

2018
Annual Report

Annual Report 2018

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CHAPTER I

The Office du Ducroire

One-stop Shop for Exporters

Message from the Chairman

ARSÈNE JACOBY



Dear Customers, Dear Exporters,
Dear interested Readers,

Trade and political tensions continue to shape the international environment and moderate global growth perspectives. The broad-based upswing in cyclical growth abated and the global economic expansion lost pace in the second half of 2018. Against this global backdrop, Luxembourg's economy continued to grow at a remarkable, albeit, slower pace. Economic growth reached 2.6 percent in 2018, above EU average, and was driven by domestic demand and a dynamic international financial sector. Overall, GDP is forecast to grow by 2.5% in 2019 and 2.6% in 2020. Despite the sustained performance of the Luxembourg economy, ODL has recorded a loss for the financial year 2018 due to the continued impact of exceptionally large defaults in one of the key export sectors that led to a significant increase in provisions for claims outstanding. Investment income remained flat in 2018.

ODL continues to innovate and expand its range of products and services with a view to support Luxembourg's international competitiveness and ready the economy for the future. Indeed, the digitalization of our economies are creating a new set of challenges for governments and companies. ODL is facilitating the digital transformation of Luxembourg's export base and is currently working on the link between cybersecurity and the digitized industry. In parallel, ODL further explored the catalytic potential of a strengthened coopera-

tion with the international financial sector and launched the insurance of bank loans as a complement to the insurance of bank guarantees. In addition, ODL has deposited its draft bill with the parliament. We expect the new legal basis to enter into force late 2019. This will further facilitate our cooperation with private sector insurers and financiers and promote Luxembourg's economic growth and competitiveness. With the help of the Committee for the Promotion of Luxembourg Exports (COPEL), we will continue to nurture our companies' international business aspirations.

Let me stop here and take this opportunity to thank our fellow ECAs, esteemed private sector business partners and our customers for their continued support, fruitful cooperation and for their confidence in ODL. I would also like to thank the team at ODL for their relentless effort in servicing our export community and their hard work and dedication to help our economy to grow and diversify.

Organisation and Mission

OFFICE DU DUCROIRE (ODL)
AND COPEL

ORGANISATION

Committee ODL

- ▲ **Mr Arsène JACOBY**, Chairman, Ministry of Finance
- ▲ **Ms Michèle EISENBARTH** (until January 2019)
Ministry of Foreign and European Affairs
- ▲ **Mr Jean-Louis THILL** (since February 2019)
Ministry of Foreign and European Affairs
- ▲ **Mr Pierre FRISCH**
Ministry of Finance
- ▲ **Mr André HANSEN**
Ministry of the Economy
- ▲ **Mr Claude WIRION**
Commissariat aux Assurances
- ▲ **Mr Carlo THELEN** (until January 2019)
Private sector
- ▲ **Ms Violaine MATHURIN** (since February 2019)
Private sector
- ▲ **Mr René WINKIN**
Private sector
- ▲ **Mr Frank WAGENER**
Private sector

COPEL

(Comité pour la promotion des exportations luxembourgeoises)

- ▲ **Mr André HANSEN**, Chairman
Ministry of the Economy
- ▲ **Mr Max FISCHBACH**
Ministry of the Economy
- ▲ **Mr Arsène JACOBY**
Ministry of Finance
- ▲ **Mr Jean-Louis THILL** (until January 2019)
Ministry of Foreign and European Affairs
- ▲ **Mr Michel LEESCH** (until February 2019)
Ministry of Foreign and European Affairs

Secretariat

- | | |
|--|--|
| ▲ Ms Simone JOACHIM
Secretary General | ▲ Mr Cristiano LEAL
Accountant |
| ▲ Ms Danielle WIRTZ
Deputy Secretary General | ▲ Ms Nadine MARQUES
Account Manager |
| ▲ Ms Anne-Cécile ACHTEN
Legal Counsel | ▲ Mr Nelson TEIXEIRA
Account Manager |
| ▲ Mr Charles-Emmanuel de RIBAUCOURT
Credit Analyst | ▲ Mr Sohrab ZIAI
Sales and Marketing Manager |

Auditor

- ▲ Mazars Luxembourg S.A.

MISSION

ONE-STOP SHOP FOR EXPORTERS

ODL, a public institution created in 1961, supports Luxembourg exporters in their international development through:

- financial support for exports
- insurance facilities for exports, imports, investments
- insurance facilities for banks that finance the Luxembourg companies

ODL promotes Luxembourg exports of goods and services by granting financial support either as partial reimbursement of the costs related to the promotion of exports and the participation in trade fairs, or as advances repayable under certain conditions.

As an insurer, ODL covers Luxembourg exporting companies against the risk of non-payment of their customers / suppliers due to insolvency, payment default or due to political events such as the risk of currency transfer, war, revolutions, natural disasters, risk of expropriation or government action.

ODL has recently developed insurance facilities for banks that grant credit lines to Luxembourg exporters and /or that issue bank guarantees in favor of the customers of the Luxembourg companies. ODL covers the banks against the risk of default of the Luxembourg company, which creates leverage by allowing the bank to increase the credit lines without taking any additional risk.

ODL offers innovative products enabling it to respond to the needs of Luxembourg exporters in general but also the specific needs of SMEs and start-ups or whenever the private insurance market fails.

All financial support and insurance facilities comply with national and international rules, regulations and laws.



CHAPTER II

2018 Activities

1. Credit Insurance
2. Financial Support for Exports



1. Credit Insurance

KEY FIGURES OF 2018

411,060,687.62 € | 555,686,440.26 €
2017

▲ NEW TRANSACTIONS INSURED

4,079,930.77 € | 5,334,846.66 €
2017

▲ WRITTEN PREMIUM

4,310,829.35 € | 8,255,333.21 €
2017

▲ EARNED PREMIUM, NET OF REINSURANCE

605,785,536.71 € | 746,904,906.12 €
2017

▲ TOTAL COMMITMENTS AS OF 31 DECEMBER

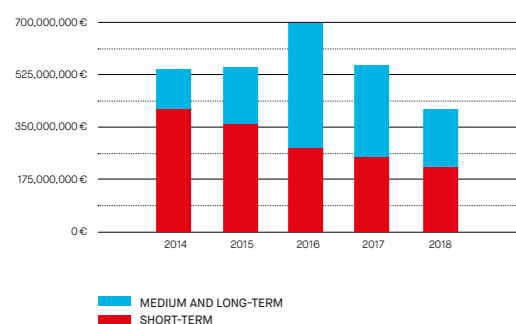
5,750,794.81 € | 12,482,804.42 €
2017

▲ CLAIMS PAID

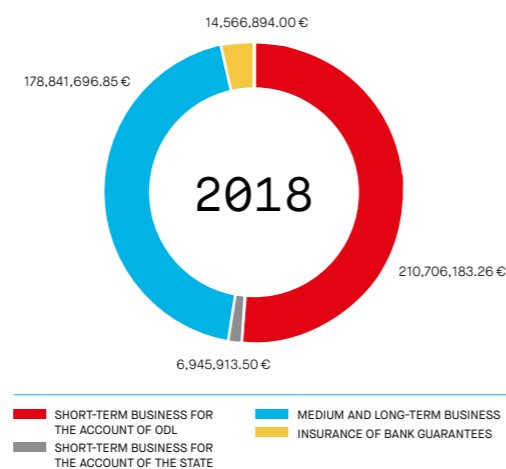
3,644,784.71 € | 1,845,175.70 €
2017

▲ RECOVERIES FOR CLAIMS PAID

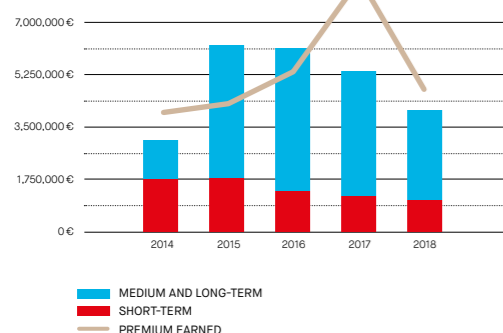
NEW TRANSACTIONS INSURED



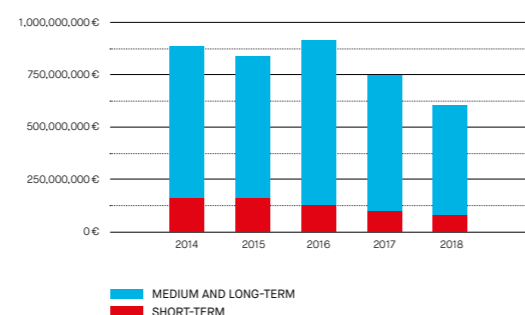
NEW TRANSACTIONS INSURED BREAKDOWN



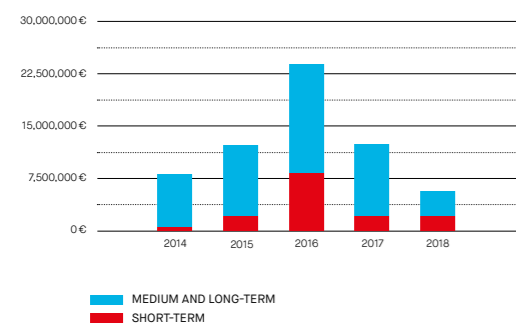
WRITTEN PREMIUM + EARNED PREMIUM



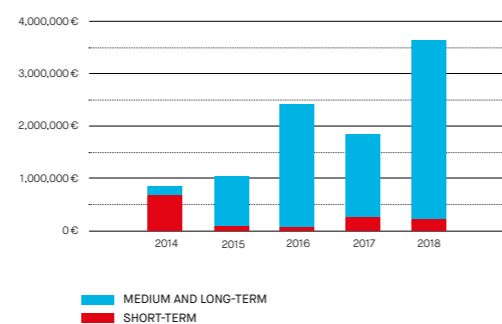
COMMITMENTS AS OF 31 DECEMBER



CLAIMS PAID



RECOVERIES FOR CLAIMS PAID



1.1 MEDIUM AND LONG-TERM BUSINESS

Export contracts

ODL offers a complete range of products to insure **Luxembourg exporters and their banks** against the risk of non-payment of their export contracts due to insolvency/payment default of their customers or due to political events.

ODL covers exports of capital goods, industrial projects, general construction works and engineering services, with a completion period exceeding 12 months, that are either payable on a prorata basis according to deliveries made or the progress of work (**cash transactions**), or financed through credit over several years (**buyer credit / supplier credit**). For all repayment periods exceeding two years, the regulations of the OECD Arrangement on officially supported export credits (which sets rules regarding credit terms, interest rates, required down payment percentages and insurance premiums) apply.

In a supplier credit, the Luxembourg exporter grants extended payment terms to its foreign buyer. Usually the credit is materialized by bills of exchange / promissory notes drawn by the exporter and accepted by the buyer. The bill of exchange can be discounted by a bank, with or without recourse against the exporter.

In a buyer credit, the lending bank grants an export credit to the foreign buyer and the Luxembourg exporter can draw on

the credit and receives cash payment for the execution of the commercial contract.

At the request of the lending bank and in addition to the buyer credit cover, ODL may grant an on demand guarantee callable on first demand to the refinancing bank. In the internal relationship between ODL and the lending bank, the Terms and Conditions of Buyer Credit policy remain applicable.

In addition to this coverage of non-payment risk, ODL can cover the **cancellation (pre-shipment) risk** as well as **the unfair calling of bank guarantees** (bid bond, advance payment guarantee, performance guarantee) that are often requested by the buyer in an export contract.

Prefinancing Contracts

ODL insures the importers and traders against the risk of non-reimbursement of their advance payment in case of non-delivery of the ordered goods by the supplier.

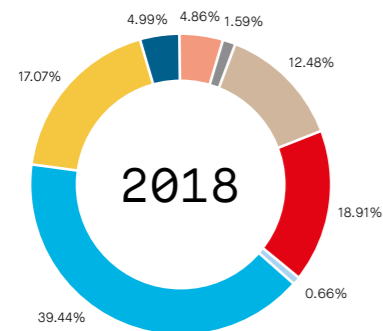
Contracts with risk periods exceeding two years are covered with the guarantee from the Luxembourg State.

Export contracts with debtors located in marketable risk countries with a maximum risk period of less than 2 years are covered without State guarantee.

In 2018, no transaction was covered for the account of the State.

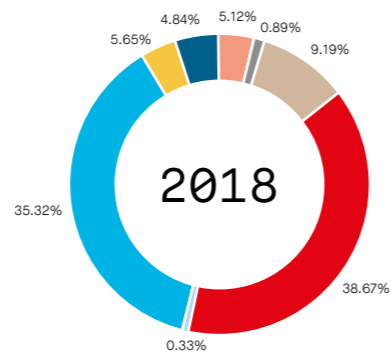
	WITH STATE GUARANTEE		WITHOUT STATE GUARANTEE		FOR THE ACCOUNT OF THE STATE		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
New transactions insured	163,157	241,447	15,684	9,952	0	0	178,841	251,399
Number of transactions insured	115	122	17	17	0	0	132	139
Written premium	2,852	3,932	136	81	0	0	2,988	4,013
Reinsurers' share								
New transactions insured	-11,879	41,066	0	0	0	0	-11,879	41,066
Written premium	329	1,350	0	0	0	0	329	1,350
Commitments as of 31 December	515,363	636,825	7,561	7,109	0	0	522,924	643,934
Offers of cover outstanding as of 31 December	41,266	26,644	10,536	0	0	0	51,802	26,644
Claims paid	3,714	10,391	0	0	0	0	3,714	10,391
Recoveries for claims paid	3,440	1,591	0	0	0	0	3,440	1,591

BREAKDOWN OF NEW MEDIUM AND LONG-TERM INSURED BUSINESS IN 2018



ODL covered new contracts for an amount of 179 million euros (2017: 251 million euros). Central and Eastern Europe accounted for the greatest share of new cover granted (39.44% of total cover), followed by Asia (18.91% of total cover).

BREAKDOWN OF MEDIUM AND LONG-TERM EXPOSURE AS AT 31 DECEMBER 2018



The Middle East only represents 4.99% of the cover granted in 2018.

SCHEDULE FOR MEDIUM AND LONG-TERM COMMITMENTS AS AT 31 DECEMBER 2018 (IN MILLIONS OF EUR)

TOTAL	PAYMENT DELAYS	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
522.92	125.85	254.93	75.11	46.85	12.19	5.73	1.62	0.45	0.20	0.00	0.00	0.00

The commitments take into account the percentage of cover and include the principal and estimated interest.

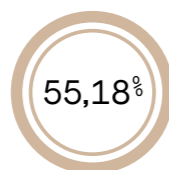
The total medium and long-term exposure of ODL on 31 December 2018 decreased to 522 million euros. Asia and Central and Eastern Europe account respectively for 38.67% and 35.32%, while Latin America only represents 9.19% of the total commitments.

Due to the size of the Luxembourg economy and the sector breakdown of its exporting companies, ODL is exposed to a high concentration of risk in certain countries.

The three countries listed below represent 55.18% of ODL's overall medium and long-term exposure as of 31 December 2018.

In 2018, claims paid decreased to 3.7 million euros (2017: 10.4 million euros).

Russia
India
South Korea

1.2 SHORT-TERM BUSINESS
(CREDIT TERMS UP TO 12 MONTHS)Business for the account of ODL
(with or without State guarantee)

ODL insures Luxembourg exporters against the risk of non-payment of their short-term receivables.

(in thousands of EUR)	WITH STATE GUARANTEE		WITHOUT STATE GUARANTEE		TOTAL	
	2018	2017	2018	2017	2018	2017
New transactions insured	185,864	210,127	24,842	37,864	210,706	247,991
Written premium	897	1,044	100	129	997	1,173
Reinsurers' share						
Insured transactions	56,478	56,723	10,724	17,082	67,202	73,805
Written premium	240	244	29	46	269	290
Commitments as of 31 December	67,520	84,637	8,676	14,547	76,196	99,184
Claims paid	1,441	2,068	0	23	1,441	2,091
Indemnities recovered	191	236	14	17	205	253

ODL covers exports to high-risk countries (non-marketable risks countries) with the guarantee of the Luxembourg State.¹ In case of failure of the private insurance market, ODL may cover exports to EU countries and core countries of the OECD (marketable risks). This business is covered without the guarantee of the Luxembourg State.

In its role as a one-stop shop for exporters, ODL acts as co-insurer of Euler Hermes in whole turnover policies covering buyers located worldwide.

In 2018, the insured turnover, the written premium and the claims paid decreased slightly.

Business for the account of the State: Individual Top Up

In 2018, ODL continued to manage the Individual Top Up policy for the account of the State. This policy was launched by the Government during the financial crisis. It provides additional protection where full cover is not available under the exporter's primary policy due to the risk profile of the buyer or the country risk.

The Individual Top Up has enabled Luxembourg exporters to continue trading with their customers at higher risk levels, helping them to grow their business safely and securely knowing that the increased risks are covered.

	2018	2017
Number of companies having used the Top Up coverage	3	6
New transactions insured	6,945,913.50 €	2,060,000.00 €
Commitments as of 31 December	3,321,117.83 €	1,167,901.85 €
Written premium	56,805.36 €	23,050.00 €
Claims paid	595,601.85 €	0.00 €

The exemption for short-term business to Greece has been extended by the European Commission until 31 December 2019.²

¹ Communication of the Commission applying to short-term export credit insurance (OJ C392)

² Communication of the Commission applying to short-term export credit insurance (2018/C225/01)

1.3 INSURANCE OF BANK GUARANTEES

In January 2015, ODL launched an insurance for bank guarantees (e.g. performance bonds, advance payment bonds) issued in favor of the clients of national exporters.

This insurance protects the issuing bank against the risk of default of the exporters and by doing so facilitates financing of international transactions by creating leverage for exporters that need credit lines from banks.

ODL generally covers 50% of the amount of the guarantee. The percentage of cover can be increased up to 80% in special cases.

The premium charged by ODL is based on the risk fee charged by the bank to the Luxembourg exporter on the percentage of risk taken by ODL.

	2018	2017
New transactions insured	14,566,894.00 €	54,236,023.05 €
Commitments as of 31 December	3,344,368.30 €	2,618,879.17 €
Written premium	37,628.89 €	125,443.87 €
Claims paid	0.00 €	0.00 €

2. Financial support for Exports

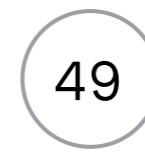
KEY FIGURES OF 2018

1,835,164.83 €

▲ AMOUNT PAID

764,956.31 €

▲ TOTAL COMMITMENTS AS OF 31 DECEMBER



▲ NUMBER OF APPLICATIONS



▲ NUMBER OF COMPANIES

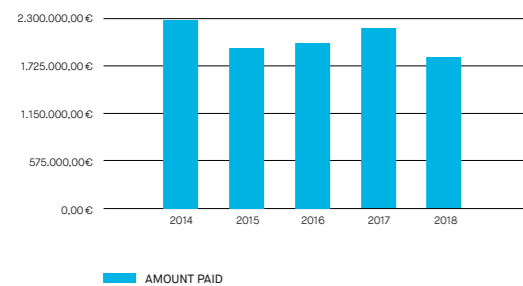


▲ NUMBER OF COMPANIES

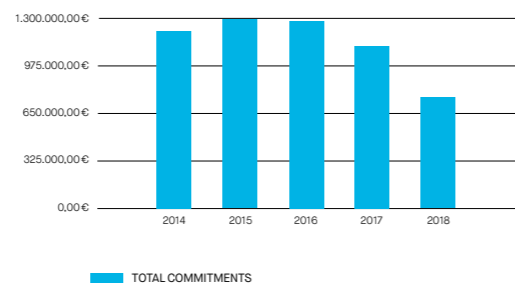


▲ NUMBER OF YOUNG AND MICROCOMPANIES

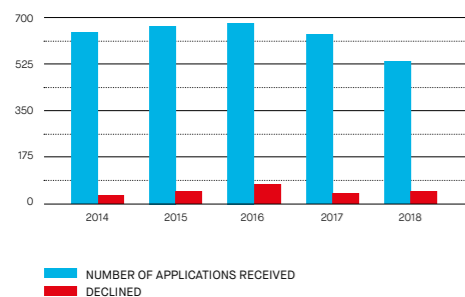
AMOUNT PAID



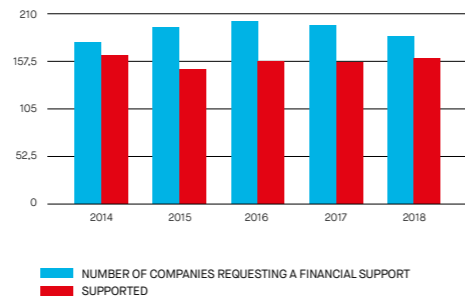
TOTAL COMMITMENTS AS OF 31 DECEMBER



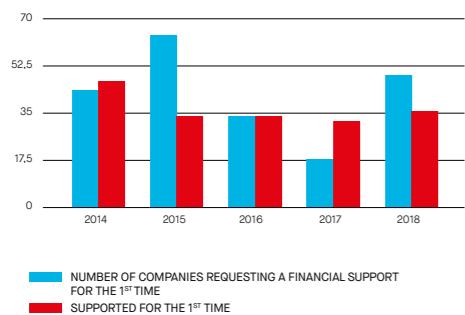
NUMBER OF APPLICATIONS RECEIVED



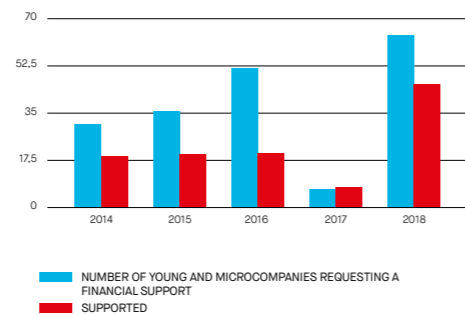
NUMBER OF COMPANIES



NUMBER OF COMPANIES (1ST TIME)



NUMBER OF YOUNG AND MICRO-COMPANIES



Based on the law of 24 July 1995 governing ODL, a Cooperation Agreement between the Government and ODL was signed on April 29, 2002.

The Cooperation Agreement aims to promote Luxembourg exports through:

- financial support for the design and translation of promotional material, for the participation at trade fairs, seminars and conferences, as well as for consultancy services and export training.
- tied aid mechanisms like interest make-up schemes, direct grants or technical assistance.

Official support for export activities is subject to the following conditions:

- interest to the Luxembourg economy
- financial viability of the applicant
- compliance with Luxembourg legislation, EU competition rules (Commission Regulation (EC) No. 1407/2013 of 18 December 2013 on the application of articles 107 and 108 of the EC Treaty to the Minimis aid (publication in the official Journal of the European Union, JO L352 from 24 December 2013) and the OECD Arrangement on officially supported export credits.

The Cooperation Agreement has implemented the COPEL (Committee for the Promotion of Luxembourg Exports) as a sub-committee of the Committee of ODL.

The COPEL is composed of civil servants of the Ministry of Economy, the Ministry of Finance and the Ministry of Foreign and European Affairs. The COPEL meets once a month to analyse the application for aid and to propose decisions to the Committee of ODL. Official support in excess of 500,000 € is subject to the approval of the Government.

CHAPTER III

Financial Statements

1. Credit Insurance
2. Financial Support for Exports
3. Auditor's Report



1. Credit Insurance

BALANCE SHEET FOR THE ACCOUNT WITH STATE GUARANTEE

AS AT 31.12.2018 AND 31.12.2017 IN EUR

	NOTE*	31.12.2018	31.12.2017
ASSETS			
C. Investments			
III. Other Financial investments			
1. Shares and other variable-yield transferable securities and units in unit trusts	3.1.2	10,558,999.02	12,519,219.31
2. Debt securities and other fixed income transferable securities	3.1.3	98,093,963.79	101,728,694.62
6. Deposits with credit institutions		14,594,488.36	13,432,104.59
		123,247,451.17	127,680,018.52
D. bis Subrogation and salvage	3.8	19,734,886.92	22,559,517.84
E. Reinsurers' share of technical provisions			
I. Provision for unearned premiums		3,279,078.40	5,539,931.50
III. Provision for claims outstanding		81,850,774.19	74,807,682.16
		85,129,852.59	80,347,613.66
F. Debtors			
I. Debtors from direct insurance transactions		589,528.38	380,866.34
II. Debtors from reinsurance transactions		422,543.43	222,306.42
III. Other Debtors		252,929.44	
		1,265,001.25	603,172.76
G. Other assets			
I. Tangible assets and stocks	3.2	13,775.49	21,790.58
II. Cash at bank and in hand		21,808,310.84	18,034,543.64
		21,822,086.33	18,056,334.22
H. Prepayment and accrued income			
I. Accrued interest and rent		409,374.84	623,995.16
III. Other prepayment and accrued income		614,793.98	3,214,389.57
		1,024,168.82	3,838,384.73
TOTAL ASSETS		252,223,447.08	253,085,041.73
Off-balance sheet commitments for the account with State guarantee		586,227,606.05	724,081,476.63

* The accompanying notes form an integral part of these financial statements

	NOTE	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
A. Capital and reserves			
I. Subscribed capital or equivalent funds	3.3	44,525,000.00	44,525,000.00
IV. Reserves	3.3	33,884,940.85	43,062,060.07
VI. Profit or (loss) for the financial year	3.3	(2,156,872.10)	(9,177,119.22)
		76,253,068.75	78,409,940.85
D bis. Reinsurers' share of subrogation and salvage			
		14,339,042.59	16,316,284.23
C. Technical provisions			
I. Provision for unearned premiums		6,920,999.28	10,010,481.68
III. Provision for claims outstanding		124,857,678.22	107,159,650.49
V. Equalisation provision			
2. Equalisation provision		28,279,875.43	35,577,194.16
		160,058,552.93	152,747,326.33
G. Creditors			
I. Creditors arising from direct insurance transactions		73,525.07	3,798,005.19
II. Creditors from reinsurance transactions	3.8	172,509.81	437,662.77
V. Other creditors			
2. Other		3,678.38	1,655.86
		249,713.26	4,237,323.82
H. Accruals and deferred income			
I. Other accruals		1,323,069.55	1,374,166.50
		1,323,069.55	1,374,166.50
TOTAL EQUITY AND LIABILITIES		252,223,447.08	253,085,041.73

* The accompanying notes form an integral part of these financial statements

PROFIT AND LOSS ACCOUNT FOR THE ACCOUNT WITH STATE GUARANTEE

AS AT 31.12.2018 AND 31.12.2017 IN EUR

	NOTE*	31.12.2018	31.12.2017
I. TECHNICAL ACCOUNT OF NON-LIFE INSURANCE BUSINESS			
1. Earned premiums, net of reinsurance			
a) Gross written premiums	3.4	3,786,544.78	5,105,700.71
b) Outward reinsurance premiums		(557,913.29)	(1,587,667.01)
c) Change in gross provision for unearned premiums		3,089,482.40	14,192,653.95
d) Change in the provision for unearned premiums, reinsurers' share		(2,260,853.10)	(9,674,891.42)
		4,057,260.79	8,035,796.23
2. Allocated investment return transferred from the non-technical account		336,108.92	696,548.52
3. Other technical income, net of reinsurance		284,200.41	6,890,423.41
4. Claims incurred, net of reinsurance			
a) Claims paid		(2,805,144.39)	(4,846,476.41)
aa) Gross amount		(5,155,192.93)	(12,459,485.09)
ab) Reinsurers' share		2,350,048.54	7,613,008.68
b) Change in the provision for claims		(10,654,935.70)	(27,313,813.01)
ba) Gross amount		(17,698,027.73)	(99,693,523.06)
bb) Reinsurers' share		7,043,092.03	72,379,710.05
	3.4	(13,460,080.09)	(32,160,289.42)
6. Bonuses and rebates, net of reinsurance		(119,669.79)	(75,443.31)
7. Net operating expenses			
a) Acquisition costs		(25,589.77)	(62,292.18)
c) Administrative expenses	3.5	(952,465.98)	(1,145,857.93)
d) Reinsurance commissions and profit participation		38,440.90	149,247.49
		(939,614.85)	(1,058,902.62)
9. Change in equalisation provision		7,297,318.73	8,487,659.33
10. Balance on the technical account for non-life insurance Business		(2,544,475.88)	(9,184,207.86)
III. NON-TECHNICAL ACCOUNT			
1. Balance on the technical account for non-life insurance Business		(2,544,475.88)	(9,184,207.86)
3. Investment income	3.6	1,004,276.75	1,363,081.49
5. Investment charges	3.7	(463,377.87)	(202,167.29)
6. Allocated investment return transferred to the non-life technical account		(336,108.92)	(696,548.52)
7. Other income		191,073.46	855.12
8. Other charges, including value adjustments		(8,259.64)	(458,132.16)
10. Profit or (loss) on ordinary activities after tax		(2,156,872.10)	(9,177,119.22)
17. Profit or (loss) for the financial year		(2,156,872.10)	(9,177,119.22)

* The accompanying notes form an integral part of these financial statements



BALANCE SHEET FOR THE ACCOUNT WITHOUT STATE GUARANTEE

AS AT 31.12.2018 AND 31.12.2017 IN EUR

	NOTE*	31.12.2018	31.12.2017
ASSETS			
C. Investments			
III. Other Financial investments			
6. Deposits with credit institutions		13,004,613.31	12,785,590.56
		13,004,613.31	12,785,590.56
E. Reinsurers' share of technical provisions			
I. Provision for unearned premiums		2,199.77	5,421.02
III. Provision for claims outstanding		0.00	4,442.80
		2,199.77	9,863.82
H. Prepayment and accrued income			
III. Other prepayment and accrued income		35,061.50	12,045.20
		35,061.50	12,045.20
TOTAL ASSETS		13,041,874.58	12,807,499.58
Off balance-sheet commitments for the account without State guarantee		16,236,812.37	21,655,527.64

* The accompanying notes form an integral part of these financial statements

	NOTE*	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
A. Capital and reserves			
I. Subscribed capital	4.1	3,000,000.00	3,000,000.00
IV. Reserves	4.1	8,507,122.38	8,433,870.57
VI. Profit or (loss) for the financial year	4.1	318,630.78	73,251.81
		11,825,753.16	11,507,122.38
C. Technical provisions			
I. Provision for unearned premiums		29,827.66	29,637.33
III. Provision for claims outstanding		148,325.07	8,885.60
V. Equalisation provision			
1. Balancing reserve		835,818.23	1,231,740.90
		1,013,970.96	1,270,263.83
E. Provisions for other risks and charges			
2. Provision for taxation	4.2	159,968.55	30,113.37
H. Accruals and deferred income			
1. Other accruals		42,181.91	0.00
TOTAL EQUITY AND LIABILITIES		13,041,874.58	12,807,499.58

* The accompanying notes form an integral part of these financial statements

PROFIT AND LOSS ACCOUNT FOR THE ACCOUNT WITHOUT STATE GUARANTEE

AS AT 31.12.2018 AND 31.12.2017 IN EUR

	NOTE*	31.12.2018	31.12.2017
I. TECHNICAL ACCOUNT OF NON-LIFE INSURANCE BUSINESS			
1. Earned premiums, net of reinsurance			
a) Gross written premiums	4.3	236,580.60	210,452.24
b) Outward reinsurance premiums		(28,993.58)	(45,932.82)
c) Change in gross provision for unearned premiums		(190.33)	30,833.83
d) Change in the provision for unearned premiums, reinsurers' share		(3,221.25)	(1,344.02)
		204,175.44	194,009.23
2. Allocated investment return transferred from the non-technical account		29,487.16	57,827.42
3. Other technical income, net of reinsurance		6,801.45	8,700.29
4. Claims incurred, net of reinsurance			
a) Claims paid			
aa)		0.00	(23,319.36)
bb) Reinsurers' share		0.00	11,659.68
b) Change in the provision for claims			
aa) Gross amount		(139,439.47)	24,705.63
bb) Reinsurers' share		(4,442.80)	(12,352.81)
	4.3	(143,882.27)	693.14
6. Bonuses and rebates, net of reinsurance		(17,216.76)	(13,030.33)
7. Net operating expenses			
a) Acquisition costs		0.00	0.00
c) Administrative expenses	4.4	(56,237.01)	(72,440.14)
d) Reinsurance commissions and profit participation		(256.29)	11,722.34
		(56,493.30)	(60,717.80)
9. Change in equalisation provision		395,922.67	(122,654.69)
10. Balance on the technical account for non-life insurance Business		418,794.39	64,827.26
III. NON-TECHNICAL ACCOUNT			
1. Balance on the technical account for non-life insurance Business		418,794.39	64,827.26
3. Investment income	4.5	59,178.73	96,379.04
6. Allocated investment return transferred to the non-life technical account		(29,487.16)	(57,827.42)
9. Tax on profit or (loss) on ordinary activities		(129,855.18)	(30,127.07)
10. Profit or (loss) on ordinary activities after tax		318,630.78	73,251.81
17. Profit or (loss) for the financial year		318,630.78	73,251.81

* The accompanying notes form an integral part of these financial statements

BALANCE SHEET FOR THE ACCOUNT OF THE STATE

AS AT 31.12.2018 AND 31.12.2017 IN EUR

	NOTE	31.12.2018	31.12.2017
ASSETS			
C. Investments			
III. Other Financial investments			
6. Deposits with credit institutions		10,909,663.01	11,786,192.57
		10,909,663.01	11,786,192.57
TOTAL ASSETS		10,909,663.01	11,786,192.57
Off-balance sheet commitments for the account of the State		3,321,117.83	1,167,901.85

	NOTE	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
A. Capital and reserves			
I. Subscribed capital	5.1	6,777,396.57	6,777,396.57
IV. Reserves	5.1	4,750,306.06	4,705,687.47
VI. Profit or (loss) for the financial year	5.1	(626,490.87)	44,618.59
		10,901,211.76	11,527,702.63
C. Underwriting reserves			
I. Provision for unearned premiums		8,451.25	1,039.01
III. Provision for claims outstanding		0.00	257,450.93
		8,451.25	258,489.94
TOTAL EQUITY AND LIABILITIES		10,909,663.01	11,786,192.57

* The accompanying notes form an integral part of these financial statements

PROFIT AND LOSS ACCOUNT FOR THE ACCOUNT OF THE STATE

AS AT 31.12.2018 AND 31.12.2017 IN EUR

	NOTE	31.12.2018	31.12.2017
I. TECHNICAL ACCOUNT OF NON-LIFE INSURANCE BUSINESS			
1. Earned premiums, net of reinsurance			
a) Gross written premiums	5.2	56,805.36	23,050.00
c) Change in gross provision for unearned premiums		(7,412.24)	2,477.75
		49,393.12	25,527.75
2. Allocated investment return transferred from the non-technical account			
		27,182.27	53,440.90
4. Claims incurred, net of reinsurance			
a) Claims paid			
aa) Gross amount		(595,601.85)	0.00
b) Change in the provision for claims			
aa) Gross amount		257,450.93	0.00
		(338,150.92)	0.00
7. Net operating expenses			
c) Administrative expenses	5.3	(392,286.04)	(69,977.33)
		(392,286.04)	(69,977.33)
10. Balance on the technical account for non-life insurance Business			
		(653,861.57)	8,991.32
III. NON-TECHNICAL ACCOUNT			
1. Balance on the technical account for non-life insurance Business			
		(653,861.57)	8,991.32
3. Investment income			
	5.4	54,552.97	89,068.17
6. Allocated investment return transferred to the non-life technical account			
		(27,182.27)	(53,440.90)
10. Profit or (loss) on ordinary activities after tax			
		(626,490.87)	44,618.59
17. Profit or (loss) for the financial year			
		(626,490.87)	44,618.59

* The accompanying notes form an integral part of these financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS PER DECEMBER 31, 2018 (EXPRESSED IN EUR)

Note 1 – General Information

1.1 Establishment of the Office du Ducroire

The Office du Ducroire (hereinafter "ODL") was established under article 1 of the modified law of 25 November 1961.

ODL is a public institution and operates under the authority of the Ministry of Finance.

The financial year of ODL begins on January 1st and ends on December 31st.

According to article 17 of the Law of 24 July 1995 ODL presents separate annual financial statements for each account and type of activity referred to below.

1.2 Mission of the Office du Ducroire

The ODL's mission is to promote international economic and financial relations in the interest of Luxembourg, mainly by the acceptance of export, import and foreign investment risks. ("Insurance activity")

ODL may:

1. issue any guarantees to reduce risks, in particular political, commercial and financial risks, incurred by companies in carrying out their activities;
2. issue any guarantees to reduce risks linked to foreign investments. These investments must contribute to the development of the economic and social situation of the host country and to its economic relations with Luxembourg;
3. issue any guarantees to reduce foreign exchange risks, within the limits to be stipulated by Grand-Ducal Regulation;
4. exercise, in Luxembourg and abroad, allied or supplementary activities that will facilitate the attainment of its mission;
5. accomplish any other tasks entrusted to it by laws or regulations or assigned by the Government in Council. These missions may be the subject of agreements to be entered into by the Government and ODL and to be approved by the latter's Committee.

It is in this capacity that ODL concluded in 2002 a Cooperation Agreement with the Government to promote exports of goods and services through financial support by:

- intervening in export credit transactions, subsidizing or stabilizing the interest rates of trade credits;
- granting a subsidy resulting in an increased discount of the interest rate applied to a trade credit. A negative interest rate may be envisaged. The subsidy consists in the difference between the subsidized rate and the financing costs, plus the bank commission;
- financing, under associated financing scheme, in whole or part, the concessional component (grant), linked in fact or in law to the non-concessional component (trade credit) of the transaction;
- contributing to the financing of a technical assistance scheme provided within the scope of export credit for local users of goods or services of Luxembourg origin;
- providing partial reimbursement of expenses incurred in the promotion of products of Luxembourg origin abroad or employee training.

For the "Financial support for exports activity", a subcommittee COPEL (Comité pour la promotion des exportations luxembourgeoises) has been created, who assess the applications and proposes decisions to the Committee of ODL.

Separate financial statements are presented for this activity.

ODL performs the "Insurance activity":

- for the account of the State in the event that the transactions provided for under 1) and 2) above entail risks, the seriousness and duration of which exceed its technical capabilities, but whose realization is considered opportune by the Government sitting in Council or in the accomplishment of the missions entrusted to it by Laws or Regulations described above;

- on its own account and without a State guarantee for transactions which, by virtue of their nature, duration and intensity of the risk attached to them, are habitually guaranteed by companies acting not on behalf of the State or with a State guarantee;
- on its own account, and with a State guarantee under all other circumstances.

Note 2 – Summary of significant accounting policies

The financial statements have been prepared in accordance with the statutory models applicable to insurance companies under the Law of 08 December 1994 relating to the annual and consolidated financial statements of insurance and reinsurance companies subject to Luxembourg law. ODL respects, in terms of the establishment of technical provisions, the prudential rules of the law of 7 December 2015 on the insurance sector.

In preparing the financial statements, it is required to use certain critical accounting estimates and judgements that might affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated by the Committee and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Committee believes that the underlying assumptions are appropriate and that the financial statements therefore present the financial position and results fairly.

The financial statements are presented in euros (EUR). Assets and liabilities expressed in currencies other than euros are converted into euros at the exchange rate in force at the closing date. Foreign currency transactions executed during the financial year are converted to euros at the exchange rate prevailing at the date of transactions.

Operating income and expenses are assigned to the financial year following the principle of the accruals.

This means that:

- the share of written premiums that cover commitments after the closing date will not be recognised in the income for the financial year; only the "earned premiums" corresponding to the pro rata temporis share of premiums is recognised in the current financial year;
- claims are recognised in the profit and loss account as soon as an indicator, such as a payment default is notified by an insured.
- In order to insure the comparability of the financial statements as per 31 December 2018 and 31 December 2017, a reclassification was made between the caption "Claims incurred, net of reinsurance" and "Other technical income, net of reinsurance" in the profit and loss account for the account with state guarantee.
- In order to insure the comparability of the financial statements as per 31 December 2018 and 31 December 2017, a reclassification was made between the caption "Creditors from reinsurance transactions" and "Subrogation and salvage" in the balance sheet for the account with state guarantee.

2.1. Investments

2.1.1 Investments in affiliated undertakings and participating interests

Investments in affiliated undertakings and participating interests held as Investments are valued at acquisition cost including the expenses incidental thereto. In case of durable depreciation in value, value adjustments are made in respect of investments, so that they are valued at the lower figure to be attributed to them at the closing date. These value adjustments are not maintained if the reason for which the value adjustments were made has ceased to apply.

2.1.2 Shares and other variable-yield transferable securities and units in unit trusts

Shares are valued at acquisition cost including the expenses incidental thereto. In the case of durable depreciation in value according to the opinion of the Management, value adjustments are made in respect of financial fixed assets so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. Market value corresponds to the last available quote on the valuation day for shares listed on a stock exchange or quoted in on another regulated market.

2.1.3 Debt securities and other fixed income transferable securities

Debt securities and other fixed income securities are carried at amortised cost. Premiums paid over the redemption value (Agio) and discounts received in consideration of the redemption value (Disagio) are apportioned to the profit and loss account over the period to maturity. In the case of durable depreciation in value according to the opinion of the Management, value adjustments are made in respect of financial fixed assets so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Market value corresponds to the last available quote on the valuation day for securities listed on a stock exchange or quoted in on another regulated market.

Securities for which ODL holds a capital guarantee from the bank have been valued at the acquisition cost, increased by the pro rata temporis of the guaranteed fixed income. A value adjustment is deducted in case of durable loss at closing date. These value adjustments are not maintained if the reason for which these value adjustments were made has ceased to apply.

2.2 Reinsurers' share of technical provisions

Reinsurers' share of technical provisions comprises the actual or estimated amounts which, under contractual reinsurance agreements, are the responsibility of the reinsurer.

2.3 Debtors

Debtors are recorded at nominal value. They might be subject to value adjustments in case of probable loss.

2.4 Other assets

Tangible assets and stocks are valued at acquisition cost and are subject to the straight-line depreciation method. The normal anticipated useful life of fixed assets is five years.

Cash at bank and in hand are presented at nominal value.

2.5 Prepayment and accrued income

The accrued interest and rent entitlement include items that represent interest and rent that have been earned up to the closing date but are not yet due.

The other prepayment and accrued income include other charges recorded during the year but relating to a subsequent financial year together with incomes relating to the financial year but only payable after the end of the latter.

2.6 Technical provisions

2.6.1 Provision for unearned premiums

The provision for unearned premiums corresponds to the pro rata temporis share of the gross written premiums to be allocated to the periods following the closing date.

2.6.2 Provision for outstanding claims

The provision for outstanding claims represents a conservative estimate of ODL's liability for indemnities to be paid to the policyholders. The provision is calculated based on the risk category and the default period.

1) for each delay in payment reported and 2) for each instalment not yet due, in which a delay has been reported or settled for any previous instalment.

2.6.3 Equalization provision

In accordance with the law of 7 December 2015 and the Grand-Ducal Regulation of 5 December 2007, ODL establishes, in addition the provision for claims outstanding, an equalization provision which intends to cover exceptional and significant claims.

The equalization provision is determined separately for each risk category. Individual coefficients, fixed by the ODL's Committee, are applied to the commitments as of 31 December 2018.

There is nevertheless a ceiling for the equalization provision which cannot exceed 60% of the investment return transferred from the non-technical account to the technical account plus 75% of the technical balance before equalization provision and transfer of investment return.

2.7 Provision for other risks and charges

The provision for other risks and charges includes the tax charge for the financial year for activities without the guarantee of the State by ODL.

2.8 Creditors

Creditors are recorded at the nominal value and are due during the next financial year.

2.9 Accruals and deferred income

Accruals and deferred income corresponds to income received during the financial year but relating to a subsequent financial year, as well as the charges incurred during the financial year but only payable in a subsequent financial year.

2.10 Earned premiums, net of reinsurance

Gross written premiums represent the total amount of premiums invoiced during the financial year, regardless of whether these amounts relate wholly or partly to a subsequent year. The earned premiums corresponds to the pro rata temporis share of the premiums that are allocated to the current financial year. At closing date, a provision for unearned premium is established.

The reinsurers' share of premiums includes all premiums paid or payable in accordance to reinsurance contracts concluded by ODL.

2.11 Other technical income, net of reinsurance

This item includes net recoveries on claims paid, net of reinsurance, in direct insurance and reinsurance, and the subrogation and salvage. These positions are evaluated at nominal value.

2.12 Claims incurred, net of reinsurance

Claims incurred net of reinsurance include claims paid during the financial year and the change in the provision for outstanding claims.

2.13 Net operating expenses

Acquisition costs corresponds to the commissions paid for brokerage and fronting.

Administrative expenses include the costs of premium collection, portfolio administration, management of bonuses and refunds, as well as accepted and ceded reinsurance. They also include staff costs and depreciation of furniture and equipment, except when they are included in the acquisition costs, claims incurred or investment charges.

2.14 Off balance sheet commitments

This item corresponds to ODL's commitments on covered transactions as direct insurer and reinsurer at closing date.

Note 3 – Analysis of the most important items related to the account with State guarantee**3.1 Investments****3.1.1 Investments in affiliated undertakings and participating interests**

ODL holds on 31 December 2018 interests in the company NORTHSTAR EUROPE S.A.

	VALUE 01.01.2018	ADDITIONS/ ALLOCATIONS	DISPOSALS/ REVERSALS	VALUE 31.12.2018
Acquisition value	595,000.00	0.00	0.00	595,000.00
Value adjustments	(595,000.00)	0.00	0.00	(595,000.00)
Net value	0.00	0.00	0.00	0.00

3.1.2 Shares and other variable-yield transferable securities and units in unit trusts

	VALUE 01.01.2018	ADDITIONS/ ALLOCATIONS	DISPOSALS/ REVERSALS	VALUE 31.12.2018
Acquisition value	12,519,219.31	3,758,134.37	(5,552,674.26)	10,724,679.42
Value adjustments	0.00	0.00	(165,680.40)	(165,680.40)
Net value	12,519,219.31	3,758,134.37	(5,718,354.66)	10,558,999.02

The market value of shares and other variable-yield transferable securities and units in unit trusts amounts as per 31 December 2018 to EUR 10,099,315.80 (2017: EUR 13,169,247.03).

3.1.3 Debt securities and other fixed income transferable securities

	VALUE 01.01.2018	ADDITIONS/ ALLOCATIONS	DISPOSALS/ REVERSALS	VALUE 31.12.2018
Acquisition value	101,689,303.70	20,265,348.81	(23,870,178.70)	98,084,473.81
Reversal Discounts/ Premiums 2017	(221,734.86)	(77,517.96)	38,127.04	(261,125.78)
Discounts/ Premiums 2018	261,125.78	77,813.16	(68,323.18)	270,615.76
Net value	101,728,694.62	20,265,644.01	(23,900,374.84)	98,093,963.79

The market value of debt securities and other fixed income transferable securities amounts as per 31 December 2018 to EUR 99,464,658.00 (2017: EUR 104,224,542.07).

The bonds are valued considering Discounts/Premiums between the acquisition price and the nominal price. Discounts and premiums credited to the profit and loss account amount to respectively EUR 68,323.18 (2017: EUR 38,127.04) and EUR 77,813.16 (2017: EUR 77,517.96).

3.2 Other assets (tangible assets and stocks)

	VALUE 01.01.2018	ADDITIONS/ ALLOCATIONS	DISPOSALS/ REVERSALS	VALUE 31.12.2018
Acquisition value	127,507.48	0.00	0.00	127,507.48
Value adjustments	(105,716.90)	(8,015.09)	0.00	(113,731.99)
Net value	21,790.58	(8,015.09)	0.00	13,775.49

ODL's equity is made up of capital and reserves. The capital belongs to the State. The capital at the date of entry into force of the Law of 24 July 1995 amounted to LUF 1,600,000,000.00 (EUR 39,662,963.96). The capital can be increased through the capitalization of reserves or budget allocations.

- On 6 May 1999, the Committee of ODL ("the Committee") decided to convert to euros and increase the capital from EUR 39,662,963.96 to EUR 40,000,000.00 through the capitalisation of reserves.
- On 10 November 2005, the Committee approved an increase of capital, through the transfer of reserves from the account with a State guarantee to the capital account without a State guarantee by an increase of EUR 525,000.00 bringing the account from EUR 2,475,000.00 to EUR 3,000,000.00.
- On 01 March 2007, the Committee approved the transfer of EUR 7,000,000.00 from reserves in the account with a State guarantee to reserves in the account without a State guarantee.
- On 28 November 2008, the Government carried out a capital increase of the account with State guarantee through a budget allocation of EUR 7,000,000.00 with State guarantee, by allocation of the budget article 34.0.81.050 and in 2009 to an increase in the allocation on behalf of the State by EUR 5,000,000.00.

The subscribed capital as at 31 December 2018 is EUR 44,525,000.00.

Capital and reserves movements for the financial year are broken down as follows:

	RESERVES	PROFIT OR (LOSS) OF THE FINANCIAL YEAR
Balance at 31.12.2017	43,062,060.07	(9.177.119,22)
Appropriation of results	(9.177.119,22)	9.177.119,22
Net result		(2.156.872,10)
Balance at 31.12.2018	33,884,940.85	(2.156.872,10)

3.4 Information related to premiums, claims, operating expenses and reinsurance

	2018	2017
Gross written premiums :	3,786,544.78	5,105,700.71
of which in direct insurance	2,916,351.69	3,899,597.78
of which in coinsurance	870,193.09	1,206,102.93
Gross earned premiums, net of reinsurance	4,057,260.79	8,035,796.23
Claims incurred, net of reinsurance	(13.460.080,09)	(32.160.289,42)
Administrative expenses	(952,465.98)	(1,145,857.93)
Reinsurance balance (out of subrogation)	6,612,815.08	68,879,407.79

3.5 Administrative expenses

According to article 11 of the Grand-Ducal Regulation of 27 July 1997, ODL reimbursed EUR 346,402.31 (2017: EUR 362,234.13) to the Chamber of Commerce for staff costs and paid EUR 85,741.15 (2017: EUR 344,884.92) to Credendo group in accordance to a collaboration agreement.

The fees of the audit company included in operating expenses for the year 2018 are prorated to EUR 19,956.49 including tax (2017: EUR 19,913.55) for the account with State guarantee and relate solely to the auditing of financial statements.

3.6 Investment income

	2018	2017
Income deriving from other investments	709,698.66	938,663.09
Profits deriving from the liquidation of investments	292,369.59	52,220.65
Readjustments on investments	0.00	470,155.65
Reversal Discounts 2017	38,127.04	9,971.35
Premiums	77,813.16	77,517.96
Allocation of financial products	(113,731.70)	(185,447.21)
	1,004,276.75	1,363,081.49

3.7 Investment charges

	2018	2017
Investment management charges, including interest charges	(121,421.83)	(113,699.96)
Value adjustments on investments	(165,680.40)	0,00
Losses arising on liquidation of investments	(30,434.50)	(2,258.28)
Reversal Premiums 2017	(77,517.96)	(48,082.01)
Discounts	(68,323.18)	(38,127.04)
	(463,377.87)	(202,167.29)

3.8 Subrogation and salvage

For two claims incurred during the financial year 2017, the outstanding amount to be recovered at year end is broken down as follows:

	2018	2017
Gross amount	19,734,886.92	22,559,517.84
Reinsurers' share	(14,339,042.59)	(16,316,284.23)
Net amount	5,395,844.33	6,243,233.61

Note 4 – Analysis of the most important items related to the account without state guarantee

4.1 Capital and reserves

	RESERVES	PROFIT OR (LOSS) OF THE FINANCIAL YEAR
Balance at 31.12.2017	8,433,870.57	73,254.81
Appropriation of results	73,254.81	(73,254.81)
Net result		318,630.78
Balance at 31.12.2018	8,507,122.38	318,630.78

4.2 Provision for other risks and charges

Breakdown of taxation provisions as at 31 December 2018

DESCRIPTION	ACCRUAL	ADVANCES	BALANCE
Municipal Business Tax:			
• 2016, 2017 and 2018	35,137.00	0.00	35,137.00
Corporate Income Tax:			
• 2016, 2017 and 2018	124,831.55	(24,045.20)	100,786.35
TOTAL	159,968.55	(24,045.20)	135,923.35

Advances are reported under the caption "Other prepayment and accrued income".

4.3 Information related to premiums, claims, operating expenses and reinsurance.

	2018	2017
Gross written premiums:	236,580.60	210,452.24
• of which in direct insurance	236,580.60	210,452.24
• of which in coinsurance	0.00	0.00
Gross earned premiums, net of reinsurance	204,175.44	194,009.23
Claims incurred, net of reinsurance	(143,882.27)	693.14
Administrative expenses	(56,237.01)	(72,440.14)
Reinsurance balance	36,916.92	(36,247.63)

4.4 Administrative expenses

According to article 11 of the Grand-Ducal Regulation of 27 July 1997, ODL reimbursed EUR 27,492.25 (2017: EUR 28,748.74) to the Chamber of Commerce for staff costs and paid EUR 5,357.59 (2017: EUR 23,444.64) to Credendo group in accordance to a collaboration agreement.

The fees of the audit company included in operating expenses as per 31 December 2018 are prorated to EUR 1,108.15 including tax (2017: EUR 1,106.30) for the account of the State and relate solely to the auditing of financial statements.

4.5 Investment income

(EUR)	2018	2017
Income deriving from other investments	59,178.73	96,379.04
TOTAL	59,178.73	96,379.04

Note 5 – Analysis of the most important items for the account of the State

5.1 Capital and reserves

	RESERVES	PROFIT OR (LOSS) OF THE FINANCIAL YEAR
Balance at 31.12.2017	4,705,687.47	44,618.59
Appropriation of results	44,618.59	(44,618.59)
Net result		(626,490.87)
Balance at 31.12.2018	4,750,306.06	(626,490.87)

5.2 Information related to premiums, claims, operating expenses and reinsurance.

	2018	2017
Gross written premiums:	56,805.36	23,050.00
• of which in direct insurance	56,805.36	23,050.00
• of which in coinsurance	0.00	0.00
Gross earned premiums, net of reinsurance	49,393.12	25,527.75
Administrative expenses	(392,286.04)	(69,977.33)

5.3 Administrative expenses

According to article 11 of the Grand-Ducal Regulation of 27 July 1997, ODL reimbursed EUR 27,492.25 (2017: EUR 28,748.74) to the Chamber of Commerce for staff costs.

The fees of the audit company included in operating expenses as per 31 December 2018 are prorated to EUR 1,108.15 including tax (2017: EUR 1,106.30) for the account of the State and relate solely to the auditing of financial statements.

5.4 Investment income

	2018	2017
Income deriving from other investments	54,552.97	89,068.17
TOTAL	54,552.97	89,068.17



2. Financial Support for Exports

BALANCE SHEET WITH STATE GUARANTEE

AS AT 31.12.2018 AND 31.12.2017 IN EUR

ASSETS	NOTE*	31.12.2018	31.12.2017
CURRENT ASSETS			
Assets held at a bank			
Current bank accounts			
• current accounts		9,665,127.71	3,762,407.34
TOTAL ASSETS		9,665,127.71	3,762,407.34

	NOTE*	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Capital and reserves			
Government allocations			
• Government allocations	3	10,143,219.95	4,693,252.40
Provision for commitments			
Other provisions			
• Provision for financial support granted		764,956.31	1,116,251.05
Creditors			
• Costs payable		504,589.86	252,936.34
Final result of the year		(1,747,647.41)	(2,300,032.45)
TOTAL EQUITY AND LIABILITIES		9,665,118.71	3,762,407.34
Value of repayable advances		94,300.00	416,300.00

* The accompanying notes form an integral part of these financial statements

PROFIT AND LOSS ACCOUNT

AS AT 31.12.2018 AND 31.12.2017 IN EUR

	31.12.2018	31.12.2017
CHARGES	(1,747,647.41)	(2,300,032.45)
Financial support provided		
Financial support for trade fairs	(1,564,033.90)	(1,859,355.51)
Costs of research or advisory costs	(39,788.85)	(25,514.63)
Design costs	(75,915.06)	(106,869.46)
Promotion costs (advertising)	(142,822.71)	(144,166.44)
Registration/Certification	(2,736.31)	(23,376.42)
Opening of representation offices	(9,868.00)	(32,500.00)
	(1,835,164.83)	(2,191,782.46)
Other external charges		
Property leases	(56,859.99)	(55,722.37)
Administrative expenses	(43,948.79)	(37,540.53)
Travel expenses	(2,383.91)	(4,423.35)
Bank fees and commissions	(126.50)	(113.70)
	(103,319.19)	(97,799.95)
Personnel costs		
Gross salaries	(148,458.13)	(155,243.19)
Directors' fees	(12,000.00)	(12,000.00)
	(160,458.13)	(167,243.19)
Other operating costs		
Change in the other provisions (Provision for financial support granted)	351,294.74	156,793.15
	351,294.74	156,793.15
INCOME	0.00	0.00
Other income and interest		
Interest on financial accounts	0.00	0.00
FINAL RESULT OF THE YEAR	(1,747,647.41)	(2,300,032.45)

* The accompanying notes form an integral part of these financial statements

NOTES TO THE ANNUAL ACCOUNTS

AS PER DECEMBER 31, 2018 (EXPRESSED IN EUR)

Note 1 – General Information

The « Comité pour la promotion des exportations Luxembourgaises » (hereinafter « COPEL ») has been created by a cooperation agreement of 29 April 2002 between the Office du Ducroire (hereinafter « ODL ») and the Government. The COPEL is attached to ODL as a subcommittee. In its monthly meeting the COPEL assess the applications for financial support and propose decisions to the Committee of ODL.

The COPEL ascertains whether the Luxembourg company and the underlying project fulfil the eligibility requirements and qualify for the financial support requested.

The COPEL also ensures that the proposed grant complies with EU competition rules and OECD rules governing officially supported export credit and related credit aid.

Note 2 – Summary of significant accounting policies

The financial statements are presented in euros (EUR).

2.1 Assets held at a bank

The assets held at a bank are presented at nominal value.

2.2 Government allocation

Pursuant to the Cooperation Agreement of 19 April 2002, the Government allocations are granted to COPEL within the limits of the budget appropriations. These allocations are used exclusively for the financial support for exports activity.

2.3 Other provisions

Other provisions correspond to financial support granted (letter of commitment) but not yet paid. These commitments are presented at nominal value.

2.4 Creditors

The costs payable are valued at the nominal value and are due during the next year.

Note 3 – Government allocations

	GOVERNMENT ALLOCATIONS	FINAL RESULT OF THE YEAR	TOTAL
Balance at 31.12.2017	4,693,252.40	(2,300,032.45)	2,393,219.95
Movements during the year	7,750,000.00		7,750,000.00
Allocation of the balance	(2,300,032.45)	2,300,032.45	0.00
Balance for the year		(1,747,647.41)	(1,747,647.41)
Balance at 31.12.2018	10,143,219.95	(1,747,647.41)	8,395,572.54

Note 4 – Off balance sheet commitments

At the closing date, there are no off-balance sheet commitments.

3. Auditor’s Report

REPORT OF THE REVISEUR D’ENTREPRISES AGREE

To the Finance Minister
To the President of the Comité du Ducroire
And to the members of the Comité du Ducroire
OFFICE DU DUCROIRE
14, rue Erasme
L-1468 LUXEMBOURG

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Office du Ducroire (the “Company”) for the financial year ending 31 December 2018, which comprise:

- A separate balance sheet and a profit and loss account for each activity described in Article 2, paragraphs 1), 2) and 3) of the law of 24 July 1995 ;
- Notes to the financial statements, which comprise a summary of significant accounting policies and other explanatory information ;
- The balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information for the “Comité pour la Promotion des Exportations Luxembourgeoises” as described in the Article 6 of the convention between the Luxembourg Government and the Office du Ducroire dated 29 April 2002.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under those Law and standards are further described in the « Responsibilities of “réviseur d’entreprises agréé” for the Audit of the Financial Statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Comité du Ducroire and Those Charged with Governance for the Financial Statements

The Comité du Ducroire is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Comité du Ducroire determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Comité du Ducroire is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Comité du Ducroire either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “réviseur d’entreprises agréé” for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Comité du Ducroire.
- Conclude on the appropriateness of Comité du Ducroire’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of “réviseur d’entreprises agréé” to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of “réviseur d’entreprises agréé”. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Luxembourg, 23 May 2019

For MAZARS LUXEMBOURG,
Cabinet de révision agréé
10A, rue Henri M. Schnadt
L-2530 LUXEMBOURG

Amir CHAKROUN
Réviseur d’entreprises agréé

CHAPTER IV

Annual Report Appendix

Corporate & Social Responsibility

ODL is applying the following OCED guidelines:

- Recommendation on Common Approaches for the Officially Supported Export Credits and Environmental and Social Due Diligence
- Recommendation on Bribery and Officially Supported Export Credits
- Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries

Environmental and Social Due Diligence

Projects in the industrial sector have often consequences for the importing country's inhabitants and the environment. In order to prevent and mitigate adverse environmental and social impacts of projects, ODL complies with the OECD guidelines on environmental and social due diligence for export credits.

Therefore, ODL undertakes appropriate environmental and social reviews and assessments for those projects. All projects for which ODL receives an application and for which the contractual amount exceeds 10 million SDR, or which are located in an environmentally sensitive area, are classified according to their potential environmental and social impact. If the project has the potential to have significant adverse environmental and/or social impacts, which are diverse, irreversible or unprecedented it is classified in category A. If its potential impacts are less adverse, the project is classified as category B and in category C if it has a minimal or no potentially adverse environmental and/or social impact.

ODL requires an Environmental and Social Impact Assessment (ESIA) to be carried out for all projects classified in category A. ODL verifies whether the ESIA is complete and impartial and, if necessary, calls on external environmental experts when assessing the quality of the ESIA.

The category B projects for which there is no ESIA are compared to general standards of the International Finance Corporation (IFC) and the sectoral IFC health and safety standards. If the project does not fit into the IFC standards, any other internationally recognized standards, such as European Union standards, may be used. Based on the IFC standards or the European directive, mitigating measures will be agreed upon with the exporter.

All A and B projects and their ESIA's are published on ODL's website.

Combating bribery

Under the terms of the OECD Convention on Combating Bribery, signed on 21 November 1997, Luxembourg has taken measures to criminalise acts involving bribery of foreign public officials, transposing the provisions of the Convention to Luxembourg law in the form of the Law of 15 December 2001.

The insurance application form therefore informs the policyholder of current legislation and requires an anti-bribery declaration, as defined under the OECD Convention.

To strengthen measures to combat bribery of foreign public officials, OECD members adopted a recommendation (OECD Recommendation on Bribery and Officially Supported Export Credits) on 14 December 2006.

The procedure is two-fold:

- **Anti-bribery declaration:**

With each application of cover, the exporters and banks, must submit an anti-bribery declaration in which they declare that the commercial and/or financial contract was not or will not be concluded due to criminal acts on the part of any of its employees or anyone acting on its behalf. In addition they declare that neither the policyholder nor any person acting on his behalf is included on debarment lists accessible to the public and have not been prosecuted before a national court or, in the course of the five years preceding the application, been convicted by a national court or subject to equivalent national administrative measures for breach of the laws designed to combat bribery of foreign public officials in any country whatsoever.

- **Due diligence:**

If there should be any indication from the declaration or from other sources that bribery may have been involved, further investigation will be made by ODL. This focuses on the one hand on the internal measures, processes and structures put in place by the policyholder to prevent and combat bribery. On the other hand sales agents involved in the deal as well as commission and remuneration payments will be examined. If there are indications of bribery, the Secretariat will report these to the Committee who will decide what measures need to be taken.

Sustainable Lending

ODL undertakes to promote only lending to Low Income Countries that supports a borrowing country's economic and social progress without endangering its financial future and long-term development prospects. In consequence, such lending should, *inter alia*, generate net positive economic returns, foster sustainable development by avoiding unproductive expenditures, preserve debt sustainability and support good governance and transparency.

