

**Caucasus Nature Fund (CNF)
Offenbach am Main/Germany**

Annual financial statements
for the financial year
from 1 January to 31 December 2019

TRANSLATION

– German version prevails –

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Caucasus Nature Fund (CNF)

Offenbach am Main/Germany

Statement of profit and loss for the financial year from 1 January to 31 December 2019

| | 2019 EUR | 2019 EUR | 2018 EUR | 2018 EUR |
|--|---------------|----------------------|---------------|----------------------|
| 1. Net investment income and other income | | | | |
| a) Investment income | | | | |
| aa) Dividends | 184,638.13 | | 170,369.12 | |
| ab) Interest and similar income | 88,737.10 | | 238,103.60 | |
| ac) Funds distributions | 170,845.07 | | 191,830.63 | |
| ad) Realized capital gains | 1,151,101.06 | | 693,266.35 | |
| ae) Exchange gains | 12,923.81 | | 0.00 | |
| | | 1,608,245.17 | | 1,293,569.70 |
| b) Investment expenses | | -205,577.23 | | -187,422.33 |
| c) Foreign exchange currency loss | | -188,194.08 | | -66,972.59 |
| Net investment income | | 1,214,473.86 | | 1,039,174.78 |
| d) Donations and other income | | 286,432.44 | | 199,721.48 |
| Net income | | 1,500,906.30 | | 1,238,896.26 |
| 2. Program Grants & Projects and other expenses | | | | |
| Direct project support | | | | |
| a) Grants to Protected Areas | -1,260,350.23 | | -1,181,632.08 | |
| b) Other grants | -284,824.48 | | -241,664.59 | |
| c) Consulting and other projects | -202,959.28 | | -163,403.25 | |
| | | -1,748,133.99 | | -1,586,699.92 |
| Project development and monitoring | | -192,285.49 | | -204,561.28 |
| Administrative and other expenses | | | | |
| a) Administrative expenses | -242,795.13 | | -301,902.19 | |
| b) Fundraising and communications | -30,785.74 | | -60,280.13 | |
| | | -273,580.87 | | -362,182.32 |
| Total project and other expenses | | -2,214,000.35 | | -2,153,443.52 |
| 3. Loss for the year | | -713,094.05 | | -914,547.26 |
| 4. Funds carried forward from the previous year | | 388,064.43 | | 1,184,069.05 |
| 5. Transfer from capital reserves | | 1,599,061.24 | | 513,906.38 |
| 6. Transfer from project reserve | | 3,041.39 | | 0.00 |
| 7. Transfer to earnings reserves | | | | |
| a) Transfer to project reserve | 0.00 | | -29,000.00 | |
| b) Transfer to free reserves | -433,467.86 | | -366,363.74 | |
| | | -433,467.86 | | -395,363.74 |
| 8. Funds carried forward | | 843,605.15 | | 388,064.43 |

Caucasus Nature Fund (CNF) Offenbach am Main/Germany

Notes to the financial statements for the financial year 2019

General information and explanations on the annual financial statements

Caucasus Nature Fund (CNF) was established as foundation under civil law under the name Caucasus Protected Areas Fund by act of foundation on 1 June 2007. The recognition by the district president took place on 25 June 2007. The Foundation is registered within the foundation register of the Darmstadt/Germany district.

The financial year principally corresponds to the calendar year. The annual financial statements as of 31 December 2019 were prepared in accordance with the requirements under German commercial law as well as in compliance with the supplementary provisions of the charter. The Foundation generally complied with the requirements of the German Commercial Code (HGB) applicable to large business corporations (Secs. 264 et seq. HGB), except for a management report, which the Foundation has abstained from preparing.

As regards the classification of the balance sheet and the statement of profit and loss, the particularities that arise from the activity of the Foundation were taken into account. The statement of profit and loss has been prepared based on the cost of sales format in accordance with Sec. 275 (3) HGB, taking into account the particularities under foundation law.

Recognition and measurement policies

In the financial year, the disclosure of provisions within equity was adjusted. They were allocated to capital reserves and revenue reserves. Apart from the above, the recognition and measurement policies applied remained unchanged when compared to the prior year.

Property, plant and equipment and long-term financial assets are measured at acquisition cost in accordance with Sec. 255 (1) HGB. Wear and tear of property, plant and equipment is taken into account through depreciation, measured on the basis of the useful lives accepted under tax principles using the straight-line method. Long-term financial assets are written down to the lower fair value in case of lasting permanent impairment. The Foundation has not exercised the option of a write-down to the lower fair value in case of a presumably not permanent impairment in value.

The other assets are measured at the lower of acquisition cost and the fair value on balance sheet date.

Bank balances are recognised at nominal value.

The other provisions cover all risks and contingent liabilities identifiable as of the balance sheet date. They are recognised at settlement amount based on sound business judgement.

Liabilities are carried at settlement amount.

Transactions denominated in foreign currencies are generally recognised at the rate in effect on the date of transaction. Receivables and liabilities denominated in foreign currencies are translated at the rate in effect on the day of origin. Foreign currency items are generally translated as at the balance sheet date in accordance with the provisions under Sec. 256a HGB at the middle spot exchange rate in effect on balance sheet date.

Notes to the balance sheet

Classification of and movements in fixed assets are given in the attached statement of movements in fixed assets.

As regards the security portfolio making part of the financial assets with a book value of EUR 27,348,731.30 as of the end of the reporting year, the following securities are disclosed at fair value (market rates as of balance sheet date):

| | Nominal value/number | Book value | Fair value |
|--|----------------------|---------------------|---------------------|
| | EUR | EUR | EUR |
| Bonds | | | |
| ASML Holding N.V. 1.375% 26 | 300,000 | 322,134.00 | 321,855.00 |
| Coca-Cola European Partn. PLC 1.5% 27 | 300,000 | 325,380.00 | 322,065.00 |
| Covestro AG 1.75% 24 | 300,000 | 321,732.00 | 321,135.00 |
| Dassault Systemes SE 0.125% 26 | 300,000 | 297,168.00 | 296,160.00 |
| DH Europe Finance S.A. 0.2% 26 | 200,000 | 199,698.00 | 197,580.00 |
| Euronext N.V. 1% 25 | 300,000 | 310,873.50 | 309,570.00 |
| Intel Corp. 2.45% 20 | 170,373 | 171,173.78 | 170,653.50 |
| LEG Immobilien AG 1.25% 24 | 300,000 | 311,400.00 | 309,615.00 |
| Proximus S.A. 1.875% 25 | 300,000 | 329,997.00 | 325,050.00 |
| SKF AB 1.25% 25 | 300,000 | 314,508.00 | 313,467.00 |
| Unibail-Rodamco-Westfield SE 1% 27 | 300,000 | 318,270.00 | 309,540.00 |
| Vonovia Finance 2.125% 22 | 100,000 | 105,559.00 | 105,200.00 |
| | | 3,327,893.28 | 3,301,890.50 |
| Shares | | | |
| Assa-Abloy AB | 6,615 | 141,940.41 | 138,820.11 |
| Automatic Data Processing Inc. | 925 | 142,562.61 | 140,238.47 |
| Cerner Corp. Reg. Shares | 1,450 | 95,242.41 | 94,769.80 |
| CME Group inc. Reg. Shares | 730 | 134,675.61 | 129,985.16 |
| Elisa Oyj Reg. Shares | 790 | 39,079.62 | 38,907.50 |
| EssilorLuxottica S.A.Actions Port.EO 0,18 | 165 | 23,338.76 | 22,258.50 |
| Fidelity Natl Inform.Svcs Inc. Reg. Shares | 1,090 | 135,209.05 | 135,056.32 |
| Galenica AG | 700 | 38,865.72 | 38,541.86 |
| Hexagon AB | 750 | 38,424.97 | 37,731.06 |
| Monster Beverage Corp. | 2,190 | 125,514.44 | 124,046.49 |
| Münchener Rückvers.-Ges. AG | 150 | 39,857.62 | 39,450.00 |
| Stryker Corp. Reg. Shares | 1,000 | 189,135.36 | 186,599.32 |
| Sunrise Communications Gr. AG | 535 | 37,629.95 | 37,430.31 |
| Swiss Re AG | 400 | 40,292.91 | 40,000.00 |
| | | 1,221,769.44 | 1,203,834.90 |

| Funds | | | |
|--|------------|----------------------|----------------------|
| AM.ETF GO.0-6M.EU.IG CEO Funds | 7,635 | 905,086.49 | 896,807.10 |
| ASS.CR.-A.C.SUBD.A.COCO I Funds | 1,240 | 1,223,041.25 | 1,197,294.40 |
| CANDR.BDS-CRE.OPP.IQEODI Funds | 485 | 743,122.00 | 691,314.15 |
| I.M.III-I.EUROMTS CA.3 MO:UETF REG.SH.ACC ON | 8,895 | 905,285.42 | 897,370.74 |
| ISH.EB.R.GOV.GER.0-1Y U.ETF DE INH.ANT | 11,505 | 905,159.33 | 879,097.05 |
| LYXOR EUR.OVERNIGHT RET.U.ETF AC.A.PO.ACC ON | 8,570 | 905,291.95 | 897,377.56 |
| M.F.-M.EN.Y.S.-T.H EO I.A Funds | 26,790 | 2,487,955.50 | 2,379,219.90 |
| | | 8,074,941.94 | 7,838,480.90 |
| Direct investment | | | |
| Generation IM Sustainable Solutions Fund III (B) | | 246,255.30 | 223,578.28 |
| Gemsstock Class D EURO UR Series 1 | 5,443.5800 | 769,309.30 | 651,846.12 |
| Crown European Private Debt | | 805,210.00 | 779,580.00 |
| | | 1,820,774.60 | 1,655,004.40 |
| | | 14,445,379.26 | 13,999,210.70 |

As of 31 December 2019, no write-downs to the lower market rates were made for these long-term financial assets, since the impairment is not expected to be of permanent nature. This assumption is justified by the fact that these market values showed only short-term and low fluctuations in the past.

Other assets

The other assets include a receivable from NTA of EUR 26,616.89. NTA is a company under civil law, whose shareholders are CNF as well as Prespa Ohrid Nature Fund (PONT) and Blue Action Fund.

The residual other assets relate to interest receivables and receivables from employees. As in the prior year, the other assets are due within one year.

Bank balances in foreign currencies

As of the balance sheet date, the Foundation discloses bank balances denominated in foreign currencies of AMD 47,638,638.08 (EUR 91,167.65), GEL 445,112.55 (EUR 139,753.51) and USD 1,216,021.37 (EUR 1,084,307.31).

Foundation capital

The foundation capital remained unchanged as of the balance sheet date.

Capital reserves

The capital reserves are funding capacity reserves in accordance with Sec. 62 (3) no. 2 AO and amount to EUR 21,279,435.44 as of 31 December 2019.

This amount comprises two components:

- a benefit in kind in form of shares with a value of EUR 85,638.50;
- The residual amount of EUR 21,193,796.94 equivalent to three separate grants by the BMZ via the KfW in an amount of EUR 28,400,000.00 in total. The last of these three grants amounted to EUR 16,400,000.00 and was made in the reporting period. In accordance with the agreement closed with the KfW, the funds must be used within the meaning of the Foundation's mission until 2030 at the latest (in the following, the total grant is referred to as "2030 Sinking Fund").

Following the agreement with the KfW on the "2030 Sinking Fund", the original grant amount of EUR 12,000,000.00 is divided into three separate grant categories: (i) EUR 9,500,000.000 are intended for covering administrative expenses and similar costs for protected areas in the Caucasus; (ii) EUR 500,000.00 shall be used for international consultants for technical assistance and services in connection with the management of the protected areas; (iii) EUR 2,000,000.00 are intended for administrative expenses in connection with own activities of the Foundation in the Caucasus. The partial amount of EUR 16,400,000.00 included in the reporting period is not divided into one of the grant categories.

The development of the "2030 Sinking Fund" is presented in the following table:

| Grant category | 31 Dec. 2018 Amount | 2019 Use | Total use 2011-2019 | 31 Dec. 2019 Amount |
|---|------------------------|------------------|------------------------|------------------------|
| | EUR | EUR | | EUR |
| mEUR 9.5 (first partial amount: mEUR 5) for administrative expenses and similar costs of the protected areas | 5,374,715 | 1,307,400 | 5,431,685 | 4,067,315 |
| mEUR 0.5 for international consultants | 141,633 | 119,431 | 477,798 | 22,202 |
| mEUR 2 for CNF activities in the Caucasus | 876,510 | 172,230 | 1,295,720 | 704,280 |
| Partial amount of grant mEUR 12 | 6,392,858 | 1,599,061 | 6,741,489 | 4,793,797 |
| Partial amount of grant mEUR 16.4 | 0 | 0 | 0 | 16,400,000 |
| Total grant mEUR 28.4 (2030 Sinking Fund) | 6,392,858 | 1,599,061 | 6,741,489 | 21,193,797 |

Earnings reserves

a) Project reserve pursuant to Sec. 62 (1) no. 1 AO

An amount of EUR 3,041.39 was transferred from the project reserve in the reporting period. As at 31 December 2019, the reserve for fund commitments to be paid in the following year totalled EUR 25,958.61.

b) Free reserve pursuant to Sec. 62 (1) no. 3 AO

An amount of EUR 433,467.86 was allocated to the free reserve within the meaning of Sec. 62 (1) no. 3 AO in the reporting period. These reserves amount to EUR 2,402,167.83 as at 31 December 2019.

c) Savings reserve pursuant to Sec. 62 (4) AO

The so-called savings reserve pursuant to Sec. 62 (4) AO did not change in the reporting period and amounts to EUR 233,432.75.

Provisions

The other provisions include outstanding invoices for asset management services received in the reporting period, for deposit fees, accounting services and for the preparation and audit of the annual financial statements.

Liabilities

The other liabilities comprise liabilities to personnel and so-called variation margin payments received as of the balance sheet date from open unconditional futures (USD futures). As in the prior year, all liabilities have a term of up to one year.

Notes to the statement of profit and loss

The dividends result from long-term securities.

Interest and similar income relate to fixed term deposits, long-term securities and current bank accounts.

Distributions from funds result from investment fund shares disclosed under long-term securities.

The investment expenses result from fees for investment advisory and deposit fees as well as from retained withholding taxes.

The income from grants and subsidies disclosed in the financial year 2019 primarily results from donations made by US companies and private parties via The King Baudouin Foundation, U.S., as well as by Georgian companies.

The expenses for “funding measures protection areas” comprise grants to a national park in the Caucasus.

Other funding measures relate to grants made for the purpose of nature conservation to governmental and non-governmental organisations in the Caucasus.

The item “consultancy and other projects” primarily includes costs for consultancy and technical support with projects in the Caucasus.

The expenses for project development and monitoring include personnel expenses, costs for travels to the Caucasus in connection with the funding measures and costs for the offices in Armenia and

Georgia as well as costs for monitoring and verifying the use of the granted funds within the scope of funding measures.

Administration expenses comprise personnel expenses, rent and other office expenses incurred by Nature Trust Alliance GbR, audit and external accounting costs, travel costs, EDP costs, insurance premiums as well as costs for the offices in Armenia and Georgia and sundry operational expenses.

The expenses for raised funds and advertising include personnel expenses, costs for events and PR and other costs in connection with the fundraising.

Personnel expenses

| | 2019 | 2018 |
|--------------------|------------|------------|
| | EUR | EUR |
| Personnel expenses | | |
| Wages and salaries | 228,438.58 | 229,125.18 |

Other disclosures

The liabilities of Nature Trust Alliance GbR, Frankfurt am Main/Germany, in which the Foundation is the personally liable shareholder, amount to EUR 36,095.02 as of the balance sheet date.

Unconditional futures have been closed for hedging currency risks for bank balances denominated in USD. So-called variation margin payments are made on each day in line with the market value of the futures. Results from closed out futures are recognised through profit or loss. Received or paid margin payments for futures not yet closed out as at balance sheet date are disclosed as liabilities or receivables.

Fee of the auditor

The total fee billed by the auditor for the financial year was kEUR 20 (plus VAT) and exclusively relates to audit services.

Management board

George Giacomini, Executive Director

The disclosures on the total remuneration of the executive director and of the executive board have been omitted, as is permitted by Sec. 286 (4) HGB.

Supervisory board

Chairman

David Morrison, Conservationist;

Non-Executive Director on Conservation Trust Fund and Public Company Boards; Paris/France

Deputy Chairperson

Stefanie Lang, Director Asia, World Wide Fund for Nature; Berlin/Germany

Further members:

Ronald Kent, Managing Director, UK Finance; London/UK

Ted Jonas, Senior Counsel, Dentons Georgia LLC; Tiflis/Georgia

Thomas Eisenbach, Head of Division for Energy and Natural Resources in the Eastern Europe, Caucasus and Central Asia Department, KfW Development Bank; Frankfurt/Germany

The members of the Supervisory board serve in a voluntary capacity.

Number of employees

In the financial year 2019, the Foundation had five employees in the annual average.

Report on post-balance sheet date events

The pandemic caused by the coronavirus COVID-19, which spread out to Germany in March 2020, has had a negative impact on the global financial markets; however, we are currently not in the position to foresee the impact at year-end. There are presently signs of a drop in the market value of the Foundation's assets. A decrease in investment earnings because of potential suspensions of dividend or coupon payments cannot be precluded either.

As regards the personnel of the Foundation and NTA, the entities might see absences due to illness or quarantine orders. During the period in which employees increasingly work from home due to social distancing, productivity might also decline.

Similarly, delays may occur in supported projects, which might lead to a delay in the budgeted cash outflows. However, in order to permit the governments to focus on their fight against the corona crisis the Foundation is planning, in furtherance of its purpose, to expand its co-financing scheme for protected areas by taking over funding previously foreseen to come from the governments. This may lead to a significant increase in program spending.

The Foundation's management board is presently unable to fully identify and assess the effects of the coronavirus. It follows that the resulting risks cannot be exhaustively assessed either.

Offenbach am Main/Germany, 2 June 2020

Caucasus Nature Fund (CNF)

The Management Board

Caucasus Nature Fund (CNF), Offenbach am Main/Germany

Movements in fixed assets in the financial year 2019

| | 1 Jan. 2019 | | Acquisition cost | | Accumulated amortisation/depreciation/depreciation/write-downs | | Disposals | | Book value | |
|---|----------------------|----------------------|----------------------|----------------------|--|-----------------|-------------|------------------|----------------------|----------------------|
| | EUR | EUR | EUR | EUR | 1 Jan. 2019 | Additions | Disposals | EUR | EUR | EUR |
| A. Fixed assets | | | | | | | | | | |
| I. Property, plant and equipment | | | | | | | | | | |
| Operating and office equipment | 52,861.27 | 2,259.57 | 0.00 | 55,120.84 | 44,753.27 | 5,947.57 | 0.00 | 50,700.84 | 4,420.00 | 8,108.00 |
| II. Long-term financial assets | | | | | | | | | | |
| Long-term securities | 25,652,822.55 | 19,238,349.50 | 17,542,440.75 | 27,348,731.30 | 0.00 | 0.00 | 0.00 | 0.00 | 27,348,731.30 | 25,652,822.55 |
| Total fixed assets | <u>25,705,683.82</u> | <u>19,240,609.07</u> | <u>17,542,440.75</u> | <u>27,403,852.14</u> | <u>44,753.27</u> | <u>5,947.57</u> | <u>0.00</u> | <u>50,700.84</u> | <u>27,353,151.30</u> | <u>25,660,930.55</u> |