



Frontier Energy II Alpha K/S

c/o Bech-Bruun

Langelinie Allé 35

2100 Copenhagen Ø

CVR no. 35 44 58 62

Annual Report 2022

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

Chairperson:

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Anders Michael Hauch

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Statement by the general partner

The general partner has today discussed and approved the annual report of Frontier Energy II Alpha 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:
FE II GP ApS

Søren Piilgaard Barkholt

Erik Sejersen

Independent auditor's report

To the limited partners and the general partner of Frontier Energy II Alpha K/S

Opinion

We have audited the financial statements of Frontier Energy II Alpha 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:	Frontier Energy II Alpha K/S
Address:	c/o Bech-Bruun law firm Langelinie Allé 35 2100 Copenhagen Ø Denmark
Registration no.:	CVR no. 35 44 58 62
Registered office:	Copenhagen
Financial year:	1 January – 31 December
Date of establishment:	15 December 2016
Initial closing date:	21 March 2017
Final closing date:	30 November 2018
Total commitment:	USD 202,904,000
Term:	10 years
Investment period:	5 years
General partner:	FE II GP ApS
Investment Manager:	Frontier Investment Management ApS
Auditors:	EY Godkendt Revisionspartnerselskab Dirch Passers Alle 36, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

USD'000	2022	2021	2020	2019	2018
Key figures					
Value adjustment of investments in portfolio companies	-6,338	18,679	1,692	1,762	0
Profit/loss before financial income and expenses	-9,713	14,207	-2,852	-2,942	-5,743
Financial income and expenses	5,512	2,668	3,277	2,338	734
Profit/loss for the year	-4,201	16,875	425	-604	-5,009
Investments in portfolio companies	152,913	124,688	90,130	74,000	38,902
Total assets	156,114	132,978	90,432	79,732	51,178
Equity (net asset value)	155,819	132,690	89,186	79,314	44,731
Cash flows from operating activities	-1,995	-6,753	-3,279	-7,241	-3,533
Cash flows from investing activities	-29,186	-13,285	-11,844	-34,944	-24,676
Cash flows from financing activities	27,137	26,310	12,996	31,782	40,568
Total cash flows	-4,043	6,272	-2,127	-10,403	12,359
Financial ratios					
Equity ratio	99.8	99.8	98.6	99.5	87.4
Return on equity (average)	neg.	15.2	0.5	neg.	neg.

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

Frontier Energy II Alpha K/S is a private equity limited partnership, which was established on 15 December 2016.

The objective of Frontier Energy II Alpha K/S is to achieve the highest possible financial return on the commitments of the partners by making, developing and realising investments in renewable energy and energy efficiency assets in countries in Sub-Saharan Africa.

Frontier Energy II Alpha K/S has capital commitments totalling USD 202,904 thousand.

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

Development in financial position

During 2022, Frontier Energy II Alpha K/S invested an additional USD 29,601 thousand (2021: USD 13,486 thousand) in portfolio companies and related projects.

In 2022 no new projects started commercial operation.

Profit for the year

In 2022, value adjustment of investments in portfolio companies amounted to USD -6,338 thousand (2021: USD 18,679 thousand).

In 2022, Frontier Energy II Alpha K/S realised a loss of USD -4,201 thousand (2021: profit of USD 16,875 thousand). Cost of USD 3,036 thousand relates to management fee, including VAT (2021: USD 3,811 thousand) and USD 32 thousand relates to general partner fee (2021: USD 50 thousand).

Balance sheet and capital structure

At 31 December 2022, the limited partnership had called a total net amount of USD 152,061 thousand (31 December 2021: USD 124,022 thousand) of the total capital commitment of USD 202,904 thousand, corresponding to 75% (31 December 2021: 61%).

At year-end 2022, total equity (net asset value) amounted to USD 155,819 thousand (31 December 2021: USD 132,690 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

The limited partnership expects to make additional investments in the coming years. The limited partnership will call capital from the limited partners as needed in connection with the ongoing execution of activities in accordance with the limited partnership Agreement.

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 may be affected if they have signed fixed price power purchase agreements and unlocked construction prices as increases in construction cost cannot be passed through to increased tariffs without renewed tariff negotiations. The effect will be delays in construction start or decrease in future post-construction value, but not immediately affect the value of the portfolio companies because they are valued at cost.

Financial statements for the period 1 January – 31 December

Statement of comprehensive income

Note	USD'000	2022	2021
6	Value adjustment of investments in portfolio companies	-6,338	18,679
13	Management fee	-3,036	-3,811
13	General partner fee	-32	-50
	Other external costs	-307	-611
	Profit/loss before financial income and expenses	-9,713	14,207
4	Financial income	5,528	2,722
5	Financial expenses	-16	-54
	Profit for the year	-4,201	16,875
	Other comprehensive income	0	0
	Total comprehensive income for the year	-4,201	16,875

Financial statements for the period 1 January – 31 December

Statement of financial position

Note	USD'000	2022	2021
	ASSETS		
	Non-current assets		
	Investments		
6, 13	Investments in portfolio companies	152,913	124,688
	Total non-current assets	152,913	124,688
	Current assets		
	Receivables		
13	Receivables from limited partners	511	319
7	Other receivables	1,045	1,352
8	Prepayments	1	932
	Total Receivables	1,558	2,603
	Cash at bank and in hand	1,643	5,687
	Total current assets	3,201	8,290
	TOTAL ASSETS	156,114	132,978
	EQUITY AND LIABILITIES		
9	Equity		
	Contributed capital	152,061	124,022
	Retained earnings	5,015	9,216
	Distributions	-1,258	-548
	Total equity	155,819	132,690
	Liabilities		
	Current liabilities		
13	Payable to the investment manager	196	206
10	Other payables	100	82
	Total current liabilities	295	288
	Total liabilities	295	288
	TOTAL EQUITY AND LIABILITIES	156,144	132,978

Financial statements for the period 1 January – 31 December

Statement of changes in equity and capital commitment

USD'000	Contributed capital			Retained earnings	Distributions	Total equity
	Commitment	Uncalled	Committed and paid-in capital			
Equity at 1 January 2021	202,904	-105,552	97,352	-7,659	-507	89,186
Paid through cash calls during the year	0	26,670	26,670	0	0	26,670
Distributed during the year	0	0	0	0	-41	-41
Profit for the year	0	0	0	16,875	0	16,875
Equity at 1 January 2022	202,904	-78,882	124,022	9,216	-548	132,690
Paid through cash calls during the year	0	-28,734	28,039	0	0	28,039
Distributed during the year	0	0	0	0	-710	-710
Profit for the year	0	0	0	-4,201	0	-4,201
Equity at 31 December 2022	202,904	-50,843	152,061	5,015	-1,258	155,819

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

Financial statements for the period 1 January – 31 December

Statement of cash flows

USD'000	2022	2021
Profit/loss before financial income and expenses	-9,713	14,207
Value adjustment of investments in portfolio companies	6,338	-18,679
Changes in working capital	1,316	-2,309
Cash flows from operating activities before financial income and expenses	-2,059	-6,781
Financial expenses paid	-11	-38
Financial income received	74	67
Cash flows from operating activities	-1,995	-6,753
Non-current net investments in portfolio companies, etc.	-29,154	-13,486
Dividends from investments	0	209
Cash collateral towards banks on behalf of portfolio companies	-32	-8
Cash flows from investing activities	-29,186	-13,285
Paid-up contributed capital	28,039	26,670
Distributed during the year	-710	-41
Change in receivables from limited partners	-192	-319
Cash flows from financing activities	27,137	26,310
Cash flows for the period	-4,043	6,272
Cash and cash equivalents at the beginning of the period	5,687	-585
Cash and cash equivalents at year end	1,643	5,687
Cash and cash equivalents at year end can be specified as:		
Cash at bank and in hand	1,643	5,687
Cash and cash equivalents	1,643	5,687

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 Financial income
- 5 Financial expenses
- 6 Investments
- 7 Other receivables (current assets)
- 8 Prepayments
- 9 Capital management and contributed capital
- 10 Other payables
- 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 Frontier Energy II Alpha 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. Frontier Energy II Alpha K/S is a limited partnership incorporated and domiciled in Denmark.

Basis of preparation

The separate financial statements of 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-sized 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 USD and all values are rounded to the nearest thousand USD, except where otherwise indicated.

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 majority of returns are USD related, the capital is raised in USD and the performance is evaluated in USD terms and the liquidity of the limited partnership is also managed in USD. Therefore, the limited partnership concludes that USD is its functional currency. The limited partnership's presentation currency is also USD.

Statement of comprehensive income

Foreign currency translation

Transactions denominated in foreign currencies (non-USD) 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-USD) 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, set-up costs 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 expenses, realised and unrealised gains and losses on securities as well as payables and transactions denominated in foreign currencies (non-USD).

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 new projects under development, directly attributable project costs incurred are recognised as prepayments, when there is a high probability that a project will be implemented 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 6.

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 as to 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 have impacted 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 to consolidate them. The criteria 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 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.

Fair value

For fair value of investments in portfolio companies, including receivables from portfolio companies and loans, reference is made to note 6.

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.

4 Financial income USD'000

	2022	2021
Interest income	74	48
Interest income from financial instruments from portfolio companies measured at fair value through profit or loss	5,409	2,460
Exchange difference	17	0
Dividends from investments	0	209
Other	28	5
Total Financial Income	5,528	2,722

5 Financial expenses USD'000

	2022	2021
Interest expense	11	38
Other	5	16
Total Financial expenses	16	54

6 Investments

USD'000	Equity investments in portfolio companies	Receivables from portfolio companies and loans	Total investments
Cost at 1 January 2022	15,715	78,881	94,596
Reclassification	3,674	-3,674	0
Additions during the year	10,334	19,267	29,601
Deduction during the year	0	-447	-447
Cost at 31 December 2022	29,723	94,027	123,750
Value adjustment at 1 January 2022	23,391	6,701	30,092
Accrued interest income	0	5,409	5,409
Unrealised value adjustment for the year	-6,149	-189	-6,338
Value adjustment at 31 December 2022	17,242	11,922	29,163
Carrying amount at 31 December 2022	46,964	105,949	152,913

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

Financial statements for the period 1 January – 31 December

Notes to the financial statements

6 Investments (continued)

Net changes in fair value of financial assets and financial liabilities through profit or loss can be specified as:

USD'000	2022	2021
Realised value adjustments for the year	0	0
Unrealised value adjustments for the year	-6,338	18,679
Value adjustment of investments	-6,338	18,679

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.

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.

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 6-8% 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 2-6%. The risk premium is based on ratings based on credit default swaps spreads and the relative volatility for the specific countries.
- Unlevered beta below 0.6 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 is 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.

For projects under development which have not started commercial operations, the fair value of the investments is typically not considered to be significantly different from the cost of the investments. 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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

6 Investments (continued)

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:

2022				
USD'000	Level 1	Level 2	Level 3	Total
<i>Investments</i>				
Equity investments in portfolio companies	0	0	46,964	46,964
Receivables from portfolio companies and loans	0	0	105,949	105,949
Total financial assets	0	0	152,913	152,913
2021				
USD'000	Level 1	Level 2	Level 3	Total
<i>Investments</i>				
Equity investments in portfolio companies	0	0	39,106	39,106
Receivables from portfolio companies and loans	0	0	85,582	85,582
Total financial assets	0	0	124,688	124,688

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 from the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy.

2022			
USD'000	Equity investments in portfolio companies	Receivables from portfolio companies and loans	Total
Balance at 1 January	39,106	85,582	124,688
Total gains or losses ¹	-6,149	5,221	-929
Net purchases	10,334	19,267	29,601
Deduction during the year	0	-447	-447
Reclassifications	3,674	-3,674	0
Total financial assets	46,964	105,949	152,913

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6 Investments (continued)

USD'000	2021		Total
	Equity investments in portfolio companies	Receivables from portfolio companies and loans	
Balance at 1 January	21,346	68,784	90,130
Total gains or losses ¹	19,937	1,135	21,072
Net purchases	3,149	10,337	13,486
Reclassifications	-5,326	5,326	0
Total financial assets	39,106	85,582	124,688

¹ All gains and losses are recognised as value adjustment of investments in portfolio companies or financial income in the profit and loss. 0 (nil) is recognised 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. 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.

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Notes to the financial statements

6 Investments (continued)

The limited partnership meets the definition of an investment entity. Therefore, it does not consolidate its subsidiaries, but recognises them (including related receivables and associates) 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 a)	Equity (100%/ USD'000)	Profit/loss for the year (100%/ USD'000)	Operational start	Investment project description
Rwenzori Hydro Power Ltd. ⁽²⁾	Uganda	91%	16,901	-476	Q3 2021	Operation of a hydro power plant
Greenewus Energy Africa Ltd. ⁽²⁾	Uganda	93%	-519	-3,162	Q4 2021	Operation of a hydro power plant
BVC Geothermal Kenya Ltd ⁽⁵⁾	Kenya	58%	-693	-338		Development of a geothermal power plant
Ndugutu Power Company Uganda Ltd. ⁽²⁾	Uganda	60%	1,591	-445	Q4 2019	Operation of a hydro power plant
Esikipeto Power Generation Ltd. ⁽³⁾	Kenya	100%**	0	0		Development of a wind power plant
Esidai Wind Power Generation Company Ltd. ⁽³⁾	Kenya	40%**	-2,169	-219		Development of a wind power plant
Nithi Hydro Power Ltd. ⁽³⁾	Kenya	100%	1	0		Development of a hydro power plant
Selenkei Investment Limited ⁽¹⁾	Kenya	51%	1,128	433	Q4 2021	Operation of a solar power plant
Cedate Limited ⁽¹⁾	Kenya	51%	951	2,004	Q4 2021	Operation of a solar power plant
DC Frontier Energy Ltd. ⁽³⁾	Rwanda	95%	756	-178		Development of hydro power plants
Wind for Prosperity Kenya Ltd. ⁽³⁾	Kenya	53%	184	0		Development of small off-grid wind power plants
Olsuswa Energy Ltd. ⁽³⁾	Kenya	42%	-1	13		Development of a geothermal power plant
Frontier Energy Hydro Power Limited*	Zambia	100%	0	0		Development of a hydro power plant
Bukwo HPP Ltd*	Uganda	100%	0	0		Development of a hydro power plant
Enventure Africa S.A. ⁽³⁾	Mozambique	55%	3	-49		Development of a wind power plant
Range Wind Park Limited ⁽³⁾	Kenya	85%	1	0		Development of a wind power plant
Momba Hydropower Ltd.	Tanzania	0%***	0	0		Development of a hydro power plant
Kiwira Energy Ltd.	Tanzania	0%***	0	0		Development of a hydro power plant
Elemental Energy Ltd. ⁽⁶⁾	Uganda	0%***	29,506	705		Development of a hydro power plant
Chania Green Generation Ltd. ⁽⁴⁾	Kenya	51%	794	-157		Development of a wind power plant
Ziba Ltd. ⁽³⁾	Uganda	39%	305	1,879	Q3 2019	Operation of a hydro power plant
Mukoki HPP Ltd. *	Uganda	0%	0	0		Development of a hydro power plant
Bihongora Hydro Ltd. ⁽⁴⁾	Rwanda	60%	197	-276		Development of a hydro power plant
Dariak Properties Limited ****	Kenya	0%	0	0		Development of a wind power plant
Great Zimbabwe Hydro ZM	Zimbabwe	55%	0	0		Development of a hydro power plant
Momnai Solar Energy Ltd *	Kenya	100%	0	0		Development of a solar power plant
Mzimba Wind Farm Limited*	Malawi	7%	0	0		Development of a wind power plant
Planet Solar Energy (SL) Limited ⁽³⁾	Sierra Leone	79%	6,849	-56		Development of a solar power plant
Quantel Renewable Energy Ltd.	Malawi	45%	-1	-72		Development of a solar power plant

a) The ownership interest is based on the consolidated ownership percentage of Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S (the parallel partnership). According to the limited partnership Agreement, each parallel partnership shall invest in the same Investments, and divest such Investments, in each case at the same time, and on the same terms and conditions. At 31 December 2022, the pro-rate share of Investments is 89.35/10.65, respectively for Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

6 Investments (continued)

- 1) According to the latest approved financial statements for the financial year 1 January - 31 December 2022
- 2) According to the latest approved financial statements for the financial year 1 July 2021 - 30 June 2022
- 3) According to the latest approved financial statements for the financial year 1 January - 31 December 2021
- 4) According to the latest approved financial statements for the financial year 1 January - 31 December 2020
- 5) According to the latest approved financial statements for the financial year 1 January - 31 December 2019
- 6) According to the latest approved financial statements for the financial year 1 January - 31 December 2018

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

** Shares are held in trust by legal counsel.

*** No shares subscribed. Cost directly incurred for the development of portfolio companies or loans to such, which are expected to be converted into equity instruments in new portfolio companies within the following years. Classified as 'receivables within Investments'.

**** Only loans in 2022, shares will be held in trust from 2023.

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

Specification by investments of the respective limited partners:

USD'000	Share of total investment costs	Share of accrued interest income	Share of total value adjustment	Share of carrying amount
AZL-Argos 83	29.275	2.820	4,079	36.174
British International Investment PLC	18.297	1.763	2,549	22.609
GEEREF	12.731	1.226	1,774	15.731
Proparco	9.148	881	1,275	11.304
Swedfund	7.929	774	1,105	9.797
Skopos Impact Fund SICAF-SIF, S.A	7.319	705	1.020	9.043
APKV-Argos 84	6.099	598	850	7.536
CAF Invest A/S	6.099	598	850	7.536
Obviam DFI AG "SIFEM"	6.099	598	850	7.536
BIO	6.099	598	850	7.536
Triodos Groenfonds N.V.	6.099	598	850	7.536
OeEB	3.049	294	425	3.768
FAPBM	1.372	132	191	1.696
Team commitment	1.263	122	176	1.561
Tryg Forsikring NUF	1.830	176	255	2.261
Giraf ApS	366	35	51	452
Marlin ApS	366	35	51	452
Veronica Valentine Berbers	305	29	42	377
FE II CIV K/S	5	1	1	7
Balance at 31 December 2022	123,750	11,922	17,242	152,913

Financial statements for the period 1 January – 31 December

Notes to the financial statements

7 Other receivables (current assets) USD'000

	2022	2021
Collateral cash account	156	125
Other receivables	190	549
Receivable from DI Frontier Market Energy & Carbon Fund K/S (the predecessor fund)	700	678
Total other receivables	1,045	1,352

At 31 December 2022, restrictions on the use of balances of Collateral cash account with a carrying amount of USD 156 thousand exist (2021: USD 125 thousand), as the limited partnership had provided the balance as collateral to banks on behalf of one of the portfolio companies.

8 Prepayments USD'000

	2022	2021
Management fee	1	932

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 USD 202,904 thousand at 31 December 2022, of which USD 50,843 thousand was uncalled. Quantitative information about the limited partnership's capital is provided in the statement of changes in equity and 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:

USD'000	Committed and contributed capital			Retained earnings			Distributions	Total equity
	Commitment	Uncalled	Called	Allocation of cost incurred, net	Unrealised gains on investments	Total retained earnings		
AZL-Argos 83	48,000	12,438	35,562	-4,877	6,473	1,596	-298	36,861
British International Investment PLC	30,000	7,415	22,585	-3,406	4,045	639	-186	23,039
GEEREF	20,874	5,159	15,715	-2,370	4,045	445	-129	16,030
Proparco	15,000	3,707	11,293	-1,703	2,815	320	-93	11,519
Swedfund	13,000	3,213	9,787	-1,476	2,023	277	-81	9,983
Skopos Impact Fund SICAF-SIF, S.A	12,000	2,966	9,034	-1,363	1,753	256	-74	9,215
APKV-Argos 84	10,000	2,591	7,409	-1,016	1,348	333	-62	7,679
CAF Invest A/S	10,000	2,471	7,529	-1,135	1,348	213	-62	7,680
Obviam DFI AG "SIFEM"	10,000	2,472	7,529	-1,135	1,348	213	-62	7,680
BIO	10,000	2,472	7,529	-1,135	1,348	213	-62	7,680
Triodos Groenfonds N.V.	10,000	2,472	7,529	-1,135	674	213	-62	7,680
OeEB	5,000	1,236	3,76	-568	303	107	-31	3,840
FAPBM	2,250	556	1,694	-255	303	48	-14	1,728
Team commitment	2,071	512	1,559	-235	279	44	-13	1,590
Tryg Forsikring NUF	3,000	741	2,259	-341	405	64	-19	2,304
Giraf ApS	600	148	452	-68	80	12	-4	461
Marlin ApS	600	148	452	-68	80	12	-4	461
Veronica Valentine Berbers	500	124	376	-57	279	12	-3	384
FE II CIV K/S	9	2	7	-1	1	10	0	6
Balance at 31 December 2022	202,904	50,843	152,061	22,346	27,361	5,015	-1,258	155,819

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 capital has developed as follows:

	USD'000
Balance at the establishment on 15 December 2016	0
Commitments at initial closing at 21 March 2017	95,540
Additional commitments during 2018	107,364
Balance at 31 December 2022	202,904

10 Other payables

USD'000	2022	2021
Payable amount to DI Frontier Market Energy & Carbon K/S (the predecessor fund)	1	1
Payable to the general partner	0	40
Payable to limited partners	0	0
Other payables	51	41
Trade creditors	48	0
Total Other payables	100	82

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 equity investments in portfolio companies. Some risks are inherent in the limited partnership's investment activities, refer to note 6 for details. 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 secure 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 realizing 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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

11 Financial risk (continued)

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 6 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.

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:

USD'000	Falling due within 1 year	Falling due between 1-5 years	Falling due after 5 years	No fixed maturity	Total	Carrying amount
2022						
<i>Investments</i>						
Equity investments in portfolio companies	0	0	0	46,964	46,964	46,964
Receivables from portfolio companies and loans	0	0	0	105,949	105,949	105,949
<i>Receivables</i>						
Receivables from limited partners	511	0	0	0	511	511
Other receivables	1,045	0	0	0	1,045	1,045
Cash at bank and in hand	0	0	0	1,643	1,643	1,643
Total financial assets	1,556	0	0	154,556	156,114	156,114
<i>Obligations</i>						
Payable to the Investment Manager	196	0	0	0	196	196
Other payables	100	0	0	0	100	100
Total financial liabilities	295	0	0	0	295	295

Cash at bank are without restrictions and available upon request.

Repayment of receivables from portfolio companies and loans is depend on start 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 when commercial operation has commenced. 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 in which the limited partnership may be

Financial statements for the period 1 January – 31 December

Notes to the financial statements

11 Financial risk (continued)

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 description.

USD'000	Falling due within 1 year	Falling due between 1-5 years	Falling due after 5 years	No fixed maturity	Total	Carrying amount
2021						
<i>Investments</i>						
Equity investments in portfolio companies	0	0	0	39,106	39,106	39,106
Receivables from portfolio companies and loans	0	0	0	85,582	85,582	85,582
<i>Receivables</i>						
Receivables from limited partners	319	0	0	0	319	319
Other receivables	1,352	0	0	0	1,352	1,352
Cash at bank and in hand	0	0	0	5,687	5,687	5,687
Total financial assets	1,671	0	0	130,375	132,046	132,046
<i>Obligations</i>						
Payable to the Investment Manager	206	0	0	0	206	206
Payable to limited partners	0	0	0	0	0	0
Other payables	82	0	0	0	82	82
Bank overdrafts	0	0	0	0	0	0
Total financial liabilities	288	0	0	0	288	288

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 within 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 of USD 0 (nil).

The carrying amount 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.

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 USD, including DKK, EUR and local currencies in countries in Sub-Saharan Africa. In addition, a part amount of the limited partnership's expenses, are 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 USD.

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Notes to the financial statements

11 Financial risk (continued)

Accordingly, the value of the limited partnership's assets may be affected favourable or unfavourable by fluctuations in currency 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 net exposure to currency risk during 2022 and 2021 is considered immaterial since loans to portfolio companies mainly are in USD. A sensitivity analysis is therefore not disclosed since the effects on the P&L will be immaterial.

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.

12 Contingencies, etc.

The limited partnership has entered into an Investment Management Agreement 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 Frontier Energy II Alpha K/S. If this agreement is terminated, the limited partnership may under certain circumstances be under an obligation to pay six months' management fees.

Portfolio transfer agreement

In 2017, the limited partnership entered into a portfolio transfer agreement with DI Frontier Market Energy & Carbon Fund K/S (the predecessor fund to Frontier Energy II Alpha K/S). According to this agreement, a part of the portfolio companies in DI Frontier Market Energy & Carbon Fund K/S, including related commitments, will be transferred to the limited partnership. The limited partnership expects that the transfer of remaining two portfolio companies under the portfolio transfer agreement will be finalised during 2023.

The agreed and transferred amounts that the limited partnership and Frontier Energy II Beta K/S (the parallel partnership) has paid under the portfolio transfer agreement for the two portfolio companies is USD 759 thousand. At 31 December 2022, conditional commitments related to the two portfolio companies awaiting transfer to the limited partnership amounted to USD 650 thousand. At 31 December 2022, the pro-rate share between the partnerships is 89.35/10.65, respectively, for Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S.

Commitments regarding investments in portfolio companies

The limited partnership and Frontier Energy II Beta K/S (the parallel partnership) have entered into certain agreements about investments in portfolio companies. At 31 December 2022, total unconditional commitments amounted to USD 18,293 thousand (31 December 2021: USD 1,380 thousand). At 31 December 2022, total conditional commitments amounted to USD 75,741 thousand (31 December 2021: USD 83,292 thousand), which the limited partnerships under certain conditions are committed to contribute to portfolio companies for project funding. At 31 December 2022, the pro-rate share between the partnerships is 89.35/10.65, respectively, for Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S.

The limited partnership does not expect all conditional commitments to materialise and will call capital from the limited partners as needed based on the ongoing investment activities.

In connection with portfolio companies' construction of wind power plants located in Kenya (Chania Green Generation Limited), the limited partnership's bank has issued guarantees on behalf of the limited partnership to Kenya Power and Lightning. At 31 December 2022, the total outstanding bank guarantees amounted to USD 3 000 thousand (31 December 2021: USD 4,398 thousand).

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Notes to the financial statements

13 Related party disclosures

No individual companies or persons exercise control over Frontier Energy II Alpha 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 beginning from the initial closing date (21 March 2017). The management fee is payable quarterly.

Total management fee for 2022 are disclosed separately in the statement of comprehensive income.

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. Payroll taxes paid to the Investment Manager during 2022 amount to USD 173 thousand and are reported as part of other external costs (2021: USD 151 thousand).

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 – FE II GP ApS (from 28 June 2019)

FE II GP ApS (the general partner), which has direct and unlimited liability for the limited partnership's debts and liabilities, and its management are considered as related parties.

The general partner has the sole power 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.

The general partner is entitled to receive a fee, which constitutes the financial entitlement in the limited partnership.

The general partner fee is payable quarterly in arrears, beginning at the expiry of the first calendar quarter following the initial closing date.

Total general partner fee for 2022 is disclosed directly in the statement of comprehensive income.

The balance with the general partner at 31 December 2022 is disclosed in directly in the statement of financial position.

Portfolio companies

Transactions and balances with portfolio companies (subsidiaries and associates) are disclosed in note 6.

Other related parties

Other related parties comprise the following:

Frontier Energy II Beta K/S and DI Frontier Market Energy & Carbon Fund K/S

Frontier Energy II Beta K/S and its management are considered as related parties to the limited partnership. Frontier Energy II Beta K/S is a parallel partnership of Frontier Energy II Alpha K/S and has the same general partner, FE II GP ApS.

As Frontier Energy II Beta K/S is a parallel partnership to Frontier Energy II Alpha K/S, transactions within the normal activity of the limited partnership are typically made by Frontier Energy II Alpha K/S and subsequently, for the pro rata share, paid by Frontier Energy II Beta K/S to Frontier Energy II Alpha K/S. The balance at 31 December 2022 with Frontier Energy II Beta K/S is disclosed in directly in the statement of financial position.

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Notes to the financial statements

13 Related party disclosures (continued)

In addition, the predecessor fund, DI Frontier Market Energy & Carbon Fund K/S and its management are considered related parties. The balance with the predecessor fund at 31 December 2022 is disclosed in note 7 and 10. In accordance with the portfolio transfer agreement with DI Frontier Market Energy & Carbon Fund K/S, the transfer of two portfolio companies from Energy & Carbon Fund K/S to Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S is expected to be finalised during 2023.

FE II CIV K/S

FE II CIV K/S and its management are considered as related parties to the limited partnership. FE II CIV K/S is the founding partner of the limited partnership and has the same general partner as Frontier Energy II Alpha K/S, FE II GP ApS.

FE II CIV K/S is entitled to carried interest subject to and in accordance with the limited partnership Agreement.

No transactions have occurred with FE II CIV K/S during 2022 and 2021.

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.

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: Frontier Energy II Alpha K/ S (CVR: 35445862)

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 Frontier Energy II Alpha K/S (FE II) 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. FE II has only made investments in renewable energy projects which is within the sustainable investment objective. Further it has started construction on some of its assets that will

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.

cause GHG emission reductions. FE II also have 5 investments in operation contributing to GHG emission reductions by producing green energy.

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

FE II sustainability indicators performed satisfactorily as FE II increased the renewable energy capacity and 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 FE II have been 100% aligned with EU taxonomy.

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

FE II made investments that were 100% in alignment with EU taxonomy. ESG personnel is involved with all investments made by FE II. 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. FE II 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?

FE II considers all mandatory principal adverse impacts as well as all relevant voluntary principal adverse impacts on all investments. FE II 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. FE II has setup 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 the investees ensure that principal adverse impacts on sustainability are considered.



What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
<i>Selenkei Investments Ltd</i>	<i>Renewable Energy</i>	<i>8.7%</i>	<i>Kenya</i>
<i>Rwenzori Hydro (PVT) Ltd</i>	<i>Renewable Energy</i>	<i>8.1%</i>	<i>Uganda</i>
<i>Greenewus Energy Africa Ltd</i>	<i>Renewable Energy</i>	<i>8.0%</i>	<i>Uganda</i>
<i>Cedate Ltd</i>	<i>Renewable Energy</i>	<i>7.3%</i>	<i>Kenya</i>
<i>Planet Solar Energy (SL) Ltd</i>	<i>Renewable Energy</i>	<i>7.0%</i>	<i>Sierra Leone</i>
<i>Chania Green Generation Ltd</i>	<i>Renewable Energy</i>	<i>6.0%</i>	<i>Kenya</i>
<i>* Joint ownership with Frontier Energy II Alpha K/S</i>			

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

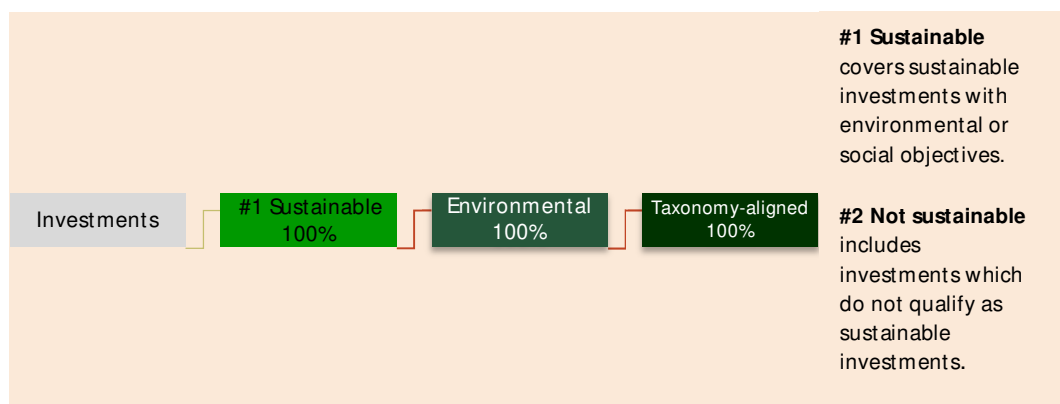


What was the proportion of sustainability-related investments?

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.



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

All investments were made in the renewable energy sector.



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

100% of the investments made by FE II were aligned with EU Taxonomy as investments were made within electricity generation from wind power, electricity generation from solar photovoltaic technology, 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 Taxonomy¹?**



Yes:



In fossil gas



In nuclear energy



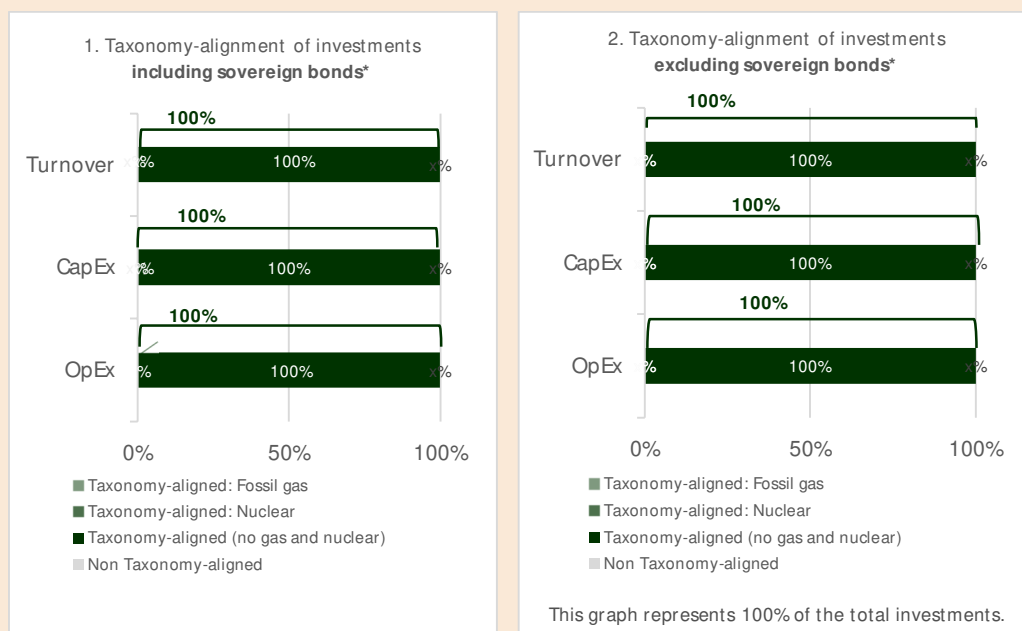
No

¹ 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.

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.

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 FE II 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

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.

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 FE II. By investing accordingly with the aforementioned investment strategy and the implemented sustainability indicators for FE II, 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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Søren Piilgaard Barkholt

General partner

On behalf of: FE II GP ApS

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Erik Sejersen

General partner

On behalf of: FE II GP ApS

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Thomas Hjortkjær Petersen

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

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State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

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Anders Michael Hauch

Chairperson

On behalf of: Frontier Energy II Alpha K/S

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