

**Blue Action Fund
Frankfurt 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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Blue Action Fund, Frankfurt am Main/Germany
Balance sheet as at 31 December 2019

Assets	31 Dec. 2019		31 Dec. 2018		31 Dec. 2019		31 Dec. 2018	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
A. Fixed assets								
I. Property, plant and equipment								
Operating and office equipment	3,809.00	1,614.01			2,000,000.00	2,000,000.00	2,550,000.00	4,550,000.00
II. Financial assets								
Investment securities	33,684,484.81	21,370,955.83			72,685,736.33	49,154,224.60	7,113,443.84	56,267,668.44
	33,688,293.81	21,372,569.84			6,406,917.80	79,092,654.13		
B. Current assets								
I. Other assets	179,568.83	201,103.25			0.00	258,119.79	61,075,788.23	
II. Bank balances	53,784,348.45	42,423,038.27						
	53,963,917.28	42,624,141.52			139,411.49			119,836.96
C. Liabilities								
1. Liabilities from conditionally repayable donations					4,006,827.23			2,500,000.00
2. Trade payables					2,886.21			14,512.17
3. Other liabilities					14,456.93			286,574.00
	87,652,211.09	63,996,711.36			4,024,170.37			2,801,086.17
					87,652,211.09			63,996,711.36

Blue Action Fund, Frankfurt 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	288,809.16		180,822.37	
ab) Interest and similar income	259,095.93		200,516.45	
ac) Funds distributions	65,246.25		0.00	
ad) Realised capital gains	1,197,593.23		-43,597.38	
ae) Exchange gains	2,399.51		7,411.18	
		1,813,144.08		345,152.62
b) Investment expenses		-357,290.35		-341,610.68
c) Foreign exchange currency loss		-16,849.77		0.00
Net investment income		1,439,003.96		3,541.94
d) Donations and other income		993,172.77		2,819,018.98
Net income		2,432,176.73		2,822,560.92
2. Programme grants & projects and other expenses				
Direct project support				
a) Grants to projects	-4,489,018.27		-1,331,033.87	
b) Expenses for knowledge exchange and research activities	0.00		0.00	
		-4,489,018.27		-1,331,033.87
Programme development and management		-220,621.32		-115,001.40
Administrative and other expenses				
a) Administration expenses	-260,541.00		-234,896.52	
b) Fundraising and communications	-49,155.14		-25,819.37	
		-309,696.14		-260,715.89
Total project and other expenses		-5,019,335.73		-1,706,751.16
3. Loss/profit for the year		-2,587,159.00		1,115,809.76
4. Funds carried forward from the previous year		258,119.79		5,159,978.47
5. Withdrawals from spendable capital		154,024.90		150,000.00
6. Transfers from reserves				
a) Transfers from capital reserves	1,468,488.27		945,775.40	
b) Transfers from earnings reserves	2,145,530.00		0.00	
		3,614,018.27		945,775.40
7. Transfers to earnings reserves		-1,439,003.96		-7,113,443.84
8. Funds carried forward		0.00		258,119.79

Blue Action Fund, Frankfurt am Main/Germany

Notes to the financial statements for the financial year 2019

General information and explanations on the annual financial statements

Blue Action Fund was established as a foundation under civil law by act of foundation on 1 December 2016. The recognition by the district president took place on 7 December 2016. 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 small business corporations (Sec. 267 (1) HGB).

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 reserves within equity was adjusted. They were allocated to capital reserves and earnings reserves. Apart from the above, the recognition and measurement policies applied remained unchanged when compared to the prior year.

Property, plant and equipment and 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. Financial assets are written down to the lower fair value in case of lasting permanent impairment. The Foundation does not exercise the option in case of a presumably temporary 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 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

Fixed assets

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

Financial assets

As regards the security portfolio making part of the financial assets with a book value of EUR 33,684,484.81 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			
Aareal Bank AG 0.375% 24	300,000	302,261.90	301,260.00
Aeroports de Paris S.A. 3.125% 24	200,000	228,036.00	227,440.00
Arcelik A.S.NT 3.875% 21	200,000	318,325.00	313,470.00
Aroundtown SA 1.5% 24	600,000	628,524.00	625,170.00
ASML Holding N.V. 1.375% 26	300,000	322,134.00	321,855.00
Berlin Hyp AG 0.5% 29	300,000	299,748.52	297,060.00
BNG Bank N.V. 2.25% 23	200,000	221,782.00	218,000.00
Coca-Cola European Partn. PLC 1.5% 27	460,000	498,916.00	493,833.00
Croatia 3% 25	300,000	340,482.00	340,260.00
Dassault Systemes SE 0.125% 26	300,000	296,862.00	296,160.00
Deutsche Bahn 2.5% 23	300,000	335,895.00	327,900.00
Deutsche Pfandbriefbank 0.75% 23	300,000	305,946.00	304,890.00
DH Europe Finance S.A. 0.2% 26	200,000	199,280.00	197,580.00
Eurofima 0.25% 24	300,000	306,021.00	305,145.00
Euronext N.V. 1% 25	300,000	310,873.50	309,570.00
European Investment Bank 3.25% 24	452,189	480,497.41	471,253.62
Ferrovial Emisiones S.A. 1.375% 25	300,000	318,558.00	314,040.00
Fiserv Inc. 0.375% 23	300,000	302,727.00	302,130.00
Grenke Finance PLC 1.125% 22	300,000	305,104.00	304,140.00
Grenke Finance PLC 1.625% 24	300,000	316,197.00	314,145.00
Klépierre S.A. 0.625% 30	200,000	199,322.58	197,440.00

Mitsubishi UFJ Fin. Grp. 0.68% 23	300,000	305,700.00	304,935.00
Portugal OBR 2.2% 22	250,000	268,690.25	267,675.00
Portugal OBR.V. 5.65% 24	100,000	445,043.00	434,175.00
ProSiebenSat.1 Media SE 2.625% 21	300,000	312,567.00	306,981.00
Proximus S.A. 1.875% 25	300,000	329,997.00	325,050.00
SKF AB 1.25% 25	300,000	314,205.00	313,467.00
Sumitomo Mitsui Fin. Grp. 0.819% 23	300,000	307,233.00	306,435.00
Tele2 AB 1.125% 24	250,000	259,437.50	258,632.50
Thermo Fisher Scientific 2.15% 22	250,000	267,172.50	262,625.00
Unibail-Rodamco-Westfield SE 1% 27	500,000	526,458.58	515,900.00
Unibail-Rodamco-Westfield SE 1.125% 25	200,000	208,164.00	205,760.00
Vonovia Finance 2.25% 23	200,000	217,378.00	215,308.00
Wienerberger AG EO-Schuldv. 2018 2% 24	220,000	234,653.91	233,200.00
Worldline S.A. 0.25% 24	300,000	297,597.00	297,090.00
		11,131,789.65	11,029,975.12
Shares			
Aareal Bank AG	10,060	306,422.80	304,516.20
American Financial Group Inc.	1,075	106,741.77	105,193.55
Assa-Abloy AB B	10,660	228,735.41	223,707.08
Astellas Pharma Inc.	5,700	88,980.69	87,275.85
Automatic Data Processing Inc	1,490	229,641.39	225,897.64
Central Japan Railway Co.	500	91,031.17	90,067.96
Cerner Corp.	2,305	151,402.60	150,651.31
CME Groupe Inc.	850	156,814.07	151,352.58
Coca-Cola European Partn. PLC	8,990	433,909.06	407,247.00
Covestro AG	7,230	307,888.35	298,960.50
EssilorLuxottica S.A.	1,300	183,881.20	175,370.00
Fanuc Corp.	500	87,688.67	83,230.98
Fidelity Natl Inform.Svcs Inc.	1,300	161,258.49	161,076.35
Galenica AG	1,950	109,012.46	107,366.61
Hexygon AB	2,100	109,985.93	105,646.96
Kon. KPN N.V.	25,000	73,218.90	65,625.00
Konecranes Oyj	11,230	317,809.62	310,621.80
Legget & Platt Inc.	2,200	104,707.79	100,402.29
Lennar Corp. A	2,000	106,281.67	99,660.29
Monster Beverage Corp.	3,950	226,384.48	223,736.81
ProCredit Holding Ag & Co. KGaA	25,250	287,969.00	181,800.00
S&P Global Inc.	1,660	407,792.55	404,957.00
SBA Communications Corp.	500	106,612.52	106,602.00
Schindler Holding AG	475	108,357.88	107,585.10

Sunrise Communication Gr. AG	1,500	107,128.67	104,944.80
Telefónica Deutschland Hldg AG	57,350	164,911.03	148,249.75
Tiffany & Co	875	105,137.05	104,411.76
Uniball-Rodamco-Westerfield SE	770	108,667.41	108,454.50
Verbund AG	6,450	303,249.61	290,895.00
		5,281,622.24	5,035,506.67
Other shares			
Generation IM Sustainable Solutions Fund III (B)		431,377.23	381,916.46
		431,377.23	381,916.46
		16,844,789.12	16,447,398.25

As of 31 December 2019, no write-downs to the lower market rates were made for these 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 relate to interest receivables, the tax on income from capital refundable by the tax office including solidarity surcharge and rent deposit. Except for the rent deposit of EUR 2,500.00, all 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 USD 32,508.54 (EUR 28,987.36), JPY 132,672.95 (EUR 1,088.72), CHF 932.05 (EUR 858.83) and GBP 7,263.64 (EUR 8,540.82).

Foundation capital

The former initial endowment remained unchanged as of the balance sheet date. According to the charter, the spendable capital was used in a minimum amount of 5% of the original amount of EUR 3,000,000.00 and thus in an amount of EUR 154,024.90 in the financial year.

Capital reserves

The capital reserves result from funding capacity reserves in accordance with Sec. 62 (3) no. 2 German Tax Code (AO). Via the KfW Development Bank, Frankfurt am Main/Germany, the Federal Ministry for Economic Cooperation and Development (BMZ), Berlin/Germany, made a donation of EUR 25,000,000.00 to the funding capacity reserve in the financial year. In the financial year, an amount of EUR 1,468,488.27 was transferred from the reserve. The reserve amounts to EUR 72,685,736.33 as of the balance sheet date.

Earnings reserves

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

For payment commitments from three agreed programme grants, project reserves within the meaning of Sec. 62 (1) no. 1 AO were set up in an amount of EUR 6,828,000.00 in the prior year. An amount of EUR 2,145,530.00 was used in the financial year. Project reserves thus amount to EUR 4,682,470.00 as of the balance sheet date.

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

The free reserve (Sec. 62 (1) no. 3 AO) remained unchanged at EUR 281,901.90 in the reporting year.

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

An amount of EUR 1,439,003.96 was transferred to the so-called savings reserve pursuant to Sec. 62 (4) AO and amounts to EUR 1,442,545.90 as of the balance sheet date.

Provisions

The other provisions include outstanding invoices for investment advice and asset management services received in the reporting year, for deposit fees, accounting services, costs for the annual financial statements as well as provisions for not yet taken vacation of the employees.

Liabilities

Liabilities from conditionally repayable donations result from two donations made by Agence Française de Développement (AFD) of EUR 2,500,000.00 in the prior year and EUR 2,500,000.00 in the reporting year, which are linked to a concrete, individually agreed condition and/or an individually agreed provision as regards their use, so that they must be used for the specific purpose. In case of non-compliance with this condition/provision, Agence Française de Développement may reclaim the donations. An amount of EUR 993,172.77 was used in accordance with the provisions and the liability was reduced by this amount.

The other liabilities include a liability of EUR 5,760.49 to Nature Trust Alliance GbR, Frankfurt am Main/Germany, whose shareholders are Blue Action Fund as well as Caucasus Nature Fund and Prespa Ohrid Nature Trust (PONT). The remaining other liabilities relate to payroll tax for December of the prior year.

The liabilities from conditionally repayable donations have a residual term of up to five years. As in the prior year, all other liabilities have a term of up to one year.

Notes to the statement of profit and loss

The dividends result from investment securities.

Interest and similar income relate to bonds disclosed under investment securities, time deposit investments and two current accounts.

Funds distributions result from investment fund shares disclosed under investment securities.

The investment expenses result from fees for investment advisory and deposit fees, foreign withholding taxes and administrative expenses of Nature Trust Alliance GbR attributable to the investment.

The donations and other income disclosed in the financial year 2019 result from the use of conditionally repayable donations. The relevant disclosure is recognised under expenses for grants.

The expenses for programme grants and projects relate to direct costs for grants to non-governmental organisations.

The expenses for programme development and management relate to staff and travel costs as well as to costs for procured external services.

The administrative expenses comprise personnel expenses, rent and other office expenses incurred by Nature Trust Alliance GbR, audit and external accounting costs, employee costs, consultancy costs, IT services, rental expenses, insurances and sundry operational expenses.

The item fundraising and communications includes costs for events, expenses for the preparation of documents for public relations work and sundry fundraising expenses.

Other disclosures

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

The commitments for future programme grants entered into so far amount to EUR 16,065,919.00 as of the balance sheet date.

Use of the donated funds

The funds endowed to the Foundation (spendable capital, capital reserves and received donations and grants) are fully or proportionately used for certain projects and/or expense types and have developed as follows:

a) Programme costs

Grant programme	Original grant	Balance as of 31 December 2018	Use in the year 2019	Total use since granting	Balance as of 31 December 2019
BMZ financing phases 1&2	19,000,000.00	18,054,224.60	1,000,000.00	1,945,775.40	17,054,224.60
BMZ financing phase 3	18,400,000.00	18,400,000.00	468,488.27	468,488.27	17,931,511.73
BMZ financing phase 4	10,212,000.00	10,212,000.00	-	-	10,212,000.00
BMZ financing phase 5	23,000,000.00	-	-	-	23,000,000.00
Total BMZ	70,612,000.00	46,666,224.60	1,468,488.27	2,414,263.67	68,197,736.33
SE MFA Financing 1	4,540,595.52	4,155,337.05	2,145,530.00	2,530,788.47	2,009,807.05
SE MFA Financing 2	2,466,641.98	2,466,641.98	-	-	2,466,641.98
Total SE MFA	7,007,237.50	6,621,979.03	2,145,530.00	2,530,788.47	4,476,449.03
AFD financing 1	2,187,500.00	2,187,500.00	875,000.00	875,000.00	1,312,500.00
AFD financing 2	2,187,500.00	-	-	-	2,187,500.00
Total AFD	4,375,000.00	2,187,500.00	875,000.00	875,000.00	3,500,000.00
Total programme cost	81,994,237.50	55,475,703.63	4,489,018.27	5,820,052.14	76,174,185.36

b) Operating expenses

Expenses for programme development and monitoring as well as administrative and other expenses are referred to as “operating expenses” from the perspective of the donors and are covered by transfers from spendable capital of EUR 154,024.90 and up to 12.5% of the contributions of the Swedish Ministry of Foreign Affairs and the Agence Française de Développement as well as up to 8% of the contributions of BMZ from financing phases 3, 4 and 5.

Grant operating expenses	Original grant	Balance as of 31 December 2018	Use in the year 2019	Use since granting	Balance as of 31 December 2019
BMZ spendable capital	3,000,000.00	2,550,000.00	154,024.90	604,024.90	2,395,975.10
BMZ financing phases 3, 4 & 5	4,488,000.00	2,488,000.00	-	-	4,488,000.00
Total BMZ	7,488,000.00	5,038,000.00	154,024.90	604,024.90	6,883,975.10
SE MFA Financings 1 & 2	1,001,033.50	746,042.66	258,120.01	513,110.85	487,922.65
AFD financing 1 & 2	625,000.00	312,500.00	118,172.55	118,172.55	506,827.45
Total operating expenses	9,114,033.50	6,096,542.66	530,317.46	1,235,308.30	7,878,725.20

Among other matters, the supervisory board of Foundation Blue Action Fund resolved that programme expenses that do not take the form of direct payments, e.g. expenses for surveys and research activities and knowledge exchange and information of decision takers, shall currently be financed with the funds for covering operating expenses.

Management board

Markus Knigge, Executive Director of Management Board, Berlin/Germany

David Fielding Morrison, Paris/France

Ralph Kadel, Mörlenbach/Germany (until 30 June 2019)

Supervisory board

Ingrid-Gabriela Hoven, Chair of Supervisory Board, BMZ, Head of Directorate Global Issues, Bonn/Germany

Stefan Opitz, Deputy Chair of Supervisory Board, KfW, Member of the Management Committee KfW Development Bank, Frankfurt am Main/Germany

Helen Ågren, Swedish Ministry of Foreign Affairs, Ambassador for the Ocean, Stockholm/Sweden

Number of employees

In addition to the executive director, the Foundation had two employees in the annual average of the financial year 2019.

Major post-balance-sheet-date events

The pandemic caused by the coronavirus SARS-CoV-2, 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 income 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 are to be expected for supported projects due to the pandemic, which might lead to a delay in the budgeted cash outflows.

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

Frankfurt am Main/Germany, 8 July 2020

Blue Action Fund

The Management Board

Blue Action Fund, Frankfurt am Main/Germany
Movements in fixed assets in the financial year 2019

	1 Jan. 2019		Acquisition cost		1 Jan. 2019		Accumulated amortisation/depreciation/write-downs		Book value		
	EUR	EUR	Additions	Disposals	EUR	EUR	1 Jan. 2019	Additions	Disposals	31 Dec. 2019	31 Dec. 2018
			EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed assets											
I. Property, plant and equipment											
Operating and office equipment	3,091.06		7,539.61	0.00	10,630.67	1,477.05	5,344.62	0.00	6,821.67	3,809.00	1,614.01
II. Financial assets											
Investment securities	21,370,955.83		41,275,710.46	28,962,181.48	33,684,484.81	0.00	0.00	0.00	0.00	33,684,484.81	21,370,955.83
Total fixed assets	<u>21,374,046.89</u>		<u>41,283,250.07</u>	<u>28,962,181.48</u>	<u>33,695,115.48</u>	<u>1,477.05</u>	<u>5,344.62</u>	<u>0.00</u>	<u>6,821.67</u>	<u>33,688,293.81</u>	<u>21,372,569.84</u>