

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

Annual financial statements  
for the financial year  
from 1 January to 31 December 2021

**TRANSLATION**

– German version prevails –

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Caucasus Nature Fund (CNF), Offenbach am Main/Germany  
Balance sheet as at 31 December 2021

Assets	31 Dec. 2021	31 Dec. 2020		31 Dec. 2021	31 Dec. 2021	31 Dec. 2020	Equity and liabilities
	EUR	EUR		EUR	EUR	EUR	31 Dec. 2020
							EUR
<b>A. Fixed assets</b>			<b>A. Equity</b>				
<b>I. Intangible fixed assets</b>			<b>I. Foundation capital</b>				
Trademark laws and similar values	4,196.00	0.00	1. Initial endowment	7,728,100.00		7,728,100.00	
			2. Additions to endowment	22,693,917.91		22,693,917.91	
<b>II. Property, plant and equipment</b>			3. Realized capital gains	<u>603,403.31</u>		<u>603,403.31</u>	
Operating and office equipment	5,131.17	3,010.00			<b>31,025,421.22</b>		<b>31,025,421.22</b>
<b>III. Financial assets</b>			<b>II. Reserves</b>				
Investment securities	55,564,167.86	44,187,635.43	1. Capital reserves	55,921,985.85		17,769,551.57	
	<u>55,573,495.03</u>	<u>44,190,645.43</u>	2. Earnings reserves	<u>2,838,445.67</u>		<u>2,658,514.69</u>	
<b>B. Current assets</b>					<b>58,760,431.52</b>		<b>20,428,066.26</b>
<b>I. Other assets</b>	<b>5,072,915.42</b>	<b>935,811.09</b>	<b>III. Funds carried forward</b>		<b>184,542.03</b>		<b>258,074.42</b>
<b>II. Bank balances</b>	<b>29,509,601.70</b>	<b>6,776,099.64</b>			<b>89,970,394.77</b>		<b>51,711,561.90</b>
	<u>34,582,517.12</u>	<u>7,711,910.73</u>	<b>B. Provisions</b>				
<b>C. Prepaid expenses</b>	<b>750.00</b>	<b>0.00</b>	Other provisions		<b>115,261.49</b>		<b>110,561.18</b>
			<b>C. Liabilities</b>				
			1. Liabilities to banks	0.00		3,664.66	
			2. Trade payables	15.87		1,695.73	
			3. Other liabilities	<u>71,090.02</u>		<u>75,072.69</u>	
					<b>71,105.89</b>		<b>80,433.08</b>
					<u><b>90,156,762.15</b></u>		<u><b>51,902,556.16</b></u>
	<u><b>90,156,762.15</b></u>	<u><b>51,902,556.16</b></u>					

## Statement of profit and loss for the financial year from 1 January to 31 December 2021

	2021 EUR	2021 EUR	2020 EUR	2020 EUR
<b>1. Net investment income and other income</b>				
a) Investment income				
aa) Dividends	138,750.37		212,927.94	
ab) Interest and similar income	128,639.93		152,890.02	
ac) Fund distributions	257,252.69		254,529.54	
ad) Realised capital gains	1,382,702.08		0.00	
ae) Exchange gains	69,454.24		484,710.35	
		1,976,799.31		1,105,057.85
b) Expenses from realised asset reclassifications		0.00		-909,849.26
c) Expenses for asset investments		-300,001.88		-295,206.40
d) Expenses from currency translation		-1,260,372.28		-46,594.26
<b>Net investment income</b>		<b>416,425.15</b>		<b>-146,592.07</b>
e) Grants, subsidies and other income		459,037.99		535,044.92
<b>Net income</b>		<b>875,463.14</b>		<b>388,452.85</b>
<b>2. Programme grants and projects and other expenses</b>				
<b>Direct project support</b>				
a) Grants to protected areas	-1,330,731.41		-1,279,295.34	
b) Other grants	-310,080.49		-2,283,614.82	
c) Consulting and other projects	-435,511.68		-367,240.45	
		-2,076,323.58		-3,930,150.61
<b>Project development and monitoring</b>		<b>-292,263.45</b>		<b>-237,407.30</b>
<b>Administrative and other expenses</b>				
a) Administrative expenses	-234,518.05		-307,788.83	
b) Fundraising and communications	-13,525.19		-11,565.21	
		-248,043.24		-319,354.04
<b>Total project and other expenses</b>		<b>-2,616,630.27</b>		<b>-4,486,911.95</b>
<b>3. Loss for the year</b>		<b>-1,741,167.13</b>		<b>-4,098,459.10</b>
<b>4. Funds carried forward from the previous year</b>		<b>258,074.42</b>		<b>843,605.15</b>
<b>5. Transfer from capital reserves</b>		<b>1,847,565.72</b>		<b>3,509,883.87</b>
<b>6. Transfer from project reserve</b>		<b>2,864.43</b>		<b>3,044.50</b>
<b>7. Allocation to the free reserves</b>		<b>-182,795.41</b>		<b>0.00</b>
<b>8. Funds carried forward</b>		<b>184,542.03</b>		<b>258,074.42</b>

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

## Notes to the financial statements for the financial year 2021

### 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 2021 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

Deviating from the prior year, custody fees for bank balances used to pay administrative expenses were reported under administrative expenses in the fiscal year and no longer under expenses for the investment of assets. If the same disclosure had been chosen in the prior year as in the financial year, the expenses from the investment of assets would have been EUR 37,301.92 lower in the prior year and the administrative expenses would have been higher by this amount. Apart thereof, 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) 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.

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 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 55,564,167.86 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
<b>Bonds</b>			
Deutsche Pfandbriefbank (7 Feb. 2023)	200,000	204,020.00	201,740.00
Vonovia EMTN Sr.35 Tr.1 (16 Jun. 2027)	300,000	300,121.00	297,063.00
Bayerische Landesbank (10 Feb. 2028)	300,000	298,830.00	294,210.00
Commerzbank EMTN Sr.961 (1 Sep. 2027)	250,000	252,332.50	249,050.00
Unibail-Rodamco EMTN (27 Feb. 2027)	300,000	318,270.00	307,500.00
Unibail-Rodamco-Westfield EMTN (9 Apr. 2025)	200,000	212,600.00	207,140.00
Teleperformance (26 Nov. 2027)	300,000	299,405.00	285,270.00
BNP Paribas (13 Ap. 2027)	200,000	199,614.00	194,560.00
Credit Agricole (20 Apr. 2028)	200,000	200,860.00	197,260.00
Croatia (11 Mar. 2025)	200,000	227,242.00	219,380.00
Merck (12 Dec. 2074)	200,000	218,800.00	216,930.00
Covestro (25 Sep. 2024)	300,000	321,732.00	312,993.00
MERLIN Properties EMTN Sr.1 (25 Apr. 2023)	150,000	159,510.00	153,414.00
Koninklijke MTN Sr.1 (11 Sep. 2028)	200,000	209,140.00	206,254.00
LEG Immobilien (23 Jan. 2024)	300,000	311,400.00	306,120.00
Covivio (17 Oct. 2024)	300,000	320,166.67	312,720.00
Euronext (18 Apr. 2025)	300,000	310,873.50	308,256.00
SoftBank Group (20 Apr. 2023)	270,000	280,980.00	275,410.80
Netflix (15 May 2027)	200,000	232,800.00	229,790.00
Chile (2 Jul. 2031)	200,000	203,080.00	200,000.00
Nasdaq (28 Mar. 2029)	180,000	196,228.80	192,420.00
SKF (17 Sep. 2025)	300,000	314,508.00	310,986.00
Romania (8 Dec. 2026)	150,000	161,550.00	157,290.00
Becton Dickinson Euro Finance (4 Jun. 2026)	340,000	354,227.00	351,927.20
Deutsche Bahn Finance FTFN (22 Jan. 2025)	300,000	304,812.00	298,764.00
Heidelberg Cement Finance Luxembourg (1 Dec. 2027)	290,000	304,960.40	300,628.50
Infineon Technologies (31 Mar. 2025)	300,000	312,606.00	310,275.00
Stryker (3 Dec. 2024)	200,000	201,318.00	200,984.00
Stryker (1 Mar. 2029)	270,000	274,591.74	272,700.00
RELX Finance (10 Mar. 2028)	230,000	233,804.20	230,437.00
Prosus (3 Aug. 2028)	270,000	273,855.00	272,300.40

	Nominal value/number	Book value	Fair value
Aroundtown EMTN (16 Jul. 2026)	300,000	294,234.00	292,620.00
Goldman Sachs Group EMTN (26 Jan. 2028)	300,000	297,772.00	293,517.00
Fedex (4 May 2029)	230,000	231,538.70	226,412.00
		<b>8,837,782.51</b>	<b>8,686,321.90</b>
<b>Shares</b>			
Swiss Re AG	925	85,829.33	80,558.18
Cembra Money Bank Ltd.	790	63,785.90	50,651.77
Ping An Insurance (Group) Company of China Ltd.	2,000	21,702.88	12,738.84
Fuchs Petrolub SE	2,350	99,098.17	93,812.00
Bouygues S.A.	3,180	104,472.42	99,629.40
Unibail-Rodamco-Westfield SE	640	60,946.76	38,905.60
Georgia Capital PLC	6,000	51,183.42	45,911.80
Swire Properties Ktd.	10,000	30,323.68	21,993.17
Tokio Marine, Shs	600	29,824.54	29,401.79
Astellas Pharma Inc.	2,000	31,429.61	28,679.63
Ascendas Real Estate Investment Trust	45,700	89,593.62	87,099.38
Singapore Telecommunications Ltd.	12,000	27,007.79	18,161.65
Borgwarner Inc.	4,325	175,242.02	171,015.88
Boston Scientific Corp.	900	37,289.02	34,134.10
Cable One Inc.	20	31,504.95	31,270.93
JP Morgan Chase & Co.	580	84,000.40	81,092.54
PayPal Holdings Inc.	800	161,850.50	135,424.79
Visa Inc.	170	33,921.09	32,675.69
		<b>1,219,006.10</b>	<b>1,093,157.16</b>
<b>Funds</b>			
Muzinich Enhancedyield Short-Term Fund Hedged EUR	31,761	2,850,657.21	2,740,656.69
Candriam Bonds Credit Opportunities I (q)	1,901	2,706,663.76	2,628,987.95
		<b>5,557,320.97</b>	<b>5,369,644.64</b>
<b>Other shares</b>			
Crown European Privat Debit/CEPD II		977,710.00	949,200.00
Brookfield Infrastr. Debt II		217,642.39	212,593.00
Cibus Enterprise Fund II		572,636.43	550,077.19
Generation IM Asia Fund A33		1,932,354.16	1,873,238.63
Amaron AB		845,797.65	821,760.77
		<b>4,546,140.63</b>	<b>4,406,869.59</b>
		<b>20,160,250.21</b>	<b>19,555,993.29</b>

As of 31 December 2021, 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 47,726.88 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 current assets relate to payments made for financial investments in the amount of EUR 4,971,557.66, for which financial assets were acquired shortly after the balance sheet date, for interest receivables and for a dividend claim. 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 11,196,015.43 Armenian Dram (EUR 21,313.85), 1,281,16 British Pound (EUR 1,526.30), 489,156.79 Georgian Lari (EUR 140,481.93), 9,639.66 Swiss Franc (EUR 9,310.83), 692,936.27 US Dollar (EUR 610,947.70) as well as 863,510.00 Japanese Yen (EUR 6,615.01).

### **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 55,921,985.85 as of 31 December 2021.

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 55,836,347.35 equivalent to four separate grants by the BMZ via the KfW in an amount of EUR 68,400,000.00 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 2038 at the latest (in the following, the total grant is referred to as "2038 Funding Capacity Reserve").



The development of the “2038 Funding Capacity Reserve” is presented in the following table:

Catalogue of fundings	Original funding	31 Dec. 2020 Amount	2021 Use	Total use	31 Dec. 2021 Amount
					EUR
CNF II	12,000,000	1,283,913	1,022,879	11,738,966	261,034
CNF III	16,400,000	16,400,000	824,687	824,687	15,575,313
CNF VI	40,000,000	-	-	-	40,000,000
<b>Total amount of grant mEUR 68.4</b>		<b>17,683,913</b>	<b>1,847,566</b>	<b>12,563,653</b>	<b>55,836,347</b>

### Earnings reserves

The earnings reserves can be analysed as follows:

	31 Dec. 2021	31 Dec. 2020
	EUR	EUR
Free reserve pursuant to Sec. 62 (1) no. 3 AO	2,584,963.24	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	20,049.68	22,914.11
<b>Total</b>	<b>2,838,445.67</b>	<b>2,658,514.69</b>

An amount of EUR 2,864.43 was transferred from the project reserve in the reporting period. As of 31 December 2021, the reserve for fund committed and to be paid in the following years totalled EUR 20,049.68.

### 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 LLF from a loan, capital yield tax payable for the financial year, liabilities to personnel and so-called variation margin payments of EUR 65,119.30 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, capital yield tax 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 private persons, income from the refund of unused subsidies as well as income from the reversal of provisions.

The “expenses for funding measures for 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, personnel expenses, audit and external accounting 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, travel costs, costs for events and PR and other costs in connection with the fundraising.

### Personnel expenses

	2021	2020
	EUR	EUR
<b>Personnel expenses</b>		
Wages and salaries	318,022.46	298,168.11

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 120,296.47 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 10,218.

### Fee of the auditor

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

### Management board

- Mr Tobias Münchmeyer, 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

- Mr David Morrison, Conservationist, member of the supervisory board of nature conservation trust funds and public enterprises; Paris/France

Deputy chairman

- Ms Stefanie Lang, Director Asia, World Wide Fund for Nature; Berlin/Germany (until 24 February 2021)
- Ms Kathrin Helga Samson, Direktor Asia, World Wide Fund for Nature; Berlin/Germany (as from 25 February 2021)

Further members:

- Mr Ted Jonas, Senior Counsel, Dentons Georgia LLC; Tiflis/Georgia
- Mr Thomas Eisenbach, Head of Division, KfW Bankengruppe; Frankfurt am Main/Germany
- Mrs Hanna-Leena Loikkanen, Full-time board professional, serving at the boards of Bank of Georgia, Rosbank, VEF and Finnfund; Helsinki/Finland (since 16 June 2021)
- Mr Ronald Kent, Managing Director, UK Finance; London, Great Britain (until 13 January 2021)

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

## **Number of employees**

In the financial year 2021, the Foundation had six employees in the annual average.

## **Report on post-balance sheet date events**

The invasion of Ukraine by Russian forces on 24 February 2022 is a game-changing, historic event, also for the global economy. We see with concern that even an invasion of Russian forces into Georgia and/or Armenia cannot be ruled out for the coming months. A new government deployed under military pressure would not be a possible cooperation partner for CNF.

Apart from this unlikely worst-case scenario, we are particularly concerned, as economic effects of the war, that there might be reallocation to state budgets, with the result that less funds are available for protected areas. This could lead to a decrease in complementary funding by governments for the conservation projects. In addition, we fear a decline in tourism revenues from these countries, as fewer foreign visitors would be able to visit the protected areas in the Caucasus. This would also lead to a decrease in complementary financing of development projects.

In addition, macroeconomic changes and a deterioration of the economy could occur, which may have negative influences on the value of the financial assets and credit balances held by the Foundation with credit institutions.

The Foundation's executive board is presently unable to provide an exhaustive assessment of the effects of the Ukraine war. It follows that the resulting risks cannot be fully assessed either.

Offenbach am Main/Germany, 13 May 2022

Caucasus Nature Fund (CNF)

The Management Board

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

Movements in fixed assets in the financial year 2021

	Acquisition cost				Accumulated amortisation/depreciation/write-downs				Book value	Book value
	1 Jan. 2021 EUR	Additions EUR	Disposals EUR	31 Dec. 2021 EUR	1 Jan. 2021 EUR	Additions EUR	Disposals EUR	31 Dec. 2021 EUR	31 Dec. 2021 EUR	31 Dec. 2020 EUR
<b>A. Fixed assets</b>										
<b>I. Intangible fixed assets</b>										
Trademark laws and similar values	0.00	4,410.12	0.00	4,410.12	0.00	214.12	0.00	214.12	4,196.00	0.00
<b>II. Property, plant and equipment</b>										
Operating and office equipment	59,142.07	4,383.65	1,358.92	62,166.80	56,132.07	2,260.65	1,357.09	57,035.63	5,131.17	3,010.00
<b>III. Financial assets</b>										
Investment securities	44,187,635.43	27,819,246.10	16,442,713.67	55,564,167.86	0.00	0.00	0.00	0.00	55,564,167.86	44,187,635.43
<b>Total fixed assets</b>	<b>44,246,777.50</b>	<b>27,828,039.87</b>	<b>16,444,072.59</b>	<b>55,630,744.78</b>	<b>56,132.07</b>	<b>2,474.77</b>	<b>1,357.09</b>	<b>57,249.75</b>	<b>55,573,495.03</b>	<b>44,190,645.43</b>