

DI Frontier Market Energy & Carbon Fund K/S

c/o Bech-Bruun

Langelinie Allé 35

2100 Copenhagen Ø

CVR no. 33 77 16 81

Annual Report 2017

Approved at the limited partnership's annual general meeting on 29 March 2018

Chairman:

.....
Anders Michael Hauch

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Statement by the General Partner

The General Partner has today discussed and approved the annual report of DI Frontier Market Energy & Carbon Fund K/S for the financial year 1 January –31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the limited partnership's financial position at 31 December 2017 and of the results of the limited partnership's operations and cash flows for the financial year 1 January –31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the limited partnership's operations and financial matters and the results of the limited partnership's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 29 March 2018

General Partner:
DI Frontier Market Energy & Carbon GP ApS

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Daniel Schleyer Schultz
Chairman of the Board

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Kim Gredsted

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Gert Heinholt Skov

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Lars R. Tejlgaard Jensen

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Anders Michael Hauch

Independent auditor's report

To the limited partners and the general partner of DI Frontier Market Energy & Carbon Fund K/S

Opinion

We have audited the financial statements of DI Frontier Market Energy & Carbon Fund K/S for the financial year 1 January –31 December 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the limited partnership at 31 December 2017 and of the results of the limited partnership's operations for the financial year 1 January –31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the limited partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the limited partnership or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error 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.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain 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 limited partnership's internal control.

Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited partnership'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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the limited partnership to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view. ·

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 deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29 March 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-no. 30 70 02 28

Jens Thordahl Nøhr
State Authorised Public Accountant
MNE-no.: mne32212

Management's review

Details of the limited partnership

Name	DI Frontier Market Energy & Carbon Fund K/S
Address	c/o Bech-Bruun law firm Langelinie Allé 35 2100 Copenhagen Ø Denmark
Registration no.:	CVR no. 33 77 16 81
Registered office:	Copenhagen
Financial year:	1 January –31 December
Date of establishment:	28 June 2011
Initial closing date:	26 August 2011
Total commitment:	EUR 60,512,000
Term:	10 years
Investment period:	5 years
Realisation period:	5 years, entered into the realisation period on 20 March 2017.
General Partner:	DI Frontier Market Energy & Carbon GP ApS
Auditors:	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuhs Vej 4 P.O. Box 250 2000 Frederiksberg Denmark

Management's review

Financial highlights

EUR'000	2017	2016	2015	2014	2013
Key figures					
Value adjustment of investments in portfolio companies	27	0	0	0	0
Loss before financial income and expenses	-1,329	-1,479	-1,478	-1,390	-2,033
Financial income and expenses	99	383	-32	-38	-38
Loss for the year	-1,230	-1,096	-1,510	-1,428	-2,071
Unrealised value adjustment of investments in portfolio companies recognised directly in equity					
	4,995	0	0	0	0
Investments in portfolio companies	53,404	36,855	15,891	3,997	804
Total assets	54,207	40,953	21,186	9,671	918
Equity (net asset value)	53,116	39,901	20,295	7,935	-535
Cash flows from operating activities	-1,388	-1,323	-2,156	-1,985	-1,516
Cash flows from investing activities	-11,758	-20,489	-11,954	-2,396	-804
Cash flows from financing activities	9,450	20,702	13,870	9,623	2,538
Total cash flows	-3,696	-1,110	-240	5,242	218
Financial ratios					
Equity ratio	98.0	97.4	95.8	82.0	neg.
Return on equity (average)	neg.	neg.	neg.	neg.	neg.

Management's review

Operating review

Principal activities

DI Frontier Market Energy & Carbon Fund K/S is a private equity limited partnership, which was established on 28 June 2011. The objective of DI Frontier Market Energy & Carbon Fund K/S is to achieve the highest possible financial return on the commitments of the partners by engaging in the following activities:

- 1) make, develop and realise investments in renewable energy, energy efficiency, and carbon credit generating assets in countries in Sub-Saharan Africa, and
- 2) purchase carbon credits and related instruments from portfolio companies and sell these to relevant buyers, such activities to be carried out via a dedicated carbon company or through third party trading agents.

DI Frontier Market Energy & Carbon Fund K/S has capital commitments totalling EUR 60,512 thousand.

An Investment Management Agreement has been entered into with Frontier Investment Management ApS, under which Frontier Investment Management ApS as Investment Manager is to be responsible for the administration of and for providing investment advisory services to DI Frontier Market Energy & Carbon Fund K/S. The limited partnership has therefore no employees.

Development in financial matters

In March 2017, the successor fund to DI Frontier Market Energy & Carbon Fund K/S was established. Consequently and according to the Limited Partnership Agreement, the limited partnership ended the investment period and transitioned into the realisation period on 20 March 2017.

In connection with the establishment of the successor fund, the limited partnership has entered into a portfolio transfer agreement with Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S (the successor fund to DI Frontier Market Energy & Carbon Fund K/S). According to this agreement, part of the portfolio companies in DI Frontier Market Energy & Carbon Fund K/S will be transferred to Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S. During 2017, the transfer of one of the agreed portfolio companies was completed. The limited partnership expects that the transfer of the rest of the portfolio companies will be finalised during 2018. The total divestment amount is EUR 9,909 thousand.

During 2017, DI Frontier Market Energy & Carbon Fund K/S invested an additional EUR 11,758 thousand (2016: EUR 20,441 thousand) in portfolio companies and related projects.

Loss for the year

In connection with the transfer of the portfolio company to the successor fund, the limited partnership realised a gain of EUR 27 thousand in 2017. The expected gain on the remaining portfolio companies to be transferred amounts to EUR 2,022 thousand. At year end 2017, a further unrealised gain on a portfolio company of EUR 2,973 thousand was recognised directly in equity in accordance with the accounting policies.

In 2017, DI Frontier Market Energy & Carbon Fund K/S realised a loss of EUR 1,230 thousand (2016: loss of EUR 1,096 thousand), of which EUR 1,144 thousand (2016: EUR 1,240 thousand) relates to management fee (including VAT) calculated and paid in accordance with the Limited Partnership Agreement, the Investment Management Agreement and the approved management fee budget.

Balance sheet and capital structure

At 31 December 2017, the limited partnership had called a total net amount of EUR 57,590 thousand (31 December 2016: EUR 48,140 thousand) of the total capital commitment of EUR 60,512 thousand, corresponding to 95% (31 December 2016: 80%).

At year-end 2017, total equity amounted to EUR 53,116 thousand (31 December 2016: EUR 39,901 thousand).

Management's review

Operating review (continued)

Uncertainty about the measurement of investments

Portfolio companies are small or medium sized, unlisted companies which make and develop projects within renewable energy, energy efficiency, and carbon credit generating assets in countries in Sub-Saharan Africa. Accordingly, the valuation of investments, including receivables is subject to uncertainty. For investments which have commenced commercial operations, the fair value is determined using a discounted cash flow model based on the expected cash flow generation from the underlying assets during the operational life. Investments are measured at fair value, however, during the first years of operation (development stages), it is typically not possible to determine a reliable fair value and accordingly, such investments are measured at cost less any impairment losses. Impairment losses are determined based on whether in the long term, the individual portfolio company will be able to generate adequate positive net cash flows in the future to support (recover) cost. Owing to the size, activities and the early stage in the normal life cycle of the companies, the cash flow projections are subject to significant uncertainty.

Events after the balance sheet date

No events have occurred after the balance sheet date that may have a significant influence on the assessment of the annual report.

Outlook

The future results of the limited partnership depend, in all material respects, on the development in the value of the partnership's investments in portfolio companies.

Financial statements for the period 1 January – 31 December

Income statement

Note	EUR'000	2017	2016
3	Value adjustment of investments in portfolio companies	27	0
4	Other external costs	-1,356	-1,479
	Loss before financial income and expenses	-1,329	-1,479
5	Financial income	891	421
6	Financial expenses	-792	-38
	Loss for the year	<u>-1,230</u>	<u>-1,096</u>
	 Recommended appropriation of loss		
	Transferred to reserves under equity	<u>-1,230</u>	<u>-1,096</u>

Financial statements for the period 1 January – 31 December

Balance sheet

Note	EUR'000	2017	2016
	ASSETS		
	Non-current assets		
	Investments		
3	Investments in portfolio companies	45,187	32,916
7	Other receivables	2,926	942
8	Other receivables from portfolio companies, interest-bearing loans	5,291	2,997
		<u>53,404</u>	<u>36,855</u>
	Total non-current assets	<u>53,404</u>	<u>36,855</u>
	Current assets		
	Receivables		
	Receivables from limited partners	7	32
9	Other receivables	517	48
		<u>524</u>	<u>80</u>
11	Cash at bank and in hand	<u>279</u>	<u>4,018</u>
	Total current assets	<u>803</u>	<u>4,098</u>
	TOTAL ASSETS	<u>54,207</u>	<u>40,953</u>
	EQUITY AND LIABILITIES		
2	Equity		
	Contributed capital	57,590	48,140
	Reserve for revaluation	4,995	0
	Retained earnings	-9,469	-8,239
	Total equity	<u>53,116</u>	<u>39,901</u>
	Liabilities		
	Non-current liabilities		
10	Loan payable to Industriens Fond	933	902
		<u>933</u>	<u>902</u>
	Current liabilities		
	Payable to the Investment Manager	140	127
	Other payables	18	23
	Total current liabilities	<u>158</u>	<u>150</u>
	Total liabilities	<u>1,091</u>	<u>1,052</u>
	TOTAL EQUITY AND LIABILITIES	<u>54,207</u>	<u>40,953</u>
11	Contingencies, etc.		
12	Related parties		

Financial statements for the period 1 January – 31 December

Cash flow statement

EUR'000	2017	2016
Loss before financial income and expenses	-1,329	-1,479
Adjustments, non-cash items	-27	0
Changes in working capital	-20	165
Cash flows from primary activities before financial income and expenses	-1,376	-1,314
Interest expenses paid	-12	-9
Cash flows from operating activities	-1,388	-1,323
Non-current investments in portfolio companies, etc.	-11,758	-20,489
Disposal of portfolio companies	418	0
Change in receivables from disposal of portfolio companies	-418	0
Cash flows from investing activities	-11,758	-20,489
Paid-up contributed capital	9,450	20,702
Cash flows from financing activities	9,450	20,702
Cash flows for the period	-3,696	-1,110
Cash and cash equivalents at the beginning of the period	4,018	5,108
Exchange rate adjustments of cash and cash equivalents	-43	20
Cash and cash equivalents at year end	279	4,018
Cash and cash equivalents at year end can be specified as:		
Cash at bank and in hand	279	4,018

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies

The annual report of the limited partnership for 2017 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with the adjustments that follow from the limited partnership being a limited partnership and elective choice of certain provisions applying to reporting class C entities.

The accounting policies are consistent with those of last year.

Consolidated financial statements

Pursuant to section 110 of the Danish Financial Statements Act, consolidated financial statements have not been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the limited partnership and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Equally, costs incurred to generate the year's earnings are recognised.

Presentation currency and functional currency

The annual report is presented in euro (EUR) and rounded off to the nearest EUR 1,000. The functional currency and presentation currency of the limited partnership is EUR.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose is recognised in the income statement as financial income or financial expenses.

Income statement

Value adjustment of investments in portfolio companies

Realised positive and all negative fair value adjustments of investments in portfolio companies are recognised in the income statement.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external cost

Other external costs include management fees, costs for broken deals, etc.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses on securities as well as payables and transactions denominated in foreign currencies.

Balance sheet

Investments in portfolio companies

Portfolio companies are the companies in which the limited partnership invests in order to create added value for the investors of the limited partnership.

Investments in portfolio companies, comprising subsidiaries and associates including their investments in subsidiaries and associates, are upon initial recognition measured at cost, including acquisition costs and costs directly attributable to the development of new portfolio companies including detailed technical and commercial evaluations, environmental approvals and other licenses, etc.

For new projects under development, directly attributable project costs incurred are recognised as prepayments, when there is a high probability that a project will be implemented or a portfolio company acquired/established.

Subsequently, investments in portfolio companies are measured at fair value pursuant to section 41 of the Danish Financial Statements Act. Unrealised positive value adjustments on investments in portfolio companies is recorded directly to a separate reserve under equity, "Reserve for revaluation". Realised and unrealised negative value adjustments and realised positive value adjustments on investments in portfolio companies are recorded in a separate item in the income statement.

Dividends from investments in portfolio companies are recognised in the income statement at the time of declaration (usually at the time of adoption at the annual general meeting).

Fair value

Fair value is determined using the International Private Equity and Venture Capital (IPEV) Valuation Guidelines.

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset less transaction costs.

All assets, which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

If a reliable fair value cannot be identified, measurement is alternatively made at cost less any impairment losses.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost. Write-down is recognised for bad debt losses based on an individual assessment of receivables.

Liabilities

Non-current liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method.

Other liabilities are measured at net realisable value.

Tax

The limited partnership is not an independent tax entity, and therefore tax is not recognised in the financial statements.

Cash flow statement

The cash flow statement shows the limited partnership's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the limited partnership's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as profit/loss for the year adjusted for non-cash operating items and changes in working capital excluding payments in connection with acquisition and disposal of portfolio companies.

Cash flows from investing activities

Cash flows from investing activities comprise cash payments in connection with acquisition and disposal of portfolio companies, etc., including loans in this respect.

Cash flows from financing activities

Cash flows from financing activities comprise payment of contributed capital as well as rising of loans, repayment of interest-bearing debt, and payments to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank overdraft facilities used as part of the short-term liquidity management.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

2 Equity and capital commitment

EUR'000	Contributed capital			Revaluation reserve	Retained earnings	Total equity
	Commitment	Uncalled	Committed and called capital			
Balance at 31 December 2015	60,512	-33,074	27,438	0	-7,143	20,295
Paid through cash calls during the year	0	20,702	20,702	0	0	20,702
Loss for the year	0	0	0	0	-1,096	-1,096
Balance at 31 December 2016	60,512	-12,372	48,140	0	-8,239	39,901
Paid through cash calls during the year	0	9,450	9,450	0	0	9,450
Unrealised positive value adjustments	0	0	0	4,995	0	4,995
Loss for the year	0	0	0	0	-1,230	-1,230
Balance at 31 December 2017	60,512	-2,922	57,590	4,995	-9,469	53,116

The limited partners are liable for their share of the uncalled capital commitment.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

2 Equity and capital commitment (continued)

Specification by capital accounts of the respective limited partners:

EUR'000	Commitment	Uncalled	Called	Retained earnings			Revaluation reserve	Total equity
				Allocation of cost incurred	Other adjustments according to LPA*	Total retained earnings		
CDC Group plc	22,000	1,296	20,704	-3,442	233	-3,209	1,817	19,317
GEEREF	10,000	422	9,578	-1,565	-60	-1,625	825	8,779
IFU	7,000	296	6,704	-1,095	-42	-1,137	578	6,146
PensionDanmark	7,000	296	6,704	-1,095	-42	-1,137	578	6,146
PFA Pension	7,000	296	6,704	-1,095	-42	-1,137	578	6,146
Tryg Forsikring A/S, norsk filial	7,000	296	6,704	-1,095	-42	-1,137	578	6,146
BWBD ApS	87	3	84	-14	-1	-15	7	74
Daniel Schleyer Schultz	87	3	84	-14	-1	-15	7	74
Lars R. Teilgaard Jensen	87	3	84	-14	-1	-15	7	74
Valerekus Capital ApS	87	3	84	-14	-1	-15	7	74
Gert Heinholt Skov	55	2	53	-9	-1	-10	5	47
Oikos Invest ApS	50	2	48	-8	0	-8	4	44
Bernhard Osawa	29	2	27	-5	0	-5	2	23
Søren Barkholt Consulting & Management ApS	15	1	14	-2	0	-2	1	13
ESE Invest IVS	15	1	14	-2	0	-2	1	13
Balance at 31 December 2017	60,512	2,922	57,590	-9,469	0	-9,469	4,995	53,116

* Adjustments pursuant to the Limited Partnership Agreement ("LPA"), section 16.1 (5).

Financial statements for the period 1 January – 31 December

Notes to the financial statements

2 Equity and capital commitment (continued)

Since the establishment, the committed contributed capital has developed as follows:

	EUR'000
Balance at the establishment on 28 June 2011	311
Additional commitments during 2011	60,080
Additional commitments during 2013	10,000
Cancellation of commitments during 2014, cf. note 2	-9,930
Additional commitments during 2014	51
Balance at 31 December 2017	60,512

3 Investments in portfolio companies

EUR'000	Equity investments in portfolio companies	Receivables from portfolio companies	Total investments
Cost at 1 January	21,840	11,076	32,916
Additions during the year	6,340	862	7,202
Transfer	-335	942	607
Foreign exchange rate adjustments	0	-142	-142
Disposals during the year	-391	0	-391
Cost at 31 December	27,454	12,738	40,192
Value adjustment at 1 January	0	0	0
Realised value adjustments for the year	27	0	27
Unrealised value adjustments for the year	4,995	0	4,995
Disposal for the year (realised (gain)/loss on disposal)	-27	0	-27
Value adjustment at 31 December	4,995	0	4,995
Carrying amount at 31 December	32,449	12,738	45,187

Receivables from portfolio companies primarily relate to convertible loans granted to portfolio companies, which under certain conditions can be converted into share capital. During 2017, one portfolio company has been transferred to the successor fund. A further 12 portfolio companies will be transferred to the successor fund during 2018. The agreed valuation has been reflected in the year-end valuation (unrealised) of these portfolio companies, in total EUR 9,909 thousand.

Uncertainty about the measurement of investments

Portfolio companies are small or medium sized, unlisted companies, which make and develop projects within renewable energy, energy efficiency, and carbon credit generating assets in countries in Sub-Saharan Africa. Accordingly, the valuation of investments, including receivables is subject to uncertainty. For investments which have commenced commercial operations, the fair value is determined using a discounted cash flow model based on the expected cash flow generation from the underlying assets during the operational life. Investments are measured at fair value, however, during the first years of operation (development stages), it is typically not possible to determine a reliable fair value and accordingly, such investments are measured at cost less any impairment losses. Impairment losses are determined based on whether in the long term, the individual portfolio company will be able to generate adequate positive net cash flows in the future to support (recover) cost. Owing to the size, activities and the early stage in the normal life cycle of the companies, the cash flow projections are subject to significant uncertainty.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Investments in portfolio companies (continued)

During 2017, one portfolio company started commercial operations and is accordingly measured at fair value determined based on an assessment of future cash flows discounted with the required rate of return (WACC).

The material non-observable inputs and assumptions used in the calculation of fair value of the operational portfolio companies are summarised below:

	2017	2016
WACC	7.0%	n/a
Average remaining operational life	19 years	n/a

At 31 December 2017, the limited partnership had invested in the following portfolio companies:

Name of portfolio companies	Ownership interest	Equity (100% EUR'000)	Profit/loss for the year (100% EUR'000)
Subsidiaries and associates			
Elgon Hydro Siti (Pvt) Ltd. ⁽¹⁾	99%	10,769	-171
Frontier Akiira Holding Ltd. ⁽²⁾ (holding company for the 38% investment in Akiira Geothermal Ltd.)	100%	87	-4
Nyamagasani II HPP Ltd. ⁽¹⁾	95%	2,673	-114
Rwaza Hydropower Ltd. ⁽²⁾	30%	361	-25
Lubilia Kawembe Hydro Ltd. ⁽¹⁾	93%	1,696	-566
<i>To be divested to the successor fund during 2018:</i>			
Greenewus Energy Africa Ltd. ⁽¹⁾	93%	81	-63
Nithi Hydro Power Ltd. ⁽²⁾	100%	541	0
Wind for Prosperity Kenya Ltd. ⁽²⁾	53%	327	0
BVC Geothermal Kenya Ltd*	58%	-	-
Olsuswa Energy Ltd. ⁽²⁾	42%	-9	-5
Esikipeto Power Generation Ltd. ⁽²⁾	100%	500	0
Esidai Wind Power Generation Company Ltd. *	40%	-	-
Kiwira Energy Ltd.*	51%	-	-
Momba Hydropower Ltd. *	100%	-	-
DC Frontier Energy Ltd.*	66%	-	-
Radiant Energy Ltd. ⁽¹⁾	100%	-1,278	-638
Eldosol Energy Ltd. ⁽¹⁾	100%	-153	-10

¹ According to the latest approved financial statements for the financial year 1 July 2016 - 30 June 2017

² According to the latest approved financial statements for the financial year 1 January - 31 December 2016

* The company has not yet presented its first approved and audited annual report.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Investments in portfolio companies (continued)

The portfolio companies are subject to special restrictions and obligations in relation to distribution of dividend, etc.

Investment company name	Country	Investment project description
Elgon Hydro Siti (Pvt) Ltd.	Uganda	Development of a hydro power plant
Greenewus Energy Africa Ltd.	Uganda	Development of a hydro power plant
Lubilia Kawembe Hydro Ltd.	Uganda	Development of a hydro power plant
Frontier Akiira Holding Ltd.	Mauritius	Holding company of Akiira Geothermal Ltd., Kenya*, which invests in development of a geothermal power plant
Nyamagasani II HPP Ltd.	Uganda	Development of a hydro power plant
Nithi Hydro Power Ltd.	Kenya	Development of a hydro power plant
Wind for Prosperity Kenya Ltd.	Kenya	Development of small off-grid wind power plants
BVC Geothermal Kenya Ltd.	Kenya	Development of a geothermal power plant
Olsuswa Energy Ltd.	Kenya	Development of a geothermal power plant
Rwaza Hydropower Ltd.	Rwanda	Development of a hydro power plant
Rwenzori Hydro (Pvt) Ltd.	Uganda	Development of a hydro power plant
Esikipeto Power Generation Ltd.	Kenya	Development of a wind power plant
Esidai Wind Power Generation Company Ltd.	Kenya	Development of a wind power plant
Kiwira Energy Limited	Tanzania	Development of hydro power plants
Momba Hydropower Ltd.	Tanzania	Development of a hydro power plant
DC Frontier Energy Ltd.	Rwanda	Development of hydro power plants
Radiant Energy Ltd.	Kenya*	Development of a solar photovoltaic
Eidosol Energy Ltd.	Kenya*	Development of a solar photovoltaic

* Kenyan branch of Mauritius Company.

Specification by investments of the respective Limited Partners:

EUR'000	Share of total investment cost	Share of total value adjustment unrealised	Share of carrying amount
CDC Group plc	14,613	1,816	16,429
GEEREF	6,642	826	7,468
IFU	4,649	578	5,227
PensionDanmark	4,649	578	5,227
PFA Pension	4,649	578	5,227
Tryg Forsikring A/S, norsk filial	4,649	578	5,227
Anders Michael Hauch	58	7	65
Daniel Schleyer Schultz	58	7	65
Lars R. Teilgaard Jensen	58	7	65
Valerekus Capital ApS	58	7	65
Gert Heinholt Skov	37	5	42
Oikos Invest ApS	33	4	37
Bernhard Osawa	19	2	21
Søren Barkholt Consulting & Management ApS	10	1	11
ESE Invest IVS	10	1	11
Balance at 31 December 2017	40,192	4,995	45,187

Financial statements for the period 1 January – 31 December

Notes to the financial statements

EUR'000	2017	2016
4 Other external costs		
Management fee (including VAT) calculated and paid in accordance with the Limited Partnership Agreement, the Investment Management Agreement and the approved management fee budget	1,144	1,240
Other external costs	212	239
	<u>1,356</u>	<u>1,479</u>
5 Financial income		
Interest income from receivables from portfolio companies	888	295
Foreign exchange rate gain, receivables from portfolio companies	0	106
Foreign exchange rate gain on cash and cash equivalents	0	20
Other	3	0
	<u>891</u>	<u>421</u>
6 Financial expenses		
Foreign exchange rate loss, receivables from portfolio companies	559	0
Foreign exchange rate loss, other receivables	142	0
Foreign exchange rate loss on cash and cash equivalents	43	0
Other	48	38
	<u>792</u>	<u>38</u>
7 Other receivables		

Other receivables relate to costs paid directly attributable to the development of new portfolio companies, which are expected to be converted into equity instruments in new portfolio companies within the following year.

Investment company name	Country	Investment project description
Selenkei Investments Ltd. (no shares subscribed)	Kenya	Development of a solar photovoltaic
Cedate Ltd. (no shares subscribed)	Kenya	Development of a solar photovoltaic

EUR'000	2017	2016
8 Other receivables from portfolio companies, interest-bearing loans		
Nominal loan amount, receivables from portfolio companies	4,561	2,596
Accrued interest income	1,183	295
Foreign exchange rate adjustments	-453	106
	<u>5,291</u>	<u>2,997</u>

Out of the total outstanding amount of EUR 5,291 thousand, EUR 231 thousand is due for repayment within 12 months. The remaining outstanding amount is due more than one year after the financial year-end.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

EUR'000	2017	2016
9 Other receivables		
Receivable from Frontier Energy II Alpha K/S	423	0
Receivable from Frontier Energy II Beta K/S	89	0
Other receivables	5	48
	<u>517</u>	<u>48</u>

The receivables from Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S (the successor fund to DI Frontier Market Energy and Carbon Fund K/S) relate to the completed transfer of one portfolio company, in accordance with the portfolio transfer agreement of July 2017.

10 Loan payable to Industriens Fond

Loan payable to Industriens Fond relates to set-up costs payable (EUR 753 thousand in total) in connection with the development and set-up of DI Frontier Market Energy & Carbon Fund K/S.

The repayment of the loan is dependent upon the financial return of the investments undertaken by the partnership.

11 Contingencies, etc.

The limited partnership has entered into an Investment Management Agreement with Frontier Investment Management ApS under which Frontier Investment Management ApS is to be responsible for the administration of and for providing investment advisory services to DI Frontier Market Energy & Carbon Fund K/S. If this agreement is terminated, the limited partnership may under certain circumstances be under an obligation to pay six months' management fees.

Cash at bank and in hand with a carrying amount of EUR 145 thousand at 31 December 2017 has been provided as collateral to banks (31 December 2016: EUR 431 thousand).

The limited partnership's bank has in connection with portfolio companies' construction of hydro power plants located in Uganda (Lubilia Kawembe Hydro Ltd. (Lubilia), Greenewus Energy Africa Ltd. (Kakaka), Elgon Hydro Siti (PVT) Ltd. (Siti 1+2) and Nyamagasani II HPP Ltd. (Nyamagasani II) issued guarantees on behalf of the limited partnership to the Electricity Regulatory Authority in Uganda. At 31 December 2017, the outstanding bank guarantees amounted to EUR 190 thousand (31 December 2016: EUR 346 thousand).

The limited partnership has entered into certain agreements about investments in portfolio companies. At 31 December 2017, unconditional commitments amounted to EUR 5,025 thousand (31 December 2016: EUR 6,990 thousand). At 31 December 2017, conditional commitments amounted to EUR 46,428 thousand (31 December 2016: EUR 37,031 thousand), which the limited partnership under certain conditions are committed to contribute to portfolio companies for project funding. The limited partnership does not expect all conditional commitments to materialise.

In 2017, the limited partnership has entered into a portfolio transfer agreement with the successor fund to DI Frontier Market Energy & Carbon Fund K/S. According to this agreement, part of the portfolio companies in DI Frontier Market Energy & Carbon Fund K/S, including related commitments, will be transferred to the successor fund. The limited partnership expects that the transfer of the portfolio companies under the portfolio transfer agreement will be finalised during 2018.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

11 Contingencies, etc. (continued)

At 31 December 2017, unconditional commitments related to the portfolio companies awaiting transfer to the successor fund amounted to EUR 568 thousand. At 31 December 2017, conditional commitments related to the portfolio companies awaiting transfer to the limited partnership amounted to EUR 27,365 thousand, which the limited partnership under certain conditions are committed to contribute to portfolio companies for project funding.

12 Related parties

No individual companies or persons exercise control of DI Frontier Market Energy & Carbon Fund K/S.

Related parties comprise the limited partners and the General Partner of the limited partnership, the General Partner's management and the Investment Committee and Investor Board of the limited partnership. Furthermore, related parties comprise the portfolio companies of the limited partnership as listed in note 3.

The Investment Manager, Frontier Investment Management ApS, which provides administrative services and investment advisory services to DI Frontier Market Energy & Carbon Fund K/S, and its Management are also considered related parties.

In addition, the successor fund, Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S, which are parallel limited partnerships under the successor fund, and its management are considered related parties.

Transactions with related parties

During the year, the limited partnership has paid management fee to the Investment Manager as disclosed in note 4.

Capital transactions with portfolio companies are disclosed in note 3 and 8.

Balances with the successor fund are disclosed in note 9. The portfolio transfer agreement entered into with the successor fund is described in note 3 and 11.

Capital transactions with limited partners are disclosed in note 2. Balances with the related parties including portfolio companies are disclosed separately in the balance sheet.

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Dirigent

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