

GIZ. Solutions that work.

ANNUAL STATEMENT OF ACCOUNTS 2015

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REPORT OF THE SUPERVISORY BOARD

Three ordinary meetings of the Supervisory Board and one meeting of the Audit Committee were held in fiscal 2015.

In the year under review, the Supervisory Board was kept continuously informed on management policy, the state of operations, and the liquidity and profitability of the company. It received reports on the Long-Term Corporate Plan 2016 – 2018 and adopted the financial, investment and human resources planning for 2016.

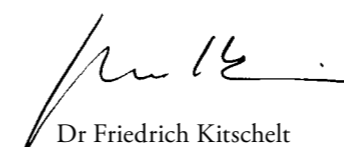
In this context, the Supervisory Board focused in particular on further measures to restructure the company pension scheme. This involved outsourcing the major part of the scheme to two external pension providers, Deutscher Pensionsfonds AG and the newly formed provident fund GIZ Unterstützungskasse GmbH (Bonn). During the year under review, the Supervisory Board also approved the construction of a second office building at the company's site in Bonn. It examined the requirements of the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector and amended the rules of procedure accordingly. It requested information on the progress of bauhaus15, GIZ's internal restructuring project, and conducted a review of its own efficiency in line with the German Federal Government's Public Corporate Governance Code.

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

At its meeting on 1 July 2016, the Supervisory Board approved the findings of the audit of the annual statement of accounts for 2015 carried out by the auditors and the Supervisory Board Audit Committee. The findings did not give rise to any objections.

The Supervisory Board recommends that the shareholder adopt the annual statement of accounts 2015 and give formal approval to the acts of the Management Board.

Bonn, 1 July 2016



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

MANAGEMENT REPORT FOR THE FISCAL YEAR 2015

I. Background, operating framework and overall performance

A. THE COMPANY

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

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

We have around 17,300 employees across the globe. Over 80% are based outside Germany (including those employed locally as national personnel). A further 730 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 2015, 485 integrated experts were employed directly by organisations and private businesses in partner countries. GIZ also provides financial, advisory and other support to returning experts who choose to move back to their country of origin in order to put their know-how to good use there.

GIZ's activities focus on effective cross-border cooperation, the transfer of know-how and the development of

expertise. Compared with similar organisations around the world, the sheer range of activities it covers is unique: economic development and employment; governance and democracy; peacebuilding, security, reconstruction and civil conflict transformation; food security, health and basic education; energy policy, environmental protection, resource conservation and climate change mitigation. GIZ combines its services in the form of tailored solutions for specific needs, regions and contexts. These range from advice, training and skills development through to networking, dialogue, mediation, management and procurement/logistics services.

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

Alongside its activities in the public-benefit sector, GIZ is authorised by the Federal Government to receive commissions directly from international clients. These include the European Union (EU), national governments, bilateral donors, UN organisations and agencies and international financial institutions. Commissions from private sector clients generally involve corporate social responsibility (CSR) measures. All commissions outside the public-benefit sector are implemented through GIZ's taxable business arm, International Services (InS).

B. STRATEGY

The main factors that influence GIZ's activities are the current national and international political situation, social changes and important market developments. At international level, the decisions taken in the development year 2015 – in particular the new Agenda 2030 for Sustainable Development, the results of the German presidency of the G7 and the new global climate agreement – all have an impact on the substance and form of development cooperation and international cooperation. In September 2015 the UN summit of heads of state and government adopted Agenda 2030, a new global framework for international cooperation on sustainable development spanning the next 15 years. GIZ's work also involves responding to health risks such as Ebola, protracted international crises (with a particular focus currently on the continuing refugee crisis and the many and varied challenges it poses in terms of foreign and domestic policy) and the much more prominent role being taken by Germany's Federal Government in the management of international crises and conflicts.

GIZ supports the implementation of the Federal Government's development policy objectives. The central focus of BMZ, our main client, is on meeting the global challenges of the future. GIZ makes an important contribution to the implementation of BMZ special initiatives entitled 'Tackling the root causes of displacement, reintegrating refugees' and 'One World – No Hunger'. In this context, there has been a substantial increase in the Federal Government's development cooperation budget for 2016. On this basis, GIZ expects to generate additional revenue in its business sectors 'BMZ' and 'German Public Sector Clients', which together make up the public-benefit business. We anticipate further interest in cofinancing from other donors and additional momentum from cooperation with private sector companies, investors and foundations.

GIZ's portfolio of services and its internal processes also reflect major social developments (e.g. the digital revolution), compliance requirements, legislative changes and the need to remain cost-effective over the long term. Through the accreditation procedure for the Green Climate Fund (GCF), the world's biggest climate-related funding mechanism, GIZ is preparing itself to meet future demands on development cooperation and inter-

national cooperation in our century – requirements that will also shape the way we implement our sustainable development goals.

During the year under review, GIZ made considerable progress in its designated strategic action areas. Work started on the implementation of our bauhaus15 restructuring programme, which is designed to make us more customer-focused, cost-effective and competitive and to establish clear processes and responsibilities. As well as achieving a positive set of financial results, we generated additional value for our shareholder in terms of quality by actively supporting key BMZ initiatives, thus making a valuable contribution to Germany's profile in the field of development cooperation. As such, acting on behalf of the Federal Government, GIZ covers a broad spectrum of activities ranging from the provision of development-related emergency aid in fragile states to support for dialogue with emerging economies on the framing of global governance measures.

A clear picture of GIZ's medium-term strategic focus can be found in the company's '2020 Vision'. In order to make this vision a reality, we are continuing to address the four strategic areas of action laid out in our Long-Term Corporate Plan 2015 – 2017. In each of these areas, we have specified priority measures with corresponding indicators for the period 2016 – 2018:

- (1) to create tangible added value for our shareholder;
- (2) to implement new organisational structures and procedures;
- (3) to consolidate existing markets and open up new ones by offering excellent products and effective services;
- (4) to ensure that HR policies remain focused on the goal of achieving global sustainable development.

1. Create tangible added value for our shareholder

Given its focus on international cooperation for sustainable development, GIZ is well placed to make an important contribution to the implementation of Agenda 2030. In future, as well as BMZ, other federal ministries will take on a greater role in tackling global issues by implementing Agenda 2030. In response, GIZ is strengthening its role as the implementing organisation of the entire Federal Government and adding new services to its portfolio. The company intends to maintain its present course, adapting

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.

its business operations to embrace a wider understanding of the term development cooperation and introducing new forms of cooperation, especially with emerging market economies and industrialised countries.

GIZ will continue to develop its identity as a federal, public-benefit enterprise and instrument of the German Federal Government. It will focus on creating tangible added value for its shareholder in both its public-benefit and taxable business areas and in both its core activities and in new areas of business. This added value may take the form of development policy gains, outcomes that enhance Germany's international profile, access for German stakeholders to international expertise, more firmly established international contacts and support for German foreign, economic, environmental and security interests. To this end, GIZ will implement more and more of its projects in collaboration with other German ("Made in Germany") and European actors so that international cooperation can take the form of a genuine partnership between Germany, Europe and other countries – one that benefits as many people as possible. Thanks to its expansion of multi-stakeholder approaches involving non-governmental partners from the private sector and civil society in Germany, GIZ contributes to the implementation of Agenda 2030 in partner countries by drawing increasingly on the expertise of those stakeholders. In doing so, it also makes international expertise available in Germany and helps to implement the international agenda of German stakeholders. GIZ develops services in the best interests of its partner countries, of Germany itself and of those who are directly affected (e.g. the Triple Win project led by InS in the field of inward migration to Germany).

GIZ will help BMZ respond to the challenges laid out in the DAC Peer Review 'Germany 2015'² with regard to effectiveness and improved communicability of results. The project/programme-specific results matrices agreed with BMZ provide a solid foundation for informative assessments of the results obtained by GIZ projects and programmes. In addition, GIZ's aggregated system for

reporting on results makes it possible to reach broader conclusions about project results that can be applied to entire programmes or regions. In turn, the results that have been achieved can be communicated more clearly and more concisely to the general public and in the parliamentary arena.

GIZ also supports the work of the Federal Government by exercising its implementing powers in multilateral forums such as the G7 and G20, helping to prepare and follow up conferences and managing communications with stakeholders representing key members of such forums. Networks such as the Alliance for Financial Inclusion allow developing and emerging market countries to discuss their respective experiences and help Germany's important negotiating partners to adopt common positions.

2. Implement new organisational structures and procedures

GIZ is currently implementing the decisions taken within the framework of the bauhaus15 restructuring programme. These apply to the company's functional structures, both at Head Office and (from 2016) in the field. The restructuring programme places great importance on efficient and effective interaction between individual units. Effective internal cooperation will be at the heart of GIZ's corporate culture.

In consultation with its shareholder, GIZ has developed a viable, long-term strategy for its offices in Germany. Following negotiations with its co-determination bodies, this strategy has been implemented on a step-by-step basis.

The bauhaus15 concept aims to achieve an efficient division of labour with due regard for established political requirements. The cornerstones of GIZ's organisational model will remain unchanged. The company will retain its head offices in Bonn and Eschborn and its existing three-site structure (Berlin, Bonn and Eschborn). As GIZ's main centre for innovation in the field of international cooperation, Bonn plays a leading role within the company in terms of learning and service delivery. Bonn also provides a base for the Human Resources Department. The company's regionally structured operational departments, the Sectoral Department and the Finance Department are all based in Eschborn. This site also provides commercial and IT services and manages and supports GIZ's international

business operations. Berlin is the 'face' of GIZ in the German capital. The Director General of the Commissioning Parties and Business Development Department is based here.

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

GIZ will play a key role in the successful implementation of special initiatives established by BMZ, delivering positive results from the anticipated increase in budget funding to the satisfaction of its client. In doing so, it will meet the expectations of its client in terms of third-party involvement and flexibility and take care to implement measures at a speed appropriate to the partner country's absorptive capacity. With regard to the challenges it faces in order to implement those measures, e.g. through the absence of partner structures and of designated responsibilities for refugees in target countries, in cases of political instability when dealing with crises, or where it proves necessary to secure projects under international law, GIZ may need to call on the support of BMZ or the Federal Foreign Office.

GIZ will use the increased budget resources made available by the Federal Government for ODA³ and climate funding to expand its existing activities and establish new services. For GIZ, this opens up new horizons for delivering services in other areas, also addressing cross-sectoral issues (e.g. dealing with the impact of climate change, digitisation and tackling the root causes of displacement). In this context, the company will strive at all times to implement measures as cost-effectively as possible, to remain efficient in terms of its overheads and to handle public funds responsibly and with due regard for its own regulations and for compliance standards. GIZ is equipping itself to meet the forthcoming challenges of implementing Agenda 2030 and the Paris climate agreement (COP21). This will involve a) a focus on measurable results; b) meeting the requirement for an efficient and inclusive review mechanism for projects and programmes with common results in partner countries and in Germany; and c) expanding multi-stakeholder approaches involving non-governmental partners from civil society and the private sector. GIZ will therefore need to work even more closely with the business community, official bodies

and civil society. As well as refining established cooperation formats such as development partnerships with the private sector (DPP), GIZ will look in particular for new ways of working with non-governmental organisations (both within and outside the development cooperation sector) that wish to combine the support available from official technical cooperation measures and their own links with civil society in partner countries in order to implement the sustainable development goals (SDGs) even more effectively and durably.

To this end, GIZ will refine the way its various instruments interact with a focus on need and results and forge even stronger links with the Kreditanstalt für Wiederaufbau (KfW). The focus here will be on improving the complementary use of instruments, closer sectoral collaboration, joint training and staff exchanges. By way of example, GIZ cooperates with KfW in the Palestinian territories on a number of municipal development programmes that are implemented by the Palestinian Authority's Municipal Development and Lending Fund (MDLF). The programmes are carried out together with the relevant ministry and in partnership with nine other international donors. The objective of the development programmes is to strengthen municipalities by promoting democratic, responsive and transparent local government and by helping them to deliver effective municipal services. In this way, German development cooperation is helping to establish democratic and properly functioning government structures at a decentralised level.

As a result of increasing fragility in certain countries, further improvements to the company's security and risk management system will be needed so that it can maintain its capacity to deliver services. GIZ expects its staff to be prepared to take up assignments in fragile states. At the same time, we will implement appropriate HR measures (e.g. strategic HR management to ensure that we can fill key posts in fragile states, graded support packages, training, additional support and advice) and take action to maintain the quality of our commercial and administrative processes in crisis situations. Support in this area will take the form of a competitive business continuity system that can be used across the company and includes both preventive measures and measures to deal with acute crises.

² In 1961 the Organisation for Economic Co-operation and Development (OECD) set up the Development Assistance Committee (DAC) to help meet its development policy objectives. 24 of the 34 OECD member states are now represented on the DAC. Their goal is to improve the quality and scale of development cooperation. To this end, regular peer reviews are conducted to monitor the development policies of DAC members on the basis of common standards and guidelines.

³ Official Development Assistance (ODA) is the term used for the funds made available to developing countries by members of the OECD's DAC, either directly or through international organisations.

In both its public-benefit and taxable business operations, GIZ will continue to diversify its client base judiciously by harnessing the full potential of a portfolio that consists of managing complex processes, providing expert advice, organising accreditation and training, and offering procurement and fund management services.

In the medium term, the implementation of GIZ's new organisational structures and procedures will lead to greater efficiency and productivity by eliminating any duplication of tasks, defining roles more clearly and creating leaner processes. The quality, efficiency and speed of those processes will be enhanced through the substantial expansion of IT support. We expect to make efficiency gains in the medium to long term through further standardisation.

Several countries are tightening their rules on registration, and it is possible that GIZ's current registration or accreditation status, the result of framework agreements between countries, may no longer suffice. We are actively taking steps to meet this challenge. By establishing local branches and, if necessary, subsidiaries (in all cases with the approval of its shareholder), GIZ will be able to remain fully operational, work around any problems relating to its legal status and resolve compliance issues affecting its field structure.

In line with its internal EU strategy, GIZ plans to further expand its EU foreign aid business and will pilot efforts to open up new markets linked to the EU's internal programmes. In pursuit of this objective, it will need, for example, to adopt a more coordinated and coherent approach in order to attract clients at EU level, establish local and European consortia and networks and clarify the applicable commissioning procedures. The new Commissioning Parties and Business Development Department, which was created as part of the bauhaus15 restructuring project, will play a coordinating role in this area. In addition, the company will take specific measures to obtain the requisite knowledge of European policies, standards and solutions, add this to its existing body of sectoral expertise and thereby expand its portfolio of services.

For InS, 2015 was a year of consolidation leading to a positive operating result. All the measures taken to increase profitability and minimise portfolio risks were successful.

In order to improve its market position, InS will maintain its focus on working to permanently strengthen selected markets in its business with national governments and on the expansion of its activities with international funding organisations (especially the EU) and the private sector. GIZ took an important step to protect its vocational training business in Saudi Arabia, at least in the medium term, by forming a partnership with the company Festo Didactic SE. This led to the creation of a joint subsidiary (GIZ-Festo Training Services LLC) that will focus on vocational college management in Saudi Arabia. In light of the change of government in Saudi Arabia, the current oil price situation and wider regional insecurity, a number of policy changes have since been introduced in the country, some of which will affect the vocational training sector. At present, there is no certainty over whether the Saudi Government will commission any further vocational schools.

4. Ensure that HR policies remain focused on the goal of achieving global sustainable development

GIZ will continue to develop its shared corporate culture and framework of values and focus consistently on efforts to achieve the required levels of productivity and results-based cooperation.

Further improvements will be made to the processes for recruiting and deploying national, regional and international experts and managers, and there will be targeted investment in specific personnel and capacity development measures. These groups of employees are crucial to the overall success of GIZ.

For the first time, the Academy for International Cooperation, GIZ's in-house training and skills development centre, will systematically draw on the experience and conceptual approaches gained from GIZ projects and programmes in the area of training and professional development and apply them for internal staff training purposes.

GIZ has begun to implement a viable long-term strategy that will allow it to safeguard the company pensions of its staff on an equitable basis. To this end it is conducting negotiations with its collective bargaining partner. The outsourcing of pension obligations and the restructuring of pension arrangements will boost the company's productivity and make it more competitive. This reform is designed to reduce costs over the long term while maintaining GIZ's appeal as an employer.

The company's realignment strategy also involves a gradual restructuring of the workforce. GIZ will continue to recruit new employees with the skills required to fill internal vacancies in areas with staff shortages as well as individuals with the right profile to meet the requirements of its partners in new markets.

C. OPERATING FRAMEWORK

In the public-benefit sector, GIZ receives the majority of its commissions from German federal ministries, the biggest client being BMZ. The main factors affecting GIZ's revenue in the public-benefit sector are the size of the Federal Government budget and the spending plans of the individual ministries that commission services from GIZ. The amount allocated to BMZ in 2015 (Budget no. 23) was €6,543 million. This represents an increase of around €100 million (2%) compared to the previous year. GIZ's biggest commissions and revenue came out of BMZ's budget item 2301 – 896 03 entitled 'Bilateral technical cooperation'. In 2015, the cash appropriation designated for this 'technical cooperation' budget⁴ was €1,167 million. GIZ's total revenue from this budget item in 2015 stood at €1,149 million.

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

With the consent of the German Federal Government, GIZ also accepts commissions from bilateral donors, national governments, UN organisations and agencies, and international financial institutions. As a general rule, these commissions are implemented through InS, GIZ's taxable business arm.

In recent years the company's existing pension scheme has had to face a series of challenges in the form of major legislative, financial and other changes.

The first of these, the introduction of Germany's Accounting Law Reform Act (Bilanzmodernisierungsgesetz, BilMoG) in 2010, forced GIZ to create much larger provisions for its pension scheme. This affects both of the company's collective bargaining agreements on pensions: 'Collective bargaining agreement no. 3 covering retirement, invalidity and surviving dependants' pensions for Head Office employees (old company pension scheme)' and the 'Collective bargaining agreement on pensions dated 1 March 2004 (new company pension scheme)'. The new legislation meant that GIZ had to create additional provisions of €134 million for its company pension schemes. However, the new law provides an option to spread this cost over a period of up to 15 years. In each of these years, at least 1/15th of the required amount must be added to pension provisions.

The second factor, low interest rates, has dramatically reduced the applicable discounting rate provided for in BilMoG and specified in the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung). For every one percentage point fall in the interest rate, GIZ has to create additional provisions of around €90 million.

Thirdly, retired employees are drawing their company pensions for much longer as a result of increased life expectancy, which pushes up the costs of the pension scheme every year. This factor alone will create additional costs of around 15% for the 'new' company pension scheme (approximately €266 million by the year 2065).

In response to these changes, GIZ began to reorganise its company pension scheme in 2014. The company has now outsourced the majority of its existing pension arrangements. The advantage of outsourcing is that the company

⁴ The same budget item is also used for other TC organisations: the Physikalisch-Technische Bundesanstalt (PTB) (Germany's national metrology institute) and the Federal Institute for Geosciences and Natural Resources (BGR).

is not required to create provisions. However, this is merely a stopgap solution for GIZ, as it does not reduce the real costs of the company pension scheme. Outsourcing simply eases the immediate financial pressure.

Since October 2015, pensions that fall under the old company scheme have been paid by Deutscher Pensionsfonds AG (DPAG). DPAG will also pay the future pension entitlements accrued by employees up to 30 June 2015 under the old scheme's 'past service' arrangements. Pension entitlements accrued after 30 June under the old scheme's 'future service' arrangements will be settled until further notice by GIZ. The total redemption amount attributable to the pension fund is around €371 million. This figure includes all the corresponding administration and set-up costs.

GIZ has also set up its own provident fund under the name GIZ Unterstützungskasse GmbH. Its registered office is in Bonn. From January 2016 onwards, this provident fund will pay the pensions of retired employees with entitlements under the new company scheme.

This combination of a pension fund and provident fund is more tax-efficient.

As a general rule, the costs of company pension schemes can be included in GIZ's cost reimbursement price. However, this is not the case for all costs. For example, certain elements of the pension provisions cannot be charged under current price law. They have to be covered by profit or the company's reserves.

In recent years, this rule – in combination with the challenges outlined above – has led to a 'funding gap'. The average annual shortfall over the period from 2010 to 2014 was €7.7 million. If this trend continues, it will gradually erode the company's equity and leave it with an excessive burden of debt. The rates used for administration overheads are also increasing.

The figure for the company pension scheme was already €67.8 million in 2014. That is more than double the average between 2005 and 2013. The amount GIZ needs to allocate to statutory provisions will also need to rise by a very substantial amount – from €546 million in 2014 to around €1 billion in 2018 and roughly €2 billion in 2035.

The restructuring of our company pension scheme is intended to help us close the funding gap, consolidate our costs, remain competitive and maintain an attractive profile as an employer.

D. BUSINESS DEVELOPMENT

GIZ achieved a very positive set of results in 2015. While new commissions remained at a high level, total business volume showed a year-on-year increase.

At €2,142 million, total business volume⁵ was up by €110 million (5%) on the previous year. This increase was mainly due to a rise in the total revenue generated by the public-benefit sector.

In terms of new commissions, at €2,452 million the total figure was below that of the previous year (€2,779 million) but still at a very high level.

GIZ's control parameter is the key management cost indicator used in the public-benefit sector. It is the ratio between management costs for the year under review and the four-year average⁶ of revenue from the public-benefit sector. The control parameter for fiscal 2015 stood at 11.3%, 0.8 percentage points down on the previous year's figure and well below the prescribed upper limit of 12.0%.

At €0.7 million, the operating result achieved by InS was up on the previous year and represents a return to positive territory.

II. Assets, financial position and income

A. ASSETS

The balance sheet total ended the year under review at €1,099 million, down €219 million compared with the year-end figure of €1,318 million for 2014.

Fixed assets declined from €564 million to €329 million. The main factor underlying this decrease of €235 million (42%) was the sale of units in the security-based investment funds in connection with payments into the pension fund.

Inventories increased by €33 million (10%) from €320 million to €353 million. This was mainly due to another rise in the figure for advance payments (up €29 million). Services not yet invoiced rose by €3 million (14%) to €28 million.

At €289 million, receivables and other assets ended the year €17 million higher compared with the year-end figure of €272 million for 2014. The main factor here was a rise of €21 million in project assets as a result of local cash and bank balances in the public-benefit sector.

Equity ended the year €23 million higher as a result of positive net income for the year being added to the statutory reserves. With growth in equity and a lower balance sheet total, the equity ratio⁷ rose to 8.7%, an increase of 3.3 percentage points over the previous year.

Provisions fell by €306 million from €637 million to €331 million. This was mainly due to a substantial reduction in pension provisions following the outsourcing of payments in respect of pension entitlements accrued up to 30 June 2015 under the old company scheme to DPAG.

Liabilities rose by €63 million from €606 million to €669 million. There were increases in advance payments received (up €42 million), trade payables (up €9 million) and other liabilities (up €10 million). The rise in advance payments received is mainly attributable to increased revenue in 2015 in the public-benefit sector. The increase in other liabilities is due to the offsetting of much higher advance payments received for construction work in respect of an InS project in Ethiopia against other assets.

⁵ Revenue in the public-benefit sector plus the total operating performance of International Services.

⁶ The figure is based on revenue for the previous year, the current year and the two following years.

⁷ The equity ratio is defined as equity less premium due as a proportion of the balance sheet total.

B. FINANCIAL POSITION

As at the balance sheet date, cash in hand and bank balances stood at €126 million, down €35 million on the year-end figure of €161 million for 2014. Out of this total, €6 million is attributable to InS and €120 million to the public-benefit business. This reduction is mainly due to investment in fixed assets and an increase in advance payments made.

C. INCOME

Turnover for fiscal 2015 was €108 million (6%) higher at €2,067 million. The following table shows the distribution of turnover across business areas:

TOTAL OPERATING PERFORMANCE

	2015			2014			Change	
	Public-benefit sector	InS	Total	Public-benefit sector	InS	Total	Total	
	in € millions	in € millions	in € millions	in € millions	in € millions	in € millions	in € millions	in %
Turnover	1,905	162	2,067	1,801	158	1,959	108	6
Changes in services not yet invoiced	0	4	4	-1	-6	-7	11	>100
Total operating performance	1,905	166	2,071	1,800	152	1,952	119	6

At €1,165 million, cost of materials was up €43 million on the previous year. Cost of materials is determined by the project structure. Section III D. 'Use of resources' provides a more detailed review of this item.

Personnel costs rose by €48 million from €747 million to €795 million. This was attributable to higher remuneration costs following an increase in the number of project and field staff, as well as in national personnel.

At €-14 million, the financial result⁸ was unchanged compared with the previous year. Overall net income for the year was €23.4 million (net income 2014: €5.4 million).

⁸ The financial result is made up of income from long-term investments and other interest income less interest expenses.

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

NET INCOME

	2015		2014		Change	
	in € millions	in %	in € millions	in %	in € millions	in %
Public-benefit sector	23.6	100	8.1	15.5	15.5	>100
InS	-0.2	100	-2.7	2.5	2.5	93
GIZ total	23.4	100	5.4	18.0	18.0	>100

Net income at InS showed an improvement on the previous year. This was achieved by making strategic adjustments to the business model and minimising risks within the portfolio.

The positive result achieved by the public-benefit sector is mainly attributable to a book profit on the sale of units in the security-based investment funds and to the general increase in business volume.

III. Economic situation

A. GENERAL OBSERVATIONS

2015 was a successful year for GIZ.

- › Business volume rose from €2,032 million in 2014 to €2,142 million. This positive development was mainly due to an increase in revenue from BMZ special initiatives and from third-party donors for cofinanced projects.
- › At €2,452 million, the volume of new commissions was again high, albeit €327 million (12%) below the previous year's figure.
- › The control parameter stood at 11.3%, below the 12.0% upper limit set by the Supervisory Board.
- › InS achieved a positive operating result of €0.7 million.

B. BUSINESS VOLUMES

In 2015, the company generated a total business volume of €2,142 million, around €110 million (5%) up on the previous year. This positive development was mainly driven by growth in revenue from the company's BMZ operations.

The figure for total business volume comprises revenue of €1,977 million from the public-benefit sector and a total operating performance of €166 million at InS. As such, there was a slight increase in the proportion of total revenue generated by InS compared to that of the public-benefit sector.

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

BUSINESS VOLUME

	Actual 2015	Share	Actual 2014	Share	Change 2014 to 2015
	in € millions	in %	in € millions	in %	in %
Public-benefit sector total	1,977	92	1,880	93	5
of which, BMZ	1,699	79	1,615	79	5
of which, German Public Sector Clients	250	12	239	12	4
of which, grants	27	1	26	1	2
of which, small-scale measures in the public-benefit sector	1	0	0	0	>100
InS	166	8	152	7	9
GIZ total	2,142	100	2,032	100	5

All figures are rounded to the nearest whole number. This may produce rounding differences.

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

Revenue in the public-benefit sector

In 2015, GIZ generated revenue of €1,977 million from the public-benefit sector. This represents an increase of €96 million (5%) compared to the previous year.

The contribution to revenue made by the company's BMZ business operations came to €1,699 million. Out of this last figure, the amounts derived from individual BMZ budgets were €1,149 million from 'Technical cooperation' and €40 million from 'International cooperation with regions for sustainable development'. The three special initiatives generated revenue of €94 million, while other BMZ budgets contributed €180 million. Compared with the previous year, the revenue generated in 2015 by GIZ from BMZ budgets rose by €29 million (2%). The main factors here were increases in revenue from the budget for 'Transitional development assistance' (especially from the commissioning of a project in Iraq) and from the three special initiatives.

Third-party cofinancing of BMZ commissions generated total revenue of €236 million. This represents a further and very substantial increase of €55 million (31%) compared to 2014 and is mainly attributable to the high level of new commissions received in the previous year. The biggest contributions to cofinancing revenue in 2015 came from the EU (€108 million), DFID (€36 million) and SDC (€20 million).

German Public Sector Clients contributed €250 million to GIZ's total revenue, around €11 million (4%) up on the previous year. Although revenue from commissions

placed by the German Federal Foreign Office was down on the previous year, there was an increase in the revenue generated from commissions placed by BMUB. Altogether, commissions from the German Federal Foreign Office generated €85 million, while the contribution from BMUB commissions stood at €110 million. Commissions from BMWi and BMI contributed €21 million and €13 million respectively towards GIZ's total revenue. These figures were on a par with the previous year. Revenue from third-party donors came to around €10 million.

Total operating performance of GIZ InS

In 2015, the InS business sector achieved a total operating performance of €166 million, up €14 million (9%) on the previous year. This was due to an increase in the operating performance attributable to commissions from national governments and the EU.

In terms of donors, the biggest contribution to the InS total operating performance in 2015 came once again from commissions placed by national governments, which accounted for €57 million. EU commissions added €45 million to the total. Commissions from the private sector generated a further €20 million, including more than €15 million for a road-building project in Gabon commissioned by Shell. Bilateral donors and UN organisations contributed €18 million and €15 million respectively. Finally, the total operating performance was boosted by commissions from international financial institutions and funds (€7 million) and from other donors (€3 million).

C. NEW COMMISSIONS AND ORDERS ON HAND

Commissions

In 2015, GIZ was awarded commissions totalling €2,452 million, down €327 million (12%) on the previous year. It should be noted, however, that during the previous year the company had received a series of first-time commissions within the framework of BMZ's special initiatives and could not expect this to be repeated in the same volume in 2015. In addition, in 2014 InS had been commissioned to extend the project entitled 'Technical Trainers College' in Saudi Arabia; here, too, there was no expectation of follow-on commissions in 2015.

The public-benefit sector and InS accounted for €2,302 million and €150 million respectively out of total new commissions for 2015. The proportion of total new commissions generated by the public-benefit sector rose to 94%. Within the public-benefit sector, an increased share of the total was attributable to the BMZ business area.

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

NEW COMMISSIONS

	Actual 2015	Share	Actual 2014	Share	Change 2014 to 2015
	in € millions	in %	in € millions	in %	in %
Public-benefit sector total	2,302	94	2,476	89	-7
of which, BMZ	1,971	80	2,127	77	-7
of which, German Public Sector Clients	307	13	318	11	-3
of which, grants	24	1	30	1	-20
of which, small-scale measures in the public-benefit sector	0	0	1	0	-67
InS	150	6	303	11	-51
GIZ total	2,452	100	2,779	100	-12

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

New commissions in the public-benefit sector

In 2015, new commissions in the public-benefit sector reached €2,302 million. As anticipated, for the reasons outlined above, the high level of the previous year (€2,476 million) could not be matched, and new commissions ended the year 7% lower.

The total value of new commissions in the BMZ business area was €1,971 million. At €1,335 million, the majority of these were attributable to BMZ's technical cooperation budget. GIZ acquired new commissions totalling €219 million through 'ideas competitions' for projects and programmes associated with BMZ special initiatives. The volume of new commissions linked to BMZ's 'Transitional development assistance' budget also increased. In this area, GIZ was awarded commissions with a total value of €42 million, including €25 million for a project in Iraq. New commissions from third-party donors for the cofinancing of BMZ commissions contributed €252 million to the total, including €125 million from the EU and €61 million from DFID.

New commissions from German Public Sector Clients totalled €307 million, down €11 million (3%) on the previous year. Although new commissions from BMUB rose by €21 million (19%) year on year, the volume of new commissions received from the German Federal Foreign Office fell by almost a half to €59 million (down 44%), mainly as a result of a reduction in commissions linked to the 'Afghanistan stability pact' following the withdrawal. As well as new commissions out of Federal Government budgets allocated to other German Public Sector Clients, GIZ received commissions totalling €34 million linked to these projects under cofinancing agreements. Out of this total, almost €21 million came from the UK Department of Energy & Climate Change (DECC).

New commissions at GIZ InS

In 2015, InS received new commissions with a total value of €150 million. Although this was below the figure for the previous year, it represents a stable flow of new commissions.

In terms of funding providers, the biggest overall contribution to new commissions at InS (€61 million) came from the EU. InS generated new commissions totalling €36 million from private sector clients, including €22 million from Shell for a road-building project in Gabon. New commissions from bilateral donors totalled €26 million, including over €13 million from BMZ for the 49th annual conference of the Asian Development Bank in Germany.

Orders on hand

As at 31 December 2015, the total figure for orders on hand stood at €4,825 million. This was up by around €304 million (7%) on the year-end figure for 2014. The increase was mainly attributable to the public-benefit sector and in particular to the company's BMZ operations.

The public-benefit sector and InS accounted for €4,448 million and €378 million respectively out of total orders on hand at the end of 2015.

D. USE OF RESOURCES

Personnel

The following table provides a year-end comparison of staff numbers at GIZ for 2015 and 2014:

GIZ EMPLOYEES (not weighted for part-time; as per balance-sheet date)				
	Actual 2015	Actual 2014	Change	
			absolute	in %
Head Office staff ¹	1,740	1,736	4	0
Project staff in Germany	1,374	1,243	131	11
Field staff	1,987	1,865	122	7
Total public-benefit sector staff	5,101	4,844	257	5
Head Office staff	63	69	-6	-9
Project staff in Germany	24	24	0	0
Field staff	182	213	-31	-15
Total InS staff	269	306	-37	-12
Total GIZ personnel (excluding national personnel)	5,370	5,150	220	4
National personnel	11,949	11,260	689	6
Total GIZ personnel	17,319	16,410	909	6
Development workers	730	782	-52	-7
Integrated experts (CIM) ²	485	527	-42	-8
Returning experts (CIM) ²	506	473	33	7

¹ Excluding the Management Board and trainees

² Employment contract with local employers in partner countries

As at the balance sheet date of 31 December 2015, GIZ employed a total of 5,370 staff (excluding national personnel). This represents an increase of 220 (4%) compared with the year-end figure for 2014. Although the number of staff employed in InS fell by 12%, there was a 5% increase in the number of employees in the public-benefit sector.

The number of staff employed in the public-benefit sector as at 31 December 2015 was 5,101. This figure is made up of 1,740 Head Office staff and 3,361 experts working on projects in Germany and other countries. Compared with the year-end total for 2014, the number of Head Office staff was unchanged, although the total number of project and field staff ended the year much higher. This increase is linked to year-on-year growth in revenue.

The total number of staff working in InS as at 31 December 2015 was 269, a further decline of 37 (12%) compared with the year-end figure for 2014. This was again due to a consolidation programme that involved cutting Head Office staff numbers at InS in order to reduce overheads.

As at 31 December 2015 the total number of national personnel employed by GIZ on local contracts had risen by a substantial 689 to 11,949. This is equivalent to a 6% increase.

A total of 730 development workers were deployed by GIZ at the end of 2015, and a further 485 integrated experts and 506 returning experts held employment contracts with organisations or companies in partner countries.

Purchases of goods and services

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

In 2015, the total value of all goods, financing, construction services and other services procured by GIZ at Head Office and in the field was approximately €1,012 million. This figure was up €46 million (5%) on the previous year. The main factor here was an increase in the volume of Head Office construction and service contracts. The proportion of GIZ's total business volume attributable to contracts awarded by the company was down slightly on the previous year (2015: 47%, 2014: 48%).

CONTRACTS AWARDED

	Actual 2015	Actual 2014	Change	
	in € millions	in € millions	in € millions	in %
Head Office service contracts ¹	619	566	54	9
Head Office construction contracts	13	4	10	268
Head Office financing agreements	30	35	-5	-14
Head Office procurement of goods ²	54	73	-19	-26
Total Head Office	716	677	39	6
Local service and construction contracts, financing agreements	237	232	5	2
Local procurement of goods	58	57	2	3
Total local contracts	296	289	7	2
Total contracts awarded	1,012	966	46	5

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

² Goods, freight forwarders

All figures are rounded to the nearest whole number.

This may produce rounding differences.

Out of the total for Head Office service contracts (€619 million), €314 million went to consulting firms and around €74 million to individuals for appraisal or advisory services. At just under €230 million, the volume of service contracts awarded to German and international institutions showed a year-on-year increase of approximately €37 million (19%). This reflects closer cooperation in 2015 between GIZ and these institutions in their respective areas of expertise. At €99 million, the total global volume of financing agreements with partner country recipients was slightly higher compared to the previous year (€95 million). Out of this total, around €30 million is attributable to Head Office and €69 million to GIZ's country offices.

Although the number of Head Office contracts for procurement of materials and equipment remained largely unchanged, the total value of those contracts fell by 26% from €73 million in 2014 to approximately €54 million in 2015. This was partly due to the expiry of a drugs procurement programme for the World Health Organization (WHO). Another factor was a reduction in the procurement of materials and equipment for projects due to a decline in the volume of large-scale procurement linked to emergency aid provision.

IV. Proportion of women on the Management Board, the Supervisory Board and the Board of Trustees

A. PROPORTION OF WOMEN ON THE MANAGEMENT BOARD

In accordance with article 8.3 of GIZ's Articles of Association, which entered into force on 3 January 2011, the Supervisory Board should ensure diversity and in particular ensure that an appropriate number of women are included when appointing managing directors. 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.

During the period under review, the Management Board was made up of two women and two men. As such, the proportion of women was 50%.

Following the introduction in Germany of the 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.

B. PROPORTION OF WOMEN ON THE SUPERVISORY BOARD

In accordance with article 14.1 of GIZ's Articles of Association, the Supervisory Board must have 20 members. Section 5.2.1 of the Public Corporate Governance Code (PCGK) stipulates that efforts must be made to ensure that women are equally represented when electing members of supervisory boards. This was the case at GIZ. The company also took account of Germany's Appointments to Federal Bodies Act (Bundesgremienbesetzungsgesetz).

In 2015, out of the ten members appointed by the company, the number of women on the Supervisory Board remained at four.

Out of the members appointed by employee representatives, the number of women rose from five to six over the reporting period.

The number of women on the Supervisory Board as at 31 December 2015 was therefore 10, i.e. 50% of the total.

Following the introduction in Germany of the 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.

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 2015, out of a total of 36 trustees, there were 15 women (42%).

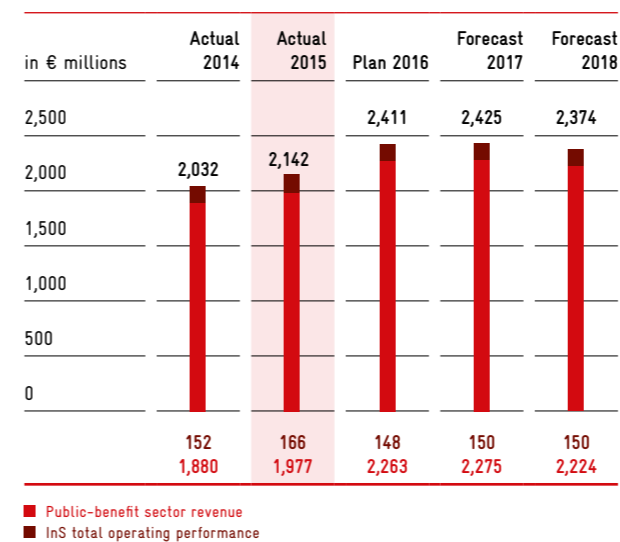
V. Outlook

A. BUSINESS FORECAST

In fiscal 2015, GIZ plans to generate a total business volume of €2,411 million. This would be a substantial increase of €269 million (13%) compared with the actual figure for 2015. Our goal is to stabilise business volume at a level of €2.4 billion by the end of 2018.

The following chart shows actual and projected business volume figures from 2014 up to 2018:

BUSINESS VOLUME



The public-benefit sector is expected to account for €2,263 million of GIZ's total projected business volume for 2016. This projection is €286 million (14%) above the actual figure for 2015. In order to achieve this renewed increase in business volume, we aim to boost revenue from BMZ special initiatives and from BMUB commissions.

The following table contains a detailed breakdown of actual and projected revenues for the years 2014 to 2018:

REVENUE

in € millions	Actual 2014	Actual 2015	Plan 2016	Forecast 2017	Forecast 2018
BMZ	1,614.8	1,699.1	1,947.0	1,957.0	1,916.0
of which, technical cooperation items	1,242.1	1,149.3	1,163.1	1,296.4	1,347.6
of which, international cooperation with regions	37.7	39.9	38.5	38.5	38.5
of which, other BMZ items	154.4	274.0	504.8	381.6	289.9
of which, cofinancing	180.6	235.9	240.6	240.5	240.0
German Public Sector Clients	239.3	249.9	295.0	296.0	288.0
of which, budget funds	233.6	239.8	281.1	272.6	270.6
of which, cofinancing	5.7	10.1	13.9	23.4	17.4
Grants	26.5	26.9	20.0	21.0	19.0
Small-scale measures in the public-benefit sector	-0.2	0.9	1.0	1.0	1.0
Public-benefit sector total	1,880.4	1,976.8	2,263.0	2,275.0	2,224.0

Revenue from the BMZ business area is expected to reach €1,947 million in 2016. This projected year-on-year increase is mainly attributable to revenue from commissioned projects and programmes linked to the special initiatives. In total, we expect the three special initiatives to generate revenue of €240 million in 2016.

By 2018, we aim to stabilise revenue in the BMZ business area at a level of €1.9 billion. This projection is partly based on an assumption of continuous growth in the cash figure allocated for technical cooperation out of the Federal Government's budget. This should largely make up for the anticipated decline in revenue from BMZ special initiatives in the absence of new commissions. With regard to cofinancing revenue, GIZ aims to maintain a high level of €240 million per year.

Revenue from German Public Sector Clients is also expected to grow in 2016. The projected figure is €295 million, and this increase should mainly be driven by commissions from BMUB.

By the end of 2018, revenue from German Public Sector Clients is expected to reach €288 million. Out of this total, GIZ expects once again to generate the bulk of its revenue from the Federal Foreign Office and BMUB. While revenue from the Federal Foreign Office is projected to stabilise, the company anticipates that its cooperation with BMUB will generate consistent growth in revenue.

On the basis of GIZ's revenue targets and projected management costs, the control parameter for 2016 is expected to be 11.8%. GIZ aims to maintain this level in subsequent years.

InS is forecast to achieve a total operating performance of €148 million in 2016 and thereafter to consolidate at a level of €150 million per year. In recent years, InS has concentrated on measures to consolidate its total operating performance and now aims to establish a sustainable, long-term market position. The goal here is to remain profitable and maintain a healthy cash position. InS will maintain its consistent focus on specific markets in order to establish a leading position in those markets. At a strategic level, it will concentrate on EU operations, the private sector and selected projects for national governments.

As its total operating performance stabilises, InS is expected to deliver increasingly positive operating results.

B. ANTICIPATED USE OF RESOURCES

Personnel forecast

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

For 2016, the company anticipates a total staffing requirement of 5,640 (excluding national personnel). As such, staffing levels are expected to increase in every category compared with the year-end figure for 2015. Thereafter, based on the company's business projections, staff numbers are expected to stabilise at this higher level.

GIZ STAFF

	Actual 2015	Plan 2016	Forecast 2017	Forecast 2018
Staff with Head Office functions ¹	1,803	1,870	1,910	1,865
Project staff in Germany	1,398	1,510	1,560	1,510
Seconded experts	2,169	2,260	2,320	2,250
Total employees¹	5,370	5,640	5,790	5,625

¹ Excluding Management Board and trainees

Forecast purchases of goods and services

It is very difficult to predict in any detail the future volume of contracts for goods and services and for financing agreements, as they depend very largely on the specific requirements of each project. Assuming that the company meets its targets for new commissions, the volume of contracts awarded worldwide in 2016 should be on a par with the figure for 2015.

C. POSITIVE IMPACT ON COMPANY PENSION SCHEME FROM OUTSOURCING OF PENSION OBLIGATIONS

In mid-2015, GIZ transferred its 'past service' obligations under the old company pension scheme to the pension fund DPAG. As a result, pension provisions were formed or increased in the last annual accounts only in respect of the company's 'future service' obligations. These provisions represent GIZ's direct obligations. In December 2015 the newly formed provident fund GIZ Unterstützungskasse GmbH took over responsibility for all pension entitlements accrued under the new company pension scheme.

In 2015, the company's pension schemes generated costs of €54.3 million. Out of this total, around €52.6 million is attributable to the public-benefit business and around €1.6 million to InS. Within the public-benefit sector, Head Office staff (management costs) accounted for €35.6 million, while project staff (overheads other than management costs) accounted for €17.0 million.

Compared with the total costs of the company schemes in 2014 (€67.8 million), the figure for 2015 was already down by a substantial €13.5 million (20%).

If, as in previous years, provisions had been formed to reflect the company's entire pension scheme obligations, the additions to those provisions would have generated costs of around €113.7 million. At €54.3 million, the actual costs for 2015 are therefore down by more than 50%.

For 2016, the costs of operating the company's pension schemes are projected to be around €43.4 million. In future, the main cost element will take the form of grants by GIZ in its position as the funding company to the provident fund GIZ Unterstützungskasse GmbH. Compared with the actual figure for 2015, GIZ therefore anticipates a further significant easing of its total costs.

D. OPPORTUNITIES AND RISKS

The refugee crisis has had a major impact on the 2016 federal budget consultations in the German parliament. Some of the funds in the Federal Government's draft budget have been reallocated to measures designed to combat the causes of displacement and provide aid to refugees. This redistribution was channelled into various ministerial budgets of importance to GIZ, especially those of BMZ and the Federal Foreign Office.

Within BMZ's budget allocation, additional funding was made available particularly for the Ministry's special initiatives. The cash amount available for special initiatives was nearly three times higher than in the previous year. Available commitment authorisations are also set to increase, albeit by a smaller margin. Here, too, however, GIZ has an opportunity to win substantial commissions from these budgets in the year ahead by participating in 'ideas competitions'. Unlike traditional competitions, where the focus is on cost factors, ideas competitions involve submitting plans for the actual design and structure of projects and programmes. In such cases, GIZ has to compete for new commissions with other organisations. This method of awarding commissions poses a risk in terms of planning certainty. Furthermore, commitment authorisations do not extend beyond the current legislative period and are only valid for a certain number of years. This means that GIZ cannot be as flexible in its approach to cost management.

The above reallocation of Federal Government funds for 2016 has also increased the 'Transitional development assistance' budget, which from 2016 will be known as 'Crisis management and reconstruction, infrastructure'. The renaming of this budget item has been accompanied by a change of focus. Its goal is now to provide funding for tangible, short-term measures in the context of crises, conflicts and disasters. The budget's thematic priorities are the (re-)development of basic infrastructure, food security and prevention. Given GIZ's experience of responding flexibly and effectively in crisis situations, it has a good chance of winning large-scale commissions out of this budget.

The company is also well placed to expand its portfolio in the area of climate change. The Paris Agreement on Climate Change was adopted in December 2015. Apart from international donors, the main actors in Germany's climate and development policy are BMZ and BMUB. The Federal Government has announced its intention to double Germany's climate funding from the current figure of €2 billion to €4 billion by 2020. Demand is already growing for support in the field of climate change mitigation and in the areas of energy, transport and disaster risk management. This presents GIZ with an opportunity to expand its climate portfolio by winning commissions from national and international donors.

In this context, GIZ's application for Green Climate Fund (GCF) accreditation is particularly important. The GCF will implement a large proportion of international climate funding and therefore have a considerable influence on climate policy. Obtaining the status of an officially mandated implementing organisation would give GIZ an opportunity to expand its range of instruments.

The company is also set to benefit from existing agreements to provide cofinancing for commissions placed by BMZ and other German Public Sector Clients. These came to €289 million in 2014 and €286 million in 2015. At the same time, they open up the prospect of generating further substantial revenues for the cofinancing of commissions awarded by BMZ and other German Public Sector Clients. Among GIZ's key external donors are the EU, SDC and DFID. Cofinancing is a way of mobilising additional funds for measures financed out of German Federal Government budgets. The resulting leverage effect helps to increase the impact of ministerial policies. For GIZ, cofinancing agreements provide an opportunity to work with international donors, gain further experience and acquire additional expertise.

Due to the nature of its work, GIZ is exposed not only to opportunities but also to risks. The security situation in many of the countries in which GIZ operates is volatile. Besides ensuring the personal security of its staff, GIZ has to deal with the risk of a rapid deterioration in the security situation, which may jeopardise the implementation of its commissions. This can affect the actual measures involved, the speed of implementation and the corresponding demand for financial resources.

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

Since 2012 InS has focused on consolidation and reducing its costs. It will continue to sharpen its business operations and aim to maintain a positive operating result in the years ahead. Alongside its existing focus on increasing profitability and minimising portfolio risks, it will seek to establish a sustainable market position. At a strategic level, InS will concentrate on its EU and private sector business. InS faces a number of challenges with regard to its national government activities. This is particularly the case in Saudi Arabia, where one of its key projects is the Technical Trainers College (TTC). This contract was unexpectedly cancelled unilaterally by the client (Colleges of Excellence, CoE) on 10 February 2016. The cancellation will take effect at the end of the notice period on 10 August 2016 and will have a financial impact on GIZ. As a result of the early cancellation, InS will lose around €10 million of planned revenue in 2016 and around €20 million in the remaining three years of the original contract. The corresponding gross margins will also be lost. The aim now is to compensate by attracting new commissions outside Saudi Arabia (e.g. in the EU and private sector business) and by reducing structural costs within the country.

In 2014, with a view to ensuring that its vocational training business remains viable in the medium term, GIZ established a subsidiary in Saudi Arabia together with its partner Festo Didactic SE. Considerable challenges will have to be overcome if this first subsidiary is to meet its planned objectives. In the medium term, the company needs to run additional colleges. At present, however, according to the latest Saudi Government announcements, there is no likelihood of further invitations to tender.

The Management Board informs the Supervisory Board on a quarterly basis about significant opportunities and risks that could impact GIZ's future performance.

VI. Supplementary report

There were no significant events after the balance sheet date of 31 December 2015.

Bonn/Eschborn, 13 May 2016

The Management Board

Tanja Gönner
Chair of the Management Board

Dr Christoph Beier
Vice-Chair of the Management Board

Dr Hans-Joachim Preuß
Managing Director

Cornelia Richter
Managing Director

ANNUAL STATEMENT OF ACCOUNTS 2015

Balance sheet as at 31 December 2015

ASSETS		in €			
	Notes	31.12.2015		31.12.2014	
A. FIXED ASSETS					
I. Intangible assets					
1					
Purchased concessions, industrial property rights and similar rights and values as well as licences to such rights and values			1,247,276		1,537,430
II. Tangible assets					
1					
1. Land, land rights and buildings including buildings on third-party land		153,132,331		101,220,089	
2. Other plant, operating and office equipment		14,633,225		14,261,557	
3. Advance payments and assets under construction		7,553,893	175,319,449	57,038,805	172,520,451
III. Financial assets					
2					
1. Shares in affiliated companies		75,881		50,881	
2. Participating interests		535,862		535,862	
3. Securities held as fixed assets		143,944,862		388,435,291	
4. Other loans		655,799		831,776	
5. Claims from administrative costs credit		7,338,111	152,550,515	0	389,853,810
			329,117,240		563,911,691
B. CURRENT ASSETS					
I. Inventories					
3					
1. Services not yet invoiced		28,467,949		25,076,387	
2. Advance payments made		324,051,855	352,519,804	294,927,294	320,003,681
II. Receivables and other assets					
4					
1. Trade receivables		99,888,373		100,409,422	
2. Receivables from affiliated companies		2,237,326		37,848	
3. Project-related assets		155,299,053		134,749,881	
4. Other assets		31,481,021	288,905,773	36,343,133	271,540,284
III. Cash in hand, Central Bank balances, bank balances					
			126,375,118		161,067,406
			767,800,695		752,611,371
C. DEFERRED EXPENSES					
			1,855,807		1,885,731
			1,098,773,742		1,318,408,793
Off-balance sheet item					
Trust assets	9	3,441,797		4,034,538	

SHAREHOLDER'S EQUITY AND LIABILITIES		in €			
	Notes	31.12.2015		31.12.2014	
A. EQUITY					
I. Subscribed capital					
5					
Subscribed capital		20,452,000		20,452,000	
Subscribed capital unpaid		- 11,759,713		- 11,759,713	
Called-up capital		8,692,287		8,692,287	
II. Capital reserve					
5					
Capital reserve		5,112,919		5,112,919	
III. Revenue reserves					
6					
Statutory reserves		85,447,403		62,036,677	
IV. Unappropriated profit					
		0		0	
			99,252,609		75,841,883
B. PROVISIONS					
7					
1. Provisions for pensions and similar obligations		221,399,034		545,763,855	
2. Provisions for taxes		2,459,480		1,518,000	
3. Other provisions		106,986,106		89,534,627	
			330,844,620		636,816,482
C. LIABILITIES					
8					
1. Advance payments received		599,726,443		557,462,249	
2. Trade payables		44,344,424		35,168,470	
3. Liabilities to affiliated companies		2,675,965		979,622	
4. Other liabilities		21,907,385		12,137,822	
- of which, relating to taxes €6,152,298 (2014: €4,538,864)					
- of which, relating to social security €102 (2014: €22,906)					
			668,654,217		605,748,163
D. DEFERRED INCOME					
		22,296		2,265	
			1,098,773,742		1,318,408,793
Off-balance sheet item					
Trust liabilities	9	3,441,797		4,034,538	

Profit and loss account

for the period from 1 January to 31 December 2015

	Notes	2015		2014	
		in €	in €	in €	in €
1. Turnover	10		2,066,702,332		1,959,324,193
2. Change in services not yet invoiced			3,391,562		-7,184,467
3. Other own work capitalised			357,711		339,784
4. Total operating performance			2,070,451,605		1,952,479,510
5. Other operating income	11		37,097,324		31,366,489
6. Cost of materials					
a. Cost of purchased goods		144,853,876		152,752,118	
b. Cost of purchased services		1,019,845,098	1,164,698,974	968,701,634	1,121,453,752
7. Personnel costs					
a. Wages and salaries		661,968,827		604,484,995	
b. Social security contributions, pensions and welfare expenses		133,029,267	794,998,094	142,822,718	747,307,713
of which, pensions €33,210,794 (2014: €52,142,928)					
8. Amortisation and depreciation of intangible and tangible fixed assets			9,623,661		8,171,173
9. Other operating expenses	12		90,413,089		76,989,144
10. Income from other securities and long-term investments			92,085		13,936,641
11. Other interest and similar income			645,197		824,635
12. Amortisation of financial assets			0		12,952
13. Interest and similar expenses	13		15,188,711		28,357,999
14. Profit from ordinary operations			33,363,682		16,314,542
15. Extraordinary expenses/Extraordinary result	14		8,896,364		8,991,703
16. Taxes on profit	15		854,249		424,037
17. Other taxes			202,343		1,495,166
18. Net profit			23,410,726		5,403,636
19. Transfer to the statutory reserves of Association			-23,410,726		-5,403,636
20. Unappropriated profit			0		0

Notes to the accounts 2015

Notes to the balance sheet and the profit and loss account

As at the balance sheet date of 31 December 2015, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Bonn/Eschborn, is a company with limited liability as defined by section 267, paragraph 3 of the German Commercial Code (HGB). GIZ's annual statement of accounts is prepared in accordance with the provisions of the German Commercial Code as well as the supplementary provisions of the German Limited Liability Companies Act (GmbH-Gesetz). The fiscal year corresponds to the calendar year. To improve the clarity of presentation, the item 'Project assets' has been added in the balance sheet. The breakdown of the profit and loss account is based on the total cost method. The legally required information on the balance sheet and the profit and loss account is provided in the notes to the accounts.

In fiscal 2015 GIZ partly 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) to DPAG. Pension entitlements accrued after 30 June 2015 under the old scheme will still be paid until further notice by GIZ. The company also established its own provident fund by the name of GIZ Unterstützungskasse GmbH (registered in Bonn, Germany), which in January 2016 took over the payment of all pension entitlements accrued under the 'Collective bargaining agreement on pensions dated 1 March 2004 (new company pension scheme)'. As these outsourced pension commitments will be met in future by DPAG and GIZ Unterstützungskasse GmbH, they are classified as indirect obligations.

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

General notes on accounting and valuation methods

ACCOUNTING AND VALUATION METHODS

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

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) and has therefore shown entitlements accrued by staff up to 30 June 2015 under the old company pension scheme and entitlements accrued under the new company pension scheme (indirect obligations) as liabilities. As stipulated in Article 28, paragraph 2 EGHGB, all amounts not recognised as liabilities are disclosed in the notes. On each reporting date, the total sum required in order to meet GIZ's pension commitments 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.

FIXED ASSETS

Intangible and tangible assets

Intangible and tangible assets are shown at purchase cost or production cost less depreciation based on the useful life of assets as determined by their specific user. Depreciation is calculated on a straight-line basis for periods between three years (IT and IT infrastructure) and 48 years (office buildings in Eschborn). The Meander Building in Bonn and the office building in Berlin will be depreciated over 33 years and 40 years respectively. Land with buildings and rights of use in partner countries are written off over a period of between eight and 20 years.

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

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

Newly constructed buildings are capitalised at production cost. Production cost includes individually attributable costs

from the deployment of personnel and an appropriate share of production overheads.

Financial assets

Financial assets are valued at the lower of purchase cost and fair value. Lower valuations are applied where sustained impairment is anticipated. If the reasons for amortising financial assets in previous years no longer apply, those assets are written up.

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

The new balance sheet item 'Claims from administrative costs credit' is valued at net book value.

CURRENT ASSETS

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

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

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

Other assets are shown at face value.

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

Receivables and payables in foreign currencies

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

Provisions

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

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

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

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

GIZ has chosen to exercise the option provided for in Article 28, paragraph 1, sentence 2 of the EGHGB and has therefore shown entitlements accrued by staff up to 30 June 2015 under the old company pension scheme and entitlements accrued under the new company pension scheme (indirect obligations) as liabilities. Furthermore, on each reporting date, the total sum required in order to meet GIZ's pension commitments less all frozen pension provisions less the fair value of the assets held by the pension providers in the pension fund and provident fund must be disclosed as a funding deficit in the notes.

Liabilities

Liabilities are shown at their settlement amount.

Deferred taxes

Deferred taxes result from the following temporary differences:

BALANCE SHEET ITEM

	31.12.2015	Tax rate	31.12.2015
	Difference, trade vs tax balance		Deferred taxes
	in €	in %	in €
Advance payments made	-15,090	25.625	-3,867
Receivables from goods and services	-1,260,826	25.625	-323,087
Cash in hand, Central Bank balances, bank balances	-489,325	25.625	-125,390
Provisions for pensions and similar obligations	58,646	25.625	15,028
Other provisions	2,364,704	25.625	605,955
			168,639

As at the balance sheet date, there were net deferred tax assets of €168,639. GIZ did not exercise the option to capitalise deferred tax assets provided for under section 274, paragraph 1, sentence 2 HGB.

PROFIT AND LOSS ACCOUNT

Appropriation of profits

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

An amount equal to the annual net surplus of €23,410,726 was transferred to the statutory reserves.

Notes to the balance sheet

(1) INTANGIBLE AND TANGIBLE ASSETS

Changes in fixed assets are shown in the appendix to the notes (Changes in fixed assets in fiscal 2015).

(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 2015 the equity of GIZ Unterstützungskasse GmbH stood at €22,500. The net loss for the fiscal year was €2,500.

GIZ has held a 51% stake in its affiliate GIZ-Festo Training Services LLC (based in Riyadh, Saudi Arabia) since 2014. At the time of formation in 2014, this company's equity stood at SAR 500,000 (€122,288 based on the exchange rate as at 31 December 2015). The annual accounts of this affiliate for the short fiscal year 2014 and the fiscal year 2015 were not yet available when GIZ's annual accounts were drawn up.

Since 2010, GIZ has also held a 49% stake in sequa gGmbH (based in Bonn). This holding is recognised at purchase cost (€535,862). In fiscal 2014, the equity of sequa gGmbH totalled €1,906,449, with a surplus for the year of €210,501.

The claims from administrative costs credit is kept in a separate account and administered by Deutscher Pensionsfonds AG (Bonn). The pension fund will submit an annual report to GIZ on changes in the administration costs credit balance and the current balance. As at the balance sheet date, the administration costs credit balance stood at €7,338,111.

(3) INVENTORIES

Advance payments made

This item includes advances totalling €13,304,024 covered by guarantees. A general provision of 1% has been made for advance payments. In total, €52,299,200 (previous year: €82,565,000) have a term of over one year.

(4) RECEIVABLES AND OTHER ASSETS

	Residual term less than 1 year	Residual term over 1 year	Total 2015	of which, from shareholder	Total 2014	of which, from shareholder
	in €	in €	in €	in €	in €'000	in €'000
1. Trade receivables						
Public-benefit sector	48,216,955	0	48,216,955	42,392,807	43,295	36,370
GIZ InS	51,671,418	0	51,671,418	0	57,114	0
	99,888,373	0	99,888,373	42,392,807	100,409	36,370
2. Receivables from affiliated companies	2,237,326	0	2,237,326	0	38	0
3. Project assets						
Cash and balances at banks	56,926,311	0	56,926,311	0	42,987	0
Partnership services advanced	334,514	0	334,514	0	397	0
Receivables, other	107,993,643	0	107,993,643	0	100,703	0
Liabilities, other	-9,955,415	0	-9,955,415	0	-9,337	0
	155,299,053	0	155,299,053	0	134,750	0
4. Other assets						
Receivables						
from premium due, see (5)	0	4,090,335	4,090,335	4,090,335	4,090	4,090
from rent advances abroad	3,288,430	0	3,288,430	0	2,787	0
from staff for travel and other advances	3,577,133	138,060	3,715,193	0	3,080	0
from the tax authorities	4,188,225	239,920	4,428,145	0	17,196	0
Other	15,958,918	0	15,958,918	0	9,190	0
	27,012,706	4,468,315	31,481,021	4,090,335	36,343	4,090
	284,437,458	4,468,315	288,905,773	46,483,142	271,540	40,460

(5) CAPITAL (THROUGH PAYMENT)

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

	2015	2014
	in €	in €
Subscribed capital	20,452,000	20,452,000
Capital reserve	5,112,919	5,112,919
Less:		
subscribed capital unpaid	11,759,713	11,759,713
premium due, see (4)	4,090,335	4,090,335

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

(6) STATUTORY RESERVES**Changes in statutory reserves**

	in €
Brought forward as at 1 January 2015	62,036,677
Net surplus for the year transferred to reserves	23,410,726
Total as at 31 December 2015	85,447,403
Of which:	
tied reserves	61,224,035
untied reserves	24,223,368
	85,447,403

(7) PROVISIONS**Provisions for pensions and similar obligations**

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

The main actuarial parameters are listed in the following table.

	in %
Actuarial interest rate	3.89
Rate of pension increase during the qualifying period (previous company pension scheme)	3.83
Rate of increase in previous company pension scheme, every two years	4.50
Trend in social security contribution assessment ceiling, annual	2.50
Fluctuation, scaled according to age, up to	12.00

With respect to the conversion of the pension provision in line with BilMoG as of 1 January 2010, GIZ exercises the option under section 67, paragraph 1, sentence 1 EGHGB and spreads the cost of the conversion over a period of up to 15 years. In the fiscal year 2015, €8,896,364 was recorded as extraordinary expense. Since part of the as yet unspecified difference has been transferred to the pension fund, the funding deficit as at 31 December 2015 stood at €1,436,870 (year-end 2014: €80,925,000). In total, €39,311,005 was paid into pension provisions during the fiscal year 2015.

GIZ has chosen to exercise the option provided for in Article 28, paragraph 1, sentence 2 of the EGHGB and has therefore shown entitlements accrued by staff up to 30 June 2015 under the old company pension scheme and entitlements accrued under the new company pension scheme (indirect obligations) as liabilities. On each reporting date, the total sum required in order to meet GIZ's pension commitments less all frozen pension provisions less the fair value of the assets held by the pension providers in the pension fund and provident fund must be disclosed as a funding deficit in the notes.

As at 31 December 2015, there was a funding deficit of €111,794,272 in respect of the indirect obligations to be settled by DPAG.

	in €
Settlement amount	526,483,738
Pension fund assets	364,862,617
Frozen pension provisions	49,826,849
Funding deficit	111,794,272

As at 31 December 2015, the funding deficit for the indirect obligations to be settled by GIZ Unterstützungskasse GmbH (Bonn) stood at €33,023,058.

	in €
Settlement amount	104,033,645
Pension fund assets	22,500
Frozen pension provisions	70,988,087
Funding deficit	33,023,058

Other provisions

Provisions for commitments in respect of semi-retirement and benefits were determined in accordance with actuarial methods. Maturity-congruent average market interest rates for the previous seven fiscal years of 2.74% and 3.89% were used.

Commitments totalling €280,942 for semi-retirement were offset against a fixed-term deposit (cover fund) of €150,000.

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

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

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

	2015	2014
	in €	in €'000
Amount payable following withdrawal from Pension Institution of the Federal Republic and Federal States	24,010,000	13,918
Working-time accounts	20,164,568	16,704
Costing and warranty risks	20,075,005	12,878
Leave entitlement for Head Office staff	8,647,289	8,321
Variable remuneration	8,254,349	7,012

As at 1 January 2010, the conversion of other non-current provisions due to the changed valuation in line with BilMoG resulted in an excess cover of €3,772,712.

Because the actual amount to be reversed must be paid in again by 31 December 2024 at the latest, the option under section 67, paragraph 1, sentence 2 EGHGB has been exercised and the provision values maintained. The amount of excess cover as at 31 December 2015 was €0.

(8) LIABILITIES

	Residual term less than 1 year	Residual term 1–5 years	Residual term over 5 years	Total 2015	of which, to shareholder	Total 2014	of which, to shareholder
	in €	in €	in €	in €	in €	in €'000	in €'000
1. Advance payments received							
Public-benefit sector	552,414,967	0	0	552,414,967	511,782,872	504,109	464,063
GIZ InS	59,239,870	0	0	59,239,870	0	63,517	0
	611,654,837	0	0	611,654,837	511,782,872	567,626	464,063
less							
value-added tax not yet offset on advance payments received	11,928,394	0	0	11,928,394	-9,957,439	10,164	8,009
	599,726,443	0	0	599,726,443	521,740,311	557,462	456,054
2. Trade payables							
Suppliers	8%	3,658,284	0	3,658,284	0	5,349	0
Consulting firms	67%	29,551,039	0	29,551,039	0	21,212	0
Other	25%	11,135,101	0	11,135,101	0	8,607	0
	100%	44,344,424	0	44,344,424	0	35,168	0
3. Liabilities to affiliated companies	2,675,965	0	0	2,675,965	0	980	0
4. Other liabilities	20,421,301	471,229	1,014,855	21,907,385	0	12,138	0
	667,168,133	471,229	1,014,855	668,654,217	521,740,311	605,748	456,054

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

	2015	2014
	in €	in €'000
Intangible and tangible assets	3,047,129	3,425
Deutsches Haus Moscow	394,667	610
Participating investments	1	0
	3,441,797	4,035

Assets of €3,441,797 are matched by corresponding liabilities.

Notes to the profit and loss account**(10) TURNOVER****Turnover by sector**

	2015	2014
	in €	in €'000
Business contracts	1,877,851,155	1,770,820
Grant-based (incl. GIZ-financed measures with partial third-party financing)	27,020,870	30,967
Public-benefit sector	1,904,872,025	1,801,787
GIZ InS	161,830,307	157,537
	2,066,702,332	1,959,324

By location of commissioning party

	2015		2014	
	in €	in %	in €'000	in %
Federal Republic of Germany	1,918,872,902	93	1,813,745	92
Rest of Europe	78,825,081	4	76,805	3
Africa	13,615,651	<1	9,800	<1
Americas	9,329,225	<1	10,234	<1
Asia	52,066,934	2	48,660	2
Oceania	-7,461	<1	80	<1
	2,066,702,332		1,959,324	

By region of activity

	2015		2014	
	in €	in %	in €'000	in %
Africa	671,473,667	32	619,212	32
Americas	184,467,423	9	187,111	10
Asia	686,029,644	33	662,582	34
Europe	135,633,086	7	159,803	8
Oceania	6,224,372	<1	5,966	<1
Supraregional	382,874,140	18	324,650	16
	2,066,702,332		1,959,324	

(11) OTHER OPERATING INCOME

Income from foreign currency valuations amounts to €5,530,817 (previous year: €4,461,000). Income not related to the period under review was €4,898,312 (previous year: €11,868,000). This income is mainly due to the reversal of provisions.

(12) OTHER OPERATING EXPENSES

Expenses from foreign currency valuations amount to €4,855,247 (previous year: €3,315,000). Expenses not related to the period under review were €57,639 (previous year: €64,000). These expenses relate primarily to losses on the disposal of fixed assets.

The item also includes the costs of the audit for the annual statement of accounts (€125,000), tax consulting services (€149,571) and other audits carried out by the external auditors (€362,762).

(13) INTEREST AND SIMILAR EXPENSES

These expenses relate primarily to accrued interest on pension provisions of €14,346,258 and to other provisions with a remaining term of over one year in the amount of €617,384.

**(14) EXTRAORDINARY EXPENSES/
EXTRAORDINARY RESULT**

In the course of the BilMoG conversion, GIZ has exercised the option under section 67, paragraph 1, sentence 1 EGHGB and spreads the cost of the conversion of pension provisions (conversion amount) over a period of up to 15 years. In fiscal 2015, a total of €8,896,364 (equivalent to one-fifteenth) was recognised as extraordinary expenses (2014: €8,992,000).

(15) TAXES ON INCOME

	2015	2014
	in €	in €'000
Corporation tax		
income previous year	54,213	29
expenditure current year	-542,746	0
expenditure previous year	-188,056	-453
Trade tax		
income previous year	0	3
expenditure current year	-177,660	0
expenditure previous year	0	-3
	-854,249	-424

Other information

TOTAL OTHER FINANCIAL COMMITMENTS

Commitments from commercial leases

Commitments under commercial leases for office premises and parking spaces (2016 to 2023): €39,187,155. Out of this total, €7,699,205 is payable in 2016.

Purchase commitments for investment projects

As at the balance sheet date, purchase commitments for investment projects totalled €1,535,495.

Liabilities to affiliated enterprises

In accordance with its contractual liabilities to the Saudi Government, GIZ as the parent of a local operating company (i.e. its subsidiary GIZ-Festo Training Services LLC) is obliged to provide a performance guarantee in respect of the operation of the Al Rass vocational school in Saudi Arabia. This performance guarantee stood at SAR 7,105,193 (equivalent to €1,737,763 based on the rate of exchange as at 31 December 2015).

The company's provident fund, GIZ Unterstützungskasse GmbH (Bonn), has set up a payment plan (Leistungsplan I) on the basis that GIZ will grant it the funds needed to make pension payments.

Contingent liabilities

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

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

As at 31 December 2015, the risk arising from participation in the consortia amounted to €180,870. Based on the experience of recent years, claims are not expected.

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

Average employment during the year

	2015	2014
Head Office personnel	1,924	1,867
Project staff (Germany)	1,398	1,249
Field staff	2,169	2,063
GIZ total employees (excluding national personnel)	5,491	5,179
National personnel	11,949	11,177
GIZ total personnel	17,440	16,356

Supervisory Board and Management Board

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MANAGEMENT BOARD

Tanja Gönner
Chair of the Management Board

Dr Christoph Beier
Vice-Chair of the Management Board

Dr Hans-Joachim Preuß

Cornelia Richter

REMUNERATION

The remuneration received by members of the Management Board generally includes a fixed salary and a variable component. For members of the Management Board currently employed, the total remuneration in fiscal year 2015 was €1,008,126.

In 2015 members of the Supervisory Board were merely reimbursed for their travel expenses of €37,044. There was no further remuneration.

	Fixed salary	Variable remuneration	Total
	in €	in €	in €
Tanja Gönner	243,295	36,666	279,961
Dr Christoph Beier	222,589	36,666	259,255
Dr Hans-Joachim Preuß	214,480	27,500	241,980
Cornelia Richter	180,825	27,500	208,325
Other remuneration components			18,605
Total remuneration			1,008,126

A provision of €812,507 has been established to cover a transitional allowance for a former senior manager. Transitional allowance payments in the fiscal year 2015 totalled €95,832. Indirect pension obligations towards former senior managers and members of the Management Board totalled €9,307,673. Current retirement pension payments to former senior managers and members of the Management Board in the fiscal year 2015 totalled €399,060.

LOANS TO ORGANS OF THE COMPANY

EMPLOYEES ON THE SUPERVISORY BOARD

	in €
Loans as at 1 January 2015	16,364
Repayments	1,609
As at 31 December 2015	14,755

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

Bonn/Eschborn, 13 May 2016

The Management Board

Tanja Gönner
Chair of the
Management Board

Dr Christoph Beier
Vice-Chair of the
Management Board

Dr Hans-Joachim Preuß
Managing Director

Cornelia Richter
Managing Director

Appendix to the notes

Changes in fixed assets in fiscal 2015

	COST OF ACQUISITION OR PRODUCTION					ACCUMULATED DEPRECIATION				CARRYING AMOUNTS	
	1.1.2015	Additions	Reclassification	Retirements	31.12.2015	1.1.2015	Depreciation in the fiscal year	Retirements	31.12.2015	31.12.2015	31.12.2014
	in €	in €	in €	in €	in €	in €	in €	in €	in €	in €	in €
I. Intangible assets											
Purchased concessions, industrial property rights and similar rights and values as well as licences to such rights and values	4,526,293	331,037	0	8,089	4,849,241	2,988,863	619,103	6,001	3,601,965	1,247,276	1,537,430
	4,526,293	331,037	0	8,089	4,849,241	2,988,863	619,103	6,001	3,601,965	1,247,276	1,537,430
II. Tangible assets											
1. Land, land rights and buildings including buildings on third-party land	147,847,673	4,396,186	51,575,128	5,511	203,813,476	46,627,584	4,056,102	2,541	50,681,145	153,132,331	101,220,089
2. Other plant, operating and office equipment	41,363,266	5,588,756	0	3,378,211	43,573,811	27,101,709	4,948,456	3,109,579	28,940,586	14,633,225	14,261,557
3. Advance payments and assets under construction	57,038,805	2,090,216	-51,575,128	0	7,553,893	0	0	0	0	7,553,893	57,038,805
	246,249,744	12,075,158	0	3,383,722	254,941,180	73,729,293	9,004,558	3,112,120	79,621,731	175,319,449	172,520,451
III. Financial assets											
1. Shares in affiliated companies	50,881	25,000	0	0	75,881	0	0	0	0	75,881	50,881
2. Participating interests	535,862	0	0	0	535,862	0	0	0	0	535,862	535,862
3. Securities held as fixed assets	388,435,291	39,999,838	0	284,490,267	143,944,862	0	0	0	0	143,944,862	388,435,291
4. Other loans	1,086,295	0	0	244,859	841,436	254,519	0	68,882	185,637	655,799	831,776
5. Claims from administrative costs credit	0	7,338,111	0	0	7,338,111	0	0	0	0	7,338,111	0
	390,108,329	47,362,949	0	284,735,126	152,736,152	254,519	0	68,882	185,637	152,550,515	389,853,810
	640,884,366	59,769,144	0	288,126,937	412,526,573	76,972,675	9,623,661	3,187,003	83,409,333	329,117,240	563,911,691

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Bonn/Eschborn, for the business year from 1 January to 31 December 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

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

basis of audit samples. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Mainz, 13 May 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hauptmann
German Public Auditor

Reichel
German Public Auditor

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