Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

Annual statement of accounts 2019

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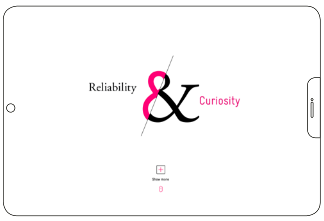

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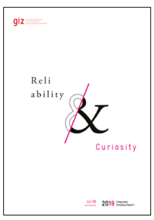

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REPORT OF THE SUPERVISORY BOARD TO THE SHAREHOLDER

MEETINGS

The Supervisory Board held four ordinary meetings in fiscal 2019. The Audit Committee held one meeting, and the Standing Committee met eight times.

APPOINTMENTS

In 2019, the composition of the Supervisory Board changed as follows:

On 27 June 2019, State Secretary Wolfgang Schmidt was appointed by the shareholder to succeed Parliamentary State Secretary Christine Lambrecht as a member of the Supervisory Board. With effect from 1 April 2019, the shareholder appointed State Secretary Antje Leendertse to the Supervisory Board as successor to State Secretary Walter J. Lindner.

With regard to the employee representatives on the Supervisory Board, Mr Jens Neumann left his position on 31 May 2019 and Ms Christiane Einfeldt was designated as a substitute member. Following the departure of Dr Stephan Krall on 31 July 2019, Dr Wibke Thies took over as a new member of the Supervisory Board. Mr Stefan Mager succeeded Ms Mariella Regh, who left on 31 December 2019.

State Secretary Wolfgang Schmidt was elected to the Audit Committee and assumed the role of Chair of that committee. Dr Wibke Thies took up the position of Second Deputy Chair of the Supervisory Board.

ADVISING AND SUPERVISING THE MANAGEMENT BOARD

In fiscal 2019, as in all previous years, the Supervisory Board and the Management Board worked together on the basis of mutual trust. The Management Board kept the Supervisory Board informed about management policy, the state of operations, and the liquidity and profitability of the company. On this basis, during its meetings, the Supervisory Board was able 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:

- The Supervisory Board appointed Mr Thorsten Schäfer-Gümbel as a member of the Management Board and as GIZ's new Labour Relations Director.
- The Supervisory Board held its first strategy meeting, at which members discussed a range of issues that included GIZ's planned 2020–2022 Corporate Strategy and the current Human Resources Strategy. At this meeting, members also discussed the work situation in Afghanistan and listened to a presentation on BMZ's 2030 reform process.
- The Supervisory Board approved the financial, investment and human resources plans for 2020 submitted by the Management Board. These are based on projections of a slight decrease in commissions received but a rise in total business volume. In light of these projections, staff numbers are also likely to increase in every category, albeit not at the same rate as the increase in business volume.
- 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 2019 despite the negative effect of a subsequent tax demand from Saudi Arabia.

- The Supervisory Board approved the conclusion of a compensation agreement under German law ('Abstandsvereinbarung') related to the property at Friedrich-Ebert-Allee 40 in Bonn. The agreement is linked to the early cancellation of the lease agreement following the completion of the new Campus building in Bonn.
- The Supervisory Board also approved amendments and additions to GIZ's regulations on staff relocation, including the reimbursement of expenses. The changes concerned the recalculation of lump-sum outward and homeward journey allowances in the case of 'direct transfers' and a regulation on relocation services.
- Finally, the Supervisory Board approved the purchase of additional software licences for a digital work platform that facilitates virtual collaboration across the company.

MANAGEMENT BOARD REPORTS

The Management Board complied with its reporting obligations in 2019. It reported regularly on the development of business at GIZ, which was again very positive in fiscal 2019.

These duties included presenting the Long-Term Corporate Plan 2020–2022 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 also informed about the company's IT security measures. Throughout 2019, GIZ worked hard to raise awareness of IT security issues among its staff. A multi-factor authentication system was introduced company-wide at the end of November 2019. A mobile device management system was also introduced across the company in 2019 as a further means of increasing IT security. This system is currently being implemented.

The Supervisory Board obtained a detailed report on the situation in Afghanistan following the attack in Kabul on 2 September 2019.

Finally, the Management Board reported back fully to the Supervisory Board on the current status and further development of GIZ's equal opportunities policy and on plans for a new campus building at the company's Head Office site in Eschborn.

ANNUAL STATEMENT OF ACCOUNTS 2019

The auditors PricewaterhouseCoopers GmbH 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 30 June 2020, the Supervisory Board approved the findings of the audit of the annual statement of accounts for 2019 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 2019 and formally approve the actions of the Management Board.

Berlin, 30 June 2020

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 2019

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 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 22,199 employees across the globe. Roughly 68.1% are based outside Germany with the status of 'national staff'. A further 556 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 2019, 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 777.

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 the 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 and multilateral donors and private sector actors. InS also handles any commissions from German public sector clients that cannot be allocated to the public-benefit business area.

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

B. STRATEGY

GIZ's strategic focus is shaped by the trends and developments in the environment in which it operates. We have identified eight principal trends that are crucially relevant to GIZ today. By analysing these trends, we can spot potential opportunities and risks for the company.

DEVELOPMENTS AND TRENDS AFFECTING GIZ

TREND 1: A LARGE PROPORTION OF OUR PARTNER COUNTRIES ARE FRAGILE STATES AFFECTED BY VIOLENT CONFLICTS.

Fragile states are characterised by serious deficiencies in at least one of the following three areas: the state is unable to provide basic services; the system of government lacks the required legitimacy; the state has no monopoly on the use of force within its territory. The Organisation for Economic Co-operation and Development (OECD) anticipates that the number of people living in fragile states will rise from 1.8 billion in 2016 to 2.3 billion by 2030. State fragility not only compromises the internal security of individual states, but also poses a risk to regional and global security. For these reasons, stabilisation and peacebuilding have emerged over recent years as one of the key goals of international cooperation and German Government policy as a whole.

TREND 2: DISPLACEMENT AND MIGRATION INFLUENCE THE INTERNATIONAL AGENDA.

People leave their homes for many different reasons, including war, natural disasters, climate change and economic crises. At the end of 2018, there were around 70.8 million forcibly displaced people around the world. While many sought refuge in other countries, the vast majority sought safety within their own country. For GIZ's clients and commissioning parties, the issue remains a top priority.

TREND 3: NEW TECHNOLOGY IS DRIVING CHANGE BOTH IN OUR PARTNER COUNTRIES AND IN THE WAY WE WORK AT GIZ.

Technological change is a key driver of geopolitical, economic and social transformation. Above all, digital technologies offer developing countries and emerging economies a chance to 'leapfrog' certain stages of technological development and therefore achieve industrialised status more rapidly.

TREND 4: THE NEED TO COMBAT CLIMATE CHANGE REMAINS URGENT.

The impacts of climate change are threatening livelihoods, exacerbating conflicts and making regions temporarily or permanently uninhabitable. Climate-related migration is increasing. The impact is greatest on the poor. Worldwide, women make up two thirds of those in extreme poverty.

TREND 5: INCREASING COOPERATION DRIVEN BY GLOBAL AGENDAS

The 2030 Agenda and the associated Sustainable Development Goals (SDGs) continue to provide the framework for engagement by multilateral and bilateral organisations in the field of international cooperation. In order to implement the Agenda, achieve results and multiply their impact, there is a growing emphasis on collaboration between different stakeholder groups, for example official international cooperation agencies, the private sector, civil society and the academic sector.

TREND 6: THERE IS GROWING COMPETITION WITHIN THE INTERNATIONAL COOPERATION SECTOR.

Increasingly, the funds provided by multilateral and bilateral donors for international cooperation projects are awarded through ideas competitions. As a result, GIZ has to compete more frequently for new commissions with NGOs and other organisations working in the field of international cooperation. GIZ also faces growing competition in the labour market. This is partly due to the greater internationalisation of companies that facilitate secondments and short-term assignments of their staff in other countries. Another factor is the more diverse nature of the tasks performed by GIZ personnel, with a trend towards more financial, managerial and IT-based roles.

TREND 7: ACCOUNTABILITY, VALUE FOR MONEY AND COMPLIANCE REQUIREMENTS ARE BECOMING MORE STRINGENT.

International cooperation actors are increasingly required to provide evidence that funds have been used cost-effectively and have had an impact. As a federal enterprise with a public-benefit remit, GIZ has a particular duty to ensure that all funds are used cost-effectively and correctly, both in projects and throughout the company.

TREND 8: GROWING DEMANDS FOR RAPID IMPLEMENTATION AND EVIDENCE OF RESULTS

All implementing organisations in the international cooperation sector are expected to demonstrate concrete and measurable results within ever shorter time frames. In some cases, it can be difficult to reconcile the demands made on GIZ in terms of value for money, compliance and transparency with the pressure from clients to implement projects more rapidly and more flexibly.

GIZ'S CORPORATE STRATEGY

Together, these trends and developments form the basis of the company's strategy. Strategic priorities are addressed in three-year strategy cycles. 2019 was the last year of the first strategy cycle (2017–2019). Over the course of 2019, we prepared the new strategy cycle for 2020–2022, which will be implemented from 2020 onwards. The objectives of this strategy are assigned to the four strategic areas of action: effectiveness; business development; expertise and alliances; value for money. Once again, these four strategic areas provided the medium-term and long-term framework within which we formulated our new strategic objectives for the 2020–2022 cycle. In order to achieve these objectives, GIZ implements strategic measures. In drawing up our new strategy, we were guided by the core statement at the centre of our strategy architecture: 'We focus on our capacity to implement effective projects now and in the future.' This statement is designed to harness our greatest strength: our ability to implement challenging commissions in the field of international cooperation rapidly and effectively, even under the most difficult conditions. The objectives of our Corporate Strategy 2020–2022 are briefly outlined in the following section.

1. AREA OF ACTION: EFFECTIVENESS

In the area of action 'Effectiveness', GIZ has set itself the following strategic objective: 'We understand political requirements and work together to translate them quickly and visibly into effective solutions.' This means that GIZ will anticipate the needs of its clients more effectively and collaborate more extensively with multilateral partners, private sector actors and other external cooperation partners in order to implement new requirements. In all cases, GIZ will balance the requirements of clients with the interests and concerns of its local partners. When policy initiatives reach the operational stage, GIZ staff will cooperate proactively across all departments in order to fulfil the requirements of our clients and partners as effectively as possible.

2. AREA OF ACTION: BUSINESS DEVELOPMENT

In the area of action 'Business development', GIZ's strategic objective for the next three years is to strengthen its market position with data-driven and technology-based services. To this end, we need to identify at an early stage those areas where digital solutions are needed, then find suitable applications and solutions and deploy them as development cooperation instruments. At the same time, in relation to its clients and partners, GIZ wants to position itself as a 'digital architect' with a unique selling point of strong networks and innovative alliances in order to mediate among the various stakeholders, contribute our own expertise and develop new business models. Beyond this, GIZ wishes to offer a portfolio of scalable, market-ready services.

3. AREA OF ACTION: EXPERTISE AND ALLIANCES

Our strategic objective in the area of action 'Expertise and alliances' is: 'We continue to build up our expertise, which we mobilise more rapidly and manage more effectively.' To this end, we plan to implement a series of measures, including a flexible and forward-looking assignment management system, so that we are able to fill key roles, such as country director and programme manager, proactively, rapidly and reliably. Skills development courses for specific roles will ensure that the right expertise is available for key posts. In partner countries, GIZ will find new ways of delivering services, including flexible assignment options that go beyond the traditional approach of long-term expert assignments.

4. AREA OF ACTION: VALUE FOR MONEY

GIZ has set itself two strategic objectives in this area of action.

The first of these is to implement projects more effectively thanks to digitalised end-to-end business processes. The first step here is to improve workflows by introducing a process management system. This will act as the basis for further digitalisation measures designed to make selected business processes more user-focused, simpler, faster, more audit-proof, more cost-effective and more sustainable.

Our second objective, building on needs-based implementation structures, is to ensure that services can be delivered quickly and efficiently across all organisational units. To this end, GIZ will develop implementation structures that offer a range of options for dealing rapidly and flexibly with modified requirements. In this context, we will continue to safeguard our legal capacity in the field. To complement these new structures, we will adapt our incentive systems to ensure that they support the joint implementation of our commissions across organisational units.

C. OPERATING FRAMEWORK

In 2019, after a lengthy period marked by highly dynamic business growth, the federal budget allocations of particular relevance to GIZ registered a smaller increase. Looking ahead over the next few years, we anticipate further moderate increases. Thanks to its innovative range of services and its ability to implement projects effectively in the field, GIZ is well placed to achieve further growth in income and commissions received in the public-benefit business area (see also section III). The European Union (EU) was again the biggest single provider of cofinancing, followed by the UK Department for International Development (DFID). In Grenada, we started implementing our first project on behalf of the Green Climate Fund (GCF). Grant agreements were signed in December 2019 for two further GCF projects in Kenya/Senegal and Laos.

In 2019, alongside the slowdown in income growth, GIZ still had to deal with the challenges of project implementation outlined in last year's report. Levels of fragility continued to rise in many of GIZ's partner countries, and in some the security and human rights situation deteriorated further. Some projects were held up, partly due to the absence or delayed signing of intergovernmental agreements and partly due to the increasingly tight labour market, which made it more difficult to fill vacant positions. Other factors that added to the difficulties of implementing projects included increasingly stringent record-keeping requirements at every stage of the commission management process and a marked rise in the frequency of audits.

At the same time, GIZ had to deal with the challenges of applying new digital solutions, further improving IT security, preparing for the shift to SAP S/4HANA and standardising and automating internal processes.

As a leading provider in the highly competitive EU procurement business, InS recorded a substantial increase in public sector commissions in 2019. At the same time, for security reasons, InS experienced a significant decline in commissions and total operating performance in fragile contexts (e.g. Afghanistan and DR Congo). Further bad debt allowances were included in the annual statement of accounts for 2019 in light of the outstanding receivables in Saudi Arabia.

A company tax audit performed by the Wiesbaden tax office concluded that (a) only development cooperation and not the more broadly defined international cooperation meet the criteria set out in the German Tax Code for treatment as public-benefit activities, and (b) activities may be classed as development cooperation only if they are conducted in those countries designated as recipients of official development assistance (ODA) in the list maintained by the OECD Development Assistance Committee (DAC). In addition to development cooperation, GIZ now aims to incorporate further public-benefit purposes, such as protecting the environment, into its Articles of Association.

For organisational reasons and with due regard for materiality considerations and the manageable number of projects involved, current projects affected by this decision will be relocated until completion from the public-benefit business area to our commercial (and therefore taxable) business area InS for tax calculation purposes only.

In response to the changes introduced by Germany's Accounting Law Modernisation Act (BilMoG) and the ongoing phase of near-zero interest rates in recent years, GIZ has structured its company pension arrangements as follows:

Deutscher Pensionsfonds AG (DPAG) now pays the pension entitlements accrued by employees up to 30 June 2015 under the old (pre-2005) company scheme (alte bAV) and 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 the Bonn-based GIZ Unterstützungskasse GmbH, which was established in 2015. Under these new arrangements, GIZ Unterstützungsskasse 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 applied owing to payroll tax law.

D. BUSINESS DEVELOPMENT

GIZ can look back on a very successful year in 2019. Following a very strong result in 2018, commissions received rose by a further 12% to €3,689 million and total business volume[2] passed the €3 billion mark for the first time (€3,063 million) to end the year up 2%.

The indicators used to measure value for money remained stable in the public-benefit business area. The control parameter (the ratio between management costs for the year under review and the four-year average[3] of income in the public-benefit business area) stood at 10.8% compared with the 2018 figure of 10.3%. At €1 million, the operating result at InS was on a par with previous years (€1.0 million) despite a €4 million increase in the risk provision covering outstanding receivables in Saudi Arabia.

II. ASSETS, FINANCIAL POSITION AND INCOME

A. ASSETS

The balance sheet total ended the year under review at €1,969 million, up €88 million compared with the year-end figure of €1,881 million for 2018. This was primarily due to a further increase in business volume. There was little change in the fixed-to-current assets and equity-to-debt ratios.

Fixed assets rose from €508 million to €533 million. The main factor underlying this increase of €25 million (5%) was capital expenditure on the construction of the GIZ Campus in Bonn, which was completed in the year under review.

Inventories increased by €58 million (9%) from €619 million to €677 million. This was mainly due to another rise in the figure for advance payments (up €49 million). Projects in process rose by €9 million (38%) to €33 million.

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

Receivables and other assets ended the year €7 million lower at €299 million. Trade receivables increased by €8 million from €61 million to €69 million and other assets by €8 million to €26 million. Accordingly, project assets fell by €22 million from €226 million to €204 million.

At €210 million, equity ended the year €30 million higher as a result of positive net income for the year. This amount was added to the reserves required under the Articles of Association. As the balance sheet total was also higher, the equity ratio[4] rose by 1.1 percentage points to 10.5%.

Provisions rose by €31 million from €258 million to €289 million. This was mainly due to higher personnel provisions (e.g. long-term working-time accounts) and warranty provisions.

Liabilities rose by €28 million from €1,440 million to €1,468 million. This was due to an increase of €23 million in trade payables in the public-benefit business area, reflecting higher income. Liabilities to banks rose from €85 million to €98 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 €451 million, up €11 million on the year-end figure of €440 million for 2018. The company held sufficient liquid assets to finance its activities throughout the fiscal year. At €36 million, cash inflows from ongoing business operations covered cash outflows in respect of investment activities totalling €36 million. In addition, the final tranche of the loan generated a cash inflow from financial activities of €11 million.

C. INCOME

The company's overall income situation in 2019 was positive due to growth in business volume.

Turnover for fiscal 2019 was €402 million (15%) higher at €3,025 million. The following table shows the distribution of turnover across business areas:

TOTAL OPERATING PERFORMANCE

	2019			2018			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	2,911	114	3,025	2,519	104	2,623	402	15
Changes in services not yet invoiced	5	4	9	–1	5	4	5	> 100
Total operating performance	**2,916**	**118**	**3,034**	**2,518**	**109**	**2,627**	**407**	**15**

[4] The equity ratio is defined as equity less premium as a proportion of the balance sheet total.

Other operating income rose by around €4 million from €11 million to €15 million, mainly due to reversals of provisions.

At €1,760 million, cost of materials was up €267 million on the previous year. Within this category, reflecting the increase in business volume, purchased goods rose by €19 million and purchased services by €248 million. 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 €124 million, from €1,012 million to €1,136 million. This was due to increases in the size of the workforce and in salaries.

Other operating expenses rose by €19 million, from €88 million to €107 million. The main factors here were increased provisions for warranty and price risks (up €11 million) and higher office space and operating costs.

The financial result declined from €–1.0 million to €–2.1 million. This change was due to higher interest expenses following the drawdown of the loan for the GIZ Campus in Bonn and in connection with the modified tax assessments for 2012–2015 issued following the company tax audit.

Overall, net income for the year was €30 million, just below the figure of €31 million for 2018.

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

NET INCOME

	2019	2018	Change	
	in € millions	in € millions	in € millions	in %
Public-benefit business area	29.1	30.7	–1.6	–5
InS	0.4	0.2	0.2	> 100
GIZ total	29.5	30.9	–1.4	–4

Net income at InS was up on the previous year. InS achieved a positive net income result despite having to create further bad debt allowances to cover outstanding receivables in Saudi Arabia.

III. ECONOMIC SITUATION

A. GENERAL OBSERVATIONS

GIZ can look back on another very successful year:

- Business volume passed the €3 billion mark for the first time.
- Commissions received rose by 12%.
- At 10.8%, the control parameter used in the public-benefit business area remained well below the upper limit of 12%.

GIZ uses a number of financial indicators (see table below) to inform management decisions. These are: business volume (income in the public-benefit business area and total operating performance at InS), commissions received, the Head Office control parameter in the public-benefit business area, the operating result and net income for the year at InS and the number of employees in the public-benefit business area.

COMPARISON OF PLANNED AND ACTUAL FIGURES

		Actual 31.12.2019	Plan 31.12.2019	Deviation Actual–Plan
Business volume				
Income in the public-benefit business area	€ millions	2,944	2,963	–19
Total operating performance InS	€ millions	118	131	–13
Commissions received				
Public-benefit business area	€ millions	3,550	3,223	327
InS	€ millions	139	143	–4
Control parameter	%	10.8	11.0	–0.2
InS results				
Operating result (InS)	€ millions	1.0	0.3	0.7
Net income for the year (InS)	€ millions	0.4	0.1	0.3
Number of employees (public-benefit business area)				
Germany-based staff	Number	2,317	2,389	–72
Project staff in Germany		2,111	1,867	244
Seconded field staff		2,447	2,657	–210
Staff covered by the Collective Bargaining Agreement (MTV) or Public-Sector Remuneration System (TVöD)		6,875	6,913	–38
National staff		15,120	14,911	209
Total public-benefit business area staff		21,995	21,824	171

Overall, the actual indicator values were roughly in line with the planned figures. Deviations from the planned staff figures frequently occur due to project requirements. Year-on-year changes in the actual figures for each indicator are examined in the following section.

B. COMMISSIONS RECEIVED AND ORDERS ON HAND

COMMISSIONS

In 2019, GIZ received commissions with a total value of €3,689 million, an increase of €382 million (12%) compared with the figure for 2018. While the volume of commissions received in the public-benefit business area ended the year €387 million (12%) higher, the corresponding figure for InS fell by €5 million (4%). The proportion of commissions generated by the public-benefit business area was unchanged at 96%.

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

COMMISSIONS RECEIVED

	Actual 2019	Share	Actual 2018	Share	Change 2018 to 2019
	in € millions	in %	in € millions	in %	in %
Public-benefit business area total	3,550	96	3,163	96	12
of which, BMZ	2,925	79	2,651	80	10
of which, German public sector clients	584	16	477	14	22
of which, other business sectors	41	1	35	1	17
InS	139	4	144	4	–4
GIZ total	3,689	100	3,307	100	12

The figures shown above may contain rounding differences.

COMMISSIONS RECEIVED IN THE PUBLIC-BENEFIT BUSINESS AREA

Commissions received in the BMZ business sector rose by €274 million (10%) year on year. This increase was partly due to the new special initiative on Training and Job Creation, which generated commissions totalling €97 million. Similarly, there were increases in the volume of commissions received out of the TC budget (up €79 million, 16%), under the special initiative Tackling the Root Causes of Displacement – Reintegrating Refugees (up €36 million, 22%) and out of BMZ's budgets for Crisis Management and Reconstruction, Infrastructure (up €22 million, 21%) and Development Partnerships with the Private Sector (up €12 million, 22%). Compared with 2018, the total volume of commissions received under cofinancing arrangements linked to BMZ projects was down by €61 million (12%). This decline was due to an extremely high figure for commissions received in the previous year, which included two major commissions, each with a value of €25 million, from the Dutch and British governments. The single largest source of cofinancing was (again) the EU, which provided over €357 million (2018: also €357 million).

Commissions received in the German public sector clients business sector were up by €107 million (22%). The main sources of these commissions were the Federal Foreign Office (up €87 million, 138%), BMU (up €51 million, 30%) and third-party cofinancing of projects commissioned by German public sector clients (up €39 million, 27%). However, there was a decline in the number of commissions received from BMWi (down €47 million, 83%), BMVg (down €8 million, 63%) and EU Twinning (down €7 million, 91%). Out of the total cofinancing figure, €89 million came from the UK Department for Business, Energy & Industrial Strategy (BEIS) and €58 million from the EU.

Commissions received in GIZ's other business sectors (small-scale measures in the public-benefit business area and grants) rose by €6 million (17%) year on year.

COMMISSIONS RECEIVED AT InS

In 2019, InS received commissions with a total value of €139 million, down €5 million (4%) compared with the previous year.

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

- €10 million for a project commissioned by the Agence Française de Développement (AFD) entitled Programme de Gestion des Eaux de Ruissellement dans le Tchad Sahélien (GERTS) Phase III in Chad
- €8 million for the BMZ project Fish4ACP, Sustainable Development of Fisheries and Aquaculture Value Chains in ACP countries (ACP: Organisation of African, Caribbean and Pacific States)
- €8 million for the Federal Foreign Office project Support for the EU Presidency
- €7 million for the EU project Global Technical Assistance Facility (TAF) for Sustainable Energy
- €7 million for the project Phase II: Recuperación de Vías Costa Rica commissioned by the Ministerio de Obras Públicas y Transportes (MOPT)
- €5 million for the EUTF project FFU pour l'Afrique – Programme Jeunesse et Stabilisation dans les régions Centre du Mali
- €5 million for the Federal Employment Agency project Triple Win.

ORDERS ON HAND

As at 31 December 2019, the total figure for orders on hand stood at €7,895 million. This was up by €504 million (7%) on the year-end figure for 2018. Out of the total for orders on hand, the public-benefit business area and InS accounted respectively for €7,570 million (2018: €7,044 million) and €325 million (2018: €348 million).

C. BUSINESS VOLUME

GIZ recorded another increase in total business volume in 2019. At €3,063 million, the total figure was up by €68 million (2%) compared with the previous year. This positive development was driven by income growth in both business areas. The 2019 total comprises income of €2,944 million from the public-benefit business area and a total operating performance of €118 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 2019	Share	Actual 2018	Share	Change 2018 to 2019
	in € millions	in %	in € millions	in %	in %
Public-benefit business area total	2,944	96	2,886	96	2
of which, BMZ	2,553	83	2,479	83	3
of which, German public sector clients	360	12	375	13	–4
of which, other business sectors	31	1	32	1	–3
InS	118	4	109	4	9
GIZ total	3,063	100	2,995	100	2

The figures shown above may contain rounding differences.

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

INCOME IN THE PUBLIC-BENEFIT BUSINESS AREA

In the BMZ business sector, income increased from all four special initiatives (overall by €82 million, 27%) and from the budget item for Development Partnerships with the Private Sector (by €6 million, 12%). There were only small increases in income from the TC budget item (up by €36 million, 2%) and from third-party cofinancing of BMZ projects (up by €2 million, 1%). At €274 million, the EU was again the single biggest provider of cofinancing income (2018: €265 million).

In the German public sector clients business sector, GIZ recorded increased income from BMU commissions (up €7 million, 5%), EU Twinning (up €2 million, 75%) and other clients. The biggest declines were in income from the Federal Foreign Office (down €13 million, 11%), BMF (down €8 million, 56%) and BMVg (down €4 million, 75%).

TOTAL OPERATING PERFORMANCE IN THE InS BUSINESS AREA

In 2019, InS achieved a total operating performance of €118 million, up €9 million (9%) on the previous year. In terms of funding providers, the biggest contribution to total operating performance (€60 million) again came from projects for the EU. Commissions from German public sector clients generated €26 million towards the business area's total operating performance. This includes €8 million for projects implemented on behalf of BMBF, €6 million for Federal Foreign Office commissions and €6 million for projects commissioned by the German Aerospace Center (DLR).

D. USE OF RESOURCES

Personnel

The following table shows a year-end comparison of staff numbers at GIZ for 2019 and 2018:

GIZ WORKFORCE[1]

	Actual 31.12.2019	Actual 31.12.2018	Change absolute	Change in %
Germany-based staff[2]	2,317	2,152	165	8
Project staff in Germany	2,111	1,832	279	15
Seconded field staff	2,447	2,365	82	4
Total public-benefit business area staff	**6,875**	**6,349**	**526**	**8**
Germany-based staff	84	71	13	18
Project staff in Germany	31	13	18	139
Seconded field staff	89	97	–8	–8
Total InS staff	**204**	**181**	**23**	**13**
Staff covered by the Collective Bargaining Agreement (MTV) or Public-Sector Remuneration System (TVöD)	**7,079**	**6,530**	**549**	**8**
National staff	**15,120**	**14,196**	**924**	**7**
Total GIZ personnel	**22,199**	**20,726**	**1,473**	**7**
Development workers	556	577	–21	–4
Integrated experts[3]	262	317	–55	–17
Returning experts[3]	515	518	–3	–1

[1] Not weighted for part-time staff; as at reporting date
[2] Excluding the Management Board and trainees
[3] Employment contract with local employers in partner countries

Note: From 1 January 2019, staff have been allocated to personnel categories on the basis of the organisational unit to which they belong. This also has an impact on the figures for 2018. Under this new classification system, 35 employees previously counted as project staff in Germany (InS) have been included in the 2018 figures under project staff in Germany (public-benefit sector).

As at 31 December 2019, GIZ employed a total of 7,079 staff with contracts based on the Collective Bargaining Agreement (MTV) or Public-Sector Remuneration System (TVöD) and 15,120 national staff on local contracts. This represents a further increase of 1,473 (7%) compared with the year-end figure for 2018.

The number of personnel with a German employment contract rose by 526 (8%) in the public-benefit business area and by 23 (13%) at InS. The figure for national staff ended the year 924 (7%) higher compared with 2018. This increase in the size of the workforce reflects the expansion of GIZ's business activities in response to income growth over the last few years. The planned figure for staff with contracts covered by the Collective Bargaining Agreement (MTV) or the Public-Sector Remuneration System (TVöD) was 6,913. The actual figure was 38 lower. The actual number of national staff at the end of 2019 was 209 higher than the planned figure.

A total of 556 development workers were deployed by GIZ at the end of 2019, in addition to 262 integrated experts and 515 returning experts who held employment contracts with organisations or companies in partner countries.

PURCHASES OF GOODS AND SERVICES

The following table compares the 2019 and 2018 year-end figures for worldwide awards of service and construction contracts, goods procurement orders and financing by GIZ.

CONTRACTS AWARDED

	Actual 2019	Actual 2018	Change	
	in € millions	in € millions	in € millions	in %
Head Office service contracts[1]	515	469	46	10
Head Office construction contracts	4	7	–3	–43
Head Office financing agreements	655	582	73	13
Head Office procurement of goods[2]	78	87	–9	–10
Total Head Office	**1,252**	**1,145**	**107**	**9**
Local service contracts	251	227	24	11
Local construction contracts	51	54	–3	–6
Local financing agreements	63	75	–12	–16
Local procurement of goods	73	76	–3	–4
Total local contracts	**438**	**432**	**6**	**1**
Total contracts awarded	**1,690**	**1,577**	**113**	**7**

[1] Consulting firms, advisory institutions, individual consultants/appraisers, translators (from 2014)
[2] Goods, freight forwarders

In 2019, GIZ concluded contracts totalling €1,690 million with contractors and financing recipients. This figure was up €113 million (7%) on the previous year. The company's procurement and financing activities accounted for 55% of total business volume in 2019 (2018: 53%).

At €766 million, service contracts again formed the biggest single category of procurement contract. Compared with the previous year, the total volume of service contracts with companies, consulting firms, individual consultants/appraisers and translators rose by 10%. Within this category, the volume of service contracts awarded by Head Office increased by 10% to €515 million. At €251 million, the figure for service contracts awarded by country offices was 11% up on the previous year.

Worldwide, financing agreements came to €718 million. This is equivalent to around 42% of the total volume of contracts awarded by GIZ in 2019. Compared with the previous year, this represents an increase of 9%. Although the figure for Head Office financing agreements was up 13% at €655 million, the volume of local financing agreements declined by 16% to €63 million.

In 2019, the worldwide total for goods procurement contracts stood at €151 million. Of this figure, €78 million (52%) was attributable to Head Office and the remaining €73 million (48%) to country offices. The total figure was 7% down on the previous year.

Across the globe, GIZ concluded construction contracts with a total value of €55 million in 2019. At €4 million, the 2019 figure for Head Office construction contracts was down 43% on the previous year. Similarly, the volume of local construction contracts fell by 6% to €51 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. To this end, if the Management Board has an odd number of members, the rules of procedure for the Supervisory Board stipulate that the imbalance between men and women should be not more than one seat.

Up to 30 September 2019 during the period under review, the Management Board consisted of one woman and one man. Mr Schäfer-Gümbel joined the company as a member of the Management Board on 1 October 2019, taking the proportion of female members of the Management Board at the end of the year to 33.33%.

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.

As at 31 December 2019, out of the ten members appointed by the shareholder, the number of women remained at four. The ten employee representatives on the Supervisory Board were made up of five women and five men. As such, the proportion of women and men on the Supervisory Board as at 31 December 2019 was 45% and 55% 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 2019, out of a total of 39 trustees, there were 19 women (48.72%). As a result of new staff appointments, the proportion of women was up slightly on the previous year (2018: 41%).

V. OUTLOOK

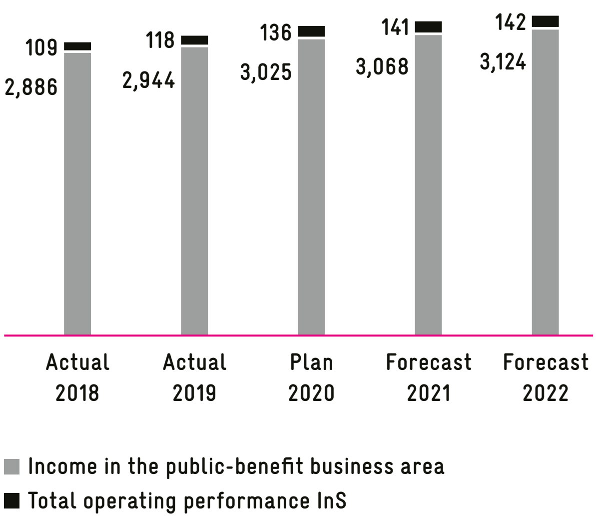
A. BUSINESS FORECAST

The planned figure for total business volume in fiscal 2020 is €3,161 million, comprising income in the public-benefit business area of €3,025 million and a total operating performance of €136 million at InS. This is 3% higher than the actual figure for 2019. Looking further ahead at 2021 and 2022, the company hopes to achieve moderate increases to €3,209 million and €3,266 million respectively.

The following chart shows actual and projected business volume figures from 2018 up to 2022 (Actual: including the impact of BilRUG; Plan: excluding the impact of BilRUG).

BUSINESS VOLUME

in € millions



Out of the planned 2020 figure of €3,025 million for income in the public-benefit business area, the company expects to generate €2,251 million (74%) from BMZ budget funds, €340 million (11%) from third-party cofinancing of BMZ commissions, €316 million (11%) from the budget funds of other German public sector clients, €89 million (3%) from third-party cofinancing of projects commissioned by German public sector clients and €29 million (1%) from other business sectors.

The following table contains a detailed breakdown of actual and projected income in the public-benefit business area for the years 2018 to 2022:

INCOME

	Actual 2018	Actual 2019	Plan 2020	Forecast 2021	Forecast 2022
	in € millions	in € millions	in € millions	in € millions	in € millions
BMZ	**2,479**	**2,553**	**2,591**	**2,631**	**2,685**
of which, TC items	1,497	1,534	1,534	1,580	1,620
of which, special initiatives	301	383	458	463	438
of which, other BMZ items	299	252	259	233	227
of which, third-party cofinancing	382	384	340	355	400
German public sector clients	**375**	**360**	**406**	**409**	**410**
of which, budget funds	321	309	316	317	315
of which, third-party cofinancing	53	51	89	92	95
Other business sectors	**32**	**31**	**29**	**28**	**29**
Public-benefit business area total	**2,886**	**2,944**	**3,025**	**3,068**	**3,124**

The figures shown above may contain rounding differences.

In the BMZ business sector, GIZ plans to generate income of €2,591 million in 2020. Looking further ahead, we anticipate modest increases in income to €2,631 million in 2021 and €2,685 million in 2022. These forecasts are based primarily on expectations of higher income from the TC budget and from cofinancing.

In the German public sector clients business sector, the planned income figure for 2020 is €406 million, comprising €316 million (78%) from budget funds and €89 million (22%) from third-party cofinancing. We expect income in this sector to stabilise at a high level in the following two years (€409 million in 2021 and €410 million in 2022). BMU commissions and third-party cofinancing are expected to be the main sources of income.

These figures are based on the following planned totals for commissions received: [5]

COMMISSIONS RECEIVED

	Actual 2019	Share	Plan 2020	Forecast 2021	Forecast 2022
	in € millions	in %	in € millions	in € millions	in € millions
Public-benefit business area total	**3,550**	**96**	**3,449**	**3,507**	**3,560**
of which, BMZ	2,925	79	2,946	3,005	3,032
of which, German public sector clients	584	16	474	481	504
of which, other business sectors	41	1	29	22	25
InS	**139**	**4**	**152**	**144**	**144**
GIZ total	**3,689**	**100**	**3,601**	**3,651**	**3,704**

[5] The planned figures for income and commissions received are based on current Management Board estimates of future business activity. In particular, they reflect the current situation with regard to the federal budget plan for 2020 as well as the commission situation and Management Board estimates following discussions about potential commissions with institutional clients in the public-benefit and InS business areas.

The control parameter is projected to remain below the upper limit set by the Supervisory Board. On the basis of GIZ's income targets and projected management costs, the control parameter for 2020 and the following years is expected to be 11.7%.

For the fiscal year 2020, InS plans a total operating performance of €136 million. This target increase of €18 million (15%) is based primarily on large-scale projects that have already been commissioned. Looking further ahead at the coming years, 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.

For 2020, InS anticipates an operating result of €0.3 million and net income for the year of €0.2 million. For 2021 and 2022, assuming the business situation remains stable, the operating result is forecast to reach €0.4 million and €0.3 million with net income of €0.3 million and €0.2 million respectively.

B. ANTICIPATED USE OF RESOURCES

PERSONNEL FORECAST

In 2020, total staff numbers are expected to show a moderate year-on-year increase of 164 (0.7%). In 2021 and 2022, it is likely that the total number of staff will decrease slightly across all groups in response to slower growth in business volume.

GIZ STAFF

	Actual 31.12.2019	Plan 2020	Forecast 2021	Forecast 2022
Germany-based staff[1]	2,401	2,425	2,402	2,371
Project staff in Germany	2,142	2,120	2,101	2,075
Seconded field staff	2,536	2,559	2,535	2,503
Staff covered by the Collective Bargaining Agreement (MTV) or Public-Sector Remuneration System (TVöD)[1]	**7,079**	**7,104**	**7,038**	**6,949**
National staff	15,120	15,259	15,116	14,943
Total employees[1]	**22,199**	**22,363**	**22,154**	**21,892**

[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.

IMPACT OF THE CORONAVIRUS PANDEMIC

Since December 2019, GIZ has faced new challenges every day in response to the rapid spread of SARS-CoV-2, a new strain of coronavirus. The current pandemic will have a significant impact on economic development all over the world. At present, it is difficult to assess the likely impact of the disease on GIZ's business operations and results. Depending on the trajectory of infection rates and the measures taken in Germany and its partner countries to prevent any further spread, we cannot exclude the possibility of negative impacts, above all on total operating performance, income, our ability to make full use of the funds available in the technical cooperation budget, the control parameter and the level of general administrative overheads. However, there will still be a need for development cooperation after the pandemic, possibly on an even greater scale, and for this reason we believe the impact will not be insuperable. We will analyse and estimate the effects of the pandemic on the current fiscal year in our interim forecasts on 30 June and 30 September 2020.

C. RISKS AND OPPORTUNITIES

RISKS

GIZ's risk management system (RM 2.0) sets out the principles, processes and roles involved in dealing proactively 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 new 2020–2022 Corporate Strategy, GIZ will have to overcome a series of challenges. The most important of these are to:

- maintain its current strong implementation capacity at Head Office and in the field despite increasing volatility, diversity and complexity in terms of implementation, and accelerate measures to ensure that resources are spent and used cost-effectively and with a clear audit trail;
- meet the stricter commercial and legal compliance requirements now in place throughout the commission management process;
- continue the process of digital transformation, i.e. by making further improvements to IT security and comprehensively upgrading the company's IT systems.

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.

In addition, the InS business area still has substantial outstanding receivables totalling €27 million (2018: €34 million) in Saudi Arabia. Allowances totalling €9 million have been created in respect of these receivables. Furthermore, the Saudi Arabian Government has claimed back €4 million already paid in settlement of a completed project. A new provision has been created to cover this amount. With support from the German Government, GIZ maintains a close dialogue with its Saudi partners to resolve this matter.

BMZ, the main source of commissions for GIZ, is currently conducting an internal reform process (BMZ 2030), which, among other things, provides for a reduction in the number of partner countries to 60. For GIZ, this would create staffing policy risks (e.g. possible settlements and appeals), reputational risks (e.g. among partner country governments due to poorly coordinated or communicated exits), business policy risks (our portfolio and our ability to attract cofinancing are heavily dependent on BMZ in those countries that may lose partner status). Any subsequent reallocation of funding to other partner countries would place great demands on the capacity of GIZ and its partner structures to absorb those funds.

OPPORTUNITIES

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

Combatting climate change and its impacts 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 commissioned, 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 to deliver lasting results within extremely tight schedules and without compromising on 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.

The third-party funding business is a key driver of business development at GIZ. As well as helping to diversify our client base and service portfolio, this market segment allows us to initiate strategic partnerships and enhance the impact of our projects.

In today's world, GIZ frequently operates in the same areas of activity as multilateral organisations. This provides opportunities to build complementary networks and jointly develop new and highly effective commission and cooperation formats.

The transformative power of digitalisation and rapidly advancing technology creates both challenges and opportunities. At GIZ, we can harness innovative technologies and digitalised processes to help us establish new services and business models and therefore make the services we provide to our commissioning parties even more effective.

If BMZ 2030 establishes a more strategic and focused position for German development cooperation, GIZ could benefit from the resulting opportunities. Assuming that the sector expands its profile and BMZ provides greater support in the remaining partner countries, it may prove easier to attract cofinancing and commissions from other organisations.

Bonn/Eschborn, 12 May 2020

The Management Board

Tanja Gönner Chair of the Management Board	Thorsten Schäfer-Gümbel Member of the Management Board

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

2

ANNUAL STATEMENT OF ACCOUNTS 2019

BALANCE SHEET

AS AT 31 DECEMBER 2019

ASSETS

	Notes	in €	31.12.2019		in €'000 31.12.2018
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			2,198,749.48		2,209
II. Tangible assets	(1)				
1. Land, land rights and buildings, including buildings on third-party land		320,901,088.90		183,642	
2. Other plant, operating and office equipment		26,207,378.00		18,283	
3. Advance payments and assets under construction		0.00	347,108,466.90	122,872	324,797
III. Financial assets	(2)				
1. Shares in affiliated companies		25,000.00		76	
2. Participating interests		535,862.01		536	
3. Securities held as fixed assets		162,667,808.91		162,668	
4. Other loans		343,925.95		417	
5. Claims from administrative costs credit		20,024,179.64	183,596,776.51	17,774	181,471
			532,903,992.89		508,477
B. Current assets					
I. Inventories	(3)				
1. Projects in process		33,229,355.74		23,976	
2. Advance payments made		644,047,917.62	677,277,273.36	595,413	619,389
II. Receivables and other assets	(4)				
1. Trade receivables		69,346,322.53		61,283	
2. Receivables from affiliated companies		0.00		815	
3. Project-related assets		203,647,711.18		225,835	
4. Other assets		25,991,287.13	298,985,320.84	17,728	305,661
III. Cash in hand, Central Bank balances, bank balances			450,422,009.26		439,785
			1,426,684,603.46		1,364,835
C. Prepaid expenses			8,964,577.60		7,612
			1,968,553,173.95		1,880,924

	Notes				
Off-balance sheet item	(9)				
Trust assets			6,397,593		6,445

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

SHAREHOLDER'S EQUITY AND LIABILITIES

	Notes	in €		in €'000	
			31.12.2019		31.12.2018
A. 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					
Reserves as per Articles of Association	(6)		196,544,976.17		167,047
IV. Unappropriated profit			0.00		0
			210,350,181.71		180,852
B. Provisions	(7)				
1. Provisions for pensions and similar obligations			139,390,495.00		139,390
2. Provisions for taxes			1,020,695.70		398
3. Other provisions			148,627,094.74		118,637
			289,038,285.44		258,425
C. Liabilities	(8)				
1. Liabilities to banks			98,181,212.12		84,700
2. Advance payments received			1,278,447,948.82		1,290,145
3. Trade payables			78,169,083.36		53,904
4. Liabilities to affiliated companies			779,503.55		1,022
5. Other liabilities			12,136,004.23		10,209
of which, relating to taxes €8,936,101 (2018: €7,731 thousand)					
of which, relating to social security €0 (2018: €0 thousand)					
			1,467,713,752.08		1,439,980
D. Deferred income			1,450,954.72		1,667
			1,968,553,173.95		1,880,924

	Notes				
Off-balance sheet item	(9)				
Trust liabilities			6,397,593		6,445

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

	Notes	in € 2019		in €'000 2018	
1. Turnover	(10)	3,025,147,411		2,623,068	
2. Change in projects in process		9,170,676		3,815	
3. Capitalised services		0		161	
Total operating performance			3,034,318,087		2,627,044
4. Other operating income	(11)		15,138,027		10,948
5. Cost of materials	(12)				
a) Purchased goods		180,472,069		161,172	
b) Purchased services		1,579,580,288	1,760,052,357	1,331,922	1,493,094
6. Personnel costs	(13)				
a) Wages and salaries		924,389,043		825,572	
b) Social security, retirement pension and support costs of which, in respect of retirement pensions: €71,936,610 (2018: €65,608,451)		211,378,176	1,135,767,219	186,192	1,011,764
7. Amortisation and depreciation of intangible and tangible fixed assets			14,248,149		11,856
8. Other operating expenses	(14)		106,707,448		88,192
9. Income from other securities and long-term financial investments			33,901		41
10. Other interest and similar income			316,834		141
11. Amortisation of financial assets			0		0
12. Interest and similar expenses	(15)		2,429,397		1,242
13. Taxes on income	(16)		519,305		912
14. Earnings after taxes			30,082,974		31,114
15. Other taxes			585,069		219
16. Net profit for the year			29,497,905		30,895
17. Transfer to/from the reserves prescribed in the Articles of Association			–29,497,905		–30,895
18. Unappropriated profit			0		0

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

NOTES TO THE ACCOUNTS 2019

NOTES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

As at the balance sheet date of 31 December 2019, 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.

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. Scheduled depreciation is calculated on a straight-line basis (pro rata temporis).

The following table sets out the useful lives of the main asset groups.

	Years
IT programs, other rights	3 – 7
Business, operating and other buildings	5 – 50
Machinery and equipment	5 – 19
Other technical equipment, plant and machinery	4 – 10
Operating and office equipment	3 – 14

The Meander Building and the Campus in Bonn are depreciated over 33 years, the office building in Berlin over 40 years and Kottenforst Campus in Bonn over 50 years. 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 financed entirely 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.

CURRENT ASSETS

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

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 recognised 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.

PREPAID EXPENSES

Expenses incurred before the reporting date are shown as 'prepaid expenses' if they relate to expenditure for a specific period after the reporting date.

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.

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 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 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 pensions provisions established in GIZ's financial statements 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.

The main actuarial parameters used by GIZ as at 31 December 2019 are detailed in section '(7) Provisions'.

In accordance with section 253, paragraph 2, sentence 1 HGB, other provisions with a remaining term of more than one year were discounted in line with their remaining term using the corresponding average market interest rate (published by the German Bundesbank) for the previous seven fiscal years.

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.

LIABILITIES AND ADVANCE PAYMENTS RECEIVED

Liabilities and advance payments received are reported at their settlement amount.

DEFERRED INCOME

Income before the reporting date is shown as 'deferred income' if it relates to income for a specific period after the reporting date.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments, as pending transactions, are generally not capitalised. Unrealised losses from derivative financial instruments are recognised as provisions and affect 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

	31.12.2019 Difference between statutory and tax accounts	Tax rate	31.12.2019 Deferred taxes
	in €'000	in %	in €'000
Cash in hand, Central Bank balances, bank balances	–281	28.325	–80
Other receivables	–384	28.325	–109
Provisions for pensions and similar obligations	21,139	28.325	5,988
Other provisions	2,191	28.325	621
Other liabilities	2	28.325	0
	22,667		6,420

As at the balance sheet date, there were net deferred tax assets of €6,420,000.

Deferred taxes are recognised on differences between the statutory accounts and the tax accounts if it is likely that the differences will be reversed over subsequent fiscal years. Deferred tax is calculated on the basis of an effective tax rate of 28.325% that is expected to apply when the differences are reversed. Deferred tax assets and deferred tax liabilities are netted off against each other in the accounts. If the figure for deferred tax assets exceeds that for deferred tax liabilities on the balance sheet date, GIZ does 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 €29,497,905 was transferred to the reserves provided for in the Articles of Association.

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 2019).

(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 2019, the equity of GIZ Unterstützungskasse GmbH stood at €25,000. The net profit/loss for the fiscal year was €0.

In 2014, GIZ acquired a 51% stake in GIZ-Festo Training Services LL.C (based in Riyadh, Saudi Arabia), which then became an affiliated company. In 2014, at the time of formation, this company's equity stood at SAR 500,000 (€116,385 based on the exchange rate as at 31 December 2019). The company was liquidated in 2019 and derecognised in the financial statements.

Since 2010, GIZ has also held a 49% equity investment in sequa gGmbH, whose registered office is in Bonn. This holding is recognised at purchase cost (€535,862). In fiscal 2018, the equity of sequa gGmbH totalled €3,646,643.01, with a surplus for the year of €467,428. As of this writing, the annual accounts as at 31 December 2019 were not yet available.

The administrative costs credit is accounted for separately and administered by Deutscher Pensionsfonds AG. The pension fund submits 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 €20,024,179.64.

(3) INVENTORIES

ADVANCE PAYMENTS MADE

Out of the total figure of €644,047,918, advances of €10,075,875 are covered by guarantees. A general valuation allowance of 1% has been recognised for advance payments. In total, €134,935,321 (previous year: €126,506,181) have a term of over one year.

ADVANCE PAYMENTS MADE BY CONTRACT TYPE

	2019	2018
	in €	in €
Financing agreements	554,952,592	485,198,563
Service agreements	88,657,368	88,984,996
Procurement of materials and equipment	10,211,952	34,601,579
Funds administered by GIZ (twinning)	186,000	344,633
Other	313,675	400,168
Impairment	–6,704,176	–6,249,032
VAT not yet offset on advance payments made	–3,569,493	–7,868,133
Total	644,047,918	595,412,774

(4) RECEIVABLES AND OTHER ASSETS

	2019				2018			
	Residual term less than 1 year	Residual term over 1 year	Total 2019	of which, from shareholder	Residual term less than 1 year	Residual term over 1 year	Total 2018	of which, from shareolder
	€	€	€	€	€'000	€'000	€'000	€'000
1. Trade receivables								
Public-benefit business area	33,274,916	0	33,274,916	29,977,932	23,979	0	23,979	23,118
InS	36,071,407	0	36,071,407	0	37,195	108	37,303	0
	69,346,323	0	69,346,323	29,977,932	61,174	108	61,282	23,118
2. Receivables from affiliated companies	0	0	0	0	814	0	814	0
3. Project-related assets								
Cash and balances at banks	53,707,784	0	53,707,784	0	77,756	0	77,756	0
Partnership services advanced	11,065,036	0	11,065,036	0	81	0	81	0
Receivables, other	152,126,159	0	152,126,159	0	159,672	0	159,672	0
Liabilities, other	–13,251,268	0	–13,251,268	0	–11,673	0	–11,673	0
	203,647,711	0	203,647,711	0	225,836	0	225,836	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	2,991,504	150,540	3,142,044	0	2,450	70	2,520	0
from staff for travel and other advances	6,698,514	186,469	6,884,983	0	5,926	2	5,928	0
from the tax authorities	3,591,316		3,591,316	0	–330	0	–330	0
Other	8,282,609	0	8,282,609	0	5,520	0	5,520	0
	21,563,943	4,427,344	25,991,287	4,090,335	13,566	4,162	17,728	4,090
	294,557,977	4,427,344	298,985,321	34,068,267	301,390	4,270	305,660	27,208

(5) CAPITAL (THROUGH PAYMENT)

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

in €	2019	2018
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) RESERVES PROVIDED FOR IN THE ARTICLES OF ASSOCIATION

CHANGES IN RESERVES PROVIDED FOR IN THE ARTICLES OF ASSOCIATION

	in €
Brought forward as at 1 January 2019	167,047,071
Net profit for the year transferred to reserves	29,497,905
Total as at 31 December 2019	196,544,976
Of which:	
tied reserves	161,852,608
untied reserves	34,692,368
	196,544,976

(7) PROVISIONS

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions are still recognised in respect of the pension liabilities outsourced from 2015 to 2017 under the old (pre-2005) company scheme (alte bAV) and the 2005 scheme. These provisions were frozen at the time of outsourcing at the level stated in the balance sheet.

Entitlements under the pre-2005 (alte bAV) and 2005 schemes are classed as indirect obligations. GIZ exercises the option granted under Article 28, paragraph 1, sentence 2 of the Introductory Act to the German Commercial Code (EGHGB) to show these indirect pension obligations as balance sheet liabilities. 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.

The corresponding settlement amounts 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. As at 31 December 2019, the difference was €160,632,055 compared with the figure based on discounting using the average market interest rate for the last seven years (1.97%).

The main actuarial parameters are listed in the following table.

	in %
Actuarial interest rate	2.72
Rate of pension increase during the qualifying period (new company pension scheme)	5.30
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

As at 31 December 2019, there was a funding deficit of €139,757,211 in respect of the indirect obligations to be settled by Deutscher Pensionsfonds AG.

	in €
Settlement amount	713,561,865
Pension fund assets	506,462,765
Frozen pension provisions	67,341,889
Funding deficit	139,757,211

As at 31 December 2019, there was a funding deficit of €22,091,843 for the indirect obligations to be settled by GIZ Unterstützungskasse GmbH (Bonn).

	in €
Settlement amount	284,598,513
Provident fund assets	13,912,750
Cash surrender value of employer's liability insurance	176,545,314
Frozen pension provisions	72,048,606
Funding deficit	22,091,843

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 0.97% and 1.97% were used.

Obligations totalling €352,137 for phased-retirement schemes were offset against a fixed-term, non-interest bearing deposit (cover fund) of €200,000. 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.

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

The main other provisions recognised are listed in the following table:

	2019	2018
	in €	in €'000
Working-time accounts	44,049,140	35,646
Amount payable following withdrawal from the VBL[1]	22,858,518	26,338
Costing and warranty risks	28,956,801	15,752
Variable remuneration	12,568,977	11,687
Leave credits	12,375,608	10,587

[1] Versorgungsanstalt des Bundes und der Länder (Pension Institution of the Federal Republic and Federal States)

(8) LIABILITIES

in €	Residual term < 1 year	> 1 year	of which, > 5 years	Total 2019	of which, to shareholder
1. Liabilities to banks	8,944,212	89,237,000	53,717,000	98,181,212	0
2. Advance payments received					
Public-benefit business area	1,241,372,208	0	0	1,241,372,208	1,227,701,405
InS	65,404,024	0	0	65,404,024	0
Valuation adjustments	175,425	0	0	175,425	0
	1,306,951,657	0	0	1,306,951,657	1,227,701,405
less					
VAT not yet offset on advance payments received	–28,503,708	0	0	–28,503,708	–26,416,605
	1,278,447,949	0	0	1,278,447,949	1,201,284,800
3. Trade payables	78,169,083	0	0	78,169,083	0
4. Liabilities to affiliated companies	779,504	0	0	779,504	0
5. Other liabilities	10,826,879	1,309,125	796,938	12,136,004	0
	1,377,167,627	90,546,125	54,513,938	1,467,713,752	1,201,284,800

in €'000	Residual term < 1 year	> 1 year	of which, > 5 years	Total 2018	of which, to shareholder
1. Liabilities to banks	0	84,700	84,700	84,700	0
2. Advance payments received					
Public-benefit business area	1,247,342	0	0	1,247,342	1,226,924
InS	71,218	0	0	71,218	0
Valuation adjustments	76	0	0	76	0
	1,318,636	0	0	1,318,636	1,226,924
less					
VAT not yet offset on advance payments received	–28,491	0	0	–28,491	–25,874
	1,290,145	0	0	1,290,145	1,201,050
3. Trade payables	53,904	0	0	53,904	0
4. Liabilities to affiliated companies	1,022			1,022	0
5. Other liabilities	8,809	1,399	908	10,208	0
	1,353,880	86,099	85,608	1,439,979	1,201,050

The item 'liabilities to affiliated companies' consists of other liabilities towards GIZ Unterstützungskasse GmbH.

LOAN AGREEMENT

GIZ has 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. The amount still repayable by GIZ as at the reporting date was €98,117,000.

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 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 variable interest rate (fixed margin plus one-month EURIBOR) has been hedged by means of monthly interest rate swaps adjusted to the repayment plan, 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 of 0.76% per annum.

Underlying transaction/hedge	Risk/type of valuation unit	Amount included
Variable loan interest payment/ interest rate swap	Interest rate risk/ microhedge	€98,117,000

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. All the parameters (nominal value, 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

	2019 in €	2018 in €
Intangible and tangible assets	6,397,593	6,445,485

The assets of €6,397,593 are matched by corresponding liabilities.

NOTES TO THE PROFIT AND LOSS ACCOUNT

(10) TURNOVER

TURNOVER BY BUSINESS AREA

	2019 in €	2018 in €
Business contracts	2,881,195,065	2,494,865,427
Grant-based (incl. GIZ-initiated measures with third-party financing)	29,568,904	24,085,739
Public-benefit business area	2,910,763,969	2,518,951,166
InS	114,383,442	104,116,455
	3,025,147,411	2,623,067,621

BY LOCATION OF COMMISSIONING PARTY

	2019 in €	in %	2018 in €	in %
Federal Republic of Germany	2,950,874,861	98	2,557,952,594	98
Rest of Europe	57,596,664	2	46,018,713	2
Africa	9,762,214	< 1	11,185,064	< 1
Americas	1,728,954	< 1	1,401,373	< 1
Asia	5,184,718	< 1	6,509,877	< 1
	3,025,147,411		2,623,067,621	

BY REGION OF ACTIVITY

	2019 in €	in %	2018 in €	in %
Africa	997,569,887	33	838,242,155	32
Americas	195,486,669	6	183,608,237	7
Asia	810,863,160	27	733,090,047	28
Europe	318,929,005	11	296,511,908	11
Oceania	7,916,028	< 1	8,581,513	< 1
Supraregional	694,382,662	23	563,033,761	21
	3,025,147,411		2,623,067,621	

TURNOVER BY COMMISSIONING PARTY IN THE PUBLIC-BENEFIT BUSINESS AREA

	2019 in €	2018 in €
Federal Ministry for Economic Cooperation and Development (BMZ)	2,505,584,120	2,166,816,865
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)	165,081,390	145,345,418
Federal Foreign Office (AA)	142,961,050	122,396,245
Federal Ministry for Economic Affairs and Energy (BMWi)	31,012,376	27,027,258
Engagement Global GmbH	24,311,541	18,682,630
Federal Office of Administration	12,832,872	12,521,223
Public sector client twinning/ programmes	4,124,291	4,605,332
Federal Ministry of Food and Agriculture (BMEL)	3,523,907	3,698,889
German Environment Agency	3,151,132	2,153,047
Other turnover	18,181,290	15,704,259
	2,910,763,969	2,518,951,166

TURNOVER BY COMMISSIONING PARTY AT InS

	2019 in €	2018 in €
European Union, Belgium	43,140,797	33,474,505
Federal Ministry of Education and Research (BMBF)	7,500,075	5,193,143
Federal Foreign Office (AA)	5,839,607	1,659,513
German Aerospace Center (DLR)	5,829,683	4,081,252
Swiss Agency for Development and Cooperation (SDC)	5,261,453	6,154,195
Federal Employment Agency (Triple Win)	3,629,332	2,677,511
Ministère de la Santé, Democratic Republic of the Congo	2,409,191	2,586,435
Ministère du Travail, de l'Emploi et de la Sécurité Sociale, Algeria	2,190,820	899,246
Other turnover	38,582,484	47,390,655
	114,383,442	104,116,455

(11) OTHER OPERATING INCOME

BREAKDOWN OF OTHER OPERATING INCOME

	2019 in €	2018 in €
Income from administration cost refunds	2,566,337	2,581,592
Income from reversal of provisions	6,017,356	2,382,606
Income from reversal of impairment losses	1,373,677	1,532,420
Income from foreign currency valuations	1,303,276	3,444,602
Other income	3,877,381	1,006,720
	15,138,027	10,947,940

Income from foreign currency valuations came to €1,303,276 (previous year: €3,444,602). Income not related to the period under review was €8,120,775 (previous year: €4,338,281). This income is mainly due to the reversal of provisions and individual valuation adjustments.

(12) COST OF MATERIALS

	2019 in €	2018 in €
Cost of purchased goods	180,472,069	**161,171,692**
of which, materials and equipment purchased by projects	101,476,110	103,234,701
of which, materials and equipment purchased through Head Office	74,626,520	53,640,952
Cost of purchased services	1,579,580,288	**1,331,922,100**
of which, other external services	1,026,983,593	835,646,432
of which, costs incurred by projects	240,503,605	211,661,134
of which, financial contributions and subsidies	117,130,998	100,779,796
	1,760,052,357	**1,493,093,792**

(13) PERSONNEL COSTS

	2019 in €	2018 in €
Wages and salaries	924,389,042	**825,571,538**
of which, project staff	428,491,701	391,332,503
of which, national staff	265,522,812	226,671,986
of which, Head Office staff	193,075,269	173,794,021
Social security, retirement pension and support costs	211,378,176	**186,192,065**
of which, project staff	97,332,510	88,135,684
of which, national staff	43,479,670	36,219,247
of which, Head Office staff	54,297,087	49,833,095
	1,135,767,218	**1,011,763,603**

The total costs for GIZ Unterstützungskasse GmbH were €16,268,909.21 (2018: €12,007,038.40).

(14) OTHER OPERATING EXPENSES

BREAKDOWN OF OTHER OPERATING EXPENSES

	2019 in €	2018 in €
Offices	29,522,843	24,472,866
Office operating costs	21,301,034	15,645,222
Provisions for warranty and price risks	16,888,414	5,786,325
Consulting, appraisal and translation services	15,068,568	13,871,265
GIZ and external personnel	14,205,641	13,946,592
Impairment	1,290,751	6,137,891
Foreign currency valuations	897,543	1,941,333
Other expenses	7,532,654	6,390,003
	106,707,448	**88,191,497**

The item includes the costs of the audit for the annual statement of accounts (€137,000) and other audits carried out by the external auditors (€90,552). Expenses not related to the period under review were €12,703,582 (previous year: €78,956).

Expenses from foreign currency valuations came to €897,543 (previous year: €1,941,333).

(15) INTEREST AND SIMILAR EXPENSES

These expenses relate primarily to interest charges of €1,231,015 (previous year: €862,935) in respect of liabilities. The figure includes interest expenses of €776,710 related to the company audit for 2012–2015. The interest expense arising from provisions subject to compounding was €276,064.

(16) TAXES ON INCOME

	2019 in €	2018 in €
Corporation tax		
– income previous year	596	521,586
– expense current year	0	–1,389,773
– expense previous year	–366,424	–44,303
Income previous year	0	0
Capital gains tax	–877	0
Trade tax previous year	–152,600	0
	–519,305	–912,490

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

With the exception of the coronavirus pandemic, there were no significant events after the balance sheet date of 31 December 2019.

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 UNDER COMMERCIAL LEASES

Commitments under commercial leases for office premises and parking spaces (2020 to 2027): €58,886,945. Out of this total, €10,550,131 is payable in 2020.

PURCHASE COMMITMENTS FOR INVESTMENT PROJECTS

As at the balance sheet date, purchase commitments for investment projects totalled €241,844.

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 €55.8 million. The payment plan (Leistungsplan I) concluded in 2015 was cancelled in 2017.

CONTINGENT LIABILITIES

GIZ is a member of several consortia in which it cooperates with partners from various EU 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 19 consortia in all. GIZ has the lead role in six of these consortia.

As at 31 December 2019, the risk arising from participation in the consortia amounted to €733,416. Based on the experience of recent years, claims are not expected.

AVERAGE EMPLOYMENT DURING THE YEAR

	2019	2018
Germany-based staff	2,334	2,269
Project staff (Germany)	2,007	1,779
Field staff	2,499	2,389
Total GIZ employees (excluding national staff)	**6,840**	**6,437**
National staff	14,674	13,778
Total GIZ personnel	**21,514**	**20,215**

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

CHAIR

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

FIRST DEPUTY CHAIR

Jan Wesseler
Project Manager 'Limited-term and unlimited-term staff contracts' at GIZ, Eschborn

SECOND DEPUTY CHAIR

Dr Wibke Thies
Senior Country Manager, GIZ, Eschborn
(from 1 August 2019)

SECOND DEPUTY CHAIR

Dr Stephan Krall
GIZ, Eschborn
(up to 31 July 2019)

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

Christiane Einfeldt
Country Director, GIZ, Sri Lanka
(from 1 June 2019)

Anja Hajduk
Member of the German Federal Parliament, Berlin

Michael Hinterdobler
Deputy Director General, Bavarian State Chancellery

Armin Hofmann
GIZ Programme Manager, Myanmar

Carsten Körber
Member of the German Federal Parliament, Berlin

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

Christine Lambrecht
Parliamentary State Secretary, German Federal Ministry of Finance, Berlin (up to 26 June 2019)

Dr Joachim Langbein
GIZ Project Manager, Bonn
(from 1 April 2020)

Antje Leendertse
State Secretary, German Federal Foreign Office, Berlin
(from 1 April 2019)

Michael Leutert
Member of the German Federal Parliament, Berlin

Walter J. Lindner
Ambassador to India
(up to 31 March 2019)

Stefan Mager
GIZ Project Manager, Berlin
(from 1 January 2020)

Dr Sabine Müller
GIZ Director General of Department, Eschborn

Jens Neumann
Member of the GIZ Staff Council, Eschborn
(up to 31 May 2019)

Dr Peter Ramsauer
Member of the German Federal Parliament, Berlin

Mariella Regh
GIZ Advisor, Bonn
(up to 31 December 2019)

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 (up to 31 March 2020)

Wolfgang Schmidt
State Secretary, German Federal Ministry of Finance, Berlin
(from 27 June 2019)

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

Sonja Steffen
Member of the German Federal Parliament, Berlin

MANAGEMENT BOARD

Tanja Gönner
Chair of the Management Board

Dr Christoph Beier
(Vice-Chair of the Management Board up to 31 December 2019)

Thorsten Schäfer-Gümbel
(from 1 October 2019)

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 2019 was €645,017.

As at 31 December 2019, in addition to an employer-financed provident fund commitment of €86,194, GIZ had indirect pension obligations totalling €2,999,952 towards currently serving members of the Management Board. In 2019, GIZ transferred €258,687 to GIZ Unterstützungskasse GmbH and €28,615 to Alte Leipziger Unterstützungskasse e. V. in order to fund these pension commitments.

	Fixed salary	Variable remuneration	Total
	€	€	€
Tanja Gönner	248,161	34,333	282,494
Dr Christoph Beier	253,239	34,000	287,239
Thorsten Schäfer-Gümbel	50,000	0	50,000
Dr Hans-Joachim Preuß	0	12,875	12,875
Other remuneration components			12,409
Total remuneration			645,017

In 2019, members of the Supervisory Board were solely reimbursed for their travel costs of €31,083. There was no further remuneration. Benefits totalling €2,200 were paid to one former member of the Management Board.

A provision of €524,913 has been recognised to cover a transitional allowance for a former managing director. Transitional allowance payments in fiscal 2019 totalled €102,828. Indirect pension obligations towards former managing directors and former members of the Management Board totalled €12,040,618.

LOANS TO ORGANS OF THE COMPANY

	in €
Employees on the Supervisory Board	
Loans as at 1 January 2019	12,797
Repayments	10,410
As at 31 December 2019	2,387

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

DECLARATION OF CONFORMITY BY THE SUPERVISORY BOARD AND MANAGEMENT BOARD

The Supervisory Board and Management Board declare that GIZ GmbH has complied and will continue to comply with the regulations and recommendations set out in the Public Corporate Governance Code of the Federal Republic except in those cases set out in section III of this report.

Bonn/Eschborn, 12 May 2020

The Management Board

Tanja Gönner
Chair of the
Management Board

Thorsten Schäfer-Gümbel
Member of the
Management Board

APPENDIX TO THE NOTES

CHANGES IN FIXED ASSETS IN FISCAL 2019

	Cost of acquisition or production					
	Carry forward 1.1.2019	Grant-financed fixed assets[1] Additions	Additions	Reclassi-fications	Retirements	31.12.2019
	in €	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	7,754,591	–10,521	741,681	0	35,102	8,461,170
	7,754,591	–10,521	741,681	0	35,102	8,461,170
II. Tangible assets						
1. Land, land rights and buildings including buildings on third-party land	249,086,464	0	20,677,009	122,697,330	9,342	392,451,461
2. Other plant, operating and office equipment	50,542,860	–1,264,842	15,257,307	174,117	2,825,859	63,148,425
3. Advance payments and assets under construction	122,871,447	0	0	–122,871,447	0	0
	422,500,771	-1,264,842	35,934,316	0	2,835,201	455,599,886
III. Financial assets						
1. Shares in affiliated companies	75,881	0	0	0	50,881	25,000
2. Participating interests	535,862	0	0	0	0	535,862
3. Securities held as fixed assets	162,667,809	0	0	0	0	162,667,809
4. Other loans	507,066	0	0	0	95,339	411,728
5. Claims from administrative costs credit	17,774,687	0	2,249,493	0	0	20,024,180
	181,561,305	0	2,249,493	0	146,220	183,664,578
	611,816,667	-1,275,363	38,925,490	0	3,016,523	647,725,634

[1] Acquisition costs were offset against the investment grants.
There may be rounding differences of € +/– 1.

Amortisation and depreciation						Carrying amounts	
Carry forward 1.1.2019	in the fiscal year	Reclassifications	Additions	Retirements	31.12.2019	31.12.2019	31.12.2018
in €	in €	in €	in €	in €	in €	in €	in €'000
5,545,773	751,273	0	0	34,625	6,262,421	2,198,749	2,209
5,545,773	751,273	0	0	34,625	6,262,421	2,198,749	2,209
65,444,197	6,110,100	0	0	3,925	71,550,372	320,901,089	183,642
32,259,728	7,386,775	0	123	2,705,333	36,941,047	26,207,378	18,283
0	0	0	0	0	0	0	122,872
97,703,925	13,496,875	0	123	2,709,258	108,491,419	347,108,467	324,797
0	0	0	0	0	0	25,000	76
0	0	0	0	0	0	535,862	536
0	0	0	0	0	0	162,667,809	162,668
90,170	0	0	0	22,368	67,802	343,926	417
0	0	0	0	0	0	20,024,180	17,774
90,170	0	0	0	22,368	67,802	183,596,777	181,471
103,339,868	14,248,148	0	123	2,766,251	114,821,642	532,903,993	508,477

3 AUDITOR'S REPORT

INDEPENDENT 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 2019 and the income statement for the financial year from 1 January 2019 to 31 December 2019, 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 2019 to 31 December 2019. In accordance with German law, we have not audited the content of the declaration on corporate governance required under section 289f paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB) (disclosures on female representation). In our opinion, based on our audit findings:

- the accompanying annual financial statements comply, in all material respects, with the provisions of German commercial law 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 2019 and of its earnings position for the financial year from 1 January 2019 to 31 December 2019; 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 section 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, 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 the provisions of German commercial law 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.

Frankfurt am Main, 12 May 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dirk Fischer German Public Auditor	ppa. Ute Hanf German Public Auditor

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