



**CLIMATE-KIC HOLDING B.V.
AND CONTROLLED ENTITIES**

(REGISTRATION NUMBER 63299658)

**FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2020**



Co-funded by the
European Union



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MANAGEMENT REPORT

The directors present their management report together with the financial report of the Climate-KIC Holding B.V. and the entities it controlled (“the Group”), for the financial year ended 31 December 2020.

Directors

The Group is represented by its Executive Board (4 members). The Supervisory Board supervises the Executive Board’s policy and course of action, and the general conduct and course of affairs of Climate-KIC Holding B.V. and any business it may be affiliated with. The Supervisory Board also assists the Executive Board in an advisory capacity.

Members of the Executive Board are:

- | | |
|---|-------------------------|
| • Kirsten Dunlop | Chief Executive Officer |
| • Thomas Mitchell | Chief Strategy Officer |
| • Florian Deville (appointed 19 April 2021) | Chief Financial Officer |
| • Maite Ibarretxe (appointed 1 June 2021) | Chief Operating Officer |

Richard Zaltzman (Chief Operating Officer) and Joann Passingham (Chief Financial Officer) resigned their positions as of 31st March 2021.

Members of the Supervisory Board are:

- Thomas Goergen
- Barna Barath (Chair)
- Isabel Garcia Mora (appointed on 13 July 2020)

Timo Nurminiemi and Yvo De Boer resigned as Board members on 1st January 2020 and 31st October respectively. Monika Weber-Fahr resigned as Board Chair on 11 May 2021.

The directors have been in office since the start of the year to the date of this report unless otherwise stated. The Group, as a large company, is required to pursue a policy of having at least 30% percent of seats on the Executive Board and Supervisory Board be held by each gender to the extent these seats are held by natural persons. This has been achieved in 2020.

The Executive Board of the Group is responsible for the day-to-day management of the Group. The Group’s statutory seat is in Amsterdam.

Vision and long-term goals

The Group, alongside its parent company Association Climate-KIC form the EIT Climate KIC. EIT Climate-KIC’s overarching ambition is to help create a prosperous, inclusive, climate resilient society with a circular, zero-emissions economy.

For the overarching ambition to be reached, there must be:

- Zero greenhouse gas emissions from the built environment, industry, materials, mobility and net zero greenhouse gas emissions in agriculture and land use by 2050 – and even earlier in Europe, if appropriate burden sharing with developing countries is to be achieved;
- A completed process for avoiding, reducing and managing residual climate risks in urban and rural areas, as the impact of climate change that already has been induced cannot be undone.

Principal activities

The principal activities of the Group during the financial year were:

- management of an innovative partnership of public and private organisations who work together to address climate change; and
- administering, distribution and reporting on the impact of grants from the European Institute of Innovation and Technology (“EIT”) to itself and the Group’s partners.

There has been no significant change in the nature of these activities during the financial year. Business development activities to explore and activate further sources of income has become a management priority in light of an expected decrease of the EIT grant over the next few years, and the Group was successful in winning a variety of bids and projects.

The partnership of public and private organisations as mentioned above are located in the following geographical locations:

	2020	2019
The Netherlands	48	48
Other EU countries	317	287
Other European Countries	90	33
Other countries	2	0
	457	368

The Group does not undertake any activities in the field of research and development.

Results and Highlights 2020

Thousands of cities, national and local authorities across Europe, as well as the European Parliament, have declared a climate emergency. The 2018 Intergovernmental Panel on Climate Change (IPCC) Special Report has clearly called for transformation of societies to stay within the 1.5°C climate warming target, and the European Green Deal endorses a systemic response to the massive challenge we face. The overwhelming message is that Europe wants to meet this challenge head-on, and many places have set targets to achieve net-zero emissions by 2030. This intent to lead is reinforced by the commitment to place climate action and innovation at the heart of Horizon Europe, the EIT Strategic Innovation Agenda and as a key pillar of Next Generation EU; the effort to create jobs and sustainable economic growth as Europe battles COVID-19.

Harnessing ten years of climate research, innovation and entrepreneurship impact and experience (see Box 1), and a network of Europe’s best and brightest climate innovators, EIT Climate-KIC offers Europe a crucial asset in achieving the ‘rapid, far-reaching, and unprecedented changes’ we now need.

Box 1: At a Glance - EIT Climate-KIC’s impact since 2010

EIT Climate-KIC has:

- Launched 469 innovative products and services on the market, avoiding an estimated 13 Million Tonnes (MT) of CO₂e₂ per year.
- Developed the world’s most extensive climate tech accelerator, supporting over 1800 climate-positive businesses, who have raised more than €1.5bn in follow-on investment and created over 10,000 jobs.
- Strengthened the climate leadership potential of more than 44,000 participants of our education programmes, where 46% are women (cf. 32% STEM average in Europe).
- Built the world’s biggest green start-up ideas competition, now across 56 countries (Climate Launchpad) and the led Climathon, an annual city climate hackathon event running simultaneously in over 100 cities per year across 6 continents.

In December 2018, EIT Climate-KIC adopted a bold vision – its *Transformation in Time* strategy, arguing that ‘business as usual’ innovation is not delivering climate action fast enough. EIT Climate-KIC proposed a fresh approach to innovation that intends to increase the chances of meeting our climate targets while enabling a just transformation. EIT Climate-KIC proposes to:

- combine innovations into deliberately designed portfolios that allow us to bring new solutions to the climate challenge and learn how they can reinforce each other to trigger faster, large-scale changes, rather than supporting innovations one-by-one;
- nurture innovation in the way we govern, make policies, engage citizens, finance actions, develop skills and try new business models, rather than innovation in technology alone;
- actively work to match supply with the type of demand and ambition that is aligned with the magnitude of the challenge, for example working with cities who have set targets of net-zero emissions by 2030, rather than concentrating only on the supply of new ideas to tackle climate change;
- broaden inclusion to innovation actors in community groups, public administrations and those working outside mainstream channels, including drawing in all talent across the Union; enhancing the participation of women and other marginalised innovators and entrepreneurs as a component, rather than treating innovation as just the preserve of elite universities, start-ups, and teams in major corporations; and
- actively seek to catalyse change by co-ordinating and orchestrating the process of bringing the best innovators and entrepreneurs together to help transform places and value chains, rather than act as a passive granter.

With the support of the EIT and other funders, we have been testing this vision. We intend to enhance EIT Climate-KIC’s role in raising Europe’s innovation capability, and in doing so, better equip Europe to meet the societal challenges it faces now and, in the future. In 2020, EIT Climate-KIC has:

- Signed long-term collaboration commitments with 25 European countries, cities, and regions, each bringing our brand of systemic innovation to achieving their ambitious climate targets.
- Attracted over 150 new organisations to our innovation community, so we can now count 459 Partners with representation from every Member State (2019 and 2020 results).
- Seen the total follow-on investment for our start-ups far exceed €1bn since our inception.
- Expanded access to all our entrepreneurship and education programmes through digital technologies in response to the COVID19 pandemic.
- Managed the most significant volume of funding in its history from EIT, Membership Fees and other funders.

Additionally, during 2020, the Group initiated a whole organisation restructuring in response to the planned reduction in our core grant from EIT in 2021 (from ~€85m to ~€33m), the need to change our capability mix to achieve our new strategy and also to a lesser extent to the Covid-19 pandemic. While most of the restructuring work was initiated and delivered in 2020, it has continued in to 2021. The goals of the restructuring have been to reduce costs, improve staff capability and create a new, more agile team structure and professional development approach. The next sections highlight some key attention areas that have been the focus of our 2020 efforts which we believe will yield significant benefits for 2021 and beyond.

Rolling out Transformation, in Time

Throughout 2020, we continued to receive strong signals of interest and endorsement in the *Transformation, in Time* value proposition from relevant European and global institutions, governments and prospective alliance partners/funders. The endorsement was primarily focused on relevance of a systemic approach to innovation in relation to climate action needs, urgency, scale and complexity; the importance of moving from projects to integrated interventions through a portfolio approach and systematic learning from innovation – the Deep Demonstrations in particular are driving an influx of requests to work with us – and

The new organisational design has brought with it changes to the leadership structure. In a move to distributed leadership and self-management, the Blueprint implementation saw a transition to team-centric organisation of work and where teams organise around their purpose, values, decision-making processes, roles and accountabilities, tracking their achievements through an Objective and Key Results model. A big focus has been put on organisational learning through various initiatives cultivating shared work and development of organisational and individual capabilities. Leadership roles are spread across teams and often, leadership functions have been distributed among multiple team members collaborating together.

Following the Blueprint re-organisation, the Executive Board has launched the Management Team, a group of experienced representatives from various functions, to ensure continued robust decision making and prudent management of the organisation. The Management Team is inclusive of the statutory executive directors who also represent their areas of responsibility on the team and supports the directors in the fulfilment of statutory duties. Agreeing policies, monitoring progress of key business markers, acting as decision making body where the whole organisation is affected, and promoting principles and ways of working agreed in the restructure process are all within the remit of the Management Team.

Establishment of the Foundation

In light of a rapidly evolving strategic and contextual landscape traversing Horizon Europe, the Green Deal and the decline of EIT funding, EIT Climate-KIC has been exploring options to establish a non-profit entity in order to unlock funding that is only or optimally available to an organisation with non-profit status. Following shareholder approval, Stichting Climate-KIC International Foundation was incorporated in February 2020 in order to steer forward, attract funding from sources that will only consider support to not-for-profit entities (i.e. cannot be channelled through Climate-KIC Holding B.V.), help create the conditions for an evolution of the value propositions for partners and the community, and make sure we are well prepared for the shift from Horizon 2020 to Horizon Europe. The Foundation's objective is to contribute to the protection of nature and the environment, including enhancement of sustainability, by way of catalysing systemic change for climate action through innovation. With effect from February 2020, the Foundation was formally granted non-profit status (known as ANBI or *algemeen nut beogende instelling* in the Netherlands) and it has since received positive receptions from potential funders where 50% of the 2020 pipeline consisted of opportunities only available to the Foundation as a charitable/non-profit organisation.

Significant work has been performed throughout the year to make strategic choices together with various stakeholders around the relationship between the Group and the Foundation, resulting in the approval of the transfer of 90% of the Group's ordinary shares from Association Climate-KIC to the Foundation. This transfer came into effect on 1 March 2021.

Implementing a modern fit for purpose ERP system

The Group made a decision in 2019 to replace a number of its existing systems with an all purpose Enterprise Resource Planning (ERP) system. A detailed procurement procedure meeting the groups own procurement policies as well as that of EIT was undertaken in early 2020 and identified Unit4 Business World as the chosen system to be implemented. In scope of the implementation were modules relating to Finance (Procure To Pay, General Ledger, Budgeting, Expenses), HR (time recording, headcount reporting, talent management, payroll, performance management) and Professional Services Automation (end to end project management). Due to 3 subsequent developments, a decision was taken to focus on going live in 2020 with only Finance. These 3 developments were the necessity to reduce organisation resources and organise in a different way (Blueprint implementation) which was not known at the time of the contract signing, the onset of the Covid-19 pandemic and the establishment of Foundation which fundamentally changes the future operational nature of the group. External programme support and leadership was established. The finance module finally went live in January 2021 with all elements with the exception of Budgeting.

Focusing on securing Future Funding

The Group received funding in 2020 from 19 different funders, ranging from national and regional governments to corporations to philanthropic organisations. New contracts in 2020 have seen a furthering of work in deep demonstrations with projects on sustainable sourced forest products, expanding forest cover, consultation on Circular economy actions plans and healthy clean cities expansion. As well as delivering climate impact challenges, systems innovation training and expansions to our Climathon and Climate Launchpad programmes. The Group worked on 51 proposals throughout the year across all our deep demonstrations and programmes, with 32 or those proposals rolling into 2021. Some of these have now already in 2021 been confirmed to have been successful, unlocking more funding for the future.

Implementing our Monitoring, Evaluation and Learning framework

The Group's Monitoring, Evaluation and Learning (MEL) activities aim to provide programme evidence and research in support of the organisation's core business approach of sense making. In 2020 MEL activities included gathering business intelligence and insights into user-friendly dashboards to enhance decision making (using Tableau and PowerBI data visualisation tools). Support was also provided to the Deep Demonstrations teams, ranging from the design and implementation of monitoring systems, to knowledge sharing workshops to make sense of the transformational change capacity and develop impact pathways for the Deep Demonstrations. Other activities in 2020 included building an impact framework for the Climate Launchpad programme and conducting a systemic assessment of the climate impact of the Group's entrepreneurship portfolio.

Leveraging our Portfolio process

As part of our value proposition, we continued to apply a Portfolio Approach to the selection of projects and initiatives funded by the Group. Several teams collaborated to develop the structures, processes and infrastructure required to further support and embed our Portfolio Approach as a business-as-usual process. Throughout 2020 Group employees, challenge owners and partners participated in four Portfolio Composition and Sensemaking sessions. Composition sessions focused on shaping future work in areas we are likely to have the most impact. Sensemaking sessions use a learning by doing approach to examine our current activities and extract insights and learnings from our experiences. Decisions and outcomes of these sessions feed into strategic decisions and the future direction of the organization. The Group's Portfolio Approach has also attracted attention externally as we begin to build out our Portfolio as a Service offering.

Reorganising corporate structure

Up until and including 2019 the Group had primarily been operating via Climate-KiC Holding BV and a set of independent but fully owned subsidiaries in various territories. In 2018, the Group started to establish Branches starting with UK, Austria and Belgium. In 2019 this process accelerated with creation of Branches in further territories and culminated in the establishment of a Slovenian Branch in 2020. A decision was taken in 2019 to simplify the corporate structure by transferring operations from the subsidiaries to the branches in all territories. This transfer of net assets from the subsidiary to its equivalent branch took place in January 2020 and from that moment the Branches became fully operational and the Subsidiaries essentially inactive and awaiting formal and legal dissolution. This process of liquidating the Subsidiaries has been delayed in 2020 due to Covid-19 and is planned to be finalised now in 2021.

Dealing with Covid

The spread of COVID-19 began presenting organisational blockers in February 2020, with most risks and concerns crystallizing in March. These included business continuity interruptions and economic impacts that carried threats to mission and strategy with them. Management implemented an immediate crisis management framework in response to the threats, ultimately with the goal to identify appropriate response

measures. The organisation initiated a number of actions, including partner communications and close, ad-hoc coordination around adjustment of programmes with its main funder, EIT. It was able to mobilise quickly and adjust working practices on account of a historic move to more distributed ways of working, tacitly and explicitly encouraged at informal and formal management levels. By mid-March, provisions for agile working across all offices had been instigated and task forces set up to support staff and increase pastoral care. EIT released additional funding, made available to all KICs through a proposal process end of May, to tackle COVID-19 recovery. The Group was granted an additional 8.4m as part of EIT's COVID recovery programme.

Managing employee wellbeing

Several employee engagement activities were initiated to support the organisational redesign to be ready for our *Transformation, in Time* strategy. Risks related to employee wellbeing, such as employee burnout, were identified and graded as material. Activities were designed deliberately to support staff through the organisational changes, these included various initiatives to increase pastoral care through COVID and restructure times such as a new starter buddy system, support clusters and wellbeing check-ins, a review of the compassionate leave policy and close monitoring of any wellbeing related cases. To address persistent workload issues and to create clear direction with respect to investment of time, the Group has introduced a 10-point system to guide its staff in the allocation of their time related to taking on a particular role or tasks.

Driving Partner Engagement and Community Management

In anticipation of the significant changes the organisation went through in 2020, the partner communication series "Our Strategy in Action" was launched early in the year to ensure partners are kept up to date on the organisation's journey as well as to help them understand what the Transformation, in Time strategy means for them. A new web portal was set up, providing information in various formats.

The Horizon Europe work programme, implications of the EIT Regulation and Strategic Innovation Agenda and the anticipated reduction in 2021 EIT grant allocation were key influencing factors in partner communication and management towards the latter half of 2020 and partner meetings were conducted following the restructure to discuss the evolving situation for the Group and the partner community. The Group experienced a number of partner resignations citing little incentive to stay with EIT funding coming down.

Key 2020 achievements involving the partner community included the forming of consortia facilitated through an open call resulting in Green Deal bid submissions in early 2021 involving around 80 registered Climate-KIC partners.

45 new registered partners were added to Climate-KIC's community, 13 of which are located in "Regional Innovation Scheme" (RIS) countries, in line with our strategy of having 20% of the total Partnership from RIS countries.

Online AI software tool Exaptive continued to be in use to connect partners and enable them to find synergies around topics and projects linked Climate-KIC. We continued to train partners in the use of the tool to improve its uptake and thereby functionality and rolled it out to include additional programmes such as Climathon. Google Analytics report shows we now have 2,658 user accounts in the Exaptive Community City and that there were 15,340 page views in 2020, evidencing partner engagement with our key tool to connect the players within our community.

Financial performance for the year

The total value of all income for the year totalled €97.841.695 (2019: €89.131.330) of which the total grant income earned after disallowances from the EIT in the year was €91.893.230 (2019: €84.950.923). The Group's cost reimbursement from the grant amounted to €42.994.570 (2019: €34.997.210) and remains the Group's

primary source of income. In the year this was supplemented by the charging of annual partnership fees of €2.144.407 (2019: €2.125.614) to partners and core partners of the Group. The grant agreement with EIT permits all expenditure made by the Group companies that fit with the Groups' grant application to be refunded. Therefore, as the Group has grown in the year with further staff and premises contracted, expenditure has grown as has the cost reimbursement from EIT.

The Group has recorded a profit after tax for the year of € 1.804.0069 (2019: €1.762.567 loss). Total Group assets at the year-end amount to €52.528.341 (2019: €49.851.846) these primarily consist of the balance of the 2020 grant payment receivable from EIT (€34.008.429) and cash and cash equivalents (€14.598.672). The Group equity at the year-end is €3.810.042 (2019: €2.044.489). At 31 December 2020, current ratio of the Group equalled to 1.09 (2019: 1.03). The going concern section below gives details as to management's strategy for growing reserves.

The Group staff conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

Key Performance Indicators

In 2020, the Group exceeded the majority of its KPIs that are monitored by EIT, except in three areas predominantly linked to performance of the Group's education programme. This can be explained by the impact of the pandemic on student participation.

As part of its operational excellence initiative, the organisation has launched a programme of Quarterly Business Reviews (QBR), assessing performance across all of our work, including EIT delivery, non-EIT programs and management functions. The QBRs are assessing overall performance, what is working and not working, investment needs or underspend potential, and the COVID impact and response. The QBR process continued into 2021, with a summary report provided into the 2021 business planning process.

Risk management

Risks are identified in a structured bottom-up and top-down manner across the whole of the Group. In 2020, further work was performed on the Risk Management Framework. Such work was supported by the various governance boards, external risk advisory specialists, Executive Board and wider Management Team. The finalised Risk Management Framework sets out the Group's approach to risk management from a strategic and portfolio perspective, supported by an execution point of view covering strategy, organisation and governance, risk appetite and the management process. Ultimately and longer term, working within this framework, the Group seeks to enable and encourage an environment and culture of smart, considered and balanced risk intelligence, risk taking and risk controlling.

In addition, risk management facilitates the alignment of organisational strategy and risk appetite. The risk management strategy indicates the level of risk consistent with the requirements of various stakeholders, such as employees, the regulators and other stakeholders. It sets out the boundaries for seeking an optimal risk profile by taking into account of the risk/return characteristics of the risks that the Group faces. The latest Risk Heat Map and Register is available to all on the Climate-KIC intranet. The third-party whistle blowing service provides an avenue for anonymous reporting.

In terms of the standard Risk Reporting Cycle at a governance level, the Executive Board and wider Management Team develop forward looking Risk Appetite Statements as part of an annual business planning cycle. Any updated view of the Executive Board and wider Management Team of the (Adjusted) Risk Report is presented to the Audit & Risk Committee twice a year and ultimately presented to the Supervisory Board for discussion and evaluation to ensure adequate governance and oversight.

Risks and mitigating measures are monitored internally and systematically on a semi-annual basis. A reporting cycle coordinated by the Legal & Procurement Team is in place to communicate the progress towards the team leads and the Risk Champions regarding their risks and mitigation actions. Twice a year, we will go through the Risk Reporting Cycle as above, a report will be sent to the Executive Board and wider Management Team, Audit & Risk Subcommittee and then Supervisory Board.

At the end of 2020, the Group's framework partnership agreement with the EIT was refreshed in order to enable annual specific grant agreements aligned to the Horizon Europe framework. In 2020, the Group, alongside EIT, committed to the establishment of the Group as a standalone independent organisation that will be capable of catalysing major positive developments in Europe's quest to tackle climate change. As such, the relevant documents stipulate that any expenditure by the Group that is covered by and eligible for the Group's annual specific grant agreement with EIT is reimbursed by way of a grant from the EIT. In 2020 as in 2019, the Group's grant agreement with EIT represented over 95% of expected revenue for the Group, with all budgeted costs of the Group itself recoverable from EIT through a grant. This relationship is the bedrock of the Group and gives financial certainty to the organisation whilst giving rise to the following key risks:

Strategic risk

The Group has received stable financial support from EIT for the last three years but has not managed to build up substantial funding from other sources during this period. Given the reliance on one funder, this creates significant risks when there is a planned, significant step down in funding from EIT in 2021. To respond to that, the Group has initiated several parallel actions, including concentrated fundraising (~€60m of multi-year project contract value won in second half 2020 till first half 2021 of which ~€11m would flow to the Group) to bolster income and a large-scale restructuring to reduce costs and change the way the organisation works and create flexibility to engage with multiple clients. In the longer-term, the Group will see the total contribution from EIT further decline and replaced by funding from other sources. This will require active management at each step to appreciate the needs and interests of multiple funders, and to continue to attract money to support our strategy and impact approach. We will continue to focus our attention on building long-term relationships with major institutions, where the potential is to unlock multi-year, large-scale funding.

The Group's management has identified a number of further risks, where strategic objectives may not be met. These include risks such as lack of adequate delivery for different clients, the potential for being too expensive for some markets and risks to the robustness of our partner/community model as the EIT funding declines. Mitigating these risks involves the management embarking on the restructuring as described, active communication with our Partners, a strong relationship with EIT and a detailed quarterly business review process at the project level to ensure delivery is on track. A business plan is being developed by an experienced team, approved by the Executive Board and wider Management Team and the EIT. Ongoing discussions with EIT regarding business plan development and compliance framework are undertaken to ensure that sustainable business model is delivered.

A further strategic risk consists of the fact that costs incurred by partners or the Group itself can be disallowed after the project has been delivered. This disallowance may be based upon disagreements by EIT / independent experts on either the performance of the project relating to deliverables or the costs incurred. The Group seek to mitigate the risk of disallowance through a quality assurance review processes during the grant cycle, beginning with the proposal review/approval stage, contracting, and in-year monitoring. In some instances, disallowances are unavoidable even in cases where Climate KIC and/ or partners have a different assessment of the success of the project and the eligibility of the costs. In recent years, the level of partner claims challenged by EIT as part of their audit has been far higher than the final agreed disallowances which is an indication that the Group's mitigation actions have had and are having a positive effect. In the case of partner cost disallowances, the Group works to the principle of passing these on to the respective partners. Nevertheless, such cases of major disallowances may harm the longer-term relationship between the partners and the Group and may discourage partners from staying in the partnership.

Funder compliance risk

The EIT prescribes detailed and precise financial rules to determine whether the nature of and method by which expenditure may be reclaimed against its grant; the EIT then conducts a rigorous audit process to assure itself that expenditure meets these rules. This takes place retrospectively meaning that expenditure that has been committed and undertaken can be deemed non-compliant with funding guidelines by EIT and, as such, subject to nil refund by EIT. Therefore, a significant risk to the Group is that an expenditure is disallowed and not accepted for EIT reimbursement, requiring the Group to have an alternative source of funds to draw down on to make the repayment of any credit (prefinance) previously advanced by EIT. These assessment procedures from EIT are split in 2 phases, the primary assessments are finalised end of June and determine the final grant award. A second – ex-post – audit on selected partners on claimed expenditure takes place in the fourth quarter of the year. Initial discussions with the EIT regarding Climate-KICs 2020 grant application indicate that the provisions at 31 December 2020 for disallowances relating to the ex-post audit provide reasonable coverage for possible disallowed expenditure.

To mitigate this risk financial processes and procedures are centrally managed in the Group's central finance team, which oversees all expenditure and seeks to ensure consistency of the expenditure allocation and its compliance with funding guidelines. The central finance team is designed to build expert knowledge in compliance with the funder guidelines and it has an open dialogue with the EIT. At this stage this risk is fully concentrated on EIT due to its weight in the 2020 financial year but over time the expertise built in this area regarding mitigation will also be applied to other Funders and projects.

A provision to the value of €300.000(2019: €300.000) is held in the Group balance sheet on 31 December 2020 to allow for instances where Group expenditure is disallowed by EIT relating to the ex-post audit for the 2020 EIT Grant. The provision was calculated based on the expected overhead spend of the company for the year in comparison to the overheads allowed as a percentage of the EIT grant. Management believes that this is a fair estimate of the risk of disallowance faced by the Group.

Business model risk

EIT funding and most sources of new funding are restricted in nature, contingent on delivering agreed performance. As a pass-through agent, the Group's business model depends on its partners to deliver projects and fulfil the performance commitment but without direct control of the partner activity.

To mitigate this risk the Group and its partners have a rigorous partner enrolment process which ascertains the expertise and validity of new partners and the projects that they will work on. All partners are simultaneously registered with the EIT which adds an additional layer of scrutiny and assurance as to the suitability of a partner to work on furthering the Group's mission. Through the grant lifecycle group programme teams are in regular contact with partners, starting with project kick-off meetings, participation in workshops and project updates, and through implementing Stage Review processes. Strong communication and working relationships, along with contractually required monitoring mechanisms (Stage Gate) provide a tool kit of management processes to contribute to mitigating weak partner performance.

Financial Reserves risk

As a newly established Group without financial investors, the Group commenced operations with a low amount of financial reserves. This creates the risk that an unexpected liability could jeopardise the solvency of the Group. The going concern section of the Management Report explains the approach taken to going

concern within the organisation and how the EIT seven-year funding agreement underpins the initial low reserve level.

To build up financial reserves and reduce this risk, partnership fees are charged to partners for the service that they receive. In 2020, these fees generated income of €2.1m for the Group. In future years, grant income is expected to be close to 100% of eligible expenditure and partnership fees are estimated to be ~€2m, whilst provisions for disallowed grant claims are anticipated to remain in the range of €0.2 – 0.3m. Further, the organisation's business plan places considerable importance on revenue diversification. In 2020 the group continued to focus on generating revenue from other sources with a contribution to financial reserves with a view to continue to strengthen the Balance Sheet. The nature of developing this pipeline of additional revenue streams does have a considerable lead time and can be highly uncertain and volatile in the short term. The group exited 2020 with a level of reserves of €3.81m (2019: €2.04m).

Brexit risk

The UK has now left the EU and is in a short transition period (to 31 December 2020) during which EU rules apply and UK partners and activities can be reimbursed for costs as normal.

The UK Government has expressed a desire (UK Research and Innovation Roadmap) to 'fully associate' with Horizon Europe. This however has not yet been concluded as of summer 2021. In order to mitigate risks for the 2021 plan the level of funding made available to UK Partners has been significantly scaled back. To date there has been continued attention on our partner network in UK and the risk of wholesale flight from the network has not materialised.

In the case of non association, the UK Government has stated that it will put in place 'ambitious alternatives' for funding as quickly as possible. The Group is positioning its work in UK in line with its business strategy to take advantage of non-EU/EIT funding opportunities.

From an internal perspective, the infrastructure footprint in UK is planned to be significantly reduced in by end of 2021 with respect to people and lease costs related to accommodation costs.

Law and regulations risk

The Group operates in several European countries and participates in activities worldwide, which exposes the Group to a risk that a change in laws and regulations or increasingly complex compliance will materially and negatively impact the Group's business. The Group has also identified a risk of failure to understand legal positions or exposure and comply with applicable laws and regulations. The Group minimises this risk by continuous training and education of its staff, engaging legal experts, streamlining compliance processes and procedures and structured reporting of compliance risk to the Executive Board, wider Management Team and Supervisory Board.

Financial reporting risk

Financial reporting at the Group structured within a framework of budgeting and reporting. A distinction is made between reports for internal and external use. External reporting at Group level consists of an annual report, including financial statements audited by the external auditor. The external reports are based on the internal financial reporting, in accordance with Dutch GAAP. Where required, subsidiaries of Climate-KIC

Holding B.V. maintain a separate, local set of books to ensure compliance with local financial reporting requirements. The consolidated Group reports are discussed with the Supervisory Board at minimum on a quarterly basis but a Monthly monitoring meeting has been established since 2021 to improve the financial communication and understanding.

Financing risk

The company has no external financing in place. The EIT grant payment to the Group is structured in such a manner as to be cash flow positive for the Group. Approximately 50% of credit (prefinance) on the grant is received in the second quarter of the year, second instalment is paid in the fourth quarter of the year, with the balance paid in September following year after EIT's assessment and review of achievement of the grant criteria. A number of partners help support the Group's cash flow by not accessing available pass through of EIT credit (prefinance) until the grant is crystallised in the EIT final report and the Group has received the aggregate balance on the grant payments from the EIT. In 2020 due to the onset of Covid-19, the group received 60% of the contracted grant amount from EIT in 2020 itself. The group mitigates any financing and short term cashflow risk by having clear policies in place for the granting of early financing for partners and early reimbursement of any final balance payments due. These are maintained by central finance. At the same time there is a focus on increasing the visibility of incoming and outgoing cashflow obligations from Non-EIT projects and managing the group's own infrastructure costs.

Outlook for 2021

Following a lengthy negotiation process, the confirmed maximum EIT grant award to the Group for 2021 has been confirmed at €33.2m - a decline towards previous years that was higher than expected throughout 2020. Steps had to be taken to adjust the cost structure and together with partners, the 2021 EIT business plan had to be reworked to reflect lower available funding than previously expected.

The organisation has led on and participated in several Green Deal bids and was able to secure a number of successes including winning the Net Zero Cities bids which will put €53m of funding under the coordination of the Group over 4 years starting in late 2021. New funding for Group activities from additional sources outside of EIT have been secured, and various partners have been successful in receiving grants through the €10m Google Impact Challenge, launched with the Group in 2020.

Key staff has been added in the first few months of 2021, which saw the departure of two Executive Board members and the addition of a new CFO and COO who commenced work in April and May, respectively. A new Community Model has been developed and key stakeholders have been invited to co-design and feedback, including representatives from the partnership.

The ownership structure has changed and as of 1 March 2021, Climate-KIC International Foundation now has a controlling 90% stake in Climate-KIC Holding B.V. with the remaining 10% still held by Association Climate-KIC, the previous sole shareholder.

Further impact achievements in 2021 so far included:

- Twelve entrepreneurs from across the EIT community have been recognised by Forbes in its prestigious annual list of European entrepreneurs "Forbes 30 Under 30", including five innovators from the Group
- The Forging Resilient Regions programme has been selected as an initiative for the Race to Resilience campaign, which was launched in early 2021 to catalyse change in global ambition for climate resilience and build the resilience of 4 billion people by 2030
- In partnership with the UNFCCC, the Group was invited to speak at the SDG Festival of Action, in a co-creation workshop aimed to scale up both awareness and ambition ahead of COP 26.

Through 2021, we will continue to focus on delivering against our transformational goals, underpinned by effective communications with funders, institutional stakeholders and our community whilst at the same time embedding the Blueprint organisation and culture. Operationally, the level of activity will be expected to decrease in line with the significant decrease in core EIT grant but will nevertheless remain complex as the Group transitions to a multi-funder environment and continues to focus on financial sustainability. The level of own resources is expected to decrease in line with the planned reorganisation and will be ~50% of the average in 2020.

After balance date events

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

The Company established the Foundation as a Dutch registered non-profit organisation with a special status of “ANBI” (acting in the public benefit). Throughout 2020 this entity remained non active, however on 28 February 2021 the Shareholder of the Group assigned 90% of its shares in the Group to the Foundation effectively resulting in a change of ownership and control as of 1st March 2021.

The Coronavirus (Sars-CoV-2) outbreak continues into 2021 although with cautious and optimistic signs of recovery due to the faster than expected development of effective vaccines against the virus in late 2020. New variants have however been discovered. Whilst the rollout of a full vaccination programme is well under way in Europe and many other parts of the World, infection protection protocols remain largely in place and whilst the prognosis for economic growth is largely positive for 2021 material uncertainties still remain regarding a return to some sense of normalcy.

For the Company’s 31 December 2020 financial statements, the Foundation is not considered as a non-adjusting event. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Based on our current knowledge and available information, we do not expect the establishment of the Foundation nor Covid-19 to have an impact on our ability to continue as a going concern in the future.

Going concern

The Group holds a multi-year (2016 – 2022) framework partnership agreement with the EIT which enables annual specific grant agreements. EIT funding supports all of the Group's expenditure and this gives the Directors assurance that the Group will continue to be solvent.

The Group has the ability to generate surplus revenue as a result of its partnership fees. These surpluses will help to build up the reserves of the Group. In addition, the Group is targeting to earn several additional revenue streams in the year ahead, each of which would help fund the Group’s activities. Through the Strategic Planning for 2020, additional target funders have been identified and these include: European institutions and multi-national agencies, governments, city authorities, corporates and philanthropists and high net worth individuals.

A formal going concern analysis has been prepared looking at a period from January 2021 to December 2022. Key assumptions underpinning revenue streams and the cost base and, critically, timing of cashflows have been modelled and stress tested (for worse case) based on the latest forecast for 2021 and the initial plans for 2022. The key conclusion is that the Group will be able to maintain positive cashflows with sufficient headroom till the end of the analysed period.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
(REGISTRATION NUMBER 63299658)

As such, the directors of the Group have a reasonable expectation that it and the Group has adequate resources to continue in operation for the foreseeable future with the current framework partnership agreement with the EIT coming to an end in 2022. Thus, directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Signed in accordance with a resolution of the Executive Board.

.....
Kirsten Dunlop

.....
Florian Deville

.....
Thomas Mitchell

.....
Maite Ibarretxe

Amsterdam, Netherlands
Date: 23 September 2021

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020
(BEFORE APPROPRIATION OF RESULT)

	Note	2020 EUR	2019 EUR
Assets			
Fixed assets			
Tangible fixed assets	3	71.705	117.962
Financial fixed assets	4	345.855	653.399
Total fixed assets		417.560	771.361
Current assets			
Trade and other receivables	5	37.512.109	35.255.423
Cash and cash equivalents	6	14.598.672	13.825.062
Total current assets		52.110.781	49.080.485
Total assets		52.528.341	49.851.846
Liabilities			
Group equity	8	3.810.042	2.044.489
Provisions	9	770.000	300.000
Current liabilities	10	47.948.299	47.507.357
Total Equity and Liabilities		52.528.341	49.851.846

The above statement should be read in conjunction with the accompanying notes.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 EUR	2019 EUR
Revenue and other operating income			
Grant income	12	93.988.932	86.014.553
Partnership fees	12	2.144.407	2.125.614
Management fees		226.304	170.304
Net turnover		<u>96.359.643</u>	<u>88.310.471</u>
Other operating income	13	1.482.052	820.859
Total operating income		97.841.695	89.131.330
Less: Expenses			
Direct expenditure on grant based activities	14	65.136.250	62.981.272
Accommodation costs		179.058	584.172
Service and maintenance ICT equipment		659.039	724.290
Other external services and advice	15	3.664.427	4.148.915
Office and administration costs	16	994.504	1.412.907
Advertising and marketing		547.160	301.872
<i>Total external costs</i>		71.180.338	70.153.428
Employee costs	17	23.919.068	21.123.377
Depreciation	3	47.664	42.577
Total operating expenses		95.147.170	91.319.382
Operating result		2.694.525	(2.188.052)
Interest income and similar income			
Interest income		190	542
Foreign exchange gains		50.249	184.498
		<u>50.439</u>	<u>185.040</u>
Interest expenses and similar charges			
Bank charges		154.726	54.280
Foreign exchange losses		131.734	77.654
		<u>286.460</u>	<u>131.934</u>
Profit before corporation tax		2.458.504	(2.134.946)
Corporation tax payable by group companies	18	654.435	(372.379)
Profit after corporation tax		1.804.069	(1.762.567)

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 EUR	2019 EUR
Cash flow from operating activities			
(Loss) / Profit before taxation		2.458.504	(2.134.946)
<i>Adjusted for:</i>			
- Depreciation, amortisation and retirements		47.664	42.577
- Movement in provisions		470.000	(600.000)
- Interest income		(190)	(542)
- Foreign exchange (gains) / losses		81.485	(106.844)
<i>Movements in working capital:</i>			
- Trade and other receivables		716.592	(125.043)
- Grants receivable		(2.973.278)	(2.422.797)
- Trade and other payables		(893.213)	(612.597)
- Grants payable		1.334.155	4.094.147
Tax paid		(459.631)	(645.876)
Interest income		190	542
Net cash flows from operating activities		782.278	(2.511.378)
Cash flows from investing activities			
Investments in tangible fixed assets		(1.407)	(94.255)
Repayments from loans		-	-
Net cash flows from investing activities		(1.407)	(94.255)
Net cash flows		780.871	(2.605.633)
Exchange gains (losses) on cash and cash equivalents		(7.261)	117.499
		773.610	(2.488.134)

The movement in cash and cash equivalents can be broken down as follows:

Cash and cash equivalents at the beginning of the year	13.825.062	16.313.196
Movement during the year	773.610	(2.488.134)
Cash and cash equivalents at the end of the year	14.598.672	13.825.062

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 EUR	2019 EUR
Consolidated net result after tax attributable to the legal entity		1.804.069	(1.762.567)
Translation differences on foreign operations		(38.516)	10.655
Total result of the legal entity		<u>1.765.553</u>	<u>(1.751.912)</u>

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

REPORTING ENTITY AND RELATIONSHIP WITH PARENT COMPANY

The Climate-KIC Holding B.V. (“the Company”) has its legal address at Kattenburgerstraat 7, 1018 JA Amsterdam, The Netherlands. The Company also has subsidiaries and branches in the following countries: Belgium, France, Denmark, United Kingdom, Spain, Italy, Germany, Switzerland, Austria, Poland, Hungary and Slovenia. It is a private limited liability company under Dutch law and is registered as a financial holding under number 63299658 in the Trade Register.

Climate-KIC Holding BV is part of the Climate-KIC Group and is a fully-owned subsidiary of Association Climate-KIC which has a legal address at Padualaan 8, 3584 CH Utrecht, The Netherlands. The financial statements of Climate-KIC Holding B.V. are included in the consolidated financial statements of Association Climate-KIC, Utrecht.

The objectives of the Climate-KIC Holding B.V. and its controlled entities (“the Group”) are to contribute to innovations aimed at mitigating and adapting to climate change. Climate-KIC Holding B.V.’s ultimate parent entity and controlling party, Association Climate-KIC, has been recognised by the European Institute of Innovation and Technology (“EIT”) as an essential component of the Knowledge and Innovation Community (“Climate-KIC”), which is active in the field of mitigating and adapting to climate change.

These financial statements contain the financial information of both the Company and the consolidated companies of the Company (“the Group”).

The activities of the Company and the Group are carried out both inland and abroad, with the countries of the European Union and other European Countries being the primary sales market.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated. These financial statements cover the year 2020, which ended at the balance sheet date of 31 December 2020.

(a) Basis of preparation of the consolidated financial report

The consolidated financial statements are in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board (‘Raad voor de Jaarverslaggeving’).

The accounting policies applied for measurement of assets and liabilities and determination of results are based on the historical cost convention, unless otherwise stated in the further accounting principles.

(b) Application of Section 402, Book 2 of the Netherlands Civil Code

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Netherlands Civil Code, the separate profit and loss account of the Company exclusively state the share of the result of participating interests after tax and the other income and expenses after tax.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Going concern

The financial report has been prepared on a going concern basis.

During the year ended 31 December 2020 the Group reported an operating profit after corporation tax of €1.804.069 (2019: €1.762.567 loss) and at the reporting date total assets exceeded total liabilities by €3.810.042 (2019: €2.044.489).

A formal going concern analysis has been prepared looking at a period from January 2021 to December 2022. Key assumptions underpinning revenue streams and the cost base and, critically, timing of cashflows have been modelled and stress tested (for worse case) based on the latest forecast for 2021 and the initial plans for 2022. The key conclusion is that Climate-KIC Holding B.V. will be able to maintain positive cashflows with sufficient headroom till the end of the analysed period.

The EIT grant payment to the Group is structured in such a manner as to be cash flow positive for the Group. Approximately 50% of the grant is received in the second quarter of the year with the balance paid in the fourth quarter of the year. Given the exceptional nature of 2020 with respect to Covid-19 the Group received 55% of the EIT grant in early Q2 with a further 6% in late Q3 related to additional Covid funds granted (~€58m in total). The final 39% of the Grant was however not received in Q4 but in early Q2 2021. Partners support the Group's cash flow by accepting that they will only receive their grants once the Group has received the grant payments from EIT and deducted its own expenditure. Through the Strategic Planning for 2020, additional target funders have been identified and these include: European institutions and multi-national agencies, governments, city authorities, corporates and philanthropists and high net worth individuals.

As such, the directors of the Group have a reasonable expectation that it and the Group has adequate resources to continue in operation for the foreseeable future with the current framework partnership agreement with the EIT coming to an end in 2022. Thus, directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(d) General

Assets and liabilities are measured at historical cost, unless stated otherwise in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets.

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Company. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains recognised on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken into account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction.

If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability arises of which the size can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability arises of which the size can be measured with sufficient reliability.

Revenues and expenses are allocated to the respective period to which they relate.

(e) Estimates

In applying the principles and policies for drawing up the financial statements, the directors of the Group make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. Actual results may differ from these estimates. Estimates and judgments are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. If it is necessary in order to provide the true and fair view required under Art 2:362 part 1 DCC, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

The following accounting policies are in the opinion of management the most critical in preparing these financial statements and require judgements, estimates and assumptions:

- Any potential disallowances that might arise which would limit the amount of the grant;
- Deferred tax asset as a result of any assessed losses.

(f) Principles of consolidation

The consolidated financial statements are those of the Group, comprising the financial statements of the parent entity, its subsidiaries in the group, other group companies and all other entities which the parent entity controls. Or of which it controls the central management. Subsidiaries are participating interests in which the Company (and/or one or more of its subsidiaries) can exercise more than half of the voting rights in the general meeting or can appoint or dismiss more than half of the managing directors or supervisory directors. Group companies are participating interests in which the Company has a majority interest, or in which it can exercise decisive influence (control) by other means. In assessing whether the Company has control, potential voting rights are taken into account that can be exercised in such a way that they will provide the Company with more or less influence.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using uniform accounting policies for measurement and determination of result of the group. Adjustments are made, if applicable, to bring into line any dissimilar accounting policies in order to comply with the standards of the Dutch Accounting Standards Board.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Newly acquired participating interests are consolidated from the date on which control is established and are de-recognised from the date that control ceases. Subsidiaries are consolidated in full.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fully consolidated companies are listed below:

- Climate-KIC (UK) Ltd., London, United Kingdom (100%)
- Climate-KIC GmbH, Berlin, Germany (100%)
- Climate-KIC AG, Zurich, Switzerland (100%)
- Climate-KIC SAS, Paris, France (100%)
- Climate-KIC Kft., Budapest, Hungary (100%)
- Climate-KIC Sp z o.o., Wroclaw, Poland (100%)
- Climate-KIC S.r.l., Bologna, Italy (100%)
- EIT Climate-KIC S.L., Valencia, Spain (100%)
- Climate-KIC ApS, Copenhagen, Denmark (100%)

(g) Related party

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the company are considered to be a related party. In addition, statutory directors, other key management of Climate-KIC Holding B.V. and close relatives are regarded as related parties. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

Transactions with related parties are disclosed in the notes as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

A business combination is a transaction whereby the group obtains control over the assets and liabilities and the activities of the acquired party. The group recognises the identifiable assets and liabilities of the acquiree at the acquisition-date. These assets and liabilities are recognised individually at their fair values, provided that it is probable that future economic benefits will flow to the group (assets) or settlement will result in an outflow of resources embodying economic benefits (cost or fair value of it can be measured with reliability).

(h) Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. The purchase consideration paid for the acquired Group company has been recognised as cash used in investing activities where it was settled in cash. Any cash at banks and in hand in the acquired Group company have been deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash are not recognised in the cash flow statement.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Foreign currency translations and balances

Functional and presentation currency

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency of the Group.

Transactions and balances

At initial recognition, transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date.

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement, in the period in which the exchange difference arises, it concerns exchange differences on monetary items that are part of a net investment in a foreign operation.

Non-monetary assets and liabilities valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets and liabilities valued at current value in a foreign currency are converted at the exchange rate on the date on which the current value was determined. Exchange rate differences that arise from this translation are directly recognised in equity as part of the revaluation reserve.

Foreign subsidiaries

Assets and liabilities that are part of a net investment in a foreign operation are translated at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of these subsidiaries and translated at the closing rate. Any resulting exchange differences are taken directly to the legal reserve for translation differences within equity.

When a foreign operation is fully or partially sold, the cumulative amount that relates to that foreign operation is transferred from the translation reserve to the profit and loss account.

(j) Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other amounts payable. These financial statements contain the following financial instruments: loans and receivables (both purchased and issued) and other financial liabilities. The company does not use derivative financial instruments or hold a trading portfolio.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerable part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and

loss account at the initial recognition. After initial recognition, financial instruments are valued in the manner described below.

Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account. Purchases and sales of financial assets that belong to the category loans granted and other receivables are accounted for at the transaction date.

Current liabilities and other financial commitments

Current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account.

(k) Impairment of financial assets

Trade and other receivables found not to be individually impaired are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default and the increase of the number of receivables in its portfolio that are past due for more than 30 days. The outcome is adjusted when management is of the opinion that current economic and credit conditions are such that it is probable that actual losses will be higher or lower than the historical trends are suggesting.

The carrying amount of receivables is reduced by an allowance for doubtful debts. Receivables that appear to be irrecoverable are written off against the allowance. Other additions to and withdrawals from the allowance are recognised in the profit and loss account.

(l) Offsetting financial instruments

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

ACCOUNTING POLICIES APPLIED TO THE VALUATION OF ASSETS AND LIABILITIES

(m) Tangible fixed assets

Cost and valuation

Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably. Equipment, office furniture and leasehold improvements are measured at cost, less accumulated depreciation and impairment losses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost comprises the price of acquisition or manufacture, plus other costs that are necessary to get the assets to their location and condition for their intended use. Expenditure is only capitalised when it extends the useful life of the asset.

Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets, taking into account any estimated residual value of the individual assets. Depreciation starts as soon as the asset is available for its intended use and ends at decommissioning or divestment. For the tangible assets that the Group holds on its balance sheet depreciation periods of 3 years and 7 years are used.

Maintenance expenditures are only capitalised when the maintenance leads to extension of the useful life of the asset and/or future performance units regarding the asset.

Assets retired from active use are measured at the lower of book value or net realisable value.

(n) Financial fixed assets

Participating interests with significant influence

Participating interests where significant influence can be exercised over the business and financial policies are valued according to the equity method on the basis of net asset value. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the Company has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied. This however is not applicable for Climate-KIC Holding B.V. for the participations it holds.

If the valuation of an associate based on the net asset value is negative, it will be stated at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If and insofar as the Group can be held fully or partially liable for the debts of the associate, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for the amount of the estimated payments by the Company on behalf of the participating interest.

If the Company transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised. Results on transactions involving transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Unrealised profits on transactions with participating interests that are accounted for at net asset value are eliminated to the extent of the Company's share in the participating interest. This elimination is allocated to

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

net turnover and recognition of deferred income/the share of result from participating interests and the net asset value of the participating interest (choose the one that is applicable).

The Company realises the eliminated result as a result of a sale to third parties, depreciation or impairment of the transferred assets recognised by the participating interest.

Loans to associates

Receivables recognised under financial fixed assets are initially valued at the fair value less transaction cost (if material). These receivables are subsequently valued at amortised cost. For determining the value, any impairments are taken into account.

Other receivables

Other receivables are initially measured at fair value and subsequently carried at amortised cost. Transaction costs are included in the initial valuation and recognised through profit or loss as part of the effective interest method. Impairment losses are deducted from amortised cost and expensed in the income statement.

Deferred tax assets

If the carrying amount of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences.

For taxable temporary differences, a provision for deferred tax liabilities is recognised.

For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For taxable temporary differences related to group companies, foreign branches, associates and interests in joint ventures, a deferred tax liability is recognised, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference can be utilised.

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Company expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

(o) Impairment of fixed assets

On each balance sheet date, the company assesses whether there are any indications that a tangible fixed asset or participating interest with significant influence may be subject to impairment. If there are such indications, the recoverable value of the asset is determined. The recoverable amount is the higher of value

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

in use and net realisable value. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported.

(p) Disposal of fixed assets

Fixed assets available for sale are measured at the lower of their carrying amount and net realisable value.

(q) Current receivables

The accounting policies applied for the valuation of trade and other receivables and securities are described under the heading 'Financial instruments'.

(r) Cash and cash equivalents

Cash and cash equivalents represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash and cash equivalents are measured at nominal value. Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date.

(s) Equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

When Climate-KIC Holding B.V. purchases treasury shares, the consideration paid is deducted from equity (other reserves or any other reserve if the articles of association allow so) until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity (other reserves or any other reserve). The consideration received will be added to the reserve from which earlier the purchase price has been deducted.

Incremental costs directly attributable to the purchase, sale and/or issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions

General

Provisions are recognised for legally enforceable or constructive obligations arising from a past event that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made.

Rights and obligations resulting from contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent, are not recognised. Recognition occurs when the consideration to be received is not (or no longer) in balance with the performance obligation of the Company and this imbalance has adverse effects for the Company.

Provisions are measured at nominal value of the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date.

Provisions for disallowances are based on the company's assessment of potential disallowances by the EIT on any grant payments based on overspending or contravention of their rules. Provision for VAT recoverability is based on the potential repayments or penalties which could arise between the Company and the Dutch Tax Authorities.

If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

(u) Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

(v) Leases

The Company may enter into finance and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases. All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form.

At inception of an arrangement, the Company assesses whether the lease classifies as a finance or operating lease

Operating leases

The Group may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Benefits received as an incentive to enter into an agreement are recognised as a reduction of rental expense over the lease term. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRINCIPLES FOR THE DETERMINATION OF THE RESULTS

(w) Revenue

Total income comprises the earned income from grants and the supply of services after deduction of discounts and such like and of taxes levied on the income.

Grants received by the Group itself are recognised in the income statement in the same year as the costs eligible for grant payments. In the case of a multi-year grant where funds received are held for expenditure in future years the value of the grant for use in future years is recorded as a liability.

Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

Revenues from services rendered are recognised in the profit and loss account when the amount of the revenue can be determined reliably, collection of the related compensation to be received is probable, the extent to which the services have been performed on the balance sheet date can be determined reliably, and the costs already incurred and (possibly) yet to be incurred to complete the service can be determined reliably.

If the result from a specific service contract cannot be determined reliably, then revenues are recognised up to the amount of the service costs that are covered by the revenues. Revenues from services rendered are recognised in the profit and loss account in proportion to the stage of completion of the transaction as at the reporting date. Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

Partnership fees are charged on annual basis, a partnership year is equivalent to a financial year.

Management fees are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

Other revenues are accounted for in the reporting year to which they relate.

(x) Expenses

Expenses (excluding the direct expenditure on grant based activities) comprise costs chargeable to the year that are not directly attributable to the cost of services provided.

Direct expenditure on grant based activities comprise costs which have been raised as a direct result of grant activity entered into on behalf of the EIT or other funders.

(y) Employee benefits costs

General

Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For benefits with accumulating rights, sabbatical leave, profit-sharing and bonuses the projected costs are taken into account during the employment. An expected payment resulting from profit-sharing and bonus payments is recognised if the obligation for that payment has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made. Contributions received as a result of a life-course savings scheme ('levensloopregeling') are taken into account in the period in which the contributions are due.

If a benefit is paid in case of non-accumulating rights (e.g., continued payment in case of sickness or disability), the projected costs are recognised in the period in which such benefit is payable. For existing commitments at the balance sheet date to continue the payment of benefits (including termination benefits) to employees who are expected to be unable to perform work wholly or partly due to sickness or disability in the future, a provision is recognised.

The recognised liability relates to the best estimate of the expenditure necessary to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective agreement and individual employment contract). Additions to and reversals of liabilities are charged or credited to the profit and loss account.

Dutch pension plans

Basic principle is that the pension charge to be recognised for the reporting period is equal to the pension contributions payable to the pension provider over the period. In so far as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid at balance sheet date exceed the payable contributions, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

If, on the basis of an administration agreement with respect to a group plan/multi-employer plan, there is an obligation at balance sheet date, a provision is recognised when it is probable that the measures, which are necessary for the recovery of the existing funding ratio at balance sheet date, will result in an outflow of resources and the amount thereof can be estimated reliably.

If there are adjustments to rights accrued as at the balance sheet date arising from future salary increases that are already committed to at the balance sheet date and which shall be paid by the Company, a provision is recognised.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is probable that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the employees and other (explicit or implicit) commitments to the employees. The provision is measured at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date. The pre-tax discount rate reflects the market interest rate at the balance sheet date of high quality corporate bonds/yield on government bonds. Risks that have already been taken into account in estimating future expenditure are not included in the discount rate.

For any surplus at the pension provider as at balance sheet date, a receivable is recognised if the Company has the power to withdraw this surplus, if it is likely that the surplus will flow to the Company and if the receivable can be reliably determined.

Pension contributions are made to defined contribution pension schemes belonging to the employees. The premiums payable during the financial year are charged to the result. The Group has no further payment obligations once the contributions have been paid.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign pension plans

For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the liability as at balance sheet date. This liability is measured on the basis of an actuarial measurement principle generally accepted in the Netherlands.

(z) Interest income and similar income and interest expenses and similar charges

Interest income is recognised in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

(aa) Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

(bb) Value added tax (VAT)

Revenues, expenses and purchased assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the Tax Authority. In these circumstances, the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT.

Cash flows are presented in the statement of cash flows on a gross basis.

(cc) Fiscal unity

The Company forms a fiscal unity for corporate income tax purposes together with Association Climate-KIC, and Climate-KIC (UK) Ltd (Netherlands Branch). Each of the companies recognises the portion of corporate income tax that the relevant company would owe as an independent tax payer, taking into account the allocation of the advantages of the fiscal unity to the various companies.

(dd) Determination of fair value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other. The fair value of non-listed financial instruments is determined by discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.

(ee) Subsequent events

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

NOTE 2: FINANCIAL INSTRUMENTS

The Group is exposed to a variety of financial risks comprising:

- Currency risk
- Credit risk
- Interest rate and cash flow risk
- Liquidity risk
- Fair value risk

The board of statutory directors has overall responsibility for identifying and managing operational and financial risks.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company mainly operates in the European Union. The currency risk for the Group largely concerns positions and future transactions in British Pounds Sterling, Hungarian Florint, Polish Zloty, Swiss Franc and Danish Kroner. Management has determined, based on a risk assessment, that these currency risks do not need to be hedged. The majority of all transactions are in Euros with no fixed or determinable timings for payments in other currencies.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Climate-KIC Holding B.V.'s credit risk is concentrated on its principal funder the EIT. The EIT receives its funding directly from the EU budget and only enters into its grant agreement with the CKIC Group when its own funding for the year is guaranteed meaning the Groups credit risk is minimal. From time to time the Group may prepay a partner an amount that exceeds the actual value of its grant for the year, this may lead to a prolonged period in which a Partner is a credit risk. A specific provision is included in the financial statements to account for this risk. Total credit risk is €38.103.528 (2019: €35.255.423).

(c) Interest rate and cash flow risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group does not have any long term interest bearing borrowings. Interest payments occur on late tax and credit card payments. These payments are minimal, and the Group minimises late payment fees by working closely with external advisers to ensure required payments are made on time.

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NOTE 2: FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group is reliant on the EIT funding and the pre-finance provided prior to grant completion. To ensure that the Group is not exposed to liquidity risk, pre-finance condition is agreed on in the grant agreement. Financial liabilities of the Group are well timed with grant payments that are received from EIT during the financial year.

(e) Fair value

The fair value of most of the financial instruments recognised on the balance sheet, including receivables, securities, cash and cash equivalents and current liabilities, is approximately equal to their carrying amount.

NOTE 3: TANGIBLE FIXED ASSETS

	Equipment	Office Furniture	Leasehold Improvements	Total
Balance at 1 January 2020				
Acquisition cost	133.708	42.367	35.510	211.585
Cumulative and depreciation and impairments	(45.893)	(36.778)	(10.952)	(93.623)
Book values	<u>87.815</u>	<u>5.589</u>	<u>24.558</u>	<u>117.962</u>
Movements				
Additions	635	772	0	1.407
Depreciation	(41.132)	(1.824)	(4.708)	(47.664)
Balance	<u>(40.497)</u>	<u>(1.052)</u>	<u>(4.708)</u>	<u>(46.257)</u>
Balance at 31 December 2020				
Acquisition cost	134.343	43.139	35.510	212.992
Cumulative impairments and depreciation	(87.025)	(38.602)	(15.660)	(141.287)
Book values	<u>47.318</u>	<u>4.537</u>	<u>19.850</u>	<u>71.705</u>
Depreciation percentages	33%	33%	14%	

Due to the onset of Covid-19 in 2020 as well as the implementation of a significant restructuring to support Blueprint implementation, there was no significant investment in the year on Fixed Assets.

NOTE 4: FINANCIAL FIXED ASSETS

	2020 EUR	2019 EUR
Deferred tax on assessed losses	345.855	653.399
	<u>345.855</u>	<u>653.399</u>

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NOTE 4: FINANCIAL FIXED ASSETS (CONTINUED)

The deferred tax asset relates to the unused tax loss carry-forwards incurred by Climate-KIC Holding BV during the 2019 financial year. This assessed loss is available to be used by the company for the following six years after 2019 and will be available to be used until 31 December 2025. In 2020 €307.544 of this DTA was utilised, leaving behind a residual €345.855 to be carried forward. This would cover forward losses of ~€1.5m in the Dutch entity over the period till end 2025.

Movements in the unrecognised tax assets during the year can be specified as follows:

Balance at 1 January	653.399	-
Utilization	(307.544)	-
Addition	-	653.399
Balance at 31 December	<u>345.855</u>	<u>653.399</u>

2020	2019
EUR	EUR

NOTE 5: TRADE AND OTHER RECEIVABLES

Trade debtors	616.071	1.083.479
Receivables from shareholder	-	381.214
Grant receivable	34.280.780	31.307.502
Income and other taxes	88.602	-
Other receivables, prepayments and accrued income	2.526.656	2.483.228
	<u>37.512.109</u>	<u>35.255.423</u>

All receivables have a remaining term of maturity of less than one year. The fair value of receivables approximates the carrying amount, because of their short-term character and the fact that provisions for bad debt are recognised, where necessary.

TRADE DEBTORS

Trade receivables	1.086.071	1.144.060
Allowance for doubtful accounts	(470.000)	(60.581)
	<u>616.071</u>	<u>1.083.479</u>

Trade debtors includes receivables for an amount of up to €nil with a remaining maturity of more than one year. The doubtful debt provision relates in its majority to Partnership Fees invoiced for the current year. €470.000 has been provided for Partnership Fees invoiced in 2020 and earlier. No similar provision was raised for the prior year. This provision is to manage the potential of active partners leaving the Climate-KIC community as they may seek to continue their business with other funders.

RECEIVABLES FROM SHAREHOLDER

Amounts receivable from:

- Association Climate-KIC

-	381.214
<u>-</u>	<u>381.214</u>

There is no interest charged on the receivable and no fixed terms of payment. The change in receivables from Shareholders relates to a loan that existed at the end of 2019 which has been fully settled.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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NOTE 5: TRADE AND OTHER RECEIVABLE (CONTINUED)

	2020	2019
	EUR	EUR
GRANT RECEIVABLE		
Grant claimed from EIT	91.960.651	85.005.557
Less grant received from EIT in year	(57.952.222)	(55.237.093)
EIT Grant receivable - current year	<u>34.008.429</u>	<u>29.768.464</u>
Other grants receivable	272.351	1.490.113
EIT grant - previous years	-	48.925
Total grant receivable	<u>34.280.780</u>	<u>31.307.502</u>

The grant receivable is the 2020 grant claimed from EIT for both CKIC Group (including €67.421 (2019: €54.634) for its shareholder) and its partners. Other grants receivable relates to the remaining grant receivable for Cicerone project within the Group's Spanish branch.

OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

Other receivables	1.632.363	1.780.838
Prepayments	369.899	453.127
Accrued income	524.394	249.263
	<u>2.526.656</u>	<u>2.483.228</u>

Main increase is in accrued income which is driven by a higher level of activity on existing projects(Cophub and Copernicus) as well as on new granted projects (Irish Aid).

NOTE 6: CASH AND CASH EQUIVALENTS

	2020	2019
	EUR	EUR
Current accounts	14.598.900	13.825.062
	<u>14.598.900</u>	<u>13.825.062</u>

The cash and cash equivalents are at the Group's free disposal. Climate-KIC Holding B.V. has credit facilities at financial institutions for an amount of €403.883. During the year, these credit facilities are not used.

NOTE 7: CASH FLOW STATEMENT

Under the investments in tangible fixed assets only the investments are included for which in 2020 cash was paid. No investments have been made by means of financial leasing.

NOTE 8: GROUP EQUITY

A full disclosure of equity is made in Note 26.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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NOTE 9: PROVISIONS

	2020	2019
	EUR	EUR
Provision for disallowed EIT grant	300.000	300.000
Other provisions	470.000	-
	<u>770.000</u>	<u>300.000</u>

An amount of € nil (2019: € nil) of the provisions can be classified as non-current (longer than one year). The provision retained relates to the ex-post EIT audit to commence in the latter stage of 2021 relating to the 2020 grant. Other provisions relate to an allowance for disputed amounts following the final settlement of 2020 payments with partners.

The movements in provisions are as follows:

	EIT disallowance provision	Other provisions	Total
	EUR		EUR
Balance as at 1 January 2020	300.000	-	300.000
Release	(300.000)	-	(300.000)
	-	-	-
Additions	300.000	470.000	770.000
	300.000	470.000	770.000
Balance as at 31 December 2020	<u>300.000</u>	<u>470.000</u>	<u>770.000</u>

NOTE 10: CURRENT LIABILITIES

	2020	2019
	EUR	EUR
Grant payable	41.232.163	39.898.008
Trade creditors	199.077	2.377.104
Payables to shareholder	137.423	-
Tax and social insurance	930.612	689.313
Other liabilities, accruals and deferred income	5.449.024	4.542.932
	<u>47.948.299</u>	<u>47.507.357</u>

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates to the book value due to their short-term character. Trade Creditors in 2020 are very low due to €400k of invoices posted in accruals due to an earlier cutover to the new ERP system as well as €340k of double payments made to suppliers. In addition, prior year creditors are very high due to a level of prefinancing for 2019 grant cycle and grants to start-ups that are not present at end of 2020. Offsetting this are higher levels of accruals relating to accrued leave and as mentioned above to the cutover to the new ERP system in January 2021.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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NOTE 10: CURRENT LIABILITIES (CONTINUED)

	2020	2019
	EUR	EUR
GRANT PAYABLE TO PARTNERS		
Grant claimed from EIT	91.893.230	85.005.557
Grant claimed from EIT for CKIC group costs	(42.994.570)	(34.997.215)
Payments to partners in relation to the grant	(7.878.401)	(12.148.161)
	<u>41.020.259</u>	<u>37.860.181</u>
EIT grant payable - prior years	-	2.015.151
Other grants payable	211.904	22.676
Total grant payable	<u>41.232.163</u>	<u>39.898.008</u>

The level of overall grant payable for the current year has decreased due primarily to a smaller proportion of the 2020 Grant being owed to Partners and a similar level of prefinancing already made. The grant payable to partners is arrived at after deducting disallowances and payments to partners under the 2020 grant that were made during the year. Grant payables for prior years has fully decreased and been written off as these related to old balances which have been settled. Remaining other grant payable to partners relates to the last element of the Cicerone project in Spain.

OTHER LIABILITIES, ACCRUALS and DEFERRED INCOME

Accruals	4.316.268	1.907.768
Deferred income	1.132.756	2.635.164
Total	<u>5.449.024</u>	<u>4.542.932</u>

Higher levels of accruals relating to accrued leave and overtime and to the cutover to the new ERP system in January 2021. Deferred Income relates to Grants received in advance from Irish Aid and New Venture Fund for two new (non-EIT) projects.

NOTE 11: ASSETS AND LIABILITIES NOT RECOGNISED IN BALANCE SHEET

The Group has the following obligations under operating leases.

	2020	2019
	EUR	EUR
Within one year	410.809	1.743.534
Between one and five years	349.693	830.733
After five years	-	6.533
Total	<u>760.502</u>	<u>2.580.800</u>
Below obligations relate to service agreements:		
Within one year	168.840	118.139
Between one and five years	253.463	59.708
After five years	-	-
Total	<u>422.303</u>	<u>177.847</u>

NOTE 11: ASSETS AND LIABILITIES NOT RECOGNISED IN BALANCE SHEET (CONTINUED)

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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The significant reduction in future obligations relates to an exit out of a number of office premises in 2020 particularly in UK, Netherlands, Italy and Denmark. The increase in service obligations relates primarily to the obligations with Cloud Business our IT Support Services provider

NOTE 12: GRANT INCOME

	2020	2019
	EUR	EUR
The Netherlands	52.995.193	29.895.086
Other EU countries	30.257.839	50.701.195
Other European countries	10.702.722	5.352.772
Other countries	33.178	65.500
Total	93.988.932	86.014.553

The grant income is categorised into the above geographical breakdown according to the location of the subsidiaries and partners which will complete the work. Other EU countries include Germany (€4.4 million), France (€2.6 million), Spain (€3.8 million) and Italy (€5.7 million). Other European countries include the United Kingdom (€8,3 million) and Switzerland (€2.6 million).

The breakdown of revenue by category is as follows:

EIT grant - current year	91.893.230	84.950.919
Less provision for disallowance	-	300.000
Other grant income	2.095.702	763.634
Total	93.988.932	86.014.553

Climate-KIC was created by the European Institute of Innovation and Technology (EIT) in 2010 as part of the EU's Horizon 2020 initiative. Horizon 2020 is the biggest EU Research and Innovation programme ever with nearly €80 billion of funding available over 7 years (2014 to 2020) – in addition to the private investment that this money will attract. It promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market. The Group holds a multi-year funding agreement with the EIT, with a new seven-year agreement signed in early 2016. Through this agreement, the Group integrate education, entrepreneurship and innovation resulting in connected, creative transformation of knowledge and ideas into economically viable products or services that help to mitigate climate change. The Group submits to EIT an annual business plan and receives a budget envelope on which it is required to report back to EIT. The approved budget is a benchmark for grant approval by the EIT. Non-delivery of the approved budget could result in disallowances to the Group by the EIT.

Grants awarded by the European Institute of Innovation and Technology (EIT) to all partners totalled €91.960.651 in 2020 (2019: €85.005.557) (reconciliation overleaf). In 2020, Climate-KIC Holding B.V acted as the intermediary between the partners and EIT. A provision of €300.000 (2019: €300.000) has been made against this income to allow for the possible rejection of Climate KIC Group expenditure by EIT. Should elements of grants paid to partners be deemed ineligible after EIT audits, then depending on the year of the grant, Holding B.V. will be required to repay these funds to EIT.

The 2020 grant claim has been submitted to EIT and is now going through EITs two-year audit process. The 2020 grant has been finalised during 2021 with a total disallowance of €2m. The Group had a sufficient

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NOTE 12: GRANT INCOME (CONTINUED)

provision for this disallowance built up in 2020 and the utilisation of this has been recorded accordingly in these final results. The 2019 grant has been finalised with all amounts payable to Partners settled. No additional disallowance has been incurred for the 2019 grant.

Other grant income related to other sources of income that the Group has been working on cultivating over the course of the year. In 2020, the majority of this relates to a cumulative amount for the Cicerone project in Spain that started in 2018 and was finalised in 2020

The total value of the EIT grant awarded to the Group in 2020 appears in these financial statements as follows:

	2020	2019
	EUR	EUR
EIT grant 2020 payment received in 2020	57.952.222	55.237.093
EIT grant 2020 receivable	34.008.429	29.768.464
EIT grant 2020 awarded to Climate-KIC and its partners	<u>91.960.651</u>	<u>85.005.557</u>
EIT grant 2020 awarded to Climate-KIC parent company	(67.421)	(54.634)
	91.893.230	84.950.923
EIT grant 2020 paid to Climate-KIC partners as pre-financing	7.878.358	12.148.161
EIT grant 2020 payable to Climate-KIC partners as final payments	41.020.302	37.805.552
EIT grant 2020 relating to Climate-KIC costs reimbursements	42.994.570	34.997.210
	<u>91.893.230</u>	<u>84.950.923</u>
EIT grant 2020 payable to Climate-KIC parent as final payments	67.421	54.634
	91.960.651	85.005.557
<u>Partnership Fees</u>		
The Netherlands	180.681	231.497
Other EU countries	1.568.428	1.438.417
Other European countries	394.048	449.033
Other countries	1.250	6.667
Total	2.144.407	2.125.614

Partnership fees invoiced increased slightly in 2020 with the number of partners involved in the 2020 Plan (510 of which 473 have been invoiced). The numbers presented above are gross of any provision taken for non payment.

NOTE 13: OTHER REVENUE

	2020	2019
	EUR	EUR
Education course fees	6.188	9.817
Other income	1.475.864	811.042
Total	1.482.052	820.859

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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NOTE 13: OTHER REVENUE (CONTINUED)

Other income represents income from sponsorships, commercial revenue and other streams of revenue. The increase in other income is due to an increase in Non-EIT projects specifically Denmark (Woods In Construction) branches, Irish Aid in Holding B.V.

NOTE 14: DIRECT EXPENDITURE ON GRANT BASED ACTIVITIES

The direct expenditures on grant based activities only include the grants provided. Other direct expenditures included in other categories are as follows:

	2020	2019
	EUR	EUR
Grants provided	57.102.844	54.410.986
Direct accommodation costs	96.566	717.250
Direct administration expenses	605.982	548.703
Direct marketing	220.448	552.075
Direct office rent	1.375.119	1.093.563
Direct other external services and advice	5.270.953	4.294.302
Direct other office expenses	65.948	22.515
Direct staff Expenditure	398.390	1.341.878
Total	65.136.250	62.981.272

Overall expenditure on grant based activities is above last year. This reflects a slightly higher level of grants provided to either partners or directly awarded in 2020 versus 2019. This reflects the different nature of the agreed plans with EIT for both years. In particular the core grant to partners was lower but was offset by a significant proportion of the additional Covid funding of €8.4m being passed through to partners and start-ups. In addition, there are grants to be provided to partners in Cicerone project. Regarding other costs, due to Covid-19 there were significant decreases in travel and accommodation costs related to expected travel, these being offset by a higher incurred cost on external services and advice to support project delivery. Lower marketing costs reflect a higher provision for unpaid partnership fees from prior years.

NOTE 15: OTHER EXTERNAL SERVICES AND ADVICE

	2020	2019
	EUR	EUR
Statutory audit fees	249.401	380.254
Other accounting and CFS audit fees	1.099.554	612.629
Consultancy fees	1.285.347	1.124.025
Legal and professional fees	865.761	910.278
Staff Expenditure	164.364	1.121.729
Total	3.664.427	4.148.915

Lower staff expenditure driven by both Covid-19 leading to almost no travel costs as well as lower recruitment and staff training expenses. This is offset by higher compliance costs expected driven by the set up of Foundation as well as expenses related to the liquidation of legal entities. Higher Consultancy expenses mainly driven by higher levels of consultants mainly relating to ERP implementation.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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NOTE 15: OTHER EXTERNAL SERVICES AND ADVICE (CONTINUED)

The following audit fees were expensed in the income statement in the reporting period:

2020	KPMG Accountants EUR	Other network EUR	Total KPMG network EUR
Audit of the financial statements	200.000	16.000	216.000
Prior year audit fees	18.000	-	18.000
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	-	-	-
	218.000	16.000	234.000

2019	KPMG Accountants EUR	Other KPMG network EUR	Total KPMG network EUR
Audit of the financial statements	194.000	26.000	220.000
Prior year audit fees	44.042	-	44.042
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	-	-	-
	238.042	26.000	264.042

The fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the 2020 financial statements, regardless of whether the work was performed during the financial year.

NOTE 16: OFFICE AND ADMINISTRATION COSTS

	2020 EUR	2019 EUR
Office rent	471.069	640.054
Other office expenses	107.487	306.818
Insurance	186.586	354.581
Administration expenses	229.362	111.453
Total	994.504	1.412.907

The overall level of office rent stayed similar to prior year, with however a higher amount allocated to direct costs (related to the higher level of activity versus prior year). Lower office expenses were incurred due to Covid-19 and remote working. Insurances were much lower due to a significant reduction in sick leave insurance and reduction in Professional Indemnity and crime insurance.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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NOTE 17: EMPLOYEE COSTS

	2020	2019
	EUR	EUR
Wages and salaries	19.880.260	17.367.970
Pension contributions	1.213.679	1.206.134
Social security charges costs	2.770.807	2.503.234
Other employee costs	54.322	46.039
Total	23.919.068	21.123.37

The increase in wages and salaries in 2020 relates to a full year run rate effect of a number of key appointments in 2019 as well as higher expenses related to vacation pay accrual and a level of severance related to the implementation of the Blueprint organisation.

NOTE 18: CORPORATION TAX PAYABLE BY GROUP COMPANIES

	2020	2019
	EUR	EUR
The major components of the tax charge are as follows:		
Tax expense for the current financial year	654.435	(265.586)
Adjustment for prior periods	-	(106.793)
Income tax expense	654.435	(372.379)
Effective tax rate	27%	17%
Applicable tax	25%	25%

The applicable tax rate is based on the proportion of the contribution to the result by the Group entities and the tax rate applicable in the respective countries.

Income tax using the applicable tax rate in the Netherlands	614.626	(533.737)
Tax effect of:		
Other applicable tax rates abroad	799	51.986
Results under the participation exemption	-	-
Non-deductible expenses	9.263	2.579
Adjustment for prior periods	29.747	106.793
Tax expense	654.435	(372.379)

NOTE 18: CORPORATION TAX PAYABLE BY GROUP COMPANIES (CONTINUED)

The effective tax rate deviates from the applicable tax rate as a result of temporary and permanent differences incurred by the Group. These differences did not lead to the recognition of a deferred tax asset or liabilities. Corporate income tax has been charged on profits at the individual companies' rate.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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The loss incurred in The Netherlands in 2019 created a deferred tax asset and this has been used to offset profits for the Dutch entity, resulting in a utilization of the deferred tax asset of €307.544. This results in a residual deferred tax asset carried forward which can be utilised for offsetting future profits, refer to note 4: financial fixed assets.

Corporate income tax has been charged on profits at the individual companies' rate. In 2020, the effective tax rate deviated from the applicable tax rate slightly due to the mixture of tax rates relating to the branches that all became fully operational in 2020.

NOTE 19: RELATED PARTY DISCLOSURES

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations regardless whether anything has been charged.

There have been no transactions with related parties that were not on a commercial basis. The remuneration of the managing and supervisory directors is included in note 32.

NOTE 20: AVERAGE NUMBER OF EMPLOYEES

The average number of permanent employees of proportionally consolidated companies, converted into full-time equivalents was 256 in 2020 (2019: 265). 226 employees were employed outside of the Netherlands (2019: 229). The associated Headcount related to the 256 FTEs was 265.

	2020	2019
Netherlands	30	37
Other EU Countries	136	212
Other European Countries	90	17
Total	256	265

Note that UK is in other European countries in 2020 and in other EU countries in 2019. In addition to permanent employees (those on indefinite or fixed term contracts), there were a number of temporary resources employed in the organisation in 2020.

	2020	2020
	FTE	HC
Permanent	256	265
Temporary	24	58
Total	280	323

NOTE 20: AVERAGE NUMBER OF EMPLOYEES (CONTINUED)

In 2020 the Group embarked on a wide ranging reorganisation dubbed Blueprint, in recognition of the expected lowering of future levels of EIT grants. 177 Blueprint roles were created which led to 22 roles being made redundant of which 19 were finalised within 2020.

As a result of the Blueprint exercise and the changing nature and structure of the organisation it is not appropriate to highlight the level of resources based in geographies or focused on thematic areas or working in support functions compared to 2019.

NOTE 21: SUBSEQUENT EVENTS

There has been no matter or circumstance apart from those mentioned below, which has arisen since 31 December 2020 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2020, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 December 2020, of the Group.

The Company established the Foundation as a Dutch registered non-profit organisation with a special status of “ANBI” (acting in the public benefit). Throughout 2020 this entity remained non active, however on 28 February 2021 the Shareholder of the Group assigned 90% of its shares in the Group to the Foundation effectively resulting in a change of ownership and control as of 1st March 2021.

The Coronavirus (Sars-CoV-2) outbreak continues into 2021 although with cautious and optimistic signs of recovery due to the faster than expected development of effective vaccines against the virus in late 2020. New variants have however been discovered. Whilst the rollout of a full vaccination programme is well under way in Europe and many other parts of the World, infection protection protocols remain largely in place and whilst the prognosis for economic growth is largely positive for 2021 material uncertainties still remain regarding a return to some sense of normalcy.

**CLIMATE-KIC HOLDING B.V.
SEPARATE FINANCIAL STATEMENTS**

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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BALANCE SHEET AS AT 31 DECEMBER 2020
(Before appropriation of result)

	Note	2020 EUR	2019 EUR
Assets			
Fixed assets			
Tangible fixed assets		71.705	45.053
Financial fixed assets	23	2.064.595	4.885.201
Total fixed assets		2.136.300	4.930.254
Current assets			
Trade and other receivables	24	36.978.948	36.274.318
Cash and cash equivalents	25	13.536.557	11.858.794
Total current assets		50.515.505	48.133.112
Total assets		52.651.805	53.063.366
Equity and Liabilities			
Equity			
Share capital	26	100	100
Other reserve		1.973.744	3.736.311
Foreign currency reserve		32.129	70.645
		2.005.973	3.807.056
Result after taxation		1.804.069	(1.762.567)
Unappropriated profit		1.804.069	(1.762.567)
Total Equity		3.810.042	2.044.489
Provisions	9	770.000	300.000
Current liabilities	28	48.071.763	50.718.877
Total Equity and liabilities		52.651.805	53.063.366

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 EUR	2019 EUR
Share of result of participations after tax	1.206	846,956
Other income and expenses after corporation tax	1.802.863	(2.609.523)
Result after taxation	1.804.069	(1.762.567)

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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PARENT ENTITY INFORMATION

The separate financial statements are part of the 2020 statutory financial statements of the Company. The financial information of the Company is included in the Company's consolidated financial statements.

In so far as no further explanation is provided of items in the separate balance sheet and the separate profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

Climate-KIC Holding B.V. financial statements have been prepared in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards as issued by the Dutch Accounting Standards Board.

The accounting policies for the company financial statements and Climate-KIC Holding B.V. financial statements are the same, with the exception of the following principles:

Financial instruments

In the separate financial statements, financial instruments are presented on the basis of their legal form.

Participating interests in group companies

Participating interests in group companies are accounted for in the separate financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Share of result of participating interests

This item concerns the Company's share of the profit or loss of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

NOTE 22: RESULT OF PARTICIPATION

Result of associates, measured at net asset value, was as follows:

	2020	2019
	EUR	EUR
Result of participation in Climate-KIC (UK) Ltd.	628	36.227
Result of participation in Climate-KIC GmbH	(1.508)	178.340
Result of participation in Climate-KIC AG	(584)	169.187
Result of participation in Climate-KIC SAS	(743)	93.086
Result of participation in Climate-KIC Kft.	163	7.748
Result of participation in Climate-KIC Sp z o.o.	(2.005)	48.560
Result of participation in Climate-KIC B.V.	-	(574)
Result of participation in Climate-KIC S.r.l.	(103)	120.000
Result of participation in Climate-KIC S.L.	5.650	57.283
Result of participation in Climate-KIC ApS	(294)	137.100
Total	1.206	846.957

I 2020 reflects the transfer of assets from the above mentioned legal entities to the Branch entity in the same jurisdiction which took place as from 1st January 2020. This has resulted in the above entities ceasing to be operational for 2020.

NOTE 23: FINANCIAL FIXED ASSETS

Climate-KIC Holding B.V. has the capital interests listed below. Each of these interests has been consolidated in full in the Group accounts.

	Participating interests EUR	Deferred Tax Asset EUR	Total EUR
Balance as at 1 January 2019	3.374.190		3.374.190
Share of result of participating interests	846.957		846.957
Deferred tax on assessed losses	-	653.399	653.399
Translation differences	10.655		10.655
	4.231.802	653.399	4.885.201
Balance as at 31 December 2019			
Balance as at 1 January 2020	4.231.802	653.399	4.885.201
Share of result of participating interests	1.206		1.206
Transfer of assets and liabilities	(2.475.752)		(2.475.752)
Utilization	-	(307.544)	(307.544)
Translation differences	(38.516)	-	(38.516)
	1.718.740	345.855	2.064.595

In 2020 €307.544 of the brought forward deferred tax asset was utilised, leaving behind a residual €345.855 to be carried forward. This would cover forward losses of ~€1.5m in the Dutch entity over the period till end 2025.

Guarantees

Climate-KIC Holding B.V. guarantees all outstanding debts and liabilities of Climate-KIC (UK) Ltd. on 31 December 2020 to third parties.

Climate-KIC Holding B.V. has direct interests in the following participations:

	Date of acquisition/ Inception	Ordinary shares in issued capital as %
Fully consolidated, direct interest:		
Climate-KIC (UK) Ltd., London, United Kingdom	24/03/2016	100%
Climate-KIC GmbH, Berlin, Germany	23/07/2015	100%
Climate-KIC AG, Zurich, Switzerland	30/09/2015	100%
Climate-KIC SAS, Paris, France	31/12/2015	100%
Climate-KIC Kft., Budapest, Hungary	15/12/2015	100%
Climate-KIC Sp z o.o., Wroclaw, Poland	08/01/2016	100%
Climate-KIC S.r.l., Bologna, Italy	18/01/2016	100%
EIT Climate-KIC S.L., Valencia, Spain	21/01/2016	100%
Climate-KIC ApS, Copenhagen, Denmark	15/11/2016	100%

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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	2020 EUR	2019 EUR
NOTE 24: TRADE AND OTHER RECEIVABLES		
Grant receivable	34.280.780	29.959.399
Receivable from shareholder	-	381.214
Receivable from group companies	-	3.721.353
Trade debtors	616.071	892.924
Other receivables	2.082.097	1.319.428
	<u>36.978.948</u>	<u>36.274.318</u>
GRANT RECEIVABLE		
Grant claimed from EIT	91.960.651	85.005.557
Less grant received from EIT in year	(57.952.222)	(55.237.093)
EIT Grant receivable - current year	34.008.429	29.768.464
Other grants receivable	272.351	142.010
EIT grant - previous years	-	48.925
Total grant receivable	<u>34.280.780</u>	<u>29.959.399</u>
RECEIVABLE FROM GROUP COMPANIES		
Amounts receivable from:		
- Climate-KIC S.L.	-	328.793
- Climate-KIC AG	-	803.384
- Climate-KIC S.r.l	-	148.173
- Climate-KIC (UK) Ltd (Netherlands Branch)	-	-
- Climate-KIC (UK) Ltd	-	-
- Climate - KIC SAS	-	125.814
- Climate-KIC GmbH	-	778.488
- Climate-KIC Sp. Z.o.o	-	156.139
- Climate-KIC Kft	-	99.023
- Climate-KIC ApS	-	1.281.539
	<u>-</u>	<u>3.721.353</u>
Receivables from Group Companies have been reduced as a result of the transfer of assets to Branches.		
TRADE DEBTORS		
Trade debtors	1.086.071	953.505
Provision for bad debts	(470.000)	(60.581)
	<u>616.071</u>	<u>892.924</u>
OTHER RECEIVABLES		
Other receivables	1.192.403	672.291
Prepayments	369.899	418.864
Accrued income	519.795	228.273
	<u>2.082.097</u>	<u>1.319.428</u>

The determination of amounts due from partners in respect of prior grant years, as a result of EIT audits, does not take place until up to 2 years from the end of the year to which grant relates. Payment terms will be agreed with the relevant partner. Accordingly, amounts are recorded and disclosed as receivable in respect of prior grant years. The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that provisions for bad debt are recognised, where necessary.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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NOTE 25: CASH AT BANKS AND IN HAND

	2020 EUR	2019 EUR
Current accounts	13.536.557	11.858.794

The cash at bank and in hand is at the company's free disposal.

NOTE 26: EQUITY

	Share capital EUR	General reserve EUR	Undistributed result EUR	Currency translation reserve EUR	Total Equity EUR
Balance as at 1 January 2019	100	1.901.831	1.834.480	59.996	3.796.407
Movements					
Profit appropriation	-	1.834.480	(1.834.480)	-	-
Result for financial year	-	-	(1.762.567)	10.649	(1.751.918)
Balance as at 1 January 2020	100	3.736.311	(1.762.567)	70.645	2.044.489
Movements					
Profit appropriation	-	(1.762.567)	1.762.567	-	-
Result for financial year	-	-	1.804.069	(38.516)	1.765.553
Balance as at 31 December 2020	100	1.973.744	1.804.069	32.129	3.810.042

Proposed appropriation of results

Following the result appropriation proposed by the Executive Board and pursuant to Articles of Association, the result for the year will be at the disposal of the general meeting.

The Executive Board proposes to add the profit for the year of €1.804.069 to the general reserve. This proposed appropriation is not yet reflected in the accompanying financial report.

Appropriation of profit of 2019

The financial statements for the reporting year 2019 have been adopted by the General Meeting on 18 September 2020. The General Meeting has adopted the appropriation of profit after tax as proposed by the Executive Board.

Share capital

The authorised share capital of Climate-KIC Holding B.V. amounts to €100, comprising 100 ordinary shares of €1. Issued share capital consists of 100 ordinary shares. In 2020, no shares were issued.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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NOTE 28: CURRENT LIABILITIES

	2020 EUR	2019 EUR
Grant payable to partners	41.550.318	39.820.703
Grant payable to shareholder	67.421	54.634
Payable to group companies	258.776	6.423.345
Accounts payable and accruals	6.195.248	4.420.195
	<u>48.071.763</u>	<u>50.718.877</u>

Payables to group companies have reduced significantly due to the transfer of assets to branches.

GRANT PAYABLE TO PARTNERS

Grant claimed from EIT	91.893.230	85.005.557
Grant claimed from EIT for the Group's costs	(42.994.570)	(34.997.210)
Payments to partners in relation to the grant	(7.878.401)	(12.148.161)
	<u>41.020.259</u>	<u>37.860.186</u>
Grant payable to shareholder	(67.421)	(54.634)
Grant payable to partners - prior years	211.676	1.683.981
Grant payable to shareholder - prior years	385.804	331.170
	<u>41.550.318</u>	<u>39.820.703</u>

ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable	177.579	2.151.508
Accruals	3.926.175	1.386.067
Tax and social insurance	958.738	-
Deferred income	1.132.756	882.620
	<u>6.195.248</u>	<u>4.420.195</u>

Higher levels of accruals relating to accrued leave and overtime and to the cutover to the new ERP system in January 2021. Deferred Income relates to Grants received in advance from Irish Aid and New Venture Fund for two new (non-EIT) projects.

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

NOTE 29: RELATED PARTIES

A full disclosure of related party transactions is made on a Group basis in Note 19.

NOTE 30: FINANCIAL INSTRUMENTS

General

During the normal course of business, the Company uses various financial instruments that expose it to market, currency, interest, cash flow, credit and liquidity risks. To control these risks, the Company has instituted a policy including a code of conduct and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the Company.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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Credit risk

Credit risk arises principally from the trade and other receivables and cash. The maximum amount of credit risk that the Company incurs is €37 million. The credit risk is concentrated with one counterparty (EIT) for a total of €34 million. As previously disclosed, there is a long-standing agreement with the EIT.

Interest rate risk and cash flow risk

The Company has no interest-bearing borrowings.

According to the Framework Agreement with the EIT, they are responsible to pay the majority of the grant at the beginning of the grant period with the balance payable after reporting has been completed for the grant year.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Company entities, primarily the Euro, but also British Pounds (GBP), Danish Kroner (DKK), Swiss Franc (CHF), Hungarian Florint (HUF) and Polish Zloty (PLN).

The Company does not make use of hedging instruments. The net currency positions (€) as of 31 December 2020 is presented below:

	Assets	Liabilities	Future Transactions	Position
	(€)	(€)	(€)	(€)
GBP	878.056	24.769	-	853.287
CHF	893.754	793.294	47.124	100.460
DKK	1.114.805	1.016.125	78.783	98.680
PLN	176.994	130.771	37.048	46.223
HUF	19.286	10.172	-	9.114
Total	3.082.895	1.975.131	162.956	1.107.764

NOTE 31: OFF BALANCE SHEET ASSETS AND LIABILITIES

	2020 EUR	2019 EUR
The Company has the following obligations under operating leases:		
Within one year	410.809	1.155.483
Between one and five years	349.693	431.295
After five years	-	6.533
Total	760.502	1.593.311
Below obligations relate to service contracts:		
Minimum lease commitments	264.000	53.520
Conditional lease commitments	158.303	-
Sub-lease revenue	-	-
Total	422.303	53.520

NOTE 31: OFF BALANCE SHEET ASSETS AND LIABILITIES (CONTINUED)

With the transfer of all obligations from Subsidiaries to Branches effective from 1st January 2020 all future obligations are now with the Holding BV entity. The decrease in operating lease commitments relates to the exit of premises in UK and Denmark. The increase in service obligations relates in the main to the contract with Cloud Business Support

NOTE 32: DIRECTORS' AND SUPERVISORY BOARD COMPENSATIONS

	2020 EUR	2019 EUR
Members of the Executive Board	1.026.181	747.652
Members of the Supervisory Board	<u>101.695</u>	<u>155.656</u>
	<u>1.127.876</u>	<u>903.308</u>

The directors' remuneration relates to payments made to the directors of the Executive Board and the Supervisory Board. The directors' remuneration includes remuneration paid in relation to directors' fees and periodically paid remuneration, such as salaries, holiday allowance and social premiums, remuneration to be paid after a certain term, such as pensions to the extent that these items were charged to the Company. The increase in 2020 relates partially to a full year impact of the CFO who started part way into 2019. The reduction in Board compensation is as a due to the reduced size of the Board through 2020.

CLIMATE-KIC HOLDING B.V. AND CONTROLLED ENTITIES
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	2020	2019
	EUR	EUR
NOTE 33: AVERAGE NUMBER OF EMPLOYEES		
During 2020, the following employees were employed on a full-time equivalent basis:		
Climate-KIC Holding B.V.	30	37
Climate-KIC Holding B.V. Austria Branch	5	4
Climate-KIC Holding B.V. Belgium Branch	13	11
Climate-KIC Holding B.V. UK Branch	74	80
Climate-KIC Holding B.V. German Branch	33	
Climate-KIC Holding B.V. Zurich Branch	15	
Climate-KIC Holding B.V. Poland Branch	16	
Climate-KIC Holding B.V. Hungary Branch	4	
Climate-KIC Holding B.V. France Branch	18	
Climate-KIC Holding B.V. Italy Branch	11	
Climate-KIC Holding B.V. Spanish Branch	14	
Climate-KIC Holding B.V. Denmark Branch	22	
Climate-KIC Holding B.V. Slovenia Branch	1	
Total	256	132

The increase in employees is a direct result of the transfer of employees from the old legal entities to the Branches in 2020.

NOTE 34: SUBSEQUENT EVENTS

There has been no matter or circumstance apart from those mentioned below, which has arisen since 31 December 2020 that has significantly affected or may significantly affect:

- (d) the operations, in financial years subsequent to 31 December 2020, of the Group, or
- (e) the results of those operations, or
- (f) the state of affairs, in financial years subsequent to 31 December 2020, of the Group.

The Company established the Foundation as a Dutch registered non-profit organisation with a special status of "ANBI" (acting in the public benefit). Throughout 2020 this entity remained non active, however on 28 February 2021 the Shareholder of the Group assigned 90% of its shares in the Group to the Foundation effectively resulting in a change of ownership and control as of 1st March 2021.

The Coronavirus (Sars-CoV-2) outbreak continues into 2021 although with cautious and optimistic signs of recovery due to the faster than expected development of effective vaccines against the virus in late 2020. New variants have however been discovered. Whilst the rollout of a full vaccination programme is well under way in Europe and many other parts of the World, infection protection protocols remain largely in place and whilst the prognosis for economic growth is largely positive for 2021 material uncertainties still remain regarding a return to some sense of normalcy.

DIRECTORS' SIGNATURES

Executive Board

Kirsten Dunlop

Maite Ibarretxe

Thomas Mitchell

Florian Deville

Supervisory Board

Thomas Goergen

Barna Barath

Isabel Garcia Mora

Amsterdam, 23 September 2021

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Climate-KIC Holding B.V.

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2020 of Climate-KIC Holding B.V., based in Amsterdam.

We have audited the financial statements 2020 of Climate-KIC Holding B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Climate-KIC Holding B.V. as at 31 December 2020 and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the consolidated and separate balance sheet as at 31 December 2020;
- 2 the consolidated and separate income statement for 2020;
- 3 the consolidated statement of cash flows for 2020;
- 4 the consolidated statement of comprehensive income for 2020; and
- 5 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Climate-KIC Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics). We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the financial report

In addition to the financial statements and our auditor's report thereon, the financial report contains other information that consists of:

- management report;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the management report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements. The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board;

- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities or operations. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities or operations for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Eindhoven, 23 September 2021

KPMG Accountants N.V.

A.J. van Eijk RA

Articles of association governing profit appropriation

Article 22 of the articles of association states the following regarding profit appropriation:

The General Meeting is authorized to appropriate the profits which have been determined by adopting the annual accounts, and to determine distributions, to the extent the equity of the Company exceeds the reserves which must be maintained under Dutch law.

Branch offices

The Company has branch offices in a number of countries. The countries where these branches are located and operate under the respective trade names below.

Country	Operating name
Austria	Climate-KIC Holding BV Austria Branch
Belgium	Climate-KIC Holding BV Belgium Branch
Switzerland	Climate-KIC Holding BV Zurich Branch
Germany	Climate-KIC Holding BV German Branch
Poland	Climate-KIC Holding BV Poland Branch
Hungary	Climate-KIC Holding BV Hungary Branch
France	Climate-KIC Holding BV France Branch
Italy	Climate-KIC Holding BV Italy Branch
Spain	Climate-KIC Holding BV Spanish Branch
Denmark	Climate-KIC Holding BV Denmark Branch
UK	Climate-KIC Holding B.V. UK Branch
Slovenia	Climate-KIC Holding B.V. Slovenia Branch