

ANNUAL STATEMENT OF ACCOUNTS 2014

GIZ. Solutions that work.

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

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REPORT OF THE SUPERVISORY BOARD

In the year under review, the Supervisory Board was continuously informed on management policy, the state of operations, and the liquidity and profitability of the company.

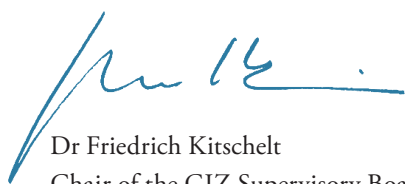
Three ordinary meetings of the Supervisory Board and one meeting of the Audit Committee were held in fiscal 2014.

The auditors KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft examined the annual statement of accounts and management report to establish that they comply with the law, the supplementary provisions of the Articles of Association concerning the annual statement of accounts and management report, and with generally accepted accounting principles. They confirm that the bookkeeping system and the annual statement of accounts comply with the law, that the annual statement of accounts gives a true and fair view of the company's net assets, financial position and results of operations and that the management report is consistent with the annual statement of accounts and gives an accurate overall picture of the company's circumstances and of the opportunities and risks for its future development.

At its meeting on 26 June 2015, the Supervisory Board approved the findings of the audit of the annual statement of accounts for 2014 carried out by the auditors and the Supervisory Board Audit Committee. The findings did not give rise to any objections.

The Supervisory Board recommends that the shareholder adopt the annual statement of accounts 2014 and give formal approval to the acts of the Management Board.

Bonn, 26 June 2015



Dr Friedrich Kitschelt
Chair of the GIZ Supervisory Board
State Secretary in the German Federal Ministry for Economic Cooperation
and Development

MANAGEMENT REPORT FOR THE FISCAL YEAR 2014

01

I. BACKGROUND, OPERATING FRAMEWORK AND OVERALL PERFORMANCE

A. THE COMPANY

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is a federal public-benefit enterprise with registered offices in Bonn and Eschborn. It helps the German Government achieve its objectives in the fields of international cooperation for sustainable development and international education and training. Quality, efficiency and innovation are at the heart of GIZ's activities as a modern, commercially run enterprise.

GIZ operates in more than 130 countries worldwide. In Germany, the company operates in nearly all the federal states. Thanks to its long-standing local presence and global networks encompassing politics, business and civil society, GIZ is well placed to establish successful partnerships with a large number of stakeholders.

We have more than 16,000 employees across the globe. Over 80% are based outside Germany (including those employed locally as national personnel). A further 782 experts are currently on assignments for GIZ in the role of development workers. In addition, the Centre for International Migration and Development (CIM)¹ places experts with local employers in partner countries. At the end of 2014, 527 integrated experts were employed directly by organisations and private businesses in partner countries. In 2014, GIZ also provided financial, advisory and other support to returning experts who had chosen to move back to their country of origin in order to put their know-how to good use there.

GIZ's activities focus on effective cross-border cooperation, the transfer of know-how and the development of expertise. Compared with similar organisations around the world, the sheer range of activities it covers is unique: economic development and employment; governance and democracy; peacebuilding, security, reconstruction and civil conflict transformation; food security, health and basic education; energy policy, environmental protection, resource conservation and climate change mitigation.

GIZ combines its services in the form of tailored solutions for specific needs, regions and contexts. These range from advice, training and skills development through to networking, dialogue, mediation, management and procurement/logistics services.

The German Federal Ministry for Economic Cooperation and Development (BMZ) is our most important source of commissions. GIZ also works on behalf of other German federal ministries (including the Federal Foreign Office (AA); the Federal Ministry of the Interior (BMI); the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB); the Federal Ministry of Defence (BMVg); the Federal Ministry for Economic Affairs and Energy (BMWi); the Federal Ministry of Education and Research (BMBF); and the Federal Ministry of Labour and Social Affairs (BMAS)), the Bundesländer (federal states) and municipalities, as well as public-sector and private-sector clients in Germany and abroad. These include governments of other countries, the European Commission, the United Nations and various development banks. GIZ works in close partnership with the private sector and helps its clients to successfully combine development and foreign trade activities. Increasingly, GIZ commissions are also cofinanced by private foundations such as the Bertelsmann Foundation and the Bill & Melinda Gates Foundation.

Alongside its activities in the public-benefit sector, GIZ receives commissions directly from international clients. These include national governments, bilateral donors, UN organisations and agencies and international financial institutions. Commissions from private-sector clients generally involve corporate social responsibility (CSR) measures. All commissions outside the public-benefit sector are implemented through GIZ's taxable business arm, International Services (IS). //

¹ The Centre for International Migration and Development (CIM) is run jointly by GIZ and the Federal Employment Agency's International Placement Services. It operates a number of personnel placement programmes with the aim of recruiting highly qualified experts and managers for local employers in partner countries. In the Integrated Experts programme, German and European experts are recruited for assignments of up to six years. The purpose of the Returning Experts programme is to support foreign experts who wish to take up important development posts in their country of origin after studies, training or employment in Germany.

B. STRATEGY

The nature of GIZ's activities is determined primarily by international and national contexts. At an international level, it is above all the ongoing process of economic, political, social and cultural globalisation – with its impact on the balance of economic and political power – that drives change in the underlying need for international cooperation. Some of the biggest challenges involve tackling ingrained poverty and related outbreaks of infectious diseases such as Ebola (especially in many parts of Africa), increasingly fragile security situations in a large number of countries, climate change, the debt crisis and the degradation of natural resources.

One of the key ideas laid out in the agreement between Germany's coalition partners is a commitment to take 'responsibility for the world'. With a view to driving the required changes, the Federal Government has strengthened its role in the political arena at both the European and global levels. Accordingly, in the field of international cooperation, it promotes a German approach to system design along with German values and experiences, for example in relation to social market economics, energy transformation and vocational training. Working on behalf of the Federal Government, GIZ makes a uniquely German contribution to development cooperation – one that is based on strengthening Germany's partners within the context of our country's values. Global processes such as the post-2015 agenda, climate negotiations, the International Aid Transparency Initiative (IATI) and the Extractive Industries Transparency Initiative (EITI) are at the top of the agenda. GIZ's actions are guided by this international policy framework and by the medium-term objectives specified by its shareholder. These objectives establish key strategic guidelines for GIZ's own future development.

BMZ is GIZ's biggest client. Food security, rural development, refugees, democratisation in the Middle East and North Africa, sustainable development objectives, the post-2015 agenda and climate change are at the heart of its work and are addressed by means of 'special initiatives'. GIZ has also established an increasingly successful record of collaboration with Germany's Federal Foreign Office (focusing primarily on measures to strengthen security structures in frag-

ile states) and with BMUB in the field of climate change mitigation. Our work on behalf of BMWi and individual federal states is now more diverse and covers areas such as the EITI and the migration of skilled workers. GIZ has also developed new links with BMWi and other ministries as its partners and clients in the EU's internal market. Last year we made considerable progress in restructuring GIZ through the bauhaus15 project and by concluding a new collective bargaining agreement on the remuneration of field staff. With a great deal of support from our shareholder, we also reached a series of milestones that included setting up our own subsidiary in Saudi Arabia (a prerequisite for implementing a major commission from the Saudi Government in the field of vocational education) and implementing our EU strategy. GIZ's EU strategy outlines the steps required in order to position the company in the long term as one of the European Commission's key contractors.

Between 2015 and 2017 GIZ plans to address four strategic priorities as part of a series of measures designed to implement its long-term corporate plan:

- (1) to create tangible added value for our shareholder;
- (2) to implement new organisational structures and procedures;
- (3) to consolidate existing markets and open up new ones by offering excellent products and effective services;
- (4) to assign the best staff and teams for global sustainable development

(1) Create tangible added value for our shareholder

GIZ will continue to develop its identity as a federal, public-benefit enterprise and instrument of the German Government. It will focus on creating tangible added value for its shareholder in both its public-benefit and taxable business areas. This added value might take the form of development policy gains, outcomes that enhance Germany's international profile, access for German stakeholders to international expertise, more firmly established international contacts and support for German foreign, economic, environmental and security interests. Increasingly, GIZ implements its projects in collaboration with other German and European actors so that international cooperation can take the form of a genuine partnership between Germany, Europe and other countries – one that benefits as many people as possible. GIZ brings international experience to Germany and develops

01

services in the best interests of its partner countries, of Germany itself and of those who are directly affected, for example in the field of inward migration.

GIZ's activities are designed to fulfil the corporate purpose established by its shareholder and the Supervisory Board. It is also strengthening its role as an implementing organisation for the entire Federal Government and with this goal in mind plans a further expansion of its service portfolio. The company intends to maintain its present course, adapting its business operations to embrace a wider understanding of the term development cooperation and introducing new forms of cooperation, especially with emerging market economies and industrialised countries. To achieve this, in addition to our own efforts, we will require continued support from our shareholder and backing from the Supervisory Board, above all for the sustainability market in Germany and business in EU countries.

(2) Implement new organisational structures and procedures

GIZ implements decisions on organisational structures and procedures by designing them in accordance with the new roles and functions established for all its organisational units. It places great importance on the need for efficiency and effectiveness in terms of the cooperation between individual units. The new structure is based on functional criteria, but its success is dependent on effective cooperation. With this in mind, GIZ plans to strengthen the current system of incentives. The aim is to put effective internal cooperation at the heart of its corporate culture.

With regard to its offices in Germany, GIZ is working with its shareholder to develop a viable, long-term strategy that will be negotiated and implemented together with its co-determination organs. The company's site in Bonn will be strengthened conceptually and with personnel.

(3) Consolidate existing markets and open up new ones by offering excellent products and effective services

GIZ aims to refine the way its various instruments work together. All such improvements will be based on need and results. To this end, it plans to harness the comparative benefits of each instrument more effectively. The company

intends to forge even stronger links with the Kreditanstalt für Wiederaufbau (KfW). The focus here will be on improving the complementary use of instruments, closer sectoral collaboration, joint training and staff exchanges. In countries where GIZ is either particularly well positioned or where it is the only federal enterprise with a local presence (e.g. in some fragile states), it will adapt its business models in such a way that it can also implement projects based on financial cooperation where required.

The company will develop further information and knowledge management tools and innovative solutions in the field of international cooperation. These will be implemented with a view to establishing a more professional system of knowledge management at GIZ. This will be achieved by explicitly integrating knowledge management into the company's broader management and working processes. As part of its efforts to develop new and innovative approaches (e.g. in relation to digital transformation), GIZ aims to be more inclusive and will therefore work even harder to integrate specific external networks and stakeholders (e.g. digital service providers, social network operators, the academic world and civil society as well as its clients and partners). This will involve setting up new virtual methods of networking. The goal here is to combine the existing strengths of Germany's highly regarded technical cooperation infrastructure (e.g. a well-established local presence supported by long-term experts, specialisation and intercultural expertise) with new methodologies and innovative approaches based on specific products.

As a result of increasing fragility, especially in certain countries in Africa and the Middle East, and in Afghanistan, steps will have to be taken to optimise the framework in which GIZ operates so that it can maintain its capacity to deliver services in the long term. GIZ expects its staff to be prepared to take up assignments in fragile states. To this end we need to introduce appropriate HR management systems (e.g. strategic HR management to ensure that we can fill key posts in fragile states, graded support packages, training, additional support and advice) and take action to maintain the quality of commercial and administrative processes in crisis situations. Furthermore, on the basis of individual experiences, we are developing a competitive business conti-

nity system for use across the company that includes both preventive measures and measures to deal with acute crises. Finally, GIZ also plans to expand its existing security and risk management system.

In both its public-benefit and taxable business operations, GIZ will continue (judiciously) to diversify its client base and employ new business models. At the same time, however, it will retain and strengthen its focus on the needs of its partners.

In the medium to long term, the implementation of GIZ's new organisational structures and procedures will lead to greater efficiency and productivity by eliminating any duplication of tasks, defining roles more clearly and creating leaner processes.

GIZ will close any gaps in the legal status of its field structure by clarifying the legislative framework, setting up registered dependent or independent branches and – if necessary in individual cases – forming subsidiaries with the support of its shareholder. This applies to both the public-benefit sector and International Services.

In line with its EU strategy, GIZ plans to further expand its EU foreign aid business and will intensify its efforts to open up new markets linked to the EU's internal programmes. In pursuit of this objective, it will need, for example, to adopt a more coordinated and coherent approach in order to attract clients at EU level, establish local and European consortia and networks and clarify the applicable commissioning procedures. At the same time, the company will take specific measures to obtain the requisite knowledge of European policies, standards and solutions, add this to its existing body of sectoral expertise and thereby expand its portfolio of services.

International Services will further consolidate and narrow the focus of its own business operations with a view to achieving a break-even operating result in 2015. Measures have been taken to increase profitability and minimise portfolio risks. In order to improve its market position, International Services also intends to concentrate on efforts to permanently strengthen selected markets in its business with national governments (e.g. vocational education in Saudi

Arabia) and on the expansion of its activities with international funding organisations (especially the EU) and the private sector. In this area, International Services will make itself more competitive by offering a portfolio of high-quality services, systematically networking with clients, mobilising its resources on a flexible basis and implementing highly reliable procedures geared to specific clients. In its present form, International Services aims over the long term to generate a stable and achievable annual business volume of around € 170 million. Existing capacity may need to be used more flexibly in order to deal with occasional peaks in business activity.

(4) Assign the best staff and teams for global sustainable development

With regard to the organisation's corporate culture, GIZ plans to introduce various changes designed to further boost productivity and results-based cooperation while promoting clear and reliable leadership.

GIZ also intends to improve the conditions under which national and regional experts and managers are assigned and to invest in specific personnel and capacity development measures. This group of employees is crucial to the overall success of GIZ. International experts also play an important role, as they enable GIZ to continue delivering services even in difficult locations.

GIZ will draw up viable long-term strategies that allow it to safeguard the company pensions of its staff on an equitable basis. To this end, it will initiate negotiations with its collective bargaining partners. The planned outsourcing of pension obligations and the restructuring of pension arrangements will boost the company's productivity and make it more competitive. This process will take account of both cost issues and GIZ's appeal as an employer.

The company's realignment strategy will also involve a gradual restructuring of the workforce. GIZ plans to recruit new employees with the skills required both to fill internal vacancies in areas with staff shortages and to meet the requirements of its partners in fast-growing and emerging markets. //

C. OPERATING FRAMEWORK

In terms of potential revenue, the main factors affecting GIZ's financial position in the public-benefit sector are the size of the Federal Government budget and the spending plans of the individual ministries that commission services from GIZ. For GIZ, the most important ministerial budget is that containing the individual budget items of its main client, BMZ.

The amount allocated to BMZ in 2014 (Budget no. 23) was €6,444 million. This represents an increase of €147 million compared with the anticipated budget for the previous year. GIZ's biggest commissions and revenue came out of BMZ's budget item 2301 – 896 03 entitled 'Bilateral technical cooperation'. In 2014, the cash appropriation designated for this 'technical cooperation' budget² was €1,269 million. GIZ's total revenue from this budget item in 2014 stood at €1,242 million.

The commissions awarded to GIZ from German Federal Government budgets are supplemented by commissions from other donors in the form of cofinancing for joint projects with BMZ and other German Public Sector Clients. This method of financing involves third parties providing additional funds for projects and programmes to be carried out by GIZ on behalf of a federal ministry. Among GIZ's key external donors are the European Union (EU), the Norwegian Agency for Development Cooperation (NORAD), the Swiss Agency for Development and Cooperation (SDC) and the UK's Department for International Development (DFID).

With the consent of the German Federal Government, GIZ also accepts commissions from bilateral donors, national governments, UN organisations and agencies, and international financial institutions. Other commissions are implemented on behalf of private sector clients. These generally involve CSR measures. As a general rule, these commissions are implemented through GIZ's taxable business arm, International Services. //

D. BUSINESS DEVELOPMENT

In terms of business volume and new commissions, GIZ can report positive results for 2014.

At €2,032 million, total business volume³ was up by €101 million (5%) on the previous year. This increase was mainly due to a rise in the total revenue generated by the BMZ business area.

Building on a strong base in the previous year, the figure for new commissions in 2014 stood at €2,779 million, a substantial year-on-year increase of €487 million (21%). The main factors here were an improvement in new commissions at International Services and commissions linked to three new BMZ special initiatives: 'One World – No Hunger', 'Tackling the Root Causes of Displacement – Reintegrating Refugees' and 'Stabilization and Development in North Africa and the Middle East'.

GIZ's control parameter is the key ratio used in the public-benefit sector to limit management costs at Head Office level. It is the ratio between management costs for the year under review and the four-year average⁴ of revenue from the public-benefit sector. The control parameter for fiscal 2014 stood at 12.1%, 0.4 percentage points down on the previous year's figure. This decline was mainly due to increases in revenue already generated and in projected future revenue.

The International Services business area generated an operating result⁵ of €–2.4 million, down €1.2 million on the figure for 2013 (€–1.2 million). This was primarily due to a decline in gross margin², partly as a result of risk protection for projects in Greece and Libya. //

² The same budget item is also used for other TC organisations: the Physikalisch-Technische Bundesanstalt (PTB) (Germany's national metrology institute) and the Federal Institute for Geosciences and Natural Resources (BGR).

³ Revenue in the public-benefit sector plus total operating performance of International Services.

⁴ The figure is based on revenue for the previous year, the current year and the two following years.

⁵ The operating result is calculated by deducting tax expenses and the financial result from the company's net income. The financial result is adjusted to exclude interest expenses for provisions.

II. ASSETS, FINANCIAL POSITION AND INCOME

A. ASSETS

The balance sheet total ended the year under review at €1,318 million, up €101 million compared with the year-end figure of €1,217 for 2013.

Fixed assets rose from €438 million to €564 million. The main factors underlying this increase of €126 million (29%) were additions and reinvestments of €94 million in the security-based investment funds and an increase in the advance payments made by GIZ for the ongoing construction of two office buildings in Bonn.

Whereas the figure for advance payments showed another rise (€41 million, equivalent to 16%), services not yet invoiced fell by €7 million (–22%) to €25 million. Overall, these changes resulted in an increase of €34 million (12%) in the figure for inventories from €286 million to €320 million.

Receivables and other assets were down slightly by €7 million from €279 million to €272 million. This was mainly due to reductions of €5 million in trade receivables and €10 million for other assets. The decline in other assets is attributable to International Services, where chargeable construction costs for an International Services project in Ethiopia (shown as a transient item under other assets) were offset at the end of the project (in the year under review) against the same total of advance payments already received from the client and shown under other liabilities. The decline in these items is slightly offset by an increase of €7 million in project-related assets across all the company's business areas.

Equity ended the year €5.4 million higher as a result of positive net income for the year being added to the statutory reserves. Despite this increase, the equity ratio⁶ fell by 0.1 percentage points to 5.4% owing to a sharp rise in the balance sheet total.

Provisions rose by €69 million from €568 million to €637 million. This was mainly due to a substantial increase in pension provisions as a result of the lower discounting rate.

Liabilities rose by €29 million from €577 million to €606 million. While advance payments received were up by €53 million, there were decreases in both trade payables (down €8 million) and other liabilities (down €17 million). The rise in advance payments received is mainly attributable to increased revenue in 2014 in the public-benefit sector. The decline in other liabilities is due to the offsetting of advance payments received for construction costs in respect of an International Services project in Ethiopia against other assets. //

⁶ The equity ratio is defined as equity less premium due as a proportion of the balance sheet total.

B. INCOME

Turnover for fiscal 2014 was € 14 million (1%) higher at € 1,959 million. The following table shows the distribution of turnover across business areas:

TOTAL OPERATING PERFORMANCE

	2014			2013			Change	
	Public-benefit sector	IS	Total	Public-benefit sector	IS	Total	Total	
	in € millions	in € millions	in € millions	in € millions	in € millions	in € millions	in € millions	in %
Turnover	1,801	158	1,959	1,755	190	1,945	14	1
Changes in services not yet invoiced	-1	-6	-7	4	-12	-8	1	12
Total operating performance	1,800	152	1,952	1,759	178	1,937	15	1

At € 1,121 million, cost of materials was down € 35 million on the previous year. Cost of materials is determined by the project structure. Section III D ('Use of resources') provides a more detailed review of this item.

Personnel costs rose by € 59 million, from € 688 million to € 747 million. This was attributable partly to the new collective agreement on foreign service remuneration and partly to an increase in pension expenses.

At € -14 million, the financial result⁷ was up by € 13 million compared with the previous year's figure of € -27 million. This was due to the payment of a € 14 million dividend (2013: € 0 million) from the security-based investment funds. Overall net income for the year was € 5.4 million (2013: net loss of € 2.9 million).

The following table shows net income according to business area:

NET INCOME

	2014	2013	Change	
	in € millions	in € millions	in € millions	in %
Public-benefit sector	8.1	-1.5	9.6	> 100
IS	-2.7	-1.4	-1.3	-93
GIZ total	5.4	-2.9	8.3	> 100

The net loss generated by International Services in 2014 was greater than that of the previous year. This was due to a fall in gross margin 2 on account of additional risk hedging expenses.

The positive result achieved by the public-benefit sector is mainly attributable to an improvement in the financial result (due in turn to dividends received from the security-based investment funds) and to reduced losses from measures implemented and financed by the company itself.⁸ //

C. FINANCIAL POSITION

As at the balance sheet date, cash in hand and bank balances stood at € 161 million, down € 52 million on the year-end figure of € 213 million for 2013. Out of this total, € 10 million is attributable to International Services and € 151 million to the public-benefit business. This reduction is mainly due to investment in fixed assets (financial assets and buildings) and an increase in advance payments made. //

⁷ The financial result is made up of income from long-term investments and other interest income less amortisation on long-term investments and interest expenses.

⁸ In accordance with its Articles of Association, GIZ as a public-benefit company uses its profits exclusively for public-benefit purposes (as defined in the Articles of Association) by carrying out GIZ-financed measures.

III. ECONOMIC SITUATION

A. GENERAL OBSERVATIONS

The pattern of good results established in recent years was maintained in 2014. Business volume ended the year well up on the projected figure of € 1,948 million to reach € 2,032 million. New commissions totalled € 2,779 million compared with the projected figure of € 2,036 million.

Apart from new commissions and business volume, two other key indicators of GIZ's performance are the control parameter (for the public-benefit sector) and the operating result (for International Services).

GIZ's control parameter is the key ratio used to limit Head Office costs. The control parameter for fiscal 2014 stood at 12.1%, well below the previous year's figure of 12.5% and the projected figure (also 12.5%). This takes it close to the upper threshold of 12.0% set by the Supervisory Board. This year-on-year improvement was due to increases in the amount of revenue actually generated and in projected future revenue.

One of the key management indicators used at International Services is the operating result. Compared with the projected figure of € -2.8 million, the actual operating result for 2014 was € -2.4 million. The main reason for this downturn compared with the previous year's figure of € -1.2 million was a reduction in profit contribution margin 2, caused in part by risk hedging expenses for projects in Greece and Libya. //

B. BUSINESS VOLUME

In 2014, the company generated a total business volume of € 2,032 million, a year-on-year increase of € 101 million (5%). This was driven by growth in revenue from the company's BMZ operations.

The 2014 figure for total business volume comprises revenue of € 1,880 million from the public-benefit sector and a total operating performance of € 152 million at International Services. The public-benefit sector thus contributed 93% to the total figure, a rise of 2 percentage points on the previous year. Within the public-benefit sector as a whole, the biggest share of revenue was again generated from BMZ. Compared with the previous year, the total operating performance of International Services was down 15%.

The following table shows the year-on-year change in business volume at GIZ and the contributions made by the company's business areas and sectors to the total:

BUSINESS VOLUME

	Actual 2014	Share	Actual 2013	Share	Change 2014 to 2013
	in € millions	in %	in € millions	in %	in %
Public-benefit sector total	1,880	93	1,753	91	7
of which, BMZ	1,615	79	1,464	76	10
of which, German Public Sector Clients	239	12	265	14	-10
of which, grants	26	1	24	1	8
of which, small-scale measures in the public-benefit sector	0	0	0	0	0
IS	152	7	178	9	-15
GIZ total	2,032	100	1,931	100	5

The following section outlines the business volume situation within each of GIZ's business areas.

Revenue in the public-benefit sector

In 2014, GIZ generated revenue of €1,880 million from the public-benefit sector. This year-on-year increase of €127 million (7%) was primarily driven by growth in the **BMZ** business area, which contributed revenue of €1,615 million. Out of this last figure, the amounts derived from individual BMZ budgets were €1,242 million from ‘Technical cooperation’, €38 million from ‘International cooperation with regions for sustainable development’ and around €154 million from other BMZ budgets. Compared with the previous year, the revenue generated in 2014 by GIZ from BMZ budgets rose by €141 million (10%). The main factor here was an increase in the cash figure for the TC budget in BMZ’s overall Federal Government allocation.

Third-party cofinancing of BMZ commissions generated total revenue of €181 million. This was up €11 million (6%) on the figure for 2013. The biggest contributions to cofinancing revenue came from the EU (over €73 million), DFID (€29 million) and SDC (€13 million).

German Public Sector Clients contributed €239 million to GIZ’s total revenue, around €26 million (–10%) down on the previous year. This decline affected both revenue from budget funds and cofinancing.

Commission revenue in 2014 from BMUB reached €100 million, once again boosting GIZ’s income from this source. Revenue was up by €13 million (15%) compared with the previous year. This increase was driven by supranational projects and projects being implemented in Asia and Latin America under the auspices of the International Climate Initiative (IKI).

Although revenue from the BMUB was up on the previous year, there was a decline in the revenue generated from commissions placed by the German Federal Foreign Office and from EU twinning/grants. At €91 million, commission revenue from the Federal Foreign Office was down €27 million (–23%) on the previous year, while the revenue of €3 million from EU twinning/grants was down by over 50% (2013: €7 million). In the absence of new commissions from the BMVg, no revenue was generated from this client in 2014 (2013: €6 million).

Total operating performance of GIZ International Services

In 2014, the International Services business sector achieved a total operating performance of €152 million. This was down by €26 million (15%) compared with the previous year. The main reasons for this decline were delays in the provision of services for large-scale construction projects in Gabon and Ethiopia, delays in major procurement orders linked to the UCBP in Ethiopia and a downturn in the area of procurement services.

In terms of funding providers, the biggest contribution to International Services’ total operating performance in 2014 came from national governments, which accounted for €49 million. Commissions from the EU added roughly €36 million to the International Services business area’s total operating performance, while bilateral donors and the private sector each contributed a further €18 million. //

C. NEW COMMISSIONS AND ORDERS ON HAND

Commissions

In fiscal 2014 GIZ received commissions totalling €2,779 million, up €487 million (21%) on the previous year. This strong growth was driven by a combination of new commissions linked to BMZ’s ‘special initiatives’ and a year-on-year increase of nearly 100% in new commissions at International Services.

The public-benefit sector and International Services accounted for €2,476 million and €303 million respectively out of the total for 2014. As a result of the substantial increase in new commissions at International Services, the proportion of total business volume generated by the public-benefit sector fell by 4% compared with 2013. Within the public-benefit sector, the BMZ business area accounted for a greater share of the total.

The following table shows the year-on-year change in the volume of new commissions at GIZ and the contributions made by the company’s business areas and sectors to the total:

NEW COMMISSIONS

	Actual 2014	Share	Actual 2013	Share	Change 2014 to 2013
	in € millions	in %	in € millions	in %	in %
Public-benefit sector total	2,476	89	2,137	93	16
of which, BMZ	2,127	77	1,715	75	24
of which, German Public Sector Clients	318	11	351	15	–9
of which, grants	30	1	71	3	–58
of which, small-scale measures in the public-benefit sector	1	0	0	0	> 100
IS	303	11	156	7	94
GIZ total	2,779	100	2,293	100	21

Trends in the level of new orders received by each GIZ business sector are explained below.

New commissions in the public-benefit sector

New commissions in the public-benefit sector reached €2,476 million. First-time commissions linked to BMZ’s ‘special initiatives’ helped to boost the total beyond the already impressive figure for 2013 by a further €339 million (up 16%). Altogether, GIZ received commissions valued at €288 million under the special initiatives: ‘One World – No Hunger’, ‘Tackling the Root Causes of Displacement – Reintegrating Refugees’ and ‘Stabilization and Development in North Africa and the Middle East’.

New commissions from **BMZ** came to €2,127 million. This was up €413 million (24%) on the figure for 2013. As well as the new commissions linked to BMZ’s ‘special initiatives’, GIZ recorded an increase in the volume of new commissions awarded by BMZ under the budget heading ‘Transitional development assistance’, including a major new order worth €27 million for a project to establish a settlement for internally displaced Iraqis. New commissions from third-party donors for the cofinancing of BMZ commissions contributed €271 million to the total, an increase of €28 million (12%) on the figure for 2013. The biggest providers of cofinancing for BMZ commissions were the EU (around €131 million), NORAD (around €22 million) and SDC (around €18 million).

New commissions from **German Public Sector Clients** totalled €318 million, down €33 million (–9%) compared with the previous year. Although new commissions from the German Federal Foreign Office rose by €33 million (33%) year on year, the volume of new commissions received from BMUB and from third-party donors fell by €52 million (–31%) and around €13 million (–41%) respectively. It should be noted that GIZ had already anticipated these downturns in its projections for 2014. This was partly because the total figure for new commissions in 2013 contained a large proportion of first-time commissions. Significant follow-up commissions are not expected until the coming years.

New commissions at GIZ International Services

In 2014, International Services received new commissions with a total value of €303 million, almost double the figure for 2013 (€156 million).

A major factor behind this increase was a large commission worth € 119 million to extend the Technical Trainers' College (TTC) in Saudi Arabia. International Services also acquired a major commission worth € 27 million from the Dutch Directorate-General for International Cooperation (DGIS) for a project in Burundi.

In terms of funding providers, the biggest overall contribution to new commissions at International Services (€ 156 million) came from national governments. This figure is up almost 500% on the previous year (€ 32 million). New commissions from bilateral donors also increased in 2014. At € 45 million, the total figure was more than double that of the previous year (€ 17 million). New commissions from the EU were unchanged year on year at € 68 million.

Orders on hand

As at 31 December 2014, the total figure for orders on hand stood at € 4,521 million, up € 719 million (19%) on the year-end figure for 2013.

The total volume of orders on hand at the end of 2014 was divided between the public-benefit sector (€ 4,108 million) and International Services (€ 413 million). //

D. USE OF RESOURCES

Personnel

The following table provides a year-end comparison of staff numbers at GIZ for 2013 and 2014:

GIZ EMPLOYEES

not weighted for part-time

	Actual 31.12.2014	Actual 31.12.2013	Change	
			absolute	in %
Public-benefit sector staff at Head Office ¹	1,736	1,832	-96	-5
Public-benefit sector project staff in Germany	1,243	1,257	-14	-1
Public-benefit sector field staff	1,865	1,819	46	3
Total public-benefit sector staff	4,844	4,908	-64	-1
IS staff at Head Office	69	87	-18	-21
IS project staff in Germany	24	32	-8	-25
IS field staff	213	239	-26	-11
Total IS staff	306	358	-52	-15
Total GIZ personnel (excluding national personnel)	5,150	5,266	-116	-2
National personnel	11,260	11,244	16	0
Total GIZ personnel	16,410	16,510	-100	-1
Development workers	782	869	-87	-10
Integrated experts (CIM) ²	527	488	39	8
Returning experts (CIM) ²	473	439	34	8

¹⁾ Excluding the Management Board and trainees

²⁾ Employment contract with local employers in partner countries

As at the balance sheet date of 31 December 2014, GIZ employed a total of 5,150 staff (excluding national personnel). This was down by 116 (-2%) on the year-end figure for 2013.

The number of staff employed in the public-benefit sector as at 31 December 2014 was 4,844. This figure is made up of 1,736 Head Office staff and 3,108 employees working on projects in Germany and other countries. Compared with

the year-end total for 2013, the number of Head Office staff was down by 96 (-5%), primarily as a result of employees taking advantage of the staff restructuring programme.

The total number of staff working in International Services as at 31 December 2014 was 306, a decline of 52 (15%) compared with the year-end figure for 2013. This was partly due to a consolidation programme that involved cutting Head Office staff numbers at International Services in order to reduce overheads.

The total number of national personnel employed by GIZ around the world as at 31 December 2014 was 11,260. This figure was almost unchanged on the previous year.

A total of 782 development workers were deployed by GIZ at the end of 2014, and a further 527 integrated experts and 473 returning experts held employment contracts with organisations or companies in partner countries.

Purchases of goods and services

The following table compares the year-end figures for purchases of goods and services and for financing by GIZ:

CONTRACTS AWARDED

	Actual 2014	Actual 2013	Change	
	in € millions	in € millions	in € millions	in %
Head Office service contracts ¹	565.8	510.3	55.5	11
Head Office construction contracts	3.6	7.5	-3.9	-52
Head Office financing agreements	34.6	33.8	0.8	2
Head Office procurement of goods ²	73.0	48.9	24.1	49
Total Head Office	677.0	600.5	76.5	13
Local service and construction contracts, financing agreements	232.0	226.3	5.7	3
Local procurement of goods	56.9	54.8	2.1	4
Total local contracts	288.9	281.1	7.8	3
Total contracts awarded	965.9	881.6	84.3	10

¹⁾ Consulting firms, advisory institutions, individual appraisers (from 2014)

²⁾ Goods, freight forwarders

In 2014, the total value of all goods, financing, construction services and other services procured by GIZ at Head Office and in the field was approximately € 966 million. This figure was up by around € 84 million (10%) on the previous year. The main factor here was an increase in the volume of service contracts and Head Office procurement of goods. The proportion of GIZ's total business volume attributable to contracts awarded by the company rose again in 2014 to 48% (2013: 46%).

Out of the total for Head Office service contracts, around € 300 million went to consulting firms and around € 75 million to individuals for appraisal or advisory services. At just under € 193 million, the volume of service contracts awarded to German and international institutions showed a year-on-year increase of approximately € 59 million (44%). This reflects closer cooperation in 2014 between GIZ and these institutions in their respective areas of expertise.

At €35 million, the volume of financing agreements with local partners was almost unchanged compared with the previous year.

The value of Head Office goods procurement activities rose by €24 million (49%) to €73 million. This was driven by a number of large-scale emergency aid projects (e.g. in Ukraine). //

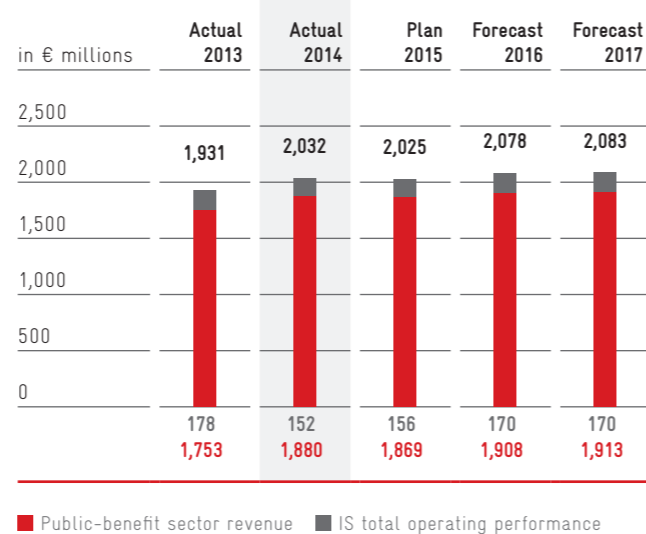
IV. OUTLOOK

A. BUSINESS FORECAST

In fiscal 2015, GIZ plans to generate a total business volume of €2,025 million with a view to consolidating the impressive results achieved in 2014. Looking further ahead, the company plans to increase its total business volume by a further €58 million (3%) to €2,083 million by the end of 2017.

The following chart shows the actual and projected business volume figures from 2013 up to 2017.

BUSINESS VOLUME



The public-benefit sector is expected to account for €1,869 million of GIZ's total projected business volume for 2015. Despite a year-on-year reduction in the cash allocated for technical cooperation in the Federal Government's 2015 budget (over which GIZ has no influence) this projected figure is just €11 million (-1%) below the revenue achieved in 2014. This cut in the budget for technical cooperation can almost be offset by anticipated increases in revenue from providers of third-party funds, other BMZ budgets and budget funds available to German Public Sector Clients.

The following table contains a detailed breakdown of actual and projected revenues for the years 2013 to 2017.

REVENUE

	Actual 2013	Actual 2014	Plan 2015	Forecast 2016	Forecast 2017
	in € millions	in € millions	in € millions	in € millions	in € millions
BMZ	1,463.6	1,614.8	1,567.1	1,598.5	1,614.7
of which, technical cooperation items	1,119.5	1,242.1	1,146.9	1,196.9	1,216.9
of which, international cooperation with regions	39.9	37.7	40.0	40.0	40.0
of which, other BMZ items	134.3	154.4	179.7	152.0	139.6
of which, combined financing	169.9	180.6	200.5	209.6	218.2
German Public Sector Clients	264.8	239.3	272.0	280.0	268.0
of which, budget funds	255.4	233.6	256.1	257.9	246.9
of which, cofinancing	9.5	5.7	15.9	22.1	21.1
Grants	24.2	26.5	28.8	28.7	28.6
Small-scale measures in the public-benefit sector	0.4	-0.2	1.1	1.2	1.4
Public-benefit sector total	1,753.1	1,880.4	1,869.0	1,908.4	1,912.7

Revenue from the BMZ business area is expected to reach €1,567 million. Although GIZ has factored in a decline in revenue from BMZ budget funds in light of the above-mentioned cut in the cash allocation for technical cooperation, the company nevertheless anticipates an increase in cofinancing revenue from providers of third-party funds for BMZ commissions.

Based on its projections for 2015, GIZ expects revenue from BMZ to grow by €48 million (3%) up to the end of 2017 to reach €1,615 million. This forecast is partly based on an assumption that revenue from BMZ's TC budget will increase by around 6% over this period (i.e. on top of the projected figure for 2015) to €1,217 million. In addition, GIZ aims to generate further growth in cofinancing revenue from third-party donors in support of BMZ commissions.

The company plans to meet this target by intensifying cooperation with the EU within the scope of foreign aid and in the single market.

Compared with the figure for 2014, revenue in the German Public Sector Client business is expected to grow by €33 million (14%) in 2015 to reach €272 million. According to GIZ's projected figures, this increase will come both from ministerial budgets (especially BMUB) and third-party cofinancing of commissions awarded by German Public Sector Clients.

GIZ aims to consolidate this high level of projected revenue in the period up to 2017. By the end of 2017, revenue is expected to reach €268 million. It is assumed that commissions from the Federal Foreign Office and BMUB will again account for the largest proportion of GIZ's revenue from the ministerial budgets of its German Public Sector Clients. The main focus of GIZ's work on behalf of the Federal Foreign Office is on reconstruction and measures to strengthen political and security structures in fragile states.

By contrast, cooperation with BMUB will again be centred on environmental policy, environmental management and biodiversity as part of the International Climate Initiative (IKI).

On the basis of GIZ's revenue targets and projected management costs, the control parameter for 2015 is expected to be 12.3%. Assuming that an upward trend in revenue over the next few years is accompanied by relatively stable management costs, GIZ expects the control parameter to fall from 2016.

In 2015, the International Services business area is forecast to achieve a total operating performance of €156 million. This projection is almost on a par with the actual figure for 2014. Looking further ahead, International Services plans to consolidate its total annual operating performance at a stable and achievable level of €170 million.

Accompanied by a reduction in overheads, this consolidation should allow International Services to deliver a break-even operating result. In order to meet this objective on a long-term basis and begin to generate increasingly positive operating results, International Services will intensify its efforts to identify and exploit available market opportunities. In doing so, it will concentrate on measures to permanently strengthen selected focus markets in its work with national governments and on the expansion of its business with international financiers such as the EU. //

B. ANTICIPATED USE OF RESOURCES

Personnel forecast

With regard to staffing levels and staff deployment, the company's forecasts are based on current and planned business volumes.

The composition of GIZ's workforce is dependent not only on the level of new commissions and business volume but also on the structure and nature of those commissions. By way of example, the personnel structure needed for projects and programmes that mainly involve awarding contracts to third parties will differ from that required for projects involving a large number of GIZ staff.

For 2015, the company anticipates a total staffing requirement of 5,110 (excluding national personnel). This would be almost unchanged on the year-end figure for 2014. Looking further ahead, assuming that management costs do not rise over the next few years, it is likely that staff numbers will decrease compared with the projection for 2015.

GIZ STAFF

	Actual 31.12.2014	Plan 2015	Forecast 2016	Forecast 2017
Staff with Head Office functions ¹⁾	1,805	1,830	1,810	1,790
Project staff in Germany	1,267	1,250	1,230	1,210
Field staff	2,078	2,030	2,010	1,980
Total employees¹⁾	5,150	5,110	5,050	4,980

¹⁾ Excluding Management Board and trainees

Forecast purchases of goods and services

It is very difficult to predict in any detail the future volume of contracts for goods and services and for financing agreements, as they depend very largely on the specific requirements of each project. Assuming that the company meets its

targets for business volume, the volume of contracts awarded worldwide in 2015 should be just slightly down on the figure for 2014. //

C. OPPORTUNITIES AND RISKS

In 2014 GIZ overcame numerous challenges that will continue to provide opportunities for growth and expansion. One key development was the conferral of partner status on GIZ by the Bill & Melinda Gates Foundation, thus meeting GIZ's strategic goal of joining the small group of partners with which the Foundation is willing to cooperate. This status opens up the prospect of attracting other donors for multi-donor programmes.

The successful acquisition of third-party donor funding will allow GIZ to maintain a high level of cofinancing revenue for commissions awarded by BMZ and German Public Sector Clients. The EU is and will remain one of GIZ's most important providers of third-party funding. The high level of commissions received from this source underline GIZ's commitment to intensifying its EU business. The focus here is on expanding the company's role in EU foreign aid programmes and on a more limited scale in the EU's internal market programmes. However, GIZ faces strong competition from the World Bank and private consulting firms.

One of the most important international development issues is climate change. The various actors involved in the climate field have realised that global targets can only be met effectively and sustainably if they are complemented by voluntary national implementation measures and funding mechanisms. It was in this context that the Green Climate Fund was established in 2010. The aim of the Fund is to support the developing countries in reducing greenhouse gas emissions and mitigating the impact of climate change. It is expected that the Green Climate Fund will become the main international source of funding for climate projects. Contributions to the Fund will come from the national budgets of industrialised countries, emerging economies and developing countries. In 2014, BMZ decided that GIZ

should be allowed to seek accreditation with the Green Climate Fund as an implementing organisation. Once it has been accredited, GIZ will be able to implement project proposals within the Climate Fund framework. This opportunity to access international funding creates a precedent that will strengthen GIZ's position from the perspective of other funds and allow the company to harness potential new areas of business.

As well as opportunities, GIZ is exposed to various risks. Results in the company's public-benefit sector mainly depend on the level of Federal Government budget allocations to ministries. GIZ's forecasts reflect projected budget figures for the coming year and the two following years. Forecasts for the year ahead are primarily based on the amended draft Federal Government budget. By the time GIZ finalises these projections, this draft has generally been debated in the budget review meeting and consequently, no major changes are expected. The Federal Government budget is only specified for the next budget year. Accordingly, GIZ's projections for subsequent years are based on assumptions about future Federal Government budgets. The premises underlying GIZ's forecasts are therefore subject to uncertainty. Furthermore, the future results achievable in GIZ's public-benefit sector are generally exposed to risk because of the sector's dependence on BMZ's Federal Government budget allocation. Any significant reduction in BMZ's allocation, especially in the cash figures for the budget items that are relevant to GIZ, would have a corresponding impact on the company's revenue.

GIZ is also exposed to risk in the form of volatile security conditions in some of the countries in which it operates. An unexpected deterioration in the security situation can jeopardise the implementation of commissions in terms of the actual measures involved, the speed of implementation and the corresponding demand for financial resources.

GIZ's company pension commitments pose a further challenge and a potential risk to its economic viability. The planned outsourcing of pension obligations and the restructuring of pension arrangements will boost the company's efficiency and make it more competitive. This step responds

to a faster rise in the level of pension provisions, partly as a result of the new valuation parameters applied following the introduction of Germany's Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG).

The International Services business sector will need to remain under tight management and scrutiny. If International Services cannot establish its forecast market position and furthermore proves unable to consolidate its total operating performance at the target level, there is a risk that it will not deliver a break-even operating result.

The Management Board regularly informs the Supervisory Board in its quarterly reports about significant risks that could impact GIZ's future performance. //

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V. SUPPLEMENTARY REPORT

There were no significant events after the balance sheet date of 31 December 2014.

Bonn/Eschborn, 11 May 2015

The Management Board

Tanja Gönner
Chair of the
Management Board

Dr Hans-Joachim Preuß

Dr Christoph Beier
Vice-Chair of the
Management Board

Cornelia Richter

ANNUAL STATEMENT OF ACCOUNTS 02

BALANCE SHEET

as at 31 December 2014

ASSETS		in €			
	Notes	31.12.2014		31.12.2013	
A. FIXED ASSETS					
I. Intangible assets					
Purchased concessions, industrial property rights and similar rights and values as well as licences to such rights and values					
		1,537,430		1,117,190	
II. Tangible assets					
1. Land, land rights and buildings including buildings on third-party land					
		101,220,089	81,816,252		
2. Other plant, operating and office equipment					
		14,261,557	14,564,530		
3. Advance payments and assets under construction					
		57,038,805	172,520,451	44,356,944	140,737,726
III. Financial assets					
1. Shares in affiliated companies					
		50,881		0	
2. Participating interests					
		535,862		360,862	
3. Securities held as fixed assets					
		388,435,291		294,535,528	
4. Other loans					
		831,776	389,853,810	873,166	295,769,556
			563,911,691	437,624,472	
B. CURRENT ASSETS					
I. Inventories					
1. Services not yet invoiced					
		25,076,387		32,260,854	
2. Advance payments made					
		294,927,294	320,003,681	253,454,793	285,715,647
II. Receivables and other assets					
1. Trade receivables					
		100,409,422		105,133,068	
2. Receivables from affiliated companies					
		37,848		0	
3. Project-related assets					
		134,749,881		127,425,464	
4. Other assets					
		36,343,133	271,540,284	46,233,034	278,791,566
III. Cash in hand, Central Bank balances, bank balances					
			161,067,406		213,308,635
			752,611,371	777,815,848	
C. DEFERRED EXPENSES					
			1,885,731	1,909,780	
			1,318,408,793	1,217,350,100	
Off-balance sheet item					
Trust assets					
	9		4,034,538	3,963,445	

SHAREHOLDER'S EQUITY AND LIABILITIES		in €			
	Notes	31.12.2014		31.12.2013	
A. EQUITY					
I. Subscribed capital					
Subscribed capital unpaid					
		-11,759,713		-11,759,713	
Called-up capital					
		8,692,287		8,692,287	
II. Capital reserve					
		5,112,919		5,112,919	
III. Revenue reserves					
Statutory reserves					
		62,036,677		56,633,041	
IV. Unappropriated profit					
		0		0	
			75,841,883	70,438,247	
B. PROVISIONS					
1. Provisions for pensions and similar obligations					
		545,763,855		477,237,355	
2. Provisions for taxes					
		1,518,000		543,816	
3. Other provisions					
		89,534,627		90,304,384	
			636,816,482	568,085,555	
C. LIABILITIES					
1. Advance payments received					
		557,462,249		504,682,979	
2. Trade payables					
		35,168,470		43,289,105	
3. Liabilities to affiliated companies					
		979,622		0	
4. Other liabilities					
		12,137,822		28,791,407	
- of which, relating to taxes €4,538,864 (2013: €3,709,807) -					
- of which, relating to social security €22,906 (2013: €22,541) -					
			605,748,163	576,763,491	
D. DEFERRED INCOME					
			2,265	2,062,807	
			1,318,408,793	1,217,350,100	
Off-balance sheet item					
Trust liabilities					
	9		4,034,538	3,963,445	

PROFIT AND LOSS ACCOUNT

for the period from 1 January to 31 December 2014

	Notes	2014		2013	
		in €	in €	in €	in €
1. Turnover	10	1,959,324,193		1,945,238,690	
2. Changes in services not yet invoiced		-7,184,467		-7,657,707	
3. Other own work capitalised		339,784		0	
4. Total operating performance			1,952,479,510		1,937,580,983
5. Other operating income	11		31,366,489		30,396,399
6. Cost of materials					
a) Cost of purchased goods		152,752,118		156,549,884	
b) Cost of purchased services		968,701,634	1,121,453,752	999,573,554	1,156,123,438
7. Personnel costs					
a) Wages and salaries		604,484,995		570,245,918	
b) Social security contributions, pensions and welfare expenses		142,822,718	747,307,713	117,618,029	687,863,947
of which, pensions €52,142,928 (2013: €31,229,985)					
8. Amortisation and depreciation of intangible and tangible fixed assets			8,171,173		7,923,215
9. Other operating expenses	12		76,989,144		73,932,784
10. Income from other securities and long-term investments			13,936,641		32,699
11. Other interest and similar income			824,635		1,214,235
12. Amortisation of financial assets			12,952		9,166
13. Interest and similar expenses	13		28,357,999		27,757,401
14. Profit from ordinary operations			16,314,542		15,614,365
15. Extraordinary expenses/Extraordinary result	14		8,991,703		17,983,406
16. Taxes on profit	15		424,037		163,440
17. Other taxes			1,495,166		403,025
18. Net profit (2013: net loss)			5,403,636		-2,935,506
19. Transfer to the statutory reserves of Association (2013: Transfer from the statutory reserves)			-5,403,636		2,936,506
20. Unappropriated profit			0		0

NOTES ON THE ACCOUNTS 2014

NOTES ON THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

As at the balance sheet date of 31 December 2014, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Bonn/Eschborn, is a company with limited liability as defined by section 267 paragraph 3 of the German Commercial Code (HGB). GIZ's annual statement of accounts is prepared in accordance with the provisions of the HGB as well as the supplementary provisions of the German Limited Liability Companies Act (GmbH-Gesetz). The fiscal year corresponds to the calendar year. To improve the clarity of presentation, the item 'Project assets' has been added in the balance sheet. The breakdown of the profit and loss account is based on the total cost method. The legally required information on the balance sheet and the profit and loss account is provided in the notes to the accounts.

In fiscal 2014 GIZ formed a subsidiary in which it has a shareholding of 51%. Accordingly, the items 'Shares in affiliated enterprises', 'Receivables from affiliated companies' and 'Liabilities to affiliated enterprises' have been included in the balance sheet. As provided for in section 296 paragraph 2 sentence 1 of the HGB, GIZ is not required to draw up consolidated financial statements and a consolidated management report as the subsidiary is of subordinate importance with regard to GIZ's statutory obligation to provide a true and fair picture of its assets, income and financial position.

GENERAL NOTES ON ACCOUNTING AND VALUATION METHODS

ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods used by GIZ have not changed compared to the previous year.

FIXED ASSETS

Intangible and tangible assets

Intangible and tangible assets are shown at purchase cost or production cost less depreciation based on the useful life of assets as determined by their specific user. Depreciation is calculated on a straight-line basis for periods between three years (IT and IT infrastructure) and 48 years (office buildings in Eschborn). The office building in Berlin is written off over 40 years. Land with buildings and rights of use in partner countries are written off over a period of between 8 and 20 years.

A compound item is formed in the year of purchase for low-value assets (LVA) with purchase costs between € 150 and € 1,000. This is depreciated on a straight-line basis over five years.

Grant-financed fixed assets are entirely financed through investment grants. Investment grants have been deducted from the acquisition costs.

Newly constructed buildings are capitalised at production cost. Production cost includes individually attributable costs from the deployment of personnel and an appropriate share of production overheads.

Financial assets

Financial assets are valued at purchase price. Shares in affiliated enterprises and long-term equity investments are shown at the lower of purchase cost and fair value.

The securities-based investment funds are valued at purchase cost. Lower valuations are applied where sustained impairment is anticipated. If the reasons for amortising financial assets in previous years no longer apply, those assets are written up.

Under 'Other loans', the low-interest (2.5%) long-term loans provided to help staff purchase residential property for their own use were discounted at 2.5% p.a.; otherwise figures are shown at face value.

CURRENT ASSETS

Current assets are valued strictly at the lower of purchase or production cost.

Goods and services not yet invoiced are shown at purchase or production cost, including an appropriate portion of overhead costs; advance payments made and received are shown after deducting individual and general valuation adjustments.

'Project-related assets' is a special GIZ balance sheet item allowing a better insight into the company's assets and financial position. This item includes the cash and bank balances of projects, as well as receivables and corresponding liabilities.

Other assets are shown at face value.

Cash in hand and balances at banks are shown at face value, unless a lower fair value measurement is required in individual cases.

Credit balances and liabilities in foreign currencies

Long-term credit balances and liabilities denominated in foreign currencies are valued at the lowest and highest figure, respectively. Short-term receivables and liabilities in foreign currencies as well as balances at banks with terms to maturity of less than one year are converted in line with the average spot exchange rate on the balance sheet date. There is no conversion or revaluation of non-convertible currencies. Currencies held in projects are valued at an average rate that is updated in an exchange rate calculation programme. These funds are generally not intended to be repatriated, and a substantial part is also non-convertible.

Provisions

Provisions have been recognised at the required settlement amount based on an appropriate commercial assessment. In calculating this amount, any direct claims for settlement are deducted from the total liability.

Provisions for which a direct claim for settlement exists have not been shown.

All the actuarially calculated provisions were valued according to the projected unit credit method, using the Heubeck 2005 G reference tables.

Pursuant to section 253 paragraph 2, sentence 1 HGB, other provisions with a remaining term of more than one year were valued using the average market interest rate (published by the German Bundesbank) of the previous seven fiscal years congruent with their remaining term.

Liabilities

Liabilities are shown at their settlement amount.

Deferred taxes

Deferred taxes result from the following temporary differences.

BALANCE SHEET ITEM

	31.12.2014 Difference, trade vs tax balance		31.12.2014 Deferred taxes
	in €	Tax rate in %	
Advance payments made	-9,137	25,625	-2,341
Cash in hand, Central Bank balances, bank balances	-260,871	25,625	-66,848
Provisions for pensions and similar obligations	9,247,400	25,625	2,369,646
Other provisions	1,750,411	25,625	448,543
			2,749,000

As at the balance sheet date, there were net deferred tax assets of €2,749,000. GIZ did not exercise the option to capitalise deferred tax assets provided for under section 274 paragraph 1, sentence 2 HGB.

PROFIT AND LOSS ACCOUNT

Appropriation of profits

GIZ's Articles of Association stipulate that profits must only be used for those public-benefit purposes approved under the Articles of Association.

An amount equal to the annual net surplus of €5,403,636 was transferred to the statutory reserves.

NOTES ON THE BALANCE SHEET

(1) INTANGIBLE AND TANGIBLE ASSETS

Changes in fixed assets are shown in the appendix to the notes (Changes in fixed assets).

(2) FINANCIAL ASSETS

GIZ has held a 51% stake in the affiliated enterprise GIZ-Festo Training Services LLC (based in Riyadh, Saudi Arabia) since fiscal 2014. At the time of formation in 2014, this company's equity stood at SAR 500,000 (€109,625 based on the exchange rate as at 31 December 2014). The annual accounts for this affiliated enterprise for the short fiscal year were not yet available when GIZ's annual accounts were drawn up.

Since 2010, GIZ has also held a 49% stake in sequa gGmbH (based in Bonn). This holding is recognised at amortised cost (€360,862). In fiscal 2014 a previous unscheduled write-down of €175,000 was reversed. In fiscal 2013, the equity of sequa gGmbH totalled €1,695,948, with a surplus for the year of €189,476.

(3) INVENTORIES

Advance payments made

This item includes advances totalling €7,116,394 covered by guarantees. A general provision of 1% has been made for advance payments. In total, €82,565,438 (previous year: €63,763,000) have a term of over one year.

(4) RECEIVABLES AND OTHER ASSETS

	Residual term less than 1 year	Residual term over 1 year	Total 2014	of which from shareholder	Total 2014	of which from shareholder
	€	€	€	€	€'000	€'000
1. Trade receivables						
Public-benefit sector	43,295,268	0	43,295,268	36,369,924	46,106	30,797
GIZ IS	57,114,154	0	57,114,154	0	59,027	0
	100,409,422	0	100,409,422	36,369,924	105,133	30,797
2. Receivables from affiliated companies	37,848	0	37,848	0	0	0
3. Project assets						
Cash and balances at banks	42,986,343	0	42,986,343	0	48,717	0
Partnership services advanced	397,297	0	397,297	0	357	0
Receivables, other	100,703,282	0	100,703,282	0	91,469	0
Liabilities, other	-9,337,041	0	-9,337,041	0	-13,118	0
	134,749,881	0	134,749,881	0	127,425	0
4. Other assets						
Receivables						
from premium due, see (5)	0	4,090,335	4,090,335	4,090,335	4,090	4,090
from rent advances abroad	2,691,107	95,493	2,786,600	0	2,515	0
from staff for travel and other advances	3,060,024	20,084	3,080,108	0	2,821	0
from the tax authorities	16,730,162	465,798	17,195,960	0	11,726	0
other	9,190,130	0	9,190,130	0	25,081	0
	31,671,423	4,671,710	36,343,133	4,090,335	46,233	4,090
	266,868,574	4,671,710	271,540,284	40,460,259	278,791	34,887

(5) CAPITAL (THROUGH PAYMENT)

Both subscribed capital and the capital reserve are shown at face value.

	2014	2013
	in €	in €'000
Subscribed capital	20,452,000	20,452
Capital reserve	5,112,919	5,113
Less:		
Subscribed capital unpaid	11,759,713	11,760
Premium due, see (4)	4,090,335	4,090

The item 'Subscribed capital unpaid' refers to those parts of the capital increase made in accordance with the shareholder resolution of 23 June 1978 (and entered in the commercial register) that have not yet been called up. The last two items should be regarded as risk capital and can be called up if needed subject to the agreement of the shareholder.

(6) STATUTORY RESERVES

CHANGES IN STATUTORY RESERVES

	in €
Brought forward as at 1 January 2014	56,633,041
Net surplus for the year transferred to reserves	5,403,636
Total as at 31 December 2014	62,036,677
Of which:	
tied reserves	40,298,309
untied reserves	21,738,368
	62,036,677

(7) PROVISIONS

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions were actuarially calculated using the average market interest rate of the last seven years as published by the German Bundesbank, based on an expected remaining term of 15 years.

The essential actuarial parameters are listed in the following table.

	%
Actuarial interest rate	4.62
Rate of pension increase during the qualifying period (previous company pension scheme)	3.68
Rate of pension increase during the qualifying period (new company pension scheme)	3.98
Rate of increase in previous company pension scheme, every two years	4.50
Rate of increase in new company pension scheme, annual	1.00
Trend in social security contribution assessment ceiling, annual	2.50
Fluctuation, scaled according to age, up to	12.00

With respect to the conversion of the pension provision in line with BilMoG as of 1 January 2010, GIZ exercises the option under section 67 paragraph 1, sentence 1 of the EGHGB and spreads the cost of the conversion over a period of up to 15 years. In fiscal year 2014, €8,991,703 was recorded as extraordinary expense, so that the shortfall in pension reserves totalled €80,925,322 as at the balance sheet date. In total, €68,526,500 was paid into pension reserves during fiscal year 2014.

OTHER PROVISIONS

Provisions for commitments in respect of semi-retirement and benefits were determined in accordance with actuarial methods. Maturity-congruent average market interest rates for the previous seven fiscal years of 3.50% and 4.53% were used.

Commitments totalling €382,531 for semi-retirement were offset against a fixed-term deposit (cover fund) of €175,238.

Provisions for working-time accounts are recognised at fair value in line with the rules for long-term investment-related pension commitments pursuant to section 253 paragraph 1 sentence 3 HGB.

The other provisions with a remaining term of more than one year were valued using the average market interest rate of the previous seven fiscal years in line with their remaining term.

The most important other provisions established are listed in the following table.

	2014	2013
	in €	in €'000
Costing and warranty risks	12,877,524	19,798
Amount payable following withdrawal from Pension Institution of the Federal Republic and Federal States	13,917,704	13,918
Working-time accounts	16,703,715	14,059
Leave entitlement for Head Office staff	8,321,141	8,845
Variable remuneration	7,012,321	7,981

As at 1 January 2010, the conversion of other non-current provisions due to the changed valuation in line with BilMoG resulted in an excess cover of €3,772,712. Because the actual amount to be reversed must be paid in again by 31 December 2024 at the latest, the option under section 67 paragraph 1, sentence 2 EGHGB is exercised and the provision values maintained. The amount of excess cover as at 31 December 2014 was €128,600.

(8) LIABILITIES

	Residual term less than 1 year	Residual term 1-5 years	Residual term more than 5 years	Total 2014	of which, to shareholder	Total 2013	of which, to shareholder
	in €	in €	in €	in €	in €	€'000	€'000
1. Advance payments received							
Public-benefit sector	504,109,119	0	0	504,109,119	464,063,166	452,310	372,129
GIZ IS	63,517,148	0	0	63,517,148	0	63,123	0
	567,626,267	0	0	567,626,267	464,063,166	515,433	372,129
less							
value-added tax not yet offset on advance payments received	10,164,018	0	0	10,164,018	8,009,462	10,750	8,988
	557,462,249	0	0	557,462,249	456,053,704	504,683	363,141
2. Trade payables							
suppliers	15%	5,348,808	0	5,348,808	0	6,262	0
consulting firms	60%	21,212,446	0	21,212,446	0	28,599	0
other	25%	8,607,216	0	8,607,216	0	8,428	0
	100%	35,168,470	0	35,168,470	0	43,289	0
3. Liabilities to affiliated companies	979,622	0	0	979,622	0	0	0
4. Other liabilities	10,564,966	451,995	1,120,861	12,137,822	0	28,791	0
	604,175,307	451,995	1,120,861	605,748,163	456,053,704	576,763	363,141

(9) OFF-BALANCE SHEET ITEM: TRUST ASSETS/
TRUST LIABILITIES

	2014	2013
	€	€'000
Intangible and tangible assets	3,424,595	3,138
Deutsches Haus Moscow	609,940	825
Participating interests	3	0
	4,034,538	3,963

Assets of €4,034,538 are matched by corresponding liabilities.

NOTES TO THE PROFIT AND LOSS ACCOUNT

(10) TURNOVER

TURNOVER BY SECTOR

	2014	2013
	in €	in €'000
Business contracts	1,770,819,654	1,700,671
Grant-based (incl. GIZ-financed measures with partial third-party financing)	30,967,387	54,689
Public-benefit sector	1,801,787,041	1,755,360
GIZ IS	157,537,152	189,878
	1,959,324,193	1,945,238

BY LOCATION OF COMMISSIONING PARTY

	2014		2013	
	in €	in %	in €'000	in %
Federal Republic of Germany	1,813,745,438	92	1,756,197	90
Rest of Europe	76,804,907	3	94,586	5
Africa	9,800,195	< 1	12,218	< 1
Americas	10,233,561	< 1	11,540	< 1
Asia	48,660,001	2	65,678	3
Oceania	80,091	< 1	5,019	< 1
	1,959,324,193		1,945,238	

BY REGION OF ACTIVITY

	2014		2013	
	in €	in %	in T€	in €'000
Africa	619,212,390	32	614,948	32
Americas	187,110,766	10	183,047	9
Asia	662,582,034	34	669,755*	34
Europe	159,802,597	8	123,320*	6
Oceania	5,966,153	< 1	4,588	< 1
Supraregional	324,650,253	16	349,581	18
	1,959,324,193		1,945,238	

* The figures for fiscal 2013 have been adjusted to reflect a new system of geographical allocation.

(11) OTHER OPERATING INCOME

Income from foreign currency valuations amounts to €4,460,640 (previous year: €3,250,000). Income not related to the period under review was €11,867,727 (previous year: €12,431,000). This income is mainly due to the reversal of provisions.

(12) OTHER OPERATING EXPENSES

Expenses from foreign currency valuations amount to €3,315,073 (previous year: €2,588,000). Expenses not related to the period under review were €64,189 (previous year: €91,000). These expenses relate primarily to losses on the disposal of fixed assets.

This item also includes the costs of the audit for the annual statement of accounts (€120,000), tax consulting services (€419,464) and other audits carried out by the external auditors (€86,756).

(13) INTEREST AND SIMILAR EXPENSES

These expenses relate primarily to accrued interest on pension provisions of €27,241,668 and to other provisions with a remaining term of over one year in the amount of €675,356.

(14) EXTRAORDINARY EXPENSES/EXTRAORDINARY RESULT

In the course of the BilMoG conversion, GIZ exercises the option under section 67 paragraph 1, sentence 1 of the EGHGB and spreads the cost of the conversion of pension provisions (conversion amount) over a period of up to 15 years. In fiscal 2014, a total of €8,991,703 (equivalent to one-fifteenth) was recognised as extraordinary expenses (previous year: €17,983,000 – equivalent to two-fifteenths).

(15) TAXES ON INCOME

	2014	2013
	in €	in €'000
Corporation tax		
- income previous year	29,509	3
- expenditure current year	0	-142
- expenditure previous year	-453,392	-23
Trade tax		
- income previous year	2,810	0
- expenditure previous year	-2,964	-1
	-424,037	-163

OTHER INFORMATION

TOTAL OTHER FINANCIAL COMMITMENTS

COMMITMENTS FROM COMMERCIAL LEASES

Commitments under commercial leases for office premises and parking spaces (2015 to 2023): €49,744,060.

PURCHASE COMMITMENTS FOR INVESTMENT PROJECTS

As at the balance sheet date, there were purchase commitments for investment projects in the amount of €811,307.

LIABILITIES TO AFFILIATED ENTERPRISES

In accordance with its contractual liabilities to the Saudi Government, GIZ as the parent of a local operating company (i.e. its subsidiary GIZ-Festo Training Services LLC) is obliged to provide a performance guarantee in respect of the operation of the Al Rass vocational school in Saudi Arabia. This performance guarantee stood at SAR 7,105,193 (equivalent to €1,557,813 based on the rate of exchange as at 31 December 2014).

CONTINGENT LIABILITIES

GIZ is a member of several consortia in which it cooperates with partners from various EU countries and other countries to jointly win contracts and implement project measures in various fields (e.g. procurement of materials and equipment and delivery of services).

In all these consortia, each member is jointly and severally liable to the client. GIZ's liability is minimised on account of its lead role and its provision of project funds as projects progress; claims are therefore not expected. As at the balance sheet date, there were 13 consortia in all. GIZ has the lead role in 10 of these consortia.

As at 31 December 2014, the risk arising from participation in the consortia amounted to €280,510. Based on the experience of recent years, claims are not expected.

Following approval by the relevant ministries in December 2007, GIZ became a member of the European Network of Implementing Development Agencies (EUNIDA), which is based in Brussels. This is a European Economic Interest Grouping (EEIG) with 10 members, the purpose of which is to exchange information on international cooperation among members and to submit joint bids to implement projects. The network was established without equity capital.

AVERAGE EMPLOYMENT DURING THE YEAR

	2014	2013
Head Office personnel	1,867	1,929
Project staff (Germany)	1,249	1,256
Field staff	2,063	2,013
GIZ total employees (excluding national personnel)	5,179	5,198
National personnel	11,177	11,054
GIZ total personnel	16,356	16,252

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

Chairman

Dr Friedrich Kitschelt

State Secretary, German Federal Ministry for Economic Cooperation and Development (BMZ), Bonn (member of the Supervisory Board from 13 March 2014 and Chairman of the Supervisory Board from 28 March 2014)

Hans-Jürgen Beerfeltz,

Former State Secretary, German Federal Ministry for Economic Cooperation and Development (BMZ), Bonn (up to 28 March 2014)

First Deputy Chairman

Dr Stephan Krall

Head of Competence Centre at GIZ, Eschborn

Second Deputy Chairman

Jan Peter Schemmel

Head of IKI Programme Office at GIZ, Berlin (up to 30 July 2014)

Dr Dietmar Bartsch

Member of the German Federal Parliament, Berlin

Dr Harald Braun

Former State Secretary, German Federal Foreign Office, Berlin (up to 13 March 2014)

Martin Gerster

Member of the German Federal Parliament, Berlin (up to 13 March 2014)

Anja Hajduk

Member of the German Federal Parliament, Berlin (from 13 March 2014)

Anne Ruth Herkes

State Secretary, Federal Ministry for Economic Affairs and Energy, Berlin (up to 13 March 2014)

Priska Hinz

Member of the German Federal Parliament, Berlin (up to 13 March 2014)

Armin Hofmann

GIZ Programme Manager, Laos

Winnie Kauderer

Junior Specialist at GIZ, Bad Honnef

Volkmar Klein

Member of the German Federal Parliament, Berlin

Dr h. c. Jürgen Koppelin

Former Member of the German Federal Parliament, Berlin (up to 1 February 2014)

Antonia Kühn

Union Secretary, DGB (German Trade Union Confederation), North Rhine-Westphalia region, Düsseldorf

Birgit Ladwig

Office Director, Unified Service Sector Union (ver.di) – National Office, Berlin

Dr Joachim Langbein

GIZ Project Manager, Bonn

Peter Pfaumann

GIZ Country Director, Mozambique

Thomas Schenk

Head of Regional Division for Hesse, Unified Service Sector Union (ver.di), Frankfurt am Main

Ursula Schoch
GIZ Advisor, Bonn

Wolfram Schöhl
Deputy Director General, Bavarian State Ministry for Food,
Agriculture and Forests, Munich

Dr Ludger Schuknecht
Director General, Federal Ministry of Finance, Berlin

Daniela Spies
GIZ Planning Officer, Eschborn (from 1 August 2014)

Sonja Steffen
Member of the German Federal Parliament, Berlin
(from 13 March 2014)

Stephan Steinlein
State Secretary, Federal Foreign Office, Berlin
(from 13 March 2014)

Dagmar Wöhrl
Member of the German Federal Parliament, Berlin
(from 4 June 2014)

Brigitte Zypries
Parliamentary State Secretary to the Federal Minister
for Economic Affairs and Energy, Berlin
(from 13 March 2014)

MANAGEMENT BOARD

Tanja Gönner
Chair of the Management Board

Dr Christoph Beier
Vice-Chair of the Management Board

Dr Hans-Joachim Preuß

Cornelia Richter

REMUNERATION

The remuneration received by members of the Management Board generally includes a fixed salary and a variable component. For members of the Management Board currently employed, the total remuneration in fiscal year 2014 was € 989,910.

Members of the Supervisory Board are merely reimbursed for their travel costs of € 28,152; there is no further remuneration.

	Fixed salary	Variable remuneration	Total
	€	€	€
Tanja Gönner	241,797	33,333	275,130
Dr Christoph Beier	221,219	33,333	254,552
Dr Hans-Joachim Preuß	213,159	25,000	238,159
Cornelia Richter	169,773	25,000	194,773
Other remuneration components			27,296
Total remuneration			989,910

A settlement of € 50,000 was paid in 2014 to one former member of the Management Board.

Provisions to cover the pension entitlements of former senior managers and members of the Management Board total € 7,652,700. With respect to the conversion of the pension provision in line with BilMoG as of 1 January 2010, GIZ exercises the option under section 67 (1), sentence 1 of the EGHGB and spreads the cost of the conversion over a period of up to 15 years. As at 31 December 2014, the difference carried forward was € 1,452,391. Current retirement pension payments in fiscal year 2014 totalled € 646,200.

LOANS TO ORGANS OF THE COMPANY

Employees on the Supervisory Board	in €
Loans as at 1 January 2014	17,934
Repayments	1,570
As at 31 December 2014	16,364

In all cases, the term is 15 years and 2 months at a rate of 2.5% p.a.

Bonn/Eschborn, 11 May 2015

The Management Board

Tanja Gönner
Chair of the
Management Board

Dr Hans-Joachim Preuß

Dr Christoph Beier
Vice-Chair of the
Management Board

Cornelia Richter

APPENDIX TO THE NOTES

02

CHANGES IN FIXED ASSETS IN FISCAL 2014

	COST OF ACQUISITION OR PRODUCTION					ACCUMULATED DEPRECIATION				CARRYING AMOUNTS		
	1.1.2014	Additions	Reclassification	Retirements	31.12.2014	1.1.2014	Depreciation in the fiscal year	Write-ups	Retirements	31.12.2014	31.12.2014	31.12.2013
	in €	in €	in €	in €	in €	in €	in €	in €	in €	in €	in €	in €
I. Intangible assets												
Purchased concessions, industrial property rights and similar rights and values as well as licences to such rights and values	3,616,266	932,341	0	22,314	4,526,293	2,499,076	509,716	0	19,929	2,988,863	1,537,430	1,117,190
II. Tangible assets												
1. Land, land rights and buildings including buildings on third-party land	125,701,160	8,299,389	13,939,204	92,080	147,847,673	43,884,908	2,821,824	0	79,148	46,627,584	101,220,089	81,816,252
2. Other plant, operating and office equipment	41,497,141	4,600,116	64,640	4,798,631	41,363,266	26,932,611	4,839,633	380	4,670,155	27,101,709	14,261,557	14,564,530
3. Advance payments and assets under construction	44,356,944	26,685,705	-14,003,844	0	57,038,805	0	0	0	0	0	57,038,805	44,356,944
	211,555,245	39,585,210	0	4,890,711	246,249,744	70,817,519	7,661,457	380	4,749,303	73,729,293	172,520,451	140,737,726
III. Financial assets												
1. Shares in affiliated companies	0	50,881	0	0	50,881	0	0	0	0	0	50,881	0
2. Participating interests	535,862	0	0	0	535,862	175,000	0	175,000	0	0	535,862	360,862
3. Securities held as fixed assets	294,535,528	93,899,763	0	0	388,435,291	0	0	0	0	0	388,435,291	294,535,528
4. Other loans	1,125,031	177,000	0	215,736	1,086,295	251,865	12,952	10,298	0	254,519	831,776	873,166
	296,196,421	94,127,644	0	215,736	390,108,329	426,865	12,952	185,298	0	254,519	389,853,810	295,769,556
	511,367,932	134,645,195	0	5,128,761	640,884,366	73,743,460	8,184,125	185,678	4,769,232	76,972,675	563,911,691	437,624,472

AUDITOR'S REPORT

03

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Bonn/ Eschborn, for the business year from January 1 to December 31 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related

internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the "Company's position and suitably presents the opportunities and risks of future development."

Regards,

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hauptmann
German Public Auditor

Reichel
German Public Auditor