

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

Annual financial statements  
for the financial year  
from 1 January to 31 December 2020

**TRANSLATION**

– German version prevails –

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Caucasus Nature Fund (CNF), Offenbach am Main/Germany  
Balance sheet as at 31 December 2020

Assets	31 Dec. 2020	31 Dec. 2019	Equity and liabilities			
	EUR	EUR	31 Dec. 2020	31 Dec. 2020	31 Dec. 2019	31 Dec. 2019
	EUR	EUR	EUR	EUR	EUR	EUR
<b>A. Fixed assets</b>						
<b>I. Property, plant and equipment</b>						
Operating and office equipment	3,010.00	4,420.00				
<b>II. Financial assets</b>						
Long-term securities	44,187,635.43	27,348,731.30				
	<u>44,190,645.43</u>	<u>27,353,151.30</u>				
<b>B. Current assets</b>						
<b>I. Other assets</b>	935,811.09	76,602.84				
<b>II. Bank balances</b>	6,776,099.64	28,511,492.69				
	<u>7,711,910.73</u>	<u>28,588,095.53</u>				
	<u><u>51,902,556.16</u></u>	<u><u>55,941,246.83</u></u>				
<b>A. Equity</b>						
<b>I. Foundation capital</b>						
1. Initial endowment			7,728,100.00		7,728,100.00	
2. Additions to endowment capital			22,693,917.91		22,693,917.91	
3. Realized capital gains			603,403.31		603,403.31	
				<b>31,025,421.22</b>		<b>31,025,421.22</b>
<b>II. Reserves</b>						
1. Capital reserves			17,769,551.57		21,279,435.44	
2. Earnings reserves			2,658,514.69		2,661,559.19	
				<b>20,428,066.26</b>		<b>23,940,994.63</b>
<b>III. Funds carried forward</b>				<b>258,074.42</b>		<b>843,605.15</b>
				<b>51,711,561.90</b>		<b>55,810,021.00</b>
<b>B. Provisions</b>						
Other provisions				<b>110,561.18</b>		<b>101,375.95</b>
<b>C. Liabilities</b>						
1. Liabilities to banks				3,664.66		0.00
2. Trade payables				1,695.73		59.40
3. Other liabilities				75,072.69		29,790.48
				<b>80,433.08</b>		<b>29,849.88</b>
				<b>51,902,556.16</b>		<b>55,941,246.83</b>

Caucasus Nature Fund (CNF)  
Offenbach am Main/Germany  
Statement of profit and loss for the financial year from 1 January to 31 December 2020

	2020 EUR	2020 EUR	2019 EUR	2019 EUR
<b>1. Net investment income and other income</b>				
a) Investment income				
aa) Dividends	212,927.94		184,638.13	
ab) Interest and similar income	152,890.02		88,737.10	
ac) Fund distributions	254,529.54		170,845.07	
ad) Realised capital gains	0.00		1,151,101.06	
ae) Income from currency translation	484,710.35		12,923.81	
		1,105,057.85		1,608,245.17
b) Realized capital losses		-909,849.26		0.00
c) Expenses for asset investments		-295,206.40		-205,577.23
d) Expenses from currency translation		-46,594.26		-188,194.08
<b>Net investment income</b>		<b>-146,592.07</b>		<b>1,214,473.86</b>
e) Grants, subsidies and other income		535,044.92		286,432.44
<b>Net income</b>		<b>388,452.85</b>		<b>1,500,906.30</b>
<b>2. Programme grants and projects and other expenses</b>				
<b>Direct project support</b>				
a) Grants to protected areas	-1,279,295.34		-1,260,350.23	
b) Other grants	-2,283,614.82		-284,824.48	
c) Consulting and other projects	-367,240.45		-202,959.28	
		<b>-3,930,150.61</b>		<b>-1,748,133.99</b>
<b>Project development and monitoring</b>		<b>-237,407.30</b>		<b>-192,285.49</b>
<b>Administrative and other expenses</b>				
a) Administrative expenses	-307,788.83		-242,795.13	
b) Fundraising and communications	-11,565.21		-30,785.74	
		<b>-319,354.04</b>		<b>-273,580.87</b>
<b>Total project and other expenses</b>		<b>-4,486,911.95</b>		<b>-2,214,000.35</b>
<b>3. Loss for the year</b>		<b>-4,098,459.10</b>		<b>-713,094.05</b>
<b>4. Funds carried forward from the previous year</b>		<b>843,605.15</b>		<b>388,064.43</b>
<b>5. Transfer from capital reserves</b>		<b>3,509,883.87</b>		<b>1,599,061.24</b>
<b>6. Transfer from project reserve</b>		<b>3,044.50</b>		<b>3,041.39</b>
<b>7. Transfer to free reserves</b>		<b>0.00</b>		<b>-433,467.86</b>
<b>8. Funds carried forward</b>		<b>258,074.42</b>		<b>843,605.15</b>

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

## Notes to the financial statements for the financial year 2020

### 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 of 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 2020 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

The accounting and valuation principles applied 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) Code. 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.

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.

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 recorded 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 of the balance sheet date in accordance with the provisions under Sec. 256a Code 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 44,187,635.43 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
<b>Bonds</b>			
Aroundtown SA EO-Notes 1.50% (16/24)	300,000	€ 315,003.00	€ 313,014.00
Covestro AG 1.75% (16/24)	300,000	€ 321,732.00	€ 318,582.00
Covivio S.A. 1.625% (17/24)	300,000	€ 320,166.67	€ 315,237.00
Deutsche Bahn Finance GmbH 0.95% (25/unk.)	300,000	€ 304,812.00	€ 304,020.00
Deutsche Pfandbriefbank AG 0.75% 19(23)	200,000	€ 204,020.00	€ 203,420.00
Eutelsat S.A. EO-Bonds 2.00% 2018(18/25)	200,000	€ 215,186.60	€ 213,940.00
Grenke Finance PLC 1.625% 2019(24)	150,000	€ 158,055.00	€ 142,500.00
Hammerson PLC EO-Bonds 2.00% (14/22)	230,000	€ 238,562.90	€ 226,676.50
Infineon Technologies AG 2.875% (25/unk.)	200,000	€ 208,232.00	€ 207,978.00
Croatia, Republic EO-Notes 3.00% 2015(25)	200,000	€ 227,242.00	€ 225,140.00
LEG Immobilien AG 1.25% (17/24)	300,000	€ 311,400.00	€ 310,731.00
Merlin Properties SOCIMI S.A. 2016 2.225% (16/23)	150,000	€ 159,510.00	€ 156,636.00
Proximus S.A. 1.875% (15/25)	300,000	€ 329,997.00	€ 327,885.00
Rumänien EO-Med.-Term Nts 2.00% 2019(26)	150,000	€ 161,550.00	€ 160,830.00
SoftBank Group Corp. EO-Notes 2018(18/23)	170,000	€ 178,500.00	€ 175,487.60
Thermo Fisher Scientific Inc. 2.15% 2015(15/22)	150,000	€ 158,188.50	€ 154,522.50
Unibail-Rodamco-Westfield SE 1.00% (19/27)	300,000	€ 318,270.00	€ 306,360.00
Vonovia Finance 2.125% (14/22)	100,000	€ 105,559.00	€ 103,442.00
		<b>4,235,986.67</b>	<b>4,166,401.60</b>
<b>Shares</b>			
Cembra Money Bank AG	340	€ 35,109.47	€ 33,561.69
Elisa Oyj Reg. Shares	790	€ 39,079.62	€ 35,447.30
Galenica AG	700	€ 38,865.72	€ 38,029.47
Kon. KPN N.V. Aandelen aan toonder	14,500	€ 37,973.34	€ 36,351.50
Münchener Rückvers.-Ges. AG	150	€ 39,857.62	€ 36,420.00
Schindler Holding AG	170	€ 38,501.10	€ 37,349.91
Swiss Re AG	400	€ 40,292.91	€ 30,696.13
Unibail-Rodamco-Westfield SE	275	€ 38,234.83	€ 17,875.00
Boston Scientific Corp.	900	€ 37,289.02	€ 26,039.72
Tiffany & Co.	300	€ 36,188.07	€ 32,070.48
American Financial Group Inc.	360	€ 35,498.79	€ 25,598.76

Verisign Inc.	200	€ 38,104.53	€ 34,914.95
Tokio Marine Holdings Inc.	600	€ 29,824.54	€ 25,148.45
Central Japan Railway Co.	200	€ 36,309.90	€ 23,041.69
Astellas Pharma Inc.	2,000	€ 31,429.61	€ 25,173.72
Swire Proberties Ltd.	10,000	€ 30,323.68	€ 23,940.02
Ping An Insurance(Grp)Co.China	2,000	€ 21,702.88	€ 19,750.52
Singapore Telecommunications Ltd.	12,000	€ 27,007.79	€ 17,120.72
Juniper Networks Inc.	1,600	€ 32,253.72	€ 28,908.60
Akamai Technologies Inc.	1,665	€ 158,409.61	€ 141,810.25
Assa-Abloy AB	6,620	€ 133,574.06	€ 133,296.54
AXA S.A. Actions Port.	4,000	€ 79,853.80	€ 78,704.00
Boston Scientific Corp. Reg. Shares	3,430	€ 122,291.87	€ 99,240.25
Cerner Corp. Reg. Shares	1,450	€ 95,242.41	€ 92,024.90
Fidelity Natl Inform.Svcs Inc. Reg. Shares	1,090	€ 135,209.05	€ 123,779.36
Home Depot Inc.	425	€ 94,887.76	€ 91,751.85
IQVIA Holdings Inc.	730	€ 107,609.42	€ 105,468.87
S&P Global Inc.	275	€ 84,213.97	€ 72,432.86
Trane Technologies PLC	1,490	€ 176,612.43	€ 175,630.10
Georgia Capital PLC	6,000	€ 51,183.42	€ 36,512.50
		<b>1,902,934.94</b>	<b>1,698,090.11</b>
<b>Funds</b>			
Ascendas Real Estate Inv.Trust	72,500	€ 142,536.92	€ 134,201.46
AM.ETF GO.0-6M.EU.IG CEO Funds	2,962	€ 351,128.51	€ 345,843.12
CANDR.BDS-CRE.OPP.IQEODI FUNDS	1,140	€ 1,659,763.67	€ 1,600,275.00
I.M.III-I.EUROMTS CA.3 MO:UETF REG.SH.ACC ON	3,455	€ 351,631.38	€ 346,479.87
ISH.EB.R.GOV.GER.0-1Y U.ETF DE INH.ANT	4,464	€ 351,206.54	€ 335,201.76
ISHSIII-MSCI T.UK RE LSD Funds	18,430	€ 102,660.36	€ 97,739.82
LYXOR EUR.OVERNIGHT RET.U.ETF AC.A.PO.ACC ON	3,325	€ 351,236.37	€ 345,808.31
M.F.-M.EN.Y.S.-T.H EO I.A Funds	19,065	€ 1,742,169.45	€ 1,674,860.25
PROTEA II-ECO Adv. ESG Abs.Ret.Act. Nom. M EUR Acc. oN	10,935	€ 1,096,671.15	€ 1,072,942.20
		<b>6,149,004.35</b>	<b>5,953,351.79</b>
<b>Direct investment</b>			
Generation IM Sustainable Solutions Fund III (B)		461,796.60	433,542.65
Corestate Highstreet VI		750,000.00	720,633.65
Crown European Private Debt		805,210.00	780,565.00
		<b>2,017,006.60</b>	<b>1,934,741.30</b>
		<b>14,304,932.56</b>	<b>13,752,584.80</b>

As of 31 December 2020, 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 of EUR 52,721.36 from Nature Trust Alliance GbR, Frankfurt am Main/Germany, whose shareholders are CNF next to Prespa Ohrid Nature Trust (PONT), Blue Action Fund and Internationaler Naturerbe Fonds- Legacy Landscapes Fund (LLF).

The remaining other assets relate to receivables for receipt of the purchase prices for securities sold shortly before the end of the financial year, interest receivables and a receivable for a dividend. Like 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 18,114,722.61 Armenian Dram (EUR 28,246.96), 483.16 British Pound (EUR 537.80), 1,043,212.74 Georgian Lari (EUR 261,601.46), 8,171.30 Swiss Franc (EUR 7,550.48), 948,540.45 US Dollar (EUR 773,451.83) as well as 232,566.00 Japanese Yen (EUR 1,838.23).

### **Foundation capital**

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

### **Capital reserves**

The capital reserves result from reserves for capital endowment according to Sec. 62 (3) no. 2 AO and amount to EUR 17,769,551.57 as of 31 December 2020.

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 17,683,913.07 equivalent to three separate grants by the BMZ via the KfW in an amount of EUR 28,400,000.00 in total. 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 that was received in the year 2019 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. 2019 Amount	2020 Use	Total use 2011-2020	31 Dec. 2020 Amount
	EUR	EUR		EUR
mEUR 9.5 (first partial amount: mEUR 5) for administrative expenses and similar costs of the protected areas	4,052,016	3,290,078	8,738,062	761,938
mEUR 0.5 for international consultants	22,202	22,202	500,000	0
mEUR 2 for CNF activities in the Caucasus	719,579	197,604	1,478,025	521,975
<b>Partial amount of grant mEUR 12</b>	<b>4,793,797</b>	<b>3,509,884</b>	<b>10,716,087</b>	<b>1,283,913</b>
<b>Partial amount of grant mEUR 16.4</b>	<b>16,400,000</b>	<b>0</b>	<b>0</b>	<b>16,400,000</b>
<b>Total grant mEUR 28.4 (2030 Sinking Fund)</b>	<b>21,193,797</b>	<b>3,509,884</b>	<b>10,716,087</b>	<b>17,683,913</b>

## Earnings reserves

The earnings reserves can be analysed as follows:

	31 Dec. 2020	31 Dec. 2019
	EUR	EUR
Free reserve pursuant to Sec. 62 (1) no. 3 AO	2,402,167.83	2,402,167.83
Savings reserve pursuant to Sec. 62 (4) AO	233,432.75	233,432.75
Project reserve pursuant to Sec. 62 (1) no. 1 AO	22,914.11	25,958.61
<b>Total</b>	<b>2,658,514.69</b>	<b>2,661,559.19</b>

An amount of EUR 3,044.50 was transferred from the project reserve in the reporting period. As of 31 December 2020, the reserve for fund commitments to be paid in the following year totalled EUR 22,914.11.

## 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 of EUR 70,144.79 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 expenses for the asset investment result from fees paid for investment consultancy, from deposit fees, custody fees, foreign withholding taxes and from administration expenses of Nature Trust Alliance GbR that relate to the asset investment.

The item "grants, subsidies and other income" includes income from grants and subsidies, primarily from Georgian companies and from donations of U.S. Companies and private persons via The King Baudouin Foundation, U.S., as well as income from the reversal of provisions.

The "expenses for funding measures for protection areas" comprise grants to national parks 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, recruitment costs, travel costs, EDP costs, insurance premiums as well as costs for the offices in Armenia and Georgia and sundry operating 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

	2020	2019
	EUR	EUR
<b>Personnel expenses</b>		
Wages and salaries	298,168.11	228,438.58

Compared to the prior year, the personnel expenses rose in the reporting year being due to newly hired employees and salary rises.

## 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 107,691.02 as of the balance sheet date.

Unconditional futures are 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 of balance sheet date are disclosed as liabilities or receivables.

As of the reporting date, there are (as yet uncalled) payment obligations for direct investments in the area of asset investment amounting to kEUR 1,454.

### Fee of the auditor

The total fee billed by the auditor for the financial year was kEUR 21 (disclosure plus VAT) and exclusively relates to audit services.

### Management board

Mr George Giacomini, Executive Director (until 7 December 2020)

Mr Tobias Münchmeyer, Executive Director (as from 8 December 2020)

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 Fielding Morrison, Conservationist; Executive and Non-Executive Director on Conservation Trust Funds and Public Company Boards; Paris/France

Deputy chairman

Ms Stefanie Lang, Director Asia, World Wide Fund for Nature; Berlin/Germany (until 24 February 2021)

Ms Kathrin Helga Samson, Director Asia, World Wide Fund for Nature; Berlin/Germany (since 25 February 2021)

Further members:

Mr Ronald Kent, Managing Director, UK Finance; London/UK (until 13 January 2021)

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

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

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

**Number of employees**

In the financial year 2020, the Foundation had five employees in the annual average.

Offenbach am Main/Germany, 14 May 2021

Caucasus Nature Fund (CNF)

The Management Board

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

Movements in fixed assets in the financial year 2020

	Acquisition cost				Accumulated amortisation/depreciation/write-downs				Book value	Book value
	1 Jan. 2020 EUR	Additions EUR	Disposals EUR	31 Dec. 2020 EUR	1 Jan. 2020 EUR	Additions EUR	Disposals EUR	31 Dec. 2020 EUR	31 Dec. 2020 EUR	31 Dec. 2019 EUR
<b>A. Fixed assets</b>										
<b>I. Property, plant and equipment</b>										
Operating and office equipment	55,120.84	4,021.23	0.00	59,142.07	50,700.84	5,431.23	0.00	56,132.07	3,010.00	4,420.00
<b>II. Financial assets</b>										
Long-term securities	27,348,731.30	34,025,662.09	17,186,757.96	44,187,635.43	0.00	0.00	0.00	0.00	44,187,635.43	27,348,731.30
<b>Total fixed assets</b>	<b>27,403,852.14</b>	<b>34,029,683.32</b>	<b>17,186,757.96</b>	<b>44,246,777.50</b>	<b>50,700.84</b>	<b>5,431.23</b>	<b>0.00</b>	<b>56,132.07</b>	<b>44,190,645.43</b>	<b>27,353,151.30</b>