

## **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 2022**

Approved at the limited partnership's annual general meeting on 31 March 2023

Chairperson:

.....  
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 2022.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in 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 2022 and of the results of the limited partnership's operations and cash flows for the financial year 1 January – 31 December 2022.

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, 31 March 2023

General partner:

DI Frontier Market Energy & Carbon GP ApS

.....  
Daniel Schleyer Schultz  
Chairman of the Board

.....  
Kim Gredsted

.....  
Gert Heinholt Skov

.....  
Lars R. Tejlgaard Jensen

.....  
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 2022, which comprise statement of comprehensive income, statement of financial position, statement of changes in equity and capital commitment, statement of cash flows and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 2022 and of the results of the limited partnership's operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

#### **Statement on the Management's review and the Supplementary report in accordance with Sustainable Finance Disclosure Regulation**

Management is responsible for the Management's review and the Supplementary report on information in accordance with Sustainable Finance Disclosure Regulation, hereinafter referred to as the "supplementary report".

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and the Supplementary report and, in doing so, consider whether the Management's review and the Supplementary report are 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 the work we have performed, we conclude that the Management's review and the Supplementary report are in accordance with the financial statements and have been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review or the Supplementary report.

## Independent auditor's report - continued

### 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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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 as to 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 scepticism 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.
- 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 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 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.

### Independent auditor's report - continued

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.

Copenhagen, 31 March 2023  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Thomas Hjortkjær Petersen  
State Authorised Public Accountant  
mne33748

Bjørn Würtz Rosendal  
State Authorised Public Accountant  
mne40039

## 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, term has been extended by two year to 2023 (2 remaining options to extend by one additional year each)
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
Investment manager:	Frontier Investment Management ApS
Auditors:	EY Godkendt Revisionspartnerselskab Dirch Passers Alle 36, P.O. Box 250, 2000 Frederiksberg, Denmark

## Management's review

## Financial highlights

EUR'000	2022	2021	2020	2019	2018
<b>Key figures</b>					
Value adjustment of investments in portfolio companies	-17,628	-9,518	9,102	8,472	2,925
<b>Profit/loss before financial income and expenses</b>	-18,399	-10,476	8,010	7,359	1,814
Financial income and expenses	4,857	1,553	771	2,117	1,819
<b>Profit/loss for the year</b>	-13,542	-8,923	8,781	9,476	3,633
Investments in portfolio companies	50,434	67,712	76,602	66,460	51,933
Total assets	50,969	68,102	76,728	67,639	57,752
<b>Equity (net asset value)</b>	49,225	66,351	75,434	65,716	56,749
Cash flows from operating activities	1,046	552	87	32	-1,382
Cash flows from investing activities	2,913	-358	-1,040	-3,838	6,663
Cash flows from financing activities	-3,920	-162	934	-1,565	0
<b>Total cash flows</b>	375	34	-20	-5,371	5,281
<b>Financial ratios</b>					
Equity ratio	96.6%	97.4%	98.3%	97.2%	98.3%
Return on equity (average)	neg.	neg.	12.1%	15.5%	6.6%

The financial ratios have been calculated as follows:

Equity ratio:

$$\frac{\text{Equity at year end} \times 100}{\text{Equity and liabilities at year end}}$$

Return on equity (average):

$$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$$



## **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) making, developing and realizing 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**

During 2022, DI Frontier Market Energy & Carbon Fund K/S invested an additional EUR 252 thousand (2021: EUR 913 thousand) in portfolio companies.

In 2022, no new projects started commercial operations.

#### **Profit for the year**

In 2022, value adjustment of investments in portfolio companies amounted to EUR -17,628 thousand (2021: EUR -9,518 thousand), impacted by the development in a specific investment under development.

In 2022, DI Frontier Market Energy & Carbon Fund K/S realised a loss of EUR 13,542 thousand (2021: loss of EUR 8,923 thousand). Costs incurred include EUR 598 thousand (2021: EUR 861 thousand) relating 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 2022, the limited partnership had called a total net amount of EUR 60,010 thousand (31 December 2021: EUR 60,010 thousand) of the total capital commitment of EUR 60,512 thousand, corresponding to 99% (31 December 2021: 99%).

The 2022 distributed amount of EUR 3,584 thousand (2021: 160 thousand) includes distribution of EUR 2,940 thousand (2021: EUR 0 thousand), EUR 525 thousand of withholding taxes paid and EUR 119 thousand of repaid interest (in 2021: EUR 48 thousand including withholding taxes paid and EUR 112 thousand of repaid interest.)

At year-end 2022, total equity amounted to EUR 49,225 thousand (31 December 2021: EUR 66,351 thousand).

## Management's review

### Operating review (continued)

#### *Uncertainty about the measurement of investments*

Portfolio companies are small or medium-sized, unlisted companies which develop or operate projects within renewable energy, energy efficiency, and carbon credit-generating assets in countries in Sub-Saharan Africa. The investments are measured at fair value. As there is no active market for such or similar assets, the fair value of the investments, including receivables from the portfolio companies, is determined using valuation methods and assumptions made by Management. Accordingly, the measurement of the investments, including receivables from the portfolio companies, is by nature subject to uncertainty.

The investments are subject to individual risks, including but not limited to local operational risks, environmental risks, political risks, social risks as well as compliance risks and other related risks for development projects within the renewable energy sector in countries in Sub-Saharan Africa. In determining the fair value of the investments, Management considers the impact from these risks. The risks may potentially materialize negatively compared to the investment managers' expectations, adversely impacting the fair value.

#### **Sustainability and Disclosure**

Frontier Energy is dedicated to developing and implementing projects that are environmentally and socially sustainable. When developing and building a project, Frontier Energy strives to benefit the neighboring communities and to adhere to global best practice, including IFC performance standards. As part of this work, Frontier Energy has a comprehensive ESG risks assessment process including conducting full Environmental & Social Impact Assessments for all projects and further emphasizes community engagement from early phases of project development.

The 2022 annual report includes sustainability disclosures in accordance with the Sustainable Finance Disclosures Regulation (SFDR). The new requirements are largely based on the latest Regulatory Technical Standards ("RTS") to the SFDR Regulation, which indicate which sustainability related information to be made available to investors through the annual report and how this information is to be presented.

#### **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 and term extension**

The future results of the limited partnership depend, in all material respects, on the development in the value of the limited partnership's investments in portfolio companies. The implications of the ongoing war in Ukraine and the corresponding sanctions imposed on Russia, etc., led to a significant increase in energy and commodity prices during 2022, which came down close to pre-war levels in the beginning of 2023. With the continued war and the increasing geopolitical tensions may lead to increased volatility in energy and commodity prices during 2023. The value of the limited partnership's assets in operation is not affected by such volatility if they are in construction or operation as they have long term fixed price power purchase agreements in USD. The value of the limited partnership's assets in construction have fixed construction and supply prices and guaranteed delivery deadlines and hence also not affected by such volatility. The value of the limited partnership's assets in development is neither expected to be affected.

The investment manager expects to receive simple majority approval from the Limited Partners in 2023 for another one-year term extension (2 options remaining of 4 as set out in the Limited Partnership Agreement). If such approval is not passed, the Limited Partnership will have to the investments over a period of maximum 2 calendar years from August 2023 in accordance with the Limited Partnership Agreement.

## Financial statements for the period 1 January – 31 December

### Statement of comprehensive income

Note	EUR'000	2022	2021
7	Value adjustment of investments in portfolio companies	-17,628	-9,518
4	Other external costs	-771	-958
	<b>Profit/loss before financial income and expenses</b>	<b>-18,399</b>	<b>-10,476</b>
5	Financial income	4,903	1,593
6	Financial expenses	-46	-40
	<b>Profit/loss for the year</b>	<b>-13,542</b>	<b>-8,923</b>
	Other comprehensive income	0	0
	<b>Total comprehensive income for the year</b>	<b>-13,542</b>	<b>-8,923</b>

## Financial statements for the period 1 January – 31 December

### Statement of financial position

Note	EUR'000	2022	2021
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
	<b>Investments</b>		
7	Investments in portfolio companies	50,434	67,712
	<b>Total non-current assets</b>	<b>50,434</b>	<b>67,712</b>
	<b>Current assets</b>		
	<b>Receivables</b>		
	Receivables from limited partners	0	37
8	Other receivables	5	12
	Prepayments	0	186
	<b>Total receivables</b>	<b>5</b>	<b>235</b>
	<b>Cash at bank and in hand</b>	<b>530</b>	<b>155</b>
	<b>Total current assets</b>	<b>535</b>	<b>390</b>
	<b>TOTAL ASSETS</b>	<b>50,969</b>	<b>68,102</b>
	<b>EQUITY AND LIABILITIES</b>		
9	<b>Equity</b>		
	Contributed capital	60,010	60,010
	Retained earnings	-5,049	8,493
	Distributions	-5,736	-2,152
	<b>Total equity</b>	<b>49,225</b>	<b>66,351</b>
	<b>Liabilities</b>		
	<b>Non-current liabilities</b>		
10	Loan payable to Industriens Fond	1,037	1,045
	<b>Total non-current liabilities</b>	<b>1,037</b>	<b>1,045</b>
	<b>Current liabilities</b>		
	Payable to the investment manager	2	4
	Other payables	705	702
	<b>Total current liabilities</b>	<b>707</b>	<b>706</b>
	<b>Total liabilities</b>	<b>1,744</b>	<b>1,751</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>50,969</b>	<b>68,102</b>

## Financial statements for the period 1 January – 31 December

### Statement of changes in equity and capital commitment

EUR'000	Contributed capital		Committed and paid-in capital	Retained earnings	Distributions	Total equity
	Commitment	Uncalled				
<b>Equity at 1 January 2021</b>	60,512	502	60,010	17,416	-1,992	75,434
Distributed during the year	0	0	0	0	-160	-160
Paid through cash calls during the year	0	0	0	0	0	0
Profit for the year	0	0	0	-8,923	0	-8,923
<b>Equity at 31 December 2021</b>	60,512	502	60,010	8,493	-2,152	66,351
Distributed during the year	0	0	0	0	-3,584	-3,584
Paid through cash calls during the year	0	0	0	0	0	0
Profit for the year	0	0	0	-13,542	0	-13,542
<b>Equity at 31 December 2022</b>	60,512	502	60,010	-5,049	-5,736	49,225

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

The 2022 distributed amount of EUR 3,584 thousand (2021: 160 thousand) includes distribution of EUR 2,940 thousand (2021: EUR 0 thousand), EUR 525 thousand of withholding taxes paid and EUR 119 thousand of repaid interest (in 2021: EUR 48 thousand including withholding taxes paid and EUR 112 thousand of repaid interest.)

## Financial statements for the period 1 January – 31 December

### Cash flow statement

EUR'000	2022	2021
Profit/loss before financial income and expenses	-18,399	-10,476
Value adjustment of investments in portfolio companies	17,628	9,518
Changes in working capital	504	249
Cash flows from operating activities before financial income and expenses	-266	-709
Interest expenses paid	-2	-1
Interest income recieved	1,314	1,262
<b>Cash flows from operating activities</b>	<b>1,046</b>	<b>552</b>
Net additions to investments in portfolio companies, etc.	-252	-913
Change in receivables from portfolio companies	0	286
Dividends received from investments	3,501	271
<b>Cash flows from investing activities</b>	<b>2,913</b>	<b>-358</b>
Paid-up contributed capital	0	0
Partial repayment of loan payable to Indsutritnes Fond	-336	-2
Distributed during the year	-3,584	-160
<b>Cash flows from financing activities</b>	<b>-3,920</b>	<b>-162</b>
<b>Cash flows for the period</b>	<b>375</b>	<b>34</b>
Cash and cash equivalents at the beginning of the period	155	121
<b>Cash and cash equivalents at year end</b>	<b>530</b>	<b>155</b>
Cash and cash equivalents at year end can be specified as:		
Cash at bank and in hand	530	155

## Financial statements for the period 1 January – 31 December

### Note summary

- 1 Summary of significant accounting policies
- 2 Significant accounting judgements, estimates and assumptions
- 3 Standards issued not yet effective
- 4 Other external costs
- 5 Financial income
- 6 Financial expenses
- 7 Investments
- 8 Other receivables
- 9 Capital management and contributed capital
- 10 Loan payable to Industriens Fond
- 11 Financial risk
- 12 Contingencies, etc.
- 13 Related party disclosures

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Summary of significant accounting policies

##### Corporate information

The financial statements of DI Frontier Market Energy & Carbon Fund K/S (the limited partnership) for the year ended 31 December 2022 were approved and authorised for issue by the general partner on 31 March 2023. DI Frontier Market Energy & Carbon Fund K/S is a limited partnership incorporated and domiciled in Denmark.

##### Basis of preparation

The separate financial statements of DI Frontier Market Energy & Carbon Fund K/S (the limited partnership) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the provisions applying to reporting class B enterprises under the Danish Financial Statements Act. These audited financial statements have been prepared as the only financial statements of the limited partnership.

The financial statements are prepared based on the standards and interpretations that are effective as of 31 December 2022. The accounting policies are unchanged from 2021.

The separate financial statements have been prepared on a historical-cost basis, except for financial assets held at fair value through profit or loss. The separate financial statements are presented in EUR and all values are rounded to the nearest thousand EUR, except where otherwise indicated.

The investment manager expects to ask for and receive simple majority approval from the limited partners in 2023 for another one-year term extension (2 options remaining of 4 as set out in the limited partnership Agreement). If such approval is not passed, the limited partnership will have to realise its investments over a period of maximum 2 calendar years from August 2023 in accordance with the limited partnership Agreement. On this basis, these financial statements are prepared on a going concern basis.

##### Group structure and activity

The limited partnership is an investment entity. Accordingly, the limited partnership has decided to use the exemption in IFRS 10 to not prepare consolidated financial statements and instead the controlled subsidiaries are accounted for at fair value through profit or loss in accordance with IFRS 9.

##### Functional and presentation currency

The limited partnership's capital is raised in EUR and the performance is evaluated in EUR. In addition, management fee to the investment manager is invoiced and paid in EUR. Therefore, the limited partnership concludes that EUR is its functional currency. The limited partnership's presentation currency is also EUR.

##### Statement of comprehensive income

##### Foreign currency translation

Transactions denominated in foreign currencies (non-EUR) 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 (non-EUR) 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.

##### Value adjustment of investments in portfolio companies

Realised and unrealised fair value adjustments of investments in portfolio companies, including receivables from portfolio companies and loans are recognised in a separate item in the income statement.



## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Summary of significant accounting policies (continued)

##### **Fees and other external costs**

Other external costs include travel, administration, auditor and legal, costs for broken deals, etc. Fees are recognised on an accrual basis.

##### **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 (non-EUR).

### **Statement of financial position**

#### **Investments**

##### ***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.

In accordance with the exception under IFRS 10 Consolidated Financial Statements, the limited partnership does not consolidate subsidiaries in the separate financial statements. Investments in subsidiaries are accounted for as financial instruments at fair value through profit or loss in accordance with IFRS 9.

In accordance with the exception within IAS 28 Investments in Associates and Joint Ventures, the limited partnership does not account for its investments in associates using the equity method. Instead, the limited partnership has elected to measure its investments in associates at fair value through profit or loss.

##### ***Initial measurement***

Investments in portfolio companies, comprising subsidiaries and their investments in subsidiaries as well as associates, are upon initial recognition measured at fair value, typically based on cash injections into the portfolio companies or the fair value of contributions-in-kind into the portfolio companies (typically equal to the monetary equivalent of directly attributable costs incurred by the limited partnership on behalf of the portfolio companies for the development of new projects, including detailed technical and commercial evaluations, environmental approvals and other licenses, etc., related to the project activities of the portfolio companies).

For projects under development, directly attributable project costs incurred are recognised as prepayments, when there is a high probability that a project will be implemented through the establishment or acquisition of a portfolio company.

##### ***Subsequent measurement***

Subsequently, investments in portfolio companies are measured at fair value through profit or loss. Value adjustments are recorded 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 measurement***

The limited partnership measures its investments in subsidiaries and associates at fair value at each reporting date.

For fair value of investments in portfolio companies, including receivables from portfolio companies and loans, reference is made to note 7.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Summary of significant accounting policies (continued)

##### *Receivables from portfolio companies and loans*

In addition to equity investments, the limited partnership holds investments in receivables and loans on a fair value basis for investment income and fair value gains. The receivables from portfolio companies and loans are managed, and its performance evaluated, on a fair value basis.

##### *Initial measurement*

Receivables from portfolio companies and loans are recognised at the trade date, initially measured at fair value.

##### *Subsequent measurement*

Subsequently, receivables from portfolio companies and loans are measured at fair value through profit or loss. Value adjustments are recorded in the income statement.

##### **Other receivables**

Other receivables are recognised at the trade date, initially measured at fair value.

The limited partnership holds other receivables other than those classified at fair value through profit and loss with the objective of collecting the contractual cash flows, and therefore, measures them subsequently at amortised cost using the effective interest method.

The limited partnership applies the simplified approach to measure the expected credit loss and a lifetime expected loss allowance for all other receivables.

The limited partnership's approach to expected credit loss reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

As a practical expedient and due to the limited number of other receivables, the expected credit loss is based on days past due, historically observed loss rates, the nature of the other receivables and adjusted for forward-looking factors specific to the debtor and the economic environment.

##### **Financial 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. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Other financial liabilities are measured at amortised cost.

##### **Equity**

Investments by limited partners are recognised when cash calls are made. Investment commitments where cash calls have not been made at the balance sheet date are disclosed in the notes.

##### **Tax**

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

## **Financial statements for the period 1 January – 31 December**

### **Notes to the financial statements**

#### **1 Summary of significant accounting policies (continued)**

##### **Statement of cash flows**

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 the 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 limited partners.

##### **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 Significant accounting judgements, estimates and assumptions

The preparation of the limited partnership's financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

##### **Judgements**

In the process of applying the limited partnership's accounting policies, Management has made the following judgements, which affect the amounts recognised in the financial statements at the most:

##### *Assessment as investment entity*

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss (FVPL) rather than consolidate them. The criterias which define an investment entity are, as follows:

- ▶ An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services.
- ▶ An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- ▶ An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The limited partnership Agreement details the limited partnership's objective of achieving the highest possible financial return on the commitments of the limited partners (investors) by making, developing and realising investments in renewable energy and energy efficiency assets in countries located in Sub-Saharan Africa.

The limited partnership reports to its investors via quarterly investor information. All investments are reported at fair value to the extent allowed by IFRS in the limited partnership's annual report.

Management has also concluded that the limited partnership meets the additional characteristics of an investment entity, in that it has more than one investment; the limited partnership's ownership interests are predominantly in the form of equities and shareholder loans; it has more than one investor and has investors that are not related parties.

Management has concluded that the limited partnership meets the definition of an investment entity.

##### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The limited partnership based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the limited partnership. Such changes are reflected in the assumptions when they occur.

##### **Investments in portfolio companies**

For fair value of investments in portfolio companies, including receivables from portfolio companies and loans, reference is made to note 7.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 3 Standards issued but not yet effective

In the opinion of Management, no standards or interpretations that are issued, but not yet effective, up to the date of issuance of the limited partnership's financial statements, will significantly impact the limited partnership.

EUR'000	2022	2021
<b>4 Other external costs</b>		
Management fee (including VAT) calculated and paid in accordance with the limited partnership Agreement, the Investment Management Agreement and the approved management fee budget	598	861
Other external costs	173	97
<b>Total other external costs</b>	<b>771</b>	<b>958</b>
<b>5 Financial income</b>		
Interest income from receivables from portfolio companies measured at fair value through profit or loss	1,314	1,262
Dividend from investments	3,501	319
Foreign exchange rate gain	85	11
Other	4	0
<b>Total financial income</b>	<b>4,903</b>	<b>1,593</b>
<b>6 Financial expenses</b>		
Interest expenses on financial liabilities measured at amortised cost	36	36
Foreign exchange rate loss	8	3
Other	2	1
<b>Total financial expenses</b>	<b>46</b>	<b>40</b>

#### 7 Investments

EUR'000	Equity investments in portfolio companies	Receivables from portfolio companies and loans	Total investments
Cost at 1 January 2022	22,080	27,807	49,887
Reclassification	0	0	0
Additions during the year	0	252	252
Cost at 31 December 2022	22,080	28,059	50,139
Value adjustment at 1 January 2022	14,022	3,802	17,824
Reclassification	0	0	0
Unrealised value adjustments for the year	-17,106	-552	-17,628
Accrued interest	0	98	98
Value adjustment at 31 December 2022	-3,084	3,379	294
<b>Carrying amount at 31 December 2022</b>	<b>18,996</b>	<b>31,438</b>	<b>50,434</b>

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 7 Investments (continued)

The limited partnership measures its investments at fair value at each reporting date.

During 2022, no portfolio companies were transferred to the successor fund. Two portfolio companies are expected to be transferred to the successor fund in 2023.

Receivables from portfolio companies' primarily relate to convertible loans granted to portfolio companies, which under certain conditions can be converted into share capital.

Net changes in fair value of financial assets through profit or loss are specified as:

EUR'000	2022	2021
Realised value adjustments for the year	0	0
Unrealised value adjustments for the year	-17,628	-9,518
<b>Value adjustment of investments</b>	<b>-17,628</b>	<b>-9,518</b>

#### **Fair value of investments**

Equity investments in portfolio companies, including receivables from portfolio companies and loans are measured at fair value through profit or loss. The valuation of investments is based on the valuation prepared by the investment manager and for some investments a third-party valuation specialist applying the same methods.

The fair value of the investments is determined using valuation methods and assumptions made by management that best reflect the risks and the stage of development of the investment. The assumptions include energy prices, inflation rates, technical availability and discount rates. In general, the fair value is determined in accordance with IPEV Valuation Guidelines and generally accepted valuation techniques, including discounted cash flow models, benchmarking or other relevant methods (including agreed sales prices for transactions in progress at year-end).

For projects which have commenced commercial operations, the fair value is determined using discounted cash flows based on the expected cash flows generated from the underlying assets during the operational life. The cash flow projections are based on expected production and contractually agreed prices. The projected cash flows are discounted using the weighted average cost of capital (WACC). The rate of return (WACC) is in the range 8-12% after tax.

The discount rate is based on multiple inputs, including country risk premium, risk-free rate unlevered beta, cost of equity, cost of debt and equity/debt ratio. In connection with the year-end closing, Management has updated inputs for the calculation of the discount rate. In addition, Management has obtained input from other transactions in East Africa occurring for similar types of projects. It is not possible to obtain benchmarks for sale of projects in operation. Thus, inputs from other transactions have only been used as a benchmark for the calculated discount rate. The investment manager is of the opinion that there is a general tendency for increasing appetite for investment in renewables among private as well as public sector investors in East Africa. Further, the investment manager is of the opinion, that the overall trend in terms of return levels for the region is unchanged.

The following inputs have been used by the investment manager:

- Country risk premium is set between 5-6%. The risk premium is based on ratings based on credit default swaps spreads and the relative volatility for the specific countries.
- Unlevered beta of 0.2 based on an assessment of the general risk in relation to the independent power producer. This is substantiated by the fact that the generation of revenue is expected to be relatively stable in volume and price, including long-term agreement with typically one customer (the local off-taker) which is expected to consume all the power generated by the independent power producer.
- Cost of debt has been set based on the interest rates for the external loans used to fund the specific project.
- Equity/debt ratio is set based on the target capitalization of the portfolio company.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 7 Investments (continued)

In determining the fair value, Management considers relevant comparable market transactions or share capital issuances with third parties, adjusted as necessary, as well as development progress and the risks relating to successfully completing the development of the projects that may adversely impact the fair value of the investments during the development phase.

Investments 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).

The following table shows the classification of financial instruments recognised at fair value:

EUR'000	2022			
	Level 1	Level 2	Level 3	Total
<i>Investments</i>				
Equity investments in portfolio companies	0	0	18,996	18,996
Receivables from portfolio companies and loans	0	0	31,438	31,438
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>50,434</b>	<b>50,434</b>
EUR'000	2021			
	Level 1	Level 2	Level 3	Total
<i>Investments</i>				
Equity investments in portfolio companies	0	0	36,101	36,101
Receivables from portfolio companies and loans	0	0	31,610	31,610
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>67,712</b>	<b>67,712</b>

The limited partnership's investments are not quoted in an active market and transactions in such investments do not occur on a regular basis. Therefore, the limited partnership classifies the fair value of these investments as Level 3.

The following table shows a reconciliation of the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy.

EUR'000	2022		
	Equity investments in portfolio companies	Receivables from portfolio companies and loans	Total
Balance at 1 January	36,101	31,610	67,712
Total gains or losses <sup>1</sup>	-17,106	-423	-17,530
Purchases	0	252	252
<b>Total financial assets</b>	<b>18,996</b>	<b>31,438</b>	<b>50,434</b>

EUR'000	2021		
	Equity investments in portfolio companies	Receivables from portfolio companies and loans	Total
Balance at 1 January	44,967	31,635	76,602
Total gains or losses <sup>1</sup>	-9,518	0	-9,518
Purchases	514	399	913
Settlements	0	-286	-286
Reclassifications	139	-139	0
<b>Total financial assets</b>	<b>36,101</b>	<b>31,610</b>	<b>67,712</b>

<sup>1</sup> All gains and losses are recognized as value adjustment of investments in portfolio companies or financial income in the profit and loss. 0 (nil) is recognized in other comprehensive income.

There are no transfers between level 1, 2 and 3 during 2022 and 2021.

#### ***Uncertainty about the measurement of investments***

Portfolio companies are small or medium-sized, unlisted companies which develop or operate projects within renewable energy, energy efficiency, and carbon credit-generating assets in countries in Sub-Saharan Africa. The investments are measured at fair value. As there is no active market for such or similar assets, the fair value of the investments, including receivables from the portfolio companies and loans, is determined using valuation methods and assumptions made by management, including agreed sales prices for transactions in progress at year-end. Accordingly, the measurement of the investments, including receivables from the portfolio companies and loans, is by nature subject to uncertainty.

The investments are subject to individual risks, including but not limited to local operational risks, environmental risks, political risks, social risks as well as compliance risks and other related risks for development projects within the renewable energy sector in countries in Sub-Saharan Africa. In determining the fair value of the investments, Management considers the impact from these risks. The risks may potentially materialize negatively compared to the investment managers' expectations, adversely impacting the fair value.



## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 7 Investments (continued)

The limited partnership meets the definition of an investment entity. Therefore, it does not consolidate its subsidiaries but, recognises them as investments at fair value through profit or loss. At 31 December 2022, the limited partnership had invested in the following portfolio companies:

Subsidiaries and associates	Country	Ownership interest	Equity (100%/ EUR'000)	Profit/loss for the year (100%/ EUR'000)	Operational start	Investment project description
Elgon Hydro Siti (Pvt) Ltd. <sup>(1)</sup>	Uganda	99%	16,883	-448	Q1 2017 (Siti I) Q2 2019 (Siti II)	Operation of two hydro power plants
Lubilia Kawembe Hydro Ltd. <sup>(1)</sup>	Uganda	98%	1,866	-74	Q2 2018	Operation of a hydro power plant
Rwaza Hydropower Ltd. <sup>(2)</sup>	Rwanda	30%	1,080	768	Q2 2019	Operation of a hydro power plant
Nyamagasani II HPP Ltd. <sup>(1)</sup>	Uganda	95%	5,689	557	Q3 2021	Operation of a hydro power plant
Frontier Akiira Holding Ltd. <sup>(3)</sup> (holding company for the 37,5% investment in Akiira Geothermal Ltd. <sup>**</sup> )	Mauritius	100%	99	-3		Development of a geothermal power plant
Kiwira Energy Ltd. <sup>(2)</sup>	Tanzania	51%	-218	-13		Development of a hydro power plant
Momba Hydropower Ltd. <sup>*</sup>	Tanzania	100%	-23	-19		Development of a hydro power plant

<sup>1</sup> According to the latest approved financial statements for the financial year 1 July 2021 - 31 June 2022

<sup>2</sup> According to the latest approved financial statements for the financial year 1 January - 31 December 2021

<sup>3</sup> According to the latest approved financial statements for the financial year 1 January - 31 December 2020

<sup>\*</sup> The company has not yet presented its first approved and audited annual report.

<sup>\*\*</sup> Kenyan branch of Mauritius Company.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 7 Investments (continued)

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

Specification by investments of the respective limited partners:

EUR'000	Share of total investment cost	Share of accrued interest income	Share of total value adjustment	Share of carrying amount
CDC Group plc	18,229	1,228	-1,121	18,336
GEEREF	8,286	558	-510	8,334
IFU	5,800	391	-357	5,834
PensionDanmark	5,800	391	-357	5,834
PFA Pension	5,800	391	-357	5,834
Tryg Forsikring NUF	5,800	391	-357	5,834
Team commitment	424	29	-26	427
<b>Balance at 31 December 2022</b>	<b>50,139</b>	<b>3,379</b>	<b>-3,084</b>	<b>50,434</b>

#### 8 Other receivables (current assets)

EUR'000	2022	2021
Other receivables	5	12
<b>Total other receivables</b>	<b>5</b>	<b>12</b>

#### 9 Capital management and contributed capital

For the purpose of the limited partnership's capital management, capital includes contributed capital and all other equity reserves attributable to the limited partners of the partnership. The committed capital from the limited partners amounted to EUR 60,512 thousand at 31 December 2022, of which EUR 502 thousand was uncalled. Quantitative information about the limited partnership's capital is provided in the statement of changes in equity, capital commitment and below.

The limited partnership's objective for managing capital is to achieve the highest possible financial return on the commitments of the limited partners by making, developing and realising investments in renewable energy and energy efficiency assets in countries located in Sub-Saharan Africa.

The limited partnership will call capital from the limited partners as needed in connection with the execution of activities in accordance with the limited partnership Agreement.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 9 Capital management and contributed capital (continued)

Specification by capital accounts of the respective limited partners:

EUR'000	Committed and contributed capital			Retained earnings					Distribu- tions	Total equity
	Commit- ment	Uncalled	Called	Allocation of cost incurred, net	Realised gains on invest- ments	Unrealised gain on invest- ments	Other adjustments according to LPA*	Total retained earnings		
British International Investment PLC	22,000	416	21,584	-3,904	3,276	-1,207	233	-1,603	-2,085	17,896
GEEREF	10,000	23	9,977	-1,775	1,489	-549	-61	-895	-948	8,135
IFU	7,000	16	6,984	-1,242	1,042	-384	-42	-626	-663	5,694
PensionDanmark	7,000	16	6,984	-1,242	1,042	-384	-42	-626	-663	5,694
PFA Pension	7,000	16	6,984	-1,242	1,042	-384	-42	-626	-663	5,694
Tryg Forsikring NUF	7,000	16	6,984	-1,242	1,042	-384	-42	-626	-663	5,694
Team commitment	511	0	511	-94	75	-30	0	-45	-47	417
<b>Balance at 31 December 2022</b>	<b>60,512</b>	<b>502</b>	<b>60,010</b>	<b>-10,739</b>	<b>9,011</b>	<b>-3,321</b>	<b>0</b>	<b>-5,049</b>	<b>-5,736</b>	<b>49,225</b>

\* 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

#### 9 Capital management and contributed capital (continued)

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

	EUR'000
<b>Balance at the establishment on 28 June 2011</b>	311
Additional commitments during 2011	60,080
Additional commitments during 2013	10,000
Cancellation of commitments during 2014	-9,930
Additional commitments during 2014	51
<b>Balance at 31 December 2022</b>	<b>60.512</b>

#### 10 Loan payable to Industriens Fond

Loan payable to Industriens Fond relates to initial set-up costs (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 depends on the financial return on the investments undertaken by the limited partnership.

#### 11 Financial risk

The limited partnership's objective in managing risk is the creation and protection of the limited partners' investment and return. The limited partnership calls capital based on the limited partners' commitments for the use of making investments in portfolio companies. Some risks are inherent in the limited partnership's investment activities, refer to note 7 for details of these. The limited partnership is exposed to interest rate risk, liquidity risk, credit risk and currency risk.

##### Risk management structure

The limited partnership's investment manager is responsible for identifying and controlling risks and to ensure that investments are made in accordance with the limited partnership Agreement. The established Investment Committee reviews all proposals made by the investment manager relating to the making or realisation of investments.

The general partner supervises the investment manager and is ultimately responsible and liable for the overall risk management of the limited partnership.

##### Risk mitigation

The limited partnership has investment policies that set out its overall business strategies, its risk tolerance and its general risk management philosophy for the investments. The investment manager assesses the risk profile before entering into investments.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We refer to note 7 for the exposures to investments in loans where the fair value of the investments is exposed to changes in interest rate risk. The loans are with fixed-interest rate terms.

The limited partnership has limited interest-bearing debt, and the limited partnership's interest rate risk primarily relates to the position of cash in banks and bank overdraft facility.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 11 Financial risk (continued)

##### Liquidity risk

Liquidity risk is the risk that the limited partnership will not be able to meet its financial obligations as they fall due. The investment manager monitors risk of a shortage of funds on an ongoing basis. The general partner reviews the liquidity position on a quarterly basis based on the quarterly reports prepared by the investment manager.

The limited partnership will call capital from the limited partners based on an as-needed basis to enable the limited partnership to make investments, pay expenses incurred by the limited partnership and comply with any obligations undertaken.

The table below summarises the maturity profile of the limited partnership's financial assets and liabilities based on contractual undiscounted receipts and payments:

EUR'000	Falling due within 1 year	Falling due between 1-5 years	Falling due after 5 years	No fixed maturity	Total	Carrying amount
<b>2022</b>						
<i>Investments</i>						
Equity investments in portfolio companies	0	0	0	18,996	18,996	18,996
Receivables from portfolio companies and loans	0	0	0	31,438	31,438	31,438
<i>Receivables</i>						
Other receivables	5	0	0	0	5	5
Cash at bank and in hand	0	0	0	530	530	530
<b>Total financial assets</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>50,965</b>	<b>50,969</b>	<b>50,969</b>
<i>Obligations</i>						
Loan payable to Industriens Fond	0	0	0	1,037	1,037	1,037
Payable to the investment manager	2	0	0	0	2	2
Other payables	705	0	0	0	705	705
<b>Total financial liabilities</b>	<b>707</b>	<b>0</b>	<b>0</b>	<b>1,037</b>	<b>1,744</b>	<b>1,744</b>

Cash at bank are without restrictions and available upon request.

Repayment of receivables from portfolio companies and loans is dependent on the commencement of commercial operations. The actual repayment is further dependent on available liquid funds, including continued energy production and fulfilment of the power purchase agreements with the local off-taker. The total balance towards the individual portfolio company is therefore included as 'no fixed maturity' in above table.

Besides the financial assets and liabilities presented in the table above, the limited partnership has entered into certain agreements about investments in portfolio companies under which the limited partnership may be committed to provide capital. The limited partnership will call capital from the limited partners as necessary to comply with these commitments. Refer to note 13 for further details.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 11 Financial risk (continued)

EUR'000	Falling due within 1 year	Falling due between 1-5 years	Falling due after 5 years	No fixed maturity	Total	Carrying amount
<b>2021</b>						
<i>Investments</i>						
Equity investments in portfolio companies	0	0	0	36,101	36,101	36,101
Receivables from portfolio companies and loans	0	0	0	31,610	31,610	31,610
<i>Receivables</i>						
Receivables from limited partners	37	0	0	0	37	37
Other receivables	12	0	0	0	12	12
Cash at bank and in hand	0	0	0	155	155	155
<b>Total financial assets</b>	<b>49</b>	<b>0</b>	<b>0</b>	<b>67,866</b>	<b>67,915</b>	<b>67,915</b>
<i>Obligations</i>						
Loan payable to Industriens Fond	0	0	0	1,045	1,045	1,045
Payable to the investment manager	4	0	0	0	4	4
Other payables	702	0	0	0	702	702
<b>Total financial liabilities</b>	<b>706</b>	<b>0</b>	<b>0</b>	<b>1,045</b>	<b>1,751</b>	<b>1,751</b>

#### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the limited partnership by failing to discharge an obligation. The limited partnership is exposed to the risk of credit-related losses that can occur as a result of a counterparty or limited partner being unable or unwilling to honour its contractual obligations. These credit exposures exist for receivables and cash and cash equivalents.

It is the limited partnership's policy to enter into financial instruments with reputable counterparties.

In 2022 and 2021, the limited partnership accounted for an impairment loss of receivables measured at amortised cost of EUR 0 (nil).

The carrying value of the limited partnership's financial instruments, as disclosed in the statement of financial position, represents the maximum credit exposure, hence, no separate disclosure is provided. Reference is made to the statement of financial position.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 11 Financial risk (continued)

##### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The limited partnership transacts in other currencies than EUR, including DKK, USD and local currencies in countries in Sub-Saharan Africa. In addition, a part of the limited partnership's expenses, is in DKK. Further, the limited partnership's investments (Investments in portfolio companies, receivables from portfolio companies and loans) are for some denominated in currencies other than EUR.

Accordingly, the value of the limited partnership's assets may be affected favourable or unfavourable by fluctuations in exchange rates. Therefore, the limited partnership will naturally be subject to foreign exchange risks.

The limited partnership does not hedge its exposure to foreign currency fluctuations.

The following table indicates the currencies to which the limited partnership had significant exposures at 31 December on its monetary financial assets and liabilities. The analysis calculates the effect of a reasonable positive movement of the exchange rate against EUR on profit or loss with all other variables held constant.

Currency	Change in exchange rate%	Effect on profit or loss (relates to monetary financial assets and liabilities)	
		2022 (EUR'000)	2021 (EUR'000)
DKK	10%	0	0
USD	10%	1,618	1,608

There is no sensitivity effect on other comprehensive income as the limited partnership has no assets classified as fair value through other comprehensive income or designated hedging instruments.

An equivalent decrease in each of the aforementioned currencies against the EUR would have resulted in an equivalent, but opposite impact.

#### 12 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.

##### **Commitments regarding investments in portfolio companies**

The limited partnership has entered into certain agreements about investments in portfolio companies. At 31 December 2022, unconditional commitments amounted to EUR 650 thousand (31 December 2021: EUR 281 thousand). At 31 December 2022, conditional commitments amounted to EUR 13,850 thousand (31 December 2021: EUR 14,479 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.

At 31 December 2022, unconditional commitments related to the portfolio companies awaiting transfer to the successor fund amounted to EUR 2,140 thousand (31 December 2021: EUR 2,140 thousand).

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 13 Related party disclosures

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

The following parties are considered related parties of the limited partnership:

##### ***Investment manager – Frontier Investment Management ApS***

Frontier Investment Management ApS (the investment manager), which provides administrative services and investment advisory services to the limited partnership and its management are considered a related party.

The investment manager is entitled to receive a management fee for its services. The management fee is payable on a quarterly basis.

Total management fee for 2021 and 2022 is disclosed in note 4.

In performing the daily activities on behalf of the limited partnership, the investment manager incurs expenses on behalf of the limited partnership, which are settled from time to time. The balance at 31 December 2022 with the investment manager is disclosed separately in the statement of financial position.

In accordance with the limited partnership Agreement, the investment manager may under certain circumstances be entitled to compensation of six months' management fee, if the agreement is terminated.

##### ***General partner – DI Frontier Market Energy & Carbon GP ApS***

DI Frontier Market Energy & Carbon GP ApS (the general partner), which has direct and unlimited liability for the limited partnership's debts and liabilities, and its management are considered related parties.

The general partner has sole power of authority and responsibility for all decisions pertaining to the acquisition and realisation of investments, including all final decisions to commit the limited partnership to an investment and any realisations of an investment.

According to the limited partnership Agreement, remuneration of the general partner comprises a share of DI Frontier Market Energy & Carbon Fund K/S' return on investments, provided that the total return exceeds the limited partners' investment and a predefined minimum rate of return.

Remuneration (carried interest) to the general partner cannot be calculated definitively until upon the final liquidation of DI Frontier Market Energy & Carbon Fund K/S and – hence – according to the limited partnership Agreement, the general partner's carried interest is not considered earned by the general partner until upon the liquidation of DI Frontier Market Energy & Carbon Fund K/S subject to and in accordance with the final liquidation accounts of DI Frontier Market Energy & Carbon Fund K/S.

The limited partnership has not had any transactions with the general partner in 2022.

##### ***Portfolio companies***

Transactions and balances with portfolio companies (subsidiaries and associates) are disclosed in note 7.

##### ***Other related parties***

In addition, the successor funds, 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. The balance with the successor funds at 31 December 2022 is -691 EUR thousand (2021: EUR 670 thousand).

In accordance with the 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), the limited partnership expects to transfer two portfolio companies from Energy & Carbon Fund K/S to Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S during 2023.



## **Supplementary report in accordance with Sustainable Finance Disclosure Regulation**

The following pages consist of the periodic reporting for funds categorized under Article 9 in accordance with the provisions of the Sustainable Finance Disclosure Regulation.

The reporting follows the calendar year of the annual report and is prepared in accordance with an approved EU standard, which may not be derogated from.



EUROPEAN  
COMMISSION

Brussels, 6.4.2022  
C(2022) 1931 final

ANNEX 5

## ANNEX

*to the*

**Commission Delegated Regulation (EU) .../....**

**supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports**

## ANNEX V

### Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/ 2088 and Article 5, first paragraph, of Regulation (EU) 2020/ 852

Product name: DI Frontier Market Energy & Carbonfund K/ S (CVR: 33771681)

Legal entity identifier: Frontier Investment Management ApS (CVR: 33365586)

## Sustainable investment objective

Did this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*



☒ Yes



No



It made **sustainable investments with an environmental objective: 100%**



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It made **sustainable investments with a social objective: \_\_\_\_%**



It **promoted Environmental/ Social (E/ S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of \_\_\_\_% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promoted E/S characteristics, but **did not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### To what extent was the sustainable investment objective of this financial product met?

The sustainable investment objective of DI Frontier Market Energy & Carbonfund K/S (DIFMEC) is to invest in development, construction and operation of renewable energy power projects and related infrastructure in the less developed emerging markets in Sub-Saharan Africa. DIFMEC has only made investments in renewable energy projects which

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

is within the sustainable investment objective. DIFMEC have 4 investments in operation contributing to GHG emission reductions by producing green energy.

● **How did the sustainability indicators perform?**

DIFMEC sustainability indicators performed satisfactory as DIFMEC increased the renewable power generation leading to an increase in the estimated GHG emission reductions.

● **...and compared to previous periods?**

*First historical comparison will be available in the 2023 annual report.*

● **How did the sustainable investments not cause significant harm to any sustainable investment objective?**

To ensure that the sustainable investments did not cause significant harm to any sustainable investment objective all investments that were made. The Fund Manager went through a thorough due diligence process involving an internal ESG officer. Additionally all current investees report annually on ESG matters to ensure that they are all complying with the sustainable investment objective set out. 100% of the investments made by DIFMEC have been 100% aligned with EU taxonomy.

— **How were the indicators for adverse impacts on sustainability factors taken into account?**

DIFMEC made investments that were 100% in alignment with EU taxonomy. ESG personnel is involved with all investments made by DIFMEC. All investments track all mandatory and applicable voluntary principal adverse impact on sustainability including GHG emissions in scope 1,2, and 3 as well as GHG emission reduction when in operation.

— **Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

All investment were made in accordance with the OECD guidelines for multinational enterprises and the UN guiding principles on business and human rights. DIFMEC has set up ESG requirements for all investee companies that secures that they comply with a long list of international standards including OECD guidelines and UN guiding principles.



### How did this financial product consider principal adverse impacts on sustainability factors?

DIFM EC considers all mandatory principal adverse impacts as well as all relevant voluntary principal adverse impacts on all investments. DIFM EC has expanded the reporting on the carbon footprint including scope 1, 2 and 3 emissions. Before construction there is a thorough inspection regarding threatened species. DIFM EC has set up several policies for all investee companies including a Environment, Health and Safety Policy, Social, Labour and Human Rights Policy, and Business Integrity, Anti-Bribery & -Corruption and Corporate Governance Policy. These policies jointly with the reporting from investees ensure that principal adverse impacts on sustainability are considered.



### What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
Akiira Geothermal Ltd.	<i>Renewable Energy</i>	<i>28.2%</i>	<i>Kenya</i>
Elgon Hydro Siti (PVT) Ltd.	<i>Renewable Energy</i>	<i>23.8%</i>	<i>Uganda</i>
Rwaza Hydro Ltd.	<i>Renewable Energy</i>	<i>11.4%</i>	<i>Rwanda</i>
Nyamagasani II HPP Ltd.	<i>Renewable Energy</i>	<i>9.7%</i>	<i>Uganda</i>
Lubilia Kawembe Hydro Ltd.	<i>Renewable Energy</i>	<i>9.3%</i>	<i>Uganda</i>

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 2022



### What was the proportion of sustainability-related investments?

100%, all investment were sustainability-related investments in the renewable energy sector.

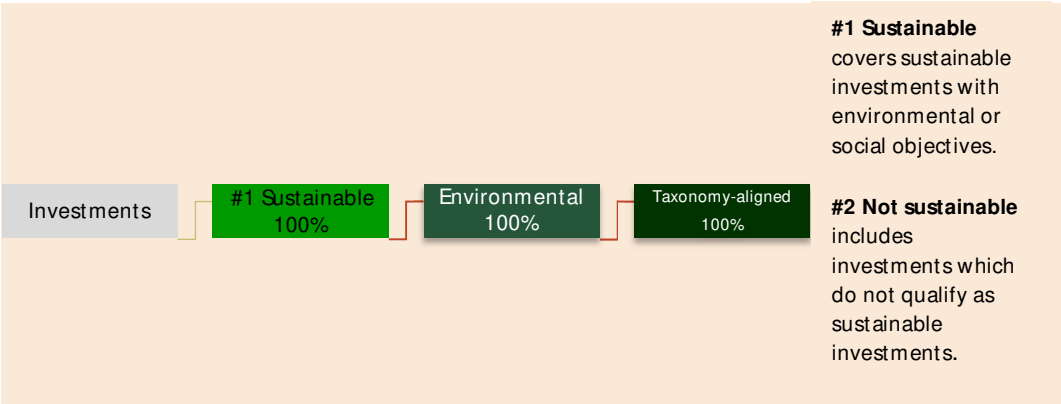
#### ● What was the asset allocation?

100% of the assets were sustainability-related investments.

**Asset allocation** describes the share of investments in specific assets.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective

**Transitional activities are economic activities** for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.



● **In which economic sectors were the investments made?**

All investments where made in the renewable energy sector.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?**

100% of the investments made by DIFMEC where aligned with EU Taxonomy as investments where made within, electricity generation from hydro power and electricity generation from geothermal energy.

● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?**

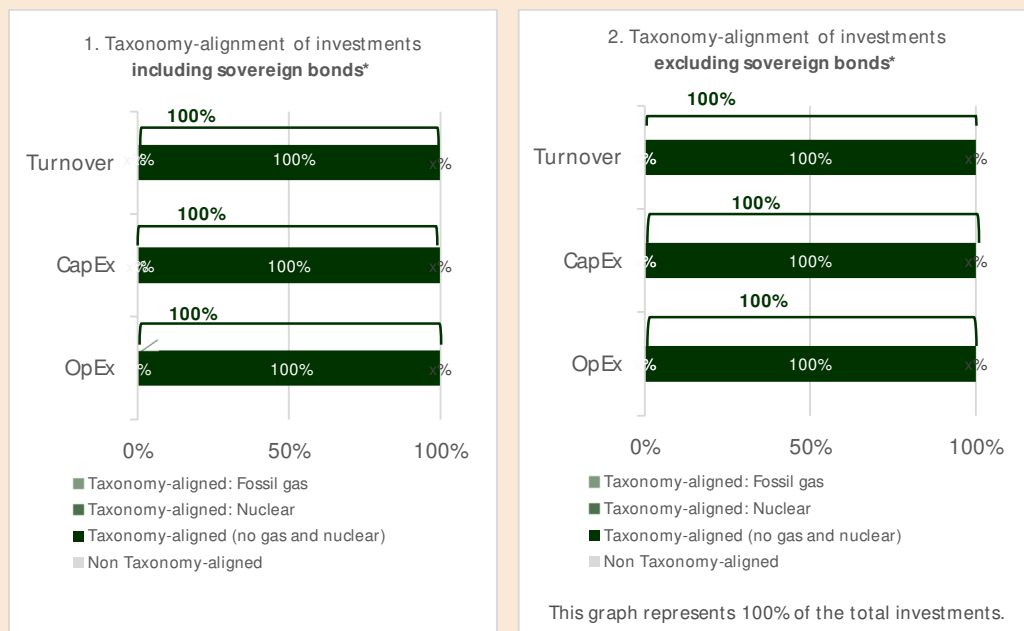
☐
Yes:

☐ In fossil gas
☐ In nuclear energy

☒
No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/ 1214.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

### What was the share of investments made in transitional and enabling activities?

- 100%, all investments made by DIFMEC were made in transitional and enabling activities as all investment made are generating green electricity that can substitute electricity made from fossil fuels.

- How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?

Reference period is available in the 2023 annual report.



### What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

All investment made were aligned with the EU Taxonomy



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



**What investments were included under “not sustainable”, what was their purpose and were there any minimum environmental or social safeguards?**

No investment were included under “not sustainable”.



**What actions have been taken to attain the sustainable investment objective during the reference period?**

To attain the sustainable investment objective 100% of the investments made in the reference period has been in renewable energy aligned with the EU Taxonomy.



**How did this financial product perform compared to the reference sustainable benchmark?**

No index has been chosen as a reference benchmark for DIFM EC. By investing accordingly with the aforementioned investment strategy and the implemented sustainability indicators for DIFM EC, each environmental objective is considered to be attained

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable objective.



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On behalf of: DI Frontier Market Energy & Carbon Fund...

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