

**Explanatory notes prepared by the Deutsche
Bundesbank on
“Residents’ assets in foreign economic territories”
– Annex K3 to the Foreign Trade and Payments Regulation, sheets 1 and
2 –**

This report serves to obtain statistical information regarding the volume and structure of foreign direct investment in Germany, the knowledge of which is essential in view of the high degree of the Federal Republic of Germany’s integration into the global economy. Pursuant to Section 64 of the Foreign Trade and Payments Regulation (*Außenwirtschaftsverordnung*) in conjunction with the Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*), there is a legal obligation to provide information. Please answer the questions in a precise and comprehensive manner. Pursuant to the Foreign Trade and Payments Act in conjunction with the Act on Statistics for Federal Purposes, your data are subject to statistical confidentiality.

A. Reporting obligation and reporting thresholds

The following parties are subject to reporting requirements:

1. Residents (including individuals), assuming that on the reporting date, they directly hold 10% or more of the shares or voting rights in a non-resident enterprise, or, taken together, directly and indirectly hold more than 50% of the shares or voting rights in a non-resident enterprise, and the total assets of the non-resident enterprise total (the equivalent of) more than €3 million.
2. Residents that maintain any branches or permanent establishments abroad which individually have business assets in excess of €3 million. Multiple branches and permanent establishments of the same domestic entity in a country can be consolidated as one entity here. Non-permanent establishments chiefly refer to assembly plants, building sites and the like set up for a limited period of time to fulfil a specific mandate.

B. Report submission

The report must be submitted to the Deutsche Bundesbank once a year. This is to be done electronically via the Bundesbank’s ExtraNet in the general statistics reporting portal or using Filetransfer.

The report is to be submitted by the last working day of the sixth month following the reporting entity’s balance sheet date (= reporting date). The reporting date for reporting entities that do not produce a separate balance sheet (individuals) is 31 December of any given year, meaning that the reports must be submitted by the last working day of June of the following year.

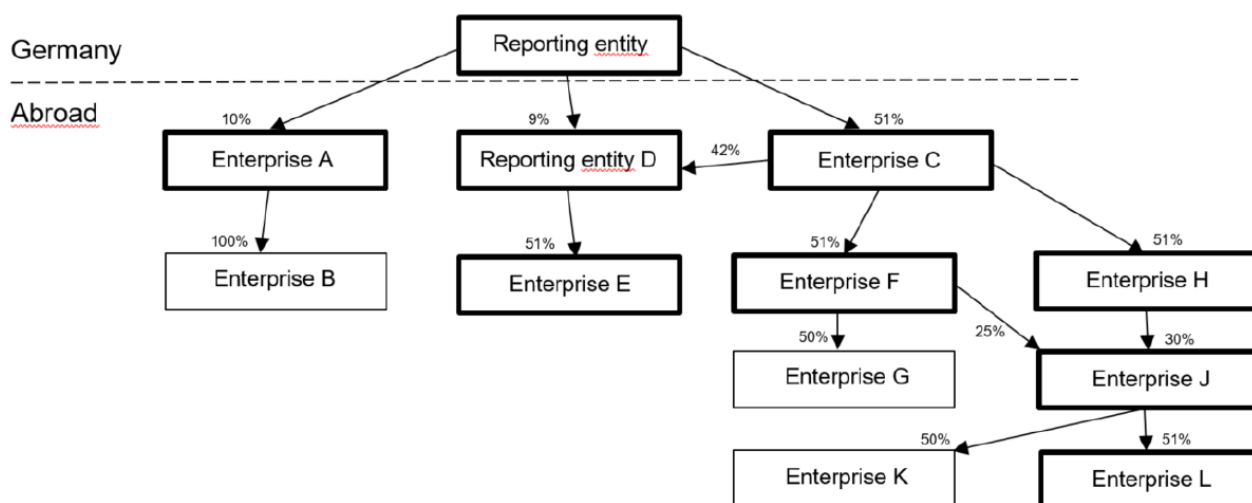
C. Contents of the report

The K3 report consists of two parts:
one copy of sheet 1 and one or more copies of sheet 2.

The following is to be reported on sheet 1:

- I. General information regarding the person or enterprise of the reporting entity, including key data on the German investor (assuming that it is an enterprise);
- II. A list stating the firm name and location of the registered office of the non-resident enterprises in which the reporting entity has direct or indirect holdings, as well as its branches and permanent establishments abroad. Indirect investments occur when more than 50% of the total shares or voting rights can be attributed to the resident and its dependent enterprises abroad. A non-resident enterprise is classed as dependent if 50% or more of its shares or voting rights are directly or indirectly attributable to the resident entity.

Example:



Information is to be reported on the participating interests in the enterprises outlined in bold; of these, participating interests in enterprises A and C are considered direct and participating interests in enterprises D, E, F, H, J and L are considered indirect.

The following is to be reported on sheet 2:

General information on the non-resident enterprise in which the reporting entity directly or indirectly holds shares; the balance sheet of this non-resident enterprise including shares in asset and liability positions that are directly or indirectly attributable to the reporting entity. For direct investments in listed non-resident enterprises, the stock market value of shares held on the balance sheet date is to be reported in accordance with the balance sheet disclosures in thousand units of currency along with the international securities identification number (ISIN) of the enterprise.

If the reporting entity has direct or indirect holdings in several non-resident enterprises, a separate sheet 2 is to be filled out for each of these non-resident enterprises.

The balance sheet data of the non-resident enterprise must be entered in the first column of the balance sheet on sheet 2 using the specified structure. Where specified as a reporting item, the amount shares of the asset and liability positions of the non-resident enterprise that are attributable to the reporting entity are to be recorded in the second column of the balance sheet.

The third column of the asset and liability side of the balance sheet is only to be filled out if there are indirect participating interests and should be used to specify the relationships to the non-resident enterprise with a direct participating interest. In the above example, in the report on enterprise F, the amount shares in the asset and liability positions of enterprise F attributable to enterprise C are to be entered in the third column of the balance sheet.

D. Explanatory notes on individual terms and items

The shares of voting rights as a percentage if these differ from the share of equity

Please state the share(s) of voting rights attributable to the direct investor(s), i.e. the share(s) of voting rights of the domestic investor(s) in the case of direct participating interests, and the share(s) of voting rights of the direct investor(s) in the case of indirect participating interests. Where there are both indirect and direct holdings, the total voting rights are to be entered.

Economic sector

The precise type of economic activity carried out by the company should be stated, if possible by naming the product the company sells or produces (e.g. "mineral oil trading" or "glassware manufacturing"). If a company operates in several industrial sectors, the main focus of its economic activity should be entered.

Annual turnover

Here, please state the amount shown in the profit and loss account of the non-resident enterprise as annual sales revenue, excluding VAT. This amount is to be given in thousand units of the currency in which the balance sheet is submitted. Banks have to report the annual output; insurance companies have to report the gross premiums written in direct business and in reinsurance business.

Balance sheet data

The report should be based on the reported balance sheets of companies prior to profit distribution, drawn up in accordance with the rules of the country of domicile. The report can also be based on single-entity financial statements in line with international accounting rules, provided that they are permitted in the country of domicile of the investment enterprise. Data from balance sheets intended for inclusion in consolidated financial statements should not be used, as far as possible. The amounts to be reported should be stated in the currency unit in which the balance sheet of the non-resident enterprise was drawn up (in thousands of this unit).

In the event that a financial statement is not yet available by the report submission date, the figures to be reported are to be determined by means of a preliminary statement of assets and liabilities for the enterprise concerned and entered into the report. The preliminary character of the values is to be made known. When the final balance sheet data become available, they must be reported immediately.

For branches and permanent establishments, the amounts to be reported should be taken from their statements of assets and liabilities.

In the case of non-majority stakes, the bracketed balance sheet data (items 13, 49, 50, 51, 52, 35 and 37) can be limited to the amounts that are to be entered in the second and third column, provided that it is not possible to obtain sufficient relevant information despite extensive efforts.

Balance sheet classification

When allocating individual balance sheet items to the items in the reporting form's template, the same definitions and classifications that apply to the balance sheet of a German corporation are to be used.

If the breakdown of the reserves in the balance sheet is not carried out in the manner provided for in the report, the amounts should be allocated to the items to which they most likely correspond (e.g. "Premium" to "capital reserves"). Provisions should only be reported as reserves if they have a capital nature. Otherwise, they fall under the item "Other liabilities".