Annual Report 2019

Financial Statements and Management Report

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

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DEG at a glance

EUR million	2019	2018
Finance		
Total financial commitments in financial year	1,847	1,866
Portfolio (volume of commitments at year end)	9,039	8,362
Total investments of co-financed enterprises / new business	11,083	9,772
Consultancy and other services		
Income from consultancy contracts, trust business and other services	20	17
Annual Financial Statements		
Balance sheet total	6,424	5,879
Subscribed capital	750	750
of which paid in		750
Reserves	1,777	1,772
Operating result before risk provision and valuation effects from currency	153	212
Taxes	3	22
Profit for financial year	–52	65
Withdrawal from purpose-tied reserve fund	0	0
Net income / loss	–55	65

Developmental impacts of DEG's portfolio 2019		
Tax paid annually by co-financed businesses	EUR 4.4 billion	EUR 4 billion
Number of jobs in co-financed businesses	2.1 million	1.7 million

Report by the Supervisory Board

Advice to, and supervision of, the Management Board

The 2019 reporting period was marked by constructive communication between the Supervisory Board and DEG's Management Board. The Supervisory Board would like to highlight the continuing high level of trust that informs its cooperation with the Management Board which, following the changes to its composition during the previous year, continued to present itself as a competent and functional unit. Christiane Laibach was confirmed in the prominent role she has fulfilled with great commitment and strategic vision on behalf of the entire company since becoming Chairwoman of the Management Board. During the final meeting of the year, the Supervisory Board recommended that the shareholder appoint Christiane Laibach as CEO of the Management Board when her contract comes up for renewal as of 15 February 2020.

In the year under review, the Management Board reported promptly and comprehensively to the Supervisory Board on all important developments at DEG, enabling the latter to assure itself of the proper conduct of the Management Board's activities. The Supervisory Board exercised regular supervision of the Management Board over its leadership of the business and conferred with it. Whenever decisions were of crucial importance to DEG, the Supervisory Board was involved, and, where necessary and following extensive consultation and scrutiny of specific cases, gave its consent to the relevant business transactions.

DEG's rules and regulations comply with the German Federal Public Corporate Governance Code PCGC (Public Corporate Governance Kodex des Bundes) and meet current governance standards.

Meetings of the Supervisory Board

The Supervisory Board held four regular meetings in 2019. In carrying out its work, it received effective assistance from its committees, membership of which is drawn from the board. These held 21 meetings in total. The Executive and Nomination Committee, the Audit Committee and the Remuneration Control Committee each met on four occasions. The Risk and Credit Committee, which takes the final decisions on measures and transactions of particular importance to DEG's financing business, held nine meetings over the course of the past financial year and also took five decisions on submissions via the circulation procedure.

In the period under review, the Supervisory Board strongly prioritised maintaining a sustainable direction for DEG's business. Within the context of the company's strategic overall policy, the Supervisory Board discussed the business strategy for 2020, the risk strategy for 2020, the IT strategy for 2020 and financial planning for 2020.

DEG's system of targets again proved both balanced and sustainable in the year under review. During its meetings, the Supervisory Board repeatedly addressed the effect of trade conflicts and geopolitical tensions on the economic situation in developing countries. Ultimately, the uncertainties about further developments had a clear negative influence on DEG's goal of sustainable earnings. So the Supervisory Board welcomes the excellent result achieved by DEG in the two target areas Developmental Effects and German Business all the more. The Development Effectiveness Rating (DERa) continues to prove an excellent measurement tool, capable of comprehensively capturing the diverse developmental impacts achieved by DEG.

In 2019, the Supervisory Board further dealt in detail with the application of DERa to measure impacts in DEG's fund portfolio. It was able to assure itself of the instrument's functionality and of the authenticity of the high developmental effects DEG is achieving with its involvement in funds. The Supervisory Board similarly concerned itself in detail with the Business Support Services (BSS) for DEG customers. The Supervisory Board expressly welcomes DEG's extensive use of these. BSS strengthen customers' sustainable profitability as well as their developmental impacts and are hence a good match for DEG's business model.

Furthermore, the Supervisory Board appreciates that it proved possible to stabilise new business transactions at a high level. Against the backdrop of the volatile world economic situation, this development represents a good achievement. In this context, the Supervisory Board, in cooperation with the shareholder – and while maintaining an appropriate supervisory duty of care – has succeeded in carrying out a realignment of the exemption limits in DEG's financing business. The adjustment enables the Risk and Credit Committee to deal in a focussed manner with high-risk involvements and supports the company's course for growth as well as the associated expansion of its developmental impacts. In light of the high potential of DEG and its European sister institutions, the Supervisory Board also took time over the course of the year to discuss the plans, currently being debated at EU level, for a new European financial architecture. The Supervisory Board expressly notes that one must, at all costs, avoid establishing inefficient duplicate structures, while the role of bilateral development finance providers should be strengthened.

The Supervisory Board chose Africa as a regional focus of its work. It was able to assure itself that, as a result of successively expanding its business operations on Europe's neighbouring continent, DEG is fulfilling its development mandate in a very special way. The board has closely followed the creation of the federally funded AfricaConnect programme of loans. With AfricaConnect, an instrument has been created that enables German business to gain easier access to Africa – a continent considered important by the German government. Furthermore, the Supervisory Board paved the way for the founding of the subsidiary DEG Impact. The new company will mainly provide advice and support during the operational implementation of the AfricaGrow programme, the second mainstay of the German Federal Government's development investment fund. The Supervisory Board expressly welcomes these strategic additions to DEG's business model and encourages the Management Board in its efforts to contribute the company's competencies to the Federal Government's development initiatives in an efficient way.

Over the course of the year, the Supervisory Board discussed a wide range of other strategically important issues with the Management Board. For example, the expansion of provision in local currencies was further pursued. There was also discussion of revising the publication rules for DEG's financing business. The discussion of these wide-ranging subjects has proved fruitful and productive, in part because of the varied and judiciously complementary backgrounds of the Supervisory Board members.

During the year under review, the Supervisory Board also continued its exchange of views about the body's independence and ways of addressing possible conflicts of interest on the part of members. Against this backdrop, a specific training event on the subject of corporate governance held for members of the Supervisory Board proved helpful in coming to a shared understanding in this area.

Since 2014, the Supervisory Board has carried out an annual self-evaluation, as well as an evaluation of DEG's Management Board, both based on structured questionnaires. The self-evaluation for the 2019 financial year showed that the assessment of the work and efficiency of the Supervisory Board and its committees over recent years as "very good" left room for some further slight improvement. The continuing constructive and trustful nature of the shared work on the board was additionally supported by the high level of personnel continuity.

Annual financial statements and management report

The annual financial statements, as drawn up in accordance with statutory regulations, have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft of Düsseldorf, along with the management report. The report on the annual financial statements was awarded an unqualified audit certificate.

Based on the auditor's report, the Audit Committee appointed by the Supervisory Board reviewed and discussed the annual financial statements along with the management report, and recommended that they be approved by the members of the Supervisory Board. During a final, detailed review by the Supervisory Board, the board members agreed with the Audit Committee's recommendations and approved the findings of the auditor's report and the annual financial statements, including the management report.

The Supervisory Board recommended that the shareholder's meeting adopt the annual financial statements for 2019 and discharge the Management Board from its liabilities.

Changes in membership of the Supervisory Board

Membership of the Supervisory Board remained unchanged during the reporting period. It comprised 15 members.

In 2019, no member of the Supervisory Board attended fewer than half the meetings of the board in full.

Thanks and appreciation

The Supervisory Board would like to express its gratitude and appreciation to the Management Board for its open and trustful cooperation.

Special thanks and appreciation are due to DEG's staff. Their great dedication and high-level competence have made it possible to advance DEG's business in extremely challenging conditions and achieve high developmental impacts.

Cologne, 23 March 2020

Chairman of the Supervisory Board
Norbert Barthle

Corporate Governance Report

As a member of KfW Bankengruppe, DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) has made a commitment to act responsibly and transparently, and to open up its actions to scrutiny. DEG's Management Board and Supervisory Board accept the principles of the German Federal Government's Public Corporate Governance Code (Public Corporate Governance Kodex des Bundes PCGC) on behalf of DEG. A first Declaration of Conformity, detailing compliance with the PCGC's recommendations, was made on 30 March 2011. Since then, any departures from the code have been declared and elucidated annually.

DEG has operated as a non-profit limited company and a legally independent, wholly owned subsidiary of KfW since 19 June 2001. Its rules and regulations (articles of association, rules of procedure for the Supervisory Board and its committees, and rules of procedure for the Management Board) specify the basic features of the system via which it is managed and controlled by its corporate bodies.

Declaration of Conformity

The Management Board and Supervisory Board of DEG make the following declaration: "Since the previous Declaration of Conformity on 11 March 2019, the recommendations of the German Federal Government's PCGC, as adopted on 1 July 2009, have been and are being complied with, excepting only the recommendations below".

Deductible for D&O insurance

KfW has entered into D&O insurance contracts which, as group insurance, also extend protection to the members of DEG's Supervisory Board. In a departure from paragraph 3.3.2 PCGC, these merely include the option to introduce a deductible during the period under review.

Allocation of responsibilities

With the agreement of the Supervisory Board, and following a decision by the shareholder's meeting, the Management Board has compiled a set of procedural rules to regulate co-operation in managing the business. Under these rules, the Management Board itself allocates areas of responsibility in a schedule of responsibilities, but – in a departure from paragraph 4.2.2 PCGC – without the additional agreement of the Supervisory Board, but with the agreement of the shareholder's meeting. This ensures the necessary flexibility, and hence an efficient division of labour, when changes are required.

Remuneration

In a departure from paragraph 4.3.1 PCGC, the remuneration system for members of the Management Board is drawn up by the shareholder's meeting rather than the Supervisory Board. This includes setting levels of remuneration and of variable remuneration components, as well as dealing with other remuneration issues.

In a departure from paragraph 4.3.2. PCGC, the performance targets and parameters specified in the agreement on targets for the Management Board may subsequently be changed by consultation between the shareholder and DEG. During the 2019 calendar year, the target was amended to include adherence to a cost specification.

Conflicts of interest

In a departure from paragraph 4.4.3 PCGC, all members of the Management Board must immediately declare any conflict of interest to the shareholder's meeting rather than the Supervisory Board.

Delegation to committees

The Supervisory Board is relieved of a portion of its workload by its committees, which benefit from more familiarity with the issues and greater flexibility of scheduling. In some cases, the Risk and Credit Committee not only lays the groundwork for a decision by the Supervisory Board, but, in a departure from paragraph 5.1.8 PCGC, takes the final decision on matters involving DEG's financing business. This applies to measures and transactions of special significance, as well as to whether to initiate legal disputes, to waive debts beyond the scope of settlements, and agree settlements where such legal disputes, waivers or settlements are of special significance. Having the Risk and Credit Committee make the final decision on such matters is necessary for reasons of practicality and efficiency.

Cooperation of Management Board and Supervisory Board

The Management Board and the Supervisory Board work closely together for DEG's benefit. The Management Board, especially its Chairwoman[1)], maintains regular contact with the Chairman of the Supervisory Board. The Management Board discusses DEG's strategic direction with the Supervisory Board and reports, at appropriate intervals, on the extent to which that strategy has been implemented. The Management Board informs the Chairman of the Supervisory Board of all events of material significance to the assessment of DEG's situation and development. The Chairman of the Supervisory Board subsequently informs the other board members and, if necessary, calls an extraordinary meeting.

In the year under review, the Management Board reported to the Supervisory Board as per the provisions of Article 90 of the German Stock Corporation Act (AktG) and provided comprehensive information on all relevant corporate issues related to planning, business development, risk situation, risk management and compliance, as well as on any changes to the economic climate of significance to the company. The Management Board further discussed the company's strategic direction with the Supervisory Board.

Management Board

The members of the Management Board conduct DEG's business with the care of a fit and proper business person in accordance with the law, the articles of association, the rules of procedure for the Management Board, and the decisions of the shareholder's meeting and the Supervisory Board. The allocation of responsibilities among members of the Management Board is regulated by a schedule of responsibilities. In the year under review, Christiane Laibach was Chairwoman of the Management Board. Responsibilities were allocated as follows in the year under review:

Christiane Laibach
as Chairwoman of the Management Board

- Corporate Development Division,
- Legal & Compliance Division,
- Customer Solutions Division,
- Human Resources Department,
- Internal Audit,
- Multi-project Management.

Philipp Kreutz

- Credit Management/Analysis Division,
- Finance/Risk Division,
- In-house Services Division.

Monika Beck

- Corporates/Project Financing/Africa/Latin America Funds Division,
- Corporates/Project Financing/Europe/Asia Funds Division,
- Financial Institutions & German Business Division.

The members of the Management Board are committed to DEG's corporate interest, may not pursue personal interests in their decision-making, and are subject to a comprehensive non-compete clause during their employment with DEG. Members of the Management Board must immediately inform the shareholder of any conflicts of interest arising. No such case occurred during the year under review.

Supervisory Board

The Supervisory Board monitors and advises the Management Board on its leadership of DEG.

Under DEG's articles of association, the Supervisory Board consists of 15 members. Five of these are staff representatives elected under the provisions of Germany's One-Third Participation Act (DrittelbG), while the other members are appointed by the shareholder's meeting. The German Federal Government has the right to propose four members, who are intended to represent the German Federal Ministry for Economic Cooperation and Development, the Federal Ministry of Finance, the Federal Foreign Office and the Federal Ministry of Economic Affairs and Energy, respectively. The remaining members of the Supervisory Board are selected in consultation with the Federal Ministry for Economic Cooperation and Development.

In the year under review, Norbert Barthle, Parliamentary State Secretary under the Federal Minister for Economic Cooperation and Development, served as Chairman of the Supervisory Board. In the year under review, the Supervisory Board had six female board members at all times. As a result, the board has now met its target of 33% female membership, adopted on 19 June 2017.

The following are excluded from membership of the Supervisory Board:

- any member of DEG's Management Board,
- any former member of DEG's Management Board, if membership of the Supervisory Board already includes two former members of DEG's Management Board,
- anyone who serves as executive officer in another business and is, at the same time, a member of the administrative or supervisory body of more than two further corporates, and
- anyone who is a member of the administrative or supervisory body of more than four businesses.

Every member of the Supervisory Board shall disclose conflicts of interest to the Supervisory Board. Where a conflict of interest is assumed to exist, the board member in question shall not participate in discussing or deciding on that item on the agenda. Any conflicts of interest in the person of a member of the Supervisory Board which are likely to prevent that member from meaningfully exercising his or her mandate over a sustained and prolonged period of time shall result in the termination of the mandate. No such instance occurred in the year under review.

In the year under review, no member of the Supervisory Board attended fewer than half the meetings of the board in full.

Committees of the Supervisory Board

To ensure the efficient performance of its duties, the Supervisory Board has set up the following four committees from among its own members; the remits are based on Article 25d of the Banking Act of the Federal Republic of Germany (KWG):

The **Executive and Nomination Committee** deals with HR issues and the principles of corporate governance. When necessary, it carries out the preparations for meetings of the Supervisory Board. The responsibilities of the Executive and Nomination Committee include, among other things, the discussion of issues connected with appointing and relieving members of the Management Board.

The **Remuneration Control Committee** handles remuneration issues. It specifically deals with drawing up appropriate remuneration systems for members of the Management Board and for DEG staff.

The **Risk and Credit Committee** advises the Supervisory Board on issues related to risk, e.g. specifically DEG's overall risk tolerance and risk strategy. It also acts on behalf of the Supervisory Board by taking final decisions on measures and transactions of special significance, as well as on whether to initiate legal disputes, to waive debts beyond the scope of settlements, and to agree settlements where such legal disputes, waivers or settlements are of special significance. In the year under review, the stipulations in respect of special significance were brought into line with DEG's revised ordinary business activities. This has ensured an appropriate allocation of responsibilities between the Supervisory Board and the Management Board.

The **Audit Committee** deals specifically with monitoring the financial reporting process; with the effectiveness of the risk management system, especially the Internal Control System and Internal Audit; with the audit of the annual financial statements and with evaluating whether the auditor demonstrates the required independence. It also sets priorities for the audits and oversees the prompt elimination of any deficiencies uncovered by the auditor.

The committee chairs report regularly to the Supervisory Board. The Supervisory Board may disband the committees, regulate their duties and reclaim their powers at any time.

In its report, the Supervisory Board provides information about its own work and the work of its committees during the year under review. A summary listing the members of the Supervisory Board and its committees may be found on DEG's website.

Shareholder

DEG's sole shareholder is KfW. The shareholder's meeting is responsible for all matters not assigned, by law or by the articles of association, to another body as its exclusive responsibility, and in particular for: approving the annual financial statements and the appropriation of the annual result or net income; establishing the sum available within the company for variable remuneration components; appointing and relieving members of the Supervisory Board; discharging members of the Supervisory and Management Boards from their liability; and appointing the auditor of the annual accounts. The members of the Management Board require the prior agreement of the shareholder's meeting to conduct any negotiations at CEO level that exceed the scope of the company's ordinary operations.

Supervision

DEG is a credit institution within the meaning of Article 1, Section 1 of the Banking Act of the Federal Republic of Germany (KWG). The German Federal Financial Supervisory Authority (BaFin) has issued revocable exemptions to DEG as per Article 2, Section 4 KWG, which partially exempt it from the provisions of the act. Overall, DEG nevertheless applies the relevant standards of the Banking Act mutatis mutandis, especially the minimum requirements for risk management (MaRisk).

Public benefit

DEG exclusively and directly serves the public benefit within the meaning of the "Tax-deductible purposes" article of the German Fiscal Code (Abgabenordnung). The company's purpose is to promote development cooperation. DEG is non-profit-making.

Transparency

DEG makes key information about the company and its annual financial statements available on its website. Corporate Communications also provides regular updates on current corporate developments. The annual Corporate Governance Reports, including the Declaration of Conformity in respect of the Public Corporate Governance Code PCGC, are permanently available on DEG's and KfW's websites. As of 1 January 2015, DEG also publishes information on its website about the projects and enterprises it finances.

Risk management

Risk management and risk controlling are key management tasks at DEG. The Management Board draws up the risk strategy, establishing the framework for business activities in relation to risk tolerance and risk-bearing capacity. This ensures that DEG is able to fulfil its specific tasks sustainably and over the long term, while maintaining an acceptable risk profile. Monthly risk reports to the Management Board present a comprehensive analysis of DEG's overall risk situation. The Supervisory Board regularly receives a detailed update on the risk situation at least once per quarter.

Compliance

DEG's success depends to a significant degree on the trust which the shareholder, customers, business partners, staff members and the public place in its effectiveness and especially its integrity. This trust is substantially rooted in its implementation of, and compliance with, the relevant legal and regulatory requirements and in-house rules, as well as other applicable laws and regulations. DEG's compliance organisation includes, in particular, provisions to ensure that the regulatory requirements of the MaRisk compliance function are met, and that data protection rules are followed. It further includes provisions to guarantee securities compliance, to comply with the terms of financial sanctions, to prevent money laundering, to avoid financing terrorism and other criminal activities, and to achieve a suitable level of information security, appropriate business continuity management, the identification of operational risks and the mapping of an internal control system. Accordingly, it has binding regulations and procedures that influence implemented values and corporate culture, and are continuously updated to reflect the statutory framework and market requirements. Regular training on all aspects of compliance is available to DEG employees in the form of both e-learning programmes and classroom sessions.

Accounting and annual audit

On 11 December 2018, the shareholder appointed Ernst & Young Wirtschaftsprüfungsgesellschaft mbH (E&Y) as auditor for the 2019 financial year. The Supervisory Board subsequently issued the audit mandate to E&Y on 3 June 2019 and established priorities for the audit with the auditor. It was agreed with the auditor that the Chairman of the Supervisory

Board would immediately be informed of any findings and circumstances of material significance to the duties of the Supervisory Board that might arise during the audit. It was further agreed that the auditors should inform the Chairman of the Supervisory Board, or include a note in the audit, if, while carrying out the audit, they ascertained facts that negated the accuracy of the Declaration of Conformity as per the PCGC.

Efficiency review

The Supervisory Board regularly reviews the efficiency of its activities. To that end, it carries out an annual evaluation of the Supervisory Board and the Management Board. In the year under review, as in previous years, both reviews were carried out based on structured questionnaires.

REMUNERATION REPORT

The remuneration report describes the basic structure of the remuneration system for the Management Board and the Supervisory Board and discloses the individual remuneration for members of both boards. The remuneration report is part of the appendix to the annual financial statements. A summary of the total remuneration of the Management Board and members of the Supervisory Board is provided in Table 1.

Remuneration of the Management Board

The remuneration system for DEG's Management Board is designed to provide appropriate compensation for board members in accordance with their remit and areas of responsibility, taking into account their performance and the company's success.

Remuneration components

On 11 March 2019, DEG's Supervisory Board voted to retain, without change, the remuneration system for DEG's Management Board agreed on 18 March 2010. This system meets PCGC rules on variable remuneration components and includes a balanced mix of short and medium-term incentives. For instance, only half of performance-related management bonuses, as measured by target fulfilment, is immediately disbursed to the Management Board. The other half constitutes a provisional claim only, and is paid from a "bonus account" in equal instalments over the following three years, provided there is no significant decline in business performance. If the agreed profitability target is not met over the following years, payments from the bonus account shall be subject to a penalty.

The summary in Table 2 shows total compensation for individual members of the Management Board, broken down by fixed and variable components and benefits in kind. It also shows transfers to pension provision for the individual board members and the balance of their bonus accounts.

Responsibility

The shareholder consults on the remuneration system for the Management Board, including contractual elements, and reviews it regularly. The shareholder agrees the remuneration system following consultation with the Supervisory Board.

Contractual fringe benefits

Benefits in kind primarily include contractual fringe benefits. Members of the Management Board are entitled to a company car for both business and personal use. In keeping with current tax regulations, any costs incurred due to personal use of the company car are met by the members of the Management Board. If a second residence is required for business purposes, the costs of running a second household are reimbursed as per tax regulations.

Members of the Management Board are insured under a group accident insurance policy. Health insurance and long-term care insurance are subsidised. In respect of the risks associated with their management activities on the governing body, members of the Management Board are insured under a policy that covers liability for monetary damages (D&O insurance), and a supplementary policy covering them for monetary damages and legal expenses. These insurance policies are arranged as group insurance. Since 2017, the D&O insurance policies for members of the Management Board have included a deductible to meet the requirements of paragraph 3.3.2 PCGC.

Members of DEG's Management Board are further covered in the exercise of their duties by a special group insurance policy for employees that meets any legal expenses incurred as a result of criminal prosecution.

Like all senior executives, members of the Management Board are entitled to participate in the Deferred Compensation scheme, a supplementary company pension plan via deferred compensation payments deducted from salary. Under DEG's general rules, they are also entitled to long service awards.

Contractual fringe benefits further include the cost of security measures at residential properties occupied by members of the Management Board. The provision of this security is accounted for under operating charges rather than as benefits in kind.

Where contractual fringe benefits cannot be granted on a tax-free basis, they are subject to taxation as non-cash benefits. Any tax due is payable by the members of the Management Board.

In 2019, no member of the Management Board was in receipt of a loan from DEG or KfW.

In the past financial year, no member of the Management Board received benefits, or a pledge to that effect, from a third party in respect of his or her activities as a member of DEG's Management Board.

Entitlement to a pension and other benefits in case of early retirement

Under Article 5, Section 1 of DEG's articles of association, the appointment of a member of the Management Board shall not extend beyond the attainment of statutory retirement age. After they reach the age of 65, or statutory retirement age respectively, and following expiry of their contract of employment as members of the Management Board, board members are entitled to pension payments. This also applies if their service ends due to invalidity.

In respect of contracts of employment for a term that began in 2014 or earlier, members of the Management Board may, at their own request, take early retirement after they have reached the age of 63.

If the board member's employment is not extended before reaching retirement age, and no important reason as per Article 626 of the German Civil Code (BGB) applies to the person of the member of the Management Board, he or she is entitled to agree a transitional allowance for the period until pension payments fall due.

Pension commitments for members of the Management Board and surviving dependants are based on the principles governing the employment of board members at German federal credit institutions (1992 version). PCGC provisions are taken into account when drawing up contracts of employment for members of the Management Board.

Where members of the Management Board were appointed or reappointed after 2011, their contracts of employment include a cap on any severance package in keeping with PCGC recommendations. Under the code, any payoff to a member of the Management Board, due to early termination of his or her activities as a board member, is accordingly limited to double the annual salary, or any compensation due for the remaining period of his or her contract, including fringe benefits, whichever is lower. This only applies provided no important cause as per Article 626 of the German Civil Code is present.

In general, the full retirement pension entitlement is equivalent to 49% of annual fixed remuneration components. At initial appointment, the retirement pension entitlement routinely amounts to 70% of the full entitlement and rises over a period of ten years by 3% for every completed year of service. In a departure from this, the entitlement of Monika Beck, who was appointed to DEG's Management Board as Chairwoman on 1 July 2018, will increase by 0.82% for every full year of service, up to a pension entitlement of 46.6% when she receives her pension upon retirement.

If the employment contract of a member of the Management Board is terminated, or not renewed, due to a significant reason as per Article 626 of the German Civil Code, any pension entitlements are void, in keeping with the principles developed by employment contract case law.

Pensions for former members of the Management Board and their surviving dependants amounted to EUR 897.7 k in 2018 and EUR 998.4 k in 2019 (cf. summary of retirement pensions for former members of the Management Board and surviving dependants in Table 3).

Transfers to pension provision for former members of the Management Board and their surviving dependants amounted to EUR 449.3 k at the end of the 2019 financial year (previous year: EUR 484.1 k).

No loans to former members of the Management Board or their surviving dependants were approved in the 2019 financial year.

Compensation of the Supervisory Board

Members of the Supervisory Board receive compensation at a level set by the shareholder's meeting as per Article 13 (1) of DEG's articles of association and in keeping with the company's character as an institution serving the public benefit.

As agreed at DEG's extraordinary shareholder's meeting on 3 April 2018, compensation for ordinary members in the year under review amounted to EUR 5,000. Chairmanship of the Supervisory Board attracts compensation in the sum of EUR 9,000, while the two deputy chairs each receive EUR 8,000. Committee members each receive annual compensation of EUR 500, while the committee chairs receive compensation in the amount of EUR 1,000 per annum.

Where membership covers only part of a year, compensation is paid pro rata.

An attendance fee of EUR 500 per meeting is paid, along with a daily allowance of EUR 12 per day of attendance. Any travel expenses incurred and any value-added tax payable are reimbursed.

Tables 4 & 5 provide details of the Supervisory Board's compensation for the 2018 and 2019 financial years. The sums shown are EUR net and have all been paid. Travel costs and other miscellaneous expenses were reimbursed upon presentation of receipts and are not included in the tables.

There are no pension obligations towards members of the Supervisory Board.

In the year under review, members of the Supervisory Board received no remuneration for services provided in a personal capacity.

In respect of the risks associated with their activities as corporate officers on the Supervisory Board, board members are insured under a policy that covers their liability for monetary damages (D&O insurance). A supplementary policy covers them for monetary damages and legal expenses. These insurance policies are arranged as group insurance. Currently, no deductible has been agreed. Members of the Supervisory Board are also covered in the exercise of their duties by a special group insurance policy for employees that meets any legal expenses incurred as a result of criminal prosecution.

No loans were granted to members of the Supervisory Board during the year under review.

Cologne, 23 March 2020

The Management Board

The Supervisory Board

Table 1: Summary of total remuneration for the Management Board and members of the Supervisory Board

EUR k	2019	2018	Change
Management Board	1,276	1,288	-12
Former members of the Management Board & surviving dependants	998	898	100
Members of the Supervisory Board	77	73	4
Total	**2,351**	**2,259**	**92**

Table 2: Annual compensation of the Management Board and transfers to pension provision for 2018 and 2019[1)]

EUR k[1)]		Salary	Variable compensation[2)]	Benefits in kind[3)]	Total	Bonus account	Transfer to pension provision
Bruno Wenn	2019	-	54.36	-	**54.3**	55.5	-
	2018	172.5	73.7	5.5	**251.7**	72.5	-
Christiane Laibach (Chairwoman)	2019	344.9	71.0	10.3	**426.1**	74.1	381.4
	2018	344.9	58.1	9.7	**412.8**	70.5	337.7
Monika Beck	2019	344.9	18.6	12.5	**376.1**	18.6	246
	2018	172.5	-	5.9	**178.4**	-	1,243.1[4)]
Dr Michael Bornmann	2019	-	1.46	-	**1.4**	-	-
	2018	-	15.1	-	**15.1**	1.4	-
Philipp Kreutz	2019	344.9	70.7	2.2	**417.9**	71.0	98.0
	2018	344.9	72.6	12.0	**429.6**	71.4	207.2
Total	**2019**	**1,034.8**	**216.0**	**25.0**	**1,275.8**	**219.2**	**627.5**
	2018	**1,034.8**	**219.5**	**33.2**	**1,287.5**	**215.9**	**1,788.1**

1) For computational reasons, the table may contain discrepancies due to rounding.

2) In a departure from the figures in the appendix, this table includes the variable compensation actually paid as part of a phased system. Dr Michael Bornmann and Bruno Wenn received variable remuneration in respect of their activities as CEO.

3) In a departure from the figures in the appendix, this table excludes the employer's contribution as per the German Social Security Act. The total for 2019 was EUR 39.9 k (previous year: EUR 38.8 k).

4) Includes entitlements from earlier periods of employment with the group.

Table 3: Retirement pensions for former members of the Management Board or surviving dependants

	Number 2019	EUR k 2019	Number 2018	EUR k 2018
Former members of the Management Board	5	645.8	5	549.9
Surviving dependants	4	352.6	5	347.8
Total	**9**	**998.4**	**10**	**897.7**

Tables 4 & 5: Compensation of members of the Supervisory Board for the 2018 and 2019 financial years in EUR

No.	Name	Period of membership 2019	Supervisory Board membership	Committee membership	Daily allowance & attendance fee	Total
1.	Norbert Barthle[1]	01.01–31.12	-	-	-	**-**
2.	Susanne Baumann[1]	01.01–31.12	-	-	-	**-**
3.	Eberhard Brandes[1]	01.01–31.12	-	-	-	**-**
4.	Michael Junginger	01.01–31.12	5,000	-	2,048	**7,048**
5.	Jürgen Gerke[1]	01.01–31.12	-	-	-	**-**
6.	Bernd Loewen[1]	01.01–31.12	-	-	-	**-**
7.	Wolfgang Schmidt[1]	01.01–31.12	-	-	-	**-**
8.	Prof. Dr Joachim Nagel[1]	01.01–31.12	-	-	-	**-**
9.	Prof. Dr Christiane Weiland	01.01–31.12	8,000	2,500	12,096	**22,596**
10.	Dr Sabine Hepperle[1]	01.01–31.12	-	-	-	**-**
11.	Dr Amichia Biley	01.01–31.12	5,000	500	4,036	**9,536**
12.	Dorothea Mikloweit	01.01–31.12	5,000	500	4,048	**9,548**
13.	Sarah Madew	01.01–31.12	5,000	500	5,584	**11,084**
14.	Bertram Dreyer	01.01–31.12	5,000	-	3,072	**8,072**
15.	Caroline Kremer	01.01–31.12	5,000	500	4,048	**9,548**
Total (net)			**38,000**	**4,500**	**34,932**	**77,432**

No.	Name	Period of membership 2018	Supervisory Board membership	Committee membership	Daily allowance & attendance fee	Total
1.	Hans-Joachim Fuchtel[1]	01.01–06.04	-	-	-	**-**
2.	Norbert Barthle[1]	22.05–31.12	-	-	-	**-**
3.	Susanne Baumann[1]	14.08–31.12	-	-	-	**-**
4.	Eberhard Brandes[1]	01.01–31.12	-	-	-	**-**
5.	Arndt G. Kirchhoff	01.01–22.02	699	-	-	**699**
6.	Michael Junginger	01.03–31.12	4,192	-	2,048	**6,240**
7.	Jürgen Gerke[1]	01.03–31.12	-	-	-	**-**
8.	Dr Michael Meister[1]	01.01–14.03	-	-	-	**-**
9.	Dr Ulrich Schröder[1]	01.01–31.01	-	-	-	**-**
10.	Bernd Loewen[1]	19.03–31.12	-	-	-	**-**
11.	Wolfgang Schmidt[1]	02.10–31.12	-	-	-	**-**
12.	Prof. Dr Joachim Nagel[1]	01.01–31.12	-	-	-	**-**
13.	Prof. Dr Christiane Weiland	01.01–31.12	8,000	2,500	10,084	**20,584**
14.	Dr Patricia Flor[1]	01.01–30.07	-	-	-	**-**
15.	Dr Sabine Hepperle[1]	01.01–31.12	-	-	-	**-**
16.	Dr Amichia Biley	01.01–31.12	5,000	500	4,048	**9,548**
17.	Dorothea Mikloweit	01.01–31.12	5,000	500	4,048	**9,548**
18.	Sarah Madew	01.01–31.12	5,000	500	5,072	**10,572**
19.	Bertram Dreyer	01.01–31.12	5,000	-	2,560	**7,560**
20.	Caroline Kremer	01.01–31.12	5,000	500	3,048	**8,548**
Total (net)			**37,891**	**4,500**	**30,908**	**73,299**

[1] Compensation not claimed.

Management Report 2019

CORPORATE ESSENTIALS

Business model

DEG – Deutsche Investitions- and Entwicklungsgesellschaft mbH, Cologne, is charged with a development policy mandate to promote the expansion of the private sector in developing and emerging market countries. Accordingly, DEG has defined a strategic system of goals in three dimensions which double as the performance indicators for DEG's business activities. These are: sustainable returns, a high developmental impact, and the provision of financing and supportive advice to German enterprises.

DEG finances economically and developmentally sustainable, socially and environmentally sound investment proposals by private sector enterprises with loans, loans with equity features and participating interests. Proposals of benefit to the climate and the environment are specifically promoted by DEG. With its offerings, it addresses mainly medium-sized businesses ("Mittelstand") and small and medium-sized enterprises (SMEs) in its partner countries. DEG's aim is to contribute to its customers' success by providing reliable long-term finance and advice. Only consistently successful enterprises create permanent jobs and generate sustainable developmental impacts. Consequently, DEG's involvement supports the implementation of the Sustainable Development Goals (SDG) contained in the United Nations Agenda 2030.

In order to serve its customers' specific needs, DEG additionally provides Business Support Services (BSS). Via promotional programmes, DEG also co-finances developmentally effective measures by private sector enterprises, e.g. feasibility studies or pilot projects. In such cases, DEG supplements the financial commitment of the enterprises involved with its own or public funds.

Comprehensive knowledge of the economic and political conditions in its partner countries, close links to customers and a permanent presence on the ground are essential if DEG's development mandate is to be fulfilled. To achieve this, DEG is currently represented in 20 locations in Africa, Asia, Latin America and Eastern Europe. DEG also shares the use of the KfW Group's approximately 80 international offices.

Enterprises financed by DEG are contractually required to maintain international environmental and social standards as well as following national regulations. These include – as environmental, social and human rights standards – the International Finance Corporation (IFC) performance standards in their current version, as revised following an extensive process which included input from DEG, as well as the core labour standards set up by the International Labour Organization (ILO). If need be, DEG also assists the enterprises in implementing the measures required to achieve these standards.

DEG evaluates the effectiveness of its involvement by applying its own Development Effectiveness Rating (DERa). The DERa is applied to DEG's portfolio as a whole as well as to all new commitments. Taking the SDGs as a benchmark, each DEG customer's contributions to development are assessed across five impact categories. These are: good and fair employment, local income, development of markets and sectors, environmentally sound operations and benefit to local communities. The results of the portfolio evaluations are presented in an annual development policy report.

As a development institution with a development policy mandate, DEG operates on the subsidiarity principle. It provides finance where the market fails to offer financing to enterprises at an adequate level, or indeed at all. For instance, as a pioneer investor, DEG has become involved in the International Development Association (IDA) and post-conflict countries in Africa and other regions. It demonstrates that entrepreneurial success is possible even in difficult conditions, thus sending a signal to investors and businesses. By mobilising additional private-sector capital, it increases the leverage effect of its involvement.

Within the scope of its activities, DEG thinks and operates like an entrepreneur. That includes generating risk-appropriate earnings. Any surpluses DEG generates are used to expand its equity capital base and thus strengthen its risk-bearing capacity. This forms the necessary foundation for DEG to pursue and expand its activities by drawing on its own resources.

As a specialist for the development of the private sector in developing and emerging market countries, DEG is one of the mainstays of the KfW Group's involvement in foreign countries. Together with KfW Entwicklungsbank and KfW IPEX-Bank GmbH, it shapes KfW's range of international financing.

As one of the leading European development finance institutions, DEG works closely with other development finance providers. The joint aim is to enhance efficiency, achieve a greater impact and improve visibility. One priority is cooperation within the framework of the European Development Finance Institutions (EDFI), as well as with the IFC.

Declaration on corporate governance pursuant to Section 289a (4) of the German Commercial Code HGB

The "Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors" of 24 April 2015 obliged enterprises listed on the stock exchange, or with worker co-determination, to establish targets for female representation among their managing directors, on the two executive levels below the Management Board, and on the Supervisory Board.

In order to fulfil these statutory obligations, the targets to be achieved by 2021 for female representation in leadership positions on the two management levels, as per Article 36 of the Law on Limited Liability Companies (GmbH-Gesetz), were set at 22% for the first management level (divisional heads) and 30% for the second management level (department heads). Both targets have been met since 2017. In 2019, 22.2% was achieved at management level one (2018: 22.2%) and 33.3% at level two (2018: 31.7%).

On this basis, targets and fulfilment deadlines for the Supervisory Board and the Management Board were set at the

223rd meeting of DEG's Supervisory Board on 19 June 2017. For both bodies, the target is 33%, and 1 June 2022 was chosen as the fulfilment deadline for both. Both targets have been met since 2017. In 2019, female representation on the Management Board and the Supervisory Board was 66.6% (2018: 66.6%) and 40.0% (2018: 40.0%), respectively.

ECONOMIC REPORT

Business environment[1)]

In 2019, the global economy grew by 2.9%, and hence more slowly than during the previous year (2018: 3.6%). This slowdown of the global economy is due to the weak development of industrial production and a dip in worldwide trade. Among the factors driving this development are the increased uncertainty as the continuing trade dispute between the USA and China takes its course, as well as the declining importance of multilateral in favour of bilateral trade agreements, which has had an adverse effect on consumer sentiment and the investment climate.

To improve the financing environment and boost demand, central banks throughout the world have relaxed their monetary policy. This allowed price developments in the international financial markets to be supported. Relevant factors were the US Federal Reserve lowering its base rate from July 2019, and the European Central Bank (ECB) loosening its monetary policy. In autumn, the latter also restarted its bond purchase programme.

In the group of industrialised nations, the economy slowed compared to the previous year, with GDP growth of 1.6% (2018: 2.2%). While the US economy lost momentum in 2019 with growth of 2.3% (2018: 2.9%) due to a drop in corporate investment and exports, uncertainty about the UK's withdrawal from the EU (Brexit), weaknesses in the German car industry and Italy's continuing high national debt led to weaker growth in the eurozone (2019: 1.1%, 2018: 1.9%). The developing and emerging market countries also recorded slowing growth of 3.7% (2018: 4.5%), though there are regional differences:

- Economic momentum in Asia without Japan undoubtedly ran out of steam in 2019 compared to the previous year, with growth of 4.8% (2018: 5.5%). This is mainly due to slower growth in the region's two major economies. While the negative effects of the trade dispute are among the factors manifesting in China (2019: 5.2%, 2018: 5.4%), India recorded weaker growth in the course of turbulences in the financial sector and a drop in private consumption from 7.4% (2018) to 5.8%.
- GDP growth in Latin America was 0.7% in 2019, lower than the previous year's rate of 1.5%. Mexico grew at just 0.3% (2018: 2.0%), while Argentina's economic performance fell by 2.0% due to the continuing government debt crisis (2018: -2.5%). In the autumn, several of the region's economies were adversely affected by sustained protests against the policies of the incumbent governments.
- Growth in the sub-Saharan Africa region remained subdued overall at 2.7%, although there were distinct regional differences. While the major economies of Nigeria, Angola and South Africa experienced a period of economic weakness, some smaller economies in East and West Africa, including Ethiopia, Ghana and Ivory Coast, stood out due to very high growth rates.
- In the light of the drop in oil prices, economic momentum in the Middle East and North Africa region was weaker in 2019 compared to the previous year (2.7%) at 1.8%. However, Egypt was able to sustain its positive growth trend with 5.8%, in part by implementing an ambitious reform agenda.
- Economic development in the region Europe outside the EU slowed from 3.1% in 2018 to 1.8% in 2019. Turkey is still struggling with the fallout from its currency crisis; growth there almost stagnated at 0.3% Russia's economic growth of 0.8% in 2019 also remained well below the country's long-term average of 2.7% (2006 to 2015).

In keeping with its mandate as a development finance provider, DEG continued, in 2019 as in previous years, to operate at a complementary level wherever long-term financing for private-sector enterprises is unavailable in the market or in short supply.

Business development

In 2019, DEG's range of financing and advisory services was once again in great demand. With a volume of EUR 1,847.0 million (own funds), new commitments matched the previous year's level (2018: EUR 1,865.8 million). This includes commitments in the single-digit millions range as well as high-volume commitments of up to EUR 30 million, or even more in some individual cases. While the new commitments remained slightly below the target volume of EUR 1.95 billion, the volume of commitments (total of commitments paid out and new commitments on own account approved, but not yet paid out) substantially exceeded the level envisaged in the planning. At the 2019 year end, it reached a volume of EUR 8.8 billion, which represents approximately 8.0% growth compared to the previous year's figure (2018: EUR 8.1 billion). The company had planned for an increase of around 4%.

In the year under review, DEG committed financing for 103 investment proposals (2017: 98). Viewed by customer clusters, new business for project financing recorded a substantial increase of approx. 13% to EUR 347.6 million. Growth of around 5% was recorded in the "Funds" customer cluster. By contrast, commitments to corporates and financial institutions fell slightly compared to the previous year.

[1)] Sources:
- Capital Economics "Global Economic Outlook", Q4 2019.
- IMF World Economic Outlook (October 2019).
- IMF Global Financial Stability Report (October 2019).
- IMF Country Report No. 19/311 "Arab Republic of Egypt", (October 2019).

The new commitments in 2019 enabled entrepreneurial investments with a total volume of EUR 11.1 billion (2018: EUR 9.8 billion).

Financing German corporates operating in developing and emerging market countries is an important part of DEG's activities. As well as loans and participating interests for German direct investments, this also includes providing financing for local enterprises, either directly or via local banks, e.g. for the purchase of German plant or components. In 2019, DEG made EUR 428.5 million in equity finance available for the purpose – an increase of around 10% (2018: EUR 399.4 million).

DEG was able to reach 75 German corporates with its promotional programmes (2018: 67). In total, EUR 27.8 million was committed for promotional programmes (2018: EUR 30.7 million).

In 2019, EUR 1,106.9 million of newly committed financing was destined for small and medium-sized enterprises (SMEs) and medium-sized businesses ("Mittelstand") – a new record (2018: EUR 966.5 million). A total of EUR 709.8 million (2018: EUR 756.8 million) was committed in 2019 for risk capital financing – equity participations and loans with equity features.

EUR 690.6 million of new commitments for 2019 were for proposals that promote the protection of the climate and the environment (2018: EUR 640.6 million). Investments in climate protection accounted for EUR 384.3 million of that that sum (2018: 309.8 EUR million).

By continent, commitments for proposals in Asia accounted for the lion's share of new business with EUR 631.5 million, followed by Latin America with EUR 548.9 million. In Africa, new business came to EUR 321.5 million. This development was influenced by the sluggish economies in important partner countries such as Nigeria and South Africa. Countries involved in the "Compact with Africa" initiative accounted for almost half the funds committed for entrepreneurial investment. New commitments for Europe came to EUR 309.5 million, an increase of around 13% over the previous year. Financing commitments in 2019 were spread across 44 countries (2018: 45 countries).

Lendings accounted for EUR 1,265.2 million of DEG's new commitments (2018: EUR 1,334.9 million), of which EUR 127.9 million was arranged as loans with equity features (2018: EUR 225.8 million). Equity participations accounted for EUR 581.8 million (2018: EUR 530.9 million).

In 2019, the largest proportion of DEG financing was once again committed in US dollars. In total, lendings and equity participations in USD were equivalent to EUR 1,285.0 million (2018: EUR 1,521.2). Newly committed financing in local currencies totalled EUR 200.1 million – very nearly double the volume in 2018 (EUR 100.8 million).

For twelve commitments in 2019, DEG also acted as "lead" by mobilising EUR 277 million from development banks and institutional investors from the private sector (2018: EUR 324 million). The planning had envisaged EUR 300 million.

Disbursements (own business) in 2019 came to EUR 1,568.6 million, exceeding the previous year's sum of EUR 1,394.4 million.

The volume of commitment for 2019 was spread across 709 involvements in 84 partner countries (2018: 597 & 82).

Analysis of the portfolio to establish the developmental impact of the commitments co-financed by DEG resulted in an average DERa score of 79.

STATUS REPORT

Profitability

In the 2019 financial year, DEG was able to achieve a relatively consistent portfolio margin in its loans business, despite pressure on margins due to high market liquidity and a continuing phase of low interest rates, and while growing its loans portfolio. However, DEG's participating interests business has been affected by the declining growth trends in the global economy. As a result, markedly lower income from dis-

New commitments by customer cluster in EUR million

Year	Corporates	Financial institutions	Funds	Project financing	Total
2019	440.0	655.1	404.3	347.6	**1,847.0**
2018	467.3	705.0	385.0	308.4	**1,865.8**

New commitments by region in EUR million

Year	Asia	Latin America	Africa	Europa/ Caucasus	Supra-regional proposals	Total
2019	631.5	548.9	321.5	309.5	35.5	**1,847.0**
2018	565.4	579.3	437.9	245.1	38.2	**1,865.8**

posals was recorded in the 2019 financial year. At the same time, risk provision, mainly concentrated on individual, large-scale loan commitments with a special focus on India, had a clear adverse effect on results, so that the 2019 financial year ended with a loss before tax of EUR -51.8 million.

In the year under review, interest surplus amounted to EUR 194.2 million (2018: EUR 180.0 million). The increase is due to a more extensive loans portfolio than in the previous year. The portfolio margin remained virtually unchanged.

The number and volume of disposals of participating interests fell in 2019, since the enterprises grew more slowly due to the current downward trend in world economic growth. The holding period for the participating interests increased as a result. In some individual countries, the political situation and the occasionally lengthy sales processes also meant that in a few individual cases, specific sales transactions that had been initiated could not be implemented before year end.

The number of dividends received was at the same level as the previous year. The rise in income from dividends in 2019 is due to a single, above-average dividend payout.

For assets held under trust, a higher volume of EUR 64.8 million (2018: EUR 22.1 million) led to a rise of EUR 1.7 million in the income from trust business, which is accounted for as remaining other operating income.

Administrative costs of EUR 143.8 million are EUR 2.5 million lower than the previous year's figure. The reduction was achieved by cost discipline and lower net transfers to provisions for pensions and staff.

In the year under review, the net cost of provision for risk amounted to EUR 193.5 million (2018: EUR 111.3 million). Of this, the sum of EUR 134.7 million was allotted to the loans portfolio and EUR 59.2 million to the participating interests portfolio. Provisions of EUR 0.4 million for irrevocable credit commitments were written back.

For loans commitments newly classified as non-performing, the rise in net provision for risk is due to higher average commitment volumes. In the case of two commitments, there is suspicion of fraudulent acts. This is currently being investigated in more detail. Regionally, a concentration of commitments in Asia has been recorded, especially in India.

German accounting standards P&L – economic presentation

EUR million	31.12.2019	31.12.2018
Income from long-term lendings	279.9	246.5
Other interest and similar income	2.6	1.4
Interest payable and similar charges	–88.3	–67.9
Interest surplus	**194.2**	**180.0**
Income from disposals[1)]	35.3	120.3
Income from dividends[2)]	40.1	35.9
Result from participating interests	**75.4**	**156.2**
Remaining other operating income[3)]	**26.7**	**21.9**
Staff costs	–82.8	–82.3
Non-staff costs[4)]	–61.0	–64.0
Administrative costs	**–143.8**	**–146.3**
Operating results (before risk provision and valuation effects from currency)	**152.5**	**211.8**
Net risk provision (write-back [+]/write-up [-])	–193.5	–111.3
Valuation effects from currency[5)]	–10.8	–13.1
Loss for financial year (2018: profit for financial year) before tax	**–51.8**	**87.4**
Taxes[6)]	–2.8	–22.4
Net income	**–54.6**	**65.0**

[1)] Itemised in P&L as "Other operating income".
[2)] Itemised in P&L as "Income from participating interests".
[3)] Itemised in P&L as "Sales revenue" and "Other operating income" without income from the disposal of participating interests and without valuation effects from currency.
[4)] Itemised in P&L as "Cost of services purchased", "Depreciation of intangible and tangible assets" and "Other operating charges" without valuation effects from currency.
[5)] Itemised in P&L as "Other operating income or charges".
[6)] Itemised in P&O as "Tax on income and profit" and "Other taxes".

In some individual cases, existing non-performing loans commitments also required additional provision for risk because of continuing adverse economic developments. On the other hand, write-backs of risk provision from restructuring and winding up were lower, so that overall, a higher level of net transfer was reported for the portfolio of non-performing loans commitments as a whole. Again, a regional concentration of existing loans commitments with provision for risk was identified in Asia, especially in China.

For some individual participating interests, the generally discernible downward trend in global economic growth and the resulting lower earnings expectations and delays in business developments have led to write-downs.

EUR 9.4 million in valuation effects from currency are accounted for by the costs of hedging participating interests in USD for swap rate and prolongation effects.

Financial position

In the past financial year, investments in partner countries and in bonds and notes under current fixed assets in the amount of EUR 1,569.9 million were made. These disbursements were funded by cash inflows from loan repayments (EUR 743.0 million), disposals of participating interests (EUR 132.8 million), raising new debt capital and cash gains from the operating result.

The debt capital was raised solely from KfW in the form of borrowers' notes and overnight loans. In 2019, a total of EUR 2,860.1 million in funds was raised and EUR 2,268.6 million repaid. Debt capital is raised based on a refinancing agreement with KfW.

Under this refinancing agreement, KfW provides DEG with refinancing funds with a term of more than one year in USD, EUR, GBP and CHF on the dates specified by DEG and at KfW's refinancing rate, plus an internal transfer price set by KfW.

DEG was solvent at all times in 2019.

Net worth position

Taking into account the effects from currency conversion, accruals to investments in partner countries in 2019 amounted to EUR 1,480.9 million in total, while disposals came to EUR 829.2 million. At original cost, investments in partner countries therefore rose by EUR 651.7 million to EUR 6,623.6 million.

In 2019, loans were increasingly issued in the form of bonds. Accordingly, bonds and notes under current fixed assets increased by EUR 82.3 million to EUR 102.7 million.

Trust business with a focus on Africa increased: EUR 50 million was invested by the Federal Ministry for Economic Cooperation and Development BMZ in the measures "Co-Financing Facility for Employment Africa/Middle East" and "Africa-Connect". Both were being promoted as part of "Financial Cooperation with Regions". Accordingly, assets held under trust rose in 2019 to EUR 64.8 million (2018: EUR 22.1 million), taking into account existing portfolio repayments.

Other liabilities fell by EUR 29.2 million to EUR 34.7 million. The net balancing item for accountancy purposes for the valuation of securities derivatives was reduced by EUR 40.5 million, thanks to the positive market development of the derivatives in question. By contrast, liabilities from the statutory obligation to pass on funds rose compared to the previous year by EUR 12.0 million to EUR 23.0 million.

Equity fell to EUR 2,472.2 million due to the loss for the financial year of EUR 54.6 million. Despite the current year's reduction in equity, DEG maintained its risk-bearing capacity, so it retained its ability to fulfil its development policy mandate over the long term.

Compared to the previous year, business volume (balance sheet total without trust business) rose by EUR 566.3 million to EUR 6,423.7 million.

The equity ratio (ratio of equity to business volume) fell from 43.1% to 38.5%. Due to the balance sheet loss posted for the current financial year, the pre-tax return on equity (ratio of annual net profit before tax to average equity) was -2.1% in 2019. This resulted in a three-year average of 2.6%. The pre-tax return on equity of 4.4% and the three-year average of 4.0% forecast for 2019 were therefore not achieved.

OPPORTUNITY AND RISK REPORT

Opportunity management

In the context of the Global Sustainability Agenda 2030 agreed by the United Nations, support for, and involvement of, the private sector as an important driver of development has become increasingly significant in national and international development cooperation. In addition to financing, private-sector enterprises have also been requesting solutions to environmental, governance and social aspects of their operations, for example. These trends offer additional potential for the development business of such development finance providers as DEG and hence additional opportunities to achieve the globally agreed sustainability goals.

In the context of its annual strategy review, DEG analyses market developments and identifies possible business opportunities in order to evolve new services. Long-term opportunities are worked up and included in the strategy review process that results in the business strategy. The business strategy is operationalised in financial planning and reviewed in the context of capital planning for the next four years, to establish whether it allows risk-bearing capacity to be maintained. By this means, long-term fulfilment of the development mandate from the capital side can be ensured, based on the target figures.

For instance, the range of financing in local currency is being further expanded, and loans are increasingly being offered in the form of bonds. In the context of its Business Support Services (BSS), DEG is also extending its advisory services. Among the new additions are BSS programmes on issues such as “Gender Smart Opportunity Assessment” and “Board Evaluation”.

With its refined and regionally diversified range of financing and advisory services, DEG is able to offer needs-based solutions to meet its customers’ different requirements. For corporates in Africa and other IDA and (post-) conflict countries in particular, it is an important provider of long-term loans and increasingly of risk capital. Linked to this is its role in sending a signal and mobilising others.

Extra potential is also seen in supporting German business abroad. With this in mind, DEG has introduced, e.g. the “German Desks – Financial Support and Solutions” range. In 2019, it deployed funds from BMZ to set up the “AfricaConnect” programme specifically aimed at medium-sized German and European enterprises that want to invest in Africa.

To leverage additional business opportunities in Africa, DEG has also utilised funds from BMZ’s “Co-Financing Facility for Employment Africa/Middle East” (Ko-Fi BAN).

Given the global trends towards urbanisation and digitalisation, there are additional opportunities in the infrastructure and energy supply sectors, for example. Follow-up business with existing customers also offers potential for extra business.

Risk management

DEG is exempt from key requirements of the German Banking Act (KWG). Despite these exemptions, DEG voluntarily complies with important KWG regulations on risk management. These include primarily the Minimum Requirements for Risk Management (MaRisk), which flesh out Section 25a KWG, and also Section 18 KWG (credit documentation). At individual institution level, DEG also applies the rules of the Capital Requirements Regulation (CRR) to calculate equity capital requirements under the standard CRR approaches.

Overall responsibility for risk management rests with the Management Board. Every year, it sets a risk strategy that is consistent with the business strategy and any risks resulting from it. The risk strategy is presented to the Supervisory Board. On the Supervisory Board’s recommendation, the risk strategy is subsequently agreed by the shareholder’s meeting, before being jointly adopted by the Management Board.

The Supervisory Board continuously advises and monitors DEG’s Management Board in its running of the business. In this, it is supported by its committees. These are: the Risk and Credit Committee (risk issues and decisions on measures and transactions of major significance); the Executive and Nomination Committee (HR matters at Management Board and executive level, organisational matters and questions of principle); the Remuneration Control Committee (remuneration matters) and the Audit Committee (dealing with accounting issues, financial matters and risk management, also responsible for regular reporting by Internal Audit and the auditors).

The Risk and Credit Committee and the Supervisory Board receive quarterly reports on DEG’s risk situation, while the shareholder is updated monthly.

In keeping with MaRisk provisions, the design of DEG’s organisational structure ensures that the Market and Trading front office divisions, up to and including Management Board level, are separate from the back office divisions or functions. Within the scope of their business operations, the Market and Trade divisions not only bear responsibility for risk and earnings, but also for DEG’s customers and products.

The back office and non-market-dependent divisions are responsible for such matters as: risk controlling (risk strategy, methodology, evaluation and reporting); credit management (allocation of responsibilities in the credit business, second vote, non-performing loans [restructuring & disposal], ownership of intensive support methods & processes); and transaction management (processing of commercial transactions, payment transactions and custody).

The compliance function is part of risk management as per MaRisk. The compliance function monitors compliance with statutory and regulatory requirements and in-house guidelines and provides advice to those responsible and to other relevant members of staff. It establishes guidelines and processes to ensure compliance and manage compliance risks that may jeopardise DEG’s assets. Within the context of the process-integrated monitoring of DEG’s Internal Control System (ICS), compliance with key requirements governing proper business organisation and the identification of process-inherent risks are ensured, as is the application of the installed controls (ICS testing) designed to mitigate risks.

The risk strategy includes the risk policy approach, targets for risk management as they relate to the main business activities, and measures to achieve those targets.

The risk strategy is carried out by means of previously implemented management processes and instruments. Monitoring is performed monthly in the context of risk reporting. DEG’s risk strategy goals are to maintain its economic risk-bearing capacity at the defined solvency level and to meet the supervisory authority’s requirements for equity capital. These are based on the equity capital requirements as per KWG, with which DEG complies voluntarily, and the standard CRR approaches.

DEG’s risk-bearing capacity is determined and monitored monthly under economic aspects and quarterly under regulatory aspects. Minimum equity capital requirements are defined for both views.

DEG’s regulatory minimal total capital ratio for 2019 is 10.51% (previous year: 9.875%). This is made up of a total capital ratio of 8% and a 2.55% capital conservation buffer. DEG also factors in an anti-cyclical capital buffer of 0.01%.

At the effective date of 31 December 2019, DEG reported a total capital ratio of 18.4% (31 December 2018: 23.7%).

To calculate economic risk-bearing capacity, the economic capital requirement is established for all significant types of risk and compared to the risk coverage. Possible future outlooks are also considered by simulating risk-bearing capacity in a forecast scenario at year end, as well as over a one-year period under downturn and stress conditions. In addition, risk-bearing capacity is calculated annually for an ideal going-concern approach. The economic capital requirement is aggregated across various risk types by addition, without taking account of diversification effects.

Overall, the economic capital requirement was considerably reduced compared to 2018 as a result of adjustments to the methodology for credit and market price risk.

DEG carries out quarterly standard stress tests and, if warranted by events, also deploys DEG-specific stress test scenarios. The aim is to assess and analyse the effects of a potentially adverse economic climate on its economic and regulatory risk-bearing capacity, while taking risk concentrations into account. The quarterly standard stress tests involve an analysis in the downturn scenario to show which recognisable risk potentials may materialise in an economic downturn. The stress scenario assumes a serious recession. If the occasion requires it, additional stress tests specific to DEG are carried out in which DEG's risk-bearing capacity is also reviewed in the context of individual stress scenarios. To supplement the classical stress tests, DEG additionally carries out reverse stress tests designed to uncover unrecognised and existential risks that might put DEG's survival in jeopardy.

Types of risk

DEG reviews all types of risks for relevance and significance at least annually in the context of its risk inventory. It differentiates between capital risks and business strategy risks. For DEG, credit risk in the wider sense, market price risk, liquidity risk and operational risk have been identified as significant capital risks. Of these, credit risks (especially counterparty default risk) are predominant in DEG's risk profile. Financing is mainly provided in the form of loans and participating interests. DEG runs its participating interests business as a substitute credit business, so it applies the credit processes of the loans business by analogy. In extrapolation from DEG's business model, financing is largely provided in foreign currencies, so currency risk is also highly significant in the risk profile. DEG has identified concentration risk and regulatory risk as significant risks to business strategy.

Credit risk

Credit risk describes the danger of losses (in value) if business partners or debtors do not meet their payment obligations at all, on time or in full (default), or if their creditworthiness deteriorates (migration). So credit risk is a combination of counterparty default risk and migration risk. Two special cases are settlement risk and verity risk. Risk subtypes relevant to DEG are counterparty default risk, migration risk and settlement risk. However, DEG categorises only counterparty default risk and migration risk as relevant risk subtypes.

Financing is mainly provided in the form of loans and participating interests. The allocation of commitment volume is globally diversified by region and sector. Overall, the regional distribution displays no unusual characteristics (four regions with proportions ranging from 19.6 to 31.6%).

Among the customer clusters, there were concentrations mainly in financial institutions (quota of banks and insurance companies as at 31 December 2019: 30.4%; percentage of funds: 24.7%) and in corporates in the energy sector (proportion as at 31 December 2019: 14.7%). To curb such concentrations, DEG has defined country-level limits for these industries.

Limits have also been defined at institutional level by DEG for individual counterparties, groups of associated customers and countries. These limits are defined according to DEG's earnings and equity capital situation, its development policy goals and the overall parameters of its risk policy. They determine the scope for the implementation of its business strategy. DEG is additionally integrated into KfW's corporate system of limits. Existing limits must be observed, whether set by DEG or by the group. Risks in countries and sectors are

Risk-bearing capacity

EUR million	31.12.2019	31.12.2018
Economic capital requirement	**1,180.9**	**1,395.4**
Credit risks	910.0	996.5
Market price risks	207.3	332.0
of which interest rate risks	8.8	28.0
of which foreign currency risks	198.4	304.0
Operational risks	63.7	66.9
Economic risk coverage	**2,463.6**	**2,518.3**
Unrestricted equity	1,282.7	1,122.9

additionally limited based on risk guidelines prescribed by the group. These use a traffic light system to monitor and manage transactions in the markets affected.

Breaches of the limits are analysed according to the rules laid down in the Risk Manual, reported to the Management Board and listed in the risk report. When limits are breached, possible actions are devised and measures implemented. For most of its business, DEG applies KfW's standardised corporate rating methods for banks, corporates and equity funds. These methods are validated on a group-wide basis. In addition, the country and transfer ratings valid across the whole KfW Group are used to evaluate and limit risks. DEG additionally applies its own rating methods, which are validated according to its own model validation policy.

A quarterly ratings review is carried out for all commitments to establish whether early warning indicators are present. From an M 16 rating onwards, intensive support kicks in. This includes closer supervision of the commitment, as well as measures designed to safeguard the assets. In the loans portfolio, interest and redemption payments are continuously monitored, in order to extrapolate possible early warning indicators. Where serious disruptions have occurred, the commitment moves on to the relevant specialist department, to be managed as a non-performing asset. Such disruptions include, for example, persistent payment arrears (more than 90 days), the well-founded suspicion of criminal conduct on the part of borrowers or other circumstances leading to the expectation that fulfilment of the contract by the partners is at risk. As required by the regulator, management of a non-performing asset is carried out by specialist staff and is designed to stabilise or wind up the commitment, though not necessarily the enterprise. The department responsible reports at least quarterly to the relevant member of the Management Board on the development of non-performing commitments and any insights gained.

The non-performing obligo (volume of commitment with an M 19 or M 20 rating) increased in 2019, both in absolute and percentage terms. As at 31 December 2019, the non-performing obligo amounted to EUR 682.2 million (7.8% of the portfolio). Compared to 31 December 2018, this represented an increase of EUR 95.4 million (31 December 2018: EUR 586.8 million; 7.2% of the portfolio).

To measure the risk provision required in individual cases, and using the evaluation tools available, a determination is carried out at regular intervals and on an event-driven basis, e.g. as soon as any depreciation has been identified. This is designed to establish the need for specific loan loss provisions in respect of amounts owed on loans and participating interests, or, respectively, the need to make provisions for probable losses from guarantees. Provision is also made in the form of a portfolio value adjustment based on the expected loss. Additional remarks describing the method of making risk provision can be found in the appendix under Accounting/ valuation criteria.

The economic risk measurement required for credit risks is calculated using a credit portfolio model based on the Internal Ratings Based Approach (IRBA) formula, as per the CRR (Gordy formula). This model assumes ratings-dependent correlations, and a granularity adjustment is carried out to account for diversification effects. So the level of economic capital required depends on the expected credit volume at the default date, on individual borrower ratings and on product-dependent loss ratios.

The economic capital requirement for credit risks at DEG amounts to EUR 910.0 million in total as at 31 December 2019 (31 December 2018: EUR 996.5 million).

Market price risk

Market price risk describes the danger of losses (in value) due to an adverse change in market prices. Market prices cover interest rate structure (interest rate risk), exchange rates (foreign currency risk), credit spreads (credit spread risk), share prices (share price risk) and raw material prices (raw materials risk). Unexpected shifts in the basis (basis risk) are also regarded as market price risks. Market price risks of relevance to DEG are interest rate risk, foreign currency risk, credit spread risk from securities and basis risk. Of these, interest rate and foreign currency risk are rated as significant. Within the meaning of the German Banking Act (KWG) and according to its in-house definition as an institution, DEG is not a trading book institution. In other words, there is no trading on own account to generate revenue over the short term. Market price risks are therefore confined to the asset book.

Up to 31 August 2019, the economic capital requirement for market price risks (interest rate and foreign currency risks) was measured and managed using a value-at-risk process (variance/co-variance approach). For liquid currencies, the capital requirement in such a system is increased by a stop-loss buffer. The stop-loss buffer limits the losses that have accumulated during the financial year. For liquid currencies, the calculation of value-at-risk assumes a holding period of two months, while the risk for non-liquid currencies is calculated based on a twelve-month holding period. Since 31 August 2019, the economic capital requirement for market price risks (interest rate and foreign currency risks) has been measured and managed using a value-at-risk process based on a historical simulation (variance/co-variance approach). The calculation of value-at-risk is carried out – uniformly for all types of market price risk – based on a holding period of one year.

The total economic capital requirement for market price risks at DEG as at 31 December 2019 amounts to EUR 207.3 million (31 December 2018: EUR 332.0 million).

Daily risk reporting ensures that market price risks are continuously monitored. This is supplemented by the detailed monthly risk report and by an installed process for ad-hoc reporting when limits have been breached.

a) Interest rate risk

Interest rate risk is defined as the risk of losses due to a change in the interest rate structure unfavourable to DEG. In relation to DEG's financing business, interest rate risk refers to the potential loss that occurs because a commitment made to customers on specific terms is not refinanced, or only refinanced at a later date after a rise in interest rates, or on terms mismatched in some other way (period, type of interest). To stabilise and optimise its income from interest, and also to stabilise its return on equity, DEG enters into limited maturity transformation positions, so that interest rate risks correspond to the open interest rate position.

This strategic interest rate risk position is limited and managed via the available economic capital budget and by means of a prescribed range, based on the Delta Present Value of one Basis Point (DPVBP).

To examine the effects on the current portfolio of extraordinary market fluctuations affecting interest rates, present values are subjected to regular stress tests. In addition, a scenario calculation is carried out that factors in a daily interest rate shift of +/– 200 basis points (supervisory standard shock) across all currencies simultaneously. The simulations are applied to all the positions in DEG's asset book for which interest rate risks are relevant.

b) Foreign currency risk

Foreign currency risk is the danger of losses due to an exchange rate movement unfavourable to DEG. In order to fulfil its development mandate, DEG indirectly incurs foreign currency risks in its loans and participating interests business.

Where feasible and appropriate, open foreign currency positions from the loans business are closed by means of refinancing or hedging transactions. Exceptions to this are transactions in non-liquid currencies, where trading in the financial markets is either very limited or not possible at all.

Cash flows from the disposal of participating interests or from dividend payments are hedged. The approach laid down in the risk strategy also includes hedging foreign currency risks in USD in the participating interests portfolio. Currently, the USD risk from participating interests is partially hedged. The level of any remaining foreign currency risks is limited by specifying an economic capital budget.

Additional information on how the valuation units are accounted for on the balance sheet can be found in the appendix under Accounting/valuation criteria.

Liquidity risk

Liquidity risk is defined as the danger of a lack of institutional or market liquidity and can be broken down into insolvency risk, refinancing risk and market liquidity risk. Since DEG does not trade financing funds or assets in order to procure liquidity, market liquidity risk is not relevant.

Insolvency risk (previously institutional liquidity risk) is the danger that payment obligations cannot be met at all, on time or in full. This insolvency risk is significantly limited by the existing refinancing commitment by KfW. This assures DEG of access to liquidity via KfW at all times.

Despite the refinancing agreement with KfW, however, insolvency risk is rated as significant for DEG in the 2019 risk inventory. In consequence, the arrangements for managing liquidity risk were revised during the 2019 financial year. Over the course of the year, methods of handling insolvency risk were redesigned from the ground up. The new approach to dealing with insolvency risk includes, among other things, a newly designed buffer intended to compensate for unexpected fluctuations in the incoming flow of funds, which has been in use in managing this risk since 31 December 2019.

Up to that point, liquidity risk was countered by liquidity provision, by managing and planning payment flows from the financing business and from refinancing, and by liquidity planning. Liquidity risks were limited by an indicator to safeguard minimum liquidity. As in the 2018 financial risks, this amounted to 10% of non-disbursed commitments.

Refinancing risk is the danger of reduced earnings due to a rise in the cost of refinancing (liabilities) which cannot be passed on to borrowers. The possible effects from such a rise in refinancing costs and the resulting dangers to DEG's net worth, financial or earnings situation are comparatively minor, so that this risk is rated as not significant.

Operational risk

Leaving aside typical banking sector risks (credit, market price and liquidity risk), the identification, management and monitoring of non-financial risks that specifically arise from carrying out banking operations is becoming increasingly important. The occurrence of a non-financial risk generally leads to an operational risk (OpRisk) event.

Operational risk is defined as the danger of losses (in value) that may occur due to the unsuitability or failure of internal processes, personnel or systems, or because of external events. This definition includes consideration of the following risk subtypes: compliance risk, behavioural risk, service provider risk (incl. outsourcing risk), information security risk, IT risk unrelated to information security, model risk, OpRisk from adjustment processes, staff risk, physical security risk, legal risk and payment transaction risk. Of these risk subtypes, compliance risk, information security risk, legal risk and payment transaction risk were rated as significant subtypes of operational risk in the risk inventory. These risk types are consistently considered in DEG's risk analysis, evaluation and management.

For operational risks, using the standard approach under Basel II rules for calculating capital requirements, DEG's individual business activities in defined business areas are weighted with the risk factors specified by BaFin. DEG's business is currently allocated to the regulatory business fields Corporate Banking and Corporate Finance/Advice.

One of the main OpRisk instruments is the continuous identification of loss events that have occurred. Provided they are above a minimum level of EUR 1,000, these are recorded in a group-wide OpRisk events database. In addition, annual OpRisk assessments are carried out based on external and internal loss data, the evaluation of additional datasets and expert appraisals. The purpose is to identify, rate and manage further potential operational risks with a view to reducing them over the long term. DEG's management receives a regular, comprehensive report on OpRisk events, the results of the analysis and any risk mitigation measures derived from them.

In order to comprehensively counter operational risks, DEG has identified process-inherent risks, and defined controls to mitigate these as part of its process-integrated monitoring. Depending on the risk categories assigned to the processes, a review of the correct application of the processes is carried out at least once a year (ICS testing). The results are reported to the management. This is supplemented by the continuous refinement of DEG's IT landscape and business processes.

Should unforeseeable external events occur, Business Continuity Management (BCM) describes a holistic management process that covers all aspects required to maintain critical business processes and reduce losses. BCM includes both preventative and reactive components (contingency planning and emergency and crisis management, respectively). The emergency processes, as defined, are regularly subjected to a stress test and further refined as part of regular crisis management team exercises.

Concentration risk

Concentration risk is understood to be the danger of losses in value, or an impairment of DEG's liquidity situation, caused by very large individual risk positions or by increased correlations in DEG's risk positions. A distinction is made between intra-risk and inter-risk concentrations. Significant intra-risk concentrations for DEG exist mainly as credit risks and are managed by means of the limits outlined above, specifically for country, industry and counterparty. Due to DEG's business model, inter-risk concentrations occur mainly in relation to financing in foreign currency. To limit foreign currency risks for borrowers, DEG takes the measures specified in the lending processes according to MaRisk (e.g. in the context of performing credit checks).

Regulatory risk

Regulatory risk is the danger of pressures on DEG's earnings, net worth and liquidity situation, and of changes to its business plan and/or business policy direction, due to new regulatory or statutory requirements.

As part of its integration into the KfW Group, and in close consultation with KfW, DEG has implemented active tracking of changes in its regulatory environment. This ensures the early identification of new requirements and the timely extrapolation of any actions that may need to be taken.

OUTLOOK[1)]

A further decline in global growth to 2.7% is expected for 2020. This development is driven mainly by slowing economic momentum in the industrialised nations. By contrast, a slight uptick in momentum is expected in developing and emerging market countries (3.9% in 2020).

The following developments are expected for partner countries and regions of importance to DEG:

- Growth in **Asia without Japan** will weaken marginally compared to the previous year, from 4.8% in 2019 to 4.7% in 2020. While economic performance in China will continue to slow down slightly – partly due to weaker global demand – the effects of the relaxation of monetary and financial policy should stimulate growth in India (6.5% in 2020).
- Economic growth in **Latin America** should display a moderate rise compared to the previous year, from 0.7% to 1.5% in 2020. This is based on a gradual recovery of the Brazilian (2020: 2.0%) and Mexican (2020: 1.0%) economies. For Mexico, however, the US presidential elections mean increased uncertainty about existing trading relations with its most important partner country. The negative effects of the sovereign debt crisis and forthcoming debt restructuring once again temper growth prospects for Argentina in 2020.
- In contrast to the previous year's fairly weak economic performance, an upturn of 3.2% is expected for **sub-Saharan Africa** in 2020. Country-specific challenges in the two largest economies – the interventionist economic policy in Nigeria and continuing problems at government-owned businesses in South Africa – exert downward pressure on the region's average growth. Smaller economies such as, for example Ghana, Kenya or Ethiopia, are likely to exhibit much higher rates of GDP growth than the remaining developing and emerging market countries on average.
- In 2020, forecasts for the **development of the region Europe** outside the EU show economic performance improving by 2.3% compared to the previous year, thanks to, among other things, economic growth in Turkey having picked up.
- The economies in the **Middle East and North Africa** are likely to grow by 2.8%. Egypt's economic performance is expected to record 6% growth, a further increase compared to the previous year (5.8%).

Risks to the outlook for growth include, among other things, the increase in geopolitical tension, a further rejection of the principle of multilateralism and the possible adverse effects, in developing and emerging market countries as elsewhere, of the low interest rate policy (e.g. in the form of a debt crisis).

Despite the overarching risks listed above, developing and emerging market countries are quite a diverse group with very different opportunity/risk profiles. DEG's distinctive role of providing long-term growth capital gains even greater importance in economically challenging times.

Corporate outlook

For the 2020 financial year, DEG expects to meet most of its strategic goals. For earnings, that means it expects to achieve a return on equity of approx. 3% in 2020. Important sources

[1)] Sources:
- Capital Economics "Global Economic Outlook", Q4 2019.
- IMF World Economic Outlook (October 2019).
- IMF Global Financial Stability Report (October 2019).

of revenue will be primarily income from participating interests – especially from disposals – and the interest surplus from the loans business. DEG's portfolio is expected to display a DERa rating of 76 (2019: 79), so it should be possible to maintain the developmental quality of the proposals co-financed by DEG in 2020. In German business, the company is aiming to achieve a volume of new business in the amount of EUR 360 million.

DEG's strategic planning is based on a target portfolio from which guidelines for each year's new business are derived. For 2020, an increase of approx. 7% in the volume of commitments is planned. As far as new business is concerned, DEG is aiming for a volume of new commitments in the amount of EUR 2.0 billion. The applications for financing received by the end of 2019 show that demand from businesses for DEG's services remains steady. They come to approx. EUR 1.8 billion in total. Additional funds of EUR 300 million are to be mobilised from other finance providers and institutional investors.

DEG's financial success is largely determined by the risk provision it is required to make, by the volatile income from participating interests, which is dependent on external market conditions, and by the interest surplus from the loans business.

The planning for staff and non-staff costs of around EUR 148 million in 2020 assumes that these will remain at the same level as the previous year.

Planning of DEG's net requirement for risk provision is based on standard risk costs. For the 2020 financial year, EUR 156 million has been earmarked for this purpose.

Under current plans, it is envisaged that the profit for the financial year before tax for 2020 will come in at the same level as in 2018, with a figure in the mid-double-digit millions.

Annual Financial Statements 2019

BALANCE SHEET

PROFIT AND LOSS ACCOUNT

APPENDIX

BALANCE SHEET AS AT 31.12.2019

(with previous year's figures for comparison)

ASSETS	31.12.2019	31.12.2018
A. Fixed assets	EUR	EUR k
I. Intangible assets		
1. Purchased industrial property rights and similar rights and assets, including licences in such rights and assets	7,234,282	8,104
2. Payments in advance	2,646,021	395
	9,880,303	8,499
II. Tangible assets		
1. Land and buildings	72,286,859	72,542
2. Office equipment	6,101,994	5,065
3. Payments in advance	564,295	130
	78,953,148	77,737
III. Financial fixed assets		
1. Investments in partner countries		
a) Participating interests	1,642,795,680	1,400,210
b) Lendings to enterprises in which DEG has a participating interest	45,532,829	47,200
c) Other lendings	4,173,940,331	3,887,954
	5,862,268,840	5,335,364
2. Other financial fixed assets		
a) Bonds and notes under current fixed assets	102,701,292	20,451
b) Other lendings	4,414,018	4,497
	107,115,310	24,948
	5,969,384,150	5,360,312
Total A (I + II + III)	6,058,217,601	5,446,548
B. Current assets		
I. Debtors and other assets		
1. Amounts owed from investment activities	68,913,473	81,080
of which amounts owed by enterprises in which DEG has a participating interest	1,310,139	2,120
2. Amounts owed from disposal of investments	9,525,611	23,854
3. Amounts owed from consultancy and other services	218,673	949
4. Other assets	56,406,430	37,368
	135,064,187	143,251
II. Other bonds and notes	1,844,027	1,733
III. Cash in hand, balances with Deutsche Bundesbank and with credit institutions	226,921,107	264,775
Total B (I + II + III)	363,829,321	409,759
C. Accruals and deferrals	1,692,564	1,056
D. Assets held under trust	64,771,493	22,114
Total assets	**6,488,510,979**	**5,879,477**

LIABILITIES	31.12.2019	31.12.2018
A. Shareholder's equity	EUR	EUR k
I. Subscribed capital		
1. Subscribed capital	750,000,000	750,000
II. Appropriated surplus		
1. Purpose-tied reserve fund	0	0
2. Other appropriated surplus		
as at 1 January	1,711,738,294	1,617,946
Transfer from net income for previous year	65,027,629	93,792
as at 31 December	1,776,765,923	1,711,738
III. Net loss (prev. year: Net profit)	–54,571,134	65,028
Total A (I + II + III)	2,472,194,789	2,526,766
B. Provisions for liabilities and charges		
1. Provisions for pensions and similar obligations	135,477,036	123,219
2. Provisions for taxes	0	0
3. Other provisions	59,408,460	61,917
Total B (1 + 2 + 3)	194,885,496	185,136
C. Creditors		
1. Amounts owed for financing investment activities	3,721,869,840	3,080,903
2. Trade creditors	118,674	654
3. Other creditors	34,670,687	63,904
of which tax payable	1,280,761	1,058
of which social security	0	–54
Total C (1 + 2 + 3)	3,756,659,201	3,145,461
D. Liabilities for assets held under trust	64,771,493	22,114
Total liabilities	**6,488,510,979**	**5,879,477**

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 01.01 TO 31.12.2019
(with previous year's figures for comparison)

INCOME	01.01–31.12.2019	01.01–31.12.2018
1. Sales revenue	EUR	EUR K
a) from consultancy contracts	5,412,292	4,797
b) from trust transactions	2,006,234	261
c) from services	12,175,254	12,362
	19,593,780	17,420
of which from affiliated enterprises	580,353	128
2. Income from participating interests	40,082,740	35,923
3. Income from long-term lendings	279,862,661	246,530
of which from affiliated enterprises	–11,962,635	–12,955
of which from negative interest rates	1,119,739	73
4. Other interest and similar income	2,599,860	2,558
of which from affiliated enterprises	36,939	–661
of which from negative interest rates	730,086	0
5. Income from write-ups and write-back of provisions in respect of lending business and participating interests		
a) Write-up of financial fixed assets	74,796,178	93,214
b) Write-up of amounts owed from investment activities and from disposal of investments	415,695	782
c) Write-back of provisions in respect of lendings business and participating interests	10,330,915	7,309
d) Income from write-back of value adjustments on bonds and notes under current fixed assets	312,100	306
	85,854,888	101,611
6. Other operating income	79,669,824	177,365
Total income	**507,663,753**	**581,407**

CHARGES		
7. Costs of services purchased	2,503,527	2,108
8. Depreciation, value adjustments and transfer to provisions in respect of the lendings business and participating interests		
a) Depreciation and value adjustments in respect of financial fixed assets	267,724,147	202,063
b) Depreciation and value adjustments in respect of amounts owed from investment activities and disposal of investments	1,492,835	526
c) Transfer to provisions in respect of lendings business and participating interests	9,925,456	10,292
d) Depreciation and value adjustments in respect of bonds and notes under current fixed assets	200,330	6
	279,342,768	212,887
9. Interest payable and similar charges	88,334,504	69,144
of which to affiliated enterprises	83,341,586	55,370
of which from negative interest rates	1,565,926	163
10. Staff costs		
a) Wages and salaries	59,629,942	56,691
b) Social security, pensions and other benefits	23,164,879	25,627
of which pensions	14,281,950	17,831
11. Depreciation and adjustments for impairment of intangible and tangible assets	6,561,578	4,554
12. Other operating charges	99,939,364	123,037
Total (7 + 8 + 9 + 10 + 11 + 12)	559,476,562	494,048
13. Tax on income and profit	2,588,975	22,217
14. Net earnings	–54,401,784	65,142
15. Other taxes	169,350	114
16. Loss for the financial year (prev. year: Profit for the financial year)	–54,571,134	65,028
17. Withdrawal from purpose-tied reserve fund	0	0
18. Net profit	**–54,571,134**	**65,028**

APPENDIX FOR THE 2019 FINANCIAL YEAR

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH
Kämmergasse 22, 50676 Cologne, Germany
Registered office: Cologne, Commercial Register No. HRB 1005 at Cologne Amtsgericht

General Notes on the annual financial statements

Form of annual financial statements

The balance sheet and the profit and loss account were laid out in compliance with the provisions for large corporations in Articles 266 & 275 of the German Commercial Code (HGB).

Due to business conducted, the items on the balance sheet and the profit and loss account have been supplemented or re-designated in accordance with Article 265 HGB.

Under Article 340 HGB and Article 1 of the Accounting Requirements for Financial Institutions and Financial Service Providers, DEG is exempt from the provisions relating to financial statement forms for credit institutions.

Accounting/valuation criteria

Purchased intangible and tangible assets are activated at original costs and subject to straight-line depreciation across their average useful life.

The choice to activate internally produced intangible assets under current fixed assets as per the provisions of Article 248, Section 2 HGB was not exercised.

The choice under Article 67, Section 4, Clause 1 of the Introductory Act to the Commercial Code (EGHGB), according to which lower valuations of assets, based on depreciation under Article 254 HGB (version in force until 28 May 2009), may be retained, is exercised for the building in respect of the one-off tax depreciation from the transfer of silent reserves as per Article 6b of German Income Tax Law (EStG).

Low value assets are dealt with in accordance with Article 6, Section 2 EStG, i.e. where the value is less than EUR 800, they are immediately recorded under Other operating charges.

Financial fixed assets are recognised at original cost or at fair value if lower, regardless of whether the impairment is likely to be permanent.

To take account of counterparty default risk, DEG makes risk provision for both identifiable and latent default risks in its financing portfolio. The loan loss provisions are deducted in the respective asset items.

The value of a participating interest is generally determined using the discounted cash flow (DCF) method or the net asset value method (funds). When establishing the value of a participating interest, embedded put and call options are taken into account, where the value is determined using a suitable option price model. Incidental acquisition costs are activated as of the decision to purchase.

Where market prices are available, e.g. stock market quotations, DEG will verify whether, after a critical review, these represent an appropriate valuation. If a firm offer to purchase the participating interest has been received, the proposed purchase price generally replaces the DCF method as the basis for the value of the participating interest. If the participating interest was acquired less than a year earlier, or if the enterprise is still in the set-up phase, DEG will generally fall back on the purchase price. However, if, after acquiring the participating interest, DEG becomes aware of important factors affecting the value which did not enter into the determination of the purchase price, the DCF method is largely used to determine the value of the participating interest, even during the first year after purchase, or during the set-up phase, taking the new findings into account. Country risks are taken into account for participating interests by an upward adjustment of the discount factors when the DCF method is applied. If the value of the participating interest, calculated as described above, is lower than the purchase price or the lower book value, a corresponding loan loss provision is made.

For lendings as well as bonds and notes under current fixed assets, the counterparty default risk of a commitment is initially identified by using trigger events to assess whether risk provision is required on those grounds. If such a trigger event is present, the level of risk provision is estimated based on the present values of expected future repayments on the loan in question.

DEG also makes a portfolio value adjustment for latent default risks in respect of lendings and bonds and notes under current fixed assets, where no specific loan loss provision has been made. Depending on the rating, the portfolio value adjustment is calculated based on the standard risk cost approach and takes into account both counterparty default risks and country risks.

Using the method outlined above, DEG also makes provision for latent default risks in respect of the guarantees it issues in the course of its financing business and for obligations in respect of lendings not yet disbursed as at the balance sheet date.

Amounts owed and other assets are recognised at their par value. Actual default risks are catered for by loan loss provisions.

Under Article 246, Section 2, Clause 2 HGB, assets that are exempt from all creditor access, and serve only to settle debts from pension obligations under the deferred compensation scheme, were offset against debts with a settlement value of EUR 1.7 million as at the balance sheet date. The original costs, and the fair value of the assets respectively, amounted to EUR 1.7 million as at 31 December 2019.

Other bonds and notes under current assets are recognised at original cost, applying the strict lowest-value principle and observing the value appreciation requirement.

Accruals and deferrals on the assets side are recorded as per Article 250, Section 1 HGB and comprise expenditure prior to 31 December 2019, where this represents costs relating to a specific period after that date.

Provisions for pensions and similar obligations are calculated in accordance with the projected unit credit method, using the Mortality Tables 2018 G (Richttafeln 2018 G) published by Dr Klaus Heubeck. An exception is made for prior provision, which is calculated according to the part-value method.

Other provisions were made at the level of the anticipated settlement value and take all actual risks and contingent liabilities into account. Any provisions with a residual term of more than one year were discounted in accordance with their residual terms at the average market rate across the past seven years as published by Deutsche Bundesbank.

Amounts owed are recorded as liabilities with repayment amounts.

Deferred tax liabilities are offset against deferred tax assets. The choice not to activate deferred tax liabilities that exceed deferred tax assets is exercised under the provisions of Article 274, Section 1, Clause 2 HGB.

At the time of acquisition, all assets and debts currently or originally denominated in foreign currency are converted into EUR at the rate of exchange current at the time of purchase. In accordance with DEG's risk strategy, an overall approach is taken to the USD currency risk from lendings, bonds and notes under current fixed assets, overnight and time deposits, and the reverse changes in value from refinancing. The resulting net positions are hedged with cross-currency interest rate swaps and forward exchange transactions. The USD currency risk from the participating interests portfolio was hedged in the amount of USD 462.0 million; this equates to an approximately 40% hedge on the USD participating interests portfolio. On the balance sheet, it is accounted for via a macro valuation unit in accordance with Article 254 HGB.

The prospective effectiveness of the macro valuation unit essentially results from matching currency hedging. DEG uses the dollar offset method to show the retrospective effectiveness.

Other foreign currency risks from local currencies used for lendings were hedged with cross-currency swaps. These are accounted for, along with the basic transactions, in micro valuation units.

For the micro valuation units, both prospective and retrospective effectiveness is assured as a result of incoming and outgoing cash flows being identical for basic and hedging transactions.

Changes in value that balance out in respect of effectiveness are recorded in terms of gains or losses (gross hedge presentation method). Where no effective hedge is present, basic and hedging transactions are valued according to the imparity principle. The same applies to derivatives transactions that are neither included in a valuation unit, nor serve to control interest rate risks.

A statement by the German Institute of Certified Public Auditors (IDW) on financial reporting, specifically "Individual issues relating to the loss-free valuation of interest-related transactions in the banking book (interest book)" ("Einzelfragen der verlustfreien Bewertung von zinsbezogenen Geschäften des Bankbuchs (Zinsbuchs)") (IDW RS BFA 3), proposes that where excess liability results from transactions involving interest-based financial instruments of the banking book, provision for contingent losses must be made. To calculate such a possible excess liability, DEG compares the present values as per the banking book with the book values as per the banking book as at the effective date in question, taking into account future risk and administration costs. A calculation along these lines at the effective date of 31 December 2019 showed no excess liability, so no provision for contingent losses needed to be made.

Differences due to rounding may occur between the values shown and the mathematically precise values for currency units and percentages.

NOTES ON ASSETS

Fixed assets

Please see the table "Movement in fixed asset balances" for details.

Intangible assets

Intangible assets includes purchased licences in the amount of EUR 7.2 million, as well as payments in advance of EUR 2.6 million for one purchased licence which still needs to be rendered operational.

Tangible assets

Tangible assets shows land and buildings in the amount of EUR 72.3 million. This item also includes office equipment in the amount of EUR 6.1 million, as well as payments in advance and assets under construction of EUR 0.6 million.

Investments in partner countries

This item shows investments from funds on own account of EUR 5,862.3 million, which are made up of participating interests and lendings.

Investments from funds on own account were made in 558 enterprises in 80 countries. These included four enterprises where the investments were part-financed from German federal trust funds and by other trustee lenders. In nine enterprises, third parties entered into risk sub-participations in the form of counter-guarantees.

Other financial fixed assets

The item Bonds and notes in current fixed assets (EUR 102.2 million) shows financing committed by DEG that has been securitised. It comprises four bonds. Accrued interest at the balance sheet date was EUR 1.1 million. The portfolio value adjustment was EUR 0.6 million.

The item also includes other lendings, comprising EUR 4.4 million in loans to staff members.

Movements in fixed asset balances

					Original costs							Depreciation	Book values
	01.01.2019	Accruals	Book transfers	Disposals	31.12.2019	01.01.2019	Accruals	Book transfers	Currency	Consumption[1]	Disposals	31.12.2019	31.12.2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets													
1. Purchased industrial property rights and similar rights and assets, including licences in such rights and assets	14,105,965	2,195,556	0	3,028,233	13,273,288	6,001,820	3,029,791	0	0	0	2,992,605	6,039,006	7,234,282
2. Payments in advance	395,213	2,250,808	0	0	2,646,021	0	0	0	0	0	0	0	2,646,021
	14,501,178	4,446,364	0	3,028,233	15,919,309	6,001,820	3,029,791	0	0	0	2,992,605	6,039,006	9,880,303
II. Tangible assets													
1. Land and buildings	86,513,876	1,263,305	0	0	87,777,181	13,971,360	1,518,962	0	0	0	0	15,490,322	72,286,859
2. Office equipment	11,412,189	3,072,412	0	1,856,662	12,627,939	6,347,555	2,012,825	0	0	0	1,834,435	6,525,945	6,101,994
3. Payments in advance and assets under construction	129,789	454,319	0	19,813	564,295	0	0	0	0	0	0	0	564,295
	98,055,854	4,790,036	0	1,876,475	100,969,415	20,318,915	3,531,787	0	0	0	1,834,435	22,016,267	78,953,148
Total (I + II)	112,557,032	9,236,400	0	4,904,708	116,888,724	26,320,735	6,561,578	0	0	0	4,827,040	28,055,273	88,833,451
III. Financial fixed assets													
1. Investments in partner countries													
a) Participating interests	1,694,013,480	393,692,955	0	124,037,283	1,963,669,152	293,803,005	95,638,889	0	–11,206,382	22,587,122	34,774,918	320,873,472	1,642,795,680
b) Lendings to enterprises in which DEG has a participating interest	67,571,222	12,296,315	0	11,612,350	68,255,187	20,371,628	3,022,119	0	314,463	0	985,852	22,722,358	45,532,829
c) Other lendings	4,210,319,312	1,074,927,312	0	693,538,767	4,591,707,857	322,365,748	165,296,165	0	2,738,510	29,496,863	43,136,033	417,767,527	4,173,940,330
Total 1 (a + b + c)	5,971,904,014	1,480,916,582	0	829,188,400	6,623,632,196	636,540,381	263,957,173	0	–8,153,409	52,083,985	78,896,803	761,363,357	5,862,268,839[2]
2. Other financial fixed assets													
a) Bonds and notes under current fixed assets	20,576,046	81,631,057	0	0	102,207,103	733,260	199,985	0	24,824	0	312,100	645,969	101,561,134[3]
b) Other lendings	4,496,639	575,112	0	657,733	4,414,018	0	0	0	0	0	0	0	4,414,018
	25,072,685	82,206,169	0	657,733	106,621,121	733,260	199,985	0	24,824	0	312,100	645,969	105,975,152
Total III	5,996,976,699	1,563,122,751	0	829,846,133	6,730,253,317	637,273,641	264,157,158	0	–8,128,585	52,083,985	79,208,903	762,009,326	5,968,243,991
Total (I + II + III)	**6,109,533,731**	**1,572,359,151**	**0**	**834,750,841**	**6,847,142,041**	**663,594,376**	**270,718,736**	**0**	**–8,128,585**	**52,083,985**	**84,035,943**	**790,064,599**	**6,057,077,442**

[1] For fixed assets, this is equivalent to the utilisation of the risk provision.
[2] Of which EUR 86,875,873.65 hedged with third-party counter-guarantees (unfunded risk participation).
[3] Without accrued pro-rata interest.

Financial fixed assets with a residual term of up to one year

	EUR million
1. Investments in partner countries	
a) Participating interests	5.7
b) Lendings to enterprises in which DEG has a participating interest	778.2
c) Other lendings	0.0
2. Other financial fixed assets	
a) Bonds and notes in current fixed assets	1.1
b) Other lendings	0.2
Total	**785.2**

Amounts owed from investment activities

The item Amounts owed of EUR 68.9 million comprises mainly dividends and interest due (including accrued interest and commitment fees pro rata temporis, as well as other amounts owed, but not yet due), as well as various reimbursement claims. This item also includes accrued interest from swap agreements (EUR 8.3 million).

Amounts owed from disposal of investments

This item shows the purchase money proceeds from the sale or transfer of participating interests and lendings, as well as amounts owed with respect to these (e.g. interest payable on purchase money proceeds) of EUR 9.5 million in total.

Amounts owed from consultancy and other services

These are reimbursements from trust funds charged to the Federal Ministry for Economic Cooperation and Development (BMZ) and associated with the measures promoted by BMZ as part of the "Co-Financing Facility for Employment Africa/Middle East" and "AfricaConnect".

Other assets

Other assets largely consists of amounts owed by the tax office (EUR 23.9 million) and by consortium partners (EUR 17.3 million), as well as balancing items for accountancy purposes for foreign currency transactions in respect of the foreign currency valuation units in IDR, MXN, RUB and ZAR (EUR 10.8 million).

Residual maturity profile of receivables and other assets

EUR million	Residual maturity				
	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
Amounts owed from					
1. investment activities	69.0	0.0	0.0	0.0	69.0[1]
2. disposal of investments	6.3	0.0	3.2	0.0	9.5
3. consultancy and other services	0.2	0.0	0.0	0.0	0.2
Other assets	56.4	0.0	0.0	0.0	56.4
Total	**131.9**	**0.0**	**3.2**	**0.0**	**135.1**

[1] Of which EUR 10.3 million (2017: EUR 10.2 million) owed by the shareholder.

Other bonds and notes

This item contains a purchased security in the amount of EUR 1.8 million used to hedge semi-retirement programmes for older staff members.

Cash in hand, balances with Deutsche Bundesbank and with credit institutions

Balances with credit institutions covers investments in the money market of EUR 199.7 million invested with the shareholder KfW, as well as current account balances of EUR 27.2 million. These comprise corporate funds temporarily awaiting investment in enterprises in partner countries.

Accruals and deferrals

This item largely comprises expenditure on licences and maintenance costs for hardware and software, representing charges for financial years after 31 December 2019.

Assets held under trust

This item comprises investments in partner countries from trust funds in the form of participating interests of EUR 52.2 million (mainly EUR 25.0 million each from the BMZ support programmes "Co-Financing Facility for Employment Africa/Middle East" and "AfricaConnect") and lendings of EUR 12.5 million.

Of the lendings, EUR 11.7 million is accounted for by the "Federal Republic of Germany's Lending Programme for Business Start-ups to Promote Start-ups of Small and Medium-sized Enterprises by Natural Persons in Developing Countries", based on special joint lending funds with partner countries or partner institutions.

Deferred tax assets

Taxable temporary differences arise specifically from the transfer of hidden reserves as per Article 6b EStG, resulting in deferred tax liabilities of EUR 0.3 million. These are offset by deductible temporary differences, specifically from risk provisions and other provisions, which have led to deferred tax assets in the amount of EUR 11.3 million. The choice to refrain from taking the deferred tax asset surplus into consideration was exercised. The deferred tax liabilities were calculated based on an overall tax rate of 32.45%.

NOTES ON LIABILITIES

Subscribed capital

Subscribed capital amounts to EUR 750.0 million.

As a subsidiary of Kreditanstalt fur Wiederaufbau (KfW), based in Frankfurt am Main, DEG is included in the group accounts. KfW prepares consolidated accounts, which are published in Germany in the Federal Gazette (electronic version).

As a general rule under DEG's articles of association, profits are not distributed, so the limitation of profits distribution provided for by Article 253, Section 6, and Article 268, Section 8 HGB does not apply.

A proposal to offset the loss for the financial year of EUR 54.6 million by a withdrawal from the item Other retained earnings has been submitted to the shareholder's meeting.

Provisions for pensions and similar obligations

From 2016, due to the change in the law, an average market interest rate over ten years has had to be applied when discounting pension obligations. This rate was 2.71% as at 31 December 2019. The difference compared to the seven-year average market interest rate as at 31 December 2019 (1.97%) amounts to EUR 18.9 million. When calculating the required provisions, an annual salary increase of 2.2% and a pension rise of 2% or 1%, respectively, were assumed, depending on remuneration or pension scheme.

In accordance with the trend of the interest rate published by Deutsche Bundesbank, the actuarial interest rate as per the German Accounting Law Modernisation Act (BilMoG) has fallen from 3.21% to 2.71%. The salary trend (2.2%) and the fluctuation rate (1.5%) remained unchanged in 2019, as did the mortality tables.

In accordance with Article 253, Section 2, Clause 2 HGB, provisions for other long-term obligations were discounted across the board at the average market interest rate resulting from an assumed residual maturity of 15 years.

Other provisions
In the 2019 financial year, provisions for contingent losses for valuation units of EUR 21.9 million were recognised. In addition, a provision in the amount of EUR 0.2 million was made for contingent losses from pending transactions (forward exchange transactions).

For obligations deemed irrevocable in respect of lendings not yet disbursed, a blanket loan loss provision in the amount of EUR 11.0 million was made for latent default risks.

The item also includes provisions for variable remuneration (EUR 5.9 million), for semiretirement programmes for older staff members (EUR 2.7 million), and for leave and compensation for overtime (EUR 1.6 million). Provisions for legal risks amount to EUR 3.5 million.

Amounts owed for financing investment activities
Amounts owed here refers largely to loans against borrowers' notes in the amount of EUR 2,731.3 million placed with the shareholder KfW (2018: EUR 2,182.5 million) and time deposits in the amount of EUR 966.3 million (2018: EUR 872.1 million). These transactions were carried out solely with the shareholder KfW.

Other amounts owed
Other amounts owed includes EUR 6.6 million in balancing items for accountancy purposes relating to foreign currency transactions in respect of the macro valuation unit in USD, and EUR 22.0 million owed in respect of consortium partners and borrowers.

Residual maturity profile of amounts owed

EUR million	Residual maturity				
	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
1. Amounts owed for financing investment activities	1,104.6	516.7	1,805.8	294.8	3,721.9[1]
2. Amounts owed to trade creditors	0.2	0.0	0.0	0.0	0.2
3. Other amounts owed	32.7	0.0	1.2	0.7	34.6
Total	**1,137.5**	**516.7**	**1,807.0**	**295.5**	**3,756.7**

[1] Of which EUR 3,721.8 million (2018: EUR 3,080.9 million) to the shareholder.

Liabilities for assets held under trust
The following were made available to DEG on a trust basis for the purpose of financing investments in partner countries and for business start-up loans: EUR 63.6 million from the Federal Ministry for Economic Cooperation and Development (BMZ), and EUR 1.1 million from the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

Deferred tax liabilities
Since deferred tax liabilities were balanced out against deferred tax assets, they are not shown.

NOTES ON INCOME

Sales revenue

Sales revenue comprises earnings from the provision of services in connection with the financing business.

By region, sales revenue breaks down as follows:

EUR million	2019	2018
Africa	7.5	5.5
America	4.8	3.7
Asia	4.5	4.3
Europe	2.1	3.3
Worldwide	0.7	0.6
Total	**19.6**	**17.4**

Income from participating interests and Income from long-term lendings

Income from participating interests and from lendings in partner countries is largely made up of dividends, interest on lendings, bonds and related hedging transactions, and commitment fees and commissions on loans. The breakdown by region (excluding the results from hedging transactions of EUR -11.9 million) is as follows:

EUR million	2019	2018
Africa	89.7	72.4
America	94.7	104.6
Asia	13.3	98.5
Europe	126.3	15.0
Worldwide	7.8	6.4
Total	**331.9**	**296.9**

Other interest receivable and similar income

This item includes specifically income of EUR 1.3 million from late subscriber interest with funds, payments in respect of prepayment fees of EUR 0.6 million and interest on other receivables of EUR 0.6 million.

Income from write-ups and write-backs of provisions in respect of the lendings business and participating interests

Of the total income of EUR 85.9 million, EUR 44.9 million relates to loans, EUR 30.3 million to participating interests, EUR 0.4 million to receivables and EUR 10.3 million to write-backs of provisions in respect of lendings not yet disbursed.

The change of an existing parameter in the blanket loan loss provision for 2019 led to a write-back effect of EUR 13.3 million. This is included in the amounts listed above in respect of loans and provisions for lendings not yet disbursed.

Other operating income

This item includes specifically income from the disposal of participating interests of EUR 35.3 million and effects from currency totalling EUR 37.3 million.

NOTES ON CHARGES

Cost of services purchased
The cost of services purchased amounts to EUR 2.5 million (2018: EUR 2.1 million).

Depreciation, value adjustments and transfers to provisions in respect of the lendings business and participating interests
Of a total of EUR 279.3 million in charges, EUR 177.8 million relates to loans, EUR 91.1 million to participating interests, EUR 0.5 million to amounts owed and EUR 9.9 million to provisions for lendings not yet disbursed.

Interest payable and similar charges
These charges were incurred largely on loans against borrowers' notes (EUR 58.7 million); they also include the net result from derivatives hedging (EUR 25.0 million). For the 2019 financial year, the item also includes interest charges from the compounding of interest on pension and other long-term staff-related provisions in the sum of EUR 4.0 million (2018: EUR 4.1 million).

Staff costs
Staff costs of EUR 82.8 million include the salaries of the 63 staff members at the representative offices.

The charges for pensions and other benefits of EUR 23.1 million include transfers to provision for pensions of EUR 13.0 million. This item also comprises contributions to the Pension Association of Publicly Sponsored Companies (Versorgungsverband bundes- und landesgeförderter Unternehmen e.V. (VBLU)) (EUR 1.1 million).

Depreciation and adjustments for impairment of intangible and tangible assets
In 2019, depreciation for impairment of tangible assets came to EUR 6.6 million (2018: EUR 4.6 million). This includes depreciation on hardware and software of EUR 3.0 million, on office equipment of EUR 2.0 million and of buildings of EUR 1.5 million.

Depreciation on DEG's building in Kämmergasse for the 2009 financial year included one-off tax depreciation under Article 254 HGB (old version) of EUR 1.0 million from the transfer of silent reserves from the proceeds of the sale of the land and buildings in Belvederestraße as per Article 6b EStG.

Other operating charges
This item comprises administration costs of EUR 51.5 million, including specifically costs of EUR 21.6 million for experts and consultants, IT costs of EUR 4.4 million and travel costs of EUR 4.6 million.

The item further records currency effects in the amount of EUR 48.1 million.

Income and charges relating to other periods
Other income includes EUR 3.4 million in income relating to other periods, resulting largely from the write-back of other provisions.

There were no significant charges relating to other periods in the 2019 financial year.

Statement of auditing fees as provided by Article 285, Clause 1, No. 17

In the 2019 financial year, the following auditing fees were taken into consideration:

2019	EUR
Auditing fee	564,657
Other certification services	39,513
Tax consultancy services	0
Other services	0
Total	**604,170**

The statement of auditing fees includes costs related to the 2018 annual report of EUR 7,384.

The statement of fees for other certification services includes income of EUR 488 from the write-back of provisions for the 2018 annual report.

Taxes on income and profit

Tax charges of EUR 2.6 million in total comprise foreign tax charges of EUR 2.4 million and an aperiodic tax charge of EUR 0.2 million following preparation of the 2018 tax declaration.

Due to the loss, no taxes on profits were incurred for the 2019 financial year.

LOSS FOR THE FINANCIAL YEAR/NET LOSS

The net loss recognised amounts to EUR –54.6 million. This is to be offset by a withdrawal from Other provisions.

FOLLOW-UP REPORT

No events of material significance to the net worth, financial or earnings situation occurred after the end of the financial year.

NOTES ON DERIVATIVES TRANSACTIONS

In the context of risk management, DEG regularly engages in futures trading and makes use of derivatives products. There is no trading on own account in the sense of a trading book. These instruments are deployed primarily to hedge interest rate and currency risks in the asset book.

The market values of derivatives held in the portfolio represent current replacement costs. The positive and negative market values recorded are largely calculated based on corporate models. The main determinants of these in-house models are interest rate ratios and related rates of exchange.

Derivatives transactions

Volumes

EUR million	Nominal values[1)]		Positive market values	Negative market values
	31.12.2018	**31.12.2019**	**31.12.2019**	**31.12.2019**
Contracts with interest rate risks				
Interest rate swaps	1,119.0	1,159.9	3.7	–30.7
Total interest rate risks	1,119.0	1,159.9	3.7	–30.7
Contracts with currency risks				
Forward foreign exchange transactions, forward currency swaps	213.7	529.1	6.8	–0.1
Non-deliverable forwards	0.0	0.0	0.0	0.0
Currency and cross-currency interest rate swaps	705.6	725.6	16.1	–45.5
Total currency risks	**919.3**	**1,254.7**	**22.9**	**–45.6**
Total	**2,038.3**	**2,414.6**	**26.6**	**–76.3**

Counterparties

EUR million	Nominal values[1)]		Positive market values	Negative market values
	31.12.2018	**31.12.2019**	**31.12.2019**	**31.12.2019**
OECD banks	2,038.3	2,414.6	26.6	–76.3
Total	**2,038.3**	**2,414.6**	**26.6**	**–76.3**

MISCELLANEOUS

Liability/contingent liability

At the balance sheet date, DEG's shares in one participating interest with a book value of EUR 3.6 million were pledged as collateral in respect of liabilities of the enterprises in question.

Given the enterprises' credit rating, any liability/contingent liabilities incurred are not expected to exceed the risk provision made for this purpose as at the balance sheet date.

Other financial obligations

Under tenancy agreements, DEG is required to pay a total of EUR 1.0 million annually; the agreement with the longest term runs until 2025.

A total of EUR 0.1 million will be payable in fees on leasing contracts for the remaining term until 2020.

Obligations in respect of participating interests and lendings not yet disbursed amount to EUR 2,055.4 million.

In individual cases, employees of DEG, or third parties instructed by DEG, undertake executive functions in associated companies. The risks arising are generally covered by directors' and officers' liability insurance (D&O insurance) taken out either by DEG or by the associated company in question.

Maturities

Nominal values[1] EUR million	Interest rate risks		Currency risks	
	31.12.2018	**31.12.2019**	**31.12.2018**	**31.12.2019**
Residual maturities				
up to 3 months	0.0	0,0	256.2	564.5
more than 3 months up to 1 year	173.5	133.5	190.1	65.5
more than 1 year up to 5 years	639.0	675.5	318.6	482.1
more than 5 years	306.6	350.8	154.4	142.7
Total	**1,119.0**	**1,159.9**	**919.3**	**1,254.7**

[1] Nominal values are calculated as the sum of whichever nominal amount (input or output side) is higher on the effective date of the conversion.

AVERAGE NUMBER OF STAFF OVER THE YEAR

Staff not covered by regular pay scales and senior executives	420
Staff covered by regular pay scales	207
Total	**627**
Number of female staff	320
Number of male staff	307
Total	**627**

These figures include part-time staff (137) and temporary staff (36), but exclude members of the Management Board, staff on parental leave, apprentices, interns and local staff in foreign countries.

REMUNERATION OF CORPORATE BODIES

Total charges for the Supervisory Board in the year under review came to EUR 109,527, of which EUR 42,743 was annual remuneration for membership of the Supervisory Board and its committees. Attendance fees, daily allowances and travel expenses accounted for EUR 44,453, while EUR 21,862 was for training for members of the Supervisory Board. No advances or loans were granted to members of the Supervisory Board.

Total Management Board remuneration for the 2018 financial year came to EUR 1,279,184. Regular annual salary components are set at a uniform rate for all members of the Management Board and amount to EUR 1,034,835 in total. Overall remuneration further includes the sum of EUR 25,013 for benefits in kind and other emoluments. The performance-related management bonus for 2019 came to EUR 219,336, of which EUR 109,668 will be paid over several years. In 2019, phased payments totalling EUR 106,329 were made from the deferred management bonuses for the years 2016 to 2018.

Also included is EUR 37,046 in phased payments from the deferred management bonuses for the years 2016 and 2017 for two former members of the Management Board.

No advances were approved for members of the Management Board or surviving dependants.

Total payments made to former members of the Management Board and surviving dependants amounted to EUR 998,406. Provisions of EUR 15,079,354 were made for pension obligations towards these persons.

Information on DEG's investment holdings as at 31.12.2019 as per Article 285 No. 11 HGB

No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in %	Equity[3] in kCU[5]	Result[4] in kCU[5]
1.	Banque Gabonaise de Développement (BGD), Libreville, Gabon		[6]	1.97	[6]	[6]
2.	Latin American Agribusiness Development Corporation S.A., Ciudad de Panamá, Panama	USD	1.1234	6.25	196,022	22,882
3.	Banque Nationale de Développement Agricole S.A., Bamako, Mali	XOF	655.9570	21.43	53,154,335	7,978,244
4.	Industrial Promotion Services (West Africa) S.A., Abidjan, Ivory Coast	XOF	655.9570	9	18,716,332	4,499,998
5.	Fransabank S.A.L., Beirut, Lebanon	LBP	1,697.5224	5	2,329,130,182	173,974,503
6.	TOO Knauf Gips Kaptchagaj. An enterprise in which DEG – Deutsche Invest.- u. Entwicklungsg. mbH has a participating interest, Kaptschagaj, Kazakhstan	EUR	1.0000	40	15,244	7,031
7.	LHF – Latin Healthcare Fund, L.P., Acton, USA	USD	1.1234	10.088	[6]	[6]
8.	Safety Centre International Ltd., Port Harcourt, Nigeria		[6]	8	[6]	[6]
9.	Kyrgyz Investment and Credit Bank, Bishkek, Kyrgyzstan	USD	1.1234	12	69,678	6,082
10.	SEAF Central and Eastern Europe Growth Fund LLC, Wilmington, USA	USD	1.1234	23.9	87	-686
11.	Benetex Industries Ltd., Dhaka, Bangladesh		[6]	28.3	[6]	[6]
12.	P.T. Arpeni Pratama Ocean Line Tbk., Jakarta, Indonesia		[6]	3	[6]	[6]
13.	Egyptian Direct Investment Fund Ltd., St. Peter Port, Guernsey (Channel Islands)		[6]	14.577	[6]	[6]
14.	SEAF Sichuan SME Investment Fund LLC, Wilmington, USA	USD	1.1234	13.33	3,788	-1,179
15.	Turkish Private Equity Fund I, L.P., St. Peter Port, Guernsey (Channel Islands)		[6]	11.327	[6]	[6]
16.	Ethos Technology Fund I Partnership S.A., Johannesburg, South Africa		[6]	9.249	[6]	[6]
17.	DBG Eastern Europe II, L.P., St. Helier, (Jersey)	EUR	1.0000	14.88	9,102	5,812
18.	Industrial Promotion Services Kenya Ltd., Nairobi, Kenya	KES	114.9900	9.91	6,236,815	1,540,975
19.	SEAVI Advent Equity IV Fund, L.P., George Town, Cayman Islands		[6]	13.477	[6]	[6]
20.	European Financing Partners S.A., Luxembourg, Luxembourg	EUR	1.0000	7.63	170	21
21.	Sichuan Tianfu Bank Co., Ltd., Nanchong, China	CNY	7.8205	4.89	14,856,594	1,352,592
22.	SEAF India International Growth Fund, Port Louis, Mauritius	USD	1.1234	6.57	4,009	588
23.	Advent Central & Eastern Europe III, L.P., Boston, USA	EUR	1.0000	5.35	7,739	-132
24.	Balkan Accession Fund C.V., Curaçao, Curaçao	EUR	1.0000	11.36	12,350	354
25.	PJSC Commercial Bank Center-Invest, Rostov-on-Don, Russian Federation	RUB	69.9563	14.57	13,127,646	1,532,572

No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in %	Equity[3] in kCU[5]	Result[4] in kCU[5]
26.	Latin Power III, L.P., George Town, Cayman Islands	USD	1.1234	1.81	9,181	-3,667
27.	TOO Isi Gips Inder, Inderborskij, Kazakhstan	EUR	1.0000	40	1,457	103
28.	Open Joint Stock Company Bank Respublika, Baku, Azerbaijan	AZN	1.9047	16.599	46,394	9,049
29.	Advent Latin American Private Equity Fund III-B, L.P., Wilmington, USA	USD	1.1234	100	1,640	119
30.	Advent Latin American Private Equity Fund III,[7] Wilmington, USA	USD	1.1234	3.47	[6]	[6]
31.	CDH China Growth Capital Fund II, L.P., George Town, Cayman Islands	USD	1.1234	3.174	0	-1,870
32.	Russia Partners II, L.P., George Town, Cayman Islands	USD	1.1234	3.88	46,950	-7,079
33.	Ethos US Dollar Fund V (Non-Opic-Jersey), L.P., St. Helier, Jersey		[6]	13.225	[6]	[6]
34.	Vantage Mezzanine Fund Trust, Johannesburg, South Africa		[6]	6.834	[6]	[6]
35.	Ace Power Embilipitiya Pvt Ltd., Colombo, Sri Lanka	LKR	203.6295	26	4,736,828	1,708,229
36.	Evonik Lanxing (Rizhao) Chemical Industrial Co. Ltd., Rizhao, China	CNY	7.8205	10	42,628	-4,229
37.	Banco Finterra, S.A., Ciudad de México, Mexico	MXN	21.2202	15.562	712,000	-57,000
38.	Banco Pine S.A., São Paulo, Brazil	BRL	4.5127	4,6	868,740	-59,706
39.	Global Environment Emerging Markets Fund III-A, L.P., Alberta, Canada	USD	1.1234	4.583	67,493	-21,839
40.	DLJ SAP International, LLC, Wilmington, USA	USD	1.1234	3.293	16,137	-647
41.	Emerging Europe Leasing and Finance (EELF) B.V., Amsterdam, Netherlands	EUR	1.0000	25	918	-23
42.	AO Bucharagips, Kogon, Uzbekistan	EUR	1.0000	24.889	1,363	1,010
43.	Turkish Private Equity Fund II, L.P., St. Peter Port, Guernsey (Channel Islands)	EUR	1.0000	4.95	235,744	-101,816
44.	The Kibo Fund LLC, Ebene Skies, Mauritius	EUR	1.0000	13.798	10,891	-2,921
45.	PCC-DEG Renewables GmbH, Duisburg, Germany	EUR	1.0000	40	16,278	663
46.	Lombard Asia III, L.P., George Town, Cayman Islands	USD	1.1234	2.133	39,674	-2,185
47.	Nexxus Capital Private Equity Fund III, L.P., Ciudad de México, Mexico	USD	1.1234	10.26	55,416	-7,835
48.	African Development Partners I, LLC, Ebène CyberCity, Mauritius	EUR	1.0000	5.96	291,144	4,253
49.	Banyan Tree Growth Capital, LLC, Mauritius, Mauritius	USD	1.1234	27	34,843	-1,018
50.	Istmo Compania de Reaseguros, Inc., Ciudad de Panamá, Panama		[6]	12.47	[6]	[6]
51.	India Agri Business Fund Ltd., Ebène CyberCity, Mauritius	USD	1.1234	16.667	68,324	-2,663

Information on DEG's investment holdings as at 31.12.2019 as per Article 285 No. 11 HGB

No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in %	Equity[3] in kCU[5]	Result[4] in kCU[5]
52.	Tourism Promotion Services, Tajikistan OJSC, Dushanbe, Tajikistan	TJS	10.8804	11.02	49,216	–25,069
53.	Kendall Court Mezzanine (Asia) Bristol Merit Fund, L.P., George Town, Cayman Islands	USD	1.1234	24.37	11,011	–1,761
54.	Tolstoi Investimentos S.A., São Paulo, Brazil		[6]	31.14	[6]	[6]
55.	Acon Latin America Opportunities Fund-A, L.P., Toronto, Canada	USD	1.1234	39.99	19,230	1,420
56.	The Africa Health Fund, LLC, Port Louis, Mauritius	USD	1.1234	9.49	46,416	592
57.	Renewable Energy Asia Fund, L.P., London, UK	EUR	1.0000	11.58	85,836	–10,509
58.	OOO Gematek, Saint Petersburg, Russian Federation	RUB	69.9563	5.756	1,087,587	96,105
59.	PT Indonesia Infrastructure Finance, Jakarta, Indonesia	IDR	15,595.6000	15.12	2,135,240,000	–42,948,000
60.	Emerging Europe Accession Fund Coöperatief U.A., Amsterdam, Netherlands	EUR	1.0000	10.145	55,012	–3,375
61.	GEF Africa Sustainable Forestry Fund, L.P., Chevy Chase, USA	USD	1.1234	12.96	118,124	–16,110
62.	Asia Environmental Partners (PF1), L.P., George Town, Cayman Islands	USD	1.1234	15.957	56,665	–8,766
63.	Catalyst Fund I, LLC, Port Louis, Mauritius	USD	1.1234	10.17	60,841	–9,079
64.	Private Equity New Markets III K/S, Hellerup, Denmark	USD	1.1234	7.31	193,494	11,131
65.	Africa Joint Investment Fund, Ebène CyberCity, Mauritius		[6]	16	[6]	[6]
66.	NEOMA SOUTH-EAST ASIA FUND II L.P., Toronto, Canada	USD	1.1234	5.74	223,939	30,348
67.	Interact Climate Change Facility S.A., Luxembourg, Luxembourg	EUR	1.0000	7.69	147	21
68.	The CapAsia ASEAN Infrastructure Fund III, L.P., George Town, Cayman Islands	USD	1.1234	13.17	38,889	–7,923
69.	EMX Capital Partners, L.P., Toronto, Canada	USD	1.1234	20.081	64,022	7,282
70.	Knauf Gips Buchara OOO, Bukhara, Uzbekistan	EUR	1.0000	25	20,258	5,194
71.	Deepak Fasteners Ltd., Ludhiana, India	INR	80.1870	0.012	1,111,516	–84,873
72.	Maghreb Private Equity Fund III, Port Louis, Mauritius	EUR	1.0000	9.783	133,826	2,320
73.	Lereko Metier Sustainable Capital Fund Trust, Sandhurst, South Africa	ZAR	15.7773	14.493	477,652	26,978
74.	Mediterra Capital Partners I, L.P., St. Peter Port, Guernsey (Channel Islands)	EUR	1.0000	6.088	83,875	–35,562
75.	Orient Investment Properties Ltd., Road Town, British Virgin Islands	USD	1.1234	3.875	619,281	–2,953
76.	Mongolia Opportunities Fund I, L.P., George Town, Cayman Islands	USD	1.1234	13.33	24,817	3,079

No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in %	Equity[3] in kCU[5]	Result[4] in kCU[5]
77.	Worldwide Group, Inc., Charlestown, St. Kitts & Nevis	USD	1.1234	33.41	25,462	1,225
78.	Berkeley Energy Wind Mauritius Ltd., Ebène CyberCity, Mauritius	EUR	1.0000	25.825	64,261	–21,164
79.	EMF NEIF I (A), L.P., Fareham, UK	USD	1.1234	28.08	28,376	–28,968
80.	VI (Vietnam Investments) Fund II, L.P., George Town, Cayman Islands	USD	1.1234	7.86	206,091	–21,887
81.	Stratus SCP Fleet Fundo de Investimento em Participações – Multiestratégia, São Paulo, Brazil	BRL	4.5127	39.69	44,065	305
82.	Russia Partners Technology Fund, L.P., George Town, Cayman Islands	USD	1.1234	21.59	119,492	19,467
83.	Teak Tree Investments Pte. Ltd., George Town, Cayman Islands	USD	1.1234	16.5	25,421	594
84.	The Clean Energy Transition Fund, L.P., St. Peter Port, Guernsey (Channel Islands)	EUR	1.0000	15.385	50,320	1,284
85.	Ambit Pragma Fund II, Mumbai, India	INR	80.1870	10.53	1,638,386	–11,330
86.	Equis Asia Fund, L.P., George Town, Cayman Islands	USD	1.1234	4.48	51,113	–24,881
87.	Grassroots Business Investors Fund I, L.P., George Town, Cayman Islands	USD	1.1234	16.356	17,689	–1,052
88.	Adenia Capital (III) LLC Ltd., Saint Pierre, Mauritius	EUR	1.0000	10.437	95,015	–4,714
89.	NSL Renewable Power Private Ltd., Hyderabad, India	INR	80.1870	0.001	1,636,100	–2,677,100
90.	Lereko Metier Solafrica Fund I Trust, Johannesburg, South Africa	ZAR	15.7773	47.5	211,020	30,406
91.	UT Bank Ltd., Accra, Ghana		[6]	13.524	[6]	[6]
92.	Latin Renewables Infrastructure Fund, L.P., Dover, USA	USD	1.1234	14.058	77,073	18,711
93.	Victoria South American Partners II, L.P., Toronto, Canada	USD	1.1234	3.027	592,247	–5,979
94.	Adobe Social Mezzanine Fund I, L.P., Montreal, Canada	USD	1.1234	24.752	14,801	543
95.	CoreCo Central America Fund I, L.P., Wilmington, USA	USD	1.1234	22	28,329	-961
96.	Elbrus Capital Fund II, L.P., George Town, Cayman Islands	USD	1.1234	3.12	603,169	–1,111
97.	Armstrong S.E. Asia Clean Energy Fund, L.P., Singapore, Singapore	USD	1.1234	7.54	65,406	–3,996
98.	Archimedes Health Developments Ltd., Limassol, Cyprus		[6]	19.23	[6]	[6]
99.	BCR Investment Company Ltd., Port Louis, Mauritius	USD	1.1234	15.629	42,312	2,064
100.	AGF Latin America, L.P., London, UK	USD	1.1234	19.716	71,025	271
101.	ZEP-RE (PTA Reinsurance Company), Nairobi, Kenya	USD	1.1234	5.91	229,746	10,145
102.	Agriculture Investment Group Corp., Tortola, British Virgin Islands	USD	1.1234	2.8	278,347	–46,765
103.	African Development Partners II, L.P., St. Peter Port, Guernsey (Channel Islands)	USD	1.1234	3.449	825,415	–16,630

Information on DEG's investment holdings as at 31.12.2019 as per Article 285 No. 11 HGB

No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in %	Equity[3] in kCU[5]	Result[4] in kCU[5]
104.	Banyan Tree Growth Capital – II LLC, Port Louis, Mauritius	USD	1.1234	13.937	219,124	–1,477
105.	Altra Private Equity Fund II, L.P., George Town, Cayman Islands	USD	1.1234	3.88	276,916	3,359
106.	Falcon House Partners Indonesia Fund I, George Town, Cayman Islands	USD	1.1234	8.757	268,749	–3,119
107.	Lombard Asia IV, L.P., George Town, Cayman Islands	USD	1.1234	5.569	186,471	–29,883
108.	Schulze Global Ethiopia Growth and Transformation Fund I, L.P., George Town, Cayman Islands	USD	1.1234	3.38	39,797	–7,702
109.	Parque Eólico la Carabina I, S.A.P.I. de C.V., Ciudad de México, Mexico	MXN	21.2202	9.65	–122,594	–3,760
110.	Parque Eólico la Carabina II, S.A.P.I. de C.V., Ciudad de México, Mexico	MXN	21.2202	9.99	–118,674	–1,828
111.	Parque Eólico el Mezquite, S.A.P.I. de C.V., Ciudad de México, Mexico	MXN	21.2202	3.14	–342,980	–145,334
112.	Softlogic Life Insurance PLC, Colombo, Sri Lanka	LKR	203.6295	19	6,670,963	3,336,245
113.	Paraguay Agricultural Corporation S.A., Luxembourg, Luxembourg	EUR	1.0000	15.83	83,095	–172
114.	ADP Enterprises W.L.L., Manama, Bahrain	EUR	1.0000	23.26	252,162	67,291
115.	CGFT Capital Pooling GmbH & Co. KG, Berlin, Germany	EUR	1.0000	40	9,531	380
116.	MGM Sustainable Energy Fund, L.P., Toronto, Canada	USD	1.1234	15.819	59,176	2,332
117.	The Enterprise Expansion Fund, S.A. SICAV-SIF, Luxembourg, Luxembourg	EUR	1.0000	10.309	14,494	–49
118.	Takura II Feeder Fund Partnership, Cape Town, South Africa	USD	1.1234	25	84,837	38,041
119.	Uttam Galva Metallics Ltd., Mumbai, India	INR	80.1870	8.56	12,013,800	–741,300
120.	Portland Caribbean Fund II, L.P., George Town, Cayman Islands	USD	1.1234	15.37	103,548	–8,038
121.	CapMan Russia II Fund, L.P., St. Peter Port, Guernsey (Channel Islands)	EUR	1.0000	12.567	38,422	–943
122.	Oragroup S.A., Lomé, Togo	XOF	655.9570	2.39	98,502,827	6,667,417
123.	ACON Latin America Opportunities Fund IV-A, L.P., Toronto, Canada	USD	1.1234	39.899	65,839	1,924
124.	Navegar I, L.P., George Town, Cayman Islands	USD	1.1234	13.23	45,856	31,015
125.	Mediterrania Capital II (SICAV) P.L.C., Qormi, Malta	EUR	1.0000	10.438	131,670	4,298
126.	Quadria Capital Fund, L.P., George Town, Cayman Islands	USD	1.1234	8.333	499,266	135,196
127.	Lovcen Banka AD, Podgorica, Montenegro	EUR	1.0000	27.52	15,539	1,768
128.	LeapFrog Financial Inclusion Fund II, L.P., Ebène CyberCity, Mauritius	USD	1.1234	5	374,401	44,484
129.	Multi Financial Group Inc., Ciudad de Panamá, Panama	PAB	1.1197	6.95	526,850	43,920

No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in %	Equity[3] in kCU[5]	Result[4] in kCU[5]
130.	Berkeley Energy Netherlands Holding B.V., Amsterdam, Netherlands		[6]	15	[6]	[6]
131.	AEP China Hydro Ltd., Ebène CyberCity, Mauritius	USD	1.1234	30.182	50,579	–5,056
132.	Grassland Finance Ltd., Hong Kong, Hong Kong	CNY	7.8205	24.949	463,533	19,100
133.	Orilus Investment Holdings Pte. Ltd., Singapore, Singapore	USD	1.1234	32.98	79,936	-232
134.	Frontier Bangladesh II, L.P., George Town, Cayman Islands	USD	1.1234	20	17,031	–1,896
135.	Asia Environmental Partners II, L.P., George Town, Cayman Islands	USD	1.1234	8.283	123,287	–4,420
136.	Kua Mex Foods, S.A.P.I. de C.V., Ciudad de México, Mexico	MXN	21.2202	15.01	1,468,302	–69,296
137.	Soleq Holdings, George Town, Cayman Islands		[6]	6.82	[6]	[6]
138.	Euromena III, L.P., London, UK	USD	1.1234	8.999	111,882	7,818
139.	Lereko Metier REIPPP Fund Trust, Sandhurst, South Africa	ZAR	15.7773	32.28	828,149	35,611
140.	Investec Africa Private Equity Fund 2, L.P., St. Peter Port, Guernsey (Channel Islands)	USD	1.1234	8.479	204,352	–24,673
141.	Malacca Trust Pte. Ltd., Singapore, Singapore	IDR	15,595.6000	13.47	1,122,828,470	144,880,516
142.	The Kibo Fund II LLC, Ebène CyberCity, Mauritius	USD	1.1234	19.96	46,434	5,257
143.	AfricInvest Fund III LLC, Port Louis, Mauritius	EUR	1.0000	4.4	232,344	6,498
144.	Energon Holdings, George Town, Cayman Islands		[6]	10.5	[6]	[6]
145.	Aavishkaar Frontier Fund, Ebène CyberCity, Mauritius	USD	1.1234	20.82	24,509	–1,082
146.	ICE TopCo Ltd. S.A., Luxembourg, Luxembourg	EUR	1.0000	6.04	189,918	–151
147.	Abraaj North Africa Fund II, L.P., London, UK		[6]	4.267	[6]	[6]
148.	Creed Healthcare Holdco Ltd., Birkirkara, Malta		[6]	7.5	[6]	[6]
149.	Gaja Capital Fund II Ltd., Port Louis, Mauritius	USD	1.1234	7.892	0	–858
150.	Kibele B.V., Amsterdam, Netherlands		[6]	22.25	[6]	[6]
151.	Emerald Sri Lanka Fund I Ltd., Ebène CyberCity, Mauritius	USD	1.1234	23.53	13,632	–921
152.	Metier Capital Growth Fund II Partnership, Sandhurst, South Africa	ZAR	15.7773	16.432	1,247,245	143,837
153.	Tournai Investments S.L., Barcelona, Spain	EUR	1.0000	15.38	43,924	–2,154
154.	HydroChile Holdings, George Town, Cayman Islands		[6]	10.4	[6]	[6]
155.	Kandeo Fund II (A), L.P., Toronto, Canada	USD	1.1234	53.111	37,368	–1,205
156.	KANDEO Fund II L.P., 7) Toronto, Canada	USD	1.1234	14.42	113,548	–3,588

Information on DEG's investment holdings as at 31.12.2019 as per Article 285 No. 11 HGB

No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in %	Equity[3] in kCU[5]	Result[4] in kCU[5]
157.	Surfline Communications Ltd., Accra, Ghana		[6]	4.25	[6]	[6]
158.	AIIF2 Towers Mauritius Ltd., Port Louis, Mauritius	USD	1.1234	16.1	190,496	–14,016
159.	VI (Vietnam Investments) Fund III, L.P., George Town, Cayman Islands	USD	1.1234	6.246	131,654	–5,867
160.	Medisia Investment Holdings Pte Ltd., Singapore, Singapore	USD	1.1234	32.65	114,042	30,915
161.	Neoma Africa Fund III, L.P., George Town, Cayman Islands		[6]	4.687	[6]	[6]
162.	Equis Direct Investment Fund, L.P., George Town, Cayman Islands	USD	1.1234	2.68	179	21,830
163.	Agrofundo Brasil VI Fundo de Investimento em Participações Multiestratégia, São Paulo, Brazil	BRL	4.5127	29.904	452,826	210,521
164.	Americas Energy Fund II Clean Energy, L.P., Toronto, Canada	USD	1.1234	17.138	38,707	–1,216
165.	Navegar II (Netherlands) B.V., Amsterdam, Netherlands		[6]	29.167	[6]	[6]
166.	Vantage Mezzanine III Pan African Sub-Fund Partnership, Johannesburg, South Africa	USD	1.1234	6.531	94,560	11,419
167.	Vantage Mezzanine III Southern African Sub-Fund Partnership, Johannesburg, South Africa	ZAR	15.7773	11.329	701,935	162,005
168.	ACON Retail MXD, L.P., Toronto, Canada	USD	1.1234	99.999	5,944	–3,136
169.	Grupo Vizion Lerma, S.A.P.I. de C.V.,[7] Mexico	MXN	21.2202	6.3	2,047,745	–318,556
170.	Equis DFI Feeder, L.P., George Town, Cayman Islands	USD	1.1234	12	252	–466
171.	Citadell Capital SAE, Cairo, Egypt	EGP	18.0223	0.846	5,522,872	–219,542
172.	Stratus Capital Partners B, L.P., Edinburgh, UK	USD	1.1234	75	19,902	–1,048
173.	Stratus Group – Stratus Capital Partners (SCP),[7] Edinburgh, UK	USD	1.1234	12.35	140	140
174.	Ashmore Andean Fund II, L.P., Toronto, Canada	USD	1.1234	10.212	124,212	2,748
175.	Taxim Capital Partners I, L.P., St. Helier, Jersey	EUR	1.0000	6.993	46,709	–10,566
176.	Cambodia-Laos-Myanmar Development Fund II, L.P., Singapore, Singapore	USD	1.1234	15.544	28,666	–793
177.	Pembani Remgro Infrastructure Mauritius Fund I, L.P., Ebène CyberCity, Mauritius	USD	1.1234	10.352	90,160	10,928
178.	Mobisol GmbH, Berlin, Germany		[6]	9.94	[6]	[6]
179.	Triple P SEA Financial Inclusion Fund LP, Singapore, Singapore	USD	1.1234	25.199	6,290	–1,442
180.	Falcon House Partners Fund II, L.P., George Town, Cayman Islands	USD	1.1234	4	232,184	–9,098

No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in %	Equity[3] in kCU[5]	Result[4] in kCU[5]
181.	Deep Catch Namibia Holdings (Pty) Ltd., Windhoek, Namibia	NAD	15.7158	38.57	124,629	13,329
182.	Azure Power Global Ltd., Ebène CyberCity, Mauritius	USD	1.1234	2.761	367,225	1,133
183.	ECP Africa Fund IV LLC, Ebène CyberCity, Mauritius	USD	1.1234	34.55	37,948	–5,896
184.	Foursan Capital Partners II LP, George Town, Grand Cayman, Cayman Islands	USD	1.1234	12.25	210	–1,313
185.	Principle Capital Fund IV, L.P., George Town, Cayman Islands	USD	1.1234	12.472	107,076	–4,149
186.	MC II Pasta Ltd., Qormi, Malta		[6]	36.14	[6]	[6]
187.	AFIG Fund II, L.P., Ebène CyberCity, Mauritius	USD	1.1234	7.704	35,437	–12,340
188.	Adenia Capital (IV), L.P., Port Louis, Mauritius	EUR	1.0000	8.654	48,581	–4,040
189.	Apis Growth 2 Ltd., Ebène CyberCity, Mauritius	USD	1.1234	25.63	39,903	2,391
190.	Africa Bovine Ltd., Ebène CyberCity, Mauritius	USD	1.1234	11.39	113,897	–560
191.	Whitlam Holding PTE. Ltd., Singapore, Singapore	USD	1.1234	38.74	53,064	24,125
192.	Metier Retailability en Commandite Partnership, Sandhurst, South Africa	ZAR	15.7773	23.75	457,720	35,422
193.	PT Bank Victoria International Tbk., South Jakarta, Indonesia	IDR	15,595.6000	9	2,806,025,405	79,081,921
194.	Catalyst MENA Clean Energy Fund, L.P., St. Peter Port, Guernsey (Channel Islands)	USD	1.1234	19.439	8,267	–538
195.	Catalyst Fund II, L.P., Port Louis, Mauritius	USD	1.1234	6.557	45,225	–13,314
196.	ADP II Holding 6 W.L.L., Manama, Bahrain	BHD	0.4220	16.67	31,279	–8,058
197.	New Forests Company Holdings I Ltd., Port Louis, Mauritius	USD	1.1234	16.67	61,315	–4,105
198.	Sierra Madre Philippines I, L.P., George Town, Cayman Islands	USD	1.1234	20	5,857	–1,427
199.	Phi Capital Trust, Chennai, India	INR	80.1870	16.15	402,910	–86,076
200.	ADAMAS Ping An Opportunities Fund, L.P., George Town, Cayman Islands	USD	1.1234	11.63	39,117	–1,682
201.	North Haven Thai Private Equity, L.P., George Town, Cayman Islands	USD	1.1234	5.662	11,981	–24,957
202.	Knauf Gypsum Philippines Inc., Makati, Philippines	PHP	56.9000	25	1,730,364	–224,471
203.	Maison Capital Fund, L.P., George Town, Cayman Islands	USD	1.1234	9.689	5,331	77,847
204.	Dolce M8 Holdco Ltd., Port Louis, Mauritius	USD	1.1234	12.5	50,418	–32,326
205.	African Infrastructure Investment Fund 3, L.P., Cape Town, South Africa	USD	1.1234	9.38	93,536	6,847
206.	Operadora de Servicios Mega, S.A. de C.V., SOFOM E.R., Zapopan, Mexico	MXN	21.2202	21.94	1,005,136	87,751

Information on DEG's investment holdings as at 31.12.2019 as per Article 285 No. 11 HGB

No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in %	Equity[3] in kCU[5]	Result[4] in kCU[5]
207.	Tesla Wind d.o.o., Belgrade, Serbia	RSD	117.5700	10.007	1,046,257	–789,242
208.	SSG Secured Lending Opportunities II, L.P., George Town, Cayman Islands	USD	1.1234	4.908	164,869	25,493
209.	Forte Investment Holdings Co. Ltd., Phnom Penh, Cambodia	USD	1.1234	11.547	23,675	3,659
210.	Exacta Asia Investment II, L.P., George Town, Cayman Islands	USD	1.1234	9.3	44,738	–5,913
211.	Emerging Europe Growth Fund III, L.P., Wilmington, USA	USD	1.1234	5	81,976	–5,596
212.	Abraaj Global Credit Fund, L.P., George Town, Cayman Islands	USD	1.1234	7.18	88,925	919
213.	Mediterrania Capital III, L.P., Port Louis, Mauritius	EUR	1.0000	17.98	47,729	–2,681
214.	AfricInvest III – SPV 1, Port Louis, Mauritius	EUR	1.0000	21.82	58,060	–606
215.	IAPEF 2 SJL Ltd., Ebène CyberCity, Mauritius	USD	1.1234	15.53	123,555	4,190
216.	Global Credit Rating Company Limited, Ebène CyberCity, Mauritius	USD	1.1234	13.5	14,457	4,662
217.	Crescera Investimentos Growth Capital Fund I-B, L.P., George Town, Cayman Islands	USD	1.1234	20	31,373	4,581
218.	Darby Latin American Private Debt Fund IIIA, L.P., Toronto, Canada	USD	1.1234	37.58	9,377	–418
219.	Fortress Vietnam Investment Holdings Pte. Ltd., Singapore, Singapore	USD	1.1234	11.58	130,843	63,535
220.	MC II Concrete Ltd., Qormi, Malta	EUR	1.0000	19.76	50,575	–11
221.	Maghreb Private Equity Fund IV LLC, Port Louis, Mauritius	EUR	1.0000	7.74	32,336	–7,201
222.	LeapFrog Emerging Consumer Fund III, LP, Ebène, Mauritius	USD	1.1234	5.97	115,700	498
223.	Adobe Mezzanine Fund II, L.P., Montreal, Canada	USD	1.1234	16.5	3,315	–862
224.	M-BIRR Ltd., Dublin, Ireland	EUR	1.0000	19.79	6,667	–1,451
225.	Clearwater China Investments Ltd., George Town, Cayman Islands	USD	1.1234	9.5	263,586	95
226.	Leiden PE II, L.P., Toronto, Canada	USD	1.1234	26.642	52,034	487
227.	PAG Growth I, L.P., George Town, Cayman Islands	USD	1.1234	7.884	90,744	–7,630
228.	Rent 2 Own Holdings Pte. Ltd., Singapore, Singapore	USD	1.1234	13.52	9,115	–310
229.	GenBridge Capital Fund I, L.P., George Town, Cayman Islands	USD	1.1234	3.093	147,699	–11,575
230.	Lighthouse India Fund III, Limited, Port Louis, Mauritius	USD	1.1234	5.1	62,409	–5,128
231.	Denham International Power SCSp, Luxembourg, Luxembourg	USD	1.1234	12.641	40,523	–4,873
232.	Forebright New Opportunities Fund II, L.P., George Town, Cayman Islands	USD	1.1234	8.33	23,706	–4,955

No.	Business name and registered office	Currency[1]	Rate EUR 1.00 = CU[2]	DEG holding in %	Equity[3] in kCU[5]	Result[4] in kCU[5]
233.	Ethos Mezzanine Partners 3 (A) Partnership, Johannesburg, South Africa	USD	1.1234	10.91	15,295	–791
234.	Latin America Healthinvest S.L.U., Madrid, Spain	MXN	21.2202	18.67	1,907,004	492,984
235.	C88 Financial Technologies Pte. Ltd., Singapore, Singapore	USD	1.1234	5.72	21,107	–8,166
236.	JREP I Logistics Acquisition, L.P., Grand Cayman, Cayman Islands	USD	1.1234	12.8	153,737	–863
237.	ADP II Holding 10 L.P., St. Peter Port, Guernsey (Channel Islands)	USD	1.1234	13.45	89,113	–675
238.	Creador IV L.P., Ebène, Mauritius	USD	1.1234	4.92	18,583	–6,305
239.	Vietnam Opportunity Fund II PTE. LTD., Singapore, Singapore		[6]	32	[6]	[6]
240.	ADP II Holding 11 S.A.R.L., Munsbach, Luxembourg		[6]	33.3	[6]	[6]

[1] ISO currency code.
[2] CU = currency units in local currency.
[3] Equity calculated as per HGB Article 266, Sections 3 & 272.
[4] Result calculated as per HGB Article 275, Sections 2 & 3.
[5] kCU = 1,000 currency units in local currency.
[6] No current annual statement of accounts available.
[7] Indirect involvement of DEG.

CORPORATE BODIES

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Parliamentary State Secretary
Federal Ministry for Economic Cooperation and Development, Berlin

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DEG, Cologne

Wolfgang Schmidt
State Secretary
Federal Ministry of Finance, Berlin

Management Board

Monika Beck

Philipp Kreutz

Christiane Laibach
CEO, (Chairwoman until 14.02.2020)

Cologne, 18 February 2020

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

The Management Board

Laibach Beck Kreutz

AUDITOR'S REPORT

We have issued the following audit certificate on the annual financial statements and management report:

"Independent auditor's report

To Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne

Report on audit of the annual financial statements and management report

Audit opinion

We have audited the annual financial statements of DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne – consisting of the balance sheet as at 31 December 2019, the profit and loss account for the financial year from 1 January 2019 to 31 December 2019, and the appendix, which includes the valuation/accounting criteria. We have additionally audited DEG's management report for the financial year from 1 January 2019 to 31 December 2019. In keeping with statutory provisions under German law, we have not verified as to substance the declaration on page 7 of the management report on corporate governance as per Article 289f, Section 4 HGB (information on quota of female staff).

In our judgement, based on the audit findings,

- the attached annual financial statements comply, in all significant aspects, with German commercial law as it applies to corporations, and give a true and fair view of the net worth and financial situation of the company as at 31 December 2019, and of its earnings situation for the financial year from 1 January 2019 to 31 December 2019, in accordance with standard German accounting principles, and
- the attached management report as a whole conveys an accurate view of the company's situation. This management report conforms to the annual financial statements in all essential points. It complies with German statutory requirements and presents an accurate picture of the opportunities and risks of future development.

In accordance with Article 322, Section 3, Clause 1 HGB, we declare that our audit has not given rise to any objections in respect of the correctness of the annual statements of accounts and the management report.

Basis for the audit opinions

We conducted our audit of the annual statements of accounts and the management report in accordance with Article 317 HGB and in compliance with the German standards for audits of financial statements established by Institut der Wirtschaftsprüfer (the German Institute of Public Auditors IDW). Additional information on our responsibility under these provisions and principles may be found in the section "Auditor's responsibility for the audit of the annual financial statements and the management report" of this report. In accordance with German commercial law and with provisions regulating the profession, we are independent of the company and have fulfilled our other professional duties under German regulations in compliance with these requirements. We are of the opinion that the audit evidence we have gathered is suitable and sufficient to serve as the basis of our audit opinions on the annual financial statements and the management report.

Other information

Under Article 10 of DEG's Articles of Association, the Supervisory Board is responsible for the "Report of the Supervisory Board". The Management Board and the Supervisory Board are jointly required under Article 16 of DEG's Articles of Association to make an annual declaration of compliance with the recommendations of the German Federal Public Corporate Governance Code PCGC (Public Corporate Governance Kodex des Bundes) in whatever form is in force at the time, and to publish that declaration as part of the Corporate Governance Report. Otherwise, responsibility for any other information rests with the statutory representatives.

Other information comprises the "Declaration on corporate governance as per Article 289f, Section 4 HGB (information on quota of female staff)", as well as those sections of DEG's 2019 annual report which will presumably be provided to us after this date, specifically: "DEG at a glance", "Report by the Supervisory Board" and "Corporate Governance Report 2019".

Our audit opinions on the annual financial statements and the management report do not extend to this other information. Hence, we neither give an audit opinion, nor come to any other form of audit conclusion in relation to it.

In connection with our audit, we have a responsibility to read the other information provided and to recognise whether this other information

- contains significant inconsistencies with the annual financial statements, the management report or the understanding we have gained in the course of our audit, or
- appears inaccurately presented to a significant degree in any other way.

If, based on the work we have carried out, we come to the conclusion that a significant misrepresentation of this other information is present, we are obliged to report on this fact. We have nothing to report in this instance.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report

The legal representatives are responsible for drawing up the annual financial statements, which comply in all essential points with German commercial law as it applies to corporations, and for ensuring that the annual financial statements give a true and fair view of the company's net worth, financial and earnings situation, in accordance with standard German accounting principles. The legal representatives are further responsible for the internal controls they have, in compliance with standard German accounting principles, deemed necessary to enable the preparation of annual financial statements that are free from significant – deliberate or unintentional – misstatements.

When compiling the annual financial statements, the legal representatives have a responsibility to evaluate the company's ability to continue as a going concern. Furthermore, they have a responsibility to detail, where pertinent, issues connected to the continuation of corporate activities. They also have a responsibility to account for the going-concern accounting principles, provided this is not prevented by actual or statutory conditions.

The legal representatives are further responsible for drawing up a management report that conveys an accurate overall view of the company's situation, is consistent in all essential points with the annual financial statements, complies with German statutory requirements, and gives an accurate picture of the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the arrangements and measures (systems) they have deemed necessary to enable the compilation of a management report in accordance with the applicable provisions under German law, and to ensure that sufficient suitable evidence for the statements in the management report can be provided.

The Supervisory Board is responsible for monitoring the company's financial reporting process used to prepare the annual financial statements and the management report.

Auditor's responsibility for the audit of the annual financial statements and the management report
Our goal is to achieve sufficient certainty on whether the annual financial statements as a whole are free from material – deliberate or unintentional – misstatements; whether the management report as a whole conveys an accurate picture of the company's situation as well as being consistent in all essential respects with the annual financial statements and with the insights gained during the audit; and whether it complies with German statutory requirements and gives an accurate view of the opportunities and risks of future development. Our goal is further to issue an audit certificate that comprises our audit opinions on the annual financial statements and the management report.

Sufficient certainty is a high degree of certainty, but does not guarantee that an audit carried out in accordance with Article 317 HGB and in compliance with the German standards for audits of financial statements established by Institut der Wirtschaftsprüfer (the German Institute of Public Auditors IDW) will always discover a material misstatement. Misstatements may arise from infringements or errors and are regarded as significant if they allow the reasonable assumption that they, singly or as a whole, influence commercial decisions taken by recipients on the basis of these annual financial statements and this management report.

In the course of our audit, we exercise judgement, as duty bound, and maintain a critical attitude. We additionally

- identify and evaluate the risks of significant – deliberate or unintentional – misstatements in the annual financial statements and the management report, plan and carry out audit activities in response to these risks, and gather audit evidence that is sufficient and suitable to serve as the basis for our audit opinions. The risk that significant misstatements remain undiscovered is greater in regard to infringements than in the case of errors, since infringements may involve fraudulent collaboration, forgeries, deliberate deficiencies, misleading representations and the suspension of internal control systems;
- gain an understanding of the internal control system relevant to the auditing of the annual financial statements, and of the arrangements and measures relevant to the auditing of the management report, with a view to planning audit activities that are appropriate in the circumstances, albeit not with the aim of giving an audit opinion on the effectiveness of these corporate systems;
- evaluate the appropriateness of the financial reporting methods used by the legal representatives, as well as the extent to which the estimated values and associated statements presented by the legal representatives are justifiable;
- draw conclusions about the suitability of the going-concern accounting principle applied by the legal representatives, as well as come to a view, based on the audit evidence received, on whether significant uncertainty pertains in connection with events or circumstances that may lead to significant doubt about the company's ability to continue as a going concern. Should we come to the conclusion that significant uncertainty is present, we have an obligation to draw attention to the relevant details in the annual financial statements and the management report in our audit certificate, or, should such statements be inappropriate, to modify our audit opinion. We base our conclusions on the audit evidence obtained by the date on which our certificate is issued. Future events or circumstances may nevertheless result in the company not being able to continue as a going concern;
- evaluate the overall presentation, the organisation and content of the annual financial statements, including the data, and take a view on whether the annual financial statements present the basic business transactions and events in a manner that gives a true and fair view of the net worth, financial and earnings situation of the company in accordance with German accounting principles;
- evaluate the extent to which the management report is consistent with the annual financial statements, its compliance with the law, and the view of the company's situation presented therein;
- carry out audit activities in relation to the outlook presented by the legal representatives in the management report. Drawing on sufficient, suitable audit evidence, we specifically examine the main assumptions on which the legal

representatives have based their outlook and make a judgement as to whether the outlook has been correctly derived from the assumptions. We do not give a separate audit opinion on the outlook, or on the assumptions on which it is based. There is a substantial, unavoidable risk that future events will significantly diverge from the outlook.

We discuss, among other things, the proposed scope and scheduling of the audit as well as important audit findings with those responsible for monitoring the process. This includes any flaws in the internal control system which we may have uncovered in the course of our audit."

Düsseldorf, 18 February 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Lösken	Wirths
Auditor	Auditor

Translation of the independent auditor's report issued in German language on the annual financial statements prepared in German language by the Management Board of company. The German language statements are decisive.

Imprint

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