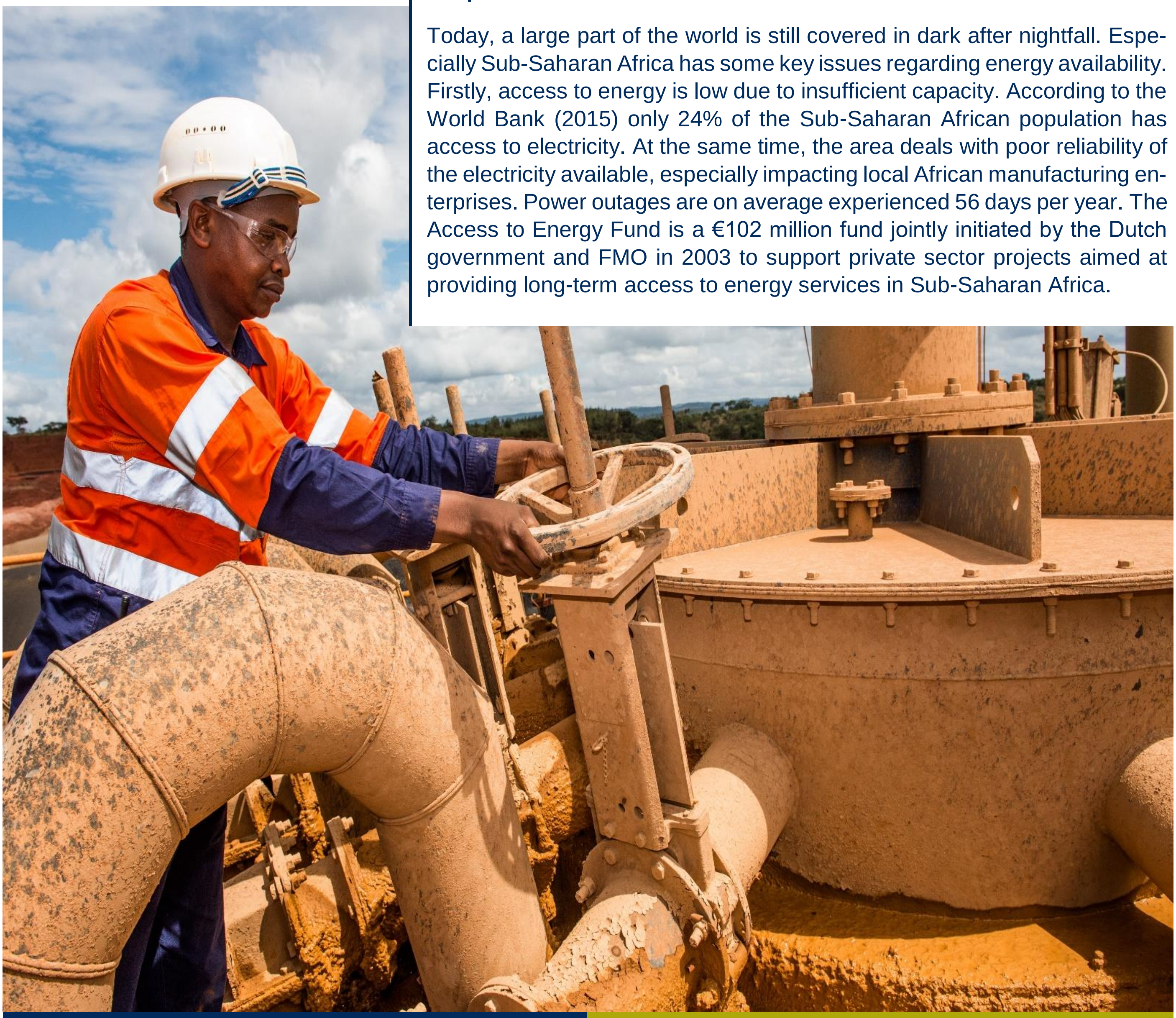
ACCESS TO ENERGY FUND

Quarterly report Q2 2016

In many fast-growing developing countries, the demand for electricity continues to rise whilst power infrastructure struggles to keep up. Our main fossil fuel sources – oil, coal and gas – are finite natural resources, and we are depleting them at a rapid rate. Climate change has become a reality and is changing our future. This is intensifying the race to come up with energy solutions that are affordable for all and produced in ways that can be sustained by the global economy and the planet.

Today, a large part of the world is still covered in dark after nightfall. Especially Sub-Saharan Africa has some key issues regarding energy availability. Firstly, access to energy is low due to insufficient capacity. According to the World Bank (2015) only 24% of the Sub-Saharan African population has access to electricity. At the same time, the area deals with poor reliability of the electricity available, especially impacting local African manufacturing enterprises. Power outages are on average experienced 56 days per year. The Access to Energy Fund is a €102 million fund jointly initiated by the Dutch government and FMO in 2003 to support private sector projects aimed at providing long-term access to energy services in Sub-Saharan Africa.



1. FUND OVERVIEW

1.1 FMO GOVERNMENT FUNDS MANAGEMENT

FMO is the Dutch development bank that has invested in the private sector in developing countries and emerging markets for more than 45 years. Our mission is to empower entrepreneurs to build a better world. We invest in sectors where we believe our contribution can have the highest long-term impact: financial institutions, energy and agribusiness. Alongside partners, we invest in the infrastructure, manufacturing and services sectors. FMO has 4 government funds under its management:

- Access to Energy Fund (AEF) – The AEF 'Energy for Growth' funds private sector projects that create sustainable access to energy services.
- Infrastructure Development Fund (IDF) – The IDF provides long-term financing for infrastructure projects in low-income countries.
- FOM– FOM stimulates Dutch enterprises to invest in emerging markets (concerns a Guarantee Facility that closed as per 1st of July 2016).
- MASSIF: provides financing and technical assistance to microfinance institutions (MFIs), small banks, and private equity funds, supporting access to finance for micro-, small- and medium enterprises (MSMEs).

FMO Government Funds Management	
Assets under management	**€ 845.0 mln**
Total committed portfolio government funds	**€ 1,172.3 mln**
Active Funds	**4**
Active Portfolio companies	**185**

1.2 FUND KEY FACTS

The Access to Energy Fund (AEF) has been set up to actively support the creation of sustainable access to energy in developing countries by providing risk bearing funding; equity, subordinated loans, local currency loans and grants that fulfil the ODA- criteria and the concessional requirements. The goal of the fund is to provide access to energy to at least 3 mln people. In order to reach this goal, € 102 mln funding has been made available by the Dutch Ministry of Foreign Affairs. Since December 2012, the fund is solely focusing on Sub–Saharan Africa, specifically targeting affordable, clean and renewable off-grid energy solutions (75% of the outcomes). Chapter two will provide a case study of an AEF investee.

Key Facts AEF I & II	Q2 2016
Start of Investment period	2006
End of investment period (AEF I / AEF II)	2018
End of management period	2038
Total funds available according to "Beschikking"	€ 102.0 mln
Total funds received	€ 53.3 mln
Remaining funds available (beschikkingsruimte)	€ 48.7 mln
Total number of investments in portfolio	19
Total number of countries in portfolio	10

1.3 IMPACT

Two targets have been set regarding AEF impact results. By 2018, AEF investments should have reached 3 million beneficiaries and should have a catalytic effect of 3.25, measured as average over the full portfolio. Based on YTD cumulative impact measurements, both targets will be met by 2018. However, it is good to note that definitions applied to measure these (and other) impact targets are and have been subject to change over the life of the Fund.

In the table below the 2015 impact results of the current portfolio are presented.

JOBS SUPPORTED

Through its investees, the AEF supports **8.806** direct jobs (3,947 female) and **1.001.514** indirect jobs (451k female) in developing countries.

INSTALLED CAPACITY

357.2 MW power capacity has been installed.

FINANCE CATALYZED

With its commitments of € 79 mln, the fund catalyzed **€ 1.571mln public** and **€ 891mln private** finance[1].

PEOPLE REACHED

An estimated **26.4 mln** people have been reached so far with improved access to energy sources.

In 2015 FMO and DGIS have agreed on a revised version of the definitions of the impact indicators, creating more aligned and accurate data quality and reporting methodology. For a holistic overview of the impact so far created, the reporting shall include the cumulative impact over the 'lifetime' of the funds (of the total portfolio level). See the annex for a specification of the definitions.

Please be advised that the definitions and assumptions underlying above reported numbers are subject to ongoing discussions with the State. A meeting has been planned end of August 2016 to further align definitions (to be) used. Above mentioned results are aligned with what has been reported in the 2015 Resultatenfiche.

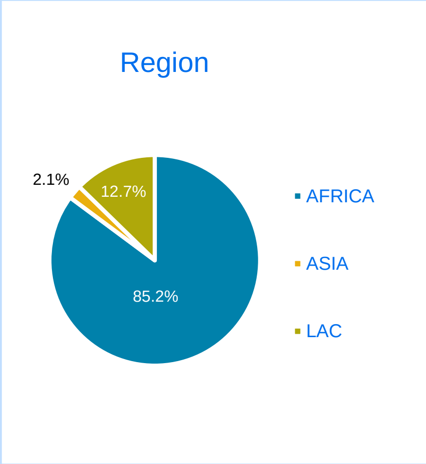
1.4 PORTFOLIO OVERVIEW

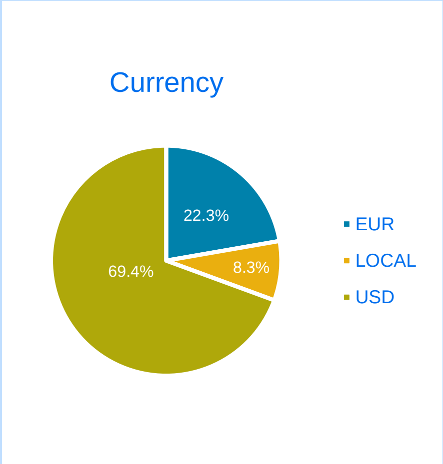
The AEF has a diverse sector break down in the energy industry. Solar, hydro and wind energy take up 40.3% of the total portfolio. 31.7% of total portfolio is invested in other/mixed renewable energy. The fund is predominantly active in Africa (85.2%), as the fund has been restricted to invest solely in Sub Sahara Africa since December 2012. A relatively large share of commitments is in equity (56.4%).

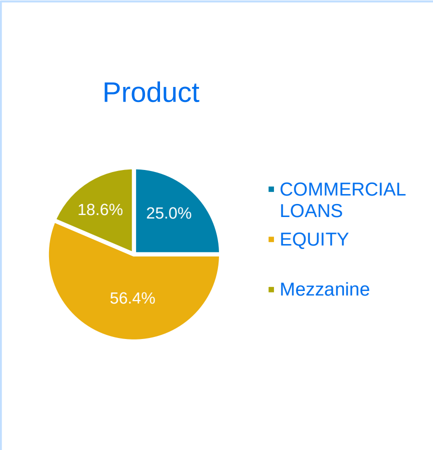
Current Portfolio breakdown AEF I	Q2 2016
Committed portfolio	€ 69.0
Outstanding portfolio	€ 53.1
Committed not disbursed	€ 15.9
Value Adjustments and amortized costs	€ -8.2
Net Portfolio	€ 44.8

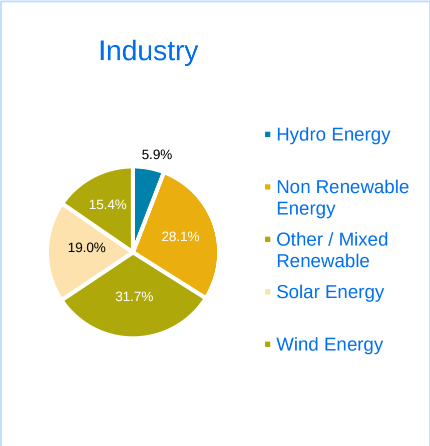
Current Portfolio breakdown AEF II	Q2 2016
Committed portfolio	€ 10.0
Outstanding portfolio	€ 6.3
Committed not disbursed	€ 3.7
Value Adjustments and amortized costs	€ 0.0
Net Portfolio	€ 6.3

[1] Please note that these catalyzed amounts include all finance made available through public and commercial parties in the total project.









1.5 PERFORMANCE AND REVOLVABILITY

52% of the two AEF funds has been drawn from DGIS. The funds have a Residual Value over Total Funds received from investors of 114%. The RVPI sets off the total outstandings against total funds received from DGIS. If the funds will be liquidated, a positive result of 18.7% would be made. This is a measure of revolvability and implies AEF can take more risk. AEF has a revolvability taget of 75%, meaning that every €1 invested should generate sufficient interest income and principal repayments to allow € 0.75 to be reinvested.

FMO is actively seeking higher risk and high impact transactions for AEF, especially in the off-grid space.

Performance and Revolvability	
Total Funds received from DGIS to Committed Capital by DGIS	52.3%
Residual Value over Total Funds received from investors [2]	114%

[2] This ratio benchmarks the current net value of the fund to the total funds placed in the fund over time. Any value above 100% indicates that the fund is revolvable. This ratio is calculated by dividing the net asset value of the fund by the cumulative capital placed in the fund.

2. CLIENT CASE

CENPOWER GENERATION CY LTD.

BASE LOAD ENERGY FOR GHANA:
FINANCING THE GIRST GREENFIELD INDEPENDENT POWER PLANT IN GHANA

“This project is a good example of a local Ghanaian owned company backed by international sponsors. In recognition of this, Cenpower won the Africa Power Deal of the year in 2014."

SUPPLYING POWER TO A DYNAMIC REGION

Ghana is one of the fastest growing economies in Africa, with a 7% GDP growth. The 350 MW power plant capacity will provide the equivalent of 13% of Ghana's currently total installed capacity. The IPP will also lead to higher fuel efficiency and better environmental performance than the currently available installed capacity.

SECURING FINANCE FOR FUEL SUPPLIES

The project cost of USD 890 mln includes the construction of a substation, fuel supply and working capital for fuel procurement. FMO catalyzed an additional USD 159 mln financing for the senior and fuel finance debt provided by five development finance institutions (DFI's).

PROVIDING RELIABLE POWER FOR ACCRA'S GROWING ECONOMY

The plant will use a combination of gas and heat recovery steam turbines to produce up to 50% more electricity than traditional single cycle plants. It will supply reliable and affordable base-load energy to support the growing industry in the Accra region. It will help to decrease pollution currently created by private generators.

This project is a good example of a local Ghanaian owned company backed by international experienced sponsors. In recognition of the success of this collaboration, Cenpower won the Africa Power Deal of the year from the London based PFI in 2014 recognizing, amongst others, the high African based commitment of sponsors, lenders, and contractors as well as the project's importance to the Ghanaian economy.

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COMPANY INFORMATION

NAME
Cenpower Generation Company Ltd.

COUNTRY
Ghana

SECTOR
Renewable Energy

TYPE OF BUSINESS
Design, manufacturing, and retailing of off-grid solar power systems and water heaters (thermal power stations).

INVEST INFORMATION

FMO INVESTMENT
USD 13 mln Equity from AEF
USD 44 mln Debt FMO-A

TOTAL PROJECT SIZE
USD 890 mln

FINANCIAL PRODUCTS USED
Equity and Debt

IMPACT INFORMATION

Providing over 2,600GWh p.a. of electrical energy

Helping avoid blackouts and load shedding

Jobs supported: 500 during construction; 120 during operations

FMO
Entrepreneurial
Development
Bank

ABOUT FMO

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CONTACT

Rosemarijn van der Meij
E: R.van.der.Meij@fmo.nl
T: +31 70 314 94 59
M: +31 6 21 80 75 33

FMO – Q2 2016