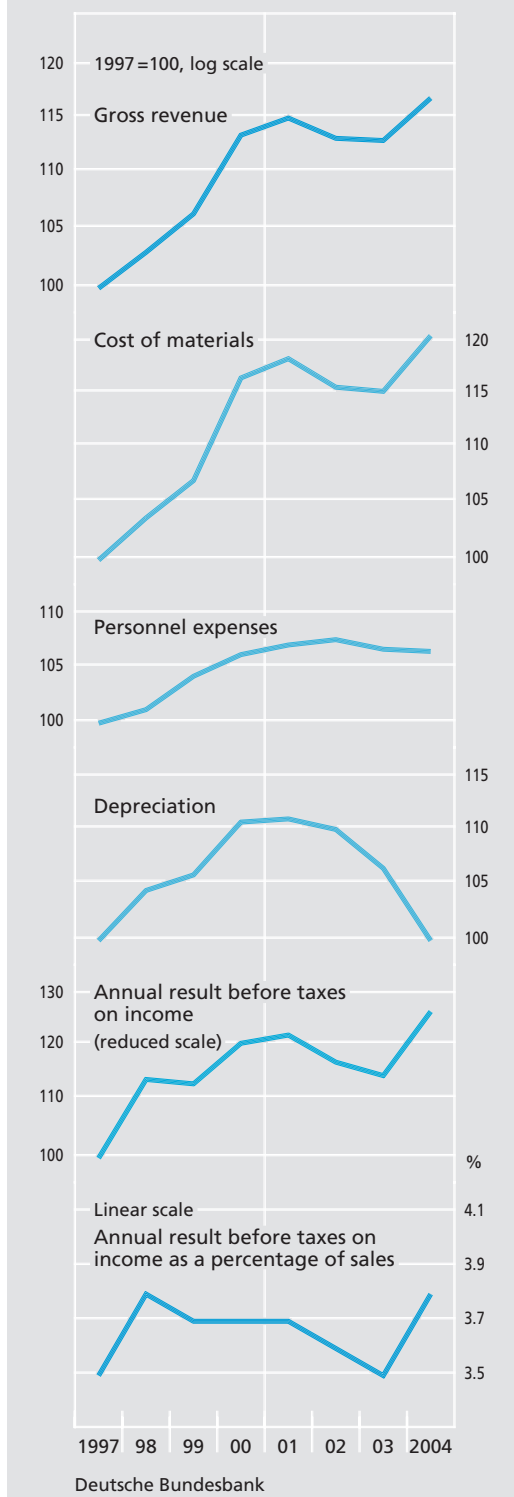
- Finally, the financial accounts currently record only the receivables and liabilities of non-financial enterprises vis-à-vis the other sectors. This means that intra-sectoral credit relationships do not play any role here. In effect, therefore, only a minority of trade receivables and trade payables, as well as of advance payments made and received, are shown, ie mainly those in relation to enterprises abroad and to sole proprietors contained in the household sector. However, credit relationships from deliveries of goods and advance payments to or from German non-financial enterprises are excluded.

Moreover, there are a number of other methodological differences that are less important and therefore not discussed in detail here.

be found in the Annex (pp 45-51). — 2 See the article in this Report entitled "Investment and financing in 2005", pp •. — 3 However,

valuation effects are included in the stock data of the Bundesbank's financial accounts.

### Selected indicators from the income statement of German enterprises



were not a major factor in the reporting year because developments in the financial and asset markets did not result in any major value adjustments or extraordinary write-downs in the corporate balance sheets. According to the national accounts figures, non-financial enterprises' profits increased by the even higher margin of 16% in the reporting year. However, the very marked decline of almost 5% in the previous year should be taken into account in this context. Taking 2003 and 2004 together, the increase in corporate profits as per the national accounts was 10½%, compared with an 8½% rise shown in the income statements in the corporate balance sheet statistics.

There was a clear improvement in profitability in 2004 even if the quite sharp increase in business activity is taken into consideration. The gross return on sales, which is the ratio of the annual result before taxes on income to sales, went up by ¼ percentage point to 3¾%. The last time such high figures were recorded was in 1998 to 2001. On average, profitability returned to normal again in 2004.

The increase in the annual result after taxes was 12% in 2004, which was, in fact, even somewhat greater than the growth of gross profits. The main reason for this was that the rise in taxes on income, at 7½%, was lower than the rise in gross profit. A likely contributory factor in this context is that, at the beginning of 2004, corporation tax was lowered again to 25% after being temporarily raised to 26.5% at the start of 2003 in order to finance the rebuilding work needed to repair

*... and after taxes on income*

the damage caused by flooding, particularly in eastern Germany, in summer 2002. The average income tax burden on the gross annual result therefore fell from 23% in 2003 to 22½%, and the gap compared with the period 1997 to 2004, which was 24%, widened further. Owing to the very sharp increase in the result after tax, the net return on sales rose by ¼ percentage point to 3%. It should be noted, however, that the recorded amount of income tax includes, besides trade earnings tax, only corporation tax (including the solidarity surcharge) but not the income tax payments of non-corporations (partnerships and sole proprietorships). For this reason, the net return on sales, as a profitability ratio, is suited to showing the trend of net profits rather than highlighting their level.

*Positive earnings trends in all major economic sectors*

All major economic sectors recorded in the corporate balance sheet statistics shared in the improvement in profitability in 2004, albeit to a varying extent. Manufacturing, for example, with an increase of 5½% in its gross annual result, was considerably below the average rate of growth, even though business activity had picked up markedly. This was due mainly to weak performance in the chemicals industry and in the manufacture of motor vehicles, trailers and semi-trailers, where the appreciation of the euro depressed margins in business with non-euro-area countries. Added to this was the sharp increase in the cost of essential primary products, ie crude oil in the chemicals industry and steel in the motor vehicles sector. Furthermore, special accounting effects played a part in the car industry. The sectors of the economy which are geared more towards the domestic

market, such as the food and drink industry, were hampered by persistently weak consumption. In terms of the sectoral picture as a whole, the rather poor performance in some sectors was not offset by the very large growth in profits, say, in the manufacture of basic metals, which has been benefiting for several years from a global boom in demand. The gross return on sales in manufacturing, at 4%, remained virtually unchanged in 2004. This was still more than ½ percentage point below the figures in the period from 1998 to 2001.

The persistent weakness of private consumption in Germany in 2004 not only impaired earnings trends in some parts of the consumer goods industry but also left its mark in the income statement of the retail trade (including the sale and repair of motor vehicles). Given minor growth in sales, the gross annual result went up by no more than 4%. This was a lower increase than in the other major economic sectors. By contrast, the wholesale trade, transport, and business-related services recorded double-figure growth in profits. Business in these sectors is usually linked very closely to industrial activity, which, as mentioned above, picked up strongly in 2004. The gross returns on sales continued to show wide differences, however; they ranged between 2½% in the wholesale trade to 8½% in the case of business-related services. It is striking that, given a further sharp decline in business activity, the construction sector was able to significantly boost its pre-tax profits. This was due to a marked decline in all the major cost items.

### Enterprises' income statement \*

Item	2002	2003	2004	2003	2004
	€ billion			Year-on-year change in %	
<b>Income</b>					
Sales	3,475.6	3,465.9	3,582.8	- 0.3	3.4
Change in finished goods <sup>1</sup>	7.0	10.3	13.7	47.9	32.8
Gross revenue	3,482.6	3,476.3	3,596.5	- 0.2	3.5
Interest and similar income	17.1	17.1	15.3	- 0.2	-10.4
Other income <sup>2</sup> of which from long-term equity investments	175.7	162.0	150.4	- 7.8	- 7.2
	18.8	17.3	15.0	- 7.6	-13.6
Total income	3,675.3	3,655.3	3,762.1	- 0.5	2.9
<b>Costs</b>					
Cost of materials	2,148.9	2,140.5	2,244.1	- 0.4	4.8
Personnel expenses	653.7	648.2	646.7	- 0.8	- 0.2
Depreciation of tangible fixed assets <sup>3</sup>	120.5	116.5	109.5	- 3.3	- 6.0
Other <sup>4</sup>	104.8	103.4	98.6	- 1.3	- 4.6
	15.7	13.1	10.9	-16.4	-17.0
Interest and similar expenses	44.4	40.6	39.1	- 8.5	- 3.8
Operating taxes of which	63.4	68.0	65.0	7.2	- 4.3
Excise duties	57.8	62.5	61.6	8.2	- 1.5
Other expenses <sup>5</sup>	519.7	519.4	522.3	- 0.1	0.6
Total expenses before taxes on income	3,550.6	3,533.2	3,626.7	- 0.5	2.6
Annual result before taxes on income	124.8	122.1	135.4	- 2.1	10.9
Taxes on income <sup>6</sup>	27.5	28.1	30.2	2.3	7.6
Annual result	97.3	94.0	105.2	- 3.4	11.9
<i>Memo item</i>					
Cash flow <sup>7</sup>	231.1	214.1	223.8	- 7.3	4.5
Net interest paid	27.3	23.6	23.8	-13.6	1.0
	Percentage of sales			Year-on-year change in percentage points	
Gross income <sup>8</sup>	38.4	38.5	37.7	0.2	- 0.8
Annual result	2.8	2.7	2.9	- 0.1	0.2
Annual result before taxes on income	3.6	3.5	3.8	- 0.1	0.3
Net interest paid	0.8	0.7	0.7	- 0.1	0.0

\* Extrapolated results. — <sup>1</sup> Including other own work capitalised. — <sup>2</sup> Excluding income from profit and loss transfers. — <sup>3</sup> Including amortisation and write-downs of intangible fixed assets. — <sup>4</sup> Predominantly write-downs of receivables, securities and other long-term equity investments. — <sup>5</sup> Excluding costs of loss and profit transfers. — <sup>6</sup> In the case of partnerships and sole proprietorships, trade earnings tax only. — <sup>7</sup> Annual result, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses/deferred income. — <sup>8</sup> Gross revenue less the cost of materials.

Deutsche Bundesbank

### Income and expenses in detail

Gross revenue in 2004 was consistent with the above-mentioned sharp growth in the gross value added of the economic sectors captured by the corporate balance sheet statistics. Gross revenue, which is the sum of sales and changes in stocks of finished goods and other own work capitalised, increased by 3½%, having fallen in the two previous years. This increase was sustained by manufacturing business activity, which grew by 4%. According to the official statistics, industrial export sales rose considerably more sharply, at 9½%, than sales to domestic customers (3½%). At 6½%, the wholesale trade achieved even stronger growth in gross revenue. The sales volume of business-related services grew by 3% and that of transport enterprises by 2%. In the retail trade, it was only 1% higher than before and in the construction sector as much as 6½% lower.

*Gross revenue*

On the income side, however, the rise in gross revenue in 2004 contrasted with a sharp 10½% decline in interest and similar income and a 7% fall in other income. The main reason for the decrease in the amount of interest and similar income, which was more than one-fifth down on its 2001 peak, was that market interest rates were falling again, while the annual average level of interest-bearing assets showed a further increase (2%). The large decline in other income was due mainly to smaller dividend distributions and a further reduction in extraordinary income. This means that this component has more than halved since 2001 and 2002, when large amounts had been realised,

*Interest and similar income, other income and total income*



not least owing to the liquidation of hidden reserves. Total income increased by 3% in the reporting year, having fallen by just under 2% in the two previous years.

*Total expenses*

Total expenses before taxes on income increased somewhat more slowly (2½%) in 2004, thus creating leeway for the improvement in the gross annual result. The rise in expenses was curbed mainly by lower personnel expenses, depreciation, interest and similar expenses, and operating taxes. Moreover, other expenses rose by no more than ½%. Other expenses include rental and leasing expenditure, research and development costs, advertising expenses and transfers to the special tax-allowable reserve; they account for as much as one-seventh of total expenses before taxes on income.

*Cost of materials*

Materials were a considerable cost-driving factor in 2004, increasing in terms of value by 5% and thus noticeably more sharply than gross revenue. This was due mainly to the sharp rise in the cost of raw materials, consumables and supplies and of purchased merchandise, which was, in turn, due to the surge in import prices for commodities and intermediate products. While crude oil became one-fifth more expensive in the markets in 2004 in euro terms, prices of non-ferrous metals and of iron ores and scrap metal went up, on a euro basis, by more than one-quarter. As expected, the increased cost of raw materials, consumables and supplies severely affected manufacturing, the wholesale trade (for which trading with refined petroleum products is of considerable importance) and transport (on account of higher fuel

costs). The cost of materials tends to be of minor importance for business-related services, although the increase in that sector was likewise considerable. By contrast, expenditure on goods in the retail trade increased by only 1%. Besides rather weak consumer demand, this was due to the fact that the prices of imported finished products fell again, mainly owing to the appreciation of the euro.

Personnel expenses showed a further fall in 2004 (-1%), even though it was not as marked as in the year before. The share of this cost item in gross revenue fell to 18%, compared with 19½% in 1997. The slight decline in personnel expenses was connected with the continuing shedding of jobs along with overall moderate wage growth. According to the official statistics, the number of employees in the economic sectors under study here, in which more than 85% of employed persons in trade and industry work, fell by 1% in 2004. The loss of jobs in the construction sector was especially severe (-3½%). Furthermore, the increase in wages in this sector was very small, leading to a sharp fall in personnel expenses. In manufacturing, personnel expenses rose by 1% on the back of a 1½% fall in employment. In the other sectors of the economy, the number of persons in employment either declined marginally or remained unchanged. Accordingly, there was a slight increase in personnel expenses in the wholesale and retail trade, the level for business-related services remained unchanged on the year and, following a somewhat sharper increase in 2003, declined again in the transport sector.

*Personnel expenses, ...*

... depreciation, ...

In both relative terms and as an absolute amount, the decline in depreciation charges had a greater impact on the cost account than did the decrease in personnel expenses. The depreciation of tangible fixed assets (including amortisation and write-downs of intangible fixed assets) was reduced for the fourth time in succession (-4½%). This is mainly a reflection of weak investment in the period from 2001 to 2003. Other depreciation, which accounts for roughly 10% of all depreciation charges, fell by as much as 17%, having already declined by a similar amount in 2003. This was essentially due to the fact that write-downs of receivables, securities and other long-term equity investments continued to show a trend towards a lower, normal level after increasing rapidly between 2000 and 2002 – mainly on account of huge share price losses in the stock markets. In 2004, they were more or less back at their 1998 and 1999 level.

... and interest and similar expenses

Interest expenditure declined by 4% in the reporting year, thus undershooting the 2001 peak figure by 17%. This was due, first, to a further fall in the average annual level of interest-bearing liabilities at both the long and short end. Another factor was the further slight fall to 4½% in the average rate of interest to be paid by the enterprises. With simultaneously declining interest income and expenses, net interest and similar expenses remained virtually unchanged. Measured by sales, this item amounted to just over ½%.

Operating taxes

The moderate overall growth of expenses in 2004 was helped by the fact that enterprises paid 4½% less in operating taxes. Roughly

95% of this consisted of excise duties, which fell by 1½%. A factor in this was that energy consumption dropped in the wake of the high oil prices, thus lowering the amount of mineral oil tax to be paid by the enterprises. Furthermore, the increases in tobacco tax of 1 March and 1 December 2004 were more than offset by the decline in demand for tobacco products.

### Sources and uses of funds

The total inflow of funds to the enterprises in the sectors of the economy considered here amounted to €132 billion in 2004.<sup>4</sup> This was 6% more than one year earlier, although it still fell over 40% short of the peak figure reached in 1999. The increase in the reporting year was sustained solely by growth in internally generated funds, while the inflow of external funding was negative. This means that total asset formation in 2004 – as in 2003 – did not fully absorb the internal inflow of resources. Rather, given still quite moderate gross capital formation and a renewed liquidation of financial assets, liabilities were redeemed. This might have something to do with the enterprises' efforts to focus more on core competencies following the sharp expansion in financial assets in 1999 and 2000; especially owing to stock market corrections, this had led to substantial wealth losses and balance sheet problems in the ensuing period.

*Growth of financial flows*

<sup>4</sup> The figures on the sources and uses of funds are subject to much more uncertainty than the balance sheet and income statement data.

*Internal funding* The inflow of resources from internal funding, which had fallen by nearly one-fifth in 2003, increased by 6% again in the reporting year. This was the result, first, of significantly larger capital increases from profits and from contributions to the capital of non-corporations. Second, there was also an increase in provisions. Although depreciation allowances were 6% lower, they were still by far the most important source of corporate funding at 83% of the total inflow of capital resources.

*External funding* Developments in external funding were marked by the ongoing reduction in short and long-term liabilities totalling almost €11 billion. This was assisted, first, by the continuing net repayment of bank loans. Furthermore, there was a marked reduction in payments received on account of orders, which had increased in the two previous years. On balance, only €3 billion came from affiliated companies in 2004, compared with €21 billion and €15½ billion in 2002 and 2003 respectively. In terms of external funding, a certain counterposition to this was formed by the increase in the capital of corporations, which went up from virtually nothing in 2003 to €10½ billion. This was markedly less than in earlier peak years but, owing the reduction in the overall cash flow, its share of the total sources of funds, at 8%, was comparatively large. At almost 25% of funds raised, the total increase in capital from both internal and external sources was considerably higher than the average ratio in the period from 1997 to 2004.

### Enterprises' sources and uses of funds \*

€ billion					
Item	2002	2003	2004	Year-on-year change	
				2003	2004
<b>Sources of funds</b>					
Capital increases from profits and capital contributed of non-corporations <sup>1</sup>	30.3	12.0	22.2	-18.2	10.1
Depreciation (total)	120.5	116.5	109.5	-4.0	-7.0
Increase in provisions <sup>2</sup>	14.5	4.1	8.8	-10.4	4.7
<b>Internal funds</b>	<b>165.2</b>	<b>132.7</b>	<b>140.5</b>	<b>-32.6</b>	<b>7.9</b>
Capital increase of corporations <sup>3</sup>	12.0	0.1	10.4	-11.9	10.2
Change in liabilities	-11.1	-8.1	-18.9	3.0	-10.8
Short-term	0.8	-6.5	-10.8	-7.2	-4.3
Long-term	-11.9	-1.6	-8.1	10.3	-6.5
<b>External funds</b>	<b>0.9</b>	<b>-7.9</b>	<b>-8.5</b>	<b>-8.8</b>	<b>-0.6</b>
<b>Total</b>	<b>166.1</b>	<b>124.7</b>	<b>132.0</b>	<b>-41.4</b>	<b>7.3</b>
<b>Uses of funds</b>					
Gross increase in tangible fixed assets <sup>4</sup>	111.7	97.9	109.9	-13.8	12.0
<i>Memo item</i>					
Net increase in tangible fixed assets <sup>4</sup>	7.0	-5.5	11.3	-12.4	16.8
Depreciation of tangible fixed assets <sup>4</sup>	104.8	103.4	98.6	-1.4	-4.7
Change in inventories	-11.1	-4.1	-2.8	7.0	1.2
Non-financial asset formation (gross investments)	100.7	93.9	107.1	-6.8	13.3
Change in cash	11.2	15.4	0.6	4.1	-14.7
Change in receivables <sup>5</sup>	22.7	-7.6	7.8	-30.3	15.4
Short-term	19.6	-9.0	11.0	-28.6	20.0
Long-term	3.1	1.4	-3.2	-1.7	-4.6
Acquisition of securities	3.6	5.2	7.6	1.6	2.4
Acquisition of other long-term equity investments	27.9	18.0	8.9	-10.0	-9.1
Financial asset formation	65.5	30.9	24.9	-34.6	-6.0
<b>Total</b>	<b>166.1</b>	<b>124.7</b>	<b>132.0</b>	<b>-41.4</b>	<b>7.3</b>
<i>Memo item</i>					
Percentage of internal funds to gross investments	164.2	141.3	131.2	.	.

\* Extrapolated results. — 1 Including "GmbH und Co KGs" and similar legal forms. — 2 Including change in the balance of prepaid expenses and deferred items. — 3 Increase in nominal capital through the issue of shares and transfers to capital reserves. — 4 Including intangible fixed assets. — 5 Including unusual write-downs of current assets.

Deutsche Bundesbank

*Increases in tangible fixed assets and changes in inventories*

With regard to the uses of funds, the formation of non-financial assets has become more important again over the past few years. This is due mainly to the fact that the decline in this area between 2000 and 2003 was considerably weaker than in the case of financial asset formation. Furthermore, investment was stepped up again in 2004, while financial asset formation remained negative. At the end of the period under review, 81% of total resources flowed into real assets, which was the highest figure since the start of the series. Gross investment in new tangible fixed assets grew by 12½% in 2004, in fact. As a result, with declining depreciation, net investment, too, was positive again. The declining trend in inventories continued, however. Overall, it appears that, in the reporting year, internal investment was again representing more of an alternative to sharp "external growth" (in the form of other long-term equity investments) than had been the case during the boom period of 1999-2000.

*Acquisition of financial assets*

The decline in financial asset formation in 2004 of almost one-fifth was due mainly to the fact that enterprises provided no more than €9 billion for the acquisition of other long-term equity investments; this was merely half the 2003 amount and less than one-third of the budgets for 1999 and 2000. Moreover, in contrast to earlier years, there was barely any further increase in cash holdings. There was a marked expansion in securities, however. The accumulation of receivables was also stepped up, albeit only in the short-term range. This mostly involved receivables from affiliated companies. At the same time, following sharp falls in the three preceding

years, trade receivables showed scarcely any further decline – possibly as a result of business activities picking up.

### Balance sheet trends and balance sheet ratios

The upturn in the economy as a whole in 2004 as well as a clear improvement in profitability left their mark on the corporate balance sheets in the economic sectors under review. This was reflected more in the structure of the balance sheets than in their growth, however. At 1%, the overall volume of assets and capital did not grow any more strongly than on an average of the period from 2001 to 2003. The increase was therefore still well below the high rates of expansion in 1999 (6½%) and 2000 (4%) Broken down by economic sector, the picture is rather mixed, however. At 2%, growth in the balance sheet total of enterprises in the manufacturing sector – in 2004 the main beneficiary of the cyclical improvement – was somewhat stronger than the aggregate figure. This also applies to the wholesale and retail trade and to transport. By comparison, the assets and capital of business-related services showed no more than a slight increase. In construction there was a further sharp decline (of more than one-tenth) in the balance sheet total owing to the ongoing process of structural adjustment. This signifies a contraction of no less than one-third compared with the most recent peak in 1999.

*Growth of balance sheet total*

In terms of the asset structure, there was something of a turnaround in the reporting

*Non-financial assets*

year, however, insofar as the stock of non-financial assets increased by 2% following a decline in the previous two years. This means that its share of the balance sheet total went up slightly to 22¼%. Earlier, this ratio had shown a steady decline from 23½% in 1997 to 22% in 2003. The stock of intangible fixed assets in 2004 was, in fact, 8½% up on the year. Inventories continued to shrink in the reporting year, however, resulting in no more than 1% overall growth in non-financial assets.

*Financial assets*

Financial assets, too, increased at roughly the same pace in the reporting year. Their overall moderate growth was due, first, to a sharp, 16½% increase in the portfolio of securities. One motive for the enterprises may have been to build up financial reserves for investment projects or acquisitions of other long-term equity investments at a later date. Second, the stock of cash resources and receivables showed no more than below-average growth at ½% in each case. The book value of other long-term equity investments increased by 1%, which was the weakest growth since the new database was introduced in 1997.

*Equity and liability structure*

Structural changes are even more noticeable on the capital side than on the asset side of the balance sheet. Thanks to the greater retention of profits described above and the increased injection of external resources, the stock of equity increased by 7½%. At the same time, liabilities showed a further decline of 1½%, mainly on account of the repayment of bank loans. Taken together, these two developments led to the share of equity in the

**Enterprises' balance sheet \***

Item	2002	2003	2004	2003	2004
	€ billion			Year-on-year change in %	
<b>Assets</b>					
Intangible fixed assets <sup>1</sup>	42.2	40.2	43.5	-4.8	8.3
Tangible fixed assets	451.3	447.9	455.9	-0.8	1.8
Inventories	408.0	403.9	401.1	-1.0	-0.7
<b>Non-financial assets</b>	901.5	891.9	900.5	-1.1	1.0
Cash	123.8	139.1	139.8	12.4	0.5
Receivables <i>of which</i>	697.6	684.9	687.8	-1.8	0.4
Trade receivables	278.2	272.0	271.2	-2.2	-0.3
Receivables from affiliated companies	310.0	304.3	307.5	-1.8	1.0
Securities	41.4	46.6	54.1	12.5	16.3
Other long-term equity investments <sup>2</sup>	248.9	258.7	261.6	4.0	1.1
Prepaid expenses	10.8	11.2	10.9	3.7	-3.1
<b>Financial assets</b>	1,122.4	1,140.6	1,154.2	1.6	1.2
<b>Total assets <sup>3</sup></b>	2,023.9	2,032.5	2,054.7	0.4	1.1
<b>Capital</b>					
Equity <sup>3, 4</sup>	427.2	439.4	471.9	2.8	7.4
<b>Liabilities</b>	1,205.9	1,197.8	1,179.0	-0.7	-1.6
<i>of which</i>					
to banks	365.6	344.8	331.1	-5.7	-4.0
Trade payables to affiliated companies	222.7	216.3	217.7	-2.9	0.7
Payments received on account of orders	342.1	357.5	360.5	4.5	0.8
Provisions <sup>4</sup> <i>of which</i>	108.6	112.1	105.2	3.3	-6.2
Provisions for pensions	382.7	387.3	395.8	1.2	2.2
Deferred income	159.1	161.8	166.1	1.7	2.6
	8.0	8.0	8.0	-0.8	-0.2
<b>Liabilities and provisions</b>	1,596.7	1,593.2	1,582.7	-0.2	-0.7
<b>Total capital <sup>3</sup></b>	2,023.9	2,032.5	2,054.7	0.4	1.1
<b>Memo item</b>					
Sales	3,475.6	3,465.9	3,582.8	-0.3	3.4
Ratio of sales to balance sheet total	171.7	170.5	174.4	.	.

\* Extrapolated results. — <sup>1</sup> Including goodwill. — <sup>2</sup> Including shares in affiliated companies. — <sup>3</sup> Less adjustments to equity. — <sup>4</sup> Including half of the special tax-allowable reserve.

Deutsche Bundesbank

### Balance sheet ratios \*

Item	2002	2003	2004
	Percentage of balance sheet total <sup>1</sup>		
Intangible fixed assets <sup>2</sup>	2.1	2.0	2.1
Tangible fixed assets	22.3	22.0	22.2
Inventories	20.2	19.9	19.5
Short-term receivables	31.9	31.1	31.1
Long-term equity and liabilities <sup>3</sup>	44.1	44.5	45.4
<i>of which</i>			
Equity <sup>1</sup>	21.1	21.6	23.0
Long-term liabilities	14.5	14.4	13.8
Short-term liabilities	45.1	44.6	43.6
	Percentage of tangible fixed assets <sup>4</sup>		
Equity <sup>1</sup>	86.6	90.0	94.5
Long-term equity and liabilities <sup>3</sup>	180.8	185.4	187.0
	Percentage of fixed assets <sup>5</sup>		
Long-term equity and liabilities <sup>3</sup>	109.6	110.0	111.6
	Percentage of short-term liabilities		
Cash resources <sup>6</sup> and short-term receivables	86.7	87.7	90.0
	Percentage of liabilities and provisions <sup>7</sup>		
Cash flow <sup>8</sup>	15.7	14.7	15.5

\* Extrapolated results. — <sup>1</sup> Less adjustments to equity. — <sup>2</sup> Including goodwill. — <sup>3</sup> Equity, provisions for pensions, long-term liabilities and the special tax-allowable reserve. — <sup>4</sup> Including intangible fixed assets. — <sup>5</sup> Tangible fixed assets, intangible fixed assets, other long-term equity investments, long-term receivables and long-term securities. — <sup>6</sup> Cash and short-term securities. — <sup>7</sup> Liabilities, provisions, deferred income and half of the special tax-allowable reserve less cash. — <sup>8</sup> Annual result, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income.

Deutsche Bundesbank

balance sheet total rising sharply to 23%. This means that the equity ratio was no less than 6½ percentage points above its 1997 level. The relative share of liabilities and provisions declined accordingly. Liabilities became even less significant in terms of corporate financing, while provisions continued expanding up to the end of the reporting period. In 2004, they accounted for 25% of total liabilities and provisions, compared with 22½% in 1997.

All the economic sectors under review shared in the positive development in relation to equity. Manufacturing enterprises did record a below-average increase of 3½% but, owing to the moderate balance sheet growth, the equity ratio (which was already comparatively high) showed a further rise to 27%. The other sectors consistently achieved double-digit rates of equity growth, although their equity ratios were in some cases well below the comparable figure for manufacturing. Yet again, it was the construction sector which showed the lowest figure, at 8%, even though this represented a doubling of the ratio of liable funds to the balance sheet total compared with the low reached in 2001. In 2004, the equity ratios in the other sectors ranged between 14½% in the retail trade and 23½% in the wholesale trade.

A number of other balance sheet ratios also point to a marked improvement in firms' financial base in the reporting year. Thus, the ratio of long-term equity and liabilities to total capital showed a further increase to 45½% – the highest figure since 1997. Moreover, at 11½%, it exceeded the stock of fixed

*Selected  
balance sheet  
ratios*

assets by a greater margin than before. In the short-term range, cash resources and receivables covered 90% of liabilities, compared with 86½% and 87½% respectively in 2002 and 2003. Enterprises' ability to pay their debts likewise improved in the reporting year. The ratio of the cash flow to liabilities and provisions, which is a measure of firms' liquidity, came to 15½%, and was thus roughly on a par with the average for the period from 1998 to 2003.

## Summary

*Positive trend in profitability in 2004 ...*

The surmounting of the period of persistent slow growth in 2004 was reflected in an obviously more favourable trend in profitability for firms in manufacturing, the wholesale and retail trade, transport, and the business-related services sector. Nevertheless, exceptionally strong, positive working-day effects were a factor in this insofar as it was possible to use the additional working days to increase output with a relatively small increase in wage costs, since the majority of employees draw a fixed monthly salary. Without this exceptional effect, the increase in corporate profits would undoubtedly have been notice-

ably smaller. However, the sharp rise in profits in 2004 merely led to German enterprises' profitability, measured by gross return on sales, reverting to its "normal level" after the major strains in the preceding years caused by sluggish business activity and large write-downs of balance sheet assets.

Nevertheless, in the 2004 financial year, investment failed to keep pace with the positive trend in profitability, even though the marked increase in investment in non-financial assets was a positive development. Enterprises also used the stronger injections of internal and external capital to make a further reduction in their liabilities, in particular, to banks. In balance sheet terms, this resulted in a further expansion of the equity base. Not only the marked increase in the equity ratio but also other balance sheet ratios show that German firms took a major step forward in 2004 in terms of their efforts to improve their financial viability. This means that the conditions for a strengthening of corporate growth also improved substantially. As far as it is possible to tell, these positive trends are likely to have continued in the ensuing period. They have now also led to higher investment activity.

*... and further improvement in financial base*

The tables accompanying this article appear on the following pages.

## German enterprises' balance sheet and income statement by economic sector \*

€ billion

Item	All economic sectors 1		Manufacturing 2		of which					
	2003	2004	2003	2004	Manufacture of food products and beverages		Manufacture of textiles and textile products		Manufacture of wood and wood products	
					2003	2004	2003	2004	2003	2004
<b>Balance sheet</b>										
<b>Assets</b>										
Intangible fixed assets 3	40.2	43.5	23.8	27.7	1.7	1.6	0.2	0.2	0.1	0.1
Tangible fixed assets	447.9	455.9	254.1	260.0	27.3	28.1	3.5	3.5	5.0	4.8
of which: Land and buildings	197.9	197.7	101.8	103.1	14.1	14.3	1.8	1.8	2.5	2.3
Inventories	403.9	401.1	195.2	201.3	11.0	11.7	5.0	5.1	3.7	3.6
of which										
Work in progress 4	124.5	118.9	64.4	64.4	1.2	1.2	0.8	0.8	0.9	1.0
Finished goods and merchandise	205.2	205.9	72.6	74.7	5.9	6.2	2.9	3.0	1.6	1.5
Cash	139.1	139.8	70.9	68.4	3.9	3.4	1.2	1.2	0.7	0.7
Receivables	684.9	687.8	388.5	391.6	27.4	28.5	6.1	5.8	3.8	3.7
Short-term	632.3	638.4	353.5	358.3	24.7	25.3	5.6	5.3	3.7	3.5
of which										
Trade receivables	272.0	271.2	123.3	125.7	11.9	12.7	2.9	2.9	2.1	1.9
Receivables from affiliated companies	276.7	282.3	191.6	193.6	10.0	9.7	2.1	1.8	1.1	1.1
Long-term	52.6	49.4	34.9	33.3	2.7	3.2	0.5	0.5	0.2	0.2
of which: Loans to affiliated companies	27.6	25.1	18.5	17.8	0.9	1.5	0.3	0.4	0.1	0.1
Securities	46.6	54.1	37.4	43.3	1.8	1.9	0.2	0.2	0.1	0.1
Other long-term equity investments 5	258.7	261.6	218.6	219.7	7.1	6.8	1.2	1.0	0.2	0.4
Prepaid expenses	11.2	10.9	4.3	4.0	0.3	0.3	0.1	0.1	0.1	0.1
Balance sheet total (adjusted)	2,032.5	2,054.7	1,192.8	1,215.9	80.6	82.3	17.3	17.0	13.7	13.5
<b>Capital</b>										
Equity 6 (adjusted)	439.4	471.9	317.8	329.2	17.8	20.3	4.5	4.7	2.4	2.6
Liabilities	1,197.8	1,179.0	597.5	599.9	49.9	49.4	10.7	10.1	10.0	9.6
Short-term	906.1	895.3	455.8	458.8	33.3	34.1	7.9	7.6	6.2	6.1
of which										
Liabilities to banks	165.6	156.5	60.7	60.2	8.5	9.6	2.2	1.9	2.1	1.8
Trade payables	216.3	217.7	87.3	91.1	9.6	9.4	1.8	1.7	1.5	1.5
Liabilities to affiliated companies	282.9	290.7	194.9	195.8	10.0	10.7	2.8	3.1	1.2	1.2
Payments received on account of orders	112.1	105.2	50.7	52.3	0.0	0.0	0.1	0.1	0.5	0.7
Long-term	291.7	283.6	141.7	141.1	16.6	15.3	2.8	2.5	3.8	3.5
of which										
Liabilities to banks	179.2	174.6	73.1	71.5	11.8	10.9	1.4	1.5	2.9	2.5
Liabilities to affiliated companies	74.6	69.9	43.3	44.5	3.0	3.0	1.0	0.7	0.6	0.8
Provisions 6	387.3	395.8	275.4	284.7	12.8	12.6	2.1	2.2	1.3	1.2
of which: Provisions for pensions	161.8	166.1	128.2	133.2	4.8	4.9	0.9	0.9	0.4	0.3
Deferred income	8.0	8.0	2.1	2.1	0.1	0.0	0.0	0.0	0.0	0.0
Balance sheet total (adjusted)	2,032.5	2,054.7	1,192.8	1,215.9	80.6	82.3	17.3	17.0	13.7	13.5
<b>Income statement</b>										
Sales	3,465.9	3,582.8	1,564.6	1,631.3	160.3	166.0	29.9	29.7	22.4	22.9
Change in finished goods 7	10.3	13.7	5.4	6.6	0.2	0.2	0.0	0.1	0.1	0.2
Gross revenue	3,476.3	3,596.5	1,570.0	1,637.9	160.5	166.2	29.8	29.8	22.5	23.1
Interest and similar income	17.1	15.3	11.6	10.3	0.5	0.5	0.1	0.1	0.1	0.1
Other income 8	162.0	150.4	91.6	85.0	6.6	5.9	1.7	1.2	1.2	0.8
of which: from long-term equity investments	17.3	15.0	13.1	11.6	0.6	0.6	0.1	0.0	0.0	0.0
Total income	3,655.3	3,762.1	1,673.2	1,733.2	167.7	172.6	31.7	31.1	23.8	23.9
Cost of materials	2,140.5	2,244.1	902.5	959.2	100.7	106.3	17.2	17.3	12.7	12.8
Personnel expenses	648.2	646.7	329.9	332.9	23.1	23.4	6.4	6.0	5.1	5.2
Depreciation	116.5	109.5	67.2	63.4	5.9	5.9	1.0	0.9	1.0	0.9
of which: of tangible fixed assets 9	103.4	98.6	58.8	57.2	5.5	5.3	0.7	0.7	0.9	0.8
Interest and similar expenses	40.6	39.1	20.7	20.5	1.8	1.7	0.5	0.4	0.4	0.4
Operating taxes	68.0	65.0	49.5	45.5	1.6	1.1	0.0	0.0	0.0	0.0
of which: Excise duties	62.5	61.6	47.7	43.9	0.7	0.4	0.0	0.0	0.0	0.0
Other expenses 10	519.4	522.3	243.0	248.0	28.0	27.6	5.7	5.3	3.8	3.8
Total expenses before taxes on income	3,533.2	3,626.7	1,612.8	1,669.6	161.1	166.0	30.8	30.0	23.0	23.2
Annual result before taxes on income	122.1	135.4	60.4	63.6	6.5	6.6	0.9	1.1	0.8	0.8
Taxes on income 11	28.1	30.2	16.3	17.1	1.1	1.2	0.3	0.3	0.1	0.2
Annual result	94.0	105.2	44.1	46.6	5.5	5.4	0.6	0.9	0.7	0.6
Cash flow 12	214.1	223.8	115.7	119.5	11.5	10.9	1.6	1.8	1.8	1.5

\* Extrapolated results based on partially estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. — 1 Manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services. —

2 Excluding mining and quarrying. — 3 Including goodwill. — 4 Including contracts in progress. — 5 Including shares in affiliated companies. — 6 Including half of the special tax-allowable reserve. — 7 Including own work capitalised. — 8 Excluding income from profit

Deutsche Bundesbank



Manufacture of pulp, paper and paper products; publishing and printing		Manufacture of chemicals and chemical products		Manufacture of rubber and plastic products		Manufacture of other non-metallic mineral products		Manufacture of basic metals and fabricated metal products		Item
2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	
										<b>Balance sheet</b>
										<b>Assets</b>
1.4	1.2	6.5	7.9	0.5	0.6	0.4	0.6	1.1	2.2	Intangible fixed assets <sup>3</sup>
22.7	22.9	29.4	30.7	10.2	10.4	9.7	10.2	32.2	33.6	Tangible fixed assets
8.2	8.2	11.0	11.4	4.2	4.2	4.9	4.9	12.5	13.0	of which: Land and buildings
8.2	8.1	17.4	16.4	6.1	6.5	5.2	5.4	24.4	26.1	Inventories
										of which
1.3	1.3	4.6	4.1	1.2	1.2	1.3	1.3	9.3	9.4	Work in progress <sup>4</sup>
4.0	3.8	8.2	7.7	2.9	3.0	2.6	2.6	8.2	8.7	Finished goods and merchandise
4.2	4.4	7.3	6.0	2.1	2.2	1.7	1.9	5.1	5.8	Cash
20.9	18.6	64.9	70.3	12.0	13.0	9.8	9.0	29.1	32.7	Receivables
19.6	17.5	58.7	63.6	11.3	12.2	8.9	8.3	27.7	31.3	Short-term
										of which
8.5	8.0	12.1	12.4	5.1	5.3	2.8	2.8	14.6	16.2	Trade receivables
9.0	7.6	41.5	46.3	5.0	5.8	5.3	4.5	10.3	11.9	Receivables from affiliated companies
1.3	1.1	6.2	6.7	0.7	0.8	0.8	0.8	1.4	1.4	Long-term
0.8	0.7	4.5	5.6	0.4	0.4	0.6	0.5	0.8	0.8	of which: Loans to affiliated companies
1.0	1.1	3.4	2.6	0.1	0.2	0.3	0.7	1.0	0.9	Securities
5.6	5.3	61.9	64.4	4.8	5.2	3.9	3.6	7.1	6.8	Other long-term equity investments <sup>5</sup>
0.3	0.3	0.5	0.5	0.1	0.1	0.1	0.1	0.4	0.4	Prepaid expenses
64.2	61.9	191.3	198.8	35.7	38.3	31.0	31.6	100.4	108.4	Balance sheet total (adjusted)
										<b>Capital</b>
15.9	16.2	66.7	68.4	8.6	10.6	8.9	9.4	25.6	28.1	Equity <sup>6</sup> (adjusted)
37.2	34.9	85.9	89.5	21.4	21.8	15.4	15.1	57.3	61.7	Liabilities
23.4	22.0	63.0	64.4	15.7	15.9	10.5	9.7	41.4	44.5	Short-term
										of which
4.9	4.4	5.9	4.8	2.9	3.8	2.4	2.1	8.8	8.7	Liabilities to banks
5.7	5.7	7.2	7.6	3.2	3.0	1.8	1.9	9.9	11.4	Trade payables
8.7	8.1	39.8	43.6	6.5	6.4	3.9	3.6	12.7	13.9	Liabilities to affiliated companies
0.4	0.3	2.0	0.5	0.4	0.6	0.7	0.7	4.2	4.0	Payments received on account of orders
13.8	12.9	22.9	25.1	5.7	5.9	5.0	5.4	15.9	17.2	Long-term
										of which
8.9	8.2	7.0	8.0	3.0	2.7	2.9	3.0	10.2	10.4	Liabilities to banks
4.0	3.9	6.1	5.1	1.7	2.4	1.8	1.9	4.7	5.3	Liabilities to affiliated companies
10.8	10.5	38.5	40.8	5.7	5.9	6.7	7.1	17.4	18.3	Provisions <sup>6</sup>
5.2	5.1	23.1	25.3	2.2	2.4	2.9	3.2	7.8	8.0	of which: Provisions for pensions
0.3	0.3	0.2	0.2	0.0	0.0	0.0	0.0	0.1	0.2	Deferred income
64.2	61.9	191.3	198.8	35.7	38.3	31.0	31.6	100.4	108.4	Balance sheet total (adjusted)
										<b>Income statement</b>
93.6	94.2	147.0	153.2	55.3	58.2	37.4	37.5	163.1	179.6	Sales
0.2	0.1	0.2	0.3	0.2	0.3	0.0	0.2	0.7	1.1	Change in finished goods <sup>7</sup>
93.8	94.3	147.2	153.5	55.6	58.5	37.5	37.6	163.9	180.7	Gross revenue
0.4	0.4	2.4	2.1	0.2	0.2	0.2	0.2	0.4	0.4	Interest and similar income
5.4	4.5	17.8	15.7	2.8	2.7	2.4	2.4	6.5	6.4	Other income <sup>8</sup>
0.5	0.5	4.3	4.2	0.4	0.4	0.4	0.3	0.8	0.6	of which: from long-term equity investments
99.7	99.2	167.5	171.2	58.6	61.4	40.3	40.2	170.8	187.6	Total income
45.1	45.9	78.0	82.9	29.8	32.1	18.3	17.9	90.9	102.4	Cost of materials
23.1	22.6	29.7	30.0	13.4	13.5	9.8	9.9	41.6	43.0	Personnel expenses
5.1	4.8	9.2	8.9	2.9	2.4	2.1	2.1	7.1	7.0	Depreciation
4.8	4.4	7.2	7.4	2.3	2.2	1.9	1.9	6.5	6.5	of which: of tangible fixed assets <sup>9</sup>
1.4	1.3	3.7	3.9	0.8	0.8	0.6	0.6	2.2	2.0	Interest and similar expenses
0.1	0.0	0.2	0.2	0.1	0.0	0.0	0.1	0.1	0.1	Operating taxes
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	of which: Excise duties
19.8	19.3	36.1	36.0	9.3	9.7	8.1	7.9	22.5	23.9	Other expenses <sup>10</sup>
94.5	93.8	157.0	162.0	56.2	58.5	39.0	38.4	164.5	178.4	Total expenses before taxes on income
5.1	5.4	10.5	9.2	2.4	3.0	1.4	1.8	6.4	9.2	Annual result before taxes on income
0.9	1.1	1.8	2.0	0.7	0.8	0.3	0.3	1.6	1.9	Taxes on income <sup>11</sup>
4.2	4.2	8.7	7.3	1.7	2.1	1.1	1.5	4.8	7.2	Annual result
8.8	8.6	18.5	18.4	4.7	4.7	3.1	3.9	11.3	15.3	Cash flow <sup>12</sup>

transfers (parent company) and loss transfers (subsidiary). — <sup>9</sup> Including amortisation and write-downs of intangible fixed assets. — <sup>10</sup> Excluding cost of loss transfers (parent company) and profit transfers (subsidiary). — <sup>11</sup> In the case of partnerships and sole proprietorships,

trade earnings tax only. — <sup>12</sup> Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income.

### German enterprises' balance sheet and income statement by economic sector \* (cont'd)

€ billion

Item	Manufacturing (cont'd): of which								Construction	
	Manufacture of machinery and equipment		Manufacture of office machinery, computers and electrical equipment		Manufacture of medical, precision and optical instruments		Manufacture of transport equipment			
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
<b>Balance sheet</b>										
<b>Assets</b>										
Intangible fixed assets 4	2.2	2.5	2.8	2.1	0.9	1.7	2.7	3.8	0.7	0.7
Tangible fixed assets	22.0	21.5	16.3	16.4	6.1	6.7	43.3	45.6	25.7	24.6
of which: Land and buildings	11.1	10.4	5.2	5.3	2.9	3.5	10.2	10.8	13.6	13.1
Inventories	35.9	37.1	20.5	21.7	7.3	8.2	36.2	37.9	52.5	45.0
of which										
Work in progress 5	19.4	19.3	6.9	7.2	2.7	3.2	11.6	11.6	41.1	36.6
Finished goods and merchandise	7.3	7.2	8.1	8.2	2.6	2.7	12.3	13.9	7.8	5.3
Cash	10.0	9.2	15.3	12.3	1.9	2.4	13.6	15.5	11.5	10.6
Receivables	44.2	45.3	44.5	42.2	15.1	15.0	66.9	68.0	39.2	34.3
Short-term	41.8	42.9	43.0	40.1	13.9	14.1	55.2	57.5	37.5	32.9
of which										
Trade receivables	19.2	19.5	12.5	12.9	4.9	4.9	14.2	14.2	21.7	19.1
Receivables from affiliated companies	19.3	19.5	26.4	23.4	8.1	8.1	33.9	35.7	10.0	8.1
Long-term	2.4	2.4	1.6	2.1	1.2	0.9	11.7	10.5	1.8	1.4
of which: Loans to affiliated companies	1.1	1.2	1.3	1.1	0.8	0.6	4.7	2.8	0.7	0.6
Securities	2.6	2.9	16.3	19.0	0.8	0.9	7.0	9.7	1.6	1.7
Other long-term equity investments 6	12.7	11.5	43.7	38.8	5.9	4.8	54.9	59.5	3.4	2.8
Prepaid expenses	0.5	0.5	0.7	0.4	0.1	0.1	0.4	0.3	1.7	1.3
<b>Balance sheet total (adjusted)</b>	<b>130.0</b>	<b>130.3</b>	<b>160.2</b>	<b>152.9</b>	<b>38.1</b>	<b>39.9</b>	<b>225.1</b>	<b>240.2</b>	<b>136.5</b>	<b>120.9</b>
<b>Capital</b>										
Equity 7 (adjusted)	31.6	32.1	42.2	42.2	11.1	12.2	58.2	57.3	8.3	9.5
Liabilities	69.2	68.5	77.6	71.6	16.1	17.1	94.2	102.7	111.7	97.0
Short-term	53.8	54.5	65.0	59.6	11.8	12.5	84.3	90.3	91.1	79.4
of which										
Liabilities to banks	8.0	7.0	3.4	3.4	2.2	2.5	3.6	4.5	14.1	12.4
Trade payables	10.3	11.0	7.9	8.8	2.1	2.2	18.5	19.6	16.9	14.4
Liabilities to affiliated companies	13.9	13.9	37.1	30.6	4.6	4.2	34.0	38.3	6.4	6.2
Payments received on account of orders	15.7	16.6	10.3	10.5	1.2	1.9	14.0	15.9	40.9	34.5
Long-term	15.4	14.0	12.6	11.9	4.3	4.6	10.0	12.4	20.7	17.6
of which										
Liabilities to banks	8.3	7.3	3.8	3.2	2.9	3.0	4.1	4.9	15.8	13.5
Liabilities to affiliated companies	5.1	4.8	6.6	6.5	1.0	1.2	2.8	5.1	3.3	2.6
Provisions 7	29.1	29.5	39.8	38.6	10.9	10.5	72.4	79.9	16.3	14.3
of which: Provisions for pensions	12.2	12.5	20.5	19.2	6.4	5.7	31.1	35.1	3.9	3.0
Deferred income	0.2	0.2	0.7	0.6	0.1	0.1	0.3	0.3	0.1	0.1
<b>Balance sheet total (adjusted)</b>	<b>130.0</b>	<b>130.3</b>	<b>160.2</b>	<b>152.9</b>	<b>38.1</b>	<b>39.9</b>	<b>225.1</b>	<b>240.2</b>	<b>136.5</b>	<b>120.9</b>
<b>Income statement</b>										
Sales	169.2	177.2	146.0	153.6	44.8	46.9	296.4	313.8	186.7	176.0
Change in finished goods 8	1.4	2.1	0.6	0.8	0.2	0.3	1.0	0.7	3.9	1.8
Gross revenue	170.5	179.3	146.6	154.4	45.0	47.2	297.3	314.6	190.5	177.8
Interest and similar income	0.9	0.8	2.6	1.8	0.3	0.3	2.4	2.9	0.6	0.5
Other income 9	8.5	8.0	8.9	9.2	3.1	2.7	17.2	18.6	7.7	7.1
of which: from long-term equity investments	0.8	0.8	1.8	1.2	0.2	0.3	2.4	2.2	0.3	0.2
<b>Total income</b>	<b>179.9</b>	<b>188.0</b>	<b>158.1</b>	<b>165.3</b>	<b>48.4</b>	<b>50.2</b>	<b>316.9</b>	<b>336.0</b>	<b>198.8</b>	<b>185.4</b>
Cost of materials	88.1	95.8	91.7	92.1	19.5	20.0	208.5	225.1	94.3	88.3
Personnel expenses	49.8	50.2	34.7	35.2	15.3	15.8	56.2	58.5	59.4	54.2
Depreciation	5.5	5.1	6.6	5.4	1.7	1.7	13.4	13.6	6.4	5.7
of which: of tangible fixed assets 10	4.8	4.6	5.8	5.0	1.5	1.5	11.8	12.2	5.6	4.9
Interest and similar expenses	2.1	1.9	2.7	2.8	0.6	0.6	2.5	2.9	2.9	2.5
Operating taxes	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.3	0.2
of which: Excise duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses 11	27.2	26.7	18.7	23.0	8.9	9.0	32.3	33.6	28.8	26.4
<b>Total expenses before taxes on income</b>	<b>172.7</b>	<b>179.8</b>	<b>154.6</b>	<b>158.6</b>	<b>46.1</b>	<b>47.1</b>	<b>313.0</b>	<b>333.8</b>	<b>192.1</b>	<b>177.3</b>
Annual result before taxes on income	7.2	8.2	3.5	6.7	2.3	3.1	3.9	2.3	6.7	8.1
Taxes on income 12	1.8	2.2	1.4	1.8	0.7	0.7	3.0	3.1	1.0	1.1
<b>Annual result</b>	<b>5.4</b>	<b>6.0</b>	<b>2.2</b>	<b>4.9</b>	<b>1.7</b>	<b>2.4</b>	<b>0.8</b>	<b>-0.9</b>	<b>5.7</b>	<b>7.0</b>
Cash flow 13	12.9	11.7	9.6	9.2	4.5	3.8	18.3	20.3	11.5	11.1

\* Extrapolated results based on partially estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. — 1 Including retail sale of automotive fuel. — 2 Including repair of personal and household goods. — 3 Including computer and related ac-

tivities, research and development, and other business services (excluding holding companies). — 4 Including goodwill. — 5 Including contracts in progress. — 6 Including shares in affiliates companies. — 7 Including half of the special tax-allowable reserve. — 8 Including own

Deutsche Bundesbank

Retail trade in and repair of motor vehicles and motorcycles 1		Wholesale trade and commission trade		Retail trade 2		Transport (excluding railways)		Business-related services 3		Item
2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	
<b>Balance sheet</b>										
<b>Assets</b>										
0.7	0.5	3.6	4.1	2.9	2.5	1.1	0.9	7.4	7.0	Intangible fixed assets 4
19.4	19.6	36.4	37.0	32.3	30.9	43.9	46.6	36.1	37.1	Tangible fixed assets
11.6	11.5	21.0	21.6	18.7	17.5	14.1	13.9	16.9	17.0	of which: Land and buildings
24.3	25.1	53.9	56.1	55.9	52.0	1.8	1.8	20.3	19.9	Inventories
										of which
0.4	0.3	3.1	2.9	1.6	1.5	0.5	0.4	13.3	12.7	Work in progress 5
22.8	23.7	46.3	48.3	50.6	49.0	0.5	0.5	4.7	4.4	Finished goods and merchandise
3.4	3.2	15.9	16.8	10.7	11.6	6.6	7.4	20.0	21.8	Cash
19.2	21.1	98.2	100.4	42.8	47.0	28.2	26.5	68.8	67.0	Receivables
18.7	20.4	94.1	96.8	41.0	45.3	24.1	23.7	63.5	61.0	Short-term
										of which
10.5	10.6	56.9	58.0	16.6	14.9	11.7	11.4	31.2	31.4	Trade receivables
5.0	6.4	26.3	27.6	14.6	19.6	8.6	8.6	20.7	18.4	Receivables from affiliated companies
0.6	0.6	4.1	3.6	1.8	1.8	4.0	2.8	5.4	6.0	Long-term
0.2	0.2	1.9	1.6	0.4	0.6	3.3	2.0	2.5	2.4	of which: Loans to affiliated companies
0.1	0.2	1.3	1.8	0.8	1.1	1.0	1.6	4.4	4.5	Securities
0.9	1.4	10.3	11.8	11.3	12.1	5.9	5.3	8.3	8.4	Other long-term equity investments 6
0.3	0.3	0.9	1.0	1.0	1.0	0.9	0.9	2.1	2.5	Prepaid expenses
68.3	71.4	220.4	228.9	157.6	158.3	89.5	91.0	167.5	168.2	Balance sheet total (adjusted)
<b>Capital</b>										
6.7	8.0	46.6	53.8	22.2	25.2	12.1	15.4	25.7	30.8	Equity 7 (adjusted)
55.6	57.4	147.6	148.4	119.3	116.3	60.6	59.4	105.7	100.6	Liabilities
41.4	42.8	119.7	121.6	85.3	81.0	36.0	34.0	76.7	77.9	Short-term
										of which
17.3	17.4	27.1	24.8	20.7	16.6	10.7	10.1	15.0	15.0	Liabilities to banks
12.1	11.8	42.6	43.4	33.0	33.0	8.9	8.6	15.7	15.4	Trade payables
7.0	8.6	32.0	35.8	17.8	18.0	9.1	8.3	15.7	18.0	Liabilities to affiliated companies
0.3	0.3	3.3	2.1	1.7	1.4	1.2	1.2	14.1	13.3	Payments received on account of orders
14.2	14.6	27.8	26.8	33.9	35.3	24.5	25.4	29.0	22.8	Long-term
										of which
11.2	11.3	16.4	15.6	26.7	26.5	18.0	19.7	18.0	16.5	Liabilities to banks
2.1	2.2	8.4	8.7	4.5	4.8	4.1	3.0	8.9	4.1	Liabilities to affiliated companies
5.7	5.8	25.3	25.8	15.8	15.9	16.2	15.6	32.7	33.6	Provisions 7
1.2	1.2	9.0	8.9	4.9	4.6	5.1	5.1	9.5	10.0	of which: Provisions for pensions
0.3	0.2	1.0	0.9	0.4	0.9	0.6	0.6	3.4	3.2	Deferred income
68.3	71.4	220.4	228.9	157.6	158.3	89.5	91.0	167.5	168.2	Balance sheet total (adjusted)
<b>Income statement</b>										
182.1	187.0	708.5	751.0	428.9	431.5	133.5	136.4	261.8	269.6	Sales
0.0	0.1	0.5	4.7	0.3	0.1	0.1	0.1	0.2	0.3	Change in finished goods 8
182.1	187.1	708.9	755.6	429.2	431.6	133.6	136.5	262.0	270.0	Gross revenue
0.3	0.3	1.5	1.5	1.1	1.0	0.6	0.6	1.3	1.2	Interest and similar income
4.7	4.5	17.4	16.3	12.7	12.4	10.5	9.1	17.5	15.9	Other income 9
0.1	0.2	1.3	1.1	0.8	0.7	0.4	0.3	1.4	0.9	of which: from long-term equity investments
187.0	191.9	727.8	773.4	443.1	445.0	144.7	146.1	280.7	287.1	Total income
137.1	140.8	565.4	606.8	291.6	292.2	59.3	61.2	90.3	95.6	Cost of materials
20.6	21.3	56.2	56.5	58.2	58.8	33.3	32.4	90.6	90.6	Personnel expenses
3.4	3.1	9.4	9.0	7.5	7.1	9.4	8.9	13.1	12.3	Depreciation
3.2	2.9	7.7	7.4	7.1	6.5	9.0	8.7	11.9	11.1	of which: of tangible fixed assets 10
2.3	2.2	4.6	4.2	4.5	4.2	2.3	2.2	3.4	3.2	Interest and similar expenses
0.1	0.1	16.8	18.3	0.6	0.2	0.4	0.4	0.2	0.2	Operating taxes
0.0	0.0	14.5	17.7	0.3	0.0	0.0	0.0	0.0	0.0	of which: Excise duties
19.6	20.2	58.8	60.1	67.2	68.8	36.6	36.3	65.4	62.6	Other expenses 11
183.2	187.7	711.3	754.9	429.6	431.2	141.3	141.5	262.9	264.5	Total expenses before taxes on income
3.8	4.2	16.5	18.5	13.5	13.8	3.4	4.7	17.8	22.6	Annual result before taxes on income
0.7	0.7	3.8	4.4	2.2	2.2	0.8	1.0	3.3	3.8	Taxes on income 12
3.1	3.4	12.8	14.2	11.3	11.6	2.6	3.7	14.5	18.8	Annual result
6.5	6.6	20.3	23.5	19.0	19.2	12.4	12.3	28.7	31.6	Cash flow 13

work capitalised. — 9 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 10 Including amortisation and write-downs of intangible fixed assets. — 11 Excluding cost of loss transfers (parent company) and profit transfers (subsidiary). —

12 In the case of partnerships and sole proprietorships, trade earnings tax only. — 13 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income.

### Selected ratios \*

Item	All economic sectors <sup>1</sup>		Manufacturing <sup>2</sup>		of which					
	2003	2004	2003	2004	Manufacture of food products and beverages		Manufacture of textiles and textile products		Manufacture of wood and wood products	
					2003	2004	2003	2004	2003	2004
<b>Balance sheet ratios</b>	Percentage of balance sheet total (adjusted)									
<b>Assets</b>										
Intangible fixed assets <sup>3</sup>	2.0	2.1	2.0	2.3	2.1	2.0	1.1	1.4	0.7	0.8
Tangible fixed assets	22.0	22.2	21.3	21.4	33.9	34.2	20.0	20.3	36.6	35.8
Inventories	19.9	19.5	16.4	16.6	13.7	14.2	29.1	30.2	26.9	26.4
Cash	6.8	6.8	5.9	5.6	4.9	4.1	6.7	6.9	4.8	5.5
Receivables	33.7	33.5	32.6	32.2	34.0	34.6	35.2	34.1	28.0	27.3
Short-term	31.1	31.1	29.6	29.5	30.6	30.8	32.5	31.1	26.9	26.0
Long-term	2.6	2.4	2.9	2.7	3.4	3.8	2.7	3.0	1.1	1.3
Securities	2.3	2.6	3.1	3.6	2.2	2.3	0.9	1.1	0.7	0.8
Other long-term equity investments <sup>4</sup>	12.7	12.7	18.3	18.1	8.8	8.2	6.7	5.6	1.8	2.7
<b>Capital</b>										
Equity <sup>5</sup> (adjusted)	21.6	23.0	26.6	27.1	22.1	24.7	25.9	27.5	17.6	19.3
<b>Liabilities</b>										
Short-term	44.6	43.6	38.2	37.7	41.4	41.4	45.4	44.7	45.5	45.1
Long-term	14.4	13.8	11.9	11.6	20.6	18.6	16.2	14.8	27.5	26.3
Provisions <sup>5</sup>	19.1	19.3	23.1	23.4	15.9	15.2	12.4	12.9	9.2	9.2
of which: Provisions for pensions	8.0	8.1	10.8	11.0	6.0	6.0	5.3	5.2	2.6	2.3
Memo item: Sales	170.5	174.4	131.2	134.2	199.0	201.6	172.6	174.6	163.3	170.1
<b>Income statement ratios</b>	Percentage of gross revenue									
Sales	99.7	99.6	99.7	99.6	99.9	99.9	100.1	99.7	99.7	99.3
Change in finished goods <sup>6</sup>	0.3	0.4	0.3	0.4	0.1	0.1	-0.1	0.3	0.3	0.7
Gross revenue	100	100	100	100	100	100	100	100	100	100
Interest and similar income	0.5	0.4	0.7	0.6	0.3	0.3	0.4	0.4	0.3	0.3
Other income <sup>7</sup>	4.7	4.2	5.8	5.2	4.1	3.6	5.8	4.1	5.4	3.4
Total income	105.2	104.6	106.6	105.8	104.5	103.9	106.2	104.4	105.7	103.7
Cost of materials	61.6	62.4	57.5	58.6	62.7	64.0	57.7	58.2	56.6	55.4
Personnel expenses	18.6	18.0	21.0	20.3	14.4	14.1	21.4	20.1	22.6	22.7
Depreciation	3.4	3.0	4.3	3.9	3.7	3.5	3.3	2.9	4.3	4.0
Interest and similar expenses	1.2	1.1	1.3	1.3	1.1	1.0	1.6	1.4	2.0	1.7
Operating taxes	2.0	1.8	3.2	2.8	1.0	0.7	0.1	0.1	0.1	0.1
of which: Excise duties	1.8	1.7	3.0	2.7	0.4	0.3	0.0	0.0	0.0	0.0
Other expenses <sup>8</sup>	14.9	14.5	15.5	15.1	17.4	16.6	19.1	17.9	16.8	16.5
Total expenses before taxes on income	101.6	100.8	102.7	101.9	100.4	99.9	103.1	100.6	102.2	100.4
Annual result before taxes on income	3.5	3.8	3.9	3.9	4.1	4.0	3.1	3.8	3.5	3.3
Taxes on income <sup>9</sup>	0.8	0.8	1.0	1.0	0.7	0.7	0.9	0.9	0.6	0.7
Annual result	2.7	2.9	2.8	2.9	3.4	3.3	2.2	2.9	2.9	2.6
Cash flow <sup>10</sup>	6.2	6.2	7.4	7.3	7.2	6.5	5.5	6.0	8.0	6.4
<b>Other ratios</b>										
Inventories	11.7	11.2	12.5	12.3	6.9	7.0	16.9	17.3	16.5	15.5
Short-term receivables	18.2	17.8	22.6	22.0	15.4	15.3	18.8	17.8	16.4	15.3
Equity (adjusted)	90.0	94.5	114.3	114.4	61.3	68.3	123.0	126.4	47.2	52.6
Long-term equity and liabilities <sup>12</sup>	185.4	187.0	213.2	211.4	137.7	138.4	228.4	222.2	130.6	132.8
Long-term equity and liabilities <sup>12</sup>	110.0	111.6	107.5	108.2	100.7	102.5	156.8	158.5	121.0	119.4
Cash resources <sup>14</sup> and short-term receivables	87.7	90.0	97.0	97.6	88.8	87.3	87.7	87.0	71.0	71.5
Cash resources <sup>14</sup> , short-term receivables and inventories	132.3	134.8	139.8	141.5	121.9	121.7	151.8	154.5	130.2	130.0
Cash flow <sup>10</sup>	14.7	15.5	14.4	14.6	19.6	18.5	14.0	15.9	16.9	14.4
Annual result and interest and similar expenses	6.6	7.0	5.4	5.5	9.0	8.6	6.4	7.5	8.0	7.4

\* Extrapolated results based on partially estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. — 1 Manufacturing (including mining and quarrying), construction, trade and transport (excluding railways) and business-related services. — 2 Including mining and quarrying. — 3 Including

goodwill. — 4 Including shares in affiliated companies. — 5 Including half of the special tax-allowable reserve. — 6 Including own work capitalised. — 7 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 8 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary). — 9 In the case

Manufacture of pulp, paper and paper products; publishing and printing		Manufacture of chemicals and chemical products		Manufacture of rubber and plastic products		Manufacture of other non-metallic mineral products		Manufacture of basic metals and fabricated metal products		Item
2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	
Percentage of balance sheet total (adjusted)										<b>Balance sheet ratios</b>
2.1	1.9	3.4	4.0	1.4	1.7	1.4	1.9	1.1	2.0	<b>Assets</b>
35.3	36.9	15.4	15.4	28.4	27.2	31.3	32.3	32.1	31.0	Intangible fixed assets <sup>3</sup>
12.8	13.2	9.1	8.3	17.0	16.9	16.7	17.1	24.3	24.1	Tangible fixed assets
6.5	7.1	3.8	3.0	5.8	5.9	5.4	6.2	5.1	5.3	Inventories
32.5	30.1	33.9	35.4	33.5	34.0	31.4	28.6	29.0	30.1	Cash
30.5	28.3	30.7	32.0	31.5	32.0	28.8	26.2	27.6	28.8	Receivables
2.0	1.8	3.2	3.4	2.0	2.0	2.7	2.4	1.4	1.3	Short-term
1.5	1.8	1.8	1.3	0.3	0.5	0.8	2.2	1.0	0.8	Long-term
8.7	8.5	32.4	32.4	13.3	13.6	12.5	11.3	7.1	6.3	Securities
										Other long-term equity investments <sup>4</sup>
										<b>Capital</b>
24.8	26.1	34.9	34.4	24.1	27.6	28.7	29.8	25.5	26.0	Equity <sup>5</sup> (adjusted)
57.9	56.4	44.9	45.0	59.8	56.9	49.8	47.7	57.1	56.9	Liabilities
36.4	35.5	32.9	32.4	43.9	41.5	33.8	30.8	41.2	41.1	Short-term
21.4	20.9	12.0	12.6	16.0	15.4	16.0	16.9	15.9	15.9	Long-term
16.9	17.0	20.1	20.5	16.0	15.5	21.4	22.4	17.3	16.9	Provisions <sup>5</sup>
8.1	8.2	12.1	12.7	6.1	6.3	9.2	10.1	7.8	7.4	of which: Provisions for pensions
145.8	152.1	76.8	77.1	154.8	152.0	120.6	118.6	162.5	165.7	Memo item: Sales
Percentage of gross revenue										<b>Income statement ratios</b>
99.8	99.9	99.8	99.8	99.6	99.4	99.9	99.5	99.6	99.4	Sales
0.2	0.1	0.2	0.2	0.4	0.6	0.1	0.5	0.4	0.6	Change in finished goods <sup>6</sup>
100	100	100	100	100	100	100	100	100	100	Gross revenue
0.5	0.4	1.6	1.4	0.4	0.4	0.5	0.5	0.3	0.2	Interest and similar income
5.8	4.8	12.1	10.2	5.1	4.6	7.2	6.4	4.0	3.5	Other income <sup>7</sup>
106.2	105.2	113.7	111.5	105.5	104.9	107.7	106.9	104.3	103.8	Total income
48.1	48.7	53.0	54.0	53.6	54.9	49.0	47.6	55.5	56.7	Cost of materials
24.6	23.9	20.1	19.6	24.0	23.0	26.1	26.2	25.4	23.8	Personnel expenses
5.4	5.0	6.3	5.8	5.2	4.0	5.7	5.5	4.4	3.9	Depreciation
1.5	1.3	2.5	2.6	1.4	1.4	1.6	1.5	1.3	1.1	Interest and similar expenses
0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	Operating taxes
0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	of which: Excise duties
21.1	20.5	24.5	23.5	16.7	16.5	21.5	21.1	13.7	13.2	Other costs <sup>8</sup>
100.7	99.5	106.6	105.5	101.1	99.9	104.0	102.1	100.4	98.7	Total expenses before taxes on income
Percentage of sales										<b>Other ratios</b>
5.5	5.7	7.2	6.0	4.4	5.1	3.6	4.8	3.9	5.1	Inventories
1.0	1.2	1.2	1.3	1.3	1.4	0.7	0.9	1.0	1.1	Short-term receivables
4.5	4.5	5.9	4.7	3.1	3.7	2.9	4.0	2.9	4.0	Annual result before taxes on income
9.4	9.1	12.6	12.0	8.5	8.1	8.3	10.5	6.9	8.5	Taxes on income <sup>9</sup>
										Annual result
8.8	8.6	11.8	10.7	11.0	11.1	13.9	14.4	14.9	14.5	Cash flow <sup>10</sup>
20.9	18.6	40.0	41.5	20.4	21.0	23.8	22.1	17.0	17.4	
Percentage of tangible fixed assets <sup>11</sup>										<b>Equity (adjusted)</b>
66.2	67.4	185.9	177.2	80.9	95.5	87.7	87.3	76.8	78.7	Equity (adjusted)
146.8	143.6	316.1	309.7	156.0	172.0	166.8	168.1	149.6	150.9	Long-term equity and liabilities <sup>12</sup>
Percentage of fixed assets <sup>13</sup>										<b>Long-term equity and liabilities <sup>12</sup></b>
112.7	111.6	108.6	108.4	103.0	111.4	113.6	116.4	118.0	121.5	
Percentage of short-term liabilities										<b>Cash resources <sup>14</sup> and short-term receivables</b>
104.2	102.5	109.5	111.0	85.7	92.1	102.9	107.6	80.7	84.2	Cash resources <sup>14</sup> , short-term receivables and inventories
139.4	139.5	137.1	136.5	124.4	133.0	152.5	163.3	139.6	142.7	
Percentage of liabilities and provisions <sup>15</sup> less cash										<b>Cash flow <sup>10</sup></b>
20.0	20.9	15.8	14.8	18.8	18.5	15.2	19.5	16.2	20.5	
Percentage of balance sheet total (adjusted)										<b>Annual result and interest and similar expenses</b>
8.7	8.9	6.5	5.6	6.9	7.7	5.5	6.6	6.9	8.5	

of partnerships and sole proprietorships, trade earnings tax only. — **10** Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income. — **11** Including intangible fixed assets. — **12** Equity, provisions for pensions, long-term liabilities and the special

tax-allowable reserve. — **13** Tangible fixed assets, intangible fixed assets, other long-term equity investments, long-term receivables and long-term securities. — **14** Cash and short-term securities. — **15** Liabilities, provisions, deferred income and half of the special tax-allowable reserve.

### Selected ratios \* (cont'd)

Item	Manufacturing (cont'd): of which								Construction	
	Manufacture of machinery and equipment		Manufacture of office machinery, computers and electrical equipment		Manufacture of medical, precision and optical instruments		Manufacture of transport equipment			
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
<b>Balance sheet ratios</b>	Percentage of balance sheet total (adjusted)									
<b>Assets</b>										
Intangible fixed assets 4	1.7	1.9	1.7	1.4	2.3	4.3	1.2	1.6	0.5	0.6
Tangible fixed assets	16.9	16.5	10.2	10.7	15.9	16.8	19.2	19.0	18.9	20.3
Inventories	27.6	28.4	12.8	14.2	19.3	20.6	16.1	15.8	38.5	37.2
Cash	7.7	7.0	9.6	8.1	5.1	6.0	6.1	6.4	8.5	8.7
Receivables	34.0	34.8	27.8	27.6	39.6	37.6	29.7	28.3	28.7	28.3
Short-term	32.2	32.9	26.8	26.2	36.5	35.4	24.5	23.9	27.4	27.2
Long-term	1.8	1.9	1.0	1.3	3.0	2.3	5.2	4.4	1.3	1.2
Securities	2.0	2.2	10.2	12.4	2.1	2.3	3.1	4.0	1.2	1.4
Other long-term equity investments 5	9.7	8.8	27.3	25.4	15.5	12.1	24.4	24.8	2.5	2.4
<b>Capital</b>										
Equity 6 (adjusted)	24.3	24.6	26.3	27.6	29.1	30.5	25.9	23.8	6.1	7.9
<b>Liabilities</b>										
Short-term	53.2	52.5	48.4	46.8	42.1	42.9	41.9	42.8	81.9	80.2
Long-term	41.3	41.8	40.6	39.0	30.8	31.4	37.4	37.6	66.7	65.7
Provisions 6	11.9	10.7	7.9	7.8	11.3	11.6	4.4	5.2	15.1	14.6
of which: Provisions for pensions	22.4	22.7	24.8	25.2	28.5	26.4	32.2	33.3	11.9	11.8
Memo item: Sales	9.4	9.6	12.8	12.6	16.9	14.4	13.8	14.6	2.8	2.5
<b>Income statement ratios</b>	Percentage of gross revenue									
Sales	99.2	98.8	99.6	99.5	99.5	99.4	99.7	99.8	98.0	99.0
Change in finished goods 7	0.8	1.2	0.4	0.5	0.5	0.6	0.3	0.2	2.0	1.0
Gross revenue	100	100	100	100	100	100	100	100	100	100
Interest and similar income	0.5	0.4	1.8	1.2	0.6	0.5	0.8	0.9	0.3	0.3
Other income 8	5.0	4.4	6.1	5.9	7.0	5.7	5.8	5.9	4.0	4.0
Total income	105.5	104.9	107.9	107.1	107.6	106.2	106.6	106.8	104.3	104.3
Cost of materials	51.7	53.4	62.6	59.7	43.4	42.4	70.1	71.6	49.5	49.7
Personnel expenses	29.2	28.0	23.7	22.8	33.9	33.4	18.9	18.6	31.2	30.5
Depreciation	3.2	2.9	4.5	3.5	3.9	3.6	4.5	4.3	3.4	3.2
Interest and similar expenses	1.2	1.0	1.8	1.8	1.3	1.2	0.9	0.9	1.5	1.4
Operating taxes	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.1
of which: Excise duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses 9	15.9	14.9	12.8	14.9	19.8	19.1	10.9	10.7	15.1	14.8
Total expenses before taxes on income	101.3	100.3	105.5	102.8	102.4	99.7	105.3	106.1	100.8	99.7
<b>Annual result before taxes on income</b>	Percentage of sales									
Taxes on income 10	4.3	4.6	2.4	4.4	5.2	6.6	1.3	0.7	3.6	4.6
Annual result	1.1	1.2	0.9	1.2	1.5	1.6	1.0	1.0	0.5	0.6
Cash flow 11	3.2	3.4	1.5	3.2	3.7	5.0	0.3	-0.3	3.0	4.0
	7.6	6.6	6.5	6.0	10.1	8.0	6.2	6.5	6.2	6.3
<b>Other ratios</b>										
Inventories	21.2	20.9	14.1	14.1	16.4	17.5	12.2	12.1	28.1	25.5
Short-term receivables	24.7	24.2	29.4	26.1	31.1	30.1	18.6	18.3	20.1	18.7
<b>Equity (adjusted)</b>	Percentage of tangible fixed assets 12									
Long-term equity and liabilities 13	130.6	134.0	221.6	227.8	159.9	144.2	126.7	116.1	31.3	37.7
	246.2	245.9	398.3	398.9	317.5	270.1	216.5	212.7	128.2	123.8
<b>Long-term equity and liabilities 13</b>	Percentage of fixed assets 14									
	148.4	150.6	101.1	104.8	156.0	157.0	85.8	85.1	106.3	105.0
<b>Cash resources 15 and short-term receivables</b>	Percentage of short-term liabilities									
Cash resources 15, short-term receivables and inventories	99.5	98.6	98.5	101.1	140.5	136.5	86.0	87.1	55.3	56.5
	166.3	166.6	130.1	137.4	202.9	202.1	129.0	129.0	112.9	113.2
<b>Cash flow 11</b>	Percentage of liabilities and provisions 16 less cash									
	14.6	13.1	9.3	9.3	18.0	14.8	12.0	12.1	9.9	11.0
<b>Annual result and interest and similar expenses</b>	Percentage of balance sheet total (adjusted)									
	5.7	6.0	3.0	5.0	5.9	7.3	1.5	0.8	6.3	7.8

\* Extrapolated results based on partially estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. — 1 Including the retail sale of automotive fuel. — 2 Including repair of personal and household goods. — 3 Including computer and related activities, research and development, and other business services (ex-

cluding holding companies). — 4 Including goodwill. — 5 Including shares in affiliated companies. — 6 Including half of the special tax-allowable reserve. — 7 Including own work capitalised. — 8 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 9 Excluding cost of loss transfers (parent company) and

Deutsche Bundesbank

Retail trade in and repair of motor vehicles and motorcycles 1		Wholesale trade and commission trade		Retail trade 2		Transport (excluding railways)		Business-related services 3		Item
2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	
Percentage of balance sheet total (adjusted)										<b>Balance sheet ratios</b>
1.0	0.8	1.6	1.8	1.8	1.6	1.2	1.0	4.4	4.2	<b>Assets</b>
28.3	27.5	16.5	16.2	20.5	19.5	49.1	51.2	21.5	22.1	Intangible fixed assets 4
35.6	35.1	24.4	24.5	35.5	32.9	2.1	2.0	12.1	11.8	Tangible fixed assets
5.0	4.5	7.2	7.3	6.8	7.3	7.4	8.1	12.0	12.9	Inventories
28.2	29.5	44.6	43.9	27.2	29.7	31.5	29.1	41.1	39.8	Cash
27.3	28.6	42.7	42.3	26.0	28.6	27.0	26.1	37.9	36.3	Receivables
0.8	0.9	1.9	1.6	1.1	1.1	4.5	3.0	3.2	3.5	Short-term
0.2	0.3	0.6	0.8	0.5	0.7	1.1	1.7	2.6	2.7	Long-term
1.3	2.0	4.7	5.1	7.2	7.7	6.6	5.8	5.0	5.0	Securities
										Other long-term equity investments 5
9.9	11.2	21.1	23.5	14.1	15.9	13.6	16.9	15.4	18.3	<b>Capital</b>
81.5	80.4	66.9	64.8	75.6	73.5	67.7	65.3	63.1	59.8	Equity 6 (adjusted)
60.7	59.9	54.3	53.1	54.1	51.2	40.3	37.3	45.8	46.3	Liabilities
20.8	20.5	12.6	11.7	21.5	22.3	27.4	28.0	17.3	13.5	Short-term
8.3	8.1	11.5	11.3	10.0	10.0	18.1	17.1	19.5	20.0	Long-term
1.7	1.7	4.1	3.9	3.1	2.9	5.7	5.6	5.7	5.9	Provisions 6
266.7	261.9	321.4	328.1	272.1	272.6	149.2	149.8	156.3	160.3	of which: Provisions for pensions
										Memo item: Sales
Percentage of gross revenue										<b>Income statement ratios</b>
100.0	99.9	99.9	99.4	99.9	100.0	99.9	99.9	99.9	99.9	Sales
0.0	0.1	0.1	0.6	0.1	0.0	0.1	0.1	0.1	0.1	Change in finished goods 7
100	100	100	100	100	100	100	100	100	100	Gross revenue
0.1	0.1	0.2	0.2	0.3	0.2	0.5	0.4	0.5	0.4	Interest and similar income
2.6	2.4	2.5	2.2	3.0	2.9	7.8	6.7	6.7	5.9	Other income 8
102.7	102.6	102.7	102.4	103.2	103.1	108.3	107.1	107.2	106.3	Total income
75.3	75.2	79.8	80.3	67.9	67.7	44.4	44.8	34.5	35.4	Cost of materials
11.3	11.4	7.9	7.5	13.6	13.6	24.9	23.7	34.6	33.6	Personnel expenses
1.9	1.7	1.3	1.2	1.8	1.6	7.0	6.5	5.0	4.5	Depreciation
1.3	1.2	0.6	0.6	1.1	1.0	1.7	1.6	1.3	1.2	Interest and similar expenses
0.1	0.1	2.4	2.4	0.1	0.1	0.3	0.3	0.1	0.1	Operating duties
0.0	0.0	2.0	2.3	0.1	0.0	0.0	0.0	0.0	0.0	of which: Excise duties
10.8	10.8	8.3	8.0	15.6	15.9	27.4	26.6	25.0	23.2	Other expenses 9
100.6	100.3	100.3	99.9	100.1	99.9	105.7	103.7	100.4	98.0	Total expenses before taxes on income
Percentage of sales										<b>Other ratios</b>
2.1	2.2	2.3	2.5	3.1	3.2	2.6	3.4	6.8	8.4	Jahresergebnis vor Gewinnsteuern
0.4	0.4	0.5	0.6	0.5	0.5	0.6	0.7	1.3	1.4	Taxes on income 10
1.7	1.8	1.8	1.9	2.6	2.7	1.9	2.7	5.5	7.0	Annual result
3.6	3.6	2.9	3.1	4.4	4.5	9.3	9.0	11.0	11.7	Cash flow 11
13.3	13.4	7.6	7.5	13.0	12.1	1.4	1.3	7.8	7.4	Inventories
10.3	10.9	13.3	12.9	9.6	10.5	18.1	17.4	24.2	22.6	Short-term receivables
Percentage of tangible fixed assets 12										<b>Long-term equity and liabilities 13</b>
33.6	39.8	116.5	130.8	63.1	75.5	26.9	32.4	59.2	69.6	Equity (adjusted)
112.8	121.0	211.1	219.9	177.4	198.8	96.1	100.2	151.5	148.1	Long-term equity and liabilities 13
Percentage of fixed assets 14										<b>Long-term equity and liabilities 13</b>
104.9	109.4	153.9	158.6	128.1	138.8	78.4	84.7	111.1	107.4	Long-term equity and liabilities 13
Percentage of short-term liabilities										<b>Cash resources 15 and short-term receivables</b>
53.5	55.5	92.6	94.5	61.1	70.9	87.5	94.4	111.8	109.0	Cash resources 15, short-term receivables and inventories
112.1	114.2	137.6	140.6	126.6	135.2	92.6	99.7	138.3	134.5	
Percentage of liabilities and provisions 16 less cash										<b>Cash flow 11</b>
11.2	11.0	12.8	14.8	15.3	15.8	17.6	18.0	23.6	27.3	Cash flow 11
Percentage of balance sheet total (adjusted)										<b>Annual result and interest and similar expenses</b>
7.8	8.0	7.9	8.0	10.1	10.0	5.5	6.5	10.7	13.1	Annual result and interest and similar expenses

profit transfers (subsidiary). — 10 In the case of partnerships and sole proprietorships, trade earnings tax only. — 11 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income. — 12 Including intangible fixed assets. — 13 Equity, provi-

sions for pensions, long-term liabilities and the special tax-allowable reserve. — 14 Tangible fixed assets, intangible fixed assets, other long-term equity investments, long-term receivables and long-term securities. — 15 Cash and short-term securities. — 16 Liabilities, provisions, deferred income and half of the special tax-allowable reserve.