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ANNUAL STATEMENT OF ACCOUNTS 2018

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

CONTENTS

REPORT OF THE SUPERVISORY BOARD TO THE SHAREHOLDER

MEETINGS

The Supervisory Board held three ordinary meetings in fiscal 2018. The Audit Committee held one meeting and the Standing Committee met eight times.

APPOINTMENTS

In 2018 the composition of the Supervisory Board changed as follows:

State Secretary Martin Jäger was appointed to the Supervisory Board on 4 April 2018. On 13 April 2018 he was elected by the members of the Supervisory Board to the position of Chair as successor to Dr Friedrich Kitschelt. On 18 April 2018, Parliamentary State Secretary Christine Lambrecht was appointed by the shareholder to take over from Mr Johannes Schmalzl as a member of the Supervisory Board.

With effect from 8 June 2018, the shareholder appointed Deputy Director General Michael Hinterdobler, Dr Peter Ramsauer (Member of the German Federal Parliament) and Mr Carsten Körber (Member of the German Federal Parliament) to the Supervisory Board as shareholder representatives. They succeeded Deputy Director General Wolfram Schöhl, Ms Dagmar Wöhrl (former Member of the German Federal Parliament) and Mr Volkmar Klein (Member of the German Federal Parliament).

Parliamentary State Secretary Christine Lambrecht and Mr Carsten Körber (Member of the German Federal Parliament) were elected to the Audit Committee. Parliamentary State Secretary Christine Lambrecht assumed the position of Chair of the Audit Committee.

In his capacity as Chair of the Supervisory Board, State Secretary Martin Jäger is also a member of the Supervisory Board's Urgent Matters Committee and Standing Committee.

ADVISING AND SUPERVISING THE MANAGEMENT BOARD

The collaboration between the Supervisory Board and the Management Board is based on trust. In the year under review, the Management Board informed the Supervisory Board about management policy, the state of operations and the liquidity and profitability of the company. These reports and joint meetings enabled the Supervisory Board to perform its designated role of advising and supervising the Management Board. The Supervisory Board was actively involved in important company decisions. It advised the Management Board on key issues and approved Management Board proposals after detailed examination. The following issues merit specific mention considering their importance:

› In fiscal 2018 the Supervisory Board approved a proposal to conclude a new collective agreement on flexible forms of assignment at GIZ. By introducing new flexible working models the company wants to ensure that it can maintain its ability to deliver services, especially in fragile contexts, and make foreign assignments more attractive.

› The Supervisory Board also approved a proposal to conclude a collective agreement on assignment conditions in fragile contexts. The objective here is to establish a body of standardised rules that allow GIZ staff to plan for future assignments in other countries with greater certainty.

› The Supervisory Board approved a proposal to conclude an extended software maintenance contract (Enterprise Support) for SAP licences. SAP's IT systems are used widely at GIZ, making it an important contractual partner. The contract regulates the maintenance of user licences purchased by GIZ and was necessary in order to prepare for the impending migration to SAP's S/4HANA system.

› The Supervisory Board approved the financial, investment and human resources plans for 2019. These are based on projections of a further increase in new commissions and a rise in total business volume. In light of these projections, staff numbers are also likely to increase in every category.

› The Supervisory Board obtained regular updates from the Management Board on the development of business in its taxable business area, International Services (InS), which again generated a positive operating result and positive net income in fiscal 2018.

MANAGEMENT BOARD REPORTS

The Management Board complied with its reporting obligations in 2018. It reported regularly on the development of business at GIZ, which was again very positive in fiscal 2018.

These duties included presenting the Long-Term Corporate Plan 2019–2021 to the Supervisory Board. The Long-Term Corporate Plan provides an overview of the strategic environment analyses and market development assessments conducted by GIZ.

The Supervisory Board was informed about the progress of compliance and IT security management measures at GIZ. While the new Compliance Management System is designed to help GIZ staff deal professionally with new compliance challenges linked to the implementation of increasingly complex commissions, the purpose of the IT Security Management System is to protect GIZ's core IT systems.

ANNUAL STATEMENT OF ACCOUNTS 2018

The auditors KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited 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 a suitable view of the company's position and suitably presents the opportunities and risks of future development.

At its meeting on 4 July 2019, the Supervisory Board approved the findings of the audit of the annual statement of accounts for 2018 carried out by the auditors and the Audit Committee appointed by the Supervisory Board.

The Supervisory Board recommends that the shareholder adopt the annual statement of accounts for 2018 and formally approves the actions of the Management Board.

Berlin, 4 July 2019

Martin Jäger

Chair, GIZ Supervisory Board
State Secretary, German Federal Ministry for Economic Cooperation and Development

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MANAGEMENT REPORT FOR THE FISCAL YEAR 2018

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 around 120 countries worldwide. Thanks to its long-standing local presence and global networks encompassing politics, business and civil society, GIZ is well placed to cooperate successfully with a large number of stakeholders.

GIZ has 20,726 employees across the globe. Roughly 68.5% are based outside Germany with the status of 'national personnel'. A further 577 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 2018, the combined total of integrated experts and returning experts placed by CIM with local employers in GIZ's partner countries and receiving financial, advisory and other support from CIM stood at 835.

GIZ's activities focus on effective cross-border cooperation, the transfer of knowledge and the development of expertise. Compared with similar organisations around the world, the sheer range of its activities is unique. Over more than 50 years, GIZ has built up a vast body of experience in many different areas: 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 technical advice, individual training and measures to strengthen organisations and institutions through to networking, dialogue, mediation, project management and procurement/logistics services.

The German Federal Ministry for Economic Cooperation and Development (BMZ) is GIZ's 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 Food and Agriculture (BMEL); the Federal Ministry of Finance (BMF); the Federal Ministry of the Interior, Building and Community (BMI); the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU); the Federal Ministry of Defence (BMVg); and the Federal Ministry for Economic Affairs and Energy (BMWi), the Bundesländer (federal states) and both public sector and private sector clients in Germany and abroad. Governments of other countries, the European Commission, the United Nations, various regional and multilateral development banks and private foundations, such as the Bill & Melinda Gates Foundation, also commission GIZ to implement their own projects or support projects initiated by federal ministries. GIZ works closely with the private sector through commissions and cofinancing arrangements and helps its clients to successfully combine development and foreign trade activities.

Alongside its activities in the public-benefit business area, GIZ is authorised by the Federal Government to receive commissions directly from international clients in its taxable business area, International Services (InS). These clients include the European Union (EU), national governments, bilateral donors, UN organisations and agencies and international financial institutions. GIZ also attracts commissions from the private sector.

B. STRATEGY

GIZ's strategic focus is shaped by the trends and developments in the environment in which it operates. We have identified ten major global trends and developments that are crucially relevant to GIZ today and that will continue to be so for the next three to five years. By analysing these trends, we can spot potential opportunities and risks for the company.

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.

DEVELOPMENTS AND TRENDS AFFECTING GIZ

Trend 1: Fragility and violent conflicts remain a determining feature of our partner countries.

The impacts of fragility, failing states, violent conflicts, civil war and terrorism continue to be highly relevant for Germany's development policy. More than 70% of our partner countries are affected. An increasing number of GIZ staff now work in fragile contexts. This entails major challenges for GIZ's ability to deliver. These challenges involve the timely, needs-based recruitment of trained field staff, security and risk management, different personnel assignment and management models, and the expansion of GIZ's existing range of products and services, for instance in the fields of security and stabilisation.

Trend 2: Displacement and migration have moved to the top of the development-policy and political agenda.

The topics of displacement and migration continue to attract considerable political attention. This is reflected in the increase in the federal budget allocation, as well as funding by the EU and other clients. GIZ has already considerably expanded its activities in refugees' countries of origin, and in countries hosting refugee populations. Sustainable migration management is another key area of expertise at GIZ. To support those who choose to return to their home country, GIZ organises education and training, promotes job creation initiatives and advises on starting up new business. GIZ also aims to strengthen the capacity of partner governments in the field of migration policy and support legal migration to Germany for those with the required skills. This is supplemented by advisory services in returnee advice centres within Germany to enable voluntary returnees to make an informed decision on returning home and help ensure that reintegration meets their needs.

Trend 3: Tackling climate change and its impacts is becoming increasingly urgent.

At international level, an increasing amount of funding is being provided to combat climate change. At GIZ, there is an increase in particular in the number of requests from the EU in this area. GIZ has a competitive advantage here, as it is accredited to administer funding from the European Commission within the framework of delegated cooperation arrangements. GIZ has already begun to harness the opportunities provided by the Green Climate Fund (GCF) in accepting a large-scale commission.
A third of GIZ's entire portfolio is already devoted to measures in the field of climate change mitigation and adaptation. GIZ has adopted a climate roadmap to further hone its climate profile and is in a strong position in this sector with its focal areas of low-carbon mobility, climate risk insurance and support for partner countries in implementing their Nationally Determined Contributions (NDCs) to meet the climate protection targets enshrined in the Paris Agreement. GIZ is thus also helping BMZ to achieve its goal of climate neutrality.

Trend 4: The global balance of power is shifting.

Reactionary movements, nationalism and (right-wing) populism can currently be observed in many countries around the world. According to the Bertelsmann Transformation Index 2018, support for democracy, the market economy and good governance has fallen to its lowest level in the last 12 years. While the appeal of the development models adopted by western industrialised nations is waning, the influence of the Chinese approach is growing. This model is based on the idea that economic and investment policies can be harnessed to reduce poverty without the need for wider democratisation or social empowerment. India, Saudi Arabia and Russia, for example, also proclaim the merits of their own models. The 'club memberships' they offer are increasingly seen as attractive options, particularly at regional level and among neighbouring countries (the 'Putin model' in the countries of the former Soviet Union, the 'China model' in Central and South Asia and along the Silk Road). Although policy benchmarking and public symbolism are still frequently based on the values of democracy and the market economy in numerous partner countries, many now feel less comfortable with the explicitly normative expectations of good governance, respect for human rights and sustainability attached to western development cooperation, partly because alternative models are available (China factor). German and European development cooperation needs to position itself more explicitly and assert itself more effectively in this landscape of competing economic and political *role models*. We need to debate the future strategic focus of our development policy and explore ways of dovetailing Germany's activities in this field with those of its partners. With a view to harmonising approaches and results, this process should complement rather than stand apart from or compete with other models such as that offered by China. Good results can be obtained through integrated delivery models – investment, maintenance, management and training.

Trend 5: Global agendas are being shaped by new balances of power and influence.

Multilateral action on global issues peaked, at least for now, in 2015, when the UN's member states came together as equals to draw up and adopt a series of key international treaties covering multiple issues (2030 Agenda, Addis Ababa Action Agenda, Paris Agreement). Today, just a few years later, those global agendas and collective approaches are increasingly being questioned. Key states – above all the US – are withdrawing from joint agreements, and the traditional multilateral system is under tremendous pressure to justify itself in terms of its legitimacy, efficiency and funding. Other actors are repositioning themselves in the ensuing vacuum. China in particular has demonstrated a willingness to play a greater role within the multilateral framework, not just through its official pronouncements but also by steadily increasing its financial contributions to the UN system. At the same time, new donors are joining the scene, especially in emerging-market countries such as Turkey, Saudi Arabia, Indonesia and Russia. This makes it even more important to implement structural changes, e.g. at the World Bank and in the United Nations Development Programme (UNDP), partly in response to the complexity of global challenges but partly also to reflect the shifting balance of power and influence within representative bodies. The positions adopted by these new actors are likely to impact on the shape of future global agendas. There is a more systemic focus (SDGs) and a greater emphasis on the role of data. New partnerships are being created, typically involving the private sector, subnational actors and both South-South and triangular cooperation.

GIZ's orientation towards international cooperation for sustainable development means it is fundamentally responsive to these trends and well positioned to support BMZ and other federal ministries effectively. Even so, it should continue to improve its services, cooperation platforms, modes of delivery and instruments in line with demand. Increasingly, it should also be prepared for the need to coordinate its activities with other partners. As a federal enterprise, GIZ operates within a narrower framework than private sector actors. As such, political factors and broader values will always play a key role. While this can be a competitive disadvantage in individual situations, it nevertheless provides stability.

Trend 6: The stakeholder landscape in international cooperation is becoming more diverse – partnership-based approaches are moving to the forefront.

In the light of global agendas, it is becoming increasingly important for different stakeholder groups (official development cooperation, the private sector, civil society, the academic and research community, etc.) to work together as partners. Global networks and knowledge-sharing platforms are also part of this process. GIZ's clients expect increased service delivery in partnerships, examples include the EU in consortia for large-scale projects and BMZ in the development of long-term partnerships. GIZ continues to develop its cooperation platforms and steering structures and is making them more flexible in order to strengthen its arrangements for cooperation with many different stakeholders.

Trend 7: Digital change is transforming the services we offer and the way we work.

Digital change offers tremendous potential for further developing our services and for optimising GIZ's internal processes. As regards the company's services, digital technologies (e.g. blockchain, big data) are enabling GIZ to devise radically new solutions, reach new target groups, tailor projects even better to the specific needs of the end user and better involve partners. On the other hand, digital change also gives rise to certain challenges in our partner countries, and in turn these have an impact on GIZ. By way of example, digital tools can be used to influence elections, and increasing automation is transforming labour markets in developing and emerging economies.

At GIZ, digital solutions are helping to standardise and automate internal processes, thus enhancing effectiveness and efficiency. There is still much to be done in this area, however, and this will require a high level of investment in the company's technical infrastructure (particularly in the field structure). Digital skills also need to be developed, and a fundamental change in corporate culture ultimately needs to take place. Compliance with the provisions of the General Data Protection Regulation (GDPR) must also be guaranteed.

Trend 8: New priorities and expectations in development cooperation are creating a need for new services.

In line with their political priorities, commissioning parties are focusing regionally on Africa and the EU's southern and eastern neighbours. The thematic priorities include the development of private investment, the promotion of employment and support for infrastructure. This is reflected in action plans such as the Compact with Africa (CwA), the Marshall Plan with Africa and the EU External Investment Plan (EIP). Furthermore, reflecting new perceptions of the political role of development cooperation, funding is being increased considerably and there is a trend towards large-scale commissions with short deadlines. As a result, GIZ increasingly often finds itself having to reconcile conflicting aims: it is expected to generate visible results rapidly within tight deadlines. At the same time, however, it also has to ensure that its partners are fully involved, that its projects are sustainable and that it meets increasingly complex demands for commercial and legal accountability in its business operations. This reinforces the potential conflict between its results, time and cost objectives. The situation is further complicated by the political context in Germany, where GIZ is under growing pressure to justify its current status. There is a risk that this could undermine acceptance of the company's work in certain stakeholder contexts and regions and on certain issues. Finally, GIZ finds itself competing more and more with radically different approaches (e.g. direct private sector investment) that may obviate the need for GIZ inputs. In response, we constantly explore the potential for new forms of cooperation, new modes of delivery and further options for service delivery, and develop the range of services we offer accordingly.

Trend 9: Accountability, value for money, transparency and compliance requirements are becoming more stringent.

Development cooperation agencies and their stakeholders are increasingly required to provide evidence that funds have been used cost-effectively and have had an impact. As a federal enterprise with public-benefit remit, GIZ has a particular duty to ensure that all its activities are well managed and that projects are implemented cost-effectively. It is therefore important to use funds to achieve maximum impact. The large number of external audits conducted by supreme audit institutions, price auditors and commissioning parties, the increased need for documentation, ever-greater demands in the area of IT security and the global certification of GIZ's entire IT infrastructure mean that additional human resources and financial investment are required. Similarly, implementing the reformed EU public procurement legislation, the Joint Procedural Reform (GVR) with BMZ and changes to the way price types are officially categorised will also require additional investment in order to adapt internal systems. More stringent requirements in terms of value for money, compliance and transparency are in some cases at variance with the greater flexibility and swift implementation being called for by the clients.

Trend 10: Development cooperation must prove itself viable in a changed environment.

Competition for budget funds is a challenge for all implementing organisations. The growing proportion of funding awarded on the basis of a 'competition of ideas' as opposed to commissions awarded to GIZ directly poses particular challenges for project development and implementation. The necessary and time-consuming involvement of partners in project planning is at variance with the need to set up projects quickly, for example. Moreover, the short-term nature of projects (see also Trend 8) stands in conflict with the often protracted process of establishing a secure basis for activities under international law between Germany and its partner countries. New forms of project implementation (e.g. global projects) and new partner countries mean that GIZ is increasingly operating in areas and countries that are not covered by the existing general agreements, or where no agreements exist at all. Activities outside the remit of the general agreements may not only entail the loss of GIZ's special status, but could also go hand in hand with lengthier procedures to obtain work and residence permits at the place of assignment, and higher costs, for example due to no longer being exempt from VAT. Another issue concerns GIZ's ability to do business in non-ODA (official development assistance) or post-ODA countries (e.g. Greece and Thailand). Where general agreements are not sufficient to cover all of GIZ's business areas in line with national legislation, the company must look at other options in order to guarantee its ability to do business.

GIZ'S 2017–2019 CORPORATE STRATEGY

Together, these trends and developments form the basis of the company's strategy. GIZ's 2017–2019 corporate strategy is designed to ensure that the company is ready to meet the challenges of the future. The objectives of this strategy are assigned to the four strategic areas of action: effectiveness; business development; expertise and alliances; value for money. In order to achieve these objectives, GIZ implements strategic measures on a largely multi-annual basis. In 2018, the company made substantial progress in all four areas of action. The following section summarises the results achieved in 2018 and the strategic plans for 2019 as part of a multi-annual programme of strategic measures.

1. Objective in the area of action 'effectiveness': We meet the expectations of our partners, commissioning parties and shareholder by producing tangible, sustainable and measurable results.

GIZ's objective in the strategic area of action 'effectiveness' is to achieve sustainable and measurable results, and to enhance the communication of results in line with the priorities of its commissioning parties and partners. The presentation and communication of results are key to being successful in the growing competition of ideas (see also Trend 10) and to meeting the requirements for political communication. GIZ has therefore introduced an IT-based data collection tool that makes it considerably easier to collect and compute data and allows aggregated results to be presented at shorter intervals. In addition, the German Government's new priority area has been taken into account (see also Trend 8) and the measurability of job creation has been enhanced.

In order to be able to offer clients innovative and needs-driven solutions in digital service delivery, GIZ has piloted blockchain measures, developed digital learning formats and implemented new formats (such as hackathons and innovation labs). Furthermore, the second company-wide ideas competition (Innovation Fund) is currently under way. Focusing on Data4Development, its goal is to promote innovative ideas with the potential to make our projects even more effective (see also Trend 7). In addition, services offered to clients are continuously adapted to the new approach of the 2030 Agenda (e.g. services on monitoring the 2030 Agenda by partner countries). As a result, GIZ can position itself as a successful 2030 Agenda implementation partner (see also Trend 5).

2. Objective in the area of action 'business development': We develop economically viable business activities together with our commissioning parties.

As a result of developments thus far in the 'business development' area of action, GIZ was able to maintain its core business in 2018 and stabilise its business as part of the special initiatives and from other donors on a lasting basis.

To increase the client focus, various activities have been launched as part of an initiative called Hauptsache Auftraggeber (focusing on the client), such as the Key

Account Manager toolkit for efficient analysis of, communication with and support for clients. GIZ is thus addressing in even greater detail the different needs and priorities of its various clients (see also Trends 6 and 8).

In addition to the existing priority market segments of displacement and migration, climate and energy, and security and stabilisation, the new market segments of digitalisation and Economic Transformation Africa are helping the company to identify and harness additional business opportunities (see also Trends 2, 3 and 5). As part of BMZ's new special initiative on Training and Employment, GIZ has already been commissioned to conduct exploratory studies on job partnerships and the promotion of small and medium-sized enterprises (SMEs).

GCF is also important for new business (see also Trend 3). The first approved project is worth EUR 40 million, and this figure is set to triple by 2021. In 2019, the GCF approved a second project worth EUR 24 million (including cofinancing). Further project ideas are currently at different stages of the development process.

In order to meet the requirements for planning and implementing large-scale, complex projects (see also Trend 8), flexible structures have been created, thus allowing projects to be set up quickly, and internal roles and processes have been clearly defined. As large-scale, complex projects also require extensive adjustments to commission management and/or the support processes, the requirements are now being specified in more detail.

In order to develop its business with the future in mind, GIZ must respond to the fact that development cooperation is moving towards other forms of international cooperation in some partner countries, and that new forms of project implementation (e.g. global projects) and new countries of assignment mean that the company is increasingly operating in regions and countries that are not covered by the existing general agreements, or with which no agreements are currently in place (see also Trends 4, 5 and 10). GIZ has implemented measures such as strategic projections and portfolio analyses in several pilot countries (China, Chile, Thailand, South Africa, India and Brazil) that are helping to gear their country portfolios towards international cooperation and hence to business development in the post-ODA context. Issues concerning GIZ's policy on where it should maintain offices and future office structures are being addressed by developing a business location policy which sets out the decision-making criteria for prioritising and adapting locations.

3. Objective in the area of action 'expertise and alliances': We mobilise expertise by applying the skills and motivation of our staff, working with strong cooperation partners and forming strategic alliances.

The focus here is on further honing the skills of GIZ's workforce and on updating the instruments needed for their assignments in Germany and in the field. This will ensure that GIZ retains its ability to deliver the services requested by clients and that it remains an attractive employer.

The new Human Resources Strategy was approved in 2017 to address the challenges to our ability to deliver (see also Trend 1). Since then, GIZ has implemented key elements of the strategy, such as measures to make assignments outside Germany more attractive by introducing the flexible assignment forms IntEx and Traveller, which were negotiated with the collective bargaining partner and codetermination bodies in 2018. To enhance the role of national personnel and to increase the development opportunities available to them, GIZ has created a Mission Statement for National Personnel to provide strategic guidance. To guarantee the employability and efficiency of staff, GIZ is investing more heavily in boosting their digital skills in their specific job category (see also Trend 7). Parallel to this, the company's ability to deliver and its performance will be strengthened by cooperating closely with partners on the ground and by specifically developing strategic partnerships (see also Trend 6). To this end, GIZ has identified and analysed success factors for partnerships that are already working well in order to improve its cooperation management and enhance the cooperation skills of staff.

4. Objective in the area of action 'value for money': We remain cost-effective and ensure compliance by using our resources efficiently and responsibly.

Ensuring the greatest possible value for money and efficiency in projects, structures and processes while guaranteeing high standards in terms of accountability, transparency and compliance (see also Trend 9) continues to be a central concern of the shareholder, the commissioning parties and GIZ.

The importance of raising the efficiency of company-wide processes is reflected in measures such as the use of digital-based commission management and the integrated digital applications (IDA). IDA facilitates collaboration using virtual formats and thus makes work processes more efficient.

To improve traceability in the efficient use of funding and to make the cost-output ratio more transparent, GIZ has agreed with the shareholder on a cost-output monitoring system. GIZ is now establishing the internal processes, IT tools and capacity that are required to implement this system. The Digital Transformation and IT Solutions (DIGITS) Department was formed on 1 September 2018 to reflect the importance of digitalisation; it has an overarching coordination role within the company.

In addition, GIZ has adapted and revised key control mechanisms to guarantee integrity. These include the Compliance Management System (CMS), which was introduced throughout the company and implemented worldwide, and the Risk Management System (RMS) 2.0 introduced in 2018.

A key element in the 'value for money' area of action is the introduction of cost reimbursement pricing with an upper limit ('price cap'). Since early 2018, all offers for new and follow-on projects for BMZ business have been drawn up in line with the price cap, and commercial processes and systems have been adapted to the new procedure. Rules on handling the price cap have also been agreed on with the three largest German public sector clients.

C. OPERATING FRAMEWORK

2018 was marked by the delayed adoption of Germany's federal budget and by substantial increases – of which we were not aware in some cases until part-way through the year – in the funds allocated to those budgets of particular interest to GIZ. This created a great deal of planning uncertainty, especially in the first half of 2018.

With regard to project implementation, GIZ also had to deal with the increasing fragility of certain partner countries, the absence or delayed ratification of international treaties between Germany and some partner governments, more stringent documentation requirements covering the entire commission management process, more frequent audits and growing labour market shortages that made it difficult to fill vacant positions.

Thanks to the wide range of innovative services it provides and its strong record of local implementation, GIZ was able to secure a substantial share of these funding increases and further expand its business with BMZ and other federal ministries.

The upward trend in third-party cofinancing of projects commissioned by BMZ and other German public sector clients was also maintained. The European Union was again the biggest single provider of cofinancing, followed by the UK Department for International Development (DFID). After intensive negotiations, GIZ signed a framework agreement with the GCF. The first project proposal has already been approved. At present, negotiations are being conducted with various bilateral donors (in particular the Swiss Agency for Development and Cooperation (SDC) and the Scandinavian donors (Nordics+)) on fundamental changes to the current standard cofinancing agreements.

In 2018, GIZ's taxable business area (InS) made further rigorous efforts to implement the new business development strategy launched in the previous year, which is designed to ensure that its services remain viable and competitive in the years ahead. InS remains one of the leading players in the highly competitive EU procurement market.

Other opportunities are being created through greater collaboration with bilateral donors and the increasing readiness of the German Federal Government to commission GIZ through its taxable business area. At the same time, however, there is a risk of a substantial decline in commissions involving fragile states such as Afghanistan and DR Congo if the security situation continues to deteriorate.

The company is still vigorously pursuing outstanding receivables in Saudi Arabia. As a result, some payments have been received in recent months. Nevertheless, further allowances have been created to cover a greater volume of outstanding receivables.

In the last few years, a new challenge has emerged requiring action to control GIZ's own cost structures. The introduction of Germany's Accounting Law Modernisation Act (BilMoG), which brought substantial changes in the rules for occupational pensions, presented a series of challenges to GIZ's previous company pension schemes. These difficulties were exacerbated by the ongoing environment of near-zero interest rates. In response, over the last few years, GIZ has restructured its company pension arrangements.

Since October 2015, Deutscher Pensionsfonds AG (DPAG) has paid the pension entitlements accrued by employees up to 30 June 2015 under the old (pre-2005) company scheme (alte bAV). Since December 2017, it has also paid the pension entitlements accrued by current and future retirees up to 31 December 2016 under the 'past service' arrangements for the 2005 scheme (bAV 2005).

GIZ has completely transferred its 'future service' liabilities (i.e. pension entitlements accrued under the old scheme (alte bAV) after the 30 June 2015 cut-off point and under the 2005 scheme (bAV 2005) after 31 December 2016) to subsidiary GIZ Unterstützungskasse GmbH, which was established in 2015. Under these new arrangements, GIZ Unterstützungskasse GmbH will pay the 'future service' element of the pensions of retired employees for both the old and the 2005 schemes. This combination of a pension fund and provident fund is more tax-efficient.

The future pension entitlements of staff appointed from 2017 onwards are set out in the new company pension scheme 2017 (bAV 2017) collective agreement.

D. BUSINESS DEVELOPMENT

GIZ can look back on a very successful year in 2018. Following a very strong result in 2017, a further increase in new commissions proved out of reach. At €3,307 million, the 2018 figure was down 3%. However, total business volume[2] ended the year 17% higher at €2,995 million.

The indicators used to measure value for money remained stable at a high level in both the public-benefit business area and InS. In the former, the control parameter (the ratio between management costs for the year under review and the four-year average[3] of revenue in the public-benefit business area) stood at 10.3% compared with the 2017 figure of 9.6% (10.1% excluding the reduction in pension scheme costs due to outsourcing). At €1.0 million, the operating result at InS was unchanged on the previous year.

II. ASSETS, FINANCIAL POSITION AND INCOME

A. ASSETS

The balance sheet total ended the year under review at €1,881 million, up €360 million from €1,521 million.

Fixed assets rose from €434 million to €508 million. The main factors underlying this increase of €74 million (17%) were capital expenditure on the construction of the GIZ Campus in Bonn and the purchase of additional units in the securities-based investment fund (up €50 million).

Inventories increased by €154 million (33%) from €465 million to €619 million. This was mainly due to another rise in the figure for advance payments (up €151 million). Projects in process rose by €4 million (20%) to €24 million.

At €306 million, the figure for receivables and other assets was unchanged year on year. Trade receivables fell by €30 million from €91 million to €61 million. This was due to the settlement of a large-scale construction project in

2 Revenue in the public-benefit business area plus the total operating performance of InS.
3 The figure is based on revenue for the previous year, the current year and the two following years.

Ethiopia. Accordingly, project-related assets rose by €54 million from €172 million to €226 million.

Equity was €30.9 million higher as a result of positive net income for the year being added to the reserves required under the Articles of Association. Despite this increase, the equity ratio[4] fell by 0.2 percentage points to 9.4% owing to a rise in the balance sheet total.

Provisions rose by €8 million from €250 million to €258 million. This was mainly due to higher personnel provisions (e.g. long-term working time accounts).

Liabilities rose by €320 million from €1,120 million to €1,440 million. This was due to an increase of €311 million in advance payments in the public-benefit business area, reflecting higher revenue. Liabilities to banks rose from €65.2 million to €84.7 million following the planned drawdown of a loan for the GIZ Campus in Bonn.

B. FINANCIAL POSITION

As at the balance sheet date, cash in hand and bank balances stood at €440 million, up €129 million on the year-end figure of €311 million for 2017. In the public-benefit business area, cash in hand and bank balances rose by €107 million as a result of increased revenue. The corresponding figure for InS rose by €22 million.

C. INCOME

Turnover for fiscal 2018 was €278 million (12%) higher at €2,623 million. The following table shows the distribution of turnover across business areas:

Other operating income fell by around €47 million from €58 million to €11 million, mainly due to lower individual allowances for bad debt (down €9 million) and the fact that the 2017 figure included one-time reversals of pension provisions totalling €28.5 million in respect of the company pension scheme.

At €1,493 million, cost of materials was up €169 million on the previous year. Section 'III. D. Use of resources' contains a more detailed review of this item and a table showing the changes in purchases of goods and services.

Personnel costs rose by €40 million from €972 million to €1,012 million. This was due to an increase in the size of the workforce.

The financial result[5] declined from €–0.4 million to €–1.0 million. This change was due to higher interest expenses following the drawdown of the loan for the GIZ Campus in Bonn.

Overall, the net income for the year was €30.9 million (previous year: €19.3 million). The increase in net income is mainly due to the absence of the one-off effect of the not billable allocation to pension provisions.

TOTAL OPERATING PERFORMANCE

	2018			2017			Change	
	Public-benefit business area	InS	Total	Public-benefit business area	InS	Total	Total	
	in € millions	in € millions	in € millions	in € millions	in € millions	in € millions	in € millions	in %
Turnover	2,519	104	2,623	2,260	85	2,345	278	12
Changes in services not yet invoiced	–1	5	4	0	3	3	1	33
Total operating performance	**2,518**	**109**	**2,627**	**2,260**	**88**	**2,348**	**279**	**12**

4 The equity ratio is defined as equity less premium as a proportion of the balance sheet total.
5 The financial result is made up of income from long-term investments and other interest income less interest expenses.

The following table shows a breakdown of net income by business area:

NET INCOME

	2018	2017	Change	
	in € millions	in € millions	in € millions	in %
Public-benefit business area	30.7	18.3	+ 12.4	+ 68
InS	0.2	1.0	– 0.8	– 80
GIZ total	30.9	19.3	11.6	

The net income generated by InS was down on the previous year. This was mainly due to German taxes based on a provisional assessment by the tax office.

The higher figure for net income in the public-benefit area is largely attributable to fewer negative impacts on earnings in the year under review (see Notes, page 15).

III. ECONOMIC SITUATION

A. GENERAL OBSERVATIONS

GIZ can look back on another very successful year:

- Business volume reached almost €3 billion.
- The control parameter used in the public-benefit business area remained well below the upper limit of 12%.
- At InS, both the operating result and total net income were again in positive territory.

B. NEW COMMISSIONS AND ORDERS ON HAND

Commissions

In 2018, GIZ received new commissions with a total value of €3,307 million. This was down €99 million (3%) on the 2017 figure, mainly due to a decline of €114 million (3%) in the volume of new commissions in the public-benefit business area. By contrast, new commissions at InS rose by €15 million (11%). The proportion of new commissions generated by the public-benefit business area was unchanged at 96%.

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

NEW COMMISSIONS

	Actual 2018	Share	Actual 2017	Share	Change 2017 to 2018
	in € millions	in %	in € millions	in %	in %
Public-benefit business area total	3,163	96	3,277	96	– 3
of which, BMZ	2,651	80	2,780	82	– 5
of which, German public sector clients	477	14	463	14	3
of which, other business sectors	35	1	33	1	4
InS	144	4	129	4	11
GIZ total	3,307	100	3,406	100	– 3

The figures shown above may contain rounding differences.

New commissions in the public-benefit business area

The decrease in new commissions in the public-benefit business area reflects developments in the company's BMZ business sector. As anticipated at the beginning of 2018, there were declines in the volume of new commissions both out of the TC budget (down €165 million, 10%) and under the special initiatives (down €51 million, 10%). The main factors here were commissioning delays (linked to the delayed adoption of the federal budget) and lower commitment authorisations in certain budgets. By contrast, GIZ benefited from an increase in BMZ's 'Crisis management and reconstruction, infrastructure' budget. New commissions under this heading rose by €24 million (28%). Compared with 2017, the total volume of new commissions received under cofinancing arrangements was up by €72 million (17%). The single largest source of cofinancing was (again) the EU, which provided over €357 million (2017: €352 million).

New commissions in the German public sector clients business sector were up by €14 million (3%) in 2018. This was due to a higher volume of new commissions from BMWi, BMVg and BMEL and, in particular, increased levels of cofinancing. At €146 million, the total for 2018 was over six times the figure for 2017 (€22 million). The EU contributed €89 million towards this total and the

UK Department for Business, Energy and Industrial Strategy (BEIS) a further €56 million.

New commissions in GIZ's other business sectors (small-scale measures in the public-benefit business area and grants) rose by more than €1 million (4%) year on year.

New commissions at InS

In 2018, InS received new commissions with a total value of €144 million, up €15 million (11%) compared with the previous year. From a regional perspective, this increase was mainly driven by projects in Africa.

The total figure includes the following large-scale projects (≥ €5 million):

› €30 million – directly commissioned by the EU out of its Emergency Trust Fund for Africa (EUTF) – for a project to improve the prospects of young people in Mali
› €9 million for the EU project Enhanced Regional EU-ASEAN Dialogue Instrument (E-READI)
› €8 million for a BMZ project to increase the resilience of local people in the Bangui Rural Préfecture (reallocated to InS from the public-benefit business area)
› €7 million for a directly commissioned EU project to support police reform in Afghanistan
› €7 million for a directly commissioned EU project entitled Building a Future – Make it in The Gambia (out of the EU's Emergency Trust Fund for Africa, EUTF)
› €5 million for the SDC project Water Distribution Weirs (Phase III) in Chad
› €5 million for the SDC project Seeds (Phase II) in Chad.

Orders on hand

As at 31 December 2018, the total figure for orders on hand stood at €7,391 million. This was up by €583 million (9%) on the year-end figure for 2017. Out of the total for orders on hand, the public-benefit business area and InS accounted respectively for €7,044 million (2017: €6,498 million) and €348 million (2017: €310 million).

C. BUSINESS VOLUME

GIZ recorded another increase in total business volume in 2018. At €2,995 million, the total figure was up by €426 million (17%) compared with the previous year. This positive development was driven by revenue growth in both business areas. The 2018 total comprises revenue of €2,886 million from the public-benefit business area and a total operating performance of €109 million at InS.

The following table provides an overview of 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 2018	Share	Actual 2017	Share	Change 2017 to 2018
	in € millions	in %	in € millions	in %	in %
Public-benefit business area total	2,886	96	2,481	97	16
of which, BMZ	2,479	83	2,130	83	16
of which, German public sector clients	375	13	330	13	13
of which, other business sectors	32	1	21	1	53
InS	109	4	88	3	24
GIZ total	2,995	100	2,569	100	17

The figures shown above may contain rounding differences.

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

Revenue in the public-benefit business area

2018 saw another increase in the revenue generated by GIZ's public-benefit business area. At €2,886 million, revenue was up by 16% on the previous year.

Within the company's BMZ business sector, there were increases in nearly all budgets: revenue from the TC budget item rose by €244 million (19%); from the special initiatives by €46 million (18%) and from the 'Crisis management and reconstruction, infrastructure' budget by as much as €52 million (50%). This positive development was mainly attributable to increases in the federal allocations to these budgets. Revenue from third-party cofinancing of projects commissioned by BMZ also rose by €15 million (4%). At €265 million, the EU was again the single biggest provider of cofinancing revenue (2017: €224 million).

In the German public sector clients business sector, GIZ was able to boost its revenue from almost every federal ministry. However, the biggest increase was in revenue from third-party cofinancing of projects commissioned by German public sector clients. These successful acquisitions generated revenue of €53 million, an increase of 110% compared with the 2017 total of €25 million.

Total operating performance in the InS business area

In 2018, InS achieved a total operating performance of €109 million, up €21 million (24%) on the previous year. Nearly all regions contributed to this increase. In terms of funding providers, the biggest contribution to total operating performance (€50 million) again came from projects for the EU. Commissions from German public sector clients generated €25 million towards the business area's total operating performance. This includes €7.5 million for projects commissioned by BMZ, €5.8 million for BMVg commissions and €5.2 million for projects implemented on behalf of BMBF.

D. USE OF RESOURCES

Personnel

The following table shows a year-end comparison of staff numbers at GIZ for 2018 and 2017:

GIZ WORKFORCE
(not weighted for part-time staff; as at reporting date)

	Actual 31.12.2018	Actual 31.12.2017	Change absolute	Change in %
Head Office staff[1]	2,152	1,989	163	8
Project staff in Germany	1,797	1,649	148	9
Seconded field staff	2,365	2,209	156	7
Total public-benefit business area staff	**6,314**	**5,847**	**467**	**8**
Head Office staff	71	72	−1	−1
Project staff in Germany	48	43	5	12
Seconded field staff	97	96	1	1
Total InS staff	**216**	**211**	**5**	**2**
Staff covered by the Collective Bargaining Agreement (MTV) or Public-Sector Remuneration System (TVöD)	**6,530**	**6,058**	**472**	**8**
National personnel	**14,196**	**13,448**	**748**	**6**
Total GIZ personnel	**20,726**	**19,506**	**1,220**	**6**
Development workers	577	590	−13	−2
Integrated experts (CIM)[2]	317	385	−68	−18
Returning experts (CIM)[2]	518	484	34	7

1 Excluding the Management Board and trainees
2 Employment contract with local employers in partner countries

As at 31 December 2018, GIZ employed a total of 6,530 staff with contracts based on the Collective Bargaining Agreement (MTV) or Public-Sector Remuneration System (TVöD) and 14,196 national personnel on local contracts. This represents a further increase of 1,220 (6%) compared with the year-end figure for 2017. The number of personnel employed in the public-benefit business area rose by 467 (8%). Staff numbers at InS rose by five (2%). The figure for national personnel was also up, ending the year 748 (6%) higher compared with 2017.

A total of 577 development workers were deployed by GIZ at the end of 2018, in addition to 317 integrated experts and 518 returning experts who held employment contracts with organisations or companies in partner countries.

Purchases of goods and services

The following table compares the 2018 and 2017 year-end figures for worldwide awards of service and construction contracts, goods procurement orders and financing by GIZ.

CONTRACTS AWARDED

	Actual 2018 in € millions	Actual 2017 in € millions	Change in € millions	Change in %
Head Office service contracts[1]	469	421	48	11
Head Office construction contracts	7	10	−3	−30
Head Office financing agreements	582	437	145	33
Head Office procurement of goods[2]	87	66	21	32
Total Head Office	**1,145**	**934**	**211**	**23**
Local service contracts	227	178	49	28
Local construction contracts	54	30	24	80
Local financing agreements	75	80	−5	−6
Local procurement of goods	76	65	11	17
Total local contracts	**432**	**353**	**79**	**22**
Total contracts awarded	**1,577**	**1,287**	**290**	**23**

1 Consulting firms, advisory institutions, individual appraisers, translators
2 Goods, freight forwarders

In 2018, reflecting the increase in its overall business volume, GIZ concluded contracts totalling €1,577 million with contractors and financing recipients. This represents a year-on-year increase of €290 million (23%) in the total volume of contracts awarded. In 2018, GIZ's procurement and financing activities accounted for 53% of its total business volume (€2,995 million). The corresponding figure for 2017 was 50%.

At €696 million, service contracts were again the most important instrument used by GIZ to implement its commissions. Compared with the previous year, the total volume of service contracts with companies, consulting firms, individual consultants/appraisers and translators rose by 16%. Within this category, the volume of service contracts awarded by Head Office increased by 11% to €469 million. At €227 million, the figure for service contracts awarded by country offices was 28% up on the previous year.

Worldwide, financing agreements came to €657 million and therefore accounted for 42% of the total volume of contracts awarded by GIZ in 2018. Compared with the previous year, this represents an increase of 27%. Although the figure for Head Office financing agreements was up 33% at €582 million, the volume of local financing agreements declined by 6% to €75 million.

In 2018, the worldwide total for goods procurement contracts stood at €163 million. Of this figure, €87 million (53%) was attributable to Head Office and the remaining €76 million (47%) to country offices. The total figure was 24% up on the previous year.

Across the globe, GIZ concluded construction contracts with a total value of €61 million in 2018. At €7 million, the 2018 figure for Head Office construction contracts was down on the previous year. By contrast, there was a significant increase (80%) in the volume of local construction contracts in the country offices that totalled €54 million.

IV. PROPORTION OF WOMEN ON THE MANAGEMENT BOARD, THE SUPERVISORY BOARD AND THE BOARD OF TRUSTEES

A. PROPORTION OF WOMEN ON THE MANAGEMENT BOARD

When managing directors are appointed, GIZ's Articles of Association stipulate that the Supervisory Board should ensure diversity and in particular ensure that an appropriate number of women are considered. Women should make up at least 40% of the Management Board. Until this proportion is achieved, the Supervisory Board should give preference to women where they demonstrate equal suitability, capabilities and technical experience, after carefully weighing up the merits of each individual case.

With a view to implementing the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector, the Supervisory Board decided that by 30 June 2017 the Management Board should be made up of an equal number of women and men.

During the period under review, the Management Board was initially made up of two women and two men until Ms Cornelia Richter stepped down on 31 January 2018. Subsequently, until the departure of Dr Hans-Joachim Preuß on 30 June 2018, it was temporarily made up of two men and one woman. Thereafter, up to 31 December 2018, the proportion of women on the Management Board stood at 50%.

B. PROPORTION OF WOMEN ON THE SUPERVISORY BOARD

Section 5.2.1 of Germany's Public Corporate Governance Code stipulates that efforts must be made to ensure that women are equally represented when electing members of supervisory boards. In addition, the company's shareholder also takes account of Germany's Appointments to Federal Bodies Act (Bundesgremienbesetzungsgesetz).

In compliance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector, the Supervisory Board decided that by 30 June 2017 the Supervisory Board should be made up of an equal number of women and men and amended its rules of procedure accordingly.

The number of women among the ten members appointed by the shareholder remained unchanged in 2018 at four. The ten employee representatives on the Supervisory Board were made up of three women and seven men. As such, the proportion of women and men on the Supervisory Board as at 31 December 2018 was 35% and 65% respectively.

C. PROPORTION OF WOMEN ON THE BOARD OF TRUSTEES

In accordance with article 24 of its Articles of Association, GIZ has a Board of Trustees with up to 40 members. As at 31 December 2018, out of a total of 39 trustees, there were 16 women (41%). As a result of new staff appointments, the proportion of women was down slightly on the previous year (2017: 42%).

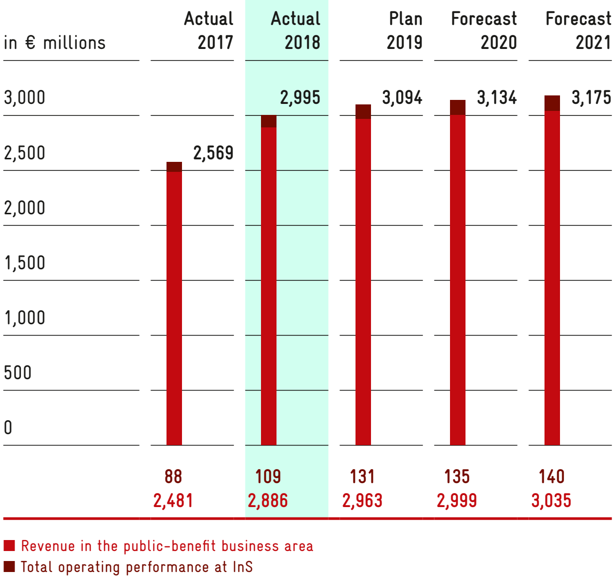
V. OUTLOOK

A. BUSINESS FORECAST

From 2019 onwards, after a sustained period of very dynamic business expansion, it is anticipated that GIZ will return to a more moderate growth trend. With specific regard to 2019, the planned figure for total business volume is €3,094 million, comprising revenue in the public-benefit business area of €2,963 million and a total operating performance of €131 million at InS. This is €99 million (3%) higher than the actual figure for 2018 and 3.5% higher than the previous forecast for 2019. Looking further ahead at 2020 and 2021, the company hopes to achieve moderate increases to €3,134 million (up 5%) and €3,175 million (up 6%) respectively.

The following chart shows actual and projected business volume figures from 2017 up to 2021 (Actual: including the impact of BilRUG; Plan: excluding the impact of BilRUG).

BUSINESS VOLUME



Of the planned 2019 figure for revenue in the public-benefit business area, the company expects to generate €2,239 million (76%) from BMZ budget funds, €300 million (10%) from third-party cofinancing of BMZ commissions, €328 million (11%) from the budget funds of other German public sector clients, €72 million (2%) from third-party cofinancing of projects commissioned by German public sector clients and €24 million (1%) from other business sectors. Overall, this is an increase of €77 million (3%) compared with the actual figure for 2018. For 2020 and 2021, the company anticipates moderate revenue increases in the public-benefit business area to €2,999 million and €3,035 million respectively.

The following table contains a detailed breakdown of actual and projected revenue in the public-benefit business area for the years 2017 to 2021:

REVENUE

in € millions	Actual 2017	Actual 2018	Plan 2019	Forecast 2020	Forecast 2021
BMZ	**2,130.3**	**2,479.4**	**2,539.1**	**2,572.7**	**2,607.0**
of which, TC items	1,253.4	1,497.1	1,550.0	1,550.0	1,550.0
of which, special initiatives	255.2	301.2	414.0	430.7	469.6
of which, other BMZ items	254.9	299.1	275.1	260.3	255.7
of which, third-party cofinancing	366.8	382.0	300.0	331.7	331.7
German public sector clients	**330.1**	**374.5**	**399.5**	**402.5**	**404.7**
of which, budget funds	304.7	321.1	327.9	327.3	322.3
of which, third-party cofinancing	25.4	53.4	71.6	75.2	82.4
Other business sectors	**20.8**	**31.7**	**23.9**	**23.3**	**23.1**
Public-benefit business area total	**2,481.1**	**2,885.6**	**2,962.5**	**2,998.5**	**3,034.8**

The figures shown above may contain rounding differences.

After two years of very high growth rates, revenue in the BMZ business sector is expected to rise by just 2.7% in 2019 and by 1.2% in each of the following two years.

This projection is based on a number of assumptions: that the rate of growth in revenue from the TC budget will remain stable over the next few years, that revenue from the special initiatives and from cofinancing will increase, and that revenue from other BMZ budgets will decline (partly due to the gradual expiry of various projects funded out of the International Climate and Environmental Protection (IKU) budget).

In its German public sector clients business sector, GIZ expects revenue to increase by 6.7% in 2019 and then by less than 1% in each of the next two years. Once again, BMU commissions are forecast to be the main source of revenue in this sector.

The control parameter is therefore projected to remain well below the upper limit set by the Supervisory Board. On the basis of GIZ's revenue targets and projected management costs, the control parameter for 2019 and the following years is expected to be 11.0%.

For the fiscal year 2019, InS is planning a total operating performance of €131 million. To achieve this target year-on-year increase of €22 million (20%), GIZ plans above all to intensify and expand cooperation with the EU. Looking further ahead at 2020 and 2021, InS aims to achieve a gradual increase in its total operating performance. Since the beginning of 2017, InS has been intensively pursuing a new business strategy designed to help it achieve these targets. In 2018, the business area scaled back its office and project structure in Saudi Arabia to the extent possible. It no longer takes on new commissions in the country due to the difficult operating conditions. The objective is to make up for this declining market segment through a greater focus on acquisitions in other regions.

For 2019, InS anticipates an operating result of €0.3 million and net income for the year of €0.1 million. For 2020 and 2021, assuming the business situation remains stable, the operating result is forecast to reach €0.4 million with net income of €0.2 million.

B. ANTICIPATED USE OF RESOURCES

Personnel forecast

In 2019, total staff numbers are expected to show a further increase compared with the year-end figure for 2018, rising by 1,098 (5%). This is because, over the last three years, the workforce has not grown at the usual rate and has not kept pace with rapid increases in business volume. Thereafter, up to 2021, it is likely that the total number of staff will decrease slightly to 21,485 in response to much slower growth in business volume.

GIZ STAFF

	Actual 31.12.2018	Plan 2019	Forecast 2020	Forecast 2021
Head Office staff[1]	2,223	2,389	2,339	2,314
Project staff in Germany	1,845	1,867	1,861	1,837
Seconded field staff	2,462	2,657	2,651	2,618
Staff covered by the Collective Bargaining Agreement (MTV) or Public-Sector Remuneration System (TVöD)[1]	6,530	6,913	6,851	6,769
National personnel	14,196	14,911	14,879	14,716
Total employees[1]	**20,726**	**21,824**	**21,730**	**21,485**

1 Excluding the Management Board and trainees

Forecast purchases of goods and services

Given the nature of our business, it is very difficult to predict in any detail the future volume of goods, services and construction contracts and financing agreements in a given year, as they depend very largely on the specific requirements of each project. The volume of future contracts depends crucially on the rate at which the business grows. On this basis, it can be assumed that the total volume of contracts will remain high.

C. RISKS AND OPPORTUNITIES

Risks

In 2018, GIZ introduced an upgraded risk management (RM 2.0) system that sets out the principles, processes and roles involved in dealing pro-actively with potential risks. All such risks are identified in a six-monthly cycle and brought to the attention of the Management Board and Supervisory Board. GIZ has also established a professional system of security risk and crisis management in order to minimise those risks and protect assignments in fragile contexts and high-risk countries.

In order to implement the 2017–2019 Corporate Strategy, GIZ will have to overcome three simultaneous challenges:

› maintain its current strong implementation capacity at Head Office and in the field and accelerate measures to ensure that resources are spent and used cost-effectively and with a clear audit trail;

- fulfil the more stringent compliance requirements now in place throughout the commission management process (price cap, GVR, cost-output monitoring and forecasts, more frequent audits, reformed EU public procurement law, the GDPR and associated increases in record-keeping obligations);
- complete the process of digital transformation, make further improvements to IT security and comprehensively upgrade the company's IT systems in order to support ongoing service development and standardise and automate internal processes.

Other challenges to the rapid and smooth implementation of projects include:
- the increasing difficulty of recruiting skilled personnel to fill vacant positions (especially but not only in fragile countries);
- occasional delays in concluding agreements under international law between the German Government and partner governments.

The InS business area still has substantial outstanding receivables in Saudi Arabia. GIZ maintains a close dialogue with its Saudi partners to resolve this matter. On a positive note, numerous payments were received in 2018 and early 2019. However, additional bad debt allowances were created in the annual statement of accounts for 2018. As at 31 December 2018, the figure for outstanding receivables was around €34 million. Of this total, approximately €8 million was settled at the beginning of 2019, and a further €8 million is covered by bad debt allowances.

Opportunities

As well as risks, GIZ is well positioned to benefit from the following opportunities:[6]

BMZ is in line for a further rise in its federal budget allocation in 2019. This will increase the funds potentially available to GIZ, e.g. under the special initiatives One World – No Hunger and Tackling the Root Causes of Displacement – Reintegrating Refugees and from the Crisis Management and Reconstruction, Infrastructure budget. GIZ has already demonstrated its capacity to deliver a comprehensive range of services through its activities in those countries which generate or host large numbers of refugees. As such, it is in a good position to attract some of the additional funding in these areas.

Climate change and measures to deal with its predicted consequences remain high on the agenda. Substantial funding is available at both national and international level for projects that address this issue. As an accredited implementing organisation for the EU's delegated cooperation mechanism, GIZ has a distinct competitive advantage as it can administer EU aid funds. With regard to the GCF, one project has already been accepted, and further approvals are expected. GIZ has drawn up a climate roadmap to enhance its profile in this area and ensure that it can take advantage of the opportunities that present themselves.

Clients are focusing more and more on projects in Africa, and the region is seen as a major political priority. Along with other organisations in the sector, GIZ is expected to implement large-scale projects and deliver lasting results within extremely tight schedules and without loss of quality. Thanks to its strong local presence and professionalism, GIZ has already demonstrated its capacity to meet this challenge. New forms of cooperation are being devised to ensure that GIZ remains well-placed to harness these opportunities and benefit from the current trend.

Increasingly, BMZ views transitional aid as a link between humanitarian aid and development cooperation. GIZ has an opportunity to lead the way in this field and inject fresh ideas. The first milestones on this journey will be (a) to demonstrate – on behalf of BMZ and in cooperation with UNHCR – how the work of humanitarian actors can be dovetailed more effectively with that of German development cooperation organisations, and (b) the cofinancing of a transitional aid project by the European Commission's Civil Protection and Humanitarian Aid Operations department (ECHO).

Bonn/Eschborn, 20 May 2019

The Management Board

Tanja Gönner
Chair of the Management Board

Dr Christoph Beier
Vice-Chair of the Management Board

6 See also section 'I. B. Strategy – Developments and trends affecting GIZ'.

2

ANNUAL STATEMENT OF ACCOUNTS 2018

BALANCE SHEET AS AT 31 DECEMBER 2018

ASSETS	Notes	in €		in €'000	
			31.12.2018		31.12.2017
A. FIXED ASSETS					
I. Intangible assets	1				
Purchased concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets			2,208,818.48		2,322
II. Tangible assets	1				
1. Land, land rights and buildings including buildings on third-party land		183,642,266.90		184,597	
2. Other plant, operating and office equipment		18,283,132.00		17,025	
3. Advance payments and assets under construction		122,871,446.91	324,796,845.81	97,176	298,798
III. Financial assets	2				
1. Shares in affiliated companies		75,880.94		76	
2. Participating interests		535,862.01		536	
3. Securities held as fixed assets		162,667,808.91		112,668	
4. Other loans		416,896.43		484	
5. Claims from administrative costs credit		17,774,686.64	181,471,134.93	19,002	132,766
			508,476,799.22		**433,886**
B. CURRENT ASSETS					
I. Inventories	3				
1. Projects in process		23,976,328.05		20,070	
2. Advance payments made		595,412,773.44	619,389,101.49	444,527	464,597
II. Receivables and other assets	4				
1. Trade receivables		61,282,689.53		90,892	
2. Receivables from affiliated companies		814,496.02		543	
3. Project-related assets		225,835,405.35		171,601	
4. Other assets		17,728,346.20	305,660,937.10	42,547	305,583
III. Cash in hand, Central Bank balances, bank balances			439,784,902.18		311,280
			1,364,834,940.77		**1,081,460**
C. PREPAID EXPENSES			**7,612,053.46**		**6,205**
			1,880,923,793.45		**1,521,551**
Off-balance sheet item Trust assets	9		**6,445,485**		**3,890**

The figures shown above may contain rounding differences of +/- one unit (€).

SHAREHOLDER'S EQUITY AND LIABILITIES

	Notes	in €	31.12.2018	in €'000	31.12.2017
SHAREHOLDER'S EQUITY					
I. Subscribed capital	5	20,452,000.00		20,452	
Subscribed capital unpaid		−11,759,713.27		−11,760	
Called-up capital			8,692,286.73		8,692
II. Capital reserve	5		5,112,918.81		5,113
III. Revenue reserves	6				
Statutory reserves			167,047,070.69		136,153
IV. Unappropriated profit			0		0
			180,852,276.23		**149,958**
B. PROVISIONS	7				
1. Provisions for pensions and similar obligations			139,390,495.00		139,390
2. Provisions for taxes			397,260.13		1,336
3. Other provisions			118,636,802.24		108,789
			258,424,557.37		**249,515**
C. LIABILITIES	8				
1. Liabilities to banks			84,700,000.00		65,200
2. Advance payments received			1,290,144,565.27		969,349
3. Trade payables			53,904,150.06		56,128
4. Liabilities to affiliated companies			1,022,490.53		0
5. Other liabilities			10,208,672.75		29,520
of which, relating to taxes €7,731,447 (2017: €6,952,820)					
of which, relating to social security €0 (2017: €0)					
			1,439,979,878.61		**1,120,197**
D. DEFERRED INCOME			**1,667,081.24**		**1,881**
			1,880,923,793.45		**1,521,551**
Off-balance sheet item Trust liabilities	9		**6,445,485**		**3,890**

The figures shown above may contain rounding differences of +/– one unit (€).

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

	Notes		2018		2017
		in €	in €	in €	in €
1. Turnover	10		2,623,067,621		2,344,647,174
2. Change in projects in process			3,815,543		2,851,265
3. Capitalised services			160,756		224,378
Total operating performance			**2,627,043,920**		**2,347,722,817**
4. Other operating income	11		10,947,940		58,235,086
5. Cost of materials					
a. Purchased goods		161,171,692		151,257,936	
b. Purchased services		1,331,922,100	1,493,093,792	1,173,192,665	1,324,450,601
6. Personnel costs					
a. Wages and salaries		825,571,538		758,882,784	
b. Social security, retirement pension and support costs		186,192,065	1,011,763,603	212,810,280	971,693,064
of which, in respect of retirement pensions, €65,608,450 (2017: €99,326,108)					
7. Amortisation and depreciation of intangible and tangible fixed assets			11,856,186		10,910,801
8. Other operating expenses	12		88,191,498		78,741,537
9. Income from other securities and long-term financial investments			41,135		50,233
10. Other interest and similar income			140,882		287,216
11. Amortisation of financial assets			155		0
12. Interest and similar expenses	13		1,242,426		727,903
13. Taxes on income	14		912,490		36,159
14. Earnings after taxes			**31,113,727**		**19,735,287**
15. Other taxes			219,124		439,886
16. Net profit for the year			**30,894,603**		**19,295,401**
17. Transfer to the statutory reserves			– 30,894,603		– 19,295,401
18. Unappropriated profit			**0**		**0**

NOTES TO THE ACCOUNTS 2018

NOTES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

As at the balance sheet date of 31 December 2018, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Bonn/Eschborn, qualifies as a large corporation within the meaning of section 267, paragraph 3 of the German Commercial Code (HGB). GIZ's annual statement of accounts is prepared in accordance with the HGB and 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-related assets' has been added in the balance sheet. The profit and loss account is classified using 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 2017, the payment plan (Leistungsplan I) concluded in 2015 between GIZ and GIZ Unterstützungskasse GmbH was cancelled. All pension entitlements accrued up to 31 December 2015 under the collective bargaining agreement on pensions dated 1 March 2004 (bAV 2005) and previously outsourced to GIZ Unterstützungskasse GmbH were then outsourced to Deutscher Pensionsfonds AG (DPAG). Entitlements accrued between 1 January 2016 and 31 December 2016 under this collective bargaining agreement on pensions and settled in 2016 by GIZ itself were also outsourced to Deutscher Pensionsfonds AG (DPAG) in 2017. Entitlements accrued from 1 January 2017 are met by GIZ Unterstützungskasse GmbH. To this end, a new payment plan (Leistungsplan III) was set up by GIZ Unterstützungskasse GmbH in 2017. As these outsourced pension obligations will be met in future by GIZ Unterstützungskasse GmbH and DPAG, they are classified as indirect obligations.

As provided for in section 296, paragraph 2, number 1 HGB, GIZ is not required to draw up consolidated financial statements and a consolidated management report as its subsidiaries are of subordinate importance with regard to the company's statutory obligation to provide a true and fair view of its assets, financial position and income.

GENERAL NOTES ON ACCOUNTING AND VALUATION METHODS

ACCOUNTING AND VALUATION METHODS

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

FIXED ASSETS

Intangible and tangible assets

Intangible and tangible assets are shown at purchase or production cost less amortisation or depreciation based on the useful life of the assets as determined by the specific depletion of value in operating activities. Depreciation is calculated on a straight-line basis for periods between three years (IT and IT infrastructure) and 50 years (Kottenforst Campus in Bonn). The Meander Building in Bonn and the office building in Berlin are depreciated over 33 years and 40 years respectively. Land with buildings and rights of use in partner countries are depreciated over a period of between eight and 20 years.

A collective item is formed in the year of purchase for low-value assets (LVA) with purchase costs between €250 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 the lower of purchase cost and fair value. Lower valuations are applied where sustained impairment is anticipated. If the reasons for recognising write-downs on financial assets in previous years no longer apply, those assets are written up.

Under 'Other loans', the long-term loans provided to help staff purchase residential property for their own use were discounted at 2.5% per year. Otherwise, figures are shown at nominal value.

The balance sheet item 'Claims from administrative costs credit' is valued at amortised cost.

CURRENT ASSETS

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

Goods and projects in process are recognised at purchase or production cost, including an appropriate portion of overhead costs. Advance payments made and receivables are stated at nominal value less individual and general bad debt allowances.

'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 stated at their nominal value.

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

Receivables and payables in foreign currencies

Long-term receivables and payables denominated in foreign currencies are valued at the lower or higher of cost or market respectively. Short-term receivables and payables in foreign currencies as well as balances at banks with terms to maturity of up to one year are translated using the average spot exchange rate on the balance sheet date. Non-convertible currencies are not translated or revalued. Receivables and payables that are denominated in foreign currencies and shown in the balance sheet under the item project-related assets are first recognised on the reporting date using the exchange rate for the original posting. This is because these receivables and payables are always settled in the same foreign currency based on the euro equivalent on the date of the original posting.

Provisions

Provisions are recognised at the settlement amount deemed necessary according to prudent business judgement. In calculating this amount, any direct compensation claims are deducted from the total obligation.

No provisions are recognised for direct compensation claims.

One actuarially calculated provision (accident benefit) was valued according to the projected unit credit method, using the Heubeck 2018 G mortality tables of Prof. Dr Klaus Heubeck.

In accordance with 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) for the previous seven fiscal years.

In fiscal 2015 GIZ outsourced the company pension scheme entitlements accrued by its staff up to 30 June 2015 under 'Collective bargaining agreement no. 3 covering retirement, invalidity and surviving dependants' pensions for Head Office employees' (old company pension scheme/alte bAV) to Deutscher Pensionsfonds AG. In 2016, the remaining entitlements were outsourced as at 1 September 2016 to GIZ Unterstützungskasse GmbH, which was formed in 2015.

The liabilities incurred up to 31 December 2015 under the collective bargaining agreement on pensions dated 1 March 2004 (bAV 2005) were assumed by GIZ Unterstützungskasse GmbH in 2015 and subsequently outsourced to Deutscher Pensionsfonds AG (DPAG) in fiscal 2017. Pension entitlements accrued between 1 January 2016 and 31 December 2016 under this collective bargaining agreement on pensions were still settled in 2016 by GIZ itself but then outsourced to Deutscher Pensionsfonds AG (DPAG) in 2017. Entitlements accrued from 1 January 2017 are settled by GIZ Unterstützungskasse GmbH.

As outsourced pension obligations will be met in future by Deutscher Pensionsfonds AG and GIZ Unterstützungskasse GmbH, they are classified as indirect obligations.

GIZ has chosen to exercise the option provided for in Article 28, paragraph 1, sentence 2 of the Introductory Act to the German Commercial Code (EGHGB) to show indirect pension obligations as provisions in the balance sheet. On each reporting date, the total sum required in order to meet GIZ's pension obligations less all frozen pension provisions less the fair value of the assets held by the pension providers in the pension fund and provident fund must be disclosed as a funding deficit in the notes.

Liabilities

Liabilities are reported at their settlement amount.

Derivative financial instruments

Derivative financial instruments, as pending transactions, are generally not capitalised. Unrealised losses from derivative financial instruments are recognised in income unless those instruments form part of a valuation unit and the losses are offset by opposite movements in the value of the underlying transaction. Underlying transactions and their associated derivatives are combined into valuation units. These are recognised in the balance sheet using the net hedge presentation method.

Deferred taxes

Deferred taxes result from the following temporary differences:

BALANCE SHEET ITEM

	31.12.2018 Difference between statutory and tax accounts	Tax rate	31.12.2018 Deferred taxes
	in €	in %	in €
Cash in hand, Central Bank balances, bank balances	– 266,606	27.875	– 74,317
Other receivables	1,673,655	27.875	466,531
Provisions for pensions and similar obligations	20,343,405	27.875	5,670,724
Other provisions	1,541,812	27.875	429,779
Other liabilities	– 119,148	27.875	– 33,213
			6,459,504

As at the balance sheet date, there were net deferred tax assets of €6,459,504. 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 profit of €30,894,603 was transferred to the statutory reserves.

NOTES TO THE BALANCE SHEET

(1) INTANGIBLE AND TANGIBLE ASSETS

Changes in fixed assets are shown in the appendix to the notes (Changes in fixed assets in fiscal 2018).

(2) FINANCIAL ASSETS

In fiscal 2015, GIZ formed its own provident fund under the name of GIZ Unterstützungskasse GmbH (registered office in Bonn, Germany) and is the sole owner. As at 31 December 2018, the equity of GIZ Unterstützungskasse GmbH stood at €25,000. The net profit/loss for the fiscal year was €0.

GIZ has held a 51% stake in its affiliate GIZ-Festo Training Services LL.C (based in Riyadh, Saudi Arabia) since 2014. At the time of formation in 2014, this company's equity stood at SAR 500,000 (€116,385 based on the exchange rate as at 31 December 2018). In fiscal 2018, the equity of GIZ-Festo Training Services LL.C stood at SAR –2,017,361 (€–469,579 based on the exchange rate as at 31 December 2018), and its net income for the fiscal year was SAR 250,096 (€58,215 based on the exchange rate as at 31 December 2018).

Since 2010, GIZ has also held a 49% equity investment in sequa gGmbH, with its registered office in Bonn. This holding is recognised at purchase cost (€535,862). In fiscal 2017, the equity of sequa gGmbH totalled €3,179,215, with a surplus for the year of €406,295. As of this writing, the annual accounts as at 31 December 2018 were not yet available.

The administrative costs credit is accounted for separately and administered by Deutscher Pensionsfonds AG. The pension fund will submit an annual report to GIZ on changes in the administrative costs credit and the current balance. As at the balance sheet date, the administrative costs credit balance stood at €17,774,687.

(3) INVENTORIES

Advance payments made

Out of the total figure of €595,412,773, advances of €17,369,443 are covered by guarantees. A general valuation allowance of 1% has been recognised for advance payments. In total, €126,506,181 (previous year: €92,307,123) have a term of over one year.

(4) RECEIVABLES AND OTHER ASSETS

	Residual term less than 1 year	Residual term over 1 year	Total 2018	of which, from shareholder	Residual term less than 1 year	Residual term over 1 year	Total 2017	of which, from shareholder
	in €	in €	in €	in €	in €'000	in €'000	in €'000	in €'000
1. Trade receivables								
Public-benefit business area	23,979,051	0	23,979,051	23,117,564	40,284	0	40,284	36,250
InS	37,195,452	108,187	37,303,639	0	50,608	0	50,608	0
	61,174,503	**108,187**	**61,282,690**	**23,117,564**	**90,892**	**0**	**90,892**	**36,250**
2. Receivables from affiliated companies	**814,496**	**0**	**814,496**	**0**	**543**	**0**	**543**	**0**
3. Project-related assets								
Cash and balances at banks	77,756,030	0	77,756,030	0	56,864	0	56,864	0
Partnership services advanced	80,660	0	80,660	0	108	0	108	0
Receivables, other	159,671,712	0	159,671,712	0	122,649	0	122,649	0
Liabilities, other	−11,672,997	0	−11,672,997	0	−8,020	0	−8,020	0
	225,835,405	**0**	**225,835,405**	**0**	**171,601**	**0**	**171,601**	**0**
4. Other assets								
Receivables								
from premium, see (5)	0	4,090,335	4,090,335	4,090,335	0	4,090	4,090	4,090
from rent advances abroad	2,450,205	70,200	2,520,405	0	2,888	0	2,888	0
from staff for travel and other advances	5,925,591	1,939	5,927,530	0	5,235	2	5,237	0
from the tax authorities	−329,689		−329,689	0	5,779	240	6,019	0
Other	5,519,765	0	5,519,765	0	24,313	0	24,313	0
	13,565,872	**4,162,474**	**17,728,346**	**4,090,335**	**38,215**	**4,332**	**42,547**	**4,090**
	301,390,276	**4,270,661**	**305,660,937**	**27,207,899**	**301,251**	**4,332**	**305,583**	**40,340**

(5) CAPITAL (THROUGH PAYMENT)

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

	2018	2017
	in €	in €
Subscribed capital	20,452,000	20,452,000
Capital reserve	5,112,919	5,112,919
Less:		
Subscribed capital unpaid	11,759,713	11,759,713
Premium due, see (4)	4,090,335	4,090,335

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 2018	136,152,468
Net profit for the year transferred to reserves	30,894,603
Total as at 31 December 2018	**167,047,071**
Of which:	
tied reserves	134,872,703
untied reserves	32,174,368
	167,047,071

(7) PROVISIONS

Provisions for pensions and similar obligations

Provisions are still recognised in respect of the pension liabilities outsourced from 2015 to 2017. These provisions were frozen at the time of outsourcing at the level stated in the balance sheet.

Provisions for pensions were actuarially calculated using the average market interest rate for the last ten years as published by the German Bundesbank, based on an expected remaining term of 15 years. The difference created by changes in the average market interest rate used for discounting purposes is reported net in the financial result.

The main actuarial parameters are listed in the following table.

	in %
Actuarial interest rate	3.21
Rate of pension increase during the qualifying period (new company pension scheme)	4.58
Rate of pension increase during the qualifying period (old pre-2005 company pension scheme/alte bAV)	3.75
Rate of increase in 2005 company pension scheme, annual	1.00
Rate of increase in old (pre-2005/alte bAV) 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

GIZ has chosen to exercise the option provided for in Article 28, paragraph 1, sentence 2 EGHGB and has therefore shown entitlements accrued by staff under the old (pre-2005) company pension scheme and entitlements accrued under the 2005 company pension scheme (indirect obligations) as provisions in the balance sheet. On each reporting date, the total sum required in order to meet GIZ's pension obligations less all frozen pension provisions less the fair value of the assets held by the pension providers in the pension fund and provident fund must be disclosed as a funding deficit in the notes.

As at 31 December 2018, there was a funding deficit of €158,740,015 in respect of the indirect obligations to be settled by Deutscher Pensionsfonds AG.

	in €
Settlement amount	669,078,440
Pension fund assets	442,996,536
Frozen pension provisions	67,341,889
Funding deficit	**158,740,015**

As at 31 December 2018, there was a funding deficit of €3,756,427 for the indirect obligations to be settled by GIZ Unterstützungskasse GmbH (Bonn).

	in €
Settlement amount	210,632,103
Provident fund assets	11,531,984
Cash surrender value of employer's liability insurance	123,295,086
Frozen pension provisions	72,048,606
Funding deficit	**3,756,427**

Other provisions

Provisions for commitments in respect of phased retirement (Altersteilzeit) and benefits were determined in accordance with actuarial methods. Maturity-congruent average market interest rates for the previous seven fiscal years of 1.25% and 2.32% were used.

Obligations totalling €232,621 for phased-retirement schemes were offset against a fixed-term, non-interest bearing deposit (cover fund) of €150,000. Fair value corresponds to cost.

Provisions for long-term working time accounts are recognised at fair value in line with the rules for securities-based pension obligations 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.

For the most part, the other provisions recognised are listed in the following table:

	2018	**2017**
	in €	in €'000
Working-time accounts	35,645,955	29,150
Amount payable following withdrawal from the Pension Institution of the Federal Republic and Federal States	26,338,000	25,562
Costing and warranty risks	15,751,604	13,983
Variable remuneration	11,686,711	10,158
Leave credits	10,586,617	9,926

(8) LIABILITIES

	Residual term less than 1 year	**Residual term 1–5 years**	**Residual term over 5 years**	**Total 2018**	**of which, to shareholder**
	in €	in €	in €	in €	in €
1. Liabilities to banks	**0**	**0**	**84,700,000**	**84,700,000**	**0**
2. Advance payments received					
Public-benefit business area	1,247,342,485	0	0	1,247,342,485	1,226,924,365
InS	71,217,550	0	0	71,217,550	0
Valuation adjustments	75,999	0	0	75,999	0
	1,318,636,034	**0**	**0**	**1,318,636,034**	**1,226,924,365**
less					
VAT not yet offset on advance payments received	– 28,491,468	0	0	– 28,491,468	– 25,873,661
	1,290,144,566	**0**	**0**	**1,290,144,566**	**1,201,050,704**
3. Trade payables	**53,904,150**	**0**	**0**	**53,904,150**	**0**
4. Liabilities to affiliated companies	**1,022,490**	**0**	**0**	**1,022,490**	**0**
5. Other liabilities	**8,809,306**	**491,281**	**908,086**	**10,208,673**	**0**
	1,353,880,512	**491,281**	**85,608,086**	**1,439,979,879**	**1,201,050,704**

Loan agreement

GIZ has concluded a loan agreement with Deutsche Postbank AG covering the purchase of land and construction of the GIZ Campus in Bonn. The agreement runs up to 2 January 2031. The loan amount is €104,037,000. Out of this figure, €84,700,000 had been disbursed as at the balance sheet date.

As security for this loan, a registered land charge of €104,037,000 plus annual interest of 15% and a one-off fee of 10% was entered in the land registry against the GIZ Campus being constructed in Bonn. A further registered land charge of €65,100,000 plus annual interest of 15% and a one-off fee of 10% was entered against the Meander property.

The property loan is covered by an interest rate swap agreement. For each month of the loan term, the agreed fixed interest rate has been hedged by means of interest rate swaps, each of which forms a single valuation unit with the associated loan. The interest rate swap agreement effectively converts the variable interest expenses on the property loan into fixed interest payments.

Underlying transaction/ Hedge	Risk/ Type of valuation unit	Amount included
Variable loan interest payment/interest rate swap	Interest rate risk/ microhedge	€84,700,000

The underlying transaction is a variable-interest loan with a term up to January 2031. Up to this date, it is expected that the opposite movements in the valuations of the underlying transaction and the hedge will balance each other out.

The prospective effectiveness of the hedge (i.e. for the planning period from inception of the hedge and on each balance sheet date up to expiry of the hedging relationship) was substantiated by matching the corresponding terms of the hedged transaction and the hedging instrument using the critical terms match method and documenting the results.

	Residual term less than 1 year	Residual term 1 – 5 years	Residual term over 5 years	Total 2017	of which, to shareholder
	in €'000	in €'000	in €'000	in €'000	in €'000
1. Liabilities to banks	0	0	65,200	65,200	0
2. Advance payments received					
Public-benefit business area	927,058	0	0	927,058	908,620
InS	61,041	0	0	61,041	0
	988,099	0	0	988,099	908,620
less					
VAT not yet offset on advance payments received	–18,750	0	0	–18,750	–16,253
	969,349	0	0	969,349	892,367
3. Trade payables	56,128	0	0	56,128	0
4. Other liabilities	28,121	491	908	29,520	0
	1,053,598	491	66,108	1,120,197	892,367

All the parameters (nominal amounts, term, and reference indices) match the underlying transaction and the hedging instrument.

The retrospective effectiveness of the hedge (i.e. the 'actual' figures on the balance sheet date) was substantiated using the critical terms match method. These items are recognised for accounting purposes using the net hedge presentation method.

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

	2018	2017
	in €	in €
Intangible and tangible assets	6,445,485	3,889,992
Participating interests	0	1
	6,445,485	**3,889,993**

The assets of €6,445,485 are matched by liabilities in the same amount.

NOTES TO THE PROFIT AND LOSS ACCOUNT

(10) TURNOVER

Turnover by business area

	2018	2017
	in €	in €
Business contracts	2,494,865,427	2,239,315,788
Grant-based (incl. GIZ-initiated measures with third-party financing)	24,085,739	20,360,190
Public-benefit business area	**2,518,951,166**	**2,259,675,978**
InS	104,116,455	84,971,196
	2,623,067,621	**2,344,647,174**

By location of commissioning party

	2018		2017	
	in €	in %	in €	in %
Federal Republic of Germany	2,557,952,594	98	2,284,021,292	97
Rest of Europe	46,018,713	2	44,899,403	2
Africa	11,185,064	< 1	9,980,756	< 1
America	1,401,373	< 1	1,869,474	< 1
Asia	6,509,877	< 1	3,876,249	< 1
	2,623,067,621		**2,344,647,174**	

By region of activity

	2018		2017	
	in €	in %	in €	in %
Africa	838,242,155	32	724,968,647	31
America	183,608,237	7	167,847,119	7
Asia	733,090,047	28	684,101,710	29
Europe	296,511,908	11	265,350,032	11
Oceania	8,581,513	< 1	6,862,668	< 1
Supraregional	563,033,761	21	495,516,998	21
	2,623,067,621		**2,344,647,174**	

(11) OTHER OPERATING INCOME

Income from foreign currency valuations came to €3,444,602 (previous year: €2,839,375). Income not related to the period under review was €4,338,281 (previous year: €50,892,660). This income is mainly due to the release of provisions.

(12) OTHER OPERATING EXPENSES

Expenses from foreign currency valuations came to €1,941,333 (previous year: €5,788,999).

The item includes the costs of the audit for the annual statement of accounts (€125,000), tax consulting services (€25,260) and other audits carried out by the external auditors (€66,040). Expenses not related to the period under review were €78,956 (previous year: €71,693).

(13) INTEREST AND SIMILAR EXPENSES

These expenses relate primarily to interest charges of €862,935 (previous year: €253,790) in respect of liabilities.

(14) TAXES ON INCOME

	2018	2017
	in €	in €
Corporation tax		
income previous year	521,586	335,528
expense current year	−1,389,773	−283,264
expense previous year	−44,303	−87,500
Income previous year	0	−923
	−912,490	−36,159

Significant events after the balance sheet date

There were no significant events after the balance sheet date of 31 December 2018.

OTHER INFORMATION

COMPANY LAW INFORMATION

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (registered offices in Bonn and Eschborn) is entered in the Commercial Register maintained by the District Court of Bonn under HR B 18384 and in the Commercial Register maintained by the District Court of Frankfurt am Main under HR B 12394.

TOTAL OTHER FINANCIAL COMMITMENTS

Commitments from commercial leases

Commitments under commercial leases for office premises and parking spaces (2019 to 2027): €54,109,692. Out of this total, €13,331,474 is payable in 2019.

Purchase commitments for investment projects

As at the balance sheet date, purchase commitments for investment projects totalled €19.5 million.

Obligations to affiliated companies

The company's provident fund, GIZ Unterstützungskasse GmbH, has set up two payment plans (Leistungsplan II and III). GIZ provides it with the funds needed to make pension payments under these plans. In the fiscal year under review, this amount was €53.9 million. The payment plan established in 2015 (Leistungsplan I) was discontinued in 2017.

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 (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 seven of these consortia.

As at 31 December 2018, the risk arising from participation in the consortia amounted to €335,528. Based on the experience of recent years, claims are not expected.

Average employment during the year

	2018	2017
Head Office personnel	2,269	2,127
Project staff (Germany)	1,779	1,643
Field staff	2,389	2,259
GIZ total employees (excluding national personnel)	**6,437**	**6,029**
National personnel	13,778	13,042
GIZ total personnel	**20,215**	**19,071**

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

Chair

Martin Jäger
State Secretary, German Federal Ministry for Economic Cooperation and Development (BMZ), Bonn
(from 4 April 2018)

Dr Friedrich Kitschelt
State Secretary, German Federal Ministry for Economic Cooperation and Development (BMZ), Bonn
(up to 4 April 2018)

First Deputy Chair

Jan Wesseler
GIZ Central Africa advisor, Rwanda

Second Deputy Chair

Dr Stephan Krall
Head of Competence Centre at GIZ, Eschborn

Claudia Dörr-Voß
State Secretary, German Federal Ministry for Economic Affairs and Energy, Berlin

Anja Hajduk
Member of the German Federal Parliament, Berlin

Michael Hinterdobler
Chairman of the Board of Directors of the German Foundation for International Development (DSE), Bonn
(from 8 June 2018)

Armin Hofmann
GIZ Programme Manager, Myanmar

Volkmar Klein
Member of the German Federal Parliament, Berlin
(up to 8 June 2018)

Carsten Körber
Member of the German Federal Parliament, Berlin
(from 8 June 2018)

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

Christine Lambrecht
Parliamentary State Secretary, German Federal Ministry of Finance, Berlin
(from 18 April 2018)

Michael Leutert
Member of the German Federal Parliament, Berlin

Walter J. Lindner
Ambassador to India
(up to 1 April 2019)

Dr Sabine Müller
GIZ Director General of Department, Eschborn

Jens Neumann
Member of the GIZ Staff Council, Eschborn

Dr Peter Ramsauer
Member of the German Federal Parliament, Berlin
(from 8 June 2018)

Mariella Regh
GIZ Advisor, Bonn

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

Paul Schlüter
Member of the GIZ Staff Council, Bonn

Johannes Schmalzl
Chief Executive Officer, IHK Stuttgart, Stuttgart
(up to 18 April 2018)

Wolfram Schöhl
Chairman of the Board of Directors of the German Foundation for International Development (DSE), Bonn
(up to 8 June 2018)

Tobias Schürmann
Unified Service Sector Union (ver.di), Berlin

Sonja Steffen
Member of the German Federal Parliament, Berlin

Dagmar Wöhrl
Member of the German Federal Parliament, Berlin
(up to 8 June 2018)

MANAGEMENT BOARD

Tanja Gönner
Chair of the Management Board

Dr Christoph Beier
Vice-Chair of the Management Board

Dr Hans-Joachim Preuß
(up to 30 June 2018)

Cornelia Richter
(up to 31 January 2018)

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 2018 was €773,416.

As at 31 December 2018, GIZ had indirect pension obligations totalling €2,402,704 towards currently serving members of the Management Board. In 2018, GIZ transferred €250,010 to GIZ Unterstützungskasse GmbH in order to fund these pension commitments.

	Fixed salary	Variable remuneration	Total
	in €	in €	in €
Tanja Gönner	248,161	38,333	286,494
Dr Christoph Beier	227,041	38,333	265,374
Dr Hans-Joachim Preuß	123,689	28,750	152,439
Cornelia Richter	27,450	28,750	56,200
Other remuneration components			12,909
Total remuneration			773,416

In 2018, members of the Supervisory Board were solely reimbursed for their travel costs of €38,007. There was no further remuneration. Benefits totalling €3,213 were paid to one former member of the Management Board.

A provision of €603,974 has been recognised to cover a transitional allowance for a former senior manager. Transitional allowance payments in fiscal 2018 totalled €102,828. Indirect pension obligations towards former senior managers and members of the Management Board totalled €11,441,763.

LOANS TO ORGANS OF THE COMPANY

EMPLOYEES ON THE SUPERVISORY BOARD

	in €
Loans as at 1 January 2018	15,244
Repayments	2,447
As at 31 December 2018	12,797

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

Bonn/Eschborn, 20 May 2019

The Management Board

Tanja Gönner
Chair of the Management Board

Dr Christoph Beier
Vice-Chair of the Management Board

CHANGES IN FIXED ASSETS IN FISCAL 2018

	COST OF ACQUISITION OR PRODUCTION				
	Carry forward 1.1.2018	Additions	Reclassification	Retirements	31.12.2018
	in €	in €	in €	in €	in €
I. Intangible assets					
Purchased concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets	7,170,997	586,442	−1,218	1,630	7,754,591
	7,170,997	**586,442**	**−1,218**	**1,630**	**7,754,591**
II. Tangible assets					
1. Land, land rights and buildings including buildings on third-party land	244,737,738	4,012,734	343,657	7,664	249,086,465
2. Other plant, operating and office equipment	47,293,472	7,337,090	1,218	4,088,920	50,542,860
3. Advance payments and assets under construction	97,175,988	26,039,116	−343,657	0	122,871,447
	389,207,198	**37,388,940**	**1,218**	**4,096,584**	**422,500,772**
III. Financial assets					
1. Shares in affiliated companies	75,881	0	0	0	75,881
2. Participating interests	535,862	0	0	0	535,862
3. Securities held as fixed assets	112,667,763	50,000,046	0	0	162,667,809
4. Other loans	601,592	6,000	0	100,526	507,066
5. Claims from administrative costs credit	19,002,020	0	0	1,227,333	17,774,687
	132,883,118	**50,006,046**	**0**	**1,327,859**	**181,561,305**
	529,261,313	**87,981,428**	**0**	**5,426,073**	**611,816,668**

* Acquisition costs were offset against the investment grants.
There may be rounding differences of €+/−2.

	ACCUMULATED AMORTISATION AND DEPRECIATION						CARRYING AMOUNTS	
	Carry forward 1.1.2018	Amortisation/ depreciation in the fiscal year	Reclassifi-cations	Additions	Retirements	31.12.2018	31.12.2018	31.12.2017
	in €	in €	in €	in €	in €	in €	in €	in €
	4,849,196	698,675	–468	0	1,630	5,545,773	2,208,818	2,321,801
	4,849,196	**698,675**	**–468**	**0**	**1,630**	**5,545,773**	**2,208,818**	**2,321,801**
	60,140,982	5,310,880	0	0	7,664	65,444,198	183,642,267	184,596,756
	30,268,201	5,846,631	468	360	3,855,212	32,259,728	18,283,132	17,025,271
	0	0	0	0	0	0	122,871,447	97,175,988
	90,409,183	**11,157,511**	**468**	**360**	**3,862,876**	**97,703,926**	**324,796,846**	**298,798,015**
	0	0	0	0	0	0	75,881	75,881
	0	0	0	0	0	0	535,862	535,862
	0	0	0	0	0	0	162,667,809	112,667,763
	117,178	155	0	0	27,163	90,170	416,896	484,414
	0	0	0	0	0	0	17,774,687	19,002,020
	117,178	**155**	**0**	**0**	**27,163**	**90,170**	**181,471,135**	**132,765,940**
	95,375,557	**11,856,341**	**0**	**360**	**3,891,669**	**103,339,869**	**508,476,799**	**433,885,756**

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AUDITOR'S REPORT

AUDITOR'S REPORT

To the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Bonn/Eschborn, Germany

AUDIT OPINIONS

We have audited the annual financial statements of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Bonn/Eschborn, Germany, which comprise the balance sheet as at 31 December 2018 and the income statement for the financial year from 1 January 2018 to 31 December 2018, and the notes to the financial statements, including the presentation of accounting and valuation methods. In addition, we have audited the management report of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH for the financial year from 1 January 2018 to 31 December 2018. In accordance with German law, we have not audited the content of the declaration on corporate governance required under sections 289f paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB) (disclosures on female representation), which can be found in section IV of the management report.

In our opinion, based on our audit findings:

- the accompanying annual financial statements comply, in all material respects, with those provisions of German commercial law applicable to corporations and, with due regard for the German Generally Accepted Standards of Accounting (Grundsätze ordnungsmäßiger Buchführung), give a true and fair view of the assets and financial situation of the company as at 31 December 2018 and of its earnings position for the financial year from 1 January 2018 to 31 December 2018; and
- the accompanying management report as a whole provides an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. With respect to the management report, our audit opinion does not extend to the above-mentioned declaration on corporate governance.

Pursuant to Section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations concerning the legal regularity of the annual financial statements and the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards on Auditing (Grundsätze ordnungsmäßiger Abschlussprüfung) as promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) governing the conduct of an audit of financial statements. Our responsibilities under these requirements and principles are detailed in the 'Auditor's responsibilities for the audit of the annual financial statements and management report' section of our audit report. We are independent of the company in accordance with German commercial and professional legal requirements, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the basis for our audit opinions on the annual financial statements and management report.

OTHER INFORMATION

The legal representatives are responsible for the other information. The other information consists of the declaration on corporate governance required under sections 289f HGB (disclosures on female representation). Our opinions on the annual financial statements and management report do not cover the other information. Consequently, we have not expressed an audit opinion or any other form of audit conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to duly examine whether the other information

- is materially inconsistent with the annual financial statements, with the management report or other knowledge we obtained during our audit; or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

The legal representatives are responsible for ensuring that the annual financial statements are prepared in such a way that they comply, in all material respects, with those provisions of German commercial law applicable to corporations and for ensuring, with due regard for the German Generally Accepted Standards of Accounting, that the annual financial statements give a true and fair view of the assets, financial and earnings situation of the company. In addition, the legal representatives are responsible for the internal controls they have deemed necessary, in accordance with the German Generally Accepted Standards of Accounting, to ensure that the annual financial statements are free from material misstatements, whether intentional or unintentional.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue to operate as a going concern. They are also responsible for disclosing, where applicable, any matters that may affect the company's situation as a going concern. In addition, they are responsible for drawing up financial reports based on the going concern principle of accounting unless there are factual or legal circumstances which dictate otherwise.

Furthermore, the legal representatives are responsible for ensuring that the management report is prepared in such a way that it provides, as a whole, an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

In addition, the legal representatives are responsible for all the arrangements and measures (systems) they have deemed necessary in order to ensure that the management report complies with the applicable German legal requirements and to ensure that sufficient appropriate evidence is provided for the assertions made in the management report.

The Supervisory Board is responsible for overseeing the financial reporting process established by the company for preparing the annual financial statements and management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement, intentional or unintentional, and whether the management report as a whole gives an appropriate picture of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge we obtained during our audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that contains our opinions on the annual financial statements and management report.

Reasonable assurance provides a high degree of assurance but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards on Auditing (Grundsätze ordnungsmäßiger Abschlussprüfung) as promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) governing the conduct of an audit of financial statements will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in combination, they could reasonably be expected to influence economic decisions taken by the intended readers of the financial reports on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain a questioning approach throughout the audit. Additionally, we:

- identify and assess the risks of material misstatements in the annual financial statements and the management report, whether intentional or unintentional, plan and conduct audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate as the basis for our opinions; the risk of not detecting a material misstatement caused by fraud is higher than for one caused by error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the deliberate suppression of internal controls;
- obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of the arrangements and measures (systems) relevant to the audit of the management report in order to plan audit procedures appropriate to the circumstances but not with a view to expressing an opinion on the effectiveness of these company systems;
- evaluate whether the accounting methods employed by the legal representatives are appropriate and whether the estimates made by the legal representatives and the associated disclosures are reasonable;
- conclude whether the legal representatives' use of the going concern principle of accounting is appropriate and, based on the audit evidence obtained, whether there is any material uncertainty in relation to events or conditions that may cast significant doubt on the company's ability to continue as a going concern; if we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report; it remains possible, however, that the company may at some point no longer be able to continue operating as a going concern due to future events or circumstances;
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair picture of the assets, financial and earnings situation of the company in compliance with the German principles of proper accounting;
- evaluate whether the management report is consistent with the annual financial statements, complies with legislation and provides an appropriate picture of the company's position;
- perform audit procedures on forward-looking statements made by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions made by the legal representatives as the basis for such forward-looking statements and assess whether the forward-looking statements are objectively derived from those assumptions. We have not expressed a separate opinion on the forward-looking statements or on the underlying assumptions. There is a significant and unavoidable risk that future events will differ materially from such forward-looking statements.

We hold discussions with the persons responsible for the supervision of the company. These discussions cover, for example, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify in the course of our audit.

Mainz, 20 May 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hauptmann	Reichel
German Public Auditor	German Public Auditor

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