Danish Climate Investment Fund I K/S

c/o IFU, Fredericiagade 27, 1310 Copenhagen K, Denmark

CVR no. 35 63 67 06

Annual report 2015

Approved at the Company's annual general meeting on 26 April 2016

Chairman:

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Nicolai Boserup

Building a better working world

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Management's statement

The undersigned have today discussed and approved the annual report of Danish Climate Investment Fund I K/S for the financial year 1 January - 31 December 2015.

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 Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 15 April 2016
Management of DCIF I GP Komplementar ApS:

Nicolai Boserup Chairman	Tommy Thomsen	Torben Huss

Independent auditors' report

To the limited partners of Danish Climate Investment Fund I K/S

Independent auditors' report on the financial statements

We have audited the financial statements of Danish Climate Investment Fund I K/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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. Management is also responsible for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 15 April 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab

Lars Rhod Søndergaard
State Authorised Public Accountant

Henrik Barner Christiansen
State Authorised Public Accountant

Management's review

Company details

Name	Danish Climate Investment Fund I K/S
Address, zip code, city	c/o IFU, Fredericiagade 27, 1310 Copenhagen K, Denmark
CVR no.	35 63 67 06
Established	13 January 2014
Registered office	Copenhagen
Financial year	1 January - 31 December
General partner	DCIF I GP P/S
Manager of the Partnership	IFU - Investment Fund for Developing Countries
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial Highlights

Seen over a one-year period, the development of the fund is described by the following financial highlights.

Key figures

DKK'000	2015	2014
Profit/loss		
Profit/loss before financial income and expenses	(27,033)	(19,793)
Net financials	(73)	(40)
Net profit/loss for the year	(27,106)	(19,833)
Balance sheet		
Balance sheet total	180,765	71,692
Equity	179,038	4,644
Cash flows		
Cash flows from:		
- Operating expenses	(28,016)	(13,307)
- Investing activities	(116,124)	(69,087)
- Financing activities	201,500	24,489
Change in the year	57,360	(57,905)
Ratios		
Return on assets	-15.0 %	-27.6 %
Solvency ratio	99.0 %	6.5 %
Return on equity	-29.5 %	-854.1 %

Management's review

Operating review

The annual report of Danish Climate Investment Fund I K/S (DCIF I K/S or DCIF) for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

Main activity

In January 2014, the Danish Climate Investment I Fund K/S was established as a public private partnership. Including a subsequent second close in July 2014, total capital committed to DCIF reached DKK 1,290 million. Five institutional and private investors committed DKK 775 million, the Danish Government and IFU committed DKK 315 million through the public facility KIF[1], and IFU (Investment Fund for Developing Countries) committed DKK 200 million directly.

The purpose of DCIF is to undertake investments with a positive climate impact in developing countries in order to reduce the emission of greenhouse gasses. Such investments will include commercially viable private sector projects within sustainable energy production, energy efficiency and production of related components, as well as in other areas such as transport and other activities with a substantial positive climate impact. Furthermore, DCIF can invest in adaption projects, i.e. projects that are primarily aimed at responding to the adverse consequences of climate change.

DCIF is managed by IFU.

Investments in 2015

In 2015, DCIF made five new investments at a total of DKK 172 million and provided DKK 4 million in additional financing for one ongoing project. Total investments in 2015 are DKK 176 million.

DCIF I K/S Investments contracted in 2015

			DCIF's contracted investments - DKKm			
	Project name	Country	Shares*	Loans**	Total	Expected employment (persons)
1	Pampa Elvira Solar SPA	Chile	24.5	0.0	24.5	10
2	Parque Solar Luna del Nort	Chile	9.7	12.0	21.7	1
3	Parque Solar Sol del Nort	Chile	9.7	12.0	21.7	1
4	VKR Energy	Chile	92.9	0.0	92.9	80
5	ESCO Asia	Malaysia	11.5	0.0	11.5	9
	Total new projects* **		148.5	23.9	172.1	101
						Actual direct employment (persons)
6	**AVK Valvulas do Brasil**	Brazil		4.0	4.0	17
	Total additional financing			4,0	4.0	17
	Grand total for DCIF		148.5	27.9	176.1	118

*) incl. overrun commitments
**) Including guarantees
***) Totals may not add up due to rounded figures

Including open commitments not yet contracted and investments contracted in 2014, DCIF has at year-end 2015 committed DKK 415 million corresponding to 32 per cent of the total fund. The investment period runs till end of 2018, but can be extended.

[1] KIF was established by IFU and the Danish Government in 2012 as a precursor to DCIF and is financed by DKK 275 million from the Danish Government and DKK 50 million from IFU respectively.

Management's review

Operating review

Sustainability reporting

DCIF is applying IFU's sustainability[2] policy and offering advice to project companies on how to implement it.

IFU's Sustainability Policy, provides the framework for the environmental, social and governance (ESG) requirements in the companies in which IFU invests. IFU is committed to ensuring that the project companies reduce sustainability risks, contribute to sustainable development and in general achieve high sustainability standards, which IFU believes adds value to the project company and enhances business opportunities.

IFU is a signatory to the UN Global Compact.

IFU promotes the Global Compact principles through its investments and thereby strives to create shared value by, among other:

- respecting and promoting all basic human rights, including labour rights and occupational health and safety, and addressing adverse human rights impacts that the investment may cause or contribute to as outlined in e.g. the UN Guiding Principles on Business and Human Rights;
- enhancing positive development effects, including the creation of jobs and income, payment of taxes, contribution to government revenue, transfer of know-how and cleaner technologies, training and education, gender equality, community health and food security and other corporate social responsibility-related activities;
- securing corporate governance and business ethics, including anti-corruption, anti-fraud, transparency and stakeholder engagement;
- improving environmental performance through a preventative and precautionary approach that addresses environmental challenges, including climate change, loss of biodiversity and land use changes.

The investees must continuously work towards achieving satisfactory long-term results within sustainability, and such activities must be anchored in their business plan.

Assessment of sustainability performance

The annual classification of project companies is based on an assessment of their sustainability performance. The classification is a combination of four separate areas within sustainability: 1) environment, 2) occupational health and safety (OHS), 3) human rights and labour practices and 4) anti-corruption. Each project company is classified into one of five categories as follows: Excellent, Good, Fair, Poor and Critical.

Project companies with the classification Good are in compliance with local legislation and relevant international standards in terms of applicable and relevant significant sustainability issues. Project companies with the classification Excellent go beyond that and are active in local community, have high quality reports and certified management systems. Project companies with the classification Fair, Poor or Critical are given extra attention, and IFU will engage in discussions with the partners on how a project company can improve its performance.

In 2015, internal assessments were carried out for 10 DCIF projects. The exercise did not include one project, since it has no physical activity.

[2] Further information about IFU's sustainability policy can be found on IFU's website (http://www.ifu.dk/en/values/sustainableinvestments/ifus-sustainability-communication).

Management's review

Operating review

Annual assessment of sustainability performance

Sustainability classification	Total Score (%)	Environment (%)	OHS (%)	Human Rights and labour practices (%)	Anti-corruption (%)
Excellent	68	70	70	70	60
Good	33	30	30	30	40
Fair	0	0	0	0	0
Poor	0	0	0	0	0
Critical	0	0	0	0	0

DCIF climate change contribution

IFU has established a methodology for assessing the GHG emissions from its investments based on internationally recognised methodologies. All GHG in the Kyoto Protocol are taken into account as applicable and the scope of the assessment will be based on the principles in the GHG Protocol. GHG emissions avoided by a project will be calculated as the difference between baseline emissions and project emissions.

The baseline emissions refer to the emissions that would probably occur in a reference scenario if the project was not implemented. The reference scenario is chosen on a case-by-case basis using the most appropriate methodology for each project which can be justified.

In 2015, the assessment is made for five new investments, which over their lifetime is expected to represent a GHG emission avoidance of approx. 706,000 tCO2e.

DCIF has not invested in any adaptation projects.

DCIF is using UK based consultant Trucost to set up the methodology and to make the specific assessment of GHG emission avoidance at project level.

Operational framework

Climate projects co-financed by DCIF must be commercially viable and offer an attractive return to its investors. As a minority investor, DCIF is prepared to participate with risk capital in the form of equity or mezzanine financing in the range of typically EUR 2 million to EUR 15 million in a single project.

For projects to qualify for co-investment by DCIF, Danish investors or Danish know-how, services or technology must be included.

DCIF's revenues will consist of interest, dividends and profit from sale of shares.

Management's review

Operating review

Financial review 2015

DCIF recorded net income of DKK (27) million in 2015. The result of DCIF is a combination of contribution from portfolio investments and operation expenses in the form of management fees and other expenses. The latter part makes up the largest part as the investments are mostly in the implementation phase and valued at cost.

In preparing the financial statements, Management makes a number of estimates and assumptions of future events that will affect the carrying amount of assets and liabilities. The area where estimates and assumptions are most critical to the financial statements is the fair value measurement of the investment in DCIF. The note on accounting policies provides more details.

Capital position and capital resources

As at 31December 2015, the investors had paid in DKK 227.2 million corresponding to nearly 18 per cent of the capital commitment of DKK 1,290 million. Thus the remaining commitment is DKK 1,062.8 million.

DCIF's equity at the end of 2015 was DKK 179 million.

Financial risks

DCIF makes investments in developing countries, where political and economic conditions may be turbulent, and the investments are often subject to high commercial risks. As a result, and as DCIF measures its investments at fair market value, DCIF's future results may fluctuate considerably.

Uncertainty at recognition and measurement

When preparing the financial statements, Management makes a number of estimates about future conditions that may affect the financial value of assets and liabilities. The area mostly affected by the estimates made by Management is the valuation of share capital investments at fair market value.

Events after the balance sheet date

No events have occurred after the balance sheet date, which have materially affected DCIF's financial position.

Outlook for 2016

In 2016, DCIF will continue to invest in new climate projects. A result corresponding to 2015 is expected.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2015	2014
	Contribution investments	(7,063)	(1,656)
	Operating expenses, net	(19,970)	(18,137)
	Gross profit/loss	(27,033)	(19,793)
	Financial income, net	(73)	(40)
	Profit/loss before tax	(27,106)	(19,833)
	Net profit/loss for the year	(27,106)	(19,833)
	Distribution of net income for the year		
	retained earnings	(27,106)	(19,833)
		(27,106)	(19,833)

The net income for the year has been transferred to the equity.

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2015	2014
	ASSETS		
	Fixed assets		
4	Investments	151,603	67,431
	Loans	24,506	0
	Fixed assets	176,109	67,431
	Prepayments	4,232	4,261
	Other receivables	424	0
	Total current assets	4,656	4,261
	TOTAL ASSETS	180,765	71,692
	LIABILITIES AND EQUITY CAPITAL		
	Equity		
	Paid-in capital	227,200	25,700
	Establishment expenses	0	(1,223)
	Retained earnings	(48,162)	(19,833)
	Total equity	179,038	4,644
	Credit institutes	546	57,905
	Payables to group enterprises	1,098	9,086
	Other payables	83	57
	Current Liabilities	1,727	67,048
	Liabilities	1,727	67,048
	TOTAL EQUITY AND LIABILITIES	180,765	71,692

1 Accounting policies
2 Contingent assets, liabilities and other financial obligations
3 Related parties and ownerships

Financial statements for the period 1 January - 31 December

Equity

DKK'000	2015	2014
Total equity		
Paid-in capital beginning of year	25,700	0
Paid-in capital during the year	201,500	25,700
Paid-in capital end of year	227,200	25,700
Paid-in capital end of year, net	227,200	25,700
Establishment expense	(1,223)	(1,223)
Transferred to retained earnings	1,223	0
Establishment expense	0	(1,223)
Retained earnings beginning of year	(19,833)	0
Transferred establishment expense	(1,223)	0
Transferred from net income for the year	(27,106)	(19,833)
Retained earnings end of year	(48,162)	(19,833)
Total equity end of year	179,038	4,644

Financial statements for the period 1 January - 31 December

Cash flow statement

Note	DKK'000	2015	2014
	CASH FLOW FROM OPERATING ACTIVITIES		
	Net profit for the year	(27,106)	(19,833)
5	Adjustments	7,491	1,696
6	Change in working capital	(8,401)	4,870
	Cash flows from operating activities before financial income and expenses	(28,016)	(13,267)
	Financial expenses	0	(40)
	Net cash from operating activities	(28,016)	(13,307)
	CASH FLOW FROM (TO) INVESTING ACTIVITIES		
	Received from projects	5,353	0
	Paid-out to investments and loans	(121,478)	(69,087)
	Net cash from (to) investing activities	(116,125)	(69,087)
	CASH FLOW FROM (TO) FINANCING ACTIVITIES		
	Paid-in capital from partners	201,500	25,700
	Establishment expenses	0	(1,211)
	Net cash from (to) financing activities	201,500	24,489
	NET CHANGE IN CASH	57,359	(57,905)
	CASH BEGINNING OF YEAR	(57,905)	0
	CASH END OF YEAR	(546)	(57,905)
	- Shown as credit institutes	(546)	(57,905)

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Danish Climate Investment Fund I K/S for 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Presentation and classification

DCIF's income statement and balance sheet vary from the standard tables of the Danish Financial Statements Act, because they are presented on the basis of DCIF's special character as a limited partnership (long-term investments) and with a view to providing the best possible clarity of information to the reader of the accounts. The deviation is in concurrence with section 23 (4) of the Danish Financial Statements Act.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Fund, and provided that the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when DCIF has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of DCIF, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Adjustments subsequent to initial recognition are effected as described below for each item.

Information brought to DCIF's attention before the time of finalising the presentation of the Annual Report and which confirms or invalidates affairs and conditions existing at the balance sheet date, is considered at recognition and measurement.

Income other than value adjustments is recognised in the income statement when earned, just as costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recognised in the income statement as value adjustments.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Foreign currency adjustment

Foreign currency transactions are initially recognised in DKK using the exchange rate at the transaction date. Loans, receivables, payables and other monetary items denominated in foreign currencies, which have not been settled at the balance sheet date, are converted into DKK using the exchange rate prevailing at the balance sheet date. All exchange rate adjustments, including those that arise at the payment date, are recognised in the income statement as value adjustments, financial income or financial expenses, depending on their nature.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Non-monetary items

Monetary balance sheet items are translated at the exchange rates prevailing at the balance sheet date, whereas non-monetary items are translated at transaction date rates.

Income statement

Contribution from investments

Contribution from investments includes value adjustments in relation to the outstanding portfolio at year end.

Operating expenses, net

The Investment Fund for Developing Countries (IFU) manages the administration and accounting of the fund.

Operating expenses, net, comprise fee to Manager and external costs.

Financial income, net

Financial income, net, comprises interest income on cash, interest expenses, exchange rate adjustments on cash and bank charges.

Tax on profit for the year

As a limited partnership, DCIF I K/S is not an independent entity liable to taxation, which is why no current or deferred tax has been recognised in the financial statement. DCIF I K/S profit/loss is taxed at the partners of this limited partnership after applicable taxation rules.

Balance sheet

Investments - general

As DCIF's main activity is related to investments, the fund applies for the accounting principles described in section 38 of the Danish Financial Statements Act on measurement of investments and the corresponding financial obligations at fair value.

Loans

Loans are measured at nominal value at actual exchange rates at the balance sheet date.

Current liabilities

Current liabilities related to projects are measured at fair value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Cash Flow Statement

The cash flow statement has been prepared in accordance with the indirect method and shows DCIF's cashflow from operating, investing and financing activities as well as DCIF cash position at the beginning and end of the year.

Cash comprises cash at hand less short-term bank debt.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 Contingent assets, liabilities and other financial obligations

Contingent assets

The Company has the following commitments from limited partners:

- Total committed capital of DKK 1,290,000 thousand
- Total drawdowns of DKK 227,200 thousand
- Total available for drawdowns DKK 1,062,800 thousand

Contingent liabilities

The Company has entered into the following commitments to investments:

- Undisbursed contracted commitments of DKK 163,873 thousand.
- Guarantees of DKK 4,000 thousand.
- Binding commitments of DKK 61,263 thousand.
- Total undisbursed to investments: DKK 229,136 thousand

According to the agreement governing DCIF, DCIF is managed by IFU. The agreement contains a contingent liability of DKK 8,385 thousand

3 Related parties and ownerships

The following are recorded in the Company's register of limited partners:

- KIF
- PensionDanmark
- PKA
- Paedagogernes Pensionskasse
- Dansk Vaekstkapital
- Aage V. Jensens Fonde
- IFU

Other related parties:

- DCIF I GP P/S
- DCIF I GP KOMPLEMENTAR ApS

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	2015	2014
4	Investments		
	Cost at beginning of year	69,087	0
	Additions for the year	97,091	69,087
	Disposal	-4,900	0
	Cost at 31 December	161,278	69,087
	Accumulated value adjustment beginning of year	(1,656)	0
	Value adjustments	(8,019)	(1,656)
	Accumulated value adjustment end of year	(9,675)	(1,656)
	Carrying amount at 31 December	151,603	67,431

DKK'000	2015	2014
Loans		
Cost at beginning of year	0	0
Additions for the year	24,387	0
Cost at 31 December	24,387	0
Value adjustments	119	0
Accumulated value adjustment end of year	119	0
Carrying amount at 31 December	24,506	0

5	**Cash flow statement - Adjustments**		
	Financial income	0	40
	Value adjustments	7,491	1,656
		7,491	1,696
6	**Cash flow statement - Changes in working capital**		
	Change in current assets	(395)	(4,261)
	Change in payables, etc.	(8,006)	9,131
		(8,401)	4,870