

The economic situation of small and medium-sized enterprises in Germany since 1997

Small and medium-sized enterprises (SMEs) continue to play a major role in the German economy. This article, which follows on from earlier studies of the profitability and financing of small and medium-sized enterprises, is based, for the first time, on the Bundesbank's Financial Statements Data-pool. In the period from 1997 to 2004, SMEs' profits in the sectors covered here showed a marked rise. Given a mostly unfavourable overall economic setting, this was achieved, first and foremost, by maintaining a notable level of cost discipline. During the period under review, SMEs also made up ground with regard to their provision with equity, albeit in the context of a shrinking balance sheet total.

In 2005, enterprises' gross profits showed a further sharp increase overall, although there were major differences at the individual level. They also further improved their financial viability. Since 1997, their equity ratio has gone up by an average of 8 percentage points. SMEs are likely to have participated in this favourable development, although, currently, no separate data are available for them for 2005. This is suggested, not least, by the fact that domestic economic activity – on which SMEs are especially dependent – picked up noticeably in the course of the year.

SMEs are often described as the backbone of the German economy.¹ Their importance for the economy as a whole is revealed, above all, by the fact that, in 2003 (according to data provided by the Institute for SME Research, *Institut für Mittelstandsforschung – IfM*), 99.7% of all enterprises subject to turnover tax were SMEs and that these generated roughly 41% of the total sales recorded in the turnover tax statistics. Moreover, in 2003, around 70% of wage and salary earners in the corporate sector were employed in small and medium-sized firms, and over 80% of all apprentices were being trained in the SME sector.² According to the Federal Statistical Office's structural survey in manufacturing, which is a key sector in the present study, roughly half of the total of 6.1 million wage and salary earners in the sector were working in SMEs with up to 499 employees in 2004.³

SMEs in a difficult macroeconomic setting

Marked cyclical fluctuations in period under review

In cyclical terms, the period under analysis can usefully be divided into several phases. The first phase was characterised by the upswing that lasted up to mid-2000. Following the exaggerations in the financial markets in 2001, this then led into a persistent phase of semi-stagnation which lasted until mid-2003. Thereafter, expansionary forces gradually prevailed again, although the recovery initially remained quite hesitant and fragile. This was due mainly to the fact that the expansionary impulses came only from exports while real domestic demand was still tending to be weak. In the course of 2004, however, the external dynamics were reinforced by industrial

investment, which was reflected in a stronger demand for machinery and equipment. By contrast, the adjustment crisis in the German construction sector, which began in the mid-1990s and affected not only residential construction but also industrial and public construction, did not come to an end until 2005. Apart from a brief interlude in 1999, however, construction output generated retarding effects on balance throughout the period under review. Furthermore, private consumption failed to provide any major stimuli in 2004 and 2005 either.

Over the period from 1997 to 2004 as a whole, real GDP grew by 10% or 1¼% on an annual average, with domestic demand increasing by ¾% and exports by 7% per year. Exports thus made a cumulative contribution to growth of 15¾ percentage points. Exports have had a large and growing import content since the mid-1990s, however, which means that imports, too, showed a sharp rise. As a result, exports' net contribution to growth, at 4¼ percentage points, was noticeably lower. In the industrial sectors, the contrast between sluggish domestic business and buoyant export activity was even more marked than in the economy as a whole. According to the of-

Diverging domestic and external demand

¹ See also the comments of the Federal Ministry of Economics on SME policy (www.bmwi.de).

² The information on employment and training is based on Federal Employment Agency data on employees subject to social security contributions. These data cover operating units rather than enterprises. This means that small and medium-sized firms are overweighted; SMEs are often part of large enterprises, especially in the trade sector. On the other hand, subsidised low-paid part-time employment (such as mini-jobs), which is provided very largely by SMEs, is not recorded in these statistics.

³ See O Hennchen, *Strukturdaten zum Verarbeitenden Gewerbe*, *Wirtschaft und Statistik*, July 2006, pp 734-746.

New database and definition of SMEs

In this article, which follows on from earlier studies,¹ the situation of German small and medium-sized enterprises (SMEs) is analysed for the first time on the basis of the Financial Statements Datapool. Annual reporting on German firms' profitability and financing as a whole was rebased on the new datapool in 2005.² This study presents extrapolation results broken down not only by sector but also by size category and legal form for the period 1997 to 2004. More recent results are not yet available in such detail. However, the profitability and financing trends of 2005 for the entire corporate sector captured by the statistics are presented in the box on page 45 on the basis of projected data. This reveals a continuation of the positive development in both profitability and financing which had started earlier.³

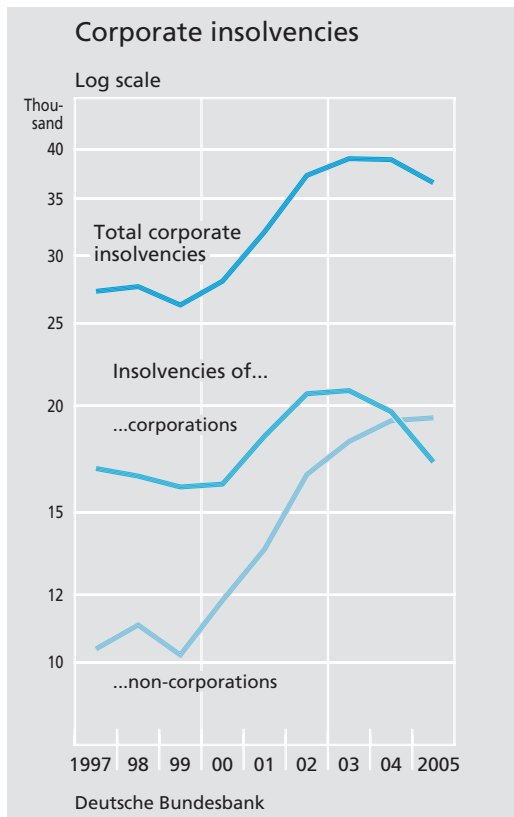
The statistical definition of small and medium-sized enterprises is normally based on the criteria "annual sales" and "number of employees". Studies of SMEs in Germany are often based on the definition of the Institute for SME Research (IfM). According to this definition, firms are classified as small enterprises if they have annual sales of less than €1 million and up to nine employees. Medium-sized enterprises are those with annual sales of €1 million to €50 million and between 10 and 499

employees. Firms with larger sales and/or more staff are deemed to be large companies.⁴

Only the classification by turnover size is relevant to the following analysis of SMEs' profitability and financing, however. This is because the financial statements analysed for the corporate balance sheet statistics do not consistently contain information on the number of employees. Furthermore, small and medium-sized firms are combined into a single turnover size category. SMEs which are defined in this way, however, belong to the *Mittelstand* in the real meaning of the word only if the qualitative criterion of complete or far-reaching formal independence is fulfilled. Under the European Commission's definition, this condition is met if the capital interest held by another firm in an SME is below 25%. Fulfilling the criterion of formal independence reveals little about a firm's actual scope for decision-making, however. This is often very constricted in the case of a smaller firm that depends on one or a few large customers and if these customers have a large say in determining product characteristics, prices and other business terms and conditions. Firms that are not independent cannot be eliminated from the Bundesbank's extrapolations. Nevertheless, any resulting inaccuracies are likely to be limited.

1 See Deutsche Bundesbank, The economic situation of small and medium-sized enterprises in Germany, Monthly Report, October 2003, pp 29-53. — 2 See Deutsche Bundesbank, German enterprises' profitability and financing – an analysis based on a new dataset, Monthly Report, October 2005, pp 31-67. The changes in methodology – above all, in connection with the setting up of the Financial Statements Datapool and the approach to extrapolation – were explained in detail in the annex to that article. — 3 See Deutsche Bundesbank, German enterprises' profitability and financing in 2004, Monthly Report, June 2006, pp 55-77. — 4 The European Commission recommendations on the definition of SMEs include "micro-enterprises" as an additional category of firms and, as a further distinguish-

ing feature in addition to the number of employees and turnover, the balance sheet total. In the new recommendation that has been in force since 1 January 2005, firms with a turnover of up to €50 million are included – as in our definition – in the category of SMEs. The thresholds for employment and the balance sheet total are 249 persons and €43 million respectively. In addition, individual thresholds are set for both micro and small enterprises. As the European SME promotion programmes are geared to these thresholds, some German federal states have adopted the number of 249 employees as the ceiling for medium-sized enterprises (see Institut für Mittelstandsforschung, Mittelstand – Definition und Schlüsselzahlen, www.ifm-bonn.org/dienste/definition.htm, p 3).



moderate wage developments in Germany since the mid-1990s. Gross wages and salaries per employee in the economy as a whole went up on an annual average by no more than 1¼% between 1997 and 2004. The rise in unit labour costs calculated on an hourly basis was even smaller during this period at just under ½% per year. Furthermore, the increased dropout of unprofitable firms helped to boost the trend in profits. At the end of the period under review, the economic setting for SMEs had improved markedly, however, with the accelerated pick-up in domestic demand.

The fact that SMEs were in a difficult situation in the 1997-2004 period despite this improvement in profitability is very obvious from the substantial increase in corporate insolvencies. In this context, the overall number of insolvencies can be used a yardstick since the vast majority of cases recorded in the official statistics involve SMEs. Of the firms which became insolvent in 2005 and for which data on employment are available, 83% had five employees at most and only 190, or ½%, of the insolvent enterprises had a workforce of more than 100 employees. Most of these 190 firms are also likely to be assignable to the category of SMEs since the thresholds marking the transition to large enterprises are significantly higher, namely at 249 employees according to the European Commission's definition or 499 employees according to the IfM's definition. Although the major insolvencies during the observation period were thus of little significance in terms of their number, they attracted more public attention owing to the accompanying large job losses.

Sharp rise in insolvencies

ficial turnover statistics for manufacturing and mining, domestic sales increased by just under one-tenth in value between 1997 and 2004, while export sales went up by 50%.

SMEs on the cyclical downside

The weakness of domestic German economic activity in the first half of the current decade had a greater impact on the business of SMEs than it did on that of large enterprises. This is due to the fact that SMEs traditionally service the domestic markets to a greater extent and had a markedly smaller presence than large firms in the more thriving foreign markets during the period under review (see box on pages 40 and 41). What is striking is that SMEs' earnings nevertheless showed a strong improvement. In this context, the SMEs – which tend to be more labour-intensive – benefited, in particular, from the persistently

*High frequency
of insolvencies*

The number of corporate insolvencies reached a new peak in 2003. At 39,320, they were 43% up on 1997.⁴ Insolvency cases have been declining since 2004, however. In 2005, the number of firms that became insolvent was 6¼% lower than in 2003. In 2004, however, the frequency of insolvencies, ie the number of insolvencies per 10,000 enterprises, at 134, was only slightly down on the 2003 ratio. It was only in 2005 that there was a perceptible fall. The main reason for this is likely to have been the continuing economic upturn with higher profits and an improvement in liquidity and the fact that payment behaviour led in many cases to a financial easing for many firms.

*Non-
corporations
especially
susceptible to
insolvency*

There was a very sharp (75%) rise in the number of insolvent non-corporations⁵ between 1997 and 2003, while there was an increase of 23% in the case of corporations. This discrepancy is due, first, to non-corporations' generally weaker equity base, which makes it more difficult to cover losses and bridge liquidity shortages in economically difficult times. Second, the possibility of deferring the costs of insolvency proceedings that has existed since the end of 2001 triggered an upsurge in insolvencies of small enterprises, the vast majority of which were operated as non-corporations, in the ensuing years. In 2004 and 2005, insolvencies of non-corporations continued to increase at a more moderate pace, whereas the number of insolvent corporations fell back to the 1997 level.

Weak business activity, better profitability

In the manufacturing, construction, trade, transport and business-related services sectors under analysis, the value of SMEs' gross revenue – which, in addition to sales, includes changes in stocks of finished goods as well as other own work capitalised – grew by no more than 2% overall in the period from 1997 to 2004. This was due to a rather subdued increase up to 2000 and a sharp cumulative decline of 4½% between 2001 and 2003. In 2004, business activity picked up again by 2½%. By comparison, large enterprises' gross revenue expanded much more sharply. In 2004, it was roughly 30% higher than in 1997, which corresponds to an average annual growth of just under 4%. Only in 2002 was a slight fall recorded along with virtual stagnation in 2003. In all the other years, the volume of business expanded quite vigorously.

*Weak growth
of SMEs'
business
activities*

The main reason for these diverging developments in business was the above-mentioned weakness of domestic economic activity, which placed a strain, first and foremost, on SMEs. In this context, the ongoing crisis of adjustment in the construction sector since the mid-1990s had an especially large influence. Small and medium-sized enterprises are heavily represented in this sector – they ac-

*Mixed picture
by economic
sector*

⁴ See J Angele and S von Karmainski, *Insolvenzen 2005*, *Wirtschaft und Statistik*, April 2006, p 356.

⁵ Non-corporations here include partnerships which take the form of limited partnerships and trading partnerships, including Kapitalgesellschaft & Co, civil-law associations as well as sole proprietorships which take the form of registered merchants, craftsmen, self-employed persons etc.

The export business of German enterprises according to size category and economic sector

The data from the official turnover tax statistics on taxable sales with input tax deduction allow the export activities of enterprises in Germany to be studied in more detail.¹ The respective average share of small, medium-sized and large enterprises which conduct business with foreign customers can be inferred from the breakdown of the data by size category, while the ratio of exports to total sales for the group of firms with export business can also be determined.² Studies based on size category can be carried out for the totality of enterprises as well as for individual economic sectors and legal forms.

According to calculations based on the turnover tax statistics for 2004, the share of enterprises conducting business with foreign customers in the economic sectors studied – manufacturing, construction, trade, transport, and business-related services – was, at 15½%, markedly higher than in the economic sectors not covered by the corporate balance sheet statistics (4%). The average export ratio of the enterprises with export business studied stood at 20½% in 2004, compared with 6% for the other firms. The large difference can be put down to the fact that the manufacturing sector, which constitutes the core of the corporate balance sheet statistics, is traditionally very export-orientated. In this sector, 28½% of firms operate in foreign markets, achieving one-third of their turnover there.

Export business is likewise fairly important in the wholesale trade and in the transport sector. By comparison, exports play more of a minor role in the construction sector, since the vast bulk of production needs to be carried out on site. To a lesser extent, this also applies to the retail trade and to providers of business-related services. In all the areas specified, however, participation in export business and, in most cases, export ratios are higher than the corresponding average figures for the economic sectors which are not covered. A key role is played in the latter

category, for example, by household service providers, who operate almost exclusively in local markets within Germany.

Of the enterprises studied in the turnover size category of less than €1 million, only 11% were active in foreign markets. In the case of enterprises with turnover of between €1 million and €50 million, the ratio, at 48½%, was much higher, albeit considerably below the comparable figure for large enterprises (87%). Similarly, the export ratios of small and medium-sized enterprises with export business were much smaller than for larger firms. For example, small firms generated just 2½% of their sales abroad. In the medium-sized category, the export ratio amounted to 13½%, compared with 26½% for large enterprises.

In the analysis by size category, pronounced differences are evident between the major economic sectors. For example, small firms' involvement in export business in 2004 ranged from 4½% in the construction sector to 16½% in the manufacturing sector and 21% in the wholesale trade. Their corresponding export ratios ranged from 0.5% in the construction sector to 7½% in the wholesale trade. In the segment of medium-sized enterprises, too, construction firms featured at the bottom end of the scale, with an export participation level of 19½% and an export ratio of 2½%. At the top of the scale was the manufacturing sector in terms of the participation level (67%) and the transport sector in terms of the percentage of sales (22½%).

The strong export orientation of German industry is particularly clear in the case of large enterprises, 94½% of which are active in foreign markets, where they generate 38% of their sales. In the transport sector the two ratios are likewise relatively high, at 85% and 42½%. While over 80% of large firms in the wholesale and retail trade

¹ Tax-free goods and services are usually excluded from input tax deduction. However, this does not apply to exported goods and services, and, in certain other cases, such as turnover from air and sea travel, and deliveries of gold to central banks, etc. These items are aggregated in the turnover tax statistics, meaning that export sales cannot

be separately distinguished. However, the latter represent by far the most important form of goods and services with input tax deduction. — ² By contrast, the import ratios of German enterprises cannot be determined by using the turnover tax statistics. The reason

Foreign business of enterprises in 2004 by economic sector and size category

in %

Sector	Participation in export business ³				Export ratio ⁴			
	Total	by turnover size category			Total	by turnover size category		
		Less than €1m	€1m to €50m	€50m or more		Less than €1m	€1m to €50m	€50m or more
Manufacturing ⁵	28.3	16.3	67.2	94.6	33.1	3.5	21.2	38.2
<i>of which</i>								
Food products and beverages	9.0	3.4	32.5	90.0	13.4	0.4	7.6	16.9
Textiles and textile products	33.4	21.3	87.5	100.0	31.1	5.7	26.6	38.4
Chemicals and chemical products	55.9	32.8	86.0	97.3	41.8	11.1	28.9	43.8
Basic metals	41.5	20.9	75.2	96.8	35.7	5.0	21.6	38.1
Fabricated metal products	25.6	14.2	65.9	98.8	22.3	2.8	18.4	33.8
Machinery and equipment	48.5	28.5	81.6	97.4	44.4	8.0	33.7	52.2
Office machinery, computers and electrical equipment	40.0	24.9	77.0	93.7	41.0	6.4	25.5	45.6
Transport equipment	41.5	21.9	75.1	95.8	52.0	4.7	24.6	53.1
Construction	5.8	4.6	19.3	65.5	2.4	0.5	2.7	6.2
Wholesale trade and commission trade	30.6	20.8	63.0	82.7	14.7	7.3	13.9	15.5
Retail trade (including motor vehicles and motorcycles)	17.3	13.6	42.2	84.2	4.2	2.6	6.2	3.0
Transport (excluding railways)	20.2	14.8	56.6	84.8	28.8	6.2	22.6	42.7
Business-related services	7.1	5.7	28.6	58.2	6.3	1.4	5.3	12.2
Total	15.7	10.8	48.6	87.0	20.4	2.7	13.5	26.6
<i>Memo item</i>								
All enterprises	11.6	7.9	44.1	80.5	17.7	2.2	12.1	23.1
Sectors not covered by the balance sheet statistics	3.8	2.9	21.9	46.9	6.0	0.7	4.2	8.0

were involved in export business in 2004, their exports accounted for just 15½% and 3%, respectively, of their total turnover. Of the large construction enterprises, 65½% were active abroad, with an export ratio of 6%. The foreign presence of business-related service providers with sales of €50 million or more was even smaller (58%). However, they still conducted 12% of their business outside Germany.

Within the manufacturing sector, too, the importance of export business varies very greatly. For example, just 9% of firms in the food industry supplied foreign markets in 2004, in which they generated 13½% of their sales. This is connected firstly to the fact that eating habits can vary greatly from one country to another, and, secondly, that the refrigeration which is necessary in many cases drives

is that import turnover tax for imports from non-EU countries is levied by the customs authorities. Only imports from EU member states are covered by the turnover tax statistics. — 3 Number of firms with tax-free sales (with input tax deduction) as a percentage of all firms

up transport costs. By contrast, around half of chemical enterprises and of manufacturers of machinery and equipment exported products abroad, amounting to 42% and 44½%, respectively, of their total sales. Graded by size category, it is the medium-sized manufacturers of machinery and equipment that achieved the highest scores; more than 80% of them sold products outside Germany in 2004, achieving an export ratio of 33½%. The large enterprises in this segment even achieved a share of sales of 52% outside Germany. In terms of the export ratio, medium-sized firms also had a strong foreign presence of more than 20% in most of the other manufacturing subsectors. However, the large enterprises in these industries consistently achieve much higher ratios.

according to the Federal Statistical Office's turnover tax statistics. — 4 Tax-free sales (with input tax deduction) as a percentage of total sales according to the Federal Statistical Office's turnover tax statistics. — 5 Including mining and quarrying.

counted for nearly 85% of sales in 2004. In the period under analysis, their gross revenue fell by 24%. The performance of big construction firms was similarly poor. Taking the period as whole, business activity increased in most of the other sectors of the economy, albeit often noticeably more slowly than in the case of the large enterprises. For example, the gross revenue of SMEs in manufacturing, which generate 27% of sales in this sector, went up by 7½%, compared with 30½% in the case of the large, predominantly export-oriented industrial enterprises. In the wholesale trade and in the transport sector, which have close cyclical links with manufacturing, there was also a marked growth differential between SMEs and large enterprises.

In the retail trade, too, small and medium-sized enterprises – with a 3½% rise in gross revenue – clearly lagged behind the large enterprises (+39%). However, this was due less to the divergent developments in the German economy than to the continuing advance of the big discount chains, which, over the past few years, has been further fostered by the constrained income situation of many households. SMEs' share of total sales consequently fell from 60% in 1997 to 52½% in 2004. By contrast, small and medium-sized enterprises performed relatively well in the business-related services sector, with a rise in gross revenue of 27½% between 1997 and 2004, compared with an increase of 45½% in the case of large enterprises. Accordingly, SMEs accounted for as much as 70½% of sales in this sector at the end of the period under review. One reason for their strong position is likely to lie in the intensive demands for in-

novation, say, in the software engineering sector, which open up market opportunities for new (and, therefore, mostly small) firms.

SMEs' total income – which includes interest and similar income as well as other income – grew by just over 2% between 1997 and 2004 and thus scarcely more than their gross revenue. Given the rather unfavourable sales trend, SMEs made a concerted effort to contain the rise in costs. Such efforts were very successful in that SMEs' total expenses (before taxes on income) went up by less than 1% in the period covered by the analysis, while large enterprises' total expenses – in the context of a higher increase in sales – grew by 30½%.

Overall income and costs

The main reason for this discrepancy was the fact that SMEs, with sales growing only moderately, were able to make a slight reduction (-1%) in their cost of materials, whereas this item showed a sharp (37½%) increase in the case of large enterprises – not least owing to continued outsourcing and the steep rise in imported inputs. Furthermore, SMEs' personnel expenses were not much higher in 2004 than in 1997 (+½%) and even showed a fall compared with the period from 2000 to 2002. By contrast, extensive restructuring measures and increased pension provisions necessitated by the decline in market interest rates over the past few years helped to push up the staff costs of larger firms, which consequently remained at a high level despite falling employment figures. The alleviating effects of what have been quite sharp job cuts are therefore likely to be reflected in their income statements only after a certain delay.

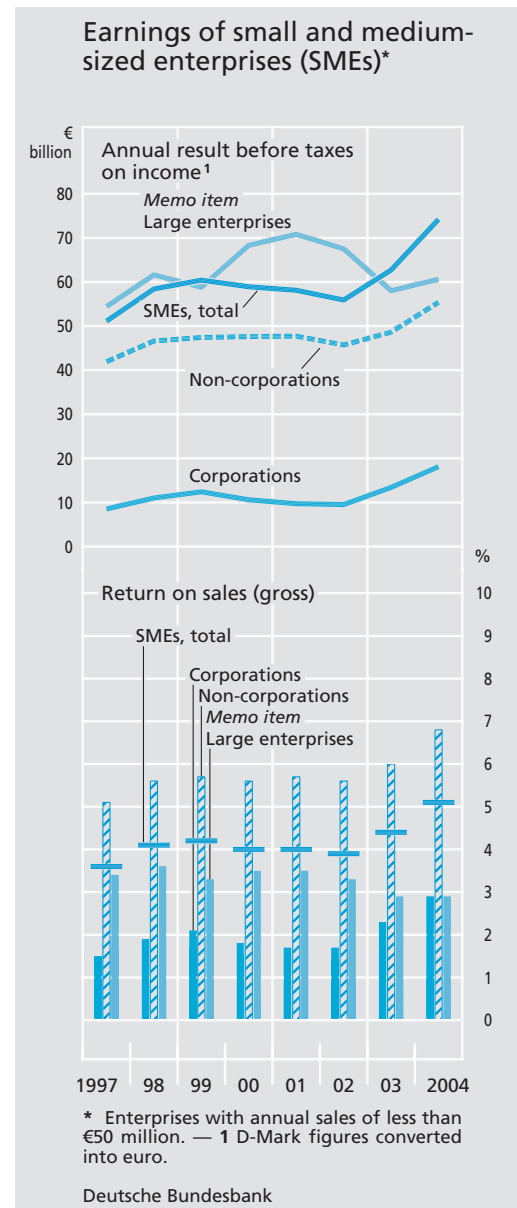
Cost of materials and personnel expenses

*Depreciations
and interest
expenses*

The sharp (15½%) decline in depreciation also played a part in SMEs' favourable cost development. This is likely to be a reflection, first, of weak investment in the past few years. Second, SMEs were far less affected by the "bubble" that formed at the turn of the millennium than were the large enterprises, which had to book sizeable write-downs on long-term investments and securities portfolios in the years that followed. Furthermore, SMEs' interest and similar expenses showed a marked decline – by almost one-quarter since 1997. This was due to a reduction in the stock of interest-bearing liabilities. Moreover, the long and short-term lending rates for SMEs showed a perceptible fall between 1999 and 2004. Although small and medium-sized enterprises' overall ratio of interest expenses to gross revenue, at 1½%, was on the low side at the end of the period under review, owing to the greater weight of bank loans in their overall financing, SMEs' interest expenses were noticeably higher than those of the large enterprises (just under ½%). Among the major cost items, it was only SMEs' "other expenses" (which comprise rental and leasing expenditure, research and development costs as well as spending on advertising) which showed a significant rise (16½%) during the observation period.

*Annual result
before taxes on
income*

Thanks to their cost discipline, SMEs were able to boost their overall profitability. In the period from 1997 to 2004, for example, the annual result before taxes on income increased by a total of 44½% in nominal terms. In the last two years of the analysed period alone, the annual result before taxes on income increased by 32½%, which more



than offset the decline in the three years before. However, in addition to the absolute level at the start of the observation period, it has to be taken into account that, as mentioned above, many small and medium-sized firms – with mostly poor profitability ratios – became insolvent and are therefore no longer recorded in the corporate balance sheet statistics. In comparison with SMEs, the large enterprises were able to only slightly improve

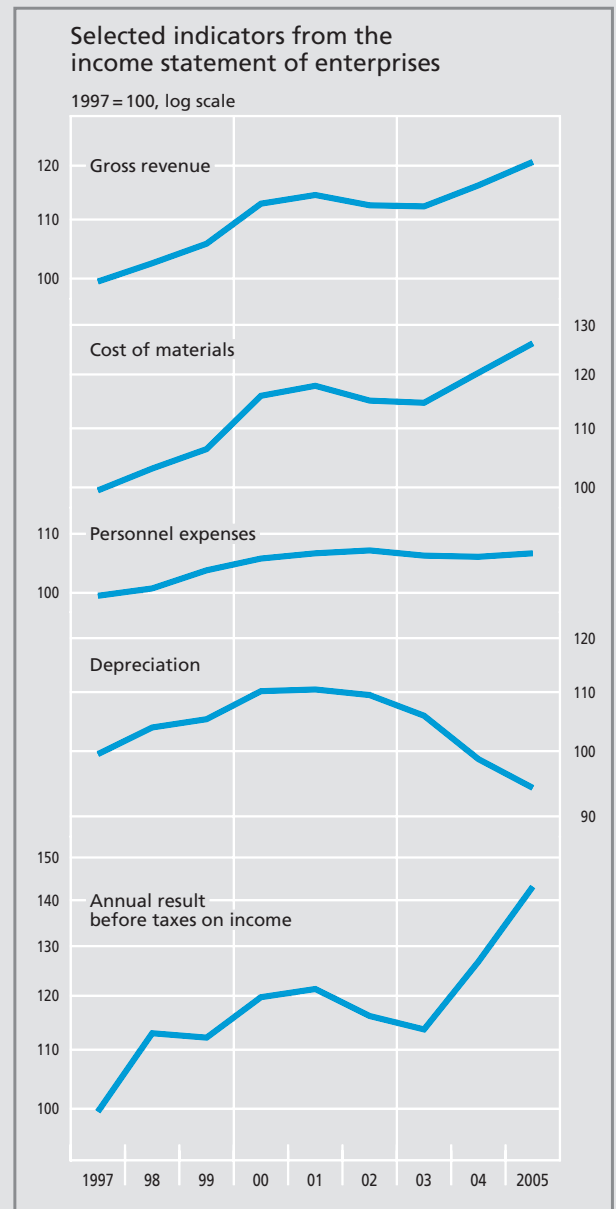
German enterprises' profitability and financing in 2005

Carried by the sustained economic recovery, corporate profits in the manufacturing, construction, trade, transport and business-related services sectors increased markedly again in 2005. According to the estimates,¹ the annual result before taxes on income was 13% higher than in 2004, when it had already risen by 11½%. This accelerated profit growth was all the more notable given that the 2004 figure had been boosted by extraordinarily strong positive working-day effects, which was not the case in 2005. In the year under review corporate earnings outperformed the impressive level seen in 2001 by 18%. The gross return on sales reached 4%, its highest level since 1997. The annual result after taxes actually outmatched the gross figure to rise by 15%, as taxes on income rose by the relatively moderate rate of 5%.

All sectors of the economy experienced particularly strong growth in their gross annual result. In manufacturing, the annual result before taxes on income rose by 9½%, following 5½% in 2004. However, this was not quite enough to compensate for the decline in the annual result during the period from 2001 to 2003. At 4%, the return on sales was just over ½ percentage point below the peak measured in 2000. The profit trend in manufacturing was hampered by the steep rise in the cost of materials caused not only by higher energy prices but also the hefty increase in the prices of industrial raw materials. The ongoing outsourcing process, which led to an upward trend in the share of intermediate goods and services, also made itself felt.

The overall rise in corporate profits in 2005 is largely attributable to the perceptible and broadly based 4% expansion of business activities. Significant growth occurred not only in manufacturing, but also in the wholesale trade, transport and business-related services. By contrast, sales in the construction industry fell further, although not as markedly as in the preceding years; they only bottomed out over the course of 2005. Furthermore, retail trade was only able to expand its gross revenue by a marginal 1½% owing to persistently weak consumption. Enterprises' total income, which also includes interest and similar income as well as other income, rose by 4% in 2005, compared with a 3½% rise in total expenses (before taxes on income).

¹ The results for 2005 are based on just under 19,000 annual financial statements for which the 2004 results are also available (two-year cylindrical sample). These annual financial statements, comprising



On the cost side in 2005, the above-average rise in the cost of materials (+5%) was accompanied by only a small increase in personnel expenses (+½%). This reflects ongoing muted wage growth, continued job-shedding and the increasing

approximately a quarter of the total corporate data expected for 2005, are insufficient to allow an extrapolation; therefore, as an approximation the extrapolated figures for 2004 were further projected for the

recourse to new forms of employment and working-time models in large parts of the economy. Other cost-curbing factors were the 4½% decline in depreciation charges and the 2½% easing of the burden of interest paid. Operating taxes and other expenses grew by 3½% each.

The balance sheet total of the enterprises in the economic sectors under review grew by just over 3½% in 2005. This was the strongest growth since the boom year 2000. It reflects the pick-up in business activity as well as the substantial improvement in earnings. On the assets side, it is noteworthy that the stock of non-financial assets, which had tended to fall since 2001, rose by 1%. The main reason for this was the marked increase in inventories. By contrast, tangible fixed assets remained at the prior-year level while intangible fixed assets, which had risen perceptibly in 2004, dropped considerably.

The rise in financial assets by 5½% was a decisive factor in the growth of the asset total. They consequently further increased their preponderance over non-financial assets. The 12% rise in other long-term equity investments was particularly sharp; this item's share of the balance sheet total reached a new all-time high of just over 13½%. Other long-term equity investments grew strongly in all sectors, particularly in transport and business-related services. Cash holdings, too, were stepped up clearly (+4%). This presumably reflects the creation of a financial buffer for a future expansion of tangible fixed assets or the acquisition of additional long-term equity investments. The stock of receivables grew by 4½%, with trade receivables also expanding for the first time since 2000.

On the capital side of the balance sheet, the trend towards strengthening the equity base, which has been evident for some time now, progressed further. In 2005, equity grew by 9%, following 6½% in 2004. As a result, the equity ratio gained more than 1 percentage point to make up 24% of the balance sheet total. This increase was solely due to retained profits and contributions to the capital of non-corporations, whereas corporations recorded no net increase in equity. However, the equity ratio continued to vary considerably across the individual sectors. Thus the

following year based on the development of the 2004-2005 cylindered sample. — 2 Extrapolated results. The figures for 2005 are estimated

equity ratio ranged from 10½% in the construction sector to 28% in manufacturing. Since 1997, the equity ratio of all enterprises has risen by 8 percentage points.

The growth in the importance of equity on the capital side of the balance sheet was accompanied by a decline in the weight of liabilities, which made up 56% in 2005 compared with 64½% in 1997. The stock of liabilities rose by 1% in 2005. The reduction in liabilities to banks (-3%) was more than offset by the increase in trade payables (+3%), in liabilities to affiliated companies (+3½%) and in payments received on account of orders (+4½%). Enterprises' combined provisions increased by 4½%, with provisions for company pensions actually being raised by 5½%.

Enterprises' liquidity rose once again perceptibly in 2005. Cash resources and short-term receivables covered 92½% of short-term liabilities, compared with 90% in 2004. The cash flow as a percentage of liabilities and provisions less cash came to 16½% and was thus 2 percentage points above the most recent low in 2003.

Enterprises' balance sheet ²

Item	2003	2004	2005	2004	2005
	€ billion			Year-on-year change in %	
Assets					
Non-financial assets	891.9	892.7	902.0	0.1	1.0
Financial assets	1,140.6	1,150.3	1,215.5	0.9	5.5
<i>of which</i>					
Cash	139.1	140.8	146.5	1.2	4.0
Receivables	684.9	685.4	715.5	0.1	4.5
Securities	46.6	54.3	52.0	16.7	-4.5
Other long-term equity investments ³	258.7	258.9	290.0	0.1	12.0
Capital					
Equity (adjusted)	439.4	466.9	509.0	6.3	9.0
Liabilities and provisions	1,593.2	1,576.0	1,608.5	-1.1	2.0
<i>of which</i>					
Liabilities	1,197.8	1,173.2	1,187.0	-2.1	1.0
Provisions	387.3	394.7	413.0	1.9	4.5
Balance sheet total	2,032.5	2,042.9	2,117.5	0.5	3.5
	as % of balance sheet total			Year-on-year change in percentage points	
Equity (adjusted)	21.6	22.9	24.0	1.3	1.1

and rounded to half and whole billion euro or per cent. — 3 Including shares in affiliated companies.

their profitability situation. In 2004, their gross profits were just 11% higher than in 1997 and 14½% below their previous peak of 2001.

The importance of imputed entrepreneurial income

It is striking that the corporations among the SMEs were able to double their gross annual result, while the non-corporations clearly lagged behind with a growth of 31½%. This was partly due to the fact that the non-corporations started out from a markedly higher level. In the legal forms of partnership and sole proprietorship, the (imputed) entrepreneurial income, ie the remuneration for the entrepreneur's labour, is included in the reported annual result. By contrast, corporations record the salaries of managers and top executives as personnel expenses, which means that the reported profit of non-corporations is correspondingly higher. In line with this, at the end of the period under review, non-corporations generated 56% of the gross revenue of SMEs while accounting for 75% of the overall gross annual result. Non-corporations' profits, more narrowly defined, are likely to have developed along similarly dynamic lines as the profits of corporations.

Gross return on sales

The gross return on sales, which is the ratio of the annual result before taxes on income to enterprises' sales, improved in the case of SMEs from 3½% in 1997 to 5% in 2004.⁶ By contrast, large firms' gross return on sales fell by ½ percentage point to 3%.⁷ The very sharp increase in the ratio of intermediate consumption and the matching slower growth in value added in this entrepreneurial segment mean that the lower return on sales

should not be overinterpreted. Moreover, the differential between the returns on sales in the two size categories is biased by the fact that, in the category of SMEs, a larger part of the recorded annual result is to be regarded, as mentioned above, as entrepreneurial income. First, the imputed entrepreneurial income plays a more important role in the case of sole proprietorships and partnerships – measured by the annual result as a whole – and, second, a notably larger percentage of SMEs are operated as non-corporations. Given this situation, it is advisable to compare only corporations among the SMEs with the large enterprises, the vast majority of which operate in the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung – GmbH*) or public limited company (*Aktiengesellschaft – AG*). In the period under analysis, the gross return on sales of the small and medium-sized corporations increased by 1½ percentage points to 3%, which meant that, in 2004, it was as high as that of the larger firms for the first time.

From 1997 to 2004, the gross annual result showed a double-digit increase in all sectors. There was a 37½% expansion in the pre-tax

Profit development by sector

⁶ Net return on sales, which is the ratio of profits after taxes to sales, is not shown here since this variable provides little information value in the case of SMEs. Partnerships and sole proprietorships are a widespread form of business organisation among SMEs; their annual results are taxed in the "private sphere" of the entrepreneurs. The amount of tax on their income does not appear in the income statement. The net return on sales can be interpreted meaningfully, at most, for the corporations among the SMEs.

⁷ The gross operating ratio (ie the operating surplus as a percentage of turnover) for manufacturing enterprises, which is calculated by the Federal Statistical Office for the purposes of the national accounts, shows a similar differential between small and large enterprises. See O Hennechen, *Strukturdaten zum Verarbeitenden Gewerbe*, loc cit, p 742.

SMEs' income statement *

Item	2004								
					For com- parison				For com- parison
	SMEs	Non-cor- porations	Corpor- ations	Large en- terprises	SMEs	Non-cor- porations	Corpor- ations	Large en- terprises	
Income	Percentage of gross revenue				1997 = 100 ¹				
Sales	99.6	99.7	99.4	99.7	102.0	98.3	107.1	129.5	
Change in finished goods ²	0.4	0.3	0.6	0.3	82.2	77.9	85.1	³ 7.8	
Gross revenue	100	100	100	100	101.9	98.2	107.0	130.0	
Interest and similar income	0.2	0.2	0.3	0.6	88.3	83.4	92.9	105.9	
Other income ⁴ <i>of which</i> from long-term equity investments	3.8 0.1	3.8 0.1	3.7 0.1	4.5 0.6	114.6 53.5	118.2 49.3	110.3 59.1	126.4 124.5	
Total income	104.0	104.0	104.0	105.0	102.3	98.8	107.0	129.7	
Costs									
Cost of materials	53.9	52.7	55.4	68.4	98.8	95.7	103.0	137.5	
Personnel expenses	23.2	21.7	25.1	14.4	100.5	94.5	108.1	114.2	
Depreciation	3.3	3.6	2.8	2.8	84.6	81.7	90.0	115.1	
of tangible fixed assets ⁵	3.0	3.4	2.5	2.5	84.7	82.0	89.7	114.1	
Other ⁶	0.3	0.2	0.3	0.3	84.2	77.6	92.3	124.1	
Interest and similar expenses	1.4	1.7	1.0	0.9	75.6	74.7	77.5	139.8	
Operating taxes <i>of which</i>	0.1	0.1	0.1	2.8	60.1	60.5	59.6	110.7	
Excise duties	0.0	0.0	0.0	2.7	54.8	70.2	38.4	119.4	
Other expenses ⁷	17.0	17.2	16.7	12.8	116.3	115.1	118.1	122.9	
Total expenses before taxes on income	98.9	97.1	101.1	102.1	100.8	97.1	105.6	130.3	
Annual result before taxes on income	5.1	6.8	2.9	2.9	144.6	131.6	205.5	111.2	
Taxes on income ⁸	0.9	0.7	1.1	0.8	119.2	121.4	117.4	124.1	
Annual result	4.2	6.1	1.8	2.1	151.3	132.8	376.0	106.7	
	Percentage of sales								
Annual result	4.2	6.1	1.8	2.1	.	.	.	.
Annual result before taxes on income	5.1	6.8	2.9	2.9	.	.	.	.
Net interest paid	1.2	1.5	0.7	0.3	.	.	.	.

* Extrapolated results. — ¹ Calculated from absolute amounts. — ² Including other own work capitalised. — ³ Owing to negative starting values, change in euro billions compared with 1997. — ⁴ Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — ⁵ Including amortisation and write-downs

of intangible fixed assets. — ⁶ Predominantly write-downs of receivables, securities and other long-term equity investments. — ⁷ Excluding cost of loss transfers (parent company) and profit transfers (subsidiary). — ⁸ In the case of partnerships and sole proprietorships, trade earnings tax only.

profits of small and medium-sized manufacturing firms. Following declining results between 2000 and 2002, the result grew by 35% in the two years that followed. Besides the decline in depreciation and in interest and similar expenses, a major factor in the improvement in profitability since 1997 was the relatively small rise in personnel expenses of 3½% overall. Following the earnings trough of 2002, corporations' gross return on sales rose by a little more than 1 percentage point to just over 3½%. By comparison, the larger manufacturing enterprises suffered deep cuts in their profits even in 2003 and managed only to stabilise the situation at a low level in 2004. Measured by sales, too, the profit they generated in that year, at 3½%, was the lowest since 2002.

In the construction sector, the SMEs' profitability ratios have likewise improved following the sharp falls at the beginning of the decade. This is due mainly to the fact that the major expense items have declined either at the same pace as gross revenue (cost of materials) or more sharply (personnel expenses, depreciation and interest and similar expenses). In addition, even more than in other sectors of the economy, the dropout from the statistics of many struggling firms, as is evidenced by the high number of insolvencies, tends to overstate the underlying profitability. Moreover, their earnings performance – measured by the gross return on sales of the corporations among the SMEs – was ultimately still unsatisfactory at 2% at the end of the period under review. At first glance, this finding also applies to the retail trade where the corresponding profitability ratio stood at

just over 1½%. What also has to be taken into account in this context, however, is the high turnover of goods, which signifies a lack of depth in value added relative to sales. The small and medium-sized wholesale firms increased their gross profit by just under one-half compared with 1997, with 2003 and 2004 accounting for two-thirds of this growth. In relation to sales, the corporations among the small and medium-sized wholesale firms achieved an increase of more than 1 percentage point to 2½% latterly. This was substantially more than in the case of large retail firms, which recorded a return of just under 2% in 2004.

Small and medium-sized providers of business-related services also recorded sharp increases in gross profits (+40%) during the period under analysis. One major factor in this was that the cost of materials – which includes intermediate goods and services and which accounted for as much as nearly one-third of gross revenue in 2004 – grew by 23% and thus significantly more slowly than the business volume. The gross return on sales of the SME corporations in this sector rose from its low of just under 1% in 2001 to 4% in 2004. This meant that they still performed somewhat less well than the large enterprises, which reached a figure of almost 5%. The strongest percentage growth in profits achieved by SMEs between 1997 and 2004 was in the transport sector at 112%. Although the return on sales of transport companies run as corporations overcame its initially unfavourable position (-1%), it was still quite low at the end of the period under

SMEs' return on sales and equity ratio in 2004 by sector

Sector	Return on sales (gross)				Equity ratio			
	SMEs	Non-corporations	Corporations	For comparison	SMEs	Non-corporations	Corporations	For comparison
				Large enterprises				Large enterprises
	Annual result before taxes on income as a percentage of sales				Equity as a percentage of the balance sheet total ¹			
All economic sectors	5.1	6.8	2.9	2.9	15.1	8.8	23.4	27.5
Manufacturing ²	4.7	5.5	3.8	3.6	21.2	15.6	27.8	28.8
Construction	5.0	6.9	2.1	1.9	5.8	1.6	12.8	14.5
Wholesale trade	3.6	5.0	2.6	1.8	21.6	18.2	24.5	24.3
Retail trade ³	4.1	5.1	1.7	1.7	6.5	2.6	16.4	24.9
Transport ⁴	5.0	7.6	1.1	1.4	11.1	3.4	24.0	23.7
Business-related services	10.1	16.3	4.0	4.8	13.7	3.3	23.2	26.5
	Percentage point change since 1997				Percentage point change since 1997			
All economic sectors	1.5	1.7	1.4	-0.5	9.2	7.8	10.1	2.6
Manufacturing ²	1.0	1.0	1.2	-1.1	9.4	8.1	10.0	1.7
Construction	2.1	2.6	1.2	2.0	6.5	7.0	6.3	2.3
Wholesale trade	1.3	1.6	1.2	0.4	10.0	8.4	10.9	4.4
Retail trade ³	1.4	1.5	1.2	-0.3	8.7	8.3	9.0	5.7
Transport ⁴	2.4	2.3	2.2	1.1	3.2	4.1	4.1	-0.7
Business-related services	0.8	1.3	1.5	0.1	10.6	7.5	11.3	1.4

¹ Adjusted in each case. — ² Including mining and quarrying. — ³ Including retail trade in motor vehicles and motorcycles. — ⁴ Excluding railways.

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review (+1%) and was below the comparable figure for larger firms (+1½%).

38½% in line with the dynamic growth in sales.

Falling balance sheet total and higher equity ratio

Decline in SMEs' balance sheet total ...

The weak growth in SMEs' business activity in the period from 1997 to 2004 shaped developments in assets and capital. The balance sheet total actually shrank over this period by 1½%, with a moderate rise up to 2000 being followed by a decline which did not come to a halt until 2004. It is notable that the balance sheet total of the non-corporations fell by 6% over the observation period as a whole, while that of corporations increased by 5½%. By contrast, the large enterprises' stock of assets and capital increased by

Balance sheet developments in the individual sectors of the economy essentially reflect the expansion of business activities. Accordingly, SMEs' assets and capital in the manufacturing sector increased relatively sharply at around one-tenth. The increase in the case of business-related services providers was even sharper at 25%. In the construction sector, the considerable decline in work performed resulted in a roughly 30% reduction in the stock of assets and capital. SMEs' balance sheet total decreased by 2% in the retail trade and by 10% in the wholesale trade. This is likewise consistent with developments in business in these two areas, which was pointing upwards slightly in the retail trade

... but differing trends in the individual sectors

and which contracted perceptibly in the wholesale trade. The transport sector is something of an exception; its assets and capital in 2004 were no higher than in 1997, although there was a notable expansion in gross revenue.

*Decline
in non-financial
assets ...*

A major factor in the decline in SMEs' balance sheet total during the observation period was, on the assets side, the continuing reduction in the stock of non-financial assets: in 2004, this was 6½% lower than in 1997. This, in turn, was due to a sharp 15% reduction in inventories, while the stock of tangible fixed assets (including intangible fixed assets) increased by 2½%.⁸ The reduction in inventories was concentrated on the construction sector, where the sharp contraction in the wake of the adjustment crisis was accompanied by a decline of almost one-third in work in progress shown on the balance sheet since 1999. Inventories were also reduced in the wholesale and retail trades, with the focus on lowering inventories of finished goods and merchandise. Possible reasons for this were SMEs' sluggish business in the wholesale trade and more efficient inventory management in the retail trade. The relatively weak rise in the stock of tangible fixed assets was due, in particular, to the unfavourable trend in construction and in the wholesale trade, while quite notable growth was achieved in the other sectors. Although gross fixed capital formation tended to decline in the manufacturing sector, net investment was invariably positive, with the exception of 2002 and 2003.

The decline in SMEs' non-financial assets was accompanied by an increase in their financial assets amounting to 5½% between 1997 and 2004. This growth was sustained mainly by higher cash holdings as well as greater portfolio investment. One of the motives for this may have been to build up financial reserves for future investment projects or to improve their negotiating position vis-à-vis creditors. By contrast, short and long-term receivables were reduced by 2½%. Trade receivables declined by as much as 14½% compared with the peak of 2000, while trade payables contracted by an even greater amount. In both cases, this is likely to have been a response to the economic slowdown and the rise in the number of insolvencies, which resulted in a lower propensity to grant payment terms. The reduction in trade receivables was accompanied, however, by a marked expansion in receivables from affiliated companies.

*... but larger
stock of
financial assets*

Overall, the relative weight of financial assets increased by just under 3 percentage points to 44½%. This means that the SMEs were, nevertheless, lagging significantly behind the large enterprises where financial assets, at the end of the period under review, accounted for 63½% of total assets. The difference is largely explained by the fact that, in the case of the larger firms, other long-term equity investments, which amounted to 19% in 2004,

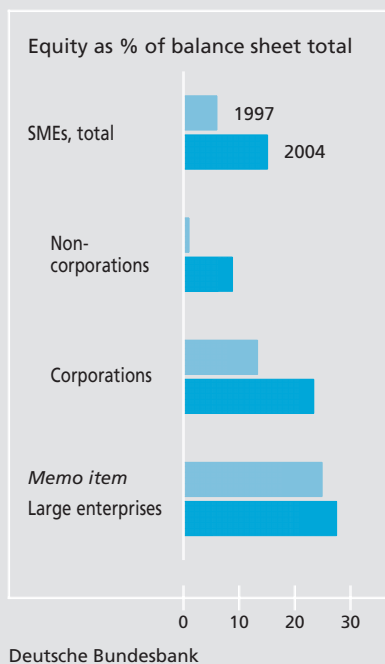
⁸ The sharp growth in leasing over the past few years suggests that the stock of tangible fixed assets used has increased considerably more sharply than is recorded in the balance sheet figures. This is due to the fact that the vast majority of the leasing companies, on whose balance sheets the leased machinery and equipment are mostly recorded, are assigned to the banking industry, which is not recorded in the Bundesbank's corporate balance sheet statistics.

SME's balance sheet *

Item	2004							
	SMEs			For com- parison	SMEs			For com- parison
		Non-cor- porations	Corpor- ations	Large en- terprises		Non-cor- porations	Corpor- ations	Large en- terprises
Assets	Percentage of the balance sheet total				1997 = 100 ¹			
Intangible fixed assets	1.7	1.6	1.7	2.3	124.9	121.2	129.7	250.7
Tangible fixed assets	28.8	34.0	21.9	18.2	101.3	99.9	104.1	125.8
Inventories	25.2	25.1	25.4	16.0	85.1	80.2	92.3	114.8
Non-financial assets	55.7	60.8	49.1	36.5	93.7	91.1	98.3	124.5
Cash	8.9	7.8	10.5	5.7	133.7	122.4	146.6	148.9
Receivables	31.2	27.9	35.5	34.9	97.7	92.6	103.5	141.5
<i>of which</i>								
Trade receivables	17.5	15.9	19.6	10.7	89.3	84.8	94.6	115.0
Receivables from affiliated companies	7.9	7.0	9.1	19.2	117.4	111.4	124.1	164.0
Securities	0.9	0.6	1.4	3.7	188.3	157.5	211.0	132.0
Other long-term equity investments ²	2.3	2.1	2.7	18.8	117.0	99.5	141.8	164.1
Prepaid expenses	0.9	0.9	0.8	0.3	108.1	106.7	110.4	170.0
Financial assets	44.3	39.2	50.9	63.5	105.6	98.6	113.7	147.7
Total assets ³	100	100	100	100	98.7	93.9	105.6	138.3
Capital								
Equity ^{3,4}	15.1	8.8	23.4	27.5	249.6	850.8	185.4	152.8
Liabilities	73.4	81.7	62.7	47.9	85.8	83.9	89.3	138.7
<i>of which</i>								
to banks	30.4	38.9	19.5	7.4	81.7	81.8	81.5	118.9
Trade payables	13.7	13.6	13.8	8.8	76.7	72.8	82.2	117.0
to affiliated companies	12.6	12.8	12.4	20.5	102.4	101.8	103.2	186.0
Payments received on account of orders	6.2	5.8	6.8	4.5	86.3	80.9	93.1	107.4
Provisions ⁴	11.0	9.2	13.4	24.3	117.1	118.0	116.2	123.7
<i>of which</i>								
Provisions for pensions	3.1	1.6	4.9	11.1	112.2	108.7	113.7	125.5
Deferred income	0.4	0.3	0.5	0.4	140.8	131.5	148.2	192.5
Liabilities and provisions	84.9	91.2	76.6	72.5	89.1	86.5	93.3	133.5
Total capital ³	100	100	100	100	98.7	93.9	105.6	138.3
<i>Memo item</i>								
Sales	191.5	189.8	193.7	165.7	102.0	98.3	107.1	129.5

* Extrapolated results. — ¹ Calculated from absolute amounts. — ² Including shares in affiliated companies. — ³ Less adjustments to equity. — ⁴ Including half of the special tax-allowable reserve.

Small and medium-sized enterprises' (SMEs) provision with equity



were considerably more important than for SMEs (2½%). With a share of 3½% in 2004, investment in securities likewise plays a greater role in the balance sheets of the large enterprises.

Sharp increase in equity

The structural shifts on the capital side of the SMEs' balance sheets were even more marked than those on the assets side. Most striking in this context is the sharp increase in equity and the reduction in liabilities. Between 1997 and 2004, SMEs' equity stock grew by 150%, which was significantly more than in the case of the larger enterprises (+53%). This was helped by the fact that, above all, non-corporations among the SMEs had substantially improved on their often poor equity levels in the 1990s. Besides buoyant earnings, this may have been due to a

certain amount of pressure from the banks to place more private assets on the balance sheet.⁹ Corporations' equity likewise showed a marked increase during the observation period (+85½%).

Measured by the balance sheet total, SMEs' equity increased overall by 9 percentage points to 15% between 1997 and 2004, with the ratio increasing by 8 percentage points to 9% in the case of non-corporations and by 10 percentage points to 23½% in the case of corporations. Considerable differences remain across the individual sectors. In 2004, these ranged, for all legal forms, from 6% in construction and 6½% in the retail trade to 21% in manufacturing and 21½% in the wholesale trade. It is striking that the differential between SMEs and large enterprises is due predominantly to the still much weaker capitalisation of non-corporations, whereas the relevant ratios of the small and medium-sized corporations and the large corporations are either more or less equally high (manufacturing, wholesale trade and transport) or only slightly lower (other sectors).

⁹ The proprietor or partner has some accounting discretion as to whether assets are classified as private or business assets. For tax reasons, it is therefore more attractive to record financial assets and real estate as private assets, for example, owing to the more favourable treatment of capital gains from sales. However, the liability of proprietors of sole proprietorships and at least some of the partners of partnerships for their firm's debts ultimately also extends to their private assets not shown in the balance sheet. In addition, they often post some of their private assets as collateral when procuring business loans. Conversely, since interest paid on bank loans is tax-deductible, there is an incentive to locate loans in the business accounts. This results in the non-corporations' balance sheets often showing their real financial status too unfavourably.

*Liabilities lower
but provisions
higher*

As a mirror image of this, the stock of liabilities declined significantly. One main reason for this was the substantial 18½% net repayment of short and long-term bank loans since 1997. Altogether, these accounted for 30½% of the balance sheet total in 2004, compared with 37% in 1997. Second, in the wake of the shrinkage process in the construction industry, there was a decline in payments received on account of orders and trade payables, both in terms of their amount and in relation to the balance sheet total. By contrast, payables to affiliated companies showed a slight increase. SMEs' provisions increased by 17% in the observation period, latterly representing just over one-tenth of total capital. This is still relatively little, however, when compared with the large enterprises, whose provisions have a balance sheet share of 24½%, mainly on account of high pension provisions – which have shown a further sharp rise over the past few years.

Concluding remarks

*Economic
situation of
SMEs
significantly
improved*

The profitability and financing situation of SMEs in Germany improved markedly between 1997 and 2004. This is striking given the fact that the quite weak domestic demand meant that the overall economic setting was rather unfavourable for the generally less export-oriented small and medium-sized firms in most of the years in the period under study. In this difficult situation, SMEs focused, first and foremost, on restructuring with the objective of reducing costs. The substantial gap between SMEs and large enterprises in terms of both profitability and finan-

cing that had existed in the 1990s has since narrowed considerably. This applies, in particular, to the corporations among the SMEs, whose annual financial statements, for various reasons, can be better compared with those of the large enterprises than can those of the non-corporations. What also has to be borne in mind in this analysis, however, is that very many small and medium-sized firms with very poor economic ratios disappeared from the market during the observation period and so are no longer captured statistically.

In 2005, enterprises' gross profits showed a further sharp overall rise (see the box on pages 44 and 45). This was accompanied by a further improvement in their equity levels. The SMEs (for which no separate statistical breakdown for 2005 is possible at present) are likely to have shared in this development. This is indicated by the fact that domestic demand has become a second pillar of economic activity in Germany besides exports.

As the sustainability of the improved profitability and financial situation is by no means assured yet, there continues to be a need for economic policy action. This includes, first and foremost, a business taxation regime which promotes performance and further measures to make the labour market more flexible. By comparison, the adoption of specific measures to promote small and medium-sized enterprises would appear to be less efficient. Indeed, they harbour the risk of intensifying distortions in the interplay between SMEs and large enterprises and of posing an additional strain on public finances.

*Challenge for
economic
policy remains*

The tables accompanying this article appear on the following pages.

Balance sheet and income statement of small and medium-sized enterprises (SMEs) *
in Germany °

€ billion

Item	All legal forms							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet								
Assets								
Intangible fixed assets	10.3	11.4	12.5	13.2	12.6	13.1	12.8	12.9
Tangible fixed assets	217.0	219.7	224.6	229.6	226.7	221.0	217.0	219.8
<i>of which: Land and buildings</i>	107.2	109.2	109.8	112.1	111.7	109.7	108.2	107.2
Inventories	226.6	224.0	227.3	221.6	214.7	203.8	194.9	192.9
<i>of which</i>								
Work in progress	71.0	67.7	75.0	70.6	69.0	65.9	63.5	60.6
Finished goods and merchandise	125.4	126.4	121.7	119.6	115.2	108.7	103.2	103.1
Cash	51.2	54.7	58.0	58.1	59.5	61.8	64.2	68.4
Receivables	244.3	245.2	256.5	264.7	260.6	252.6	244.3	238.6
Short-term	229.0	231.0	242.4	250.7	245.8	239.6	232.2	226.5
<i>of which</i>								
Trade receivables	149.6	147.1	153.8	156.8	150.3	141.0	136.3	133.6
Receivables from affiliated companies	44.5	48.7	53.0	56.2	58.3	61.0	59.7	56.5
Long-term	15.2	14.2	14.1	14.1	14.8	12.9	12.1	12.1
<i>of which: Loans to affiliated companies</i>	7.0	6.0	5.4	5.0	5.6	4.6	4.5	3.9
Securities	3.8	4.5	5.3	6.1	6.5	6.6	6.6	7.2
Other long-term equity investments 1	15.3	17.6	19.0	19.1	19.4	19.2	18.8	17.9
Prepaid expenses	6.2	6.3	6.6	6.7	6.9	6.9	6.7	6.7
Balance sheet total (adjusted)	774.7	783.5	809.7	819.1	806.9	785.1	765.2	764.4
Capital								
Equity 2 (adjusted)	46.4	56.4	65.4	75.1	79.5	88.9	99.0	115.7
Liabilities								
Short-term	436.4	426.9	437.3	438.8	433.6	422.2	402.6	390.2
<i>of which</i>								
Liabilities to banks	128.9	128.9	125.5	126.5	126.5	123.2	113.5	107.7
Trade payables	136.6	129.4	130.8	131.0	122.7	112.5	107.7	104.7
Liabilities to affiliated companies	46.4	46.3	50.2	55.8	59.5	63.5	63.5	64.1
Payments received on account of orders	55.2	52.5	59.7	54.7	54.8	53.2	51.2	47.6
Long-term	217.8	224.5	227.5	221.6	209.8	188.8	177.5	171.2
<i>of which</i>								
Liabilities to banks	155.8	161.8	166.4	165.0	156.8	140.1	130.8	124.9
Liabilities to affiliated companies	48.0	49.2	48.8	44.9	40.1	35.7	33.6	32.5
Provisions 2	72.1	73.6	77.2	80.6	80.9	82.3	83.4	84.5
<i>of which: Provisions for pensions</i>	20.8	20.8	22.0	22.6	23.0	23.9	23.7	23.3
Deferred income	2.0	2.2	2.3	3.0	3.1	2.9	2.8	2.9
Balance sheet total (adjusted)	774.7	783.5	809.7	819.1	806.9	785.1	765.2	764.4
Income statement								
Sales	1,434.9	1,446.5	1,459.6	1,490.4	1,479.3	1,437.5	1,428.2	1,463.6
Change in finished goods 3	7.5	7.8	13.9	11.3	9.2	9.2	7.5	6.1
Gross revenue	1,442.3	1,454.4	1,473.5	1,501.7	1,488.5	1,446.8	1,435.7	1,469.8
Interest and similar income	3.9	3.9	3.8	4.3	4.7	4.1	3.6	3.4
Other income 4	48.2	50.8	51.0	54.0	55.8	58.8	58.4	55.2
<i>of which: from long-term equity investments</i>	3.4	3.7	3.7	3.9	3.4	2.4	2.5	1.8
Total income	1,494.4	1,509.0	1,528.3	1,560.0	1,549.1	1,509.6	1,497.7	1,528.4
Cost of materials	801.2	808.4	817.3	829.7	816.8	780.5	771.2	792.0
Personnel expenses	339.4	337.7	341.3	348.0	347.9	346.6	340.9	341.1
Depreciation	57.1	57.2	56.4	58.3	56.8	54.5	51.7	48.3
<i>of which: of tangible fixed assets 5</i>	52.5	52.9	52.6	54.2	51.5	49.4	47.3	44.4
Interest and similar expenses	27.0	26.0	25.0	25.5	26.1	23.9	22.0	20.4
Operating taxes	3.2	2.7	2.7	2.5	2.0	1.9	1.9	1.9
<i>of which: Excise duties</i>	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.1
Other expenses 6	214.7	218.0	224.5	236.4	240.7	245.6	246.6	249.8
Total expenses before taxes on income	1,442.6	1,450.0	1,467.2	1,500.4	1,490.2	1,453.0	1,434.3	1,453.5
Annual result before taxes on income	51.8	59.1	61.1	59.6	58.8	56.6	63.4	74.9
Taxes on income 7	10.8	11.7	12.1	11.9	11.2	10.7	11.5	12.9
Annual result	41.0	47.4	49.0	47.7	47.6	45.9	51.9	62.0
Cash flow 8		106.7	109.6	111.5	104.6	101.4	105.0	112.0

* Enterprises with sales of less than €50 million. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. D-Mark figures converted to euro. — 1 Including shares in affiliated companies. — 2 Including half of the special tax-allowable reserve. — 3 Including own work capitalised. — 4 Excluding in-

come from profit transfers (parent company) and loss transfers (subsidiary). — 5 Including amortisation and write-downs of intangible fixed assets. — 6 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary). — 7 In the case of partnerships and sole proprietorships, trade earnings tax only. — 8 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income.

Deutsche Bundesbank

Balance sheet and income statement of small and medium-sized enterprises (SMEs) *
in Germany ° (cont'd)

€ billion

Item	Non-corporations 1							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet								
Assets								
Intangible fixed assets	5.8	6.6	7.2	7.5	6.8	7.1	6.9	7.1
Tangible fixed assets	147.2	150.1	151.5	154.3	153.4	146.6	145.3	147.0
of which: Land and buildings	79.0	80.7	79.9	81.5	81.8	79.0	78.7	78.2
Inventories	135.2	134.5	134.6	129.6	124.5	118.3	111.5	108.5
of which								
Work in progress	38.3	36.7	40.5	36.7	35.8	34.5	32.5	30.4
Finished goods and merchandise	80.1	81.1	77.4	75.8	72.2	68.0	63.8	62.7
Cash	27.4	28.7	30.2	29.4	30.9	30.8	31.9	33.5
Receivables	130.2	130.9	136.3	138.2	136.6	131.1	125.8	120.6
Short-term	121.7	123.3	129.1	131.4	129.7	125.2	120.5	115.6
of which								
Trade receivables	81.0	79.3	82.3	82.6	79.5	74.6	72.0	68.7
Receivables from affiliated companies	22.5	25.7	28.4	29.7	30.7	31.6	30.3	28.4
Long-term	8.5	7.6	7.2	6.8	6.9	5.9	5.3	5.0
of which: Loans to affiliated companies	4.7	3.9	3.4	2.9	3.1	2.4	2.4	1.8
Securities	1.6	1.9	1.8	2.1	2.4	2.4	2.3	2.5
Other long-term equity investments 2	9.0	9.9	10.2	10.5	10.4	10.1	9.6	8.9
Prepaid expenses	3.8	3.9	4.0	4.0	4.1	4.2	4.0	4.0
Balance sheet total (adjusted)	460.2	466.4	475.8	475.5	469.0	450.6	437.2	432.2
Capital								
Equity 3 (adjusted)	4.5	10.6	13.7	18.6	21.3	24.2	30.0	38.1
Liabilities								
Short-term	260.1	253.5	257.5	254.9	254.4	248.2	236.3	227.8
of which								
Liabilities to banks	86.0	85.6	82.7	82.8	83.4	82.2	75.9	71.8
Trade payables	80.7	76.3	76.2	74.5	69.9	64.2	61.7	58.8
Liabilities to affiliated companies	22.6	22.2	24.7	28.8	31.5	32.9	33.7	35.2
Payments received on account of orders	30.8	29.4	33.3	29.3	29.3	28.9	27.2	24.9
Long-term	161.0	166.4	167.2	162.1	153.2	138.5	130.6	125.4
of which								
Liabilities to banks	119.3	124.9	127.8	126.3	120.0	107.5	100.8	96.2
Liabilities to affiliated companies	31.8	32.5	31.4	28.1	24.6	22.3	20.9	20.1
Provisions 3	33.7	34.8	36.3	38.3	38.6	38.4	39.2	39.8
of which: Provisions for pensions	6.5	6.7	7.0	7.2	7.3	7.4	7.3	7.0
Deferred income	0.9	1.2	1.1	1.6	1.6	1.3	1.2	1.2
Balance sheet total (adjusted)	460.2	466.4	475.8	475.5	469.0	450.6	437.2	432.2
Income statement								
Sales	834.4	841.8	848.2	859.6	851.6	823.9	815.4	820.2
Change in finished goods 4	3.0	3.7	6.9	4.5	2.7	4.3	2.6	2.3
Gross revenue	837.4	845.5	855.1	864.1	854.3	828.2	818.0	822.6
Interest and similar income	1.9	1.9	1.8	2.0	2.2	1.9	1.6	1.6
Other income 5	26.3	28.2	28.2	29.9	31.3	31.7	32.3	31.0
of which: from long-term equity investments	1.9	1.9	2.0	2.0	1.8	1.5	1.5	0.9
Total income	865.5	875.5	885.1	896.0	887.8	861.8	851.9	855.2
Cost of materials	453.0	457.6	463.3	466.9	459.0	439.9	432.4	433.3
Personnel expenses	189.4	188.5	189.3	190.0	188.9	185.3	181.0	178.9
Depreciation	36.7	36.9	36.2	37.3	35.6	33.7	32.3	30.0
of which: of tangible fixed assets 6	34.2	34.7	34.2	35.2	33.2	31.3	30.1	28.0
Interest and similar expenses	18.5	18.0	17.1	17.3	17.6	16.1	15.0	13.9
Operating taxes	2.0	1.7	1.7	1.6	1.2	1.1	1.1	1.2
of which: Excise duties	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other expenses 7	123.3	125.5	129.3	134.6	137.0	139.2	140.9	141.9
Total expenses before taxes on income	822.9	828.2	837.0	847.7	839.3	815.4	802.6	799.1
Annual result before taxes on income	42.6	47.3	48.1	48.3	48.4	46.4	49.3	56.1
Taxes on income 8	4.8	5.0	5.2	5.3	5.3	5.1	5.4	5.8
Annual result	37.9	42.4	42.9	43.0	43.2	41.3	43.9	50.3
Cash flow 9		80.9	81.0	84.0	79.0	74.3	77.2	81.4

* Enterprises with sales of less than €50 million. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. D-Mark figures converted to euro. — 1 Partnerships (including limited partnerships and civil-law associations) as well as sole proprietorships. — 2 Including shares in affiliated companies. — 3 Including half of the special tax-allowable reserve. — 4 Including

own work capitalised. — 5 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 6 Including amortisation and write-downs of intangible fixed assets. — 7 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary). — 8 In the case of partnerships and sole proprietorships, trade earnings tax only. — 9 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income.

Deutsche Bundesbank

**Balance sheet and income statement of small and medium-sized enterprises (SMEs) *
 in Germany ° (cont'd)**

€ billion

Item	Corporations 1							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet								
Assets								
Intangible fixed assets	4.5	4.9	5.3	5.8	5.9	6.0	5.9	5.8
Tangible fixed assets	69.9	69.6	73.1	75.2	73.3	74.3	71.6	72.7
<i>of which: Land and buildings</i>	28.2	28.5	29.9	30.6	29.8	30.7	29.6	29.0
Inventories	91.4	89.5	92.7	92.0	90.2	85.4	83.5	84.4
<i>of which</i>								
Work in progress	32.7	31.0	34.6	33.9	33.2	31.3	31.0	30.2
Finished goods and merchandise	45.3	45.3	44.3	43.8	43.0	40.7	39.4	40.4
Cash	23.8	26.0	27.8	28.8	28.6	31.1	32.3	34.9
Receivables	114.0	114.3	120.2	126.6	124.0	121.5	118.5	118.1
Short-term	107.3	107.7	113.3	119.3	116.1	114.5	111.7	110.9
<i>of which</i>								
Trade receivables	68.7	67.8	71.5	74.2	70.8	66.5	64.3	65.0
Receivables from affiliated companies	22.0	23.0	24.7	26.5	27.7	29.4	29.4	28.1
Long-term	6.7	6.6	6.9	7.3	7.9	7.0	6.8	7.1
<i>of which: Loans to affiliated companies</i>	2.3	2.1	1.9	2.0	2.5	2.2	2.1	2.1
Securities	2.2	2.6	3.5	3.9	4.1	4.2	4.3	4.6
Other long-term equity investments 2	6.3	7.7	8.7	8.6	9.1	9.1	9.2	9.0
Prepaid expenses	2.5	2.4	2.6	2.7	2.8	2.7	2.7	2.7
Balance sheet total (adjusted)	314.5	317.0	333.9	343.6	337.9	334.4	328.0	332.2
Capital								
Equity 3 (adjusted)	41.9	45.8	51.8	56.5	58.2	64.7	69.0	77.7
Liabilities	233.1	231.4	240.1	243.4	235.9	224.3	213.2	208.2
Short-term	176.2	173.4	179.8	184.0	179.3	174.0	166.3	162.4
<i>of which</i>								
Liabilities to banks	42.9	43.3	42.8	43.7	43.1	41.0	37.5	35.9
Trade payables	55.9	53.1	54.7	56.5	52.8	48.3	46.0	45.9
Liabilities to affiliated companies	23.8	24.0	25.5	27.0	28.0	30.5	29.8	28.9
Payments received on account of orders	24.4	23.1	26.4	25.4	25.5	24.3	24.0	22.7
Long-term	56.8	58.0	60.2	59.4	56.6	50.3	46.9	45.8
<i>of which</i>								
Liabilities to banks	36.5	36.9	38.6	38.6	36.8	32.5	30.0	28.7
Liabilities to affiliated companies	16.2	16.8	17.5	16.8	15.5	13.4	12.7	12.4
Provisions 3	38.4	38.8	40.8	42.3	42.3	43.8	44.2	44.7
<i>of which: Provisions for pensions</i>	14.3	14.1	15.0	15.4	15.7	16.5	16.4	16.3
Deferred income	1.1	1.0	1.2	1.3	1.5	1.6	1.6	1.7
Balance sheet total (adjusted)	314.5	317.0	333.9	343.6	337.9	334.4	328.0	332.2
Income statement								
Sales	600.5	604.7	611.3	630.8	627.8	613.6	612.8	643.4
Change in finished goods 4	4.5	4.2	7.1	6.7	6.5	4.9	4.9	3.8
Gross revenue	605.0	608.9	618.4	637.5	634.3	618.6	617.7	647.2
Interest and similar income	2.0	2.1	2.0	2.3	2.5	2.3	2.0	1.9
Other income 5	21.9	22.5	22.9	24.2	24.6	27.0	26.1	24.2
<i>of which: from long-term equity investments</i>	1.4	1.7	1.7	1.8	1.6	1.0	1.0	0.9
Total income	628.9	633.5	643.3	664.0	661.3	647.9	645.8	673.2
Cost of materials	348.2	350.9	354.1	362.8	357.8	340.6	338.8	358.6
Personnel expenses	150.0	149.1	152.0	158.0	159.0	161.3	159.9	162.2
Depreciation	20.4	20.3	20.2	21.0	21.2	20.9	19.5	18.3
<i>of which: of tangible fixed assets 6</i>	18.3	18.3	18.4	18.9	18.4	18.0	17.2	16.4
Interest and similar expenses	8.5	8.0	7.8	8.1	8.4	7.7	7.0	6.6
Operating taxes	1.2	0.9	1.0	0.9	0.8	0.8	0.8	0.7
<i>of which: Excise duties</i>	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Other expenses 7	91.4	92.4	95.2	101.8	103.7	106.4	105.7	107.9
Total expenses before taxes on income	619.7	621.8	630.2	652.7	650.9	637.6	631.7	654.4
Annual result before taxes on income	9.2	11.7	13.1	11.3	10.4	10.2	14.1	18.8
Taxes on income 8	6.0	6.7	7.0	6.6	5.9	5.6	6.1	7.1
Annual result	3.1	5.0	6.1	4.7	4.5	4.6	8.0	11.7
Cash flow 9		25.8	28.5	27.6	25.6	27.1	27.7	30.7

* Enterprises with sales of less than €50 million. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. D-Mark figures converted to euro. — 1 Including cooperatives and foundations. — 2 Including shares in affiliated companies. — 3 Including half of the special tax-allowable reserve. — 4 Including own work capitalised. — 5 Excluding income from profit transfers

(parent company) and loss transfers (subsidiary). — 6 Including amortisation and write-downs of intangible fixed assets. — 7 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary). — 8 In the case of partnerships and sole proprietorships, trade earnings tax only. — 9 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income.

Deutsche Bundesbank

Balance sheet and income statement of large enterprises * in Germany °

€ billion

Item	All legal forms							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet								
Assets								
Intangible fixed assets	11.9	14.7	18.0	20.9	21.3	29.1	27.4	29.9
Tangible fixed assets	184.6	196.5	206.5	212.5	225.8	230.3	230.9	232.2
<i>of which: Land and buildings</i>	78.1	83.1	85.0	84.1	88.6	89.3	89.7	88.6
Inventories	178.6	184.9	195.9	206.7	204.4	204.2	209.0	205.1
<i>of which</i>								
Work in progress	60.8	57.8	61.2	63.5	59.8	61.7	61.0	58.0
Finished goods and merchandise	82.9	90.5	96.1	100.2	102.9	101.8	102.0	100.7
Cash	48.6	45.8	45.5	43.9	53.0	61.9	75.0	72.4
Receivables	315.7	335.2	375.4	400.2	419.4	445.0	440.7	446.8
Short-term	293.3	312.2	350.3	375.7	386.1	406.7	400.2	410.3
<i>of which</i>								
Trade receivables	119.4	122.0	136.9	148.3	140.5	137.2	135.7	137.3
Receivables from affiliated companies	136.3	149.8	170.4	181.6	202.0	220.3	217.0	225.2
Long-term	22.4	23.0	25.1	24.5	33.3	38.2	40.5	36.5
<i>of which: Loans to affiliated companies</i>	13.6	15.2	16.6	17.6	19.4	24.1	23.1	20.6
Securities	35.7	38.7	41.4	41.4	31.3	34.8	40.0	47.2
Other long-term equity investments ¹	146.9	158.9	179.2	204.1	212.1	229.6	239.9	241.0
Prepaid expenses	2.4	2.5	2.8	2.9	3.2	3.9	4.5	4.1
Balance sheet total (adjusted)	924.5	977.2	1,064.7	1,132.6	1,170.6	1,238.8	1,267.3	1,278.6
Capital								
Equity ² (adjusted)	229.9	252.2	279.8	287.2	305.4	338.3	340.4	351.2
Liabilities	441.1	465.8	506.4	557.2	573.6	594.9	617.8	611.9
Short-term	365.6	381.7	411.7	464.9	478.1	490.4	503.5	502.9
<i>of which</i>								
Liabilities to banks	44.6	46.6	52.6	57.7	59.5	53.5	52.1	47.7
Trade payables	96.3	96.1	100.5	114.6	109.3	110.2	108.6	112.7
Liabilities to affiliated companies	109.7	126.4	141.3	166.9	189.8	205.1	219.4	225.4
Payments received on account of orders	53.0	50.5	53.0	50.6	49.5	55.4	60.9	56.9
Long-term	75.5	84.1	94.7	92.2	95.5	104.6	114.3	109.0
<i>of which</i>								
Liabilities to banks	35.4	40.8	49.2	44.5	48.8	48.8	48.4	47.4
Liabilities to affiliated companies	31.0	34.1	35.2	33.3	31.5	37.8	41.0	36.4
Provisions ²	250.8	255.2	273.7	284.0	286.5	300.5	304.0	310.3
<i>of which: Provisions for pensions</i>	113.0	116.4	124.1	127.3	127.8	135.2	138.2	141.8
Deferred income	2.7	3.9	4.8	4.3	5.1	5.2	5.2	5.2
Balance sheet total (adjusted)	924.5	977.2	1,064.7	1,132.6	1,170.6	1,238.8	1,267.3	1,278.6
Income statement								
Sales	1,636.7	1,715.3	1,798.2	1,985.0	2,047.4	2,038.1	2,037.7	2,119.1
Change in finished goods ³	-1.2	0.3	1.1	4.7	3.2	-2.3	2.9	6.6
Gross revenue	1,635.5	1,715.6	1,799.3	1,989.7	2,050.6	2,035.8	2,040.6	2,125.7
Interest and similar income	11.1	11.8	11.1	13.0	14.8	13.0	13.4	11.7
Other income ⁴	74.9	82.1	93.2	100.0	110.5	116.9	103.6	94.7
<i>of which: from long-term equity investments</i>	10.4	15.0	15.5	23.1	17.1	16.3	14.8	13.0
Total income	1,721.5	1,809.6	1,903.7	2,102.7	2,176.0	2,165.7	2,157.6	2,232.1
Cost of materials	1,057.6	1,116.5	1,169.5	1,335.4	1,384.8	1,368.4	1,369.3	1,454.3
Personnel expenses	267.9	277.0	291.4	297.3	302.8	307.1	307.3	306.0
Depreciation	52.4	57.0	59.4	62.9	64.7	65.9	64.8	60.3
<i>of which: of tangible fixed assets ⁵</i>	47.1	49.6	52.6	54.8	54.9	55.4	56.1	53.7
Interest and similar expenses	13.1	14.3	14.6	18.1	21.1	20.5	18.6	18.3
Operating taxes	53.1	51.5	53.3	53.4	57.4	61.5	66.1	58.8
<i>of which: Excise duties</i>	47.9	49.9	50.8	51.2	54.8	57.6	62.5	57.2
Other expenses ⁶	222.2	230.8	255.9	266.7	273.7	274.1	272.8	273.1
Total expenses before taxes on income	1,666.3	1,747.2	1,844.2	2,033.7	2,104.5	2,097.5	2,098.9	2,170.8
Annual result before taxes on income	55.1	62.3	59.5	69.0	71.5	68.2	58.7	61.3
Taxes on income ⁷	14.1	18.5	19.9	21.2	19.2	16.8	16.6	17.6
Annual result	41.0	43.8	39.5	47.8	52.3	51.4	42.1	43.8
Cash flow ⁸		106.1	118.6	119.1	119.4	129.7	109.2	110.6

* Enterprises with sales of €50 million or more. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. D-Mark figures converted to euro. — 1 Including shares in affiliated companies. — 2 Including half of the special tax-allowable reserve. — 3 Including own work capitalised. — 4 Excluding in-

come from profit transfers (parent company) and loss transfers (subsidiary). — 5 Including amortisation and write-downs of intangible fixed assets. — 6 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary). — 7 In the case of partnerships and sole proprietorships, trade earnings tax only. — 8 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income.

Deutsche Bundesbank

Balance sheet and income statement of large enterprises * in Germany ° (cont'd)

€ billion

Item	Non-corporations 1							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet								
Assets								
Intangible fixed assets	3.2	3.6	5.4	5.7	5.1	7.2	8.5	9.2
Tangible fixed assets	48.9	51.9	56.6	59.6	64.4	69.0	72.2	72.6
of which: Land and buildings	23.3	24.8	25.2	25.9	28.2	30.1	31.3	31.1
Inventories	53.1	56.4	61.5	64.5	65.5	65.4	66.9	66.0
of which								
Work in progress	13.2	13.3	16.0	17.0	16.5	16.9	18.7	19.2
Finished goods and merchandise	30.2	32.4	34.7	34.8	36.6	36.4	35.4	33.4
Cash	13.4	13.3	14.5	13.9	15.2	18.2	19.3	18.8
Receivables	75.8	82.0	94.3	100.9	110.5	114.6	113.3	112.4
Short-term	71.6	77.8	88.5	96.1	104.6	106.9	106.7	106.3
of which								
Trade receivables	37.9	39.6	43.5	45.5	45.6	46.4	47.6	48.4
Receivables from affiliated companies	26.2	29.6	34.8	39.9	48.0	46.3	44.9	43.2
Long-term	4.2	4.2	5.8	4.9	5.8	7.7	6.5	6.1
of which: Loans to affiliated companies	2.1	2.2	2.6	3.0	3.2	5.1	3.8	3.7
Securities	2.6	3.0	3.9	3.3	3.1	4.0	4.4	4.8
Other long-term equity investments 2	17.1	18.0	21.9	23.3	22.4	30.4	30.7	33.6
Prepaid expenses	0.7	0.7	0.8	0.9	1.0	1.3	1.2	1.3
Balance sheet total (adjusted)	214.8	228.9	258.8	272.1	287.3	310.1	316.6	318.7
Capital								
Equity 3 (adjusted)	37.5	44.4	50.2	53.1	58.7	68.1	71.8	75.5
Liabilities	136.8	141.5	160.9	169.2	177.4	187.3	187.9	186.5
Short-term	99.4	104.4	115.0	129.2	137.3	141.4	141.5	142.8
of which								
Liabilities to banks	17.6	18.4	21.0	24.7	24.7	24.4	22.2	22.4
Trade payables	33.2	32.5	34.6	38.0	39.9	41.8	41.3	41.2
Liabilities to affiliated companies	24.0	28.9	30.9	37.3	41.5	45.8	45.0	47.2
Payments received on account of orders	9.8	9.6	12.1	12.3	13.6	13.4	15.7	15.1
Long-term	37.4	37.1	45.9	40.0	40.1	45.9	46.4	43.7
of which								
Liabilities to banks	16.6	17.6	23.6	20.4	21.2	22.6	24.0	22.9
Liabilities to affiliated companies	18.0	16.6	18.6	16.6	15.4	19.4	17.8	15.8
Provisions 3	40.0	41.6	46.4	48.8	49.5	52.9	54.4	54.5
of which: Provisions for pensions	16.6	17.3	18.6	19.7	20.0	22.0	21.5	21.7
Deferred income	0.6	1.3	1.2	1.1	1.6	1.9	2.5	2.3
Balance sheet total (adjusted)	214.8	228.9	258.8	272.1	287.3	310.1	316.6	318.7
Income statement								
Sales	499.4	521.1	553.4	606.9	661.5	658.3	666.5	676.1
Change in finished goods 4	-0.4	0.5	0.6	1.8	0.7	-0.5	0.9	5.1
Gross revenue	499.0	521.6	554.0	608.7	662.1	657.8	667.4	681.2
Interest and similar income	1.8	1.9	1.7	2.2	2.5	2.5	2.4	2.0
Other income 5	16.6	18.8	19.0	20.4	23.3	24.5	24.5	22.5
of which: from long-term equity investments	1.7	2.6	2.0	2.6	2.2	2.5	2.8	2.5
Total income	517.4	542.2	574.7	631.3	687.8	684.7	694.3	705.7
Cost of materials	335.1	349.6	367.3	417.5	460.7	448.3	452.3	466.9
Personnel expenses	78.6	81.7	88.4	89.9	95.5	98.1	101.5	100.3
Depreciation	13.9	14.2	15.8	16.8	17.2	18.0	18.6	17.4
of which: of tangible fixed assets 6	12.4	12.9	14.6	15.4	15.7	16.2	17.2	15.9
Interest and similar expenses	4.2	4.3	4.7	5.3	6.0	6.1	5.7	5.6
Operating taxes	2.4	1.9	2.1	2.3	2.9	4.4	4.2	2.9
of which: Excise duties	1.4	1.5	1.4	1.6	2.0	1.8	2.0	2.3
Other expenses 7	67.4	70.6	78.8	79.2	81.7	85.8	89.8	87.4
Total expenses before taxes on income	501.5	522.3	557.0	611.0	663.9	660.7	672.0	680.5
Annual result before taxes on income	15.9	19.9	17.7	20.3	23.9	24.0	22.3	25.2
Taxes on income 8	2.7	3.5	3.7	3.6	3.9	4.1	3.5	4.2
Annual result	13.2	16.4	14.0	16.7	20.0	20.0	18.8	21.0
Cash flow 9		33.1	34.5	35.5	38.2	41.2	39.4	38.1

* Enterprises with sales of €50 million or more. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. D-Mark figures converted to euro. — 1 Partnerships (including limited partnerships and civil-law associations) as well as sole proprietorships. — 2 Including shares in affiliated companies. — 3 Including half of the special tax-allowable reserve. — 4 Including

own work capitalised. — 5 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 6 Including amortisation and write-downs of intangible fixed assets. — 7 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary). — 8 In the case of partnerships and sole proprietorships, trade earnings tax only. — 9 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income.

Deutsche Bundesbank

Balance sheet and income statement of large enterprises * in Germany ° (cont'd)

€ billion

Item	Corporations 1							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet								
Assets								
Intangible fixed assets	8.8	11.1	12.6	15.1	16.2	21.8	18.9	20.6
Tangible fixed assets	135.6	144.5	149.9	152.9	161.4	161.3	158.7	159.6
of which: Land and buildings	54.8	58.3	59.8	58.2	60.4	59.2	58.3	57.6
Inventories	125.6	128.5	134.5	142.2	138.9	138.8	142.1	139.1
of which								
Work in progress	47.6	44.4	45.2	46.5	43.3	44.8	42.3	38.8
Finished goods and merchandise	52.7	58.1	61.4	65.5	66.3	65.4	66.6	67.3
Cash	35.2	32.5	30.9	30.0	37.8	43.7	55.7	53.6
Receivables	239.9	253.2	281.1	299.3	308.9	330.4	327.4	334.4
Short-term	221.7	234.4	261.8	279.7	281.4	299.8	293.4	304.0
of which								
Trade receivables	81.5	82.3	93.4	102.8	94.9	90.8	88.1	89.0
Receivables from affiliated companies	110.1	120.3	135.6	141.7	153.9	174.0	172.1	181.9
Long-term	18.2	18.8	19.3	19.6	27.5	30.5	33.9	30.4
of which: Loans to affiliated companies	11.5	13.0	14.0	14.6	16.2	19.0	19.4	16.9
Securities	33.1	35.6	37.5	38.0	28.2	30.8	35.6	42.4
Other long-term equity investments 2	129.8	140.9	157.3	180.8	189.7	199.2	209.2	207.4
Prepaid expenses	1.8	1.9	2.0	2.1	2.2	2.6	3.3	2.8
Balance sheet total (adjusted)	709.7	748.3	805.9	860.5	883.3	928.7	950.7	959.9
Capital								
Equity 3 (adjusted)	192.5	207.8	229.5	234.1	246.7	270.2	268.5	275.7
Liabilities								
Short-term	266.2	277.3	296.6	335.7	340.8	349.0	362.0	360.1
of which								
Liabilities to banks	27.0	28.2	31.6	33.0	34.9	29.0	29.9	25.4
Trade payables	63.1	63.6	65.9	76.6	69.4	68.4	67.3	71.5
Liabilities to affiliated companies	85.8	97.5	110.4	129.6	148.4	159.3	174.4	178.2
Payments received on account of orders	43.2	41.0	40.9	38.3	35.9	41.9	45.2	41.8
Long-term	38.1	47.0	48.9	52.2	55.3	58.7	67.9	65.3
of which								
Liabilities to banks	18.8	23.2	25.6	24.1	27.6	26.2	24.4	24.5
Liabilities to affiliated companies	13.1	17.5	16.6	16.7	16.1	18.5	23.2	20.6
Provisions 3	210.8	213.6	227.3	235.2	236.9	247.6	249.6	255.8
of which: Provisions for pensions	96.3	99.1	105.5	107.6	107.8	113.2	116.7	120.1
Deferred income	2.1	2.6	3.6	3.2	3.5	3.2	2.6	2.9
Balance sheet total (adjusted)	709.7	748.3	805.9	860.5	883.3	928.7	950.7	959.9
Income statement								
Sales	1,137.3	1,194.2	1,244.8	1,378.1	1,385.9	1,379.7	1,371.3	1,443.0
Change in finished goods 4	-0.8	-0.2	0.5	2.9	2.6	-1.7	2.0	1.5
Gross revenue	1,136.5	1,194.0	1,245.3	1,381.1	1,388.5	1,378.0	1,373.2	1,444.6
Interest and similar income	9.2	9.9	9.4	10.8	12.4	10.5	11.0	9.7
Other income 5	58.3	63.4	74.2	79.5	87.3	92.5	79.1	72.2
of which: from long-term equity investments	8.8	12.4	13.5	20.6	14.9	13.9	12.0	10.5
Total income	1,204.0	1,267.3	1,328.9	1,471.5	1,488.1	1,480.9	1,463.3	1,526.5
Cost of materials	722.4	766.9	802.3	918.0	924.0	920.1	917.0	987.4
Personnel expenses	189.4	195.3	203.0	207.4	207.3	209.0	205.9	205.7
Depreciation	38.5	42.8	43.6	46.0	47.5	47.9	46.2	42.9
of which: of tangible fixed assets 6	34.7	36.7	38.0	39.4	39.2	39.2	38.9	37.9
Interest and similar expenses	8.9	10.0	9.9	12.8	15.1	14.4	12.9	12.7
Operating taxes	50.7	49.6	51.2	51.1	54.5	57.1	61.9	55.9
of which: Excise duties	46.5	48.4	49.4	49.6	52.8	55.8	60.5	54.9
Other expenses 7	154.9	160.2	177.2	187.4	192.0	188.3	183.1	185.8
Total expenses before taxes on income	1,164.8	1,224.9	1,287.1	1,422.7	1,440.5	1,436.8	1,427.0	1,490.3
Annual result before taxes on income	39.2	42.4	41.8	48.7	47.6	44.1	36.4	36.1
Taxes on income 8	11.4	15.0	16.2	17.7	15.3	12.7	13.1	13.3
Annual result	27.8	27.4	25.5	31.1	32.4	31.4	23.3	22.8
Cash flow 9		73.1	84.1	83.6	81.2	88.5	69.7	72.5

* Enterprises with sales of €50 million or more. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. D-Mark figures converted to euro. — 1 Including cooperatives and foundations. — 2 Including shares in affiliated companies. — 3 Including half of the special tax-allowable reserve. — 4 Including own work capitalised. — 5 Excluding income from profit transfers

(parent company) and loss transfers (subsidiary). — 6 Including amortisation and write-downs of intangible fixed assets. — 7 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary). — 8 In the case of partnerships and sole proprietorships, trade earnings tax only. — 9 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 of small and medium-sized enterprises (SMEs) * in Germany °

Item	All legal forms							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet ratios	Percentage of balance sheet total (adjusted)							
Assets								
Intangible fixed assets	1.3	1.5	1.5	1.6	1.6	1.7	1.7	1.7
Tangible fixed assets	28.0	28.0	27.7	28.0	28.1	28.1	28.4	28.8
Inventories	29.3	28.6	28.1	27.1	26.6	26.0	25.5	25.2
Cash	6.6	7.0	7.2	7.1	7.4	7.9	8.4	8.9
Receivables	31.5	31.3	31.7	32.3	32.3	32.2	31.9	31.2
Short-term	29.6	29.5	29.9	30.6	30.5	30.5	30.3	29.6
Long-term	2.0	1.8	1.7	1.7	1.8	1.6	1.6	1.6
Securities	0.5	0.6	0.6	0.7	0.8	0.8	0.9	0.9
Other long-term equity investments 1	2.0	2.2	2.3	2.3	2.4	2.5	2.5	2.3
Capital								
Equity 2 (adjusted)	6.0	7.2	8.1	9.2	9.9	11.3	12.9	15.1
Liabilities								
Short-term	56.3	54.5	54.0	53.6	53.7	53.8	52.6	51.0
Long-term	28.1	28.6	28.1	27.1	26.0	24.0	23.2	22.4
Provisions 2	9.3	9.4	9.5	9.8	10.0	10.5	10.9	11.0
of which: Provisions for pensions	2.7	2.7	2.7	2.8	2.9	3.0	3.1	3.1
<i>Memo item: Sales</i>	185.2	184.6	180.3	181.9	183.3	183.1	186.6	191.5
Income statement ratios	Percentage of gross revenue							
Sales	99.5	99.5	99.1	99.2	99.4	99.4	99.5	99.6
Change in finished goods 3	0.5	0.5	0.9	0.8	0.6	0.6	0.5	0.4
Gross revenue	100	100	100	100	100	100	100	100
Interest and similar income	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Other income 4	3.3	3.5	3.5	3.6	3.8	4.1	4.1	3.8
Total income	103.6	103.8	103.7	103.9	104.1	104.3	104.3	104.0
Cost of materials	55.6	55.6	55.5	55.3	54.9	53.9	53.7	53.9
Personnel expenses	23.5	23.2	23.2	23.2	23.4	24.0	23.7	23.2
Depreciation	4.0	3.9	3.8	3.9	3.8	3.8	3.6	3.3
Interest and similar expenses	1.9	1.8	1.7	1.7	1.8	1.6	1.5	1.4
Operating taxes	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
of which: Excise duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses 5	14.9	15.0	15.2	15.7	16.2	17.0	17.2	17.0
Total expenses before taxes on income	100.0	99.7	99.6	99.9	100.1	100.4	99.9	98.9
Annual result before taxes on income	Percentage of sales							
Annual result before taxes on income	3.6	4.1	4.2	4.0	4.0	3.9	4.4	5.1
Taxes on income 6	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.9
Annual result	2.9	3.3	3.4	3.2	3.2	3.2	3.6	4.2
Cash flow 7	.	7.4	7.5	7.5	7.1	7.1	7.4	7.7
Other ratios								
Inventories	15.8	15.5	15.6	14.9	14.5	14.2	13.6	13.2
Short-term receivables	16.0	16.0	16.6	16.8	16.6	16.7	16.3	15.5
Equity (adjusted)	Percentage of tangible fixed assets 8							
Equity (adjusted)	20.4	24.4	27.6	30.9	33.2	38.0	43.1	49.7
Long-term equity and liabilities 9	127.9	133.2	135.8	135.1	134.0	132.4	134.3	137.2
Long-term equity and liabilities 9	Percentage of fixed assets 10							
Long-term equity and liabilities 9	112.0	116.2	118.3	117.9	116.3	115.4	117.2	120.4
Cash resources 11 and short-term receivables	Percentage of short-term liabilities							
Cash resources 11 and short-term receivables	64.7	67.5	69.4	71.2	71.4	72.4	74.6	76.8
Cash resources 11, short-term receivables and inventories	116.6	120.0	121.4	121.7	120.9	120.7	123.0	126.2
Cash flow 7	Percentage of liabilities and provisions 12 less cash							
Cash flow 7	.	15.9	16.0	16.3	15.7	16.0	17.4	19.3
Annual result and interest and similar expenses	Percentage of balance sheet total (adjusted)							
Annual result and interest and similar expenses	8.8	9.4	9.1	8.9	9.1	8.9	9.7	10.8

* Enterprises with sales of less than €50 million. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. — 1 Including shares in affiliated companies. — 2 Including half of the special tax-allowable reserve. — 3 Including own work capitalised. — 4 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 5 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary). — 6 In the case of partnerships and sole pro-

prietorships, trade earnings tax only. — 7 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income. — 8 Including intangible fixed assets. — 9 Equity, provisions for pensions, long-term liabilities and the special tax-allowable reserve. — 10 Tangible fixed assets, intangible fixed assets, other long-term equity investments, long-term receivables and long-term securities. — 11 Cash and short-term securities. — 12 Liabilities, provisions, half of the special tax-allowable reserve, and deferred income.

Selected ratios of small and medium-sized enterprises (SMEs) * in Germany ° (cont'd)

Item	Non-corporations 1							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet ratios	Percentage of balance sheet total (adjusted)							
Assets								
Intangible fixed assets	1.3	1.4	1.5	1.6	1.4	1.6	1.6	1.6
Tangible fixed assets	32.0	32.2	31.8	32.4	32.7	32.5	33.2	34.0
Inventories	29.4	28.8	28.3	27.3	26.5	26.3	25.5	25.1
Cash	6.0	6.2	6.3	6.2	6.6	6.8	7.3	7.8
Receivables	28.3	28.1	28.6	29.1	29.1	29.1	28.8	27.9
Short-term	26.4	26.4	27.1	27.6	27.7	27.8	27.6	26.7
Long-term	1.9	1.6	1.5	1.4	1.5	1.3	1.2	1.2
Securities	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.6
Other long-term equity investments 2	1.9	2.1	2.1	2.2	2.2	2.2	2.2	2.1
Capital								
Equity 3 (adjusted)	1.0	2.3	2.9	3.9	4.5	5.4	6.9	8.8
Liabilities								
Short-term	91.5	90.0	89.3	87.7	86.9	85.8	83.9	81.7
Long-term	56.5	54.3	54.1	53.6	54.2	55.1	54.0	52.7
Provisions 3	35.0	35.7	35.1	34.1	32.7	30.7	29.9	29.0
of which: Provisions for pensions	7.3	7.5	7.6	8.0	8.2	8.5	9.0	9.2
of which: Excise duties	1.4	1.4	1.5	1.5	1.6	1.6	1.7	1.6
Memo item: Sales	181.3	180.5	178.3	180.8	181.6	182.8	186.5	189.8
Income statement ratios	Percentage of gross revenue							
Sales	99.6	99.6	99.2	99.5	99.7	99.5	99.7	99.7
Changed in finished goods 4	0.4	0.4	0.8	0.5	0.3	0.5	0.3	0.3
Gross revenue	100	100	100	100	100	100	100	100
Interest and similar income	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Other income 5	3.1	3.3	3.3	3.5	3.7	3.8	3.9	3.8
Total income	103.4	103.6	103.5	103.7	103.9	104.1	104.1	104.0
Cost of materials	54.1	54.1	54.2	54.0	53.7	53.1	52.9	52.7
Personnel expenses	22.6	22.3	22.1	22.0	22.1	22.4	22.1	21.7
Depreciation	4.4	4.4	4.2	4.3	4.2	4.1	3.9	3.6
Interest and similar expenses	2.2	2.1	2.0	2.0	2.1	1.9	1.8	1.7
Operating taxes	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
of which: Excise duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses 6	14.7	14.8	15.1	15.6	16.0	16.8	17.2	17.2
Total expenses before taxes on income	98.3	98.0	97.9	98.1	98.3	98.5	98.1	97.1
Annual result before taxes on income	Percentage of sales							
Taxes on income 7	5.1	5.6	5.7	5.6	5.7	5.6	6.0	6.8
Annual result	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7
Cash flow 8	4.5	5.0	5.1	5.0	5.1	5.0	5.4	6.1
	.	9.6	9.6	9.8	9.3	9.0	9.5	9.9
Other ratios								
Inventories	16.2	16.0	15.9	15.1	14.6	14.4	13.7	13.2
Short-term receivables	14.6	14.6	15.2	15.3	15.2	15.2	14.8	14.1
Equity (adjusted)	Percentage of tangible fixed assets 9							
Long-term equity and liabilities 10	2.9	6.7	8.6	11.5	13.3	15.7	19.7	24.7
	114.9	120.0	121.4	119.9	117.2	114.5	114.4	115.0
Long-term equity and liabilities 10	Percentage of fixed assets 11							
	102.7	107.4	109.0	107.9	105.3	103.1	103.6	105.0
Cash resources 12 and short-term receivables	Percentage of short-term liabilities							
Cash resources 12, short-term receivables and inventories	57.7	60.4	62.3	63.6	63.7	63.4	65.1	66.2
	109.7	113.5	114.6	114.5	112.7	111.1	112.3	113.8
Cash flow 8	Percentage of liabilities and provisions 13 less cash							
	.	18.9	18.8	19.6	19.0	18.8	20.6	22.6
Annual result and interest and similar expenses	Percentage of balance sheet total (adjusted)							
	12.3	12.9	12.6	12.7	13.0	12.7	13.5	14.8

* Enterprises with sales of less than €50 million. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. — 1 Partnerships (including limited partnerships and civil-law associations) as well as sole proprietorships. — 2 Including shares in affiliated companies. — 3 Including half of the special tax-allowable reserve. — 4 Including own work capitalised. — 5 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 6 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary).

— 7 In the case of partnerships and sole proprietorships, trade earnings tax only. — 8 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income. — 9 Including intangible fixed assets. — 10 Equity, provisions for pensions, long-term liabilities and the special tax-allowable reserve. — 11 Tangible fixed assets, intangible fixed assets, other long-term equity investments, long-term receivables and long-term securities. — 12 Cash and short-term securities. — 13 Liabilities, provisions, half of the special tax-allowable reserve, and deferred income.

Selected ratios of small and medium-sized enterprises (SMEs) * in Germany ° (cont'd)

Item	Corporations 1							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet ratios	Percentage of balance sheet total (adjusted)							
Assets								
Intangible fixed assets	1.4	1.5	1.6	1.7	1.7	1.8	1.8	1.7
Tangible fixed assets	22.2	22.0	21.9	21.9	21.7	22.2	21.8	21.9
Inventories	29.1	28.2	27.8	26.8	26.7	25.5	25.4	25.4
Cash	7.6	8.2	8.3	8.4	8.5	9.3	9.8	10.5
Receivables	36.3	36.0	36.0	36.8	36.7	36.3	36.1	35.5
Short-term	34.1	34.0	33.9	34.7	34.4	34.2	34.1	33.4
Long-term	2.1	2.1	2.1	2.1	2.3	2.1	2.1	2.1
Securities	0.7	0.8	1.0	1.1	1.2	1.3	1.3	1.4
Other long-term equity investments 2	2.0	2.4	2.6	2.5	2.7	2.7	2.8	2.7
Capital								
Equity 3 (adjusted)	13.3	14.4	15.5	16.5	17.2	19.4	21.0	23.4
Liabilities								
Short-term	56.0	54.7	53.9	53.5	53.1	52.0	50.7	48.9
Long-term	18.1	18.3	18.0	17.3	16.8	15.0	14.3	13.8
Provisions 3	12.2	12.2	12.2	12.3	12.5	13.1	13.5	13.4
of which: Provisions for pensions	4.6	4.5	4.5	4.5	4.7	4.9	5.0	4.9
Memo item: Sales	190.9	190.7	183.1	183.6	185.8	183.5	186.8	193.7
Income statement ratios	Percentage of gross revenue							
Sales	99.3	99.3	98.9	98.9	99.0	99.2	99.2	99.4
Change in finished goods 4	0.7	0.7	1.1	1.1	1.0	0.8	0.8	0.6
Gross revenue	100	100	100	100	100	100	100	100
Interest and similar income	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.3
Other income 5	3.6	3.7	3.7	3.8	3.9	4.4	4.2	3.7
Total income	104.0	104.0	104.0	104.2	104.3	104.7	104.5	104.0
Cost of materials	57.6	57.6	57.3	56.9	56.4	55.1	54.8	55.4
Personnel expenses	24.8	24.5	24.6	24.8	25.1	26.1	25.9	25.1
Depreciation	3.4	3.3	3.3	3.3	3.3	3.4	3.2	2.8
Interest and similar expenses	1.4	1.3	1.3	1.3	1.3	1.2	1.1	1.0
Operating taxes	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
of which: Excise duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses 6	15.1	15.2	15.4	16.0	16.4	17.2	17.1	16.7
Total expenses before taxes on income	102.4	102.1	101.9	102.4	102.6	103.1	102.3	101.1
Annual result before taxes on income	1.5	1.9	2.1	1.8	1.7	1.7	2.3	2.9
Taxes on income 7	1.0	1.1	1.1	1.0	0.9	0.9	1.0	1.1
Annual result	0.5	0.8	1.0	0.7	0.7	0.8	1.3	1.8
Cash flow 8	.	4.3	4.7	4.4	4.1	4.4	4.5	4.8
Other ratios								
Inventories	15.2	14.8	15.2	14.6	14.4	13.9	13.6	13.1
Short-term receivables	17.9	17.8	18.5	18.9	18.5	18.7	18.2	17.2
Equity (adjusted)	56.3	61.5	66.1	69.8	73.5	80.6	89.0	98.9
Long-term equity and liabilities 10	154.6	161.1	164.9	165.4	168.0	166.7	173.4	180.8
Long-term equity and liabilities 10	130.0	133.3	135.5	136.3	136.3	136.7	141.3	147.4
Cash resources 12 and short-term receivables	75.0	77.9	79.6	81.8	82.2	85.2	88.2	91.6
Cash resources 12, short-term receivables and inventories	126.9	129.5	131.1	131.8	132.5	134.4	138.3	143.5
Cash flow 8	.	10.5	11.2	10.7	10.2	11.3	12.2	14.0
Annual result and interest and similar expenses	3.7	4.1	4.2	3.7	3.8	3.7	4.6	5.5

* Enterprises with sales of less than €50 million. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. — 1 Including cooperatives and foundations. — 2 Including shares in affiliated companies. — 3 Including half of the special tax-allowable reserve. — 4 Including own work capitalised. — 5 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 6 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary).

— 7 In the case of partnerships and sole proprietorships, trade earnings tax only. — 8 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income. — 9 Including intangible fixed assets. — 10 Equity, provisions for pensions, long-term liabilities and the special tax-allowable reserve. — 11 Tangible fixed assets, intangible fixed assets, other long-term equity investments, long-term receivables and long-term securities. — 12 Cash and short-term securities. — 13 Liabilities, provisions, half of the special tax-allowable reserve, and deferred income.

Selected ratios of large enterprises * in Germany °

Item	All legal forms							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet ratios	Percentage of balance sheet total (adjusted)							
Assets								
Intangible fixed assets	1.3	1.5	1.7	1.8	1.8	2.3	2.2	2.3
Tangible fixed assets	20.0	20.1	19.4	18.8	19.3	18.6	18.2	18.2
Inventories	19.3	18.9	18.4	18.2	17.5	16.5	16.5	16.0
Cash	5.3	4.7	4.3	3.9	4.5	5.0	5.9	5.7
Receivables	34.2	34.3	35.3	35.3	35.8	35.9	34.8	34.9
Short-term	31.7	31.9	32.9	33.2	33.0	32.8	31.6	32.1
Long-term	2.4	2.4	2.4	2.2	2.8	3.1	3.2	2.9
Securities	3.9	4.0	3.9	3.7	2.7	2.8	3.2	3.7
Other long-term equity investments 1	15.9	16.3	16.8	18.0	18.1	18.5	18.9	18.8
Capital								
Equity 2 (adjusted)	24.9	25.8	26.3	25.4	26.1	27.3	26.9	27.5
Liabilities								
Short-term	47.7	47.7	47.6	49.2	49.0	48.0	48.7	47.9
Long-term	39.5	39.1	38.7	41.1	40.8	39.6	39.7	39.3
Provisions 2	8.2	8.6	8.9	8.1	8.2	8.4	9.0	8.5
of which: Provisions for pensions	27.1	26.1	25.7	25.1	24.5	24.3	24.0	24.3
Memo item: Sales	12.2	11.9	11.7	11.2	10.9	10.9	10.9	11.1
	177.0	175.5	168.9	175.3	174.9	164.5	160.8	165.7
Income statement ratios	Percentage of gross revenue							
Sales	100.1	100.0	99.9	99.8	99.8	100.1	99.9	99.7
Change in finished goods 3	-0.1	0.0	0.1	0.2	0.2	-0.1	0.1	0.3
Gross revenue	100	100	100	100	100	100	100	100
Interest and similar income	0.7	0.7	0.6	0.7	0.7	0.6	0.7	0.6
Other income 4	4.6	4.8	5.2	5.0	5.4	5.7	5.1	4.5
Total income	105.3	105.5	105.8	105.7	106.1	106.4	105.7	105.0
Cost of materials	64.7	65.1	65.0	67.1	67.5	67.2	67.1	68.4
Personnel expenses	16.4	16.1	16.2	14.9	14.8	15.1	15.1	14.4
Depreciation	3.2	3.3	3.3	3.2	3.2	3.2	3.2	2.8
Interest and similar expenses	0.8	0.8	0.8	0.9	1.0	1.0	0.9	0.9
Operating taxes	3.2	3.0	3.0	2.7	2.8	3.0	3.2	2.8
of which: Excise duties	2.9	2.9	2.8	2.6	2.7	2.8	3.1	2.7
Other expenses 5	13.6	13.5	14.2	13.4	13.3	13.5	13.4	12.8
Total expenses before taxes on income	101.9	101.8	102.5	102.2	102.6	103.0	102.9	102.1
Annual result before taxes on income	3.4	3.6	3.3	3.5	3.5	3.3	2.9	2.9
Taxes on income 6	0.9	1.1	1.1	1.1	0.9	0.8	0.8	0.8
Annual result	2.5	2.6	2.2	2.4	2.6	2.5	2.1	2.1
Cash flow 7	.	6.2	6.6	6.0	5.8	6.4	5.4	5.2
Other ratios								
Inventories	10.9	10.8	10.9	10.4	10.0	10.0	10.3	9.7
Short-term receivables	17.9	18.2	19.5	18.9	18.9	20.0	19.6	19.4
Equity (adjusted)	117.0	119.4	124.7	123.0	123.6	130.4	131.8	134.0
Long-term equity and liabilities 9	216.3	217.4	225.2	219.6	216.0	224.4	230.9	231.0
Long-term equity and liabilities 9	113.9	114.2	114.0	107.2	105.8	106.7	106.6	107.5
Cash resources 11 and short-term receivables	101.2	101.5	102.6	95.2	95.9	98.9	98.2	100.6
Cash resources 11, short-term receivables and inventories	150.1	149.9	150.2	139.7	138.7	140.6	139.7	141.3
Cash flow 7	.	15.6	16.0	14.9	14.7	15.5	12.8	12.9
Annual result and interest and similar expenses	5.8	5.9	5.1	5.8	6.3	5.8	4.8	4.8

* Enterprises with sales of €50 million or more. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. — 1 Including shares in affiliated companies. — 2 Including half of the special tax-allowable reserve. — 3 Including own work capitalised. — 4 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 5 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary). — 6 In the case of partnerships and sole pro-

prietorships, trade earnings tax only. — 7 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income. — 8 Including intangible fixed assets. — 9 Equity, provisions for pensions, long-term liabilities and the special tax-allowable reserve. — 10 Tangible fixed assets, intangible fixed assets, other long-term equity investments, long-term receivables and long-term securities. — 11 Cash and short-term securities. — 12 Liabilities, provisions, half of the special tax-allowable reserve, and deferred income.

Selected ratios of large enterprises * in Germany ° (cont'd)

Item	Non-corporations 1							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet ratios	Percentage of balance sheet total (adjusted)							
Assets								
Intangible fixed assets	1.5	1.6	2.1	2.1	1.8	2.3	2.7	2.9
Tangible fixed assets	22.8	22.7	21.9	21.9	22.4	22.3	22.8	22.8
Inventories	24.7	24.6	23.8	23.7	22.8	21.1	21.1	20.7
Cash	6.2	5.8	5.6	5.1	5.3	5.9	6.1	5.9
Receivables	35.3	35.8	36.4	37.1	38.4	37.0	35.8	35.3
Short-term	33.3	34.0	34.2	35.3	36.4	34.5	33.7	33.4
Long-term	2.0	1.8	2.2	1.8	2.0	2.5	2.1	1.9
Securities	1.2	1.3	1.5	1.2	1.1	1.3	1.4	1.5
Other long-term equity investments 2	7.9	7.9	8.5	8.5	7.8	9.8	9.7	10.5
Capital								
Equity 3 (adjusted)	17.4	19.4	19.4	19.5	20.4	21.9	22.7	23.7
Liabilities								
Short-term	46.3	45.6	44.4	47.5	47.8	45.6	44.7	44.8
Long-term	17.4	16.2	17.7	14.7	14.0	14.8	14.6	13.7
Provisions 3	18.6	18.2	17.9	17.9	17.2	17.0	17.2	17.1
of which: Provisions for pensions	7.7	7.6	7.2	7.2	7.0	7.1	6.8	6.8
Memo item: Sales	232.5	227.6	213.8	223.0	230.2	212.3	210.5	212.1
Income statement ratios	Percentage of gross revenue							
Sales								
Changed in finished goods 4	100.1	99.9	99.9	99.7	99.9	100.1	99.9	99.3
	-0.1	0.1	0.1	0.3	0.1	-0.1	0.1	0.7
Gross revenue	100	100	100	100	100	100	100	100
Interest and similar income	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.3
Other income 5	3.3	3.6	3.4	3.4	3.5	3.7	3.7	3.3
Total income	103.7	104.0	103.7	103.7	103.9	104.1	104.0	103.6
Cost of materials	67.2	67.0	66.3	68.6	69.6	68.2	67.8	68.5
Personnel expenses	15.7	15.7	16.0	14.8	14.4	14.9	15.2	14.7
Depreciation	2.8	2.7	2.8	2.8	2.6	2.7	2.8	2.6
Interest and similar expenses	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.8
Operating taxes	0.5	0.4	0.4	0.4	0.4	0.7	0.6	0.4
of which: Excise duties	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Other expenses 6	13.5	13.5	14.2	13.0	12.3	13.0	13.5	12.8
Total expenses before taxes on income	100.5	100.2	100.5	100.4	100.3	100.4	100.7	99.9
Annual result before taxes on income	Percentage of sales							
Taxes on income 7	3.2	3.8	3.2	3.3	3.6	3.7	3.3	3.7
Annual result	0.5	0.7	0.7	0.6	0.6	0.6	0.5	0.6
Cash flow 8	2.6	3.2	2.5	2.8	3.0	3.0	2.8	3.1
	.	6.3	6.2	5.8	5.8	6.3	5.9	5.6
Other ratios								
Inventories	10.6	10.8	11.1	10.6	9.9	9.9	10.0	9.8
Short-term receivables	14.3	14.9	16.0	15.8	15.8	16.2	16.0	15.7
Equity (adjusted)	Percentage of tangible fixed assets 9							
Long-term equity and liabilities 10	71.9	80.0	81.1	81.2	84.4	89.3	89.0	92.3
	178.2	180.3	187.6	174.3	172.4	179.6	174.0	173.1
Long-term equity and liabilities 10	Percentage of fixed assets 11							
	124.9	127.4	127.8	120.3	121.0	118.2	117.5	114.8
Cash resources 12 and short-term receivables	Percentage of short-term liabilities							
Cash resources 12, short-term receivables and inventories	87.2	89.3	91.8	86.6	88.6	90.2	91.1	89.7
	140.6	143.3	145.3	136.6	136.3	136.5	138.4	135.9
Cash flow 8	Percentage of liabilities and provisions 13 less cash							
	.	19.3	17.8	17.3	17.9	18.4	17.5	17.0
Annual result and interest and similar expenses	Percentage of balance sheet total (adjusted)							
	8.1	9.1	7.2	8.1	9.0	8.4	7.8	8.3

* Enterprises with sales of €50 million or more. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. — 1 Partnerships (including limited partnerships and civil-law associations) as well as sole proprietorships. — 2 Including shares in affiliated companies. — 3 Including half of the special tax-allowable reserve. — 4 Including own work capitalised. — 5 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 6 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary).

— 7 In the case of partnerships and sole proprietorships, trade earnings tax only. — 8 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income. — 9 Including intangible fixed assets. — 10 Equity, provisions for pensions, long-term liabilities and the special tax-allowable reserve. — 11 Tangible fixed assets, intangible fixed assets, other long-term equity investments, long-term receivables and long-term securities. — 12 Cash and short-term securities. — 13 Liabilities, provisions, half of the special tax-allowable reserve, and deferred income.

Selected ratios of large enterprises * in Germany ° (cont'd)

Item	Corporations 1							
	1997	1998	1999	2000	2001	2002	2003	2004
Balance sheet ratios	Percentage of balance sheet total (adjusted)							
Assets								
Intangible fixed assets	1.2	1.5	1.6	1.8	1.8	2.4	2.0	2.1
Tangible fixed assets	19.1	19.3	18.6	17.8	18.3	17.4	16.7	16.6
Inventories	17.7	17.2	16.7	16.5	15.7	14.9	14.9	14.5
Cash	5.0	4.3	3.8	3.5	4.3	4.7	5.9	5.6
Receivables	33.8	33.8	34.9	34.8	35.0	35.6	34.4	34.8
Short-term	31.2	31.3	32.5	32.5	31.9	32.3	30.9	31.7
Long-term	2.6	2.5	2.4	2.3	3.1	3.3	3.6	3.2
Securities	4.7	4.8	4.7	4.4	3.2	3.3	3.7	4.4
Other long-term equity investments 2	18.3	18.8	19.5	21.0	21.5	21.5	22.0	21.6
Capital								
Equity 3 (adjusted)	27.1	27.8	28.5	27.2	27.9	29.1	28.2	28.7
Liabilities								
Short-term	42.9	43.3	42.9	45.1	44.9	43.9	45.2	44.3
Long-term	37.5	37.1	36.8	39.0	38.6	37.6	38.1	37.5
Provisions 3	5.4	6.3	6.1	6.1	6.3	6.3	7.1	6.8
of which: Provisions for pensions	29.7	28.5	28.2	27.3	26.8	26.7	26.3	26.6
Memo item: Sales	13.6	13.2	13.1	12.5	12.2	12.2	12.3	12.5
Memo item: Sales	160.2	159.6	154.5	160.2	156.9	148.6	144.2	150.3
Income statement ratios	Percentage of gross revenue							
Sales	100.1	100.0	100.0	99.8	99.8	100.1	99.9	99.9
Change in finished goods 4	-0.1	0.0	0.0	0.2	0.2	-0.1	0.1	0.1
Gross revenue	100	100	100	100	100	100	100	100
Interest and similar income	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.7
Other income 5	5.1	5.3	6.0	5.8	6.3	6.7	5.8	5.0
Total income	105.9	106.1	106.7	106.5	107.2	107.5	106.6	105.7
Cost of materials	63.6	64.2	64.4	66.5	66.6	66.8	66.8	68.4
Personnel expenses	16.7	16.4	16.3	15.0	14.9	15.2	15.0	14.2
Depreciation	3.4	3.6	3.5	3.3	3.4	3.5	3.4	3.0
Interest and similar expenses	0.8	0.8	0.8	0.9	1.1	1.0	0.9	0.9
Operating taxes	4.5	4.2	4.1	3.7	3.9	4.1	4.5	3.9
of which: Excise duties	4.1	4.1	4.0	3.6	3.8	4.0	4.4	3.8
Other expenses 6	13.6	13.4	14.2	13.6	13.8	13.7	13.3	12.9
Total expenses before taxes on income	102.5	102.6	103.4	103.0	103.7	104.3	103.9	103.2
Other ratios	Percentage of sales							
Annual result before taxes on income	3.4	3.6	3.4	3.5	3.4	3.2	2.7	2.5
Taxes on income 7	1.0	1.3	1.3	1.3	1.1	0.9	1.0	0.9
Annual result	2.4	2.3	2.1	2.3	2.3	2.3	1.7	1.6
Cash flow 8	.	6.1	6.8	6.1	5.9	6.4	5.1	5.0
Other ratios	Percentage of tangible fixed assets 9							
Inventories	11.0	10.8	10.8	10.3	10.0	10.1	10.4	9.6
Short-term receivables	19.5	19.6	21.0	20.3	20.3	21.7	21.4	21.1
Equity (adjusted)	133.3	133.5	141.2	139.3	138.9	147.5	151.3	153.0
Long-term equity and liabilities 10	230.1	230.7	239.6	237.2	233.0	243.0	256.7	257.3
Long-term equity and liabilities 10	111.2	111.0	110.5	103.9	102.1	103.6	103.6	105.4
Cash resources 12 and short-term receivables	106.4	106.1	106.8	98.5	98.9	102.5	101.0	104.9
Cash resources 12, short-term receivables and inventories	153.6	152.4	152.1	140.9	139.6	142.3	140.2	143.5
Cash flow 8	.	14.4	15.4	14.0	13.6	14.4	11.1	11.5
Annual result and interest and similar expenses	5.2	5.0	4.4	5.1	5.4	4.9	3.8	3.7

* Enterprises with sales of €50 million and more. — ° Extrapolated results for manufacturing (including mining and quarrying), construction, trade, transport (excluding railways) and business-related services based on partly estimated figures taken from the turnover tax statistics provided by the Federal Statistical Office. — 1 Including cooperatives and foundations. — 2 Including shares in affiliated companies. — 3 Including half of the special tax-allowable reserve. — 4 Including own work capitalised. — 5 Excluding income from profit transfers (parent company) and loss transfers (subsidiary). — 6 Excluding costs of loss transfers (parent company) and profit transfers (subsidiary).

— 7 In the case of partnerships and sole proprietorships, trade earnings tax only. — 8 Annual result after taxes on income, depreciation, and changes in provisions, in the special tax-allowable reserve and in prepaid expenses and deferred income. — 9 Including intangible fixed assets. — 10 Equity, provisions for pensions, long-term liabilities and the special tax-allowable reserve. — 11 Tangible fixed assets, intangible fixed assets, other long-term equity investments, long-term receivables and long-term securities. — 12 Cash and short-term securities. — 13 Liabilities, provisions, half of the special tax-allowable reserve, and deferred income.