



# AFRICA<sup>50</sup>

ANNUAL REPORT 2018



CONVENTION CENTRE



# AFRICA<sup>50</sup>

INVESTING IN INFRASTRUCTURE  
FOR AFRICA'S GROWTH

Africa50-Project Development and Africa50-Project Finance are two separate but complimentary legal entities with separate and independent balance sheets.

This document highlights key achievements, progress on investment activities and audited financial statements as at 31 December 2018.

Unless indicated otherwise, this report refers to both entities, collectively, as Africa50.





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# INTRODUCTION & HIGHLIGHTS

## Investing in Infrastructure for Africa's Growth

Africa50 was established by African governments and the African Development Bank to help bridge Africa's infrastructure funding gap by facilitating project development, mobilizing public and private sector finance, and investing in infrastructure on the continent.

Africa50 focuses on medium- to large-scale projects that have a significant development impact and that provide an appropriate risk-adjusted return to investors. Bringing project development and financing together in one institution, Africa50 seeks to provide support at every stage of the project cycle.

## Projects and Investments

Africa50's portfolio is now composed of five investments. Africa50 also has a solid pipeline of investments. (See Part Three: Investment Activities).

Nachtigal Hydropower Plant Project was awarded Global Multilateral Deal of the year 2018 by Project Finance International.



IN RECOGNITION OF OUTSTANDING ACHIEVEMENT AND SUCCESS IN THE CATEGORY OF:  
*Global Multilateral Deal of the Year*

THE PROJECT FINANCE INTERNATIONAL 2018 AWARD IS PRESENTED TO:  
*Nachtigal*

§ Africa50, African Development Bank, African Finance Corporation, Afriqia de Oney, Antjanjogh, BICEG, CDC Group, Clifford Chance, DFC, EDC, EIB, Emerging Africa Infrastructure Fund, Eurofide, FIDA, Government of Cameroon, Hellenic Growth Funds, IBBID (World Bank), IFC, Mont MacKenzie, OYD, Oryx, Proterra, Societe Generale, Standard Chartered, STCA.

*Paul Murray*  
Head Markets  
Editor



## Priority Sectors



POWER



ICT\*



TRANSPORT



MIDSTREAM GAS

## Committed Capital

**US\$871 million**

## Shareholders

**30**

\*Information and Communications Technology



In 2018, Africa50 continued to attract new investors, with Rwanda and Mauritius becoming Class A shareholders. There are now 27 Class A shareholders (African sovereign states), as well as three Class B shareholders – the African Development Bank, the Central Bank of West African States, and Bank Al-Maghrib. Committed capital is US\$871 million. Two additional countries are expected to become shareholders in 2019.

# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

## Creating Opportunities through Infrastructure



There is an urgent need to close Africa's infrastructure financing gap of \$68-108 billion a year to support the continent's accelerated growth and development. This is critical, especially given the entry into force of the African Continental Free Trade Area. A continent that is well connected with world-class infrastructure will propel Africa's trade in regional markets and global value chains.

Africa50 is working with several partners, including national governments, project developers and Development Finance Institutions, to mobilize private sector investments for bankable infrastructure projects.

Since Africa50 started operations, it has helped fund solar, thermal and hydropower plants. Its upcoming projects will help bridge a major transportation gap in Central Africa and boost a technology hub in East Africa. Africa50 is also providing leadership in key energy sectors by funding studies on development of the continent's natural gas resources and through advocacy for the improvement of infrastructure delivery, including longer loan maturities for hydropower plant projects.

Africa50 is also bringing into play market-driven investment approaches in Africa, in addition to supporting the preparation of infrastructure projects. With increased expertise to develop infrastructure projects and \$871 million in equity to crowd in other private sector investors, Africa50 can make a real difference. As Africa50 pursues its mandate, it will continue to build wider partnerships to leverage its capital and develop innovative instruments in order to crowd in greater private equity investors into infrastructure.

I commend the management and staff of Africa50 for their hard work and efforts, as well as the Board of Directors, 50% of whom are Independent Directors, for their diligent oversight of the company's activities.

The journey to close Africa's infrastructure financing gap has started and Africa50, together with its partners, including the African Development Bank, will ensure Africa reaches the desired destination.

**Dr. Akinwumi A. Adesina**





# MESSAGE FROM THE CEO

## Moving Forward



2018 was another exciting year at Africa50. With our growing staff and fully running operations, we have been able to increase the number of investments and start working in new sectors such as ICT and Transport. More is to come! We have developed a solid project pipeline that will help address many of Africa's most pressing infrastructure needs.

While the needs are great, we consider them opportunities. The growing demand for modern infrastructure springs from all that is good about our continent's present and future – ample natural and human resources, improving governance, projected long-term economic growth, further regional integration, and growing connectivity to the global economy. At Africa50, we are committed to contributing to the development of the sectors that can harness these advantages to assure a bright future for our people.

One of the most promising sectors is information and communications technology (ICT), which is featured in this Annual Report. ICT has a strong development impact through a myriad of online and mobile applications, while aiming to be profitable enough to attract investors<sup>1</sup>. It has been an African success story where the continent is not just a follower but a leader.

More than half of Africa's people are projected to be mobile subscribers by 2025, using the ICT ecosystem to add more than 8% to continental GDP by 2022<sup>2</sup>. The impact on productivity can be further accelerated if we increase broadband internet penetration, which is one of our key objectives. We are working with our shareholders to catalyze private investment into ICT. A good example is a pipeline project we highlighted in last year's report, which is continuing to move forward this year - Kigali Innovation City. This major technology hub should become a magnet for innovation in the heart of Africa. It is one of the reasons we are holding our 2019 General Shareholders Meeting in Kigali.

Another financially attractive sector, and arguably one of the most important for Africa, has been power generation. Africa's consistent economic growth has led to a rise of 45% in energy demand this century<sup>3</sup>. While hydrocarbons still have a role to play, the continent's vast renewables potential is increasingly being tapped. There are many attractive investment opportunities, such as the six solar plants we have developed and are building in partnership with Scatec Solar in Egypt. Three of the plants have already been connected to the grid and started delivering power to households and businesses, making it the first Africa50 investment to reach commercial operations in a shareholder country. Furthermore, in 2018 we joined the African Development Bank's Desert to Power program, which could provide solar power for up to 250 million people in the Sahel.<sup>4</sup>

<sup>1</sup> [https://www.itu.int/ITU-D/treg/broadband/ITU-BB-Reports\\_Impact-of-Broadband-on-the-Economy.pdf](https://www.itu.int/ITU-D/treg/broadband/ITU-BB-Reports_Impact-of-Broadband-on-the-Economy.pdf)

<sup>2</sup> GSMA Mobile Economy report

<sup>3</sup> IEA Africa Energy Outlook 2017

<sup>4</sup> <https://www.afdb.org/en/news-and-events/desert-to-power-initiative-for-africa-18887/>

Large-scale hydropower projects are also crucial, since they can provide clean energy at low cost, which is why we invested in the Nachtigal project in Cameroon. In addition, we are advocating for loan maturities for hydropower projects of 25 years or more to match the lifespans of the plants, making them more attractive to investors and end users.

We also are ready to help Africa take advantage of its natural gas resources by developing midstream and downstream infrastructure to transport gas to where it is needed as an industrial input or for power generation. To stimulate investment in the sector, we partnered with Energy Futures Initiative to analyze the investment opportunities and benefits of natural gas development in a sustainable manner, publishing the report “Investing in Natural Gas for Africans: Doing Good and Doing Well.”

In addition, we are finally starting to tackle transport, which has a strong development impact, linking countries and regions to each other and the global economy. Private Investment<sup>5</sup> is flowing into ports, airports, and railroads, but more is needed, especially for roads, which still rely mostly on public or donor funds. We are partnering with the African Development Bank to explore the development of the road-rail bridge linking Brazzaville and Kinshasa, which would fill a missing link in our continent’s transportation corridors, with pan-African benefits.

Fortunately, as you will learn in this Annual Report, our aspirations to contribute to Africa’s prosperity are increasingly being matched by our resources. With substantial capital and growing staff, as well as committed shareholders and partners, we are helping to put our continent on the track to a prosperous, sustainable future.



**Alain Ebobissé**

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<sup>5</sup> African Development Bank, *African Economic Outlook 2019*





Part One:  
Operating  
Context

# PART ONE: OPERATING CONTEXT

## 1.1 Global Overview

Following broad-based growth that lasted nearly two years, peaking at 4% in 2017, global economic expansion decelerated in 2018, dropping to 3.8% in the first half of the year and 3.2% in the second<sup>6</sup>. This trend has been reflected on the number

and value of global infrastructure deals completed globally, with 2,454 transactions reported with an aggregate value of US\$322 billion (Figure 1.1).

**2,454  
DEALS**

The number of global infrastructure deals completed in 2018.<sup>7</sup>  
(based on information available at the time of reporting)

**US\$322  
BILLION**

Reported aggregate value of the 2,454 infrastructure deals completed globally in 2018.<sup>8</sup>

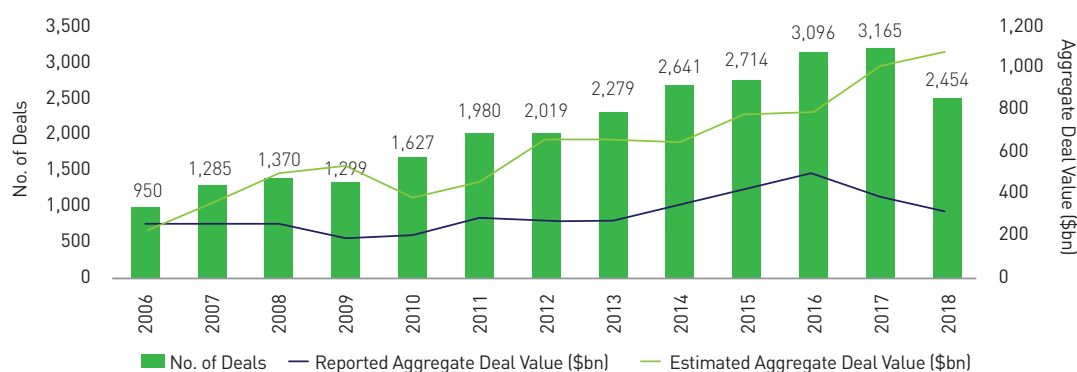
**57%**

Percentage of global deals in renewable energy (2018)<sup>9</sup>

**21%**

Percentage of global deals worth more than US\$500 million (2018)<sup>10</sup>

**Figure 1.1: Global Infrastructure Deals, 2006 – 2018**



*(source: 2019 Preqin Global Infrastructure Report)*

Energy sector investments have accounted for 57 – 69% of the total number of deals over the last five years, with the vast majority in renewable energy (Figure 1.2).

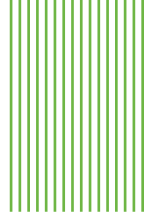
<sup>6</sup> IMF World Economic Outlook 2019

<sup>7</sup> 2019 Preqin Global Infrastructure Report (based on data available at the time of reporting)

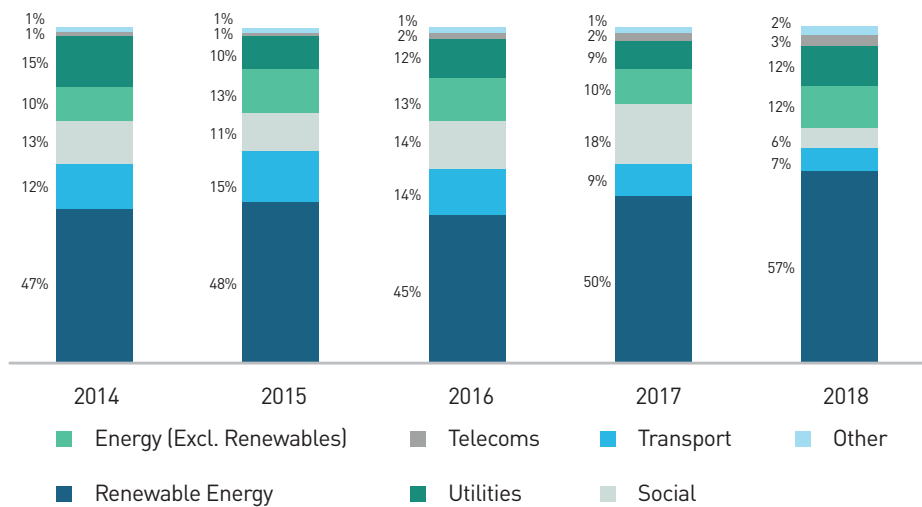
<sup>8</sup> 2019 Preqin Global Infrastructure Report (based on data available at the time of reporting)

<sup>9</sup> 2019 Preqin Global Infrastructure Report (based on data available at the time of reporting)

<sup>10</sup> 2019 Preqin Global Infrastructure Report (based on data available at the time of reporting)



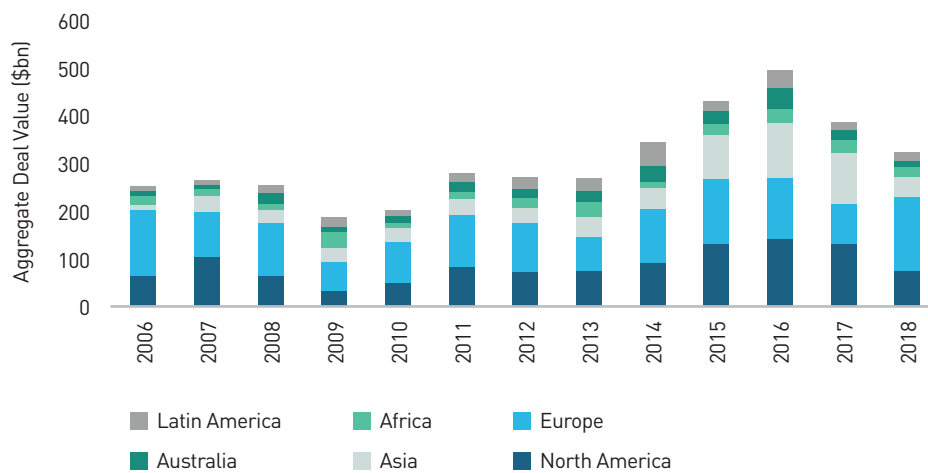
**Figure 1.2: Proportion of Deals by Industry, 2014 - 2018**



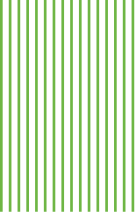
*(source: 2019 Preqin Global Infrastructure Report)*

Europe and North America have consistently been the regions that attract the most investment by value (Figure 1.3).

**Figure 1.3: Aggregate Value of Deals by Region, 2006 - 2018**



*(source: 2019 Preqin Global Infrastructure Report)*



Infrastructure investment largely tracks and influences macroeconomic trends, although regions vary widely in their needs, priorities, and available resources.

Seen globally, several trends in infrastructure are emerging<sup>11</sup>:

- Established markets are expected to continue to attract most investment, but competition for bankable transactions are expected to broaden the geographic scope and risk appetite of investors.
- Emerging markets are expected to focus more on basic infrastructure such as power transmission and wastewater treatment to relieve power bottlenecks and water stress.
- Technology will allow governments to take a more analytical and evidence-based approach to infrastructure development.
- Growing environmental concerns are expected to favor renewable energy, public or shared transport, improved sanitation, and new business models.

- Innovative ICT solutions are expected to make infrastructure more efficient and bypass older models, especially in emerging markets, increasing the power of consumers.
- Data derived from infrastructure use may offer commercial opportunities for infrastructure owners, operators and planners, and enhance efficiency across the infrastructure life cycle.
- Private sector interest in infrastructure is expected to continue to grow, with investors considering it a safe, countercyclical asset with predictable returns and exits.

In 2018, private participation in infrastructure investment in Emerging Markets and Developing Economies (EMDEs), at US\$90 billion committed across 335 projects, marked a decrease of 3% from 2017 (Figure 1.4)<sup>12</sup>. Despite investment levels being slightly lower, 2018 saw an increase in the number of projects, from 309 in 2017 to 335 in 2018<sup>13</sup>.

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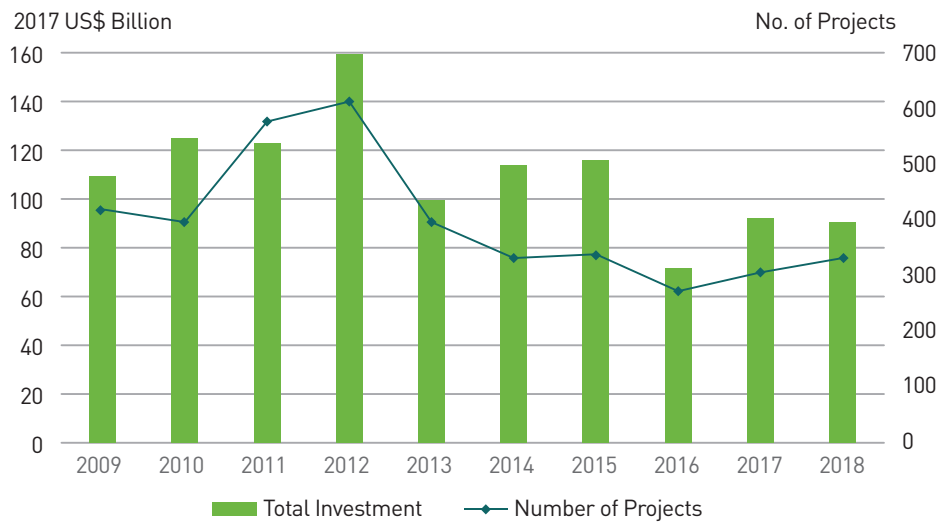
<sup>11</sup> 2019 KPMG report: "Emerging Trends in Infrastructure"

<sup>12</sup> 2018 World Bank Private Participation in Infrastructure (PPI) Annual Report

<sup>13</sup> 2018 World Bank Private Participation in Infrastructure (PPI) Annual Report



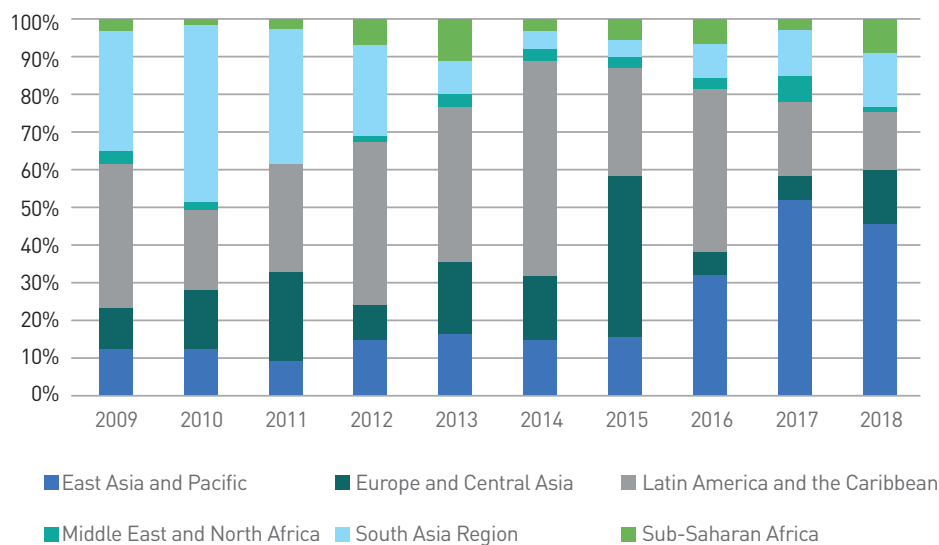
**Figure 1.4: Investment Commitments in Infrastructure with Private Participation in EMDEs, 2009-2018**



(source: World Bank, 2018 Private Participation in Infrastructure Annual Report)

41 EMDEs received private infrastructure investment commitments in 2018. Comparing regions, East Asia and the Pacific led with US\$41 billion, followed by Latin America and the Caribbean. Private investment commitments in Sub-Saharan Africa almost tripled from its levels in 2017, but declined in Middle East and North Africa<sup>14</sup> (Figure 1.5).

**Figure 1.5: Regional Share of Infrastructure Investment Commitments with Private Participation in EMDEs, 2009-2018**



(source: World Bank, 2018 Private Participation in Infrastructure Annual Report)

14 2018 World Bank Private Participation in Infrastructure (PPI) Annual Report

## 1.2 African Context

Africa's economic growth continues to strengthen, except in commodity-exporting countries. It is also becoming broader based, fueled by increasing agricultural production, growing consumer demand, and rising public investment. Downside risks include escalating global trade tensions, rising interest rates, increasing security concerns, and uncertain commodity prices.<sup>15</sup>

Infrastructure investment trends are positive. The Infrastructure Consortium for Africa reports that in 2017 funding for infrastructure in Africa - from both the private and public sectors - reached \$81.6 billion, a 22% increase over 2016, and the highest level since 2010. African governments are still the leading source, accounting for 42%, although private participation is growing. According to the World Bank, the value of projects with private sector participation in Africa in 2017 was \$5.2 billion, an increase from \$3.6 billion in 2016.

Commitments by region were balanced, except for Central Africa, which received only \$6 billion in investment in 2016 (Figure 1.6). The transport and energy sectors led, followed by water and the relatively mature ICT sector. ICA analysis suggests that the infrastructure financing gap is much wider in some sectors than others, with water having a shortfall of over 80%, but transport only 8% (Figure 1.7).<sup>16</sup>

Public and private sector ICA members state, and Africa50's experience supports this, that the main reason for the infrastructure deficit is not a lack of funds, but a lack of bankable projects. ICA found that countries with sound institutions and reasonable regulations that facilitate projects are attracting ample public and private finance.<sup>17</sup>

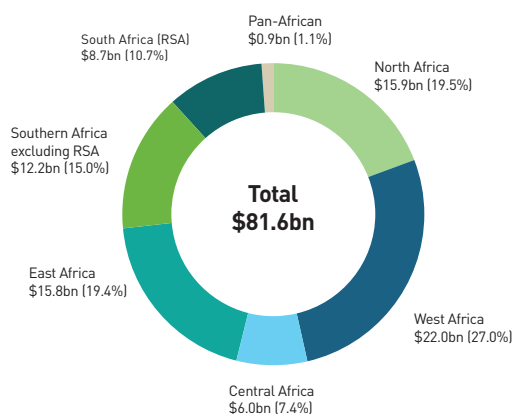
<sup>15</sup> African Development Bank, *African Economic Outlook 2019*

<sup>16</sup> ICA, *Infrastructure Financing Trends in Africa - 2017*

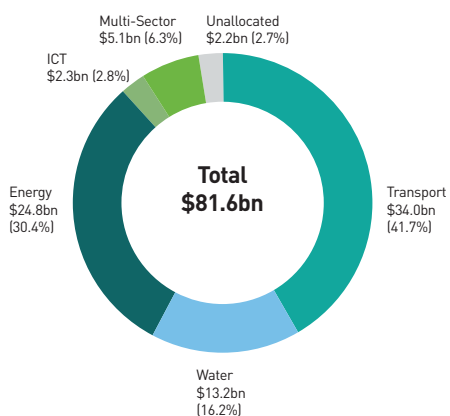
<sup>17</sup> ICA, *Infrastructure Financing Trends in Africa - 2017*



**Figure 1.6: Total infrastructure financing in 2017 by region**

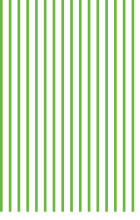


**Figure 1.7: Total infrastructure financing in 2017 by sector**



*[source: Infrastructure Consortium for Africa, Infrastructure Financing Trends in Africa – 2017]*



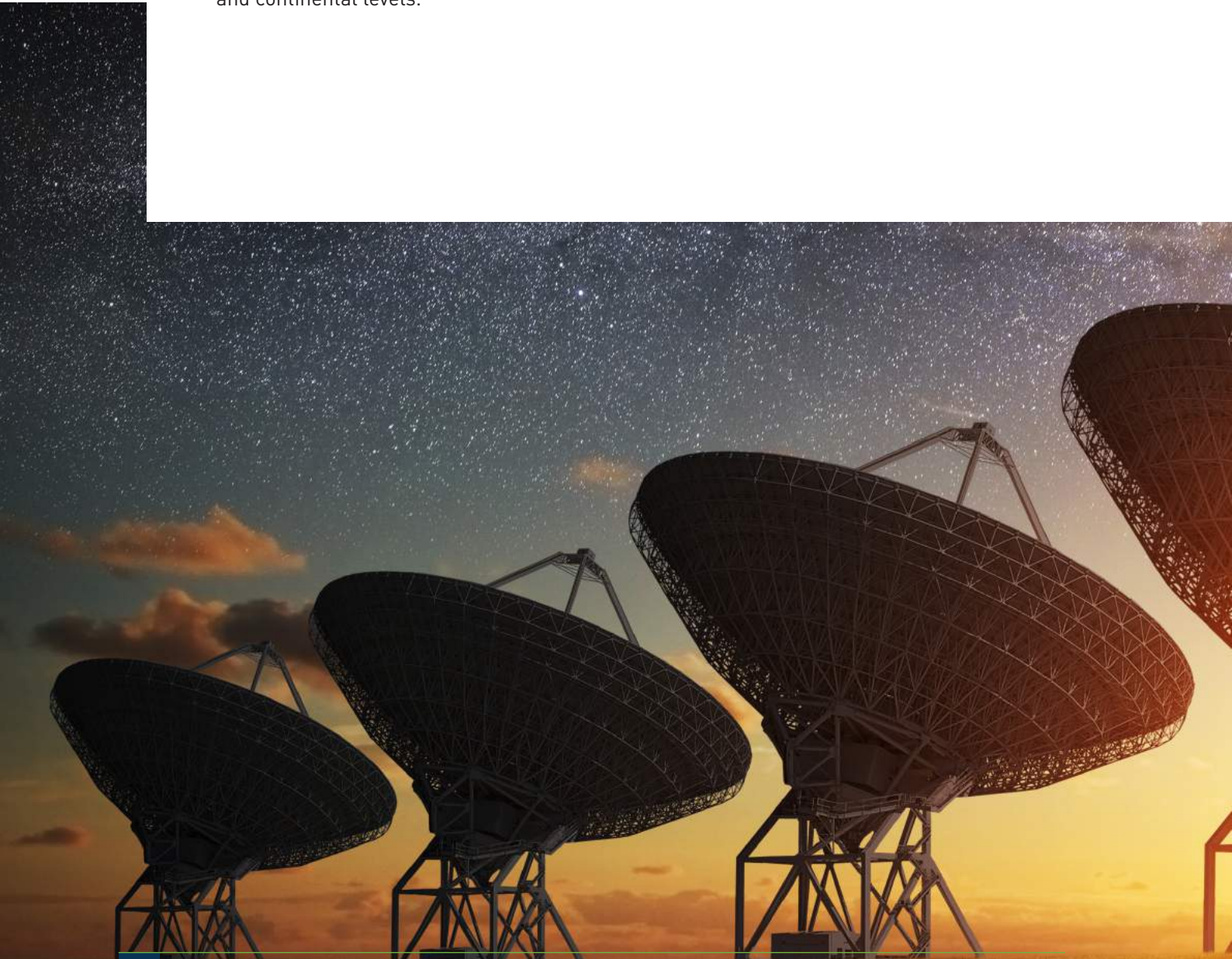


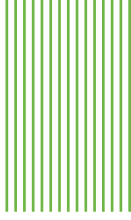
### 1.3 Thinking Regionally

Infrastructure is not only the key ingredient for industrialization, but also for free trade. The African Continental Free Trade Area (AfCFTA) entered into force in June 2019, and improved infrastructure is key to its' sustainable success. Free trade requires roads, railways, and ports to connect countries to each other and to the world economy. It needs improved internet connectivity to facilitate e-commerce and trade in services, and electricity to run everything. Moreover, all of this must be done not just at the national level, but at the regional and continental levels.

Freer and more efficient trade would allow agricultural and industrial production to cross national borders, offering economies of scale to investors, while providing bigger markets and new opportunities for firms.

The commitments under the AfCFTA are critical. No country can promote free trade by itself; it takes concerted cooperation between governments, along with the support of development finance institutions and the private sector.





## 1.4 Meeting the Challenge

Africa50 believes that infrastructure development requires a collaborative approach, with governments working alongside the private sector, development finance institutions, and other financiers to try to mitigate risks and seek a reasonable return on investment. This collaboration must be encouraged across all stages of the project cycle, and includes:

- **Strengthening contractual regimes** to promote certainty during changes in political leadership, so that investors can better predict cash flows and feel more secure in committing funds.
- **Increasing project preparation resources** to build a pipeline of bankable, investment-ready projects with a strong developmental impact.
- **Enhancing public sector capacity and skills** in project development and finance to improve the enabling environments for infrastructure investment.
- **Upgrading Public Private Partnership frameworks** to allow governments and parastatals to better manage their engagement with private investors.







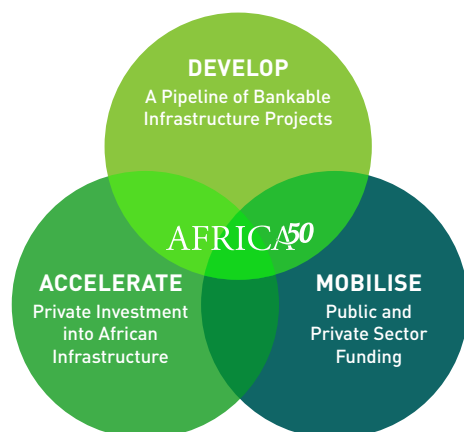
## Part Two: Africa50

### Vision 2030

Africa50 is a leading infrastructure investment platform with all African countries as shareholders. It accelerates delivery of critical private projects and Public Private Partnerships and mobilizes significant capital globally. In doing so, it positively impacts the lives of millions of Africans. Africa50 is **the** partner of choice for governments and private investors and attracts distinguished and talented professionals who are passionate about making a difference on the continent.

# PART TWO: AFRICA50

## 2.1 Strategic Pillars



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### Africa50-Project Development

seeks to develop a pipeline of investment-ready projects

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### Africa50-Project Finance

invests equity and quasi-equity alongside strategic partners

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**Africa50 mobilizes** public and private sector funding from within and outside Africa

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## 2.2 Value Proposition

Africa50's core value proposition:

- An experienced investment team with a track record of deal making
- Close relationships with our shareholders to help overcome project development and project financing hurdles
- Priority access to deal-flow from project development work and dialogue with shareholders
- Jurisdiction-specific risk mitigation through high-level public sector engagement
- Access to competitive finance, including long-term debt from the African Development Bank and other Development Finance Institutions
- Commitment to following internationally recognized environmental, social, and governance standards
- A private sector approach to decision-making and execution

Africa50 believes it can mobilize private capital by:

- Acting as a bridge between its government shareholders and private investors
- Developing investment-ready, bankable projects investors seek
- Leveraging its equity investment to access debt financing
- Convincing institutional investors on the advantages of investing in African infrastructure



## 2.3 Priority Sectors

Africa50 prioritizes investment in the power, ICT, transport, and midstream gas sectors.



### POWER

Electricity powers industrialization and inclusive economic growth



### ICT

ICT has a strong multiplier effect on economies. It facilitates innovation and service delivery



### TRANSPORT

Transport is critical to boosting competitiveness, trade, access to social services and regional integration



### MIDSTREAM GAS

Natural gas serves as an industrial feedstock and provides power

## 2.4 Environmental, Social and Governance Standards

Africa50 is committed to following international Environmental, Social and Governance (ESG) standards and is formalizing its corporate policy in this area. We recognize that sound ESG practices can increase the development impact of our investments, improve the risk-return profile, and enhance our reputation and that of the companies in our portfolio.

Given the catalytic role of infrastructure, Africa50 seeks to contribute to the efforts of African countries to meet their commitments under the UN's Sustainable Development Goals and contribute to the African Development Bank's High Five development priorities.



## The African Development Bank's 'High 5' goals to 2025:

Priority Area

Goal/Objective 2025



**01** Light Up & power Africa

Universal access to Electricity



**02** Feed Africa

Agricultural Transformation



**03** Industrialise Africa

Economic Diversification



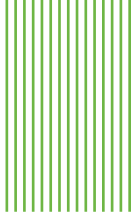
**04** Integrate Africa

Regional Market

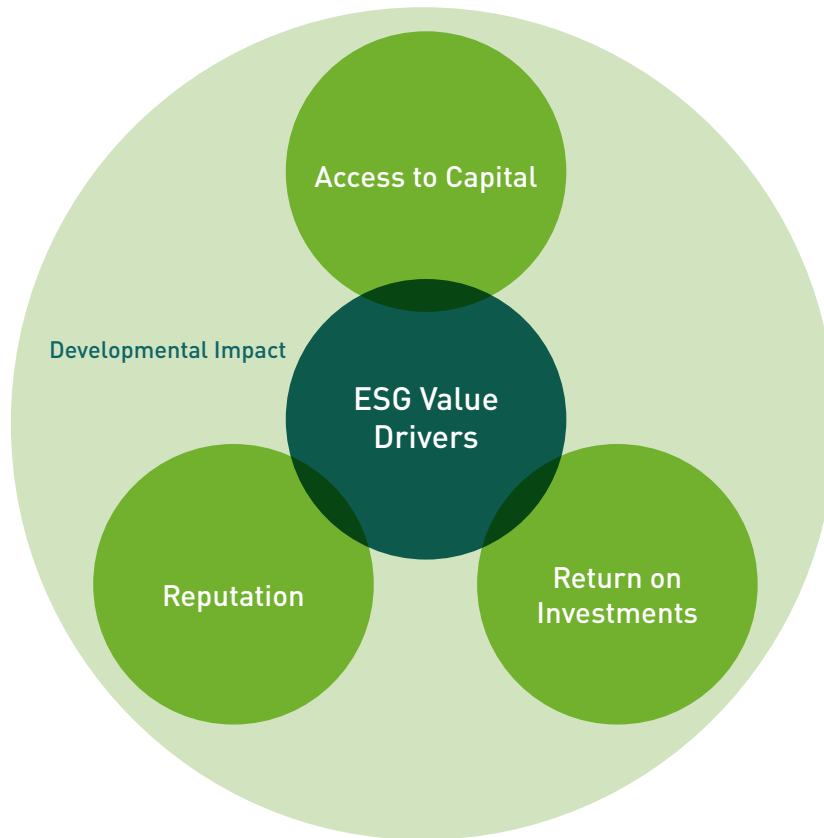


**05** Improve the quality of life for the people of Africa

Access to social & economic opportunities



## Africa50's view of ESG Value Drivers



### Access to Capital

ESG performance helps secure investment capital

### Return on Investment

ESG factors impact the risk and return of an investment

### Reputation

ESG compliance raises brand value

### Development Impact

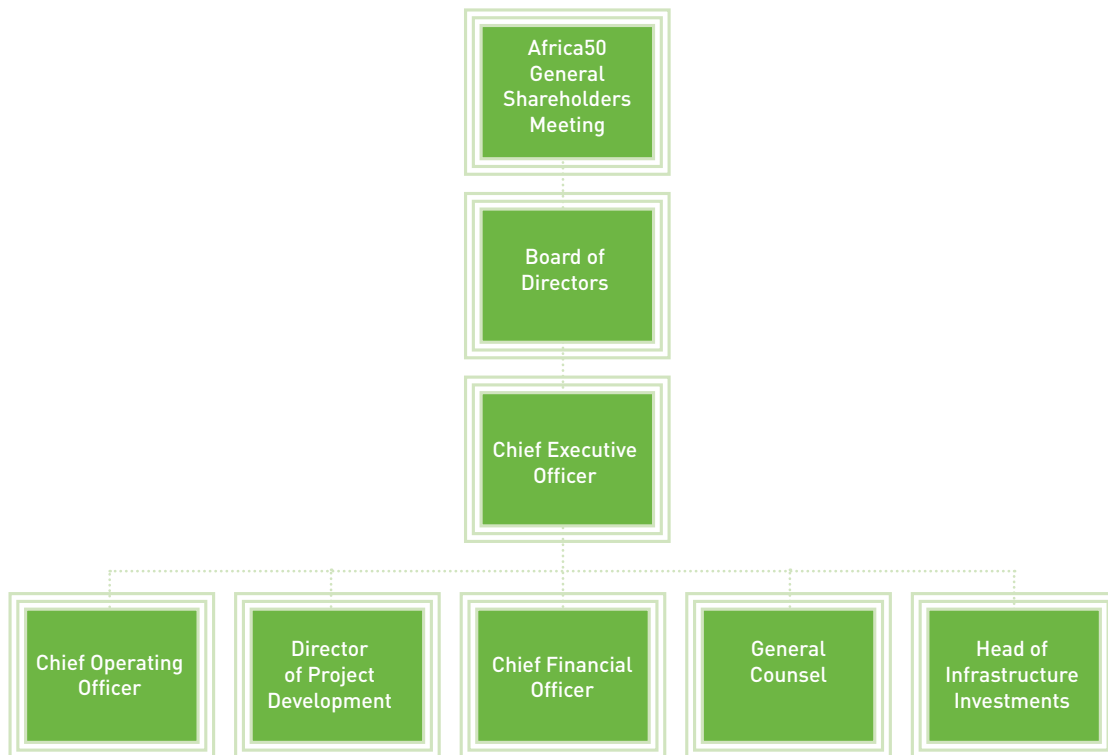
ESG standards enhance long-term sustainability and societal benefits

By investing in infrastructure, we aim to promote sustainable economic growth and job creation, and improve the lives of people, while preserving natural resources for future generations.

## 2.5 Operating and Management Structure

Africa50 seeks to ensure the independence and quality of its investments through strong governance, management, and legal structures.

### Organizational Structure

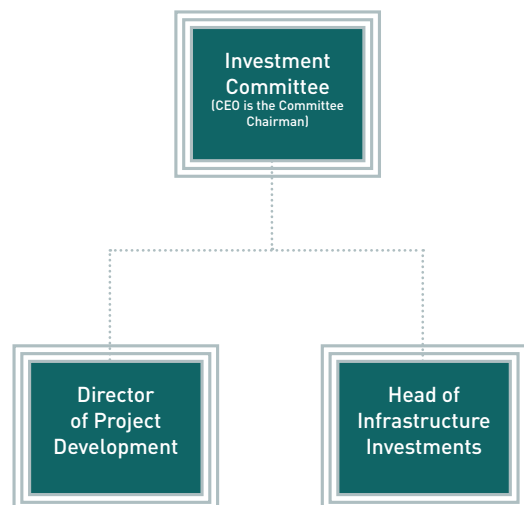


### Investment Decision-making Structure

Once a prospective deal is seen as viable by the investment teams, either under the Director of Project Development or the Head of Infrastructure Investments, the transaction is presented to Africa50's Investment Committee for approval.

Prior to presenting such a transaction to the Investment Committee for final approval, the teams carry out research analysis, consultations, due diligence missions and deal structuring, to examine how the deal meets Africa50's investment criteria.

The Investment Committee is made up of Africa50's CEO and external independent experts with extensive investment expertise in the various key sectors covered by Africa50.





## 2.6 Leadership

### Board of Directors



**Akinwumi Adesina**

Chairman of the Board of Directors  
President of the African Development Bank



**Imoni Akpofure**

Senior Associate,  
KINA Advisory Ltd



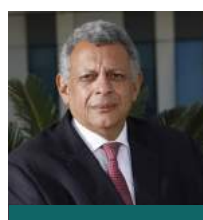
**Nouaman Al Aissami**

Deputy Director in  
charge of Financial  
Sector Pole, Treasury  
& External Finance  
Department, Ministry  
of Finance, Kingdom  
of Morocco



**Charles O. Boamah**

Senior Vice-  
President, African  
Development Bank



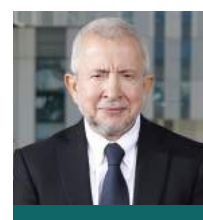
**Mohamed  
Hammam**

Former Assistant  
to the Minister  
of International  
Cooperation, Arab  
Republic of Egypt



**Monhla Wilma  
Hlahla**

Chairperson of  
the Board of Royal  
Bafokeng Holdings  
and Denel SOC  
Limited



**Assaad Jabre**

Board Member  
of the Mobile for  
Development  
Foundation and the  
Strategic Committee  
of Agence France  
Trésor



**Amadou Kane**

President, AKA  
Associates,  
Former Minister of  
Finance, Senegal



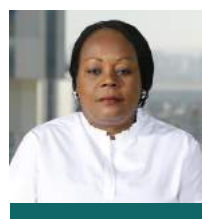
**Sophie L'Helias**

Co-founder of  
the International  
Corporate  
Governance  
Network and  
Founder of  
LeaderxxChange



**Albert Mugo**

Former managing  
Director and CEO  
of Kenya Electricity  
Generating  
Company



**Félicité Célestine  
Omporo-Enouany**

Advisor in charge of  
Economic Relations  
and Financial  
Institutions, State  
Ministry of Economy,  
Republic of Congo



**Henri Rabarijohn**

(Until 11 July 2019)  
Chairman, BNI  
Madagascar Bank

## Senior Leadership Team



**Alain Ebobissé**

Chief Executive Officer



**Carole Wainaina**

Chief Operating Officer



**Koffi Klousseh**

Director of Project Development



**Eric Ouedraogo**

Chief Financial Officer



**Kimberly Heimert**

General Counsel



**Raza Hasnani**

Head of Infrastructure Investments

## 2.7 Corporate Culture



We are passionate about **making a difference** in the lives of Africans through helping to improve the continent's infrastructure.

We value **teamwork and diversity**, learning from and being inspired by each other to navigate the complex world of infrastructure development.

We recognize and reward **high performance**, championing innovative ideas, while helping people grow personally and professionally.

We are committed to **continuous learning and growth**, valuing creativity and initiative within a well-structured management framework.

We continuously seek to demonstrate **stewardship** and seek excellence in the way we conduct business by deploying our resources in the most ethical, efficient and impactful manner.



## 2.8 Building the Africa50 Team

The Africa50 team has been growing steadily, more than tripling in 2018 to 45, with an emphasis on hiring investment staff. The Senior Leadership Team was completed in 2018, and the Africa50 - Project Development and Africa50 - Project Finance teams are nearing their full completion. The Board of Directors was expanded with the addition of five Independent Directors in 2018.

Africa50's staff is characterized by diversity and balance in gender, age, and national origin. 53% are male and 47% female, with about a third each

in the age groups 20-30, 30-40, and 40-60. National origins are equally diverse, with 20 countries represented, including the US, France, Haiti, India, and Pakistan and 15 African states (Botswana, Burkina Faso, Cameroon, Democratic Republic of Congo, Eritrea, Gabon, Ghana, Kenya, Morocco, Niger, Nigeria, Rwanda, Senegal, Togo, Uganda). Most team members have joined from top private sector firms, while others have experience in development finance institutions and government.







Part Three:  
Investment  
Activities

# PART THREE: INVESTMENT ACTIVITIES

## 3.1 Africa50- Project Development

### 3.1.1 Strategy

- Identify core infrastructure projects in shareholder countries, ensuring alignment between the selected project and the respective country's development priorities.
- Leverage government support to lessen implementation risks and delays.
- Engage as an active minority sponsor with strong developers to increase the likelihood of effective and efficient project execution.
- Work with other institutions, notably the African Development Bank, for project preparation, guarantees, concessional and commercial funding, transaction support, and public-sector funding.

### 3.1.2 Structure

- **Model:** Venture capital - funding early-stage risk with the expectation of a return and the right to invest equity at financial close.
- **Committed capital:** US\$90,354,000.
- **Investment size per project:** up to 10% of the committed capital for early stage equity.

## 3.2 Africa50- Project Finance

### 3.2.1 Strategy

- Invest equity and quasi-equity in private and PPP infrastructure transactions.
- Achieve attractive risk-adjusted returns while having a development impact.
- Source projects externally and through Africa50-Project Development.
- Secure an influential role in the investee companies and create value by exercising this role.
- Catalyze external capital from other commercial investors and by mobilizing long-term savings.

### 3.2.2 Structure

- **Model:** Private equity investment in infrastructure
- **Committed capital:** US\$781,292,000.
- **Investment size per project:** \$20-80 million, but flexible on a case-by case basis.

## 3.3 Investments

### 3.3.1 Portfolio Investments

Africa50 currently has 5 portfolio investments.

#### Africa50 - Project Development

Name	Country	Sector	Status	Project Development Final IC** Approval	Amount of Project Development Commitment (US\$,000)
Malicounda	Senegal	Power	JDA* Signed/Ongoing	16 March 2017	2,000
Scatec Nigeria	Nigeria	Power	JDA* signed/On Hold	12 December 2016	1,600

#### Africa50 - Project Finance

Name	Country	Sector	Status	Amount of Project Development Commitment (US\$,000)	Project Development Final IC** Approval	Project Finance Final IC** Approval	Amount of Project Finance Commitment (US\$,000)
Nachtigal	Cameroon	Power	Closed	600	17 September 2018	4 December 2018	47,510
Room 2 Run	Pan-African	Multi-sectors	Closed	n/a	n/a	16 July 2018	30,000
Scatec Egypt	Egypt	Power	Closed	7,800	31 May 2017	17 October 2017	29,741

\* JDA: Joint Development Agreement

\*\* IC : Investment Committee



## MALICOUNDA POWER PLANT

(Project Development portfolio investment)



### Senegal

Development of a greenfield 120MW combined cycle thermal power plant

Approved  
March 2017

Amount Committed  
Project Development:  
US\$2,000,000

A 120 MW combined-cycle thermal power plant at Malicounda, 85 kilometres from Dakar. It will initially run on fuel oil but is expected to be converted to natural gas when this becomes available from recently discovered fields. The electricity generated is expected to be fed into the network through an existing distribution substation.

#### Africa50's role:

Africa50 worked with Senelec (the Senegalese utility) to select a strategic partner (Melec PowerGen). The consortium of sponsors is currently working on securing debt financing. Construction is expected to commence in the coming months.

#### Partners:

Africa50, Senelec and Melec PowerGen. The African Development Bank is the Mandated Lead Arranger.

#### Fundamentals:

The plant is a significant addition to power production in Senegal and is expected to reduce the supply gap. Conversion to locally produced gas is expected to further lower the costs and provide for cleaner energy production. A 20-year Power Purchase Agreement with a competitive feed-in tariff should help to attract investors, under a Build, Own, Operate and Transfer (BOOT) model.

#### Development impact:

The plant fits in with Senegal's strategy to increase energy production while reducing costs. It is expected to increase generation capacity by around 17%, while reducing costs by 14%, which could potentially result in a 3-7% fall in tariffs. The plant also is expected to help satisfy base loads, facilitating the integration of intermittent renewable power into the country's network. About 150 jobs are expected to be created during construction.



## SCATEC NIGERIA SOLAR POWER PLANT

(Project Development portfolio investment – on hold)



### Nigeria

Development of a 100MW solar photovoltaic power plant



Approved  
December 2016

Amount Commitment  
Project Development:  
US\$1,600,000

Scatec Nigeria is a ground-mounted 100 MW solar photovoltaic power plant located near Dutse in Jigawa state, on 200 ha of land which is currently used as farmland.

#### Africa 50's role:

Act as a project development and long-term equity partner. Facilitate interactions with government entities and prospective lenders.

#### Partners:

Africa50, Scatec Solar, Norfund

#### Fundamentals:

The plant enjoys reliable solar resources and direct access to the grid under a 20-year Power Purchase Agreement with Nigerian Bulk Electricity Trading. The power is expected to be evacuated through a dedicated 132 kV overhead

transmission line that is expected to connect the plant to the Dutse substation, located 3.7 kilometers from the project site.

#### Development Impact:

The plant is expected to produce about 200 GWh of power a year, increasing generation capacity by 2%, which is expected to contribute to alleviating the energy deficit currently addressed with expensive and polluting diesel generators. It is expected to avoid about 120,000 tons of CO2 emissions annually and could reduce indoor pollution if grid extensions allow households to transition from firewood and kerosene to grid power. It is expected to create 200-300 jobs during construction and 10-15 during operations.



## NACHTIGAL HYDROPOWER PLANT

(Project Finance portfolio investment)



### Cameroon

Construction and operation of a 420 MW hydropower plant



Approved  
December 2018

Amount Commitment  
Project Development:  
US\$600,000  
Project Finance:  
US\$47,510,000

The construction and operation of a 420 MW hydropower plant in Cameroon near Nachtigal Falls, 65 kilometers from Yaoundé, as well as a 50-kilometer transmission line to Nyom. It is projected to be completed in 2023 and operated under a 35-year concession.

#### Africa50's role:

Africa50 acquired 15% of the equity stake in the Nachtigal Hydro Power Company (NHPC) from the Government of Cameroon.

#### Partners:

The shareholding of NHPC is comprised of EDF (40%), IFC (20%), the Republic of Cameroon (15%), Africa50 (15%), and STOA (10%).

#### Fundamentals:

The project consists of roller compacted concrete dams, a headrace channel, a power plant with seven generating units, a generation substation, and a transmission

line. The reservoir of 421 hectares is expected to hold 27.8 cubic hectometers of water. The total cost of €1.2 billion will be funded with equity and a blend of DFI and commercial banks loans. The lender group coordinated by IFC includes 11 DFIs and four commercial banks coordinated by Morocco's Attijariwafa Bank. The World Bank has provided a Partial Risk Guarantee.

#### Development impact:

Nachtigal is part of Cameroon's plan to improve the reliability of its energy sector and access to power, with the plant intended to address about 30% of the country's energy needs. The power is expected to be sold to the national utility company at a relative competitive price, thereby benefiting Cameroonian consumers and boosting the economic and industrial development of the country. The project is expected to create up to 1,500 direct jobs during construction (65% locally sourced), and many permanent jobs upon completion in 2023.





## ROOM2RUN SYNTHETIC SECURITIZATION

(Project Finance portfolio investment)

### Pan-African

Multisector

### Approved

July 2018

### Amount Commitment

Project Finance:

US\$30,000,000

A US\$1 billion synthetic securitization program of a portfolio of seasoned pan-African loans originated by the African Development Bank.

#### Africa50's Role:

Africa50 and Mariner Investment Group (a US investment firm) invested through a Risk Protection Agreement.

#### Partners:

African Development Bank (AfDB), Mariner Investment Group, Africa50 and the European Commission

#### Fundamentals:

Room2Run is the first-ever synthetic portfolio securitization between a multilateral development bank (MDB) and private sector investors, pioneering the use of securitization and credit risk transfer technology in a new segment of the financial markets. The transaction responds to the G20 Action Plan for MDB balance sheet optimization. Structured by Mizuho International, it seeks to transfer

the mezzanine credit risk on a portfolio of approximately 50 AfDB non-sovereign loans in the power, transportation, financial, and manufacturing sectors. Additional credit protection is being provided by the European Commission's European Fund for Sustainable Development in the form of a senior mezzanine guarantee.

#### Development Impact:

Thanks to the securitization, the AfDB is expected to redeploy its freed-up capital into renewable energy projects in sub-Saharan Africa, including projects in low income and fragile countries. Room2Run also aims to provide a template for attracting private capital into developing economies in a commercially viable way, allowing investors to benefit from the growth of African infrastructure. In addition, rating agencies are expected to reflect the benefits of the risk transfer in their assessments for MDBs, setting the stage for broader adoption.

# FIRST TRANCHE OF THE 400 MW BENBAN SOLAR POWER PLANT IN EGYPT STARTS OPERATIONS

“This project is the first early-stage investment through its project development arm to be converted into a long-term equity investment made by its project financing arm.”

**Dr. Akinwumi Adesina**

**President of the African Development Bank**

“This project is the first Africa50 investment that has entered into commercial operations and is delivering power to households and businesses in a shareholder country. It is a good example of how Africa50, working with effective partners such as Scatec and Norfund, as well as the Egyptian authorities, can facilitate infrastructure project development in Africa.”

**Alain Ebobissé**  
**CEO of Africa50**

## SCATEC EGYPT BENBAN SOLAR POWER PLANTS

(Project Finance portfolio investment)



### Egypt

Development and Construction of six solar power plants totalling 400MW

### Approved

October 2017

### Amount Commitment

Project Development:  
US\$7,800,000

Project Finance:  
US\$29,741,000

Development and construction of six solar power plants totalling 400 MW under Egypt's Feed-in-Tariff program. Total project costs are expected to be about \$450 million. Financial close was reached in October 2017 and the first two plants became operational in April and May 2019. All the plants are expected to achieve commercial operation by October 2019.

#### Africa 50's role:

Africa50 is a project development and long-term equity partner (25%).

#### Partners:

Africa50, Scatec Solar and Norfund. Senior debt is provided by the European Bank for Reconstruction and Development, the Islamic Development Bank, and the Islamic Corporation for the Development of the Private Sector.

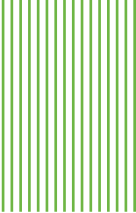
#### Fundamentals:

The 42-plant Benban Solar Park site has ample solar resources and interconnection facilities funded under a cost-sharing agreement. Power is sold to the Egyptian Electricity Transmission Company under a 25-year Power Purchase Agreement, backstopped by the Government of Egypt. Benban's links to the infrastructure of the Aswan Dam will help combine hydro, wind, and solar power.

#### Development impact:

The plants, which supports Egypt's ongoing reform and diversification of the power sector, are expected to produce about 870 GWh of power per year, avoiding 350,000 tons of CO2 emissions annually, which is expected to position Egypt as a major regional solar power producer. Africa50's six plants are projected to create about 1,000 jobs during the construction phase.

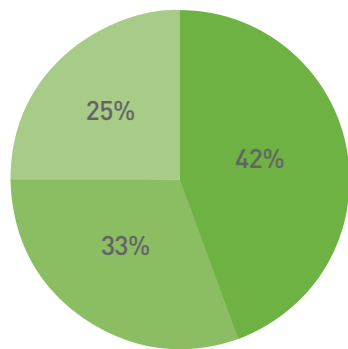




### 3.3.1 Pipeline and Prospective Investments\*

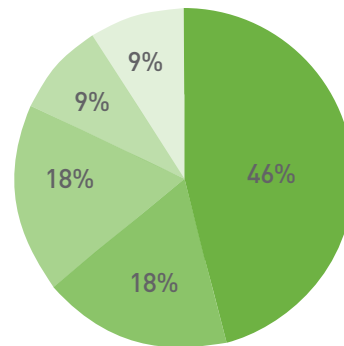
Africa50's Pipeline and Prospective Investments are composed of 24 deals (as of 15 June 2019), distributed as follows:

Africa50 – Project Development pipeline and prospective investments allocation (by sector)



■ Transport ■ Power ■ ICT

Africa50 – Project Finance pipeline and prospective investments allocation (by sector)



■ ICT ■ Midstream Gas ■ Transport ■ Logistics ■ Power Gas

\* Pipeline and Prospective Investments are investments that either have received initial or final Investment Committee approval, but have not committed, or have not yet received any type of Investment Committee approval





## Africa50 Signs Term Sheet with the Republic of Rwanda to Help Develop Kigali Innovation City

In November 2018, Africa50 signed a JDA Term Sheet with the Rwanda Development Board (“RDB”), pursuant to which Africa50 is to have exclusive rights to work with RDB to design, develop, finance, construct and operate certain components of the Kigali Innovation City (KIC).

KIC is expected to house international universities, technology companies, biotech firms, and commercial and retail real estate in an area of 70 hectares. As a key component of the Rwandan government’s Vision 2020 development program, KIC aims to attract technology companies from all over the world to Rwanda to create an innovation ecosystem and further a knowledge-based economy.

KIC is projected to create over 50,000 jobs and generate US\$150 million in ICT exports annually, as well as attracting over US\$300 million in foreign direct investment. Over 2600 students are expected to graduate annually from its universities over 30 years, adding to Rwanda’s and Africa’s pool of tech-savvy entrepreneurs.



## Africa50 in Landmark Bridge Project Linking Kinshasa and Brazzaville

On 7 November 2018, on the sidelines of the Africa Investment Forum, the African Development Bank (AfDB) and Africa50 signed a preliminary framework agreement with the Democratic Republic of Congo and the Republic of Congo setting forth the terms and conditions under which the African Development Banks and Africa50 could develop and finance the first road-rail bridge project linking their capitals - Kinshasa and Brazzaville.

The framework agreement contemplates that the project will be developed as a public private partnership, with AfDB acting as the debt provider under the aegis of the Economic Community of Central African States. As the main developer, Africa50 would lead the project development, help select a strategic partner, and provide equity for construction.

This landmark project, part of the Programme for Infrastructure Development in Africa (PIDA) Priority Action Plan, consists of a 1.575-kilometer toll bridge over the Congo River. It is expected to include a single railway track, a double-lane road, sidewalks, and a border checkpoint at each end. It is expected to be connected to existing road infrastructure in both countries. The cost estimated in 2017 was US\$550 million.

The bridge is expected to improve transport networks between Kinshasa and Brazzaville. The two closest capitals in the world are currently only linked by ferries. Upon completion, the existing traffic of an estimated 750,000 people and 340,000 tons of freight a year, is projected to increase to over 3 million people and 2 million tons of freight by 2025.





A person wearing a white lab coat is shown from the chest down, holding a blue, handheld device with a white sensor tip. They are in a laboratory or office environment with blue lighting. In the background, there is a computer monitor displaying a network diagram and a desk with a mouse and glasses.

## Part Four:

A Peek Into The  
Future

Investing in Africa's Last Mile  
Connectivity

## PART FOUR: A PEEK INTO THE FUTURE

### Investing in Africa's Last Mile Connectivity

Adoption of Information and Communications Technologies (ICTs) is now broadly acknowledged to be a core enabler of the United Nations' Sustainable Development Goals (SDGs). As a sign of the importance of connectivity, target 9 of the SDGs aims to "significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in Least Developed Countries by 2020".

The economic impact of increased access to connectivity has long been demonstrated, with several studies outlining the correlation between increased broadband penetration and faster GDP growth<sup>18</sup>. The increased adoption of ICTs grows the economy, by helping unlock the often-stunted potential of key sectors such as agriculture, financial services or transportation.

At a social level, higher Internet adoption helps transform people's lives by providing a platform for the development of a wide array of enabling digital tools that improve day-to-day lives and provide pathways for economic empowerment.



### 4.1 A decade of ICT infrastructure progress

In few regions is the need for such a connectivity boost as vital as in Africa. The continent is home to 80% of the world's least developed countries and around 17% of the global population but accounts for only around 5% of global broadband connections, according to International Telecommunications Union (ITU) data.

A lot of progress has been made over the past decade towards increasing access to connectivity in the region. Since 2010, around US\$120 billion has been invested by the private sector and governments in building Africa's digital infrastructure, according to data from Xalam Analytics. Investments in submarine cable systems have boosted Africa's international capacity supply nearly tenfold since 2010<sup>19</sup>. There are now a dozen Africa-focused international cables connecting Africa to the world. Bandwidth capacity on African shores crossed the 100 Tbps mark in 2018

(Figure 4.1), a significant milestone in the efforts to resolve what had been a longstanding bottleneck for African Internet growth.

Efforts to build up terrestrial fiber infrastructure have also intensified over the past ten years, transforming Africa's fiber backbone and metro markets. Private fibercos (fiber optic cable companies) like Liquid Telecom have deployed extensive cross-country fiber networks. Others, like Dark Fiber Africa and CSquared, have upended the wholesale fiber models prevailing within Africa's urban centers; and a wide range of state-funded fiber backbone projects are transforming the African wholesale terrestrial fiber landscape. Since 2010, African countries have added around 400,000 kilometers in new terrestrial fiber links<sup>20</sup>, extending the reach of digital infrastructure beyond the urbanized coastal cities to thousands of towns in the interior.

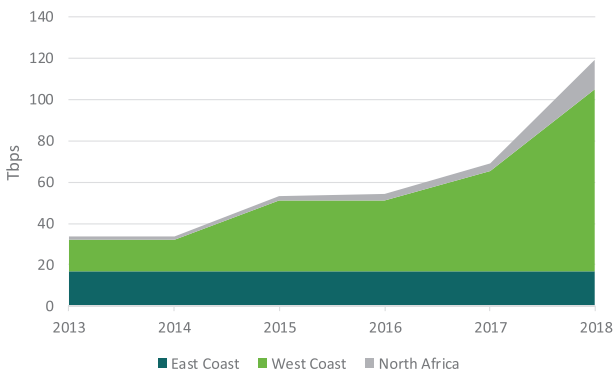
<sup>18</sup> <http://pubdocs.worldbank.org/en/391452529895999/WDR16-BP-Exploring-the-Relationship-between-Broadband-and-Economic-Growth-Minges.pdf> and [https://www.itu.int/ITU-D/treg/broadband/ITU-BB-Reports\\_Impact-of-Broadband-on-the-Economy.pdf](https://www.itu.int/ITU-D/treg/broadband/ITU-BB-Reports_Impact-of-Broadband-on-the-Economy.pdf)

<sup>19</sup> The Future of African Bandwidth Markets, a Xalam Analytics report – May 2017

<sup>20</sup> The Future of African Backbone & Metro Fiber Networks, a Xalam Analytics report – August 2018



**Figure 4.1: Evolution of Africa's Bandwidth Capacity**



Source: Xalam Analytics estimates

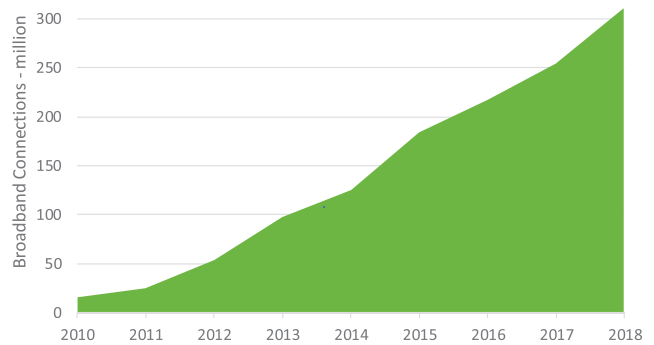
Considerable efforts have similarly been expended towards strengthening Africa's data hosting infrastructure with locally-based data centers, a vital component of a robust African Internet infrastructure. Africa's available data center colocation space has nearly doubled in size since 2014; as a sign of growing interest in this segment, investments in data center infrastructure doubled in 2018<sup>21</sup>, driven by strong demand by global hyperscale and international Internet content providers looking to establish a beachhead on the continent.

All these infrastructure developments have underpinned significant growth in African Internet adoption. At the end of 2018, the number of broadband connections in Africa crossed the 300m mark (Figure 4.2), nearly twenty times 2010 levels, according to data from the ITU. Across Africa, the expanded last mile connectivity infrastructure is expected to provide a foundation for economic growth, along with the opportunity to bypass traditional models to digitize transactions and interactions between consumers, businesses and governments.

African commercial banks are making investments in machine learning and Artificial Intelligence (AI) tools to improve customer experience and credit risk management. In Kenya, government-managed Huduma centers are using virtualized infrastructure to enhance public service delivery. South African cities are investing in Platform as a Service (PaaS) solutions to develop flexible traffic applications.

Large consumer retail firms such as Tusky's and Pick n Pay are using cloud compute capabilities to develop their e-commerce offerings and transform how they reach a predominantly mobile and increasingly digital customer base. And African startups are leveraging improved connectivity to access the advanced compute, storage, database, analytics and cognitive capabilities offered by cloud services to transform the customer experience and disrupt entire industry sectors.

**Figure 4.2: Evolution of Africa's Broadband Connections**



Source: ITU

## 4.2 Connecting Africa's Next Billion

While such progress has been considerable, significant challenges persist that if not adequately addressed threaten Africa's ability to fully harness the potential of digital technologies. Around 75% of Africa's population was unconnected to the Internet as of 2018, according to the International Telecommunications Union (ITU)<sup>22</sup>. The overall availability and reach of highspeed broadband networks, while improved, remains a major hurdle to more inclusive adoption of broadband, creating a growing access gap between African countries, between urban and rural areas, and between Africa and the rest of the world.

The magnitude of these access gaps is even starker if the definition of broadband is expanded to reflect technology evolution. As more countries look to 5G networks and highspeed, unlimited fiber access, the expectation of what constitutes minimum levels of download speeds is evolving, to accommodate adequate end-user experience in the use of cloud services and new applications built around

<sup>21</sup> The African Data Center Colocation Boom, Xalam Analytics Report - November 2018

<sup>22</sup> <https://www.itu.int/en/mediacentre/Pages/2018-PR40.aspx>

blockchain, real-time analytics or AI. On this score (and using 10 Mbps as minimum access speeds), nearly 90% of the African population was still unconnected to highspeed broadband networks as of 2018. And despite a notable increase in the number of 4G networks, slightly more than 60% of the African population was still not covered by 4G technology.

The affordability of Internet connectivity is another significant obstacle to last mile broadband adoption in the African continent. Less than half of the population covered by existing 3G/4G networks is actively connected to broadband networks, largely due to the high cost of access<sup>23</sup>. While Internet access prices have been in decline across Africa, research by the Alliance for Affordable Internet shows that access to the Internet remains unaffordable for most Africans. In at least a quarter of African markets, 1GB of data costs more than 10% of the monthly average income<sup>24</sup>.

Such pervasive constraints have stunted the growth of more inclusive broadband in Africa and made it more difficult for the continent to fully maximize the benefits afforded by highspeed broadband infrastructure. They now pose a fundamental economic challenge, retarding government ability to diversify historically resource-based economies and create new pools of private sector jobs.

### 4.3 Last Mile Connectivity Infrastructure to Enter the Fourth Industrial Revolution

Accelerating last mile connectivity adoption has thus become a vital component of transforming African economies and connecting Africa's unconnected has gained new urgency. Digital tools such as AI, big data or cloud services may offer potential for transformation, but at their core, they are bandwidth-hungry, low-latency applications, potentially highly dependent on the availability and reliability of the broadband pipe that enables them, and their ultimate impact a function of the scale of

end-user adoption of last mile connectivity. In effect, constrained broadband growth poses a considerable risk to Africa's ability to fully partake in the fourth industrial revolution.

More inclusive access to broadband also creates a virtuous cycle that could unlock new pathways of economic activity. As more people and enterprises adopt broadband connectivity, demand for digital consumer and public services expands and is addressed through a wide range of tools and platforms, from e-commerce to mobile agriculture and smart cities. In a continuous cycle of societal digital transformation, this increased demand in digital platforms, in turn, would be expected to boost demand for additional connectivity.

### 4.4 Beyond Capital: The Need for Innovative Technology and Business Models

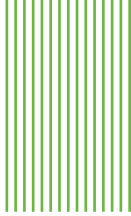
Overcoming traditional infrastructural and market challenges to offer ubiquitous and affordable connectivity in Africa and create the conditions for such digital transformation is, plainly, a generational challenge. It is one that calls for a transformational mix of increased capital investment, innovative technology, and business models, fresh approaches to mobilizing capital and close collaboration between governments and their international partners, the private sector and civil society.

Capital requirements to achieve deeper and more inclusive access to broadband in Africa are considerable. Provisional estimates developed as part of the World Bank Africa Digital Moonshot project put investment requirements to achieve universal access to broadband in Africa at upwards of US\$100 billion over the next decade, to build and maintain broadband networks, build the user skills and local content foundations necessary to ensure adoption, and establish policy and regulation frameworks that foster extensive and inclusive broadband adoption<sup>25</sup>.

<sup>23</sup> Xalam Analytics estimates

<sup>24</sup> <https://a4ai.org/new-mobile-broadband-pricing-data-reveals-stalling-progress-on-affordability/>

<sup>25</sup> Xalam Analytics estimates; provisional



Expanding Africa's access to last mile connectivity requires more than mere capital. New technology deployment approaches are needed to extend the reach of last mile connectivity to areas or income groups where commercial viability has typically been in question. Many have been deployed or are under exploration. In Kenya and Nigeria, Internet providers like Mawingu and Tizeti are rolling out agile, extensive hotspot networks in low-income and remote areas as a cost-effective alternative to traditional solutions. In Rwanda, Vanu Networks uses solar-powered, low-capacity small cells to provide connectivity to remote rural areas, at a fraction of the capital and operating costs incurred by traditional models.

Likewise, the potential of airborne solutions such as balloons or drones is gaining more attention. In Kenya, Google sister company Loon has partnered with Telkom Kenya to explore the provision of connectivity from balloons floating 20 km above sea level<sup>26</sup>. HapsMobile, a Softbank company, has developed a solar-powered drone that aims to deliver connectivity at 5G<sup>27</sup> speeds to hard-to-reach locations. High Throughput Satellite (HTS) ventures like Oneweb and SpaceX are emerging to challenge the traditional economics of delivering satellite bandwidth to remote locations.

Achieving pervasive and affordable last mile broadband connectivity is also about upending traditional models in markets where consumer average monthly spend on ICT is typically lower than \$3.00 a month. Serving low-income, bottom-of-the-pyramid consumers in an economically sustainable manner requires new, hybrid models that redefine stakeholder relationships and better spread the risk between market participants<sup>28</sup>.

For example, an increasingly popular approach to deploying fiber networks in Africa is the co-investment model, whereby companies that are otherwise competitors combine forces to bring down the initial capital expenditure required to roll



out a fiber network. Likewise, emerging wholesale mobile broadband network models aim to optimize broadband investment by emphasizing infrastructure sharing and refocusing the role of various actors in the broadband value chain. At the retail level, models that lower the initial cost of access (potentially through free user packages) to build scale adoption are garnering increased attention.

Innovative approaches to financing the deployment of African ICT infrastructure are also vital, in light of the extensive scale of investment required and the inherent complexity of large-scale ICT projects. New approaches may include an increase in the amount of financing allocated to smaller, often transitional projects to secure small, but highly impactful, wins, integrating digital access as a cross-cutting component of larger infrastructure projects (e.g. in the energy, transportation or health sectors), or optimizing the use of government incentives to attract private capital and improve the rural project business case<sup>29</sup>.

As capital, technology and African innovation come together, African markets find themselves at the onset of a new phase of transformation of their digital infrastructure. And it all starts with developing extensive, affordable last mile broadband connectivity and innovative delivery models. There is much at stake, and the challenges are considerable – but so are the opportunities to build the foundations for closing the connectivity access gap and enabling Africa's effective participation in the fourth industrial revolution.

<sup>26</sup> Google's Loon Brings Internet by Balloon to Kenya, July 2018, <https://www.bbc.com/news/technology-44886803>

<sup>27</sup> Internet connectivity projects unite as Alphabet spinout Loon grabs \$125M from SoftBank's HAPSMobile, April 2019, <https://techcrunch.com/2019/04/24/alphabet-spinout-loon-grabs-125m-from-softbank/>

<sup>28</sup> Business Models for the Last Billion, Market Approaches to Increasing Internet Connectivity, USAID, April 2016

<sup>29</sup> Closing the Development Gap: How Multilateral Development Banks Can Contribute to Digital Inclusion, Alliance for Affordable Internet, April 2018, [http://a4ai.org/wp-content/uploads/2018/04/MDB-Investments-in-the-ICT-Sector\\_Executive-Summary.pdf](http://a4ai.org/wp-content/uploads/2018/04/MDB-Investments-in-the-ICT-Sector_Executive-Summary.pdf)

## Key Internet Infrastructure Segments

### INVISIBLE MILE

Hidden elements that are vital to ensuring the integrity of the value chain



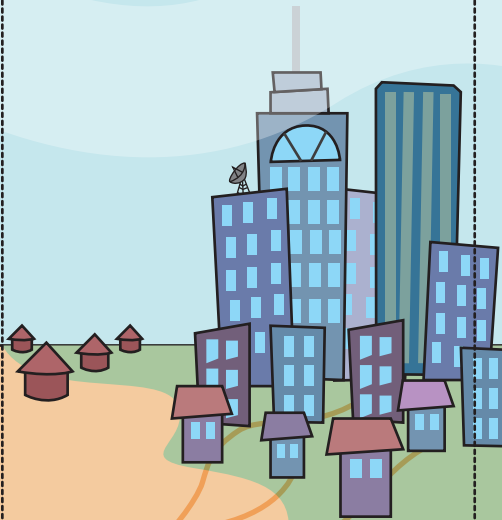
### FIRST MILE

Where the internet enters the country



### MIDDLE MILE

Where the internet passes through that country



### LAST MILE

Where the internet reaches the end user



Source: World Bank; World Digital Report, 2016

## Exhibit: Africa50 launches its Innovation Challenge to help increase access to internet in Africa

Africa50 launched the first edition of its Innovation Challenge at the 2019 Transform Africa Summit which was held in Kigali from 14 to 17 May 2019. Through this initiative, Africa50 seeks to crowdsource innovative solutions to help increase access to high-speed internet in under-served areas in Africa.

The call is open for ICT developers, innovators, engineers, entrepreneurs to submit workable solutions, via an online platform, to be assessed by the Africa50 investment team and its partners. The winning solutions will receive cash prizes and/or will be considered for project development funding. Projects are expected to be rolled-out in Rwanda as the pilot country, with the objective to scale them up to other countries in Africa



Despite significant progress in recent years, 75% of Africans still do not have access to the internet. In today's digital age, they are missing out on one of the best ways to access knowledge, social services and economic opportunities.

At the launch, Africa50 Chief Operating Officer Carole Wainaina said: *"As a pan-African investment entity, we are committed to contribute to our continent's most critical and pressing development challenges. Internet connectivity is a key driver for inclusive growth, provided it is accessible, affordable, easy-to-use and adapted to people's needs. This Challenge is an exciting opportunity for us to engage with the most creative minds to find novel solutions that can help address all these factors and tackle last mile connectivity in a holistic and sustainable manner. We see this as a huge opportunity and are ready to work with savvy investors and innovators, acting as a bridge to regulators and governments."*

During the launch ceremony, Mr. Lacina Koné, the Director General of Smart Africa, welcomed the initiative *"Africa50's Innovation Challenge is in line with Smart Africa's vision of developing the continent's single digital market. Indeed, this endeavor will require*

*collaborative efforts from all players in the connectivity value chain, and the financing of infrastructure is a critical element. We would like to commend Africa50 for this initiative and we look forward to the outcome of the challenge.”*

For this Challenge Africa50 will exceptionally consider projects at pilot stage, with smaller funding needs, with the intention of scaling them up into bankable projects with broad impact.

Africa50 is implementing the challenge in partnership with DysruptUs, a firm specializing in the organization of innovation challenges to solve global social and economic needs, and with Informa, a leading international events and knowledge group.

Through the platform, the solutions can be submitted worldwide. Individuals and organizations with a strong passion for developing innovative solutions are encouraged to apply. Submitted solutions to the Challenge will be reviewed by a group of experts in ICT, investment, and international development. Finalists will be invited to present their solutions at AfricaCom in November 2019 in Cape Town.

**Applications are open from 14 May until 8 September 2019  
on the website: [www.africa50innovationchallenge.com](http://www.africa50innovationchallenge.com)**







# AFRICA<sup>50</sup>

INVESTING IN INFRASTRUCTURE  
FOR AFRICA'S GROWTH





Part Five:  
Audited  
Financials

AFRICA<sup>50</sup>

INVESTING IN INFRA-STRUCTURE  
FOR AFRICA'S GROWTH





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# AFRICA50 - PROJECT DEVELOPMENT

INDEPENDENT AUDITOR' REPORT ON THE  
FINANCIAL STATEMENT

For the year ended December 31, 2018

Allée des Abricotiers  
Quartier Hippodrome  
2000 Casablanca  
Morocco

This report contains 24 pages  
Reference: VF-19-02-81

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# AFRICA50 – PROJECT DEVELOPMENT

Registered office: Allée des Abricotiers - Quartier Hippodrome- 2000 Casablanca - Morocco

## INDEPENDENT AUDITOR' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

To the shareholders of Africa50 - Project Development,

### Opinion

We have audited the accompanying financial statements of Africa50 – Project Development ("the Entity") which comprise the balance sheet as at December 31, 2018 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements based on International Standards on Auditing, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Africa50 – Project Development Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

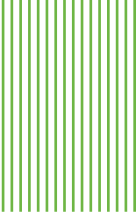
Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### **Auditor' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 entity'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**Paris La Défense, June 18th 2019**

**KPMG S.A.**

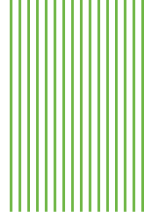


**Valéry Foussé**

**Partner**







# AFRICA50 - PROJECT DEVELOPMENT

## Financial statements

As at December 31st 2018(USD)

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## Balance sheet

In USD for the year ended December 31<sup>st</sup> 2018

<b>Assets</b>	<b>Notes</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Cash equivalents	C1	3,010,065	2,983,056
Accrued interests on cash equivalents	C2	2,251	305
Other receivables		0	3,148
Various creditors	C3	19,480,781	20,219,723
Capitalized projects	C4	571,478	315,050
<b>Total assets</b>		<b>23,064,575</b>	<b>23,521,282</b>
<b>Liabilities</b>		<b>31/12/2018</b>	<b>31/12/2017</b>
Accounts payable		35,608	49,600
Other debts	C5	2,799,617	0
Equity		<b>20,229,350</b>	<b>23,471,682</b>
Paid-up capital	C5	24,463,495	23,582,971
Profit(loss)		-4,122,857	-30,068
Reserves and retaining earnings		-111,288	-81,220
<b>Total liabilities</b>		<b>23,064,575</b>	<b>23,521,282</b>

The accompanying notes to the financial statements form part of this statement.

## Income statement

In USD for the year ended December 31<sup>st</sup> 2018

<b>Income</b>	<b>Notes</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Net income from operations		<b>4,498,459</b>	<b>1,779,790</b>
Revenues from sold projects		5,126,400	7,206,232
Cost price of sold projects		-627,941	-5,426,442
Financial revenues		<b>214,351</b>	<b>249,347</b>
Revenues from cash & cash equivalent		223,601	254,508
Depreciation		-	-
Foreign currency gains & losses		-9,251	-5,161
<b>Total income</b>	<b>C6</b>	<b>4,712,810</b>	<b>2,029,137</b>
<b>Expenses</b>			
Expenses on projects	C8	<b>767,928</b>	<b>453,078</b>
Administrative expenses	C7	<b>8,067,739</b>	<b>1,606,127</b>
Salaries and benefits		4,091,923	429,371
Other expenses		3,975,816	1,176,757
<b>Total Expenses</b>		<b>8,835,667</b>	<b>2,059,205</b>
<b>Net result</b>		<b>-4,122,857</b>	<b>-30,068</b>

The accompanying notes to the financial statements form part of this statement.

## Statement of comprehensive income

In USD for the year ended December 31<sup>st</sup> 2018

	31/12/2018	31/12/2017
Net profit for the year	-4,122,857	-30,068
Other items of the comprehensive income		-
Items that will not be classified to profit or loss		-
Total of other items of the comprehensive income		-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-4,122,857</b>	<b>-30,068</b>

The accompanying notes to the financial statements form part of this statement.

## Statement of cash flows

In USD for the year ended December 31<sup>st</sup> 2018

	31/12/2018	31/12/2017
Cash flows from		
<b>Operating activities</b>		
Net profit of the year	-4,122,857	-30,068
Adjustments to reconcile the revenue to the net resources generated by the operational activities	-256,428	-315,050
<b>Investing activities</b>		
Financial investments	-1,946	-305
Change in other receivables and payables	3,527,716	-750,344
<b>Financing activities</b>		
Cash from capital subscriptions	880,525	1,124,995
<b>Total of cash flows</b>	<b>27,009</b>	<b>29,227</b>
Cash and cash equivalents at the beginning of the period	2,983,056	2,953,829
Increase in cash and cash equivalents	27,009	29,227
<b>Cash at the end of period</b>	<b>3,010,065</b>	<b>2,983,056</b>

The accompanying notes to the financial statements form part of this statement.

## Statement of changes in equity

In USD for the year ended December 31<sup>st</sup> 2018

	Capital Subscriptions Paid	Cumulative Exchange Adjustment on Subscriptions	Reserves Retained Earnings	Total Equity
<b>BALANCE AT 1 JANUARY 2017</b>	<b>22,457,976</b>		<b>-81,220</b>	<b>22,376,756</b>
Net loss for the year			-30,068	-30,068
Other comprehensive income				0
Net increase in paid-up capital	1,124,995			1,124,995
Net conversion gains on new subscriptions				
<b>BALANCE AT 31 DECEMBER 2017 AND 1 JANUARY 2018</b>	<b>23,582,971</b>		<b>-111,288</b>	<b>23,471,683</b>
Net loss for the year			-4,122,857	-4,122,857
Other comprehensive income				0
Cumulative IFRS 9 Adjustment				0
Net increase in paid-up capital	880,524			880,524
Net conversion gains on new subscriptions				0
<b>BALANCE AT 31 DECEMBER 2018</b>	<b>24,463,495</b>		<b>-4,234,145</b>	<b>20,229,350</b>

The accompanying notes to the financial statements form part of this statement.

# AFRICA 50 – PROJECT DEVELOPMENT

## NOTES TO FINANCIAL STATEMENTS

As at December 31st 2018 (USD)

### Note A – Mission, operations and organization

Africa50 – Project Development (Africa50-PD) is a financial company with a special legal status, an authorized share capital amounted to 500,000,000 USD and a subscribed capital of 90,354,000 USD.

AFRICA50- PD is an African multilateral institution of development whose mission is to:

- i) Identify and develop infrastructure projects to support sustainable economic development in Africa on both national and regional levels, by investing money in the initial phase of the project development cycle of projects and harnessing new sources of capital for infrastructures financing in Africa;
- ii) Identify and recruit top-notch experts (including those of the engineering, finance, economics, law, environmental and social sectors) to work in cooperation with African governments and private investors in order to shorten development project cycles and maximize the chances of success of development projects;
- iii) Mobilize necessary political support to initiate the reforms required to ensure the operational, financial and economic viability of investment, and reduce the risk of project development and implementation delays;
- iv) Conclude agreements and arrangements with any government, municipality or other local entity or party that might work towards enabling Africa50 – PD to carry out any activity related to its mission; obtain from these authorities or entities all rights, privileges and exemptions that Africa50 – PD might deem necessary to initiate, implement and comply with the term of such arrangements, rights privileges and exemptions;
- v) Provide technical assistance and advisory services for the assessment, preparation and implementation of infrastructure projects located in Africa;
- vi) Borrow and raise funds, issue securities, obligations, bonds, guarantees and other instruments, as well as provide guarantees and other commitments to third parties;
- vii) Hold investments of all types (including, but not limited to, investments in securities, stocks and bonds);

- viii) Obtain any administrative or legislative document that would allow Africa50 – PD to properly fulfill its mission or make any amendment to its statutes or for any other purpose which may be deemed necessary, and help to prevent any process or measure that could directly or indirectly undermine the interests of Africa50 – PD;
- ix) More broadly, take all measures related directly or indirectly to the aforementioned operations in order to facilitate, promote and develop the activities of Africa50 – PD.

The lifespan of Africa50 – Project Development is 99 years.

## Note B – Summary of significant accounting policies

The financial statements of Africa50 – PD are established in accordance with the International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standards Board (IASB). The financial statements were established based on the historical cost, except for some assets and financial liabilities that are recorded on the basis of fair value, depending on the situation.

The principal accounting policies applied in the preparation of the financial statements are summarized below, but where possible, they have been shown in a specific Note in order to assist the reader's understanding. These policies have been consistently applied and apply to all years presented.

The financial statements are prepared on a going concern basis and presented to the nearest American dollar (USD).

### Functional and accounts presentation currency

The US Dollar is the functional and reporting currency.

Standards, amendments and interpretations applied for the first time in 2018

New standards or interpretations	Date of application
IFRS 15 – Revenue from contracts with customers	Fiscal year beginning on January 1 <sup>st</sup> , 2018
IFRS 9 – Financial instruments	Fiscal year beginning on January 1 <sup>st</sup> , 2018
Amendments to IAS 40 – Investment property	Fiscal year beginning on January 1 <sup>st</sup> , 2018
IFRIC 22 Interpretation – Foreign currency transactions and advance payments	Fiscal year beginning on January 1 <sup>st</sup> , 2018





### IFRS 9 Financial instruments

Since the financial crisis of 2008, IAS 39 on financial instruments has been subject to many criticisms. The IASB has therefore replaced it with IFRS 9 applicable since January 1, 2018. This new standard revisits the rules applicable to the classification and valuation of financial assets.

In this new classification, a financial asset is valued at fair value through the profit and loss account, unless it meets the following two conditions:

- The SPPI test (solely payment of principal and interests): the cash flows of the assets must correspond only to the repayment of principal and interest on the principal remaining due.
- The business model takes one of the two following forms: either collect the contractual cash flows and keep to maturity (HTC: held to collect); or collect the contractual flows and sell the asset (HTCS: held to collect and sell).

Therefore, if the financial asset meets the SPPI and HTC condition, it will be recorded on the balance sheet according to the amortized cost model (for its historical value). And if it meets the condition SPPI and HTCS it will follow the model of the fair value by OCI (other comprehensive income) recyclable, in this case the unrealized gains or losses are entered directly in equity and will be recycled in the income statement at the time of resale.

Nevertheless, for non-consolidated shares (not held for trading or investment purposes), which do not meet the two conditions mentioned above, an option has been provided to minimize the volatility of the result which is not in line with the Management objective. This election is made on the initial recognition date, instrument by instrument and is irrevocable. When the option is exercised, changes in fair value are recorded in OCI without subsequent recycling in profit or loss on disposal. As a result, realized gains and losses will never pass into profit. Moreover, no depreciation in the result, only the dividends will be recorded in the income statement.

The new approach to IFRS 9 considers that the event triggering credit risk is the granting of credit and requires the risk to be taken into account at this stage, therefore the credit risk will be recognized as soon as the asset is booked in accounts. The depreciation of the latter will be done in this new standard according to 3 phases:

- ✓ Bucket 1 (stability of credit risk since initial recognition): recognition of expected credit losses at one year, interest will be calculated on the gross amount
- ✓ Bucket 2 (significant deterioration of credit risk): recognition of credit losses expected at maturity, interest will be calculated on the gross amount
- ✓ Bucket 3 (credit risk proved): recognition of expected credit losses at maturity, interest will be calculated on the basis of the net amount of depreciation.

The application of this standard had no material impact on the financial statements of Africa50 - PD as of December 31, 2018.

**IFRS 15 Revenue from Contracts with Customers:**

On May 28, 2014, the IASB issued a new standard on income recognition that replaces most of the existing IFRS provisions, including IAS 11 and IAS 18.

The application of this standard had no material impact on the financial statements of Africa50 – PD as of December 31, 2018.

**Standards, amendments and interpretations issued by not yet effective**

The following new standards issued by the IASB could have an impact on Africa50 - PD in the future.

<b>New standards or interpretations</b>	<b>Date of application</b>
IFRS 16 – Leases	Fiscal years beginning on January 1 <sup>st</sup> , 2019

**IFRS 16 Leases**

On January 13, 2016, the IASB issued IFRS 16, which provides a comprehensive model for the presentation of leases and their treatment in the financial statements of lessees and lessors. This standard cancels and replaces IAS 17 Leases and its related interpretative guidance. The standard is required for annual periods beginning on or after January 1, 2019.

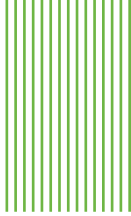
IFRS 16 provides for the recognition of all leases in the balance sheet of lessees, with recognition of an asset (representing the right to use the leased asset during the term of the lease) and a liability (under the obligation to pay rent).

Two exemptions are provided by this standard, for which an optional treatment, similar to the operating lease of IAS 17, is possible: short-term contracts (duration less than or equal to 12 months and which do not include an option of purchase) and contracts for low value assets (assets with an individual value of nine in the order of 5,000 USD or less). Thus, for lessees, the distinction between IAS 17 and ordinary leasing (for which rents are expensed as and when they occur) and finance leases (for which lessees recognize the leased asset and a debt to them). The Balance sheet is deleted. In contrast, IFRS 16 does not contain any material changes to the lessor requirements.

It is expected that the application of this standard will have no material impact on the financial statements of Africa50 – PD from January 1<sup>st</sup> 2019.

**Recognition of revenue**

The Interest revenues from investments are recognized based upon the effective interest rate and the duration of detention by Africa50 – PF of the income generator instrument. The effective interest rate is the one that actualizes the estimated cash flows throughout the expected lifespan of the financial asset at its net carrying amount.



The revenue from investments includes realized and unrealized gains and losses on financial instruments at fair value through P&L.

### Financial instruments

The financial assets and liabilities are recorded in the balance sheet of Africa50 – PD when the company assumes all contractual rights and obligations related to them.

### Recognition and derecognition of financial assets

The purchases and sales of financial assets are recorded based on the transaction date, which means the date at which Africa50 – PD commits to buy or sell the asset. Loans, when granted, are recorded once the funds are transferred to borrowers. The financial assets non-evaluated at their fair value in exchange for a result are initially recorded at their fair value, plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where Africa50 – PD has transferred substantially all risks and rewards of ownership.

### Critical accounting judgments and key sources of estimation uncertainty

The reported results of Africa50 – PD are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. In the preparation of financial statements in conformity with IFRS, Management makes certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual outcome may be materially different from that anticipated.

#### I. Fair valuation of the investment portfolio

The investment portfolio, is held at fair value. Details of valuation methodologies used are disclosed in the Note “Fair value of the investment portfolio”.

Given the importance of this area, Africa50’s Investment Committee oversees the implementation of the valuations policies and its application to individual investments. A report on the activities of the Investment Committee (including a review of the assumptions made) is periodically presented to the Board.

#### II. Expected losses on the loan portfolio

The loan portfolio, is recorded at fair value on disbursement date and accounted at amortized cost. An impairment measurement is made according to IFRS 9 effective from January 1<sup>st</sup> 2018. Details of impairment expected losses methodology used and the associated sensitivities are disclosed in the Note “Loans”.

### Fair value of the investment portfolio

Investments are recognized and de-recognized on the date when their purchase or sale is subject to a relevant contract and the associated risks and rewards have been transferred. Africa50 - PD manages its investments with a view to profiting from the receipt of investment income and capital appreciation from changes in the fair value of investments.

All investments are initially recognized at the fair value of the consideration given and are subsequently measured at fair value, in accordance with the Africa50 - PD's valuation policies, which is compliant with the fair value guidelines under IFRS.

The fair value measurement of a non-financial asset takes into account the ability of a market participant to obtain the economic benefits of that asset if it used it optimally or sold it to another market participant who would use it optimally.

Africa50 - PD uses valuation techniques that are appropriate to the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable data and limiting the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole::

- ✓ **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ✓ **Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and.
- ✓ **Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Unquoted equity investments are also designated at fair value through profit and loss and are subsequently carried in the financial statements at fair value.

Interest bearing loans accrue interest which is either settled in cash or capitalized on a regular basis and included as part of the principal loan balance. The capitalization of accrued interest is treated as part of investment additions during the year.

If the fair value of an investment is assessed to be below the principal value of the loan Africa50 - PD recognizes a fair value reduction against any interest income accrued from the date of the assessment going forward. "Capitalization at nil value" is the term used to describe the capitalization of accrued interest which has been fully provided for.

## Risk Assessment

The following table presents the international rating scales used by Africa50:

Risk class	International ratings	
	S&P - Fitch	Moody's
Very low risk	A+ and above	A1 and above
	A	A2
	A-	A3
	BBB+	Baa1
	BBB	Baa2
	BBB-	Baa3
Low risk	BB+	Ba1
	BB	Ba2
	BB-	Ba3
Moderate risk	B+	B1
	B	B2
	B-	B3
High risk	CCC+	Caa1
	CCC+	Caa2
Very high risk	CCC-	Caa3
	CC	Ca
	C	C

## Other provisions

Provisions are recognized when Africa50 PD has a present obligation of uncertain timing or amount as a result of past events and it is probable that Africa50 PD will be required to settle that obligation and a reliable estimate of that obligation can be made. The provisions are measured according to Management's best estimate of the amount to settle the obligation at the balance sheet date and are discounted to present value if needed. Changes in provisions are recognized in the income statement.

In the case of financial assets that are not recorded at their fair value through profit or loss, Africa50 - PD determines, at the end of each reporting period, whether there are objective indications of a loss of value. If there is a loss of value, financial assets that are carried at amortized cost are revalued at their net recoverable amount and the amount of loss is recognized in net income. Unrealized losses on available-for-sale financial assets, are recognized in net income at the time of depreciation.

## Loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration disbursed/received. After initial recognition, these are subsequently measured at amortized cost using the effective interest method, which is the

rate that exactly discounts the estimated future cash flows through the expected life of the loan/liability. Financial liabilities are derecognized when they are extinguished.

### **Operating leases**

Africa50 – PD shares its office space with Africa50 – Project Finance. Africa50 – PF is the lessor and charges Africa50 – PD through a cost sharing formula. Commitments under lease contracts are recorded in the accounts of Africa50- PF, and so will be in the future the impacts resulting from the application of IFRS 16.

### **Suppliers and other payables**

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the balance sheet date.

### **Segment and geographical information**

Expenditures have been incurred on projects under study or development in Southern Africa, Western Africa, Eastern Africa and Central Africa.

The area of intervention of the company is limited to Africa.

### **Contingent liabilities**

Contingent liabilities are potential liabilities where there is great amount of uncertainty, which could include dependency on events not within Africa50 - PD's control. Contingent liabilities are only disclosed and not included in the financial statements.

### **Commitments**

Commitments represent amounts Africa50 – PD has contractually committed to pay to third parties but do not yet represent a charge or asset. This gives an indication of committed future cash flows. Commitments at the year-end do not impact Africa50 – PD's financial statements for the year.

### **Event after the Balance sheet date**

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they relate to conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed under the notes to the financial statements but do not result in an adjustment to the financial statements.

## Note C – Accounting notes

### C.1. Cash equivalents

The greatest part of cash equivalent holdings of Africa50 - PD originates from the payment of called-up common stock by the member countries. This has permitted placement of cash in certain banks generating 28,955 USD of collected interest.

Africa50 - PD is holding its cash in reputable and credit worthy local and international banks. The cash investments at December 31<sup>st</sup> 2018 are broken down as follows:

Bank(USD)	31/12/2018	31/12/2017	S&P,Fitch
BMCE	3,010,065	2,983,056	BB+
<b>TOTAL</b>	<b>3,010,065</b>	<b>2,983,056</b>	

Apart from a BMCE bank account dedicated to Africa50- PD, the cash resources of Africa50- PD have been managed jointly with its sister entity Africa50- PF. The revenues have been allocated between the two entities pro rata to those of the outstanding amounts available for placement for each entity.

### C.2. Accrued interests on cash equivalents

Interest accrued as at December 31<sup>st</sup> 2018 on cash equivalents is 2 251 USD:

Bank(USD)	31/12/2018	31/12/2017	S&P,Fitch
BMCE	2,251	305	BB+
<b>TOTAL</b>	<b>2,251</b>	<b>305</b>	

### C.3. Various Creditors

Other receivables amount to 19,480,781 USD corresponding to the share of the cash investments owned by Africa50 - PD and managed by Africa50- PF. Revenues were divided between the two entities in proportion to average outstanding amounts available for investment for each entity. Furthermore, this item also includes the re-invoicing to Africa 50- PD by Africa 50-PF of revenues and charges incurred in 2018.

### C.4. Capitalized projects

	31/12/2017	Increase	Decrease	31/12/2018
Capitalized expenses on projects (USD)	315,050	256,428	-	571,478

The costs incurred on projects correspond to all the costs directly linked to projects that the Fund has examined during the year, whether the project is completed, under study or abandoned. All costs related to abandoned projects are fully amortized, those related to current projects are subject to a case-by-case analysis to measure the perspectives of sale or recovery.

The amount of 571,478 USD corresponds to costs incurred that have not been expensed given the expectations of success made by the Management at closing.

### C.5. Shareholder equities

The social capital authorized according to the statutes of Africa50- PD is 500,000,000 USD. The subscribed capital amounts to 90,354,000 USD while the called-up and released capital totals up to 24,463,495 USD.

Shareholders (30)	A50 - Project Development		
	Shares	Subscribed Capital (USD)	Paid-up Capital (USD)
1. African Development Bank	14,657	14,657,000	3,664,250
2. Benin	464	464,000	116,000
3. Cameroon	5,000	5,000,000	1,249,985
4. Congo Brazzaville	18,666	18,666,000	4,666,500
5. Ivory Coast	2,999	2,999,000	749,750
6. Djibouti	300	300,000	75,000
7. Egypt	10,000	10,000,000	2,500,000
8. Gabon	866	866,000	216,500
9. Gambia	100	100,000	25,000
10. Ghana	1,961	1,961,000	490,250
11. Madagascar	1,000	1,000,000	250,000
12. Malawi	200	200,000	50,000
13. Mali	203	203,000	50,750
14. Kingdom of Morocco	10,000	10,000,000	2,500,000
15. Mauritania	1,011	1,011,000	252,750
16. Republic of Niger	199	199,000	49,750
17. Nigeria	4,000	4,000,000	1,000,000
18. Senegal	1,000	1,000,000	250,000
19. Sierra Leone	200	200,000	50,000
20. Sudan	2	2,000	500
21. Togo	1,927	1,927,000	481,750
22. Kenya	10,000	10,000,000	2,500,000
23. Burkina Faso	299	299,000	74,750
24. BCEAO (Central bank of the states of west Africa)	500	500,000	500,000
25. BAM (Bank al maghrib)	2,000	2,000,000	2,000,000
26. Tunisia	1,000	1,000,000	250,000
27. Republic Democratic of Congo	200	200,000	50,000
28. Guinea (Conakry)	500	500,000	125,000
29. Rwanda	1,000	1,000,000	250,000
30. Mauritius	100	100,000	25,000
<b>Total</b>	<b>90,354</b>	<b>90,354,000</b>	<b>24,463,495</b>



The amount booked in other debts is related to the overpayment ( more than 25% of the subscribed capital) made by shareholders.

A50 - Project Development				
Shareholders	Shares	Subscribed Capital (USD)	Paid-up Capital (USD)	Overpaid by shareholders (USD)
African Development Bank	14,657	14,657,000	5,163,609	1,499,343
Madagascar	1,000	1,000,000	1,000,299	750,299
Tunisia	1,000	1,000,000	749,875	499,874,87
Republic Democratic of Congo	200	200,000	100,000	50,000,00
<b>Total</b>				<b>2,799,517</b>

### C.6. Revenues from investments and financial products

Revenues consist primarily of:

- ✓ Revenues from the sold project Nachtigal for an amount of 5,126,400 USD
- ✓ Financial revenues which include 194,646 USD from Africa50 - PD share of the cash investments managed by PF, and 28,955 USD from Africa50-PD's own cash investments.

### C.7. Administrative expenses

The total administrative expenditure of Africa50 - PD is 8,067,827 USD which includes salaries and benefits for an amount of 4,091,923 USD and other administrative expenses for an amount of 3,975,816 USD which includes travel, communication, recruiting, Board and General Shareholder Meeting expenses.

### C.8. Project expenses

The project expenses correspond to the sums committed (consultants, missions, specialists, etc.) during the year for the research and study of investment projects, whether it is equity investments or direct financing.

Project expenditure for 2018 breaks down as follows:

	31/12/2017	Increase	Decrease	31/12/2018
Expenses incurred during the year (USD)		1,656,120	-256,428	1,399,692
Nachtigal - Cost of sold project				627,941
Others				-3,823
Other projects for which criteria of capitalization were not met by end of 2018				767,928

### C.9. Staffing

Africa50 - PF and Africa 50 - PD together count 29 employees as of December 2018, of which 9 employees dedicated solely to Africa50 - PD.

Africa50's staff receives a monthly allowance to cover retirement costs and other expenses such as children education and life insurance. A healthcare insurance plan has been implemented in 2018. Africa50's staff also benefits from a relocation allowance when appropriate.

### C.10. Related party transactions

Africa50 - PD unique related party as of today is Africa50 - PF.

Cross-relationships between Africa50 - PF and Africa50 - PD include operational (lease and other administration costs, IT platform, services, etc.), and advisory arrangements as well as key management personnel. Rebilling between entities take place as appropriate.

Related parties (USD)	31/12/2018	31/12/2017
<b>Africa 50 Project Development</b>		
Debt - Current account	19,480,781	20,219,723
Cost shared and invoiced by PF	9,720,124	2,455,513
Shared revenues with PD	194,646	225,945

## Note D – Others

### GOVERNANCE

The Board is accountable for the long-term success of Africa50 - PD by approving the strategic objectives and monitoring performance against those objectives. The Board meets formally on a regular basis, usually in Casablanca, and, at each meeting, reviews business performance. There is a clearly defined schedule of matters reserved for the Board. The Board is assisted by various committees of the Board (Governance, Ethics, Budget, Nominations, and compensation Committee, Audit Committee, Strategy, Sustainability and ESG Committee, Enterprise Risk Management and Finance Committee), which report to it regularly.

Matters delegated by the Board to the Senior Leadership Team include implementation of the Board approved strategy, day-to-day management and operation of the business, the appointment and remuneration of staff below the Senior Leadership Team.

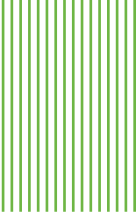
Day-to-day management of the Group is the responsibility of the Senior Leadership Team.

### RISKS

Africa50 - PD is a highly selective investor and each investment is subject to an individual risk assessment through an investment approval process. Africa50 - PD's Investment Committee is part of the overall risk management framework.

### Risk management

Financial instruments recorded in the financial statements include financial assets at fair value through profit or loss, loans and receivables, capitalised expenses at amortised costs, other receivables, cash and cash equivalents, borrowings and other payables.



Africa50 - PD investing activities expose it to various types of risks that are associated with the financial instruments and markets it invests in. The most common risks to which it is exposed are currency risk, interest rate risk and credit risk. Africa50 - PD policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Board has established an Enterprise Risk Committee which oversees the risks affecting Africa50 - PD, the main mitigating factors and action taken to reduce these risks as well as the policies put in place to cover the main risks.

- **Currency risk**

Currency risk is the risk that the value of an instrument will fluctuate in USD owing to changes in foreign exchange rates. Africa50 - PD invests in securities denominated in different currencies. Consequently, it is exposed to the risk that the USD may change in a manner which has a material effect on the reported values of its assets which are denominated in these underlying currencies. Currency exposure and exchange rate movement are monitored reviewed on a regular basis.

As regards cash accounts, most of the company accounts are in USD, with the exception of one account in euros and another one in MAD which are used for current expenses.

- **Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Only future revenues could be impacted by the evolution of the rate.

- **Credit risk**

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation, and cause the company to incur a financial loss. The company has diversified its portfolio of its counterparty in order to limit this risk.

- **Sensitivity analysis**

As of December 31<sup>st</sup> 2018 all transactions of Africa 50 – PD are in USD.

- **Exchange rates As at December 31<sup>st</sup> 2018**

The table below shows the exchange rate used for the operations:

**Exchange rate as at December 31<sup>st</sup> 18**

MAD	0,10456
EUR	1,14379
GBP	1,26902

# AFRICA50 - PROJECT DEVELOPMENT

# AFRICA50 - PROJECT FINANCE

INDEPENDENT AUDITOR' REPORT ON THE  
FINANCIAL STATEMENTS

For the year ended December 31, 2018

Allée des Abricotiers  
Quartier Hippodrome  
2000 Casablanca  
Morocco

This report contains 29 pages  
Reference: VF-19-02-80

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# AFRICA50 – PROJECT FINANCE

Registered office: Allée des Abricotiers - Quartier Hippodrome- 2000 Casablanca - Morocco

## INDEPENDENT AUDITOR' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

**To the shareholders of Africa50 - Project Finance,**

### Opinion

We have audited the accompanying financial statements of Africa50 – Project Finance (“the Entity”) which comprise the balance sheet as at December 31, 2018 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements based on International Standards on Auditing, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Africa50 – Project Finance Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### **Auditor' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 entity'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**Paris La Défense, June 18th 2019**

**KPMG S.A.**



**Valéry Foussé**

**Partner**





# AFRICA50 PROJECT FINANCE

## Financial statements

As at December 31<sup>st</sup> 2018 (USD)

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## Balance sheet

In USD for the year ended December 31<sup>st</sup> 2018

<b>Assets</b>	<b>Notes</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Cash	C1	8,505,259	9,844,296
Cash equivalents	C2	118,566,655	208,769,065
Accrued interests on cash equivalents	C3	231,710	336,536
Other receivables	C4	1,673,797	1,712,316
Fixed assets	C5	2,279,283	1,089,063
Equity interests and financing	C6	108,424,578	7,206,332
<b>Total assets</b>		<b>239,681,282</b>	<b>228,957,607</b>
<b>Liabilities</b>		<b>31/12/2018</b>	<b>31/12/2017</b>
Accounts payable	C7	3,078,459	1,454,297
Other payables	C8	31,181,592	20,219,723
<b>Equity</b>		<b>205,421,230</b>	<b>207,283,588</b>
Paid-up capital	C9	212,197,862	210,893,905
Profit(loss)		-3,062,253	-3,500,336
Reserves and retaining earnings		-3,714,379	-109,981
<b>Total liabilities</b>		<b>239,681,282</b>	<b>228,957,607</b>

The accompanying notes to the financial statements form part of this statement.

## Income statement

In USD for the year ended December 31<sup>st</sup> 2018

Income	Notes	2018	2017
Operating revenues		1,158,111	0
Change in fair value of equity investments		-36,535	0
Interest income		1,569,784	0
Depreciation on loans		-156,009	0
Unrealized gain/loss on foreign currency		-219,130	0
Financial revenues		3,620,800	3,152,988
Revenues from cash & cash equivalent		3,626,939	3,161,222
Depreciation		0	0
Unrealized gain/loss on foreign currency		-6,139	-8,233
<b>Total income</b>	<b>C10</b>	<b>4,778,911</b>	<b>3,152,988</b>
<b>Expenses</b>			
Expenses on projects	C12	899,621	412,066
Fundraising expenses		176,541	
Administrative expenses	C11	6,765,002	6,241,258
Salaries and benefits		3,164,514	1,669,766
Other expenses		3,600,488	4,571,492
<b>Total Expenses</b>		<b>7,841,164</b>	<b>6,653,324</b>
<b>Net result</b>		<b>-3,062,253</b>	<b>-3,500,336</b>

The accompanying notes to the financial statements form part of this statement.

## Statement of Comprehensive Income

In USD for the year ended December 31<sup>st</sup> 2018

	31/12/2018	31/12/2017
Net profit for the year	-3,062,253	-3,500,336
Other items of the comprehensive income		
Items that will not be classified to profit or loss		
Total of other items of the comprehensive income		
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-3,062,253</b>	<b>-3,500,336</b>

The accompanying notes to the financial statements form part of this statement.

## Statement of Cash flows

In USD for the year ended December 31<sup>st</sup> 2018

	31/12/2018	31/12/2017
<b>Cash flows from</b>		
<b>Operating activities</b>		
Net profit of the year	-3,062,253	-3,500,336
Adjustments to reconcile net income with cash flows	791,191	0
<b>Investing activities</b>		
Equity investments	-5,126,400	-7,206,332
Change in other receivables and payables	12,729,377	-282,816
Acquisition of fixed assets	-1,732,434	-872,303
Capitalized projects	-765,396	0
Project investments	-95,679,489	0
<b>Financing activities</b>		
Cash from capital subscriptions (Note C9)	1,303,958	10,124,953
<b>Total of cash flows</b>	<b>-91,541,446</b>	<b>-1,736,834</b>
Cash and cash equivalents at the beginning of period	218,613,360	220,350,194
Increase in cash and cash equivalents (Note C1)	-91,541,446	-1,736,834
<b>Cash and cash equivalents at the end of period</b>	<b>127,071,914</b>	<b>218,613,360</b>

The accompanying notes to the financial statements form part of this statement.

## Statement of changes in equity

In USD for the year ended December 31st 2018

	Capital Subscriptions Paid	Cumulative Exchange Adjustment on Subscriptions	Reserves Retained Earnings	Total Equity
<b>BALANCE AT JANUARY 1st 2017</b>	<b>200,768,951</b>		<b>-109,981</b>	<b>200,658,970</b>
Net loss for the year			-3,500,336	-3,500,336
Other comprehensive income				
Net increase in paid-up capital	10,124,953			10,124,953,
Net conversion gains on new subscriptions				
<b>BALANCE AT DECEMBER 31st 2017 AND JANUARY 1st 2018</b>	<b>210,893,904</b>		<b>-3,610,317</b>	<b>207,283,587</b>
Net loss for the year			-3,062,253	-3,062,253
Other comprehensive income				
Cumulative IFRS 9 Adjustment			-104,063	-104,063
Net increase in paid-up capital	1,303,958			1,303,958
Net conversion gains on new subscriptions				
<b>BALANCE AT DECEMBER 31st 2018</b>	<b>212,197,862</b>		<b>-6,776,633</b>	<b>205,421,229</b>

The accompanying notes to the financial statements form part of this statement.

# AFRICA 50 – PROJECT FINANCE

## NOTES TO FINANCIAL STATEMENTS

As at December 31st 2018 (USD)

### Note A – Mission, operations and organization

Africa 50 – Project Finance (Africa50 - PF) is a financial company, domiciled in Casablanca (Morocco), with a special legal status, authorized share capital amounting to 3,000,000,000 USD and a subscribed common stock of 781,292,000 USD. The lifespan of Africa50 – Project Finance is 99 years.

Africa50 - PF is an African multilateral institution of development whose mission is to:

- i) Promote the development of infrastructure in Africa with the help of funding obtained from different sources, including but not limited to subscriptions of capital, loans and grants from African or non-African origins,
- ii) In association with other investors, private or public, provide assistance for the funding of construction, rehabilitation, improvement or expansion of financially and economically viable infrastructure projects, by providing debt and investing in shares with or without governmental guarantees provided by the states in which the investment is made,
- iii) Engage in activities as a financial backer, by itself or in partnership with the African Development Bank or any other financial institution, through the granting of loans or any other form of financial investment,
- iv) Conclude agreements and arrangements with any government, municipality or other local entity or party that might work towards enabling Africa 50 – PF to carry out any activity related to its mission; obtain from these authorities or entities all rights, privileges and exemptions that Africa 50 – PF might deem necessary to initiate, implement and comply with the term of such arrangements, rights privileges and exemptions
- v) Provide technical assistance and advisory services for the assessment, preparation and implementation of infrastructure projects located in Africa
- vi) Borrow and raise funds, issue securities, obligations, bonds, guarantees and other instruments, as well as provide guarantees and other commitments to third parties,
- vii) Hold investments of all types (including, but not limited to, investments in securities, stocks and bonds),
- viii) Obtain any administrative or legislative document that would allow Africa50 – PF to properly fulfill its mission or make any amendment to its statutes or for any other purpose which may be deemed necessary, and help to prevent any process or measure that could directly or indirectly undermine the interests of Africa50 – PF and,
- ix) More broadly, take all measures related directly or indirectly to the aforementioned operations in order to facilitate, promote and develop the activities of Africa50 – PF.

## Note B – Summary of significant accounting policies

The financial statements of Africa50 – PF are established in accordance with the International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standards Board (IASB). The financial statements were established based on the historical cost, except for some assets and financial liabilities that are recorded on the basis of fair value, depending on the situation.

The principal accounting policies applied in the preparation of the financial statements are summarized below, but where possible, they have been shown in a specific Note in order to assist the reader's understanding. These policies have been consistently applied and apply to all years presented.

The financial statements are prepared on a going concern basis and presented to the nearest American dollar (USD).

### Functional and accounts presentation currency

The US Dollar is the functional and reporting currency.

### Standards, amendments and interpretations applied for the first time in 2018

New standards or interpretations	Date of application
IFRS 15 – Revenue from contracts with customers	Fiscal year beginning on January 1 <sup>st</sup> , 2018
IFRS 9 – Financial instruments	Fiscal year beginning on January 1 <sup>st</sup> , 2018
Amendments to IAS 40 – Investment property	Fiscal year beginning on January 1 <sup>st</sup> , 2018
IFRIC 22 Interpretation – Foreign currency transactions and advance payments	Fiscal year beginning on January 1 <sup>st</sup> , 2018

### IFRS 9 Financial instruments

Since the financial crisis of 2008, IAS 39 on financial instruments has been subject to many criticisms. The IASB has therefore replaced it with IFRS 9 applicable since January 1, 2018. This new standard revisits the rules applicable to the classification and valuation of financial assets.

In this new classification, a financial asset is valued at fair value through the profit and loss account, unless it meets the following two conditions:

- The SPPI test (solely payment of principal and interests): the cash flows of the assets must correspond only to the repayment of principal and interest on the principal remaining due.
- The business model takes one of the two following forms: either collect the contractual cash flows and keep to maturity (HTC: held to collect); or collect the contractual flows and sell the asset (HTCS: held to collect and sell).





Therefore, if the financial asset meets the SPPI and HTC condition, it will be recorded on the balance sheet according to the amortized cost model (for its historical value). And if it meets the condition SPPI and HTCS it will follow the model of the fair value by OCI (other comprehensive income) recyclable, in this case the unrealized gains or losses are entered directly in equity and will be recycled in the income statement at the time of resale.

Nevertheless, for non-consolidated shares (not held for trading or investment purposes), which do not meet the two conditions mentioned above, an option has been provided to minimize the volatility of the result which is not in line with the Management objective. This election is made on the initial recognition date, instrument by instrument and is irrevocable. When the option is exercised, changes in fair value are recorded in OCI without subsequent recycling in profit or loss on disposal. As a result, realized gains and losses will never pass into profit. Moreover, no depreciation in the result, only the dividends will be recorded in the income statement.

The new approach to IFRS 9 considers that the event triggering credit risk is the granting of credit and requires the risk to be taken into account at this stage, therefore the credit risk will be recognized as soon as the asset is booked in accounts. The depreciation of the latter will be done in this new standard according to 3 phases:

- ✓ Bucket 1 (stability of credit risk since initial recognition): recognition of expected credit losses at one year, interest will be calculated on the gross amount
- ✓ Bucket 2 (significant deterioration of credit risk): recognition of credit losses expected at maturity, interest will be calculated on the gross amount
- ✓ Bucket 3 (credit risk proved): recognition of expected credit losses at maturity, interest will be calculated on the basis of the net amount of depreciation.

The first application of IFRS 9 on January 1st 2018 had an impact on the level of impairment of one loan amounting to 104,062 USD. This amount was directly recorded through Equity on January 1<sup>st</sup> 2018.

#### **IFRS 15 Revenue from Contracts with Customers:**

On May 28, 2014, the IASB issued a new standard on income recognition that replaces most of the existing IFRS provisions, including IAS 11 and IAS 18.

The application of this standard had no material impact on the financial statements of Africa50 as of December 31, 2018.

#### **Standards, amendments and interpretations issued but not yet effective**

The following new standards issued by the IASB could have an impact on Africa50 - PF in the future.

New standards or interpretations	Date of application
IFRS 16 – Leases	Fiscal years beginning on January 1 <sup>st</sup> , 2019

### IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16, which provides a comprehensive model for the presentation of leases and their treatment in the financial statements of lessees and lessors. This standard cancels and replaces IAS 17 Leases and its related interpretative guidance. The standard is required for annual periods beginning on or after January 1, 2019.

IFRS 16 provides for the recognition of all leases in the balance sheet of lessees, with recognition of an asset (representing the right to use the leased asset during the term of the lease) and a liability (under the obligation to pay rent).

Two exemptions are provided by this standard, for which an optional treatment, similar to the operating lease of IAS 17, is possible: short-term contracts (duration less than or equal to 12 months and which do not include an option of purchase) and contracts for low value assets (assets with an individual value in the order of 5,000 USD or less). Thus, for lessees, the distinction between IAS 17 and ordinary leasing (for which rents are expensed as and when they occur) and finance leases (for which lessees recognize the leased asset and a debt to them). The Balance sheet is deleted. In contrast, IFRS 16 does not contain any material changes to the lessor requirements.

The expected impact of the first time application of IFRS 16 on January 1<sup>st</sup> 2019 is an increase in financial debt by around 2,483,618 USD and the expected impact on the 2019 P&L would be a reduction of leases amounting to 48,273 USD with an increase in financial charges and amortization costs.

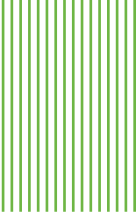
### Recognition of revenue

The Interest revenues from investments are recognized based upon the effective interest rate and the duration of detention by Africa50 – PF of the income generator instrument. The effective interest rate is the one that actualizes the estimated cash flows throughout the expected lifespan of the financial asset at its net carrying amount.

The revenue from investments includes realized and unrealized gains and losses on financial instruments at fair value through P&L.

### Financial instruments

The financial assets and liabilities are recorded in the balance sheet of Africa50 – PF when the company assumes all contractual rights and obligations related to them.



### Recognition and derecognition of financial assets

The purchases and sales of financial assets are recorded based on the transaction date, which means the date at which Africa50 – PF commits to buy or sell the asset. Loans, when granted, are recorded once the funds are transferred to borrowers. The financial assets non-evaluated at their fair value in exchange for a result are initially recorded at their fair value, plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where Africa50 – PF has transferred substantially all risks and rewards of ownership.

### Critical accounting judgments and key sources of estimation uncertainty

The reported results of Africa50 – PF are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. In the preparation of financial statements in conformity with IFRS, Management makes certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual outcome may be materially different from that anticipated.

#### I. Fair valuation of the investment portfolio

The investment portfolio, a material asset of Africa50 - PF, is held at fair value. Details of valuation methodologies used are disclosed in the Note “Fair value of the investment portfolio”.

Given the importance of this area, Africa50’s Investment Committee oversees the implementation of the valuations policies and its application to individual investments. A report on the activities of the Investment Committee (including a review of the assumptions made) is periodically presented to the Board.

#### II. Expected losses on the loan portfolio

The loan portfolio, a material asset of Africa50-PF, is recorded at fair value on disbursement date and accounted at amortized cost. An impairment measurement is made according to IFRS 9 effective from January 1<sup>st</sup> 2018. Details of impairment expected losses methodology used and the associated sensitivities are disclosed in the Note “Loans”.

### Fair value of the investment portfolio

Investments are recognized and de-recognized on the date when their purchase or sale is subject to a relevant contract and the associated risks and rewards have been transferred. Africa50 – PF manages its investments with a view to profiting from the receipt of investment income and capital appreciation from changes in the fair value of investments.

All investments are initially recognized at the fair value of the consideration given and are subsequently measured at fair value, in accordance with the Africa50 - PF's valuation policies, which is compliant with the fair value guidelines under IFRS.

The fair value measurement of a non-financial asset takes into account the ability of a market participant to obtain the economic benefits of that asset if it used it optimally or sold it to another market participant who would use it optimally.

Africa50 - PF uses valuation techniques that are appropriate to the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable data and limiting the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole::

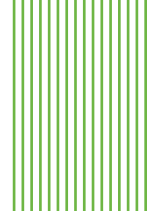
- ✓ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ✓ Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and.
- ✓ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Unquoted equity investments are also designated at fair value through profit and loss and are subsequently carried in the Financial statements at fair value.

Interest bearing loans accrue interest which is either settled in cash or capitalized on a regular basis and included as part of the principal loan balance. The capitalization of accrued interest is treated as part of investment additions during the year.

If the fair value of an investment is assessed to be below the principal value of the loan Africa50 – PF recognizes a fair value reduction against any interest income accrued from the date of the assessment going forward. “Capitalization at nil value” is the term used to describe the capitalization of accrued interest which has been fully provided for.

### **Risk Assessment**



The following table presents the international rating scales used by Africa50:

Risk class	International ratings	
	S&P - Fitch	Moody's
Very low risk	A+ and above	A1 and above
	A	A2
	A-	A3
	BBB+	Baa1
	BBB	Baa2
	BBB-	Baa3
Low risk	BB+	Ba1
	BB	Ba2
	BB-	Ba3
Moderate risk	B+	B1
	B	B2
	B-	B3
High risk	CCC+	Caa1
	CCC+	Caa2
Very high risk	CCC-	Caa3
	CC	Ca
	C	C

### Other provisions

Provisions are recognized when Africa50 - PF has a present obligation of uncertain timing or amount as a result of past events and it is probable that Africa50 - PF will be required to settle that obligation and a reliable estimate of that obligation can be made. The provisions are measured according to Management's best estimate of the amount to settle the obligation at the balance sheet date and are discounted to present value if needed. Changes in provisions are recognized in the income statement.

In the case of financial assets that are not recorded at their fair value through profit or loss, Africa50 - PF determines, at the end of each reporting period, whether there are objective indications of a loss of value. If there is a loss of value, financial assets that are carried at amortized cost are revalued at their net recoverable amount and the amount of loss is recognized in net income. Unrealized losses on available-for-sale financial assets, are recognized in net income at the time of depreciation.

### Loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration disbursed/received. After initial recognition, these are subsequently measured at amortized cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the loan/liability. Financial liabilities are derecognized when they are extinguished.

**Operating leases**

Africa50 – PF leases its office space. Future minimum payments due under non-cancellable operating lease rentals are disclosed later in the Notes. IFRS 16 expected impact is disclosed earlier in these Notes.

**Suppliers and other payables**

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the balance sheet date.

**Segment and geographical information**

At this stage the entire activity of the company is managed from Casablanca. A first investment was made through various holding companies for a development project in North Africa in 2017 and a second one was made in West Africa in 2018. A guarantee was also granted on a portfolio of loans related to projects throughout Africa. The area of intervention of the company is limited to Africa.

**Contingent liabilities**

Contingent liabilities are potential liabilities where there is great amount of uncertainty, which could include dependency on events not within Africa50 - PF's control. Contingent liabilities are only disclosed and not included in the financial statements.

**Commitments**

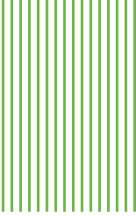
Commitments represent amounts Africa50 – PF has contractually committed to pay to third parties but do not yet represent a charge or asset. This gives an indication of committed future cash flows. Commitments at the year-end do not impact Africa50 – PF 's financial statements for the year.

**Event after the Balance sheet date**

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they related to conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed under the notes to the financial statements but do not result in an adjustment to the financial statements.

**Note C – Accounting notes**



### C.1. Cash at banks

Cash (USD)	31/12/2018	31/12/2017	S&P - Fitch
Attijari Wafabank	90,982	667	BB+
BMCE MAD	275,227	216,631	BB+
BMCE EURO	2,424	2,424	BB+
BMCE 902 ( USD)	4,810,397	9,591,486	BB+
BMCE 780 (USD)	32,152	32,152	BB+
BMCE 747 (USD)	3,292,590	0	BB+
Petty Cash	1,486	926	
<b>TOTAL</b>	<b>8,505,259</b>	<b>9,844,286</b>	

### C.2. Cash Equivalents

The main resource of Africa50 - PF is the common stock paid by the member countries. The cash was invested in several banks, in term deposit with a maturity of 6 months maximum.

Africa50 – PF is holding its cash in reputable and credit worthy local and international banks as detailed in the table below:

Bank (USD)	31/12/2018	31/12/2017	S&P - Fitch
Attijariwafabank - Morocco	25,998,403	32,808,524	BB+
PTA Bank	39,761,916	52,712,716	BBB-
Afreximbank Cairo	25,790,503	51,942,772	BBB+
BMCE 747 (USD)	20,015,833	56,280,104	BB+
BMCE 902 (USD)	-	15,024,948	BB+
Attijariwafabank - Morocco	7,000,000		BB+
<b>TOTAL</b>	<b>118,566,655</b>	<b>208,769,064</b>	

Cash & Cash equivalents (USD)	31/12/2018	31/12/2017
Very low risk	65,553,905	104,656,414
Low risk	61,518,008	113,956,936
Moderate risk		
High risk		
Very high risk		
<b>Total</b>	<b>127,071,913</b>	<b>218,613,350</b>

All investments are made with short duration, none of them exceeding one year.

The cash of Africa50 - PF was managed commonly with its sister entity Africa50

– Project Development (Africa50 – PD). Accordingly, the revenues have been dispatched between the two entities prorata to the outstanding amounts available for placement for each entity.

Bank (USD)	31/12/2018	31/12/2017
Current Account Africa50 – PD	-19,480,781	-20,219,723
<b>Total Cash equivalent</b>	<b>-19,480,781</b>	<b>-20,219,723</b>

### C.3. Accrued interest on in cash equivalents

The accrued interests in cash equivalents as December 31<sup>st</sup> 2018 amount to 231,710 USD and are broken down as follows:

Bank (USD)	31/12/2018	31/12/2017	S&P - Fitch
PTA Bank	57,307	119,209	BBB-
Afreximbank Caire	156,384	207,050	BBB+
BMCE	14,980	7,284	BB+
ATW	3,040	2,993	BB+
<b>TOTAL</b>	<b>231,710</b>	<b>336,536</b>	

### C.4. Other receivables

They include mainly:

- ✓ VAT accounts; 706,184 USD
- ✓ Premiums and interests accrued from Room to Run investment; 648,185 USD
  - Interest accrued by end December 31<sup>st</sup> 2018 on R2R for 125,793 USD
  - Premiums from the investment of 522,392 USD

### C.5. Fixed assets

They include the net value of the fixed assets as at December 31<sup>th</sup> 2018 for an amount of 2,279,369 USD

#### Office costs:

Office costs (USD)	Gross Value	Depreciation	Net Value 2018	Net Value 2017	Variation
IT equipment	314,201	82,872	231,329	40,574	190,755
Deposits and guarantees paid	70,754		70,754	103,330	-32,576
Employee loans	60,000		60,000		60,000
Technical equipment	8,759	2,727	6,030	791	5,239
New office technical equipment	296,388	91,805	204,669	244,850	-40,181
New office others	136,643	22,804	113,839	49,050	64,789
New office furniture	1,455,657	215,991	1,239,667	650,469	589,198
<b>Total</b>	<b>2,342,402</b>	<b>416,199</b>	<b>1,926,288</b>	<b>1,089,064</b>	<b>837,224</b>

Assets are amortized according to the straight-line method based on the estimated



useful lifetime of the assets as presented in the table below:

IT Equipment	3 years
Technical Equipment	3 years
Office furniture	5 years
Office layout	6 years

### Fundraising:

Fund raising costs incurred are expected to be recharged to a new Fund opened to private investors to co-invest in new projects. As at December 31<sup>st</sup> 2018 management believes that the chances of success of this project of a new fund are 66%. Based on this estimate, a third of the expenses incurred were recorded in the P&L as an impairment of amounts spent.

Fund raising (USD)	Gross Value	Depreciation	Net Value 2018
Fund raising	529,622	176,541	353,081

### Projects:

The expenditures incurred on projects correspond to all the amounts directly related to projects reviewed by the company over the period, both current and abandoned projects. All amounts are recorded as expenses when committed.

Expenses incurred on projects (USD)	Disbursed amount	Expensed amount	Capitalized amount
Current projects	1,665,017	956,053	708,963

By end of December 31<sup>st</sup> 2018 only one project had capitalized amounts which will be amortized over the life of the guarantee.

## C.6. Project investments – Equity interests & loans

### a) Equity interests

Equity interests and financing amount to 13,005,161 USD and includes 12,296,198 USD of fair value on equity interest plus 708,963 USD of capitalized expenses on the Room to Run project.

In accordance with IFRS 9, Africa50 - PF records its equity investments at fair value.

Investments in projects (USD)	% of detention	Category	Fair value	31/12/2018				31/12/2017				
				Fair value USD	Cost price	Impact P&L	Provisions	Fair value USD	Cost price	Impact P&L	Provisions	
<b>Equity interests</b>												
Infra-holdco 1	100,00%	Fair value	3	7,206,332	7,206,332	-	-	7,206,332	7,206,332	-	-	
Scatec Egypt	25%											
Nachtigal	15%	Fair value	3	5,089,866	5,126,400	-36,534	-					
<b>Total of equity interests</b>				<b>12,296,198</b>	<b>12,332,732</b>			<b>7,206,332</b>				

### i) Infra Holdco 1 ("Scatec Egypt")

Infra Holdco 1 is a holding company set up to acquire a 25% stake in the company carrying the project Scatec Egypt as part of the Africa50 - PF investment. Africa50 - PF holds 100% of the shares of Infra Holdco 1. This project is the first project developed and finalized by Africa50 - PD in 2017.

As a “Greenfield” project under construction, the fair value was computed based on cost as at December 31<sup>st</sup> 2018 and 2017.

Given its pure holding nature, the consolidation by Africa50 - PF of the holding Infra Holdco 1 would not have a significant impact (100% of equity investment except 100 USD would be recorded as goodwill) on the financial position or income statement of Africa50 - PF. For this reason, the company did not find it necessary to issue consolidated financial statements.

#### ii) Nachtigal Hydro Power Company “NHPC”

Africa50-PD has sold the NHPC project to Africa50-PF in 2018 at a price of 5,126,400 USD. Africa50-PF has consequently taken a 15% equity share in the NHPC project company.

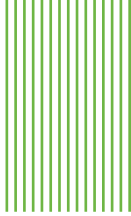
As a “Greenfield” project under construction, the fair value was computed based on cost as at December 31<sup>st</sup> 2018.

#### b) Loans

Investments in projects	Bucket IFRS 9	Category	31/12/2018				31/12/2017			
			Fair value	Outstanding amount	Revenues	Impairment IFRS 9	Fair value	Outstanding amount	Revenues	Impairment IFRS 9
<b>Loans and receivables</b>										
Infra-holdco 1	1	Fair value / Amortised cost	23,410,699 USD	23,514,761 USD	942,725 USD	-104,063 USD	1,287,163 USD	1,287,163 USD	5,365 USD	
Scatec Egypt	1									
Nachtigal	1	Fair value / Amortised cost	42,008,718 USD	36,864,046 EUR	-183,823 USD	-156,009 USD				
Room2Run	1	Fair value / Amortised cost	30,000,000 USD	30,000,000 USD	591,751 USD	-				
			708,963 USD	708,963 USD						
<b>Total loans and receivables</b>			<b>96,128,380 USD</b>		<b>1,350,653 USD</b>	<b>-260,072 USD</b>	<b>1,287,163 USD</b>		<b>5,365 USD</b>	<b>-</b>
<b>Total of equity interest and Financing</b>			<b>108,424,578 USD</b>				<b>1,287,163 USD</b>			
				<b>Change in FV</b>	-36,534 USD					
				<b>Interest income</b>	1,569,783 USD					
				<b>Unrealized loss</b>	-219,130 USD					
				<b>Impairment</b>	-156,009 USD					
				<b>Total</b>	1,158,110 USD					

Loans (USD)	Outstanding amounts	31/12/2018	31/12/2017
<b>Expected cash flows</b>	Within one year	8,958,300	
	One to five years	17,125,700	
	More than five years	70,304,451	1,287,163
	<b>Total</b>	<b>96,388,451</b>	<b>1,287,163</b>

#### i) Loan to Project 1 (Scatec Egypt)



This loan is classified as debt instrument and is accounted at amortized cost. IFRS 9 provisioning guidance apply for this operation.

### Project status at end of 2018

The country and sector environment have continued improving as noted by the IMF. An improvement in the economy supported by a recovery in tourism and a rise of the natural gas production were the key drivers of the year 2018. Fiscal consolidation plan is on track, and is supported by the recently approved automatic indexation of fuel prices.

Egypt power sector continues to grow and to attract investors. A 200 MW PV tender was won by Acwa with 5 other developers participating and a PPA for the two 250 MW wind farms tendered in 2015 was signed with Engie and Lekela.

Despite initial delays on the government side, construction is now on track. The PPA target commercial operations date (COD) was extended by 3 months. Notice to proceed was issued between June and September 2018. The senior debt disbursement was approved by the lenders in November. At end of December 2018, no delay in COD is expected. The first component of the project will reach COD on April 1<sup>st</sup> 2019.

### Shareholder loan to Infra holdco 1

The shareholder loan was classified as “Performing loan” (bucket 1). Africa50 applies a definition of default which is consistent with the definition used for internal credit risk management purposes under IFRS 9. It considers qualitative factors (for example, financial covenants), where appropriate.

Regarding shareholder loans, Africa50 considers that the 90 days past due delay on interest (rebuttable presumption for a default) is not an objective indicator of default as these instruments are structured so that interest is either paid or capitalized.

The Africa50 investment division assesses any potential credit risk through a set of quantitative and qualitative indicators such as significant construction cost overruns or delays, operational underperformance, increase in financing costs or taxation which are likely to prevent the shareholder loan from being repaid in full, along with capitalized interest, by the term of the project (as determined by the concession agreement or similar agreements).

### Impairment

Based on Moody’s research on the default of infrastructure projects, the provision was calculated based on a probability of default and a recovery rate, corresponding to the historical average for “greenfield” project in emerging markets exclusive of EEA or OECD members.

This resulted in a provision amounting to 104,063 USD of the shareholder loan principal by end of 2018.

**ii) Shareholder Loan to NHPC**

This loan is classified as a debt instrument and is accounted at amortized cost. IFRS 9 applies for this operation.

**Project status at end of 2018**

Based on the fact that construction just started, and everything is going as planned, Africa50-PF has considered the Project as “on track” and classified the shareholder loan as “Performing loan” (Bucket 1).

The project reached financial close on December 24, 2018. Since then construction started at the end of January 2019 concomitant with the first drawdown on the senior debt. Construction is ongoing with no issue identified. Africa50 fully disbursed its shareholder loan contribution, for c. EUR 37 million.

**Shareholder loan to NHPC**

Africa50 applies a definition of default that is consistent with the IFRS 9 definition used for internal credit risk management purposes. It considers qualitative factors (for example, financial covenants), where appropriate.

Regarding infrastructure projects, Africa50 considers that the 90 day past due delay on interest are not an objective indicator of default. Africa50 investment division assesses any potential credit risk through a set of quantitative and qualitative indicators such as: construction delays, project cost overruns, increase in operational expenses over budget, change in taxation or regulation, significant delays in payments from off-takers etc

**Impairment**

Based on Moody’s research on the default of infrastructure projects, the provision was calculated based on a probability of default and a recovery rate corresponding to the historical average for green projects in emerging markets exclusive of EEA or OECD members.

This resulted in a provision amounting to 156,009 USD of the shareholder loan principal by end of 2018.

**iii) Room to Run**

As at 31 December 2018, Africa50 - PF engagement in Project Room to Run consists of a guarantee and is accounted for as a commitment. The latter is subject to IFRS 9.

**Project status at end of 2018**

The project reached financial close in November 2018. The loans in the portfolio have been performing well over the first months of the transaction. The principal lender paid the protection fee amount and the interest on the collateral in January 2019 as planned. An update on the portfolio in January 2019 showed that not only the loans are performing well, but there was no change in the credit rating of those loans compared to their initial status. No default or potential default was identified.

**Guarantee granted to Room to Run Project**

Based on the fact that the loans guaranteed are performing well with no potential default identified, the transaction is classified as bucket 1. Africa50 - PF assesses any potential increase in credit risk through a set of indicators such as: a significant change in the rating of a specific loan in the portfolio; whether a loan is put in Bucket 2 by the principal lender; significant delays in the principal lender's payment of protection fees; or downgrade of a principal lender rating below AA. As of today none of them applies.

### Impairment

No impairment was identified for the Room to Run Project when considering the following indicators: the probability of default of each loan in the portfolio which is based on its credit rating, the structure of the transaction in which the principal lender retains part of the losses on the portfolio prior to any protection payment and the fact that a loss will be identified about 3 years after the occurrence of a default and that no default has occurred yet.

No payment is expected from Africa50 - PF on this transaction in 2018.

### C.7. Liabilities – Accounts payable

Liabilities-Amounts payable amount to 3,078,459 USD and mainly represent trade payables and outstanding invoices as of December 31<sup>st</sup> 2018. All those liabilities are due within less than one year.

### C.8. Other payables

They cover the related party balances:

- The current account of Africa50 - PD for an amount of 19,480,781 USD. In particular, this account recorded re-invoices of expenses to Africa50 - PD for 9,720,124 USD, as well as the interest income on the current account, for 194,646 USD, during 2018.
- Overpayments of share subscription paid by shareholders which are detailed in the following table:

Shareholders	A50-Project Finance			Overpaid by shareholders (USD)
	Shares	Subscribed capital (USD)	Paid (USD)	
Madagascar	9,003	9,003,000	9,002,687	6,751,937
Tunisia	9,000	9,000,000	6,748,874	4,498,874
Republic Democratic of Congo	1,800	1,800,000	900,000	450,000
<b>Total</b>				<b>11,700,810</b>

### C.9. Shareholders Equity

The authorized capital according to Africa50 - PF status is 3,000,000,000 USD. The subscribed capital sums up to 781,292,000 USD while the paid-up capital amounts to 212,197,863 USD.

A50 - Project Finance			
Shareholders (30)	Shares	Subscribed Capital (USD)	Paid-up Capital (USD)
1. African Development Bank	100,000	100,000,000	25,000,000
2. Benin	4,176	4,176,000	1,044,000
3. Cameroon	45,000	45,000,000	11,249,863
4. Congo Brazzaville	167,997	167,997,000	41,999,250
5. Ivory Coast	26,999	26,999,000	6,749,750
6. Djibouti	2,700	2,700,000	675,000
7. Egypt	90,000	90,000,000	22,500,000
8. Gabon	7,800	7,800,000	1,950,000
9. Gambia	900	900,000	225,000
10. Ghana	17,655	17,655,000	4,413,750
11. Madagascar	9,003	9,003,000	2,250,750
12. Malawi	1,800	1,800,000	450,000
13. Mali	1,813	1,813,000	453,250
14. Kingdom of Morocco	90,000	90,000,000	22,500,000
15. Mauritania	9,101	9,101,000	2,275,250
16. Republic of Niger	1,799	1,799,000	449,750
17. Nigeria	36,000	36,000,000	9,000,000
18. Senegal	9,007	9,007,000	2,251,750
19. Sierra Leone	1,800	1,800,000	450,000
20. Sudan	2	2,000	500
21. Togo	17,346	17,346,000	4,336,500
22. Kenya	90,000	90,000,000	22,500,000
23. Burkina Faso	2,694	2,694,000	673,500
24. BCEAO (Central bank of the states of west africa)	4,500	4,500,000	4,500,000
25. BAM (Bank al maghrib)	18,000	18,000,000	18,000,000
26. Tunisia	9,000	9,000,000	2,250,000
27. Republic Democratic of Congo	1,800	1,800,000	450,000
28. Guinea (Conakry)	4,500	4,500,000	1,125,000
29. Rwanda	9,000	9,000,000	2,250,000
30. Mauritius	900	900,000	225,000
<b>Total</b>	<b>781,292</b>	<b>781,292,000</b>	<b>212,197,863</b>

#### C.10. Revenues from investments

The amount of 4,778,911 USD is composed primarily of:

- ✓ Interest on investment securities (term deposits); 3,626,939 USD
- ✓ Interest on projects loans (Room to Run, Nachtigal and Scatec Egypt); 1,569,784 USD

#### C.11. Administrative expenses

The total administrative expenses of Africa50 - PF amount to 6,765,002 USD which includes salaries and benefits for an amount of 3,164,514 USD, and other administrative expenses for an amount of 3,600,488 USD which includes travel, communication, recruiting, Board and General Shareholder Meeting expenses.

### C.12. Projects expenses

The project expenses correspond to the amounts committed (consultants, missions, specialists ...) during the year for the research and the study of investment projects whether through equity participation or direct financing.

	31/12/2018	31/12/2017
Expenses incurred on projects (USD)	899,620	412,066
<b>Total</b>	<b>899,620</b>	<b>412,066</b>

### C.13. Staffing

Africa50 – PF and Africa50 – PD together count 29 employees as of December 2018, of which 4 employees dedicated solely to Africa50 – PF.

Africa50's staff receives a monthly allowance to cover retirement costs and other expenses such as children education and life insurance. A healthcare insurance plan has been implemented in 2018. Africa50's staff also benefits from a relocation allowance when appropriate.

### C.14. Related party transactions

Africa50 - PF unique related party as of today is Africa50 - PD. Cross-relationships between Africa50 - PF and Africa50 - PD include operational (lease and other administration costs, IT platform, services, etc.), and advisory arrangements as well as key management personnel. Rebilling between entities take place as appropriate.

Related parties (USD)	31/12/2018	31/12/2017
<b>Africa 50 Project Development</b>		
Debt - Current account	19,480,781	20,219,723
Cost shared and invoiced to Africa50 - PD	9,720,124	2,455,513
Shared revenues with Africa50 - PD	194,646	225,945

### C.15. Commitments

Commitments given (USD)	31/12/2018	31/12/2017
<b>Guarantees</b>		
Less than one year	7,000,000	0
One to five years		
More than five years	30,000,000	0
<b>Leases</b>		
Less than one year	349,827	381,629
One to five years		349,827
More than five years		
<b>Total</b>	<b>349,827</b>	<b>731,456</b>

## Note D – Others

## GOVERNANCE

The Board is accountable for the long-term success of Africa50 - PF by approving the strategic objectives and monitoring performance against those objectives. The Board meets formally on a regular basis, usually in Casablanca, and, at each meeting, reviews business performance. There is a clearly defined schedule of matters reserved for the Board. The Board is assisted by various committees of the Board (Governance, Ethics, Budget, Nominations, and compensation Committee, Audit Committee, Strategy, Sustainability and ESG Committee, Enterprise Risk Management and Finance Committee), which report to it regularly.

Matters delegated by the Board to the Senior Leadership team include implementation of the Board approved strategy, day-to-day management and operation of the business, the appointment and remuneration of staff below the Senior Leadership Team.

Day-to-day management of the Group is the responsibility of the Senior Leadership Team.

## RISKS

Africa50 - PF is a highly selective investor and each investment is subject to an individual risk assessment through an investment approval process. Africa50 - PF's Investment Committee is part of the overall risk management framework.

### Risk management

Financial instruments recorded in the financial statements include financial assets at fair value through profit or loss, loans and receivables, capitalised expenses at amortised costs, other receivables, cash and cash equivalents, borrowings and other payables.

Africa50 - PF investing activities expose it to various types of risks that are associated with the financial instruments and markets it invests in. The most common risks to which it is exposed are currency risk, interest rate risk and credit risk. Africa50 - PF policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Board has established an Enterprise Risk Management and Finance Committee which oversees the risks affecting Africa50 - PF, the main mitigating factors and action taken to reduce these risks as well as the policies put in place to cover the main risks.

- **Currency risk**

Currency risk is the risk that the value of an instrument will fluctuate in USD owing to changes in foreign exchange rates. Africa50 - PF invests in securities denominated in different currencies. Consequently, it is exposed to the risk that the USD may change in a manner which has a material effect on the



reported values of its assets which are denominated in these underlying currencies. Currency exposure and exchange rate movement are monitored and reviewed on a regular basis.

As regard cash accounts, most of the company accounts are in USD, with the exception of one account in euros and another one in MAD which are used for current expenses.

- **Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Only future revenues could be impacted by the evolution of the rate.

- **Credit risk**

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation, and cause the company to incur a financial loss. The company has diversified its portfolio of its counterparty in order to limit this risk.

- **Sensitivity analysis**

As of December 31<sup>st</sup> 2018 a raise/decrease of the main currencies used by Africa50 – PF would have had the following impact.

Currency sensitivity (USD)	2018	2017
<b>EUR against USD</b>		
10% raise	4,656,261	-1,079
10% decrease	-4,656,261	1,079
<b>MAD against USD</b>		
10% raise	57,078	18,205
10% decrease	-57,078	-18,205

Since the investment and signature of a loan in EUR for a project in Cameroun, Africa50 – PF is mainly sensitive to the EUR fluctuations.

#### Exchange rates As at December 31<sup>st</sup> 2018

The table below shows the exchange rates used for the operations:

#### Exchange rate as at December 31<sup>st</sup> 18

MAD	0,10456
EUR	1,14379
GBP	1,26902



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