ANNUAL REPORT 2018

INVESTMENT FUND FOR DEVELOPING COUNTRIES

CONTENTS

LETTER FROM THE CEO

DEAR READER

In 2018, IFU contracted investments of DKK 1.5 billion. This is an all-time high investment level and a major step in meeting our strategic goal to reach an annual investment level of DKK 2 billion by 2021. In addition, IFU committed DKK 1.9 billion to the Danish SDG Investment Fund.

The new investments cover Africa, Asia, Latin America and eastern Europe. The largest single investment was in Nordic Microfinance Initiative's new fund IV that will provide financing for microloans, which will enable people in developing countries to grow their business and consequently reduce poverty. Moreover, IFU and our managed funds invested within sectors like agribusiness, renewables as well as healthcare.

During the year, IFU also successfully launched the Danish SDG Investment Fund. With a total of DKK 4.86 billion in committed capital, this is an important public–private partnership to fund private sector investments in developing countries supporting the UN Sustainable Development Goals.

The Danish SDG Investment Fund includes several large Danish pension funds and family offices, which see a potential in business with a double bottom line giving investors a return and creating better living conditions in developing countries.

One of IFU's important impacts is the creation and preservation of jobs, and in 2018 the active projects in our portfolio employed more than 200,000 people. Another key impact is tax payments to host countries, and in the most recent financial year the projects have reported corporate taxes of DKK 2.9 billion.

IFU's board approved an updated tax policy focusing on adapting to new international regulation, the so-called BEPS. In addition, the new policy will also increase our transparency on tax by introducing a public compliance statement in cases where IFU structures an investment through a third country. This is in line with our wish to be more open and present additional information about our investments, continue to participate in public discussions and share knowledge with relevant stakeholders.

IFU is committed to investing in sustainable projects, and in 2018, a new sustainability policy was developed. It is based on important international conventions and regulations, including ILO conventions, the UN Guiding Principles on Business and Human Rights, the UN Convention against Corruption and the Paris Agreement. Moreover, it includes procedures for integrating sustainability issues throughout the investment process from first contact to exit. In 2019, IFU will adopt a new climate and gender policy.

IFU recorded a net loss of DKK (161)m in 2018. The negative result is not satisfactory, but can mainly be ascribed to a few larger share capital investments experiencing adverse circumstances. Despite the negative contribution of (7.6) per cent in 2018, long-term returns on share capital investments remain positive with average five-year and ten-year returns for IFU at 6.8 per cent and 9.3 per cent, respectively. Project loans performed well again in 2018, providing a return of 5.4 per cent.

Torben Huss, CEO

IFU IN BRIEF

The Investment Fund for Developing Countries (IFU) offers risk capital and advice to companies wishing to set up business in developing countries and emerging markets. Investments are made on commercial terms in the form of share capital, loans and guarantees. The purpose is to promote economic and social development in the investment countries.

Investments create development
When investing, IFU is always focused on the double bottom line, creating development and profitable business, as this approach creates the best basis for a lasting positive impact in the investment countries.

To support project companies in reducing sustainability risks, contributing to sustainable development and achieving high sustainability standards, IFU has developed a comprehensive sustainability policy, which sets the standards for all investment companies.

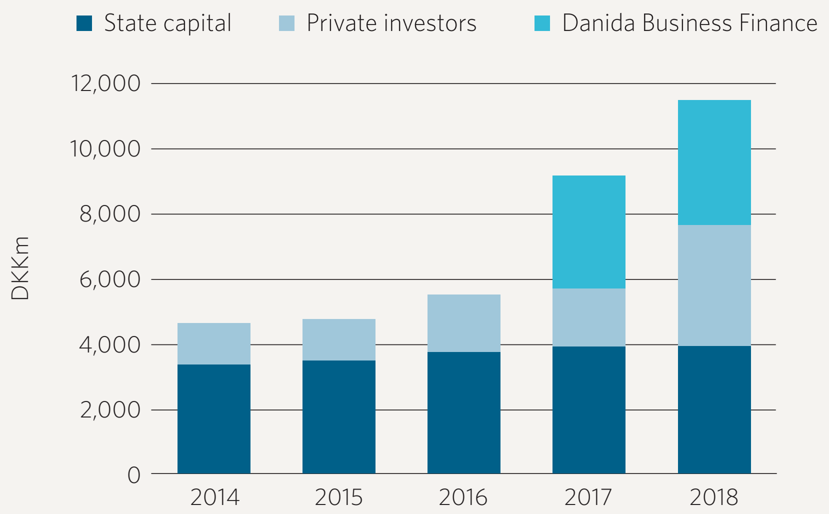
In all investments, IFU strives to support the targets for a better world towards 2030 as set out in the UN Sustainable Development Goals.

IFU as a fund manager
IFU acts as fund manager for a number of investment funds based on public and private capital: the Danish SDG Investment Fund, the Danish Climate Investment Fund (DCIF), the Danish Agribusiness Fund (DAF), IFU Investment Partners (IIP) and the Investment Fund for Central and Eastern Europe (IØ). Moreover, IFU manages Danida Business Finance (DBF).

IFU´s five-step investment process

	FIRST CONTACT	DUE DILIGENCE	APPROVAL OF INVESTMENT	ACTIVE OWNERSHIP	AGREED EXIT
Project company/partner	Presentation of company and business idea/plan	Data collection and presentation of the final business plan	Signing the final agreement Obtaining legal opinion Developing sustainability policy	Appointment of competent management and board Execution of business plan	Prepare future ownership structure Possible purchase of IFU's shares
IFU	Assessment of company's business plan/idea Advice on next steps Approval in principle of partner, investment location and business idea	Evaluation of the business plan Discussion of market strategy, management, budget, finance and ESG Visit to the partner company etc.	Approval of the project by IFU's board of directors/ investment committee Presentation of agreement	Using IFU's local knowledge and network Active participation in board work Additional funding	Valuation of company Retail price Exit agreement

Development in capital under management



Comprised by i) equity in IFU and IØ, ii) for the PPP funds (SDG, DCIF, DAF and IIP) either committed capital from private investors (investment period) or private investors' share of project commitments (holding period) and iii) guarantees outstanding for DBF.

Over time, IFU and IFU managed funds have invested in nearly 1,300 projects covering more than 100 different countries in Africa, Asia, Latin America and Europe. The total expected investment in these projects is DKK 202bn, with IFU and IFU managed funds contributing close to DKK 22bn.

This makes IFU the most experienced Danish investor in developing countries and emerging markets.

A five-step investment process

To achieve an efficient and proper process with our partners and the best possible result of our investments, IFU has set up a five-step investment process that guides our work throughout the lifetime of all projects. More information on the process is available on our website www.ifu.dk.

Statutory framework

IFU was established by the Danish State in 1967 and is governed by the Danish Act on International Development Co-operation. The fund is self-financed, and its revenues are comprised of income from interest, dividends and capital gains.

As per 2018, total capital under management by IFU was DKK 11.4bn. Capital under management is comprised by IFU's equity of DKK 3.8bn, IØ's equity of DKK 99m, committed capital from private investors in DCIF, DAF and IIP of DKK 3.7bn and outstanding DBF guarantees of DKK 3.8bn.

Sainshand Salkhin Park - wind farm south-east of Ulaanbaatar in Mongolia.

EXECUTIVE SUMMARY 2018

IFU and IFU managed funds

- IFU established the Danish SDG Investment Fund in 2018, raising a total of DKK 4.86bn
- The Danish SDG Investment Fund made its first two investments
- IFU and IFU managed funds contracted 37 investments totalling DKK 1.5bn in 2018
- At year-end 2018, the funds had an active portfolio of 203 project companies
- More than 200,000 people are employed in project companies included in the active portfolio
- Companies in the active portfolio reported DKK 2.9bn in annual local corporate taxes
- New investments are expected to have a positive impact on 12 of the 17 UN Sustainable Development Goals
- A new tax policy creating further transparency was adopted
- A new sustainability policy was developed
- Two Danida Business Finance projects reached financial close
- Including new projects, the funds have invested in renewable energy of more than 800 megawatts
- Total GHG savings are estimated to be close to 26 million tons CO_2e
- Continued efforts to create awareness of gender equality
- Total capital under management was DKK 11.4bn

IFU

- 24 new projects signed with a total of DKK 1,029m in contracted investments
- Additional financing of DKK 98m contracted in nine ongoing projects
- IFU committed DKK 1.9bn to the Danish SDG Investment Fund
- IFU was granted access to loan financing of up to DKK 800m from Danmarks Nationalbank
- The largest single investment was in Nordic Microfinance Initiative
- IFU made its first investment ever in Somalia
- IFU received state capital of DKK 306m to finance new initiatives regarding the UN Sustainable Development Goals, guarantees for African SMEs and EU neighbouring countries.
- Four investment facilities for MENA, Ukraine, climate and agribusiness were integrated into IFU adding DKK 438m to the equity
- Net income of DKK (161)m

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS 2014 - 2018

	2018[4] DKKm	2017 DKKm	2016 DKKm	2015 DKKm	2014 DKKm
INCOME STATEMENT					
Gross contribution from projects[1]	(121)	200	269	249	202
Operating income[2]	(155)	141	220	194	147
Net income for the year	(161)	141	218	194	149
BALANCE SHEET AT 31 DECEMBER					
Share capital investment in projects at cost	2,332	1,765	1,621	1,565	1,385
Project loans at cost	1,002	923	1,102	1,018	1,008
Total investment in projects at cost	3,334	2,688	2,723	2,583	2,393
Accumulated value adjustments	(29)	133	82	(3)	(137)
Investments in projects, net[1]	3,306	2,821	2,805	2,580	2,256
Cash and bonds, net	538	406	191	202	341
Paid-in capital during the year	306	217	14	0	0
Repaid capital/Paid-out dividend during the year	(50)	(50)	0	0	0
Total equity capital	3,802	3,288	2,984	2,802	2,608
Total balance	3,970	3,410	3,125	2,892	2,667
ADDITIONAL DATA					
New projects contracted (no.)	25	13	25	16	21
Portfolio of projects end of year (no.)	178	177	184	188	191
Investments contracted	3,070	640	1,103	660	681
Investments disbursed	849	478	667	499	528
Undisbursed contracted investments incl. guarantees	3,645	1,264	1,395	1,012	919
Binding commitments not yet contracted	765	410	347	581	196
KEY RATIOS					
Gross yield from share capital investments[3]	(7.6%)	6.2%	11.1%	12.7%	11.4%
Gross yield from project loans and guarantees[3]	5.4%	6.6%	7.9%	7.7%	6.8%
Gross yield from projects (total)[3]	(3.9%)	7.1%	10.0%	10.3%	9.7%
Net income for the year/Average total equity capital	(4.3%)	4.5%	7.5%	7.2%	5.9%
Solidity ratio	95.8%	96.4%	95.5%	96.9%	97.8%
Average number of full-time employees	89	84	78	72	71

Totals may not add up due to rounded figures.

1) Information about composition of the contribution from projects including value adjustments can be found in "Financial review 2018" on page 34.
Investments are valued at fair market value in accordance with the Danish Financial Statemants Act.

2) Operating income = gross contribution from projects less management fees, other income and operating expenses.

3) Gross contribution from projects/Average investment in projects - value adjusted.
Gross contribution from share capital investments/Average share capital in projects - value adjusted.
Gross contribution from project loans and guarantees/Average project loans - value adjusted.

4) Figures as per 01.01.2018 have been adjusted due to integration of facilities.

In 2018, **IFU invested DKK 1.5 billion**, which is at an all-time high

MANAGEMENT'S REVIEW

INVESTMENTS IN 2018

IFU and IFU managed funds contracted investments at a total of DKK 1.5bn in 2018, which is at an all-time high and in line with IFU's strategy to reach an annual investment level of DKK 2bn by 2021.

The Danish SDG Investment Fund made its first two investments in a solar park in Ukraine and a blueberry producer based in South Africa at a total of DKK 112m. The Danish Agribusiness Fund made one new investment in a fertilizer plant in India at DKK 59m and provided additional financing for two projects in China and Chile. The Danish Climate Investment Fund made one investment, which was additional financing for an expansion of a solar park in Brazil.

IFU itself contracted 24 new investments at a total of DKK 1,029m, excluding IFU's own contribution of DKK 1.9bn to the Danish SDG Investment Fund. IFU provided additional financing to nine ongoing project companies at a total amount of DKK 97.5m.

The projects will support the UN Sustainable Development Goals, e.g. by generating jobs, increasing the production of food, expanding renewable energy production and extending financial services to more people in developing countries.

In 2018, IFU made its first investment ever in Somalia by supporting the Horn of Africa Fund, which will invest in small and medium-sized companies with a growth potential.

IFU increased its engagement in microfinance through a DKK 184m investment in Nordic Microfinance Initiative's most recent fund number four. Nordic Microfinance Initiative is based on a public-private partnership with the Norwegian DFI Nordfund and IFU contributing public funds. Private investors so far are the largest family-owned Norwegian investment company, Ferd, Norway's largest finance institution, DNB, and Norway's largest pension fund, KLP.

Moreover, IFU invested DKK 100m in the African Guarantee Fund, which assists financial institutions in increasing their financing to African small and medium-sized enterprises (SMEs) through the provision of partial financial guarantees and capacity development assistance. IFU's investment in the African Guarantee Fund was partially financed by a capital contribution to IFU of DKK 85m by the Danish State.

Across funds, investments in Africa were DKK 542m corresponding to 37 per cent of total investments. Asia accounted for 23 per cent, while Latin America, Europe and Global investments accounted for 17, 11 and 12 per cent, respectively.

The new investments are expected to directly employ close to 4,000 people once full capacity is achieved. The actual direct employment is anticipated to be considerably higher, as it is not possible to estimate expected employment in IFU's fund investments at the appraisal stage.

The actual direct employment in the projects receiving additional financing is more than 6,000 people.

One important aspect of the investments is to use IFU and IFU managed funds' own resources as leverage for attracting additional capital to the project companies, as this leads to an overall higher development impact. Measured against the total expected investment in new projects, IFU's share of the investments had a leverage factor across funds of 13 in 2018.

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Over a rolling period of three years, at least 50 per cent of IFU's investments must be made in poorer developing countries, being countries with a maximum GNI per capita of USD 3,164 in 2018. The threshold is calculated as 80 per cent of the upper limit for Lower Middle-Income Countries, according to the World Bank's classification.

In 2018, 67 per cent of the investments were below the threshold. Investments in projects with a regional focus, typically fund investments, covering countries above as well as below the threshold, where the actual distribution is not yet known, are included partly in the calculation based on an annually updated weighted actual distribution for similar regional investments entered into in the period 2007-16. Seen over the three-year period 2016-2018, the share of investments below the threshold is 56 per cent.

INVESTMENTS AND ACTIVITIES IN IFU MANAGED FUNDS

IFU is fund manager of a number of investment funds based on public or public-private capital. These are the Danish SDG Investment Fund, the Danish Climate Investment Fund, the Danish Agribusiness Fund, IFU Investment Partners and the Investment Fund for Central and Eastern Europe. IFU also manages the Project Development Programme set up in cooperation with Danida.

With effect from 1 January 2018, the Arab Investment Fund (AIF) and the Ukraine Investment Facility (UFA) were integrated into IFU. AIF has been fully invested, and the last investment made by UFA is included in the Yavoriv investment. Also the state ownership share of DCIF and DAF was integrated into IFU.

Woman selling food in the market in Zambia, as part of a project supported by the Kukula Fund.

The Danish SDG Investment Fund

In 2018, in a first and a second closing, IFU established the Danish SDG Investment Fund. The fund is based on a public-private partnership, which includes the Danish State, IFU and the institutional and private investors PKA, PensionDanmark, PFA, ATP, JØP/DIP, Pensam, Navest, SEB Life & Pension, Secure SDG Fund and Chr. Augustinus Fabrikker Akts. The total committed capital amounts to DKK 4.86bn. The Danish SDG Investment Fund made two new investments in 2018 within renewable energy and agribusiness. Total investments amounted to DKK 112m.

Read more about the establishment and launch of the Danish SDG Investment Fund on page 14.

Danida Business Finance

Since 2017, IFU has managed Danida Business Finance (DBF), which offers financing on concessional terms to infrastructure projects in developing countries. DBF is financed by the Danish State. In 2018, two DBF projects at a total of DKK 1.2bn reached financial close and started implementation. Read more about Danida Business Finance on page 15.

The Danish Climate Investment Fund

The Danish Climate Investment Fund (DCIF) was established in January 2014 as a 10-year closed-end fund, based on a public-private partnership, which included the Danish State, IFU and five institutional and private investors: PensionDanmark, PKA, PBU, Dansk Vækstkapital and Aage V. Jensen Charity Foundation. The total committed capital was DKK 1.3bn, and the targeted net return to investors was 12 per cent.

DCIF's investment period ended in early 2018. Between 2014 and 2018, DCIF made 18 investments at a total of DKK 1,063m. The active portfolio includes 15 projects.

The Danish Agribusiness Fund

The Danish Agribusiness Fund (DAF) was launched in 2016 as an 11-year closed-end fund based on a public-private partnership, which includes the Danish State, IFU, PensionDanmark, PKA and PFA as investors. DAF invests in agribusiness across the value chain from farm to fork. The total committed capital is DKK 800m, and DAF has a targeted net return to investors of 10 per cent.

In 2018, DAF contracted one new investment in a fertilizer plant at a total of DKK 59m and provided additional financing for two projects at a total of DKK 17m. At year-end, the fund had invested in seven projects with total contracted investments of DKK 381m. Due to the establishment of the Danish SDG Investment Fund it was decided with the investors to end DAF's investment period ahead of schedule. Consequently, from 2019, DAF will not engage in any new investments.

IFU Investment Partners

IFU Investment Partners (IIP) is managed by IFU and capitalised by the two pension funds PKA and PBU. The total commitment from the two pension funds is DKK 500m. The fund was established in 2012 and served as a co-investor in large IFU projects and as a tool for Danish companies to raise additional equity funding in a one-stop process. IPP's investment period expired on 31 December 2017.

During the years, IIP has contracted investments at a total of DKK 255m.

The Investment Fund for Central and Eastern Europe

Due to the decision in 2010 to wind down the Investment Fund for Central and Eastern Europe (IØ), the fund continued its divestments in 2018. At year-end, IØ had a remaining active portfolio of nine investments.

Since its inception in 1989, IØ has invested in 408 project companies. The total invested amount is close to DKK 37bn with an IØ contribution of almost DKK 5.5bn.

In 2018, IØ repaid an additional DKK 35m to the Danish State. This brought the total accumulated capital repayment made by IØ to the State since 2004 to DKK 3,710m [1]. As per 31 December 2018, IØ had equity amounting to DKK 99m.

IØ received a total of DKK 1,898m[1] from the Danish State during the period 1990-2001.

The Project Development Programme

In 2016, Danida allocated DKK 50m for IFU to create the Project Development Programme (PDP) that can co-finance the costs of developing projects. The aim is to reduce the financial risk for Danish partners and developers who want to launch commercial projects in developing countries and emerging markets. Since inception, six projects have been made for a total amount of DKK 21m.

In 2018, IFU engaged in three development projects amounting to DKK 10m.

IFU and IFU managed funds overall

Counting the 24 new investments, IFU has now engaged in a total of 856 projects.

IFU's total contracted investment in the 856 projects is DKK 17bn.

Total contracted investments by IFU and IFU managed funds amounted to DKK 1,476m in 37 projects in 2018.

At year-end, the active portfolio covering all funds contained 203 project companies.

In total, IFU and IFU managed funds have contracted investments in 1,286 projects over the years, excluding inter-fund investments.

Active portfolio at 31 December 2018

IFU	178*
SDG	2
DCIF	15
DAF	6
IIP	3
IØ	9
Total	**213**
Exclusions**	(10)
Consolidated total	**203**

* Incl. AIF and UFA.
** Ten projects are excluded due to inter-fund investments, or because they have received financing from more than one fund.

1) Figures are in nominal prices.

INVESTMENTS CONTRACTED IN 2018

IFU INVESTMENTS CONTRACTED IN 2018

	Project name	Country	IFU's contracted investments in DKKm			Expected direct employment (people)
			Shares*	Loans**	Total	
	New projects					
	AFRICA					
1	Africa Food Security	Africa (Regional)	38.4		38.4	
2	African Guarantee Fund	Africa (Regional)	100.0		100.0	
3	AfricInvest Financial	Africa (Regional)	74.6		74.6	
4	Hospital Holdings Investment [1]	Africa (Regional)	61.8		61.8	1,300
5	Southern Sun Accra Hotel	Ghana		51.5	51.5	100
6	Sidian Bank	Kenya		78.8	78.8	450
7	Horn of Africa Fund	Somalia	12.3		12.3	
	Subtoal Africa		**287.0**	**130.4**	**417.4**	**1,850**
	ASIA					
8	ACIF IV	Asia (Regional)	63.6		63.6	
9	Dansani Rosery China	China	5.0		5.0	250
10	Ramagundam Fertilizers	India	59.3		59.3	460
11	Chahak Solar Iran	Iran, Islamic Rep.	0.0	22.7	22.7	8
12	Sierra Madre Philippines	Philippines	38.2		38.2	
13	Asia Business Builders	Vietnam	22.3		22.3	
	Subtotal Asia		**188.4**	**22.7**	**211.1**	**718**
	EUROPE					
14	Dana Metal Ukraine	Ukraine		5.0	5.0	182
15	Horizon Capital III	Ukraine	44.4		44.4	
16	KNESS Solar	Ukraine		42.9	42.9	27
17	Yavoriv Solar	Ukraine		29.8	29.8	22
		- UFA		17.5		
		- NEIF		12.3		
	Subtotal Europe		**44.4**	**77.7**	**122.1**	**231**
	GLOBAL					
18	Danish SDG Investment Fund (DSDG)		1,943.3		1,943.3	
19	NMI IV Fund		165.5		165.5	
20	NMI IV GP		18.4		18.4	
	Subtotal Global		**2,127.2**		**2,127.2**	
	LATIN AMERICA					
21	Maria Elena	Argentina		26.0	26.0	60
22	Broom Chile	Chile		58.7	58.7	284
	Subtotal Latin America			**84.7**	**84.7**	**344**
	PDP					
23	Osudoku Wind Farm	Ghana	5.0		5.0	
24	Anji Salmon Farm	China	4.7		4.7	
25	DLG Pilot India	India	0.3		0.3	
	Subtotal PDP		**9.9**		**9.9**	
	Total new projects		**2,657.0**	**315.5**	**2,972.4**	**3,143**

	ADDITIONAL FINANCING OF ONGOING PROJECTS		IFU's contracted investments in DKKm			Actual direct employment (people)
	AFRICA		Shares*	Loans**	Total	
26	Radisson Blu Nairobi	Kenya	41.2		41.2	308
27	BWSC Kayes Mali	Mali	0.4		0.4	93
28	Shangri-La Estate	Tanzania		3.1	3.1	255
	Subtotal Africa		**41.6**	**3.1**	**44.7**	**656**
	ASIA					
29	BOPA	Asia (Regional)	9.7		9.7	3,499
30	Aller Aqua (Qingdao)	China		9.5	9.5	34
31	Scandinavian Farms Pig Industries	China		16.9	16.9	391
32	Alliance Myanmar	Myanmar	9.1		9.1	429
	Subtotal Asia		**18.8**	**26.4**	**45.2**	**4,353**

> ADDITIONAL FINANCING CONTINUED

	LATIN AMERICA					
33	Exact Brazil	Brazil		5.0	5.0	253
34	Ingemann Food Nicaragua	Nicaragua		2.6	2.6	77
	Subtotal Latin America			**7.6**	**7.6**	**330**
	Total additional financing		**60.4**	**37.1**	**97.5**	**5,339**
	GRAND TOTAL IFU		**2,717.3**	**352.6**	**3,069.9**	
		Of which UFA		22.5		
		Of which NEIF		12.3		

	Project name	Country	Contracted investments in DKKm			
			Shares*	Loans**	Total	
	SDG investments contracted in 2018					Expected direct employment (people)
35	United Exports	South Africa		74.6	74.6	573
36	Better Energy Ganska	Ukraine	37.3		37.3	100
	GRAND TOTAL SDG		**37.3**	**74.6**	**111.9**	**673**
	DCIF additional financing of ongoing projects					Actual direct employment (people)
37	NPP Coremas I - III	Brazil		161.4	161.4	488
	GRAND TOTAL DCIF			**161.4**	**161.4**	**488**
	DAF investments contracted in 2018					Expected direct employment (people)
	Ramagundam Fertilizers	India	59.3		59.3	
	Total new projects		**59.3**		**59.3**	
	DAF additional financing of ongoing projects					Actual direct employment (people)
	Scandinavian Farms Pig Industries	China		16.9	16.9	
38	Coexca	Chile	0.3		0.3	663
	Total additional financing		**0.3**	**16.9**	**17.2**	**663**
	GRAND TOTAL DAF		**59.6**	**16.9**	**76.5**	

Total IFU + SDG + DCIF + DAF investments contracted in 2018

	Project name		Contracted investments in DKKm			
			Shares*	Loans**	Total	
27	**Total new projects**		**2,753.6**	**390.1**	**3,143.7**	**3,816**
11	**Total additional financing**		**60.6**	**215.4**	**276.0**	**6,490**
	GRAND TOTAL IFU AND IFU MANAGED FUNDS		**2,814.2**	**605.5**	**3,419.7**	
	Interfund financing:					
	(1) Danish SDG Investment Fund	IFU investment in DSDG	(1,943.3)		(1,943.3)	
	Total interfund financing		**(1,943.3)**		**(1,943.3)**	
37	**GRAND TOTAL CONSOLIDATED**		**870.9**	**605.5**	**1,476.3**	

UFA
NEIF

Totals may not add up due to rounded figures.

1) Transferred to Danish SDG Investment Fund in 2019
*) Including overrun commitments
**) Including guarantees

The Danish prime minster and minster for development cooperation witnessed the signing of the SDG Fund agreement in June 2018.

NEW FIVE BILLION KRONER FUND TO SUPPORT THE UN SUSTAINABLE DEVELOPMENT GOALS

In 2018, IFU launched its largest investment fund ever. In June, the Danish SDG Investment Fund was launched in a first closing of DKK 4.1 billion, and at the end of the year, the fund reached DKK 4.86 billion in a second and final closing.

The Danish SDG Investment Fund is a public-private partnership, in which the Danish State, via IFU, and private investors collaborate to take up an important social challenge. In that way, the fund is an innovative solution to how Denmark can contribute to increasing private investments in developing countries, which is a prerequisite for meeting the UN Sustainable Development Goals by 2030.

The committed capital to the Danish SDG Investment Fund is based on a 40/60 split between public and private investors.

The institutional and private investors, which are PKA, PensionDanmark, PFA, ATP, JØP/DIP, Pensam, Navest, SEB Life and Pension, Secure SDG Fund and Chr. Augustinus Fabrikker Akts. have committed DKK 2.92 billion in total. IFU's total commitment is DKK 1.94 billion.

IFU is fund manager for the Danish SDG Investment Fund, which will be operated on commercial terms and seek a competitive return to its investors.

Large equity investments

In future, the Danish SDG Investment Fund will be the main vehicle for IFU's equity investment activity. The fund will engage in all larger equity investments above DKK 25 million. Smaller equity investments and loan financing as well as projects with a high-risk profile and projects in new sectors and more fragile states will continue to be handled by IFU directly.

Strategic sectors to support the SDGs

The Danish SDG Investment Fund will target a number of strategic sectors, being renewable energy, agribusiness, infrastructure, including water and sanitation, industry and service as well as the financial sector.

Investing in these sectors will address some of the biggest challenges in developing countries and at the same time have a positive impact on several of the Sustainable Development Goals, like goal 1, No poverty, goal 2, End hunger, and goal 7, Affordable and clean energy.

It is expected that 30 – 40 per cent of the investments will be in Africa, a corresponding level in Asia, while 10 – 20 per cent will be in Latin America and the Europe/MENA regions, respectively.

Two first investments made

The Danish SDG Investment Fund made is first two investments in late 2018. The first was a in a solar park in Ukraine and the second in a blueberry producer operating in South Africa and Zambia.

DANIDA BUSINESS FINANCE FOCUSES ON RENEWABLES AND WATER

Danida Business Finance (DBF) offers financing on concessional terms to sustainable infrastructure projects in developing countries, which would not otherwise have obtained financing on commercial terms. DBF is financed by the Danish State and has since 1993 contributed to water and sanitation and energy projects based on state-of-the-art Danish technology and know-how in 29 developing countries in Africa, Asia and Latin America.

Two DBF projects reached financial close and started implementation in 2018 - a wind project in Santa Cruz, Bolivia with Vestas A/S and a project concerning rehabilitation of road bridges in Northern Ghana with Munck Engineering A/S. The two projects, totalling DKK 1,219 million in contract value, lead to DKK 483 million in DBF subsidy.

The minister for development cooperation approved support for a new wind project in 2018 – a 100 MW wind project in Assela, Ethiopia – the first DBF project in the country. The wind farm will be located approximately 150 km south of Addis Ababa and is expected to have between 36 and 67 turbines placed close to Itaya town in the Oromia Regional State. When completed mid-2020, Assela will supply modern and sustainable electricity to almost a million people.

Water and sanitation projects still constitute a large part of the DBF portfolio, and in 2018, two new water projects in Uganda and Kenya were cleared in principle and included in the DBF pipeline.

The Thika and Githunguri Water & Sanitation project in Kenya and the Wakiso West Water & Sanitation project in Uganda are expected to provide clean drinking water to more than 155,000 households combined.

IFU'S TAX POLICY REVISED

IFU's project companies must respect local tax laws and pay taxes where they have their economic activity. This principle was confirmed in IFU's first public tax policy from 2015. The tax policy has since then been revised twice, most recently in 2018, to adapt to the OECD's BEPS regulation (base erosion and profit shifting), which is under implementation in several countries, including Denmark.

The new tax policy stipulates that IFU cannot use holding companies in third countries if the only purpose is to reduce negative effects of missing or inadequate double taxation treaties. To claim treaty benefits, the reason for using a third country must be another than tax, e.g. that the company has economic activity in the country, or that one of the investors is residing there.

Moreover, IFU will not use holding companies in third countries that are on the EU list of non-cooperative tax jurisdictions or do not comply with the OECD's Global Forum.

To be transparent, IFU will continue to disclose all investments, including the use of holding companies, and where these holding companies are domiciled. For investments made after the approval of the policy in October 2018, IFU will publish a statement explaining compliance with IFU's policy for each new investment domiciled in a third country. The statements will be published in connection with the IFU Project Portfolio for the relevant year.

IFU and Sidian Bank at concluding press conference in Kenya regarding capital injection from IFU to the bank.

SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS

IFU's purpose is in line with the UN Sustainable Development Goals (SDGs) as set forward by the UN General Assembly in 2015.

By providing risk capital and advisory services, IFU and IFU managed funds support commercially viable companies, which due to their profitability create a return on investment as well as a long-term development impact through job creation, production, provision of services and tax payments.

The spin-off is increased income for workers, transfer of technology, company-sponsored employee training, interaction with local business and funding for the public sector, which can be invested in for example education, healthcare and infrastructure.

Consequently, IFU's investments have direct as well as indirect effects on achieving the SDGs. Creating jobs helps to end poverty, investing in agricultural projects reduces hunger and erecting wind farms and producing solar energy provide access to renewable energy and reduce greenhouse gas emissions.

Measuring development impact

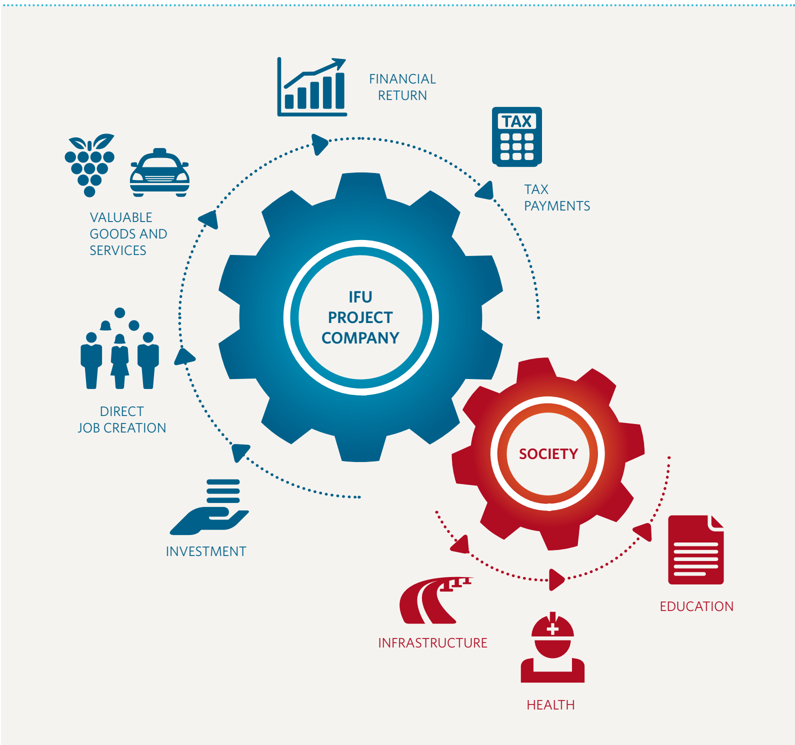
IFU's development impact is measured through our Development Impact Model (DIM). The model is used to assess the potential impact ex ante, and by annual reporting on several impact-related issues as well as a final ex post analysis, IFU can present a comprehensive insight into how our investments impact local communities and affect the SDGs.

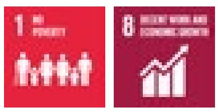
The DIM was introduced in 2017, and as only new projects are scored, the following is based on ex ante and annual figures only.

A broad impact on the SDGs

24[2] new projects contracted in 2018 have a broad impact on the SDGs. In total, the projects are expected to impact 12 of the 17 SDGs. The impacts vary across the new projects. Some projects will affect several of the goals, and some only a few. All projects are expected to have a positive impact on goals 1, 8 and 17, being No poverty, Decent work and economic growth and Partnership for the goals. Moreover, seven projects will have an impact on goal 5, Gender equality, six projects an impact on goal 7, Affordable and clean energy and goal 12, Responsible production and consumption. Five projects will impact goal 2, Zero hunger, and a number of the projects will have an impact on other goals.

IFU is driving change





Employment alleviates poverty

One of the most important development effects is employment, because it pro-

2) 24 projects out of the 27 new projects contracted in 2018 are scored in the DIM, as three Project Development Programme projects, which are projects at an early stage, have been excluded.

New projects impact the UN Sustainable Development Goals

vides opportunities for people to escape poverty and improve their standard of living by increasing their earnings, leading to higher purchasing power as well as the possibility to invest in their future. Moreover, IFU requires that all project companies comply with national regulations and international standards on labour and working conditions, which leads to decent working conditions for the employees.

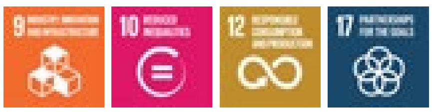
In each project, IFU estimates the expected direct employment effect. When a project becomes operational, it has to report its actual number of employees to IFU on an annual basis, until the project is exited.

New projects contracted by IFU and IFU managed funds in 2018 are estimated to generate and preserve close to 4,000 direct jobs once in full operation. Compared to the total investment in new projects of DKK 633m, IFU and IFU managed funds are contributing to creating or preserving six jobs for every DKK million invested[3].

Projects contracted before 2018, and which are not yet divested by IFU, employ a total of 208,000 people. 93,000 people are employed in Asia, 67,000 people in Africa, while projects in Latin America, Europe and projects with a global focus account for the remaining jobs.

During the years, IFU and IFU managed funds projects have had an employment effect of close to 400,000 direct jobs.

Direct employment is, however, only part of the development impact. According to UN research, every direct job created generates one to two additional jobs for instance in local supply chains or with service companies. Counting both direct and indirect jobs, projects under IFU and IFU managed funds have over the years contributed to creating and preserving close to one million jobs in developing countries.



Investments create economic growth

IFU projects also benefit the economy in host countries by implementing new technology, training employees and paying taxes.

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3) Only new direct investments are included, as it is not possible to estimate expected employment for indirect incvestments at the appraisal stage.

Tax report 2018 (in DKK 1,000)

Corporate tax per continent	
Africa	1,520,882
Europe	48,111
Asia	850,467
Global	429,951
Latin America	95,648
Total DKK	**2,945,059**

New technology implemented

Transfer of technology plays an important role for developing economies. Implementing modern technology helps to enable developing countries to create more advanced products and services. It makes the countries more competitive and cost efficient, which also leads to higher incomes for individuals, companies and the society.

Implementing modern technology will normally also benefit the environment, because it is less polluting and more energy efficient.

More than 75 per cent of the new projects[4] contracted in 2018 are expected to implement world class technology.

Training enhances skills

In countries where formal vocational education is scarce, company-sponsored employee training is essential. This will contribute to boost the general level of education and enhance the skills of people in developing countries. Consequently, people receiving such training will be better qualified and more employable in the labour market.

All new projects[5] contracted in 2018 have plans for training programmes for their employees. In total, 75 per cent of the staff within the projects is expected to receive training.

Sound businesses pay taxes

Since 2013, IFU has collected information on corporate taxes reported by the projects in the active portfolio[6]. These figures do not include taxes paid by employees and VAT.

For 2018, IFU has information on taxes from 144[7] investments. Total reported annual corporate taxes from these investments amount to approximately DKK 2.9bn.[8]

The figures presented above are primarily related to the financial years 2017 or 2018.

Greenfield projects have a high impact

Greenfield projects are often seen as having the highest development impact, because they introduce new business into the host country. At the same time, greenfield projects normally involve higher risk, making it essential to obtain risk sharing and co-investments from external institutions like IFU when setting up such projects.

In 2018, more than 60 per cent of the new investments were greenfield projects.

Climate investments reduce greenhouse gas emissions

One of the big challenges in developing countries is the lack of access to energy for people and businesses. At the same time, many developing countries are the ones facing the most severe consequences of climate change.

Consequently, installing and producing renewable energy in the developing countries have the double effect of providing affordable and clean energy and reducing CO_2 emissions.

The new investments contracted in 2018 will install renewable energy capacity of 99 megawatt, which is expected to produce 119 GWh per annum when fully operational. In total, the new projects are expected to represent GHG savings of approximately 1,000,000t CO_2e during their lifetime.

4) New investments in funds and microfinance are excluded because it is not possible to estimate technology used at secondary level at the time of appraisal. Moreover, three PDP projects, which are projects at an early stage, have been excluded.

5) New investments in funds and microfinance are excluded because it is not possible to estimate training programmes used at secondary level at the time of appraisal. Moreover, three PDP projects, which are projects at an early stage, have been excluded.

6) According to the income statement.

7) Tax information for 23 projects under establishment, 19 inactive projects, five PDP projects and 12 where reporting is missing have been excluded.

8) From 2017, reported taxes for portfolio companies in funds and financial intermediaries, in which IFU has invested, are included.

GENDER EQUALITY EMPOWERS WOMEN

Women play an importent role in the economy of the developing countries, and their integration in the labour market and in the private sector has a significant impact on the livelihood of families. Therefore, IFU is committed to improving gender equality when mobilizing capital and investing in project companies in developing countries.

In general, improving gender equality and increasing female integration in the labour market lead to higher economic growth and welfare in developing countries. In India, a study has estimated that there is a potential for creating close to 70 million jobs and growing the GDP by USD 0.7 trillion annually towards 2025, if companies focus more on gender equality and improve health and well-being for employees.

IFU's investments normally have a positive impact on gender equality because they create new business and employment opportunities, which serve as a path for labour market integration and income. But to exploit the full potential, IFU and its business partners need to create awareness and lead by example.

Promoting strategies and tools

To support IFU's efforts in promoting gender equality strategies and tools towards its investments, IFU has entered into a strategic partnership with the Danish Family Planning Association.

For the last two years, IFU has worked on motivating project companies to address and demonstrate a commitment to the empowerment of women through initiatives and measurable results on especially women's health as well as sexual and reproductive health.

In 2018, two seminars were held in India and China promoting the value proposition and relevant tools to the project companies, and follow-up activities are ongoing. Tools developed are available on IFU's website.

Examples of successful initiatives are Orana in Vietnam that has rearranged its working hours to better meet the needs of female staff to combine work with family responsibilities, and LM Wind Power in India, which has offered training for women enabling them to take up more technical jobs that are normally reserved for men.

To develop a policy on gender

In 2018, IFU joined the DFI Gender Finance Collaborative, and IFU will through this collaboration and other engagements with international stakeholders continuously identify and share opportunities for IFU and its investments. IFU will develop a policy on gender equality in 2019 and is committed to reporting gender equality investments to the 2X Challenge of the G7.

Gender conference in India regarding the benefits of investing in gender equality, health and well-being in the workplace.

Supporting SDGs 3 & 5

By promoting gender equality and health, including sexual and reproductive rights in project companies, IFU is supporting SDG 5 and working towards contributing to target 5.1. to end all forms of discrimination against all women and girls everywhere. Moreover, IFU is impacting SDG 3, especially target 3.7 on ensuring access to sexual and reproductive health‹care services, including family planning, information and education.

HOTEL INVESTMENTS LEAD TO DECENT WORK AND ECONOMIC GROWTH

In 2018, one of IFU's new investments was in a hotel project in Accra, Ghana. In general, hotel investments create jobs for unskilled people, including young and females, who will receive on-the-job training and be provided with good career opportunities. Moreover, the sector spurs local economic growth and is a large contributor to tax revenues.

Tourism is big business. In 2017, more than 60 million tourists visited Africa, and in sub-Saharan Africa the sector contributed with around seven per cent of the total gross domestic product (GDP). Moreover, it is estimated that tourism generates around 20 million African jobs representing nearly one working person in 14.

The Radisson El Quseir Hotel in Egypt.

Over the last 20 years, the number of tourists in Africa has more than doubled, and it is foreseen to double again within the next ten years. To realize the potential, it is necessary to continue to increase the African tourist infrastructure, including high standard hotels.

DFIs are filling the financial gap

In 2018, IFU made one new investment in a hotel project. The Southern Sun Accra Hotel is a 150 room three-star hotel situated in Ghana's capital city of Accra. The investment adds to several hotel and tourist sector projects in IFU's portfolio, not least covering Africa.

Normally, project financing for hotel projects is difficult to obtain due to primarily development and construction risk, exemplified by the fact that the typical delay for hotel projects is four years across Sub-Saharan Africa.

Consequently, local banks are reluctant to finance hotel projects, and as large hotel operators do not want to take the development risk or tie up substantial capital in buildings, the market calls for other investors. These are often Development Finance Institutions, which can provide long-term financing and offer advisory services for local developers in cooperation with international hotel operators.

Hotels create a solid local impact

Investments in hotels have a strong local impact. On average, hotels employ 1 – 5 people for each room, with the most luxurious brands having the highest employment rate. In addition, hotels create indirect employment by local sourcing of goods and services. It is estimated that each direct job at hotels generate 1 – 2 indirect local jobs.

The people hired by hotel operators are typically unskilled, including young and female, who receive on-the-job training and have good career opportunities within the hotel or in the sector in general.

Moreover, quality hotels are an important part of the tourist and business infrastructure, enabling developing countries to attract tourists and business people, who will generate economic activity, either directly by spending funds, or indirectly by leading to more business and investments.

Finally, the tourist and hotel sectors normally contribute to increased local government revenue by fees or taxes on visas and stays, for example.

Supporting SDGs 4,5 & 8

Investments in hotels in developing countries support several of the UN Sustainable Development Goals. International hotel operators operating in cooperation with DFIs need to implement high ESG standards and are consequently supporting SDG 8 targeting the creation of decent jobs, including reduction of youth unemployment. As several of the employees are women, hotels investments also impact SDG 5, Gender equality. By implementing professional training programmes for staff, hotels are supporting SDG 4, Quality education.

CREATING AFFORDABLE AND CLEAN ENERGY

One of the main barriers for social and economic progress in developing countries is the lack of access to energy and a stable supply. The Danish Climate Investment Fund, IFU and the Danish SDG Investment Fund have in recent years invested in renewable projects with a total capacity of more than 800 megawatts. Estimated, the projects will reduce greenhouse gas emissions close to 26 million tons CO_2e during their lifetime.

One of the main barriers for social and economic progress in developing countries is the lack of access to energy and a stable supply. This is especially the case in Africa. By creating the Danish Climate Investment Fund, IFU has been able to serve the need for increased energy supply and tackling climate change at the same time.

Lake Turkana Wind Power largest in Africa

The largest single project is Lake Turkana Wind Power in Kenya, which is a 310-megawatt wind farm.

In 2018, the project was connected to the national grid and is now producing at full capacity with an average wind factor around 80 per cent compared to a global average of 30 – 40 per cent. Due to the scale of Lake Turkana and the high average wind factor, wind energy has now taken third position in the energy mix in Kenya and reduced traditional thermal power significantly.

The Danish Climate Investment Fund has also invested in a 55-megawatt wind park in Mongolia, which was connected to the grid in 2018. In Latin America, focus has been on solar parks as well as heating of water. Moreover, the fund has invested in e.g. waste water projects and an energy efficiency project in South Asia.

The four-year investment period of the Danish Climate Investment Fund ended in early 2018. By contracting investments of DKK 1bn, the fund has fulfilled its mission, which based on the Copenhagen Summit was to tackle climate change in developing countries by increasing funding for investments in renewable energy and other climate-related projects.

Continues to invest in renewables

In parallel with the Danish Climate Investment Fund, IFU has made several renewable energy investments, for example in solar power in Egypt and wind power in Ukraine.

Moreover, the first investment made by the Danish SDG investment Fund was in a 19.1-megawatt solar park in Ukraine, which has brought the renewable energy portfolio across IFU and IFU managed funds to a total of more than 800 megawatts. The projects contracted are expected to reduce greenhouse gas emissions by 25,800,000 tons CO_2e during their lifetime.

INVESTED IN
MORE THAN
800 MEGAWATT
CLEAN ENERGY

Going forward, IFU will continue to build on the experience and expertise achieved within renewables. The target is to invest 30 - 40 per cent of the DKK five billion committed to the Danish SDG Investment Fund in renewable energy.

Supporting SDG 7

The investments in renewable energy projects support SDG 7, which is targeting the creation of affordable and clean energy. This includes target 7.1, which aims at creating universal access to modern energy and target 7.2 on increasing the global percentage of renewable energy, and not least target 7.b on expanding and upgrading energy services for developing countries.

CONTRIBUTING TO AGRIBUSINESS DEVELOPMENT

One of the Danish SDG Investment Fund's first investments was in the company United Exports, producing blueberries in South Africa and Zambia. In the last five years, IFU and the funds managed by IFU have invested more than DKK 600m in 15 agribusiness-related projects, and the sector will continue to be a strategic focus.

Increasing investments and developing the agribusiness sector in developing countries is imperative for improving the livelihood of poorer people.

In the last five years, IFU and IFU managed funds have invested more than DKK 600m in 15 agribusiness-related projects. In 2018, the funds engaged in five new projects. One of them was United Exports, which is a leading producer of blueberries operating in South Africa and Zambia.

The investment made by the Danish SDG Investment Fund will support a 180-hectare expansion and infrastructure upgrade. When fully expanded, United Exports will employ close to 600 people, support thousands of seasonal jobs and generate income among out-grower farmers.

IFU also invested in the Africa Food Security Fund, which will support small and medium-sized local companies across the agribusiness value chain. The fund has a target of USD 120m and will invest in companies with a solid business potential, which can be fulfilled through further investments and technical assistance.

Tackling food waste

Each year, 1.6 billion tons of food worth approximately USD 1.2 trillion go to waste – about one third of the total global food production. According to FAO, food waste accounts for around 8 per cent of global greenhouse gas emissions.

EACH YEAR, **1.6 BILLION TONS** OF **FOOD GO TO WASTE**

In developing countries, one of the main reasons for food waste is insufficient and ineffective storage and transport facilities. Investments in improving and upgrading the food infrastructure from farm to consumer are therefore strongly needed and have the potential to decrease food waste, reduce undernourishment and increase farmers' income.

IFU is investing along the agribusiness value chain and has invested in several projects aiming at improving storage, handling and transporting food. One investment is in Saraf Foods Ltd. in India, which produces freeze-dried fruit and vegetables. The freezing process based on technology and equipment from a Danish supplier is world-leading in preserving perishable food, while maintaining the original taste and nutritional value. Another investment is in Broom, Chile, a company offering cooling services close to fruit and vegetable producers.

Continuing investments in agribusiness

Going forward, IFU will continue to invest in agribusiness projects. The indicative target for the Danish SDG Investment Fund is to make 30 – 40 per cent of its investments in the sector.

Supporting SDGs 2 & 12

IFU's investments support SDG 2, End hunger, primarily by addressing target 2.3 and 2.4 focusing on doubling the agricultural productivity and incomes of small-scale farmers as well as ensuring sustainable food production systems. Moreover, the investments support SDG 12, where target 12.3 sets to halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses, by 2030.

MICROFINANCE AN IMPORTANT SERVICE FOR LOCAL DEVELOPMENT

In recent years, IFU has increased its investments in microfinance and the financial sector because access to these services is important for local development. In 2018, IFU engaged in three projects within the sector; the African Guarantee Fund, Sidian Bank in Kenya and Nordic Microfinance Initiative.

In most developing countries, access to financial services is sporadic. This is not least the case in rural areas, and it hampers the ability for people to invest in and grow their businesses. In 2018, IFU invested close to DKK 185m in an additional fund established by the Nordic Microfinance Initiative. This brings the active portfolio of investments in microfinance to a total of DKK 550m.

Grace Masengesho has increased revenue

The six microfinance funds and institutions in which IFU is currently engaged cover Africa, Asia, Latin America and parts of Europe and reach a total of 18 million clients, of whom 15 million are women. The loans provided have enabled clients to grow their business. One of these clients is Grace Masengesho a 32-year old Rwandese, who specializes in trading human hair and hair cosmetic products. By obtaining loan finance from AB Bank Rwanda, which is funded by Nordic Microfinance Initiative, she has managed within a two-year period to increase her client base and revenue as well as opening an additional shop.

IFU has also engaged in microfinance in Myanmar through an investment in Alliance, which in a few years has grown considerably in the northern part of the country around Mandalay. Today, Alliance services close to 150,000 families with diverse types of loans targeting small businesses, groups and farmers.

Focus on client protection

IFU is aware of the risks when providing microfinance loans to people who are not necessarily familiar with financial services. Hence, IFU has focus on client protection in relation to for example over-indebtedness, transparency and financial training according to the Client Protection Principles, which all microfinance institutions must adhere to.

Local banks are crucial

An efficient financial system, including local banks, is crucial to creating a solid environment for business and development. To achieve this, financial institutions need risk capital, which is often difficult to obtain locally or in the private market. Therefore, one of IFU's strategic focus areas is to engage in the financial sector by providing funding for banks that offer local micro and SME financing.

In 2018, IFU invested in Sidian Bank in Kenya. The bank has a strong focus on SME and micro lending and needs funding for further growth. Going forward, it is expected that up to around 10 per cent of the Danish SDG Investment Fund will be invested in the financial sector.

Grace Masengesho in her shop, selling hair products.

Supporting SDGs 1 & 5

Access to financial services supports several of the Sustainable Development Goals. First, it is an integrated part of SDG 1 to end poverty by 2030, where financial services and microfinance are included as basic services that need to be made available to all men and women, in particular the poor and vulnerable. Increasing the access will also have a positive impact on reducing inequalities, and as most clients are women, microfinance is an important enabler for increasing gender equality as set forward in goal 5

SUSTAINABILITY CREATES VALUE

Sustainability policy

IFU's sustainability policy provides the framework for the environmental, social and governance (ESG) requirements for the companies in which IFU invests. IFU is committed to ensuring that the project companies reduce sustainability risks, contribute to sustainable development and achieve high sustainability standards, which IFU believes add value to the project companies and enhance business opportunities. IFU's sustainability policy can be found on IFU's website.

Commitment to national and international standards

IFU is domiciled in Denmark and is subject to Danish law. With regards to sustainability, IFU adheres to the Danish guidelines on responsible business conduct (Erhvervsstyrelsen 2018) and the OECD Guidelines for Multinational Enterprises (2011), including the two sub-set publications; Responsible Business Conduct for Institutional Investors (2017) and Due Diligence Guidance for Responsible Business Conduct (2018).

In developing countries where IFU invests, IFU requires project companies to follow national regulations in addition to complying with international standards and principles. In order to operationalize the management of ESG impacts in accordance with international principles, the primary standards that guide the scoping of IFU's due diligence and monitoring of investments are:

- the IFC Environmental and Social Performance Standards (2012)
- the World Bank Group General and Sector-specific Environmental Health and Safety Guidelines (2007 and later amendments)
- the UN Guiding Principles on Business and Human Rights (2011)
- the 10 principles of the UN Global Compact (1999)
- OECD's Convention on Combating Bribery (1997) and the UN Convention against Corruption (2010)
- ILO Declaration on Fundamental Principles and Rights at Work (1998)

Aligned with the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises, IFU will identify, prevent and mitigate potential adverse impacts related to environmental, social and governance impacts that IFU may cause or contribute to, or to which IFU is directly linked through investments and other business relationships.

Furthermore, IFU takes into account the effects of its investments on the goals expressed in the Rio Declaration on Environment and Development and the Paris Agreement on Climate Change in its investment strategy and individual investment decisions.

IFU has signed up to the principles of the UN Global Compact, which outline the fundamental responsibilities of business in the areas of human rights, labour, environment and anti-corruption. During 2019, IFU plans to sign up to the UN Principles for Responsible Investment (UNPRI) and the Climate Action in Financial Institutions.

New sustainability policy under way

During 2018, IFU developed a new sustainability policy. The process included a public hearing in July 2018, where Danish civil society organisations provided valuable input. Furthermore, ideas and comments to the policy were provided at an information meeting for the Danish civil society organizations about the Danish SDG Investment Fund, held in September 2018. Following the public hearing, ongoing de-

Aller Zambia supports a local school as part of their sustainability activities.

IFU's sustainablity workflow model

1 First contact

- Identification of project-related sustainability issues
- Assessment of project's policy and sustainability track record
- Project is categorised according to environmental and social risk level

2 Due diligence

- Site visit
- UN Global Compact Self-Assessment tool
- Environmental and social impact assessment for high risk projects
- Sustainability action plan is established

3 Approval of investment

- Commitment to sustainability action plan
- Commitment to IFU's sustainability requirements

4 Active ownership

- Annual sustainability status report
- Follow-up on sustainability action plan
- Internal assessment of project sustainability performance

bate and input from external stakeholders, the policy was approved by IFU's board at its first meeting in 2019.

Sustainability throughout the investment process

The design of IFU's investment process secures that investments are assessed and approved according to a gradually increased engagement level passing several approval stages. At each stage, ESG aspects will be investigated and findings integrated in IFU's decision papers at "First Contact" "Due Diligence" "Approval" and "Active ownership" level.

First contact involves initial assessment of potential projects that IFU and IFU managed funds are considering investing in. The sustainability policy of the project sponsor, if such a policy exists, is considered together with the project sponsor's track record, commitment and competences to work with sustainability issues.

Project-related sustainability risks and impacts to be assessed during the due diligence phase are identified, and projects are categorised in terms of environmental and social risk. IFU uses the risk categories A, B+, B and C. This is a proven concept defined and used by all EDFIs (European Development Finance Institutions). So-called A projects are projects with significant potential adverse environmental or social impacts or risks, e.g. large wind farms, plants and cement manufacturing. Contrary to this, C projects are projects with minimal or no adverse social or environmental impacts or risks, e.g. offices or IT development companies.

Based on the categorisation, the due diligence includes a comprehensive assessment of sustainability risks, impacts and mitigation measures related to the specific project. Onsite visits are made to all potential high-risk projects, and project representatives must answer questions in the UN Global Compact Self Assessment Tool. For A and B+ projects, IFU will require a full Environmental and Social Impact Assessment (ESIA) in accordance with IFC Performance Standards. This helps to identify gaps in the current performance or planned measures in the project company, and indicates which improvements are necessary. The results of the assessment are written in an action plan that describes the measures to be implemented within an agreed time frame.

The action plan is used as a management tool for IFU to monitor the sustainability performance of the project company. Project companies must comply with national regulations in the country in which they operate and work towards implementing relevant international standards.

During active ownership, project companies are required to prepare an annual sustainability status report to be submitted to their own board of directors for internal review and approval. The report is to serve as a tool for the annual stocktaking by the board of directors of sustainability issues relevant to the project company. For all investment companies, IFU also receives a copy, even if IFU is not represented on the board.

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Risk management aspects

IFU identifies potential risks and impacts of the project companies' activities to avoid, mitigate and manage the risks and impacts as a way of doing business in a sustainable way. This includes:

Management of environmental and social risks and impacts	*Is there an effective environmental and social management system in place?*
Assessment of potential human rights impacts	*Does the project company identify human rights impacts that it may cause or contribute to, or which may be directly linked to its operation?* *Does the project company also make an effort to prevent or mitigate human rights impacts?*
Labour and working conditions, including occupational health and safety	*How are the working conditions, and do they comply with international conventions, and how are the occupational health and safety conditions related to the specific sector?*
Resource efficiency and pollution prevention	*How are the resources used and managed to avoid or reduce the impact on human health and the environment, with regard to energy, water, air and waste?*
Community health, safety and security	*What are the risks for the community, and who are the vulnerable groups?*
Land acquisition and involuntary resettlement	*Are there any affected people that would need to be physically or economically displaced?*
Biodiversity	*Is there any biodiversity that is impacted and should be protected?*
Animal welfare	*Which actions are needed to ensure that Danish animal welfare standards are met?*
Indigenous people	*Are any indigenous people affected?*
Cultural heritage	*Are there any cultural sites being affected?*
Anti-corruption	*How is anti-corruption managed?*

Further specification of IFU's sustainability requirements can be found in IFU's sustainability policy and handbook.

Investment risks related to sustainability

Strategic sustainability risks

IFU manages a portfolio of diverse project companies. On-site visits, sustainability monitoring through the investment process and assessment of compliance with IFU's sustainability requirements are instruments seeking to ensure that IFU's sustainability strategy is met in the individual project companies. Despite the mechanisms to ensure a strategically embedded focus on sustainability, there will still be risks regarding project companies in the portfolio.

In terms of sustainability requirements, investment companies are asked to establish a system to ensure continuous improvement of sustainability procedures within the company, appoint a person with overall responsibility for sustainability and promote sustainability issues in interaction with suppliers and business partners.

As a part of IFU's CSR Self-Assessment tool, portfolio companies are evaluated based on their compliance with the UN Global Compact guidelines on aligning strategies and operations. In applying the tool, companies assess whether they comply with relevant national regulation, and whether they identify and assess relevant risks related to areas such as management, human rights, labour, environment and anti-corruption. Through these self-evaluations, strategic risk aspects are mitigated.

Risk management aspects

IFU identifies potential risks and impacts of the project companies' activities to avoid, mitigate and manage the risks and impacts as a way of doing business in a sustainable way. This includes:

In all projects, IFU observes and manages risk associated with the operation of the business. In a number of projects – typically infrastructure and renewable energy projects – IFU also has a strong focus on risk and impact associated during the construction phase. This could be issues like occupational, health and safety risks during construction, land issues related to ownership and use as well as risks and impacts on the local community.

If a project has negative impacts, the project developer must introduce and implement mitigation measures that can reduce the adverse effects. These are normally based on the IFC Performance Standards or on other international standards applicable to the sector and include development and implementation of an environmental and social management system. This often entails a number of precautions described in one or more of the following plans: an environmental management plan, an occupational health and safety plan, a disaster management plan and a stakeholder engagement plan.

Agribusiness projects are required to comply with Danish standards regarding animal welfare and slurry management. This approach minimises the risk of pollution of the environment and ensures that nutrients in the slurry are used as fertilizer and contribute to soil improvement rather than being wasted causing eutrophication in local water bodies. Animal welfare standards ensure proper living

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The San Agustin farm owned by IFU pig project investment Coexca in Chile.

standards for the animals and contribute to increased efficiency and fewer illnesses, resulting in improved output from the farms.

Key areas of societal impact

The issues which are most material within sustainability for IFU's operation in developing countries, and which IFU will report on in the future, are human rights, climate change, environment, social issues and gender equality aspects as well as anti-corruption.

Human rights

IFU is committed to respecting human rights and is subject to the UN Guiding Principles on Business and Human Rights according to Danish law. IFU respects internationally recognized human rights and takes measures to avoid supporting activities that may cause, contribute or be directly linked to human rights abuses.

In 2018, IFU improved internal processes related to human rights screening and due diligence. This work was carried out with input from a review conducted by the Danish Institute for Human Rights (DIHR) in 2017 on IFU's current policies and procedures to ensure that IFU works towards applying the UNGP. As a consequence, human rights were fully integrated into the new sustainability policy.

The screening includes a pre-investment assessment of potential adverse impacts on human rights for relevant rights-holders for the potential investment. If the pre-investment assessment shows that there is a risk of severe adverse human rights impacts, which are not already managed in mitigation measures proposed, based on IFC Performance Standards, IFU will complement the work with a more thorough assessment of these impacts in order to address them.

In line with the UNGP, IFU maintains a grievance mechanism for handling complaints where IFU may have caused or contributed to adverse impacts on human rights or been directly linked to activities causing or contributing to adverse impacts on human rights. Where IFU has caused or contributed to adverse impacts on human rights, IFU will provide access to remedy.

HRH Crown Princess Mary (right) was an active participant in the gender equality conference hosted by the Danish Family Planning Association and IFU in December 2018. To the left, Minister for Development Cooperation, Ulla Tørnæs, and IFU CEO, Torben Huss.

Climate change

IFU is committed to the Paris Agreement and recognizes that climate change is a long-term threat hampering poverty reduction and sustainable development in many parts of the developing world. Hence, climate change is impacting several of the SDGs individually and in combination.

In 2019, IFU will develop a climate policy. In addition, IFU will further develop its annual reporting requirements for its investment companies to include more information on energy consumption and sources of energy for their operation.

Environment

IFU is committed to supporting and promoting a preventive and precautionary approach to environmental challenges in accordance with the Rio Declaration on Environment and Development and to conduct environmental and social due diligence and monitoring to guide IFU's investments. IFU strives to protect biodiversity and invest in sustainable and resilient agriculture and forestry.

All project companies must report whether they have an environmental and social management system in place. This system is key in the process of identifying and managing potential environmental impact as well as on social aspects.

In 2018, 55 per cent of IFU's investments had an environmental and social management system in place.

In 2019, IFU will develop its annual reporting requirement to include additional information and key performance indicators on environmental performance such as availability of an environmental management plan, water consumption, waste generated, hazardous waste generated, apart from already available information on measurement to reduce environmental impacts and environmental accidents.

Social issues: Decent jobs, labour rights and occupational health and safety

IFU is conscientious about its social impact both in its own organisation in Denmark and through its investments in developing countries.

IFU is committed to supporting and promoting decent jobs, and all IFU's investments must adhere to core ILO conventions on child labour, forced labour, non-discrimination and freedom of association. Furthermore, IFU's requirements for decent jobs cover working conditions and terms of employment, collective dismissals, gender equality, privacy,

Saraf Foods in India produces freeze-dried fruit and vegetables based on technology from a Danish supplier.

occupational health and safety, grievance mechanisms and worker accommodation.

The pursuit of economic growth through job creation and income generation should be accompanied by protecting the fundamental rights of workers. For any business, the workforce is a valuable asset, and a sound worker-management relationship is crucial to the sustainability of a business.

IFU encourages investment companies to adopt and implement human resources policies and procedures appropriate to their size and workforce, setting out their approach to managing workers consistent with international requirements and national law. The investment companies are required to provide all employees with a contract regarding their rights under national labour and employment law and any applicable collective agreements, including their rights related to hours of work, wages, overtime, compensation and benefits upon the beginning of the working relationship, and when any material changes occur.

Furthermore, IFU requires its investment companies to provide a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client's work areas, including physical, chemical and biological hazards. The companies are required to take steps to prevent accidents, injury, and disease arising from, associated with, or occurring in the course of work by minimizing, as far as reasonably practicable, the causes of hazards.

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Berry pickers at Nyami Berries, which is part of the United Exports blueberry production company, in which the SDG Fund is an investor.

In a manner consistent with good international industry practice, IFU requires its investment companies to (i) identify potential hazards to workers; (ii) provide preventive and protective measures; (iii) train workers; (iv) document and report occupational accidents, diseases, and incidents; and (v) ensure emergency prevention, preparedness, and response arrangements.

For issues related to IFU's own employees in Denmark please see Organisational strength and preparedness, page 33.

Anti-corruption

IFU recognizes that corruption is one of the greatest barriers to sustainable development with a disproportionate impact on developing countries, and that combating corruption is a key element to poverty alleviation.

Therefore, IFU is committed to maintaining a zero-tolerance policy regarding corruption, including bribery, fraud and facilitation payment. The central instruments are the UN Convention against Corruption and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Both are incorporated in Danish law, which IFU is subject to. IFU participates in the Danish Ministry of Justice's working group on the implementation of the OECD Convention into Danish law.

IFU requires that investment companies take a clear stand against corruption by having clear clauses on anti-corruption in its agreement with the companies. One way of documenting a clear stand against corruption is to have a written anti-corruption policy. In 2018, 58 per cent of the investment companies reported to IFU that they have a written policy. Furthermore, 61 per cent have reported that they have trained relevant employees in the reporting period, and 59 per cent have communicated their policies to their business partners. IFU continues to encourage its investment companies to establish firm policies and procedures against corruption, including bribery, fraud and facilitation payment.

Since anti-corruption is material to IFU, IFU staff members receive training in the form of a course in anti-corruption policies and issues. Furthermore, IFU has developed anti-corruption guidelines based on Danish law, the UN Convention against Corruption, OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Global Compact's Principle 10: "Businesses should work against corruption in all its forms, including extortion and bribery."

In addition to complying with legislation in the country in which the project company operates, IFU requires that a project company assesses the risk of corruption, establishes

Annual assessment of sustainability performance

Sustainability classification	Total score (%)	Environment (%)	OHS (%)	Human rights and labour practices (%)	Anti-corruption (%)
Excellent	33	34	33	35	27
Good	52	49	54	52	55
Fair	15	17	13	13	17
Poor	1	1	1	1	1
Critical	0	0	0	0	0

Totals may not add up to 100 due to rounded figures.

an anti-corruption culture, avoids facilitation payments and makes its anti-corruption commitment known to business partners. In the case that a project company breaches IFU's anti-corruption framework, IFU maintains the right to require further investigation of the project company and to give recommendations on further compliance with the law.

In 2018, IFU received four grievance letters regarding its investments. The four grievances cases were reviewed internally and a response prepared by IFU's Head of Sustainability. In one case it was agreed that further action and dialogue will be taken by the project company locally. The other three cases were closed.

Assessment of sustainability performance

All IFU investments are classified annually within five sustainability categories. The classification is based on an internal IFU assessment of the project companies' sustainability performance and is a combination of five separate areas within sustainability: 1) Management, 2) Human Rights, 3) Labour, 4) Environment, 5) Anti-corruption. Each project company is classified into one of five categories as follows: Excellent, Good, Fair, Poor and Critical.

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

In 2018, internal assessments were carried out for 168 projects under IFU and IFU managed funds. The exercise did not include 11 projects that were not yet disbursed, 19 being inactive and five Project Development Programme projects, which are under implementation.

More project companies increased their sustainability awareness

IFU requires an annual sustainability status report from the project companies in our portfolio. Since 2014, IFU has required new project companies in our portfolio to prepare their own sustainability policy. A written sustainability policy has been used as a key performance indicator since 2009. In 2018, 76 per cent of the companies that have submitted an annual status report have a sustainability policy. The project companies' annual status reports show increased focus on sustainability. These reports are used in the ongoing dialogue with the project companies to improve their sustainability performance.

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Sustainability indicators from annual status reports

Indicators	2018 (168 projects)	2017 (172 projects)	2016 (172 projects)
Written sustainability policy	76%*	78%*	76%*

* The figure includes projects contracted before 2014, when it became compulsory for projects to have a written sustainability policy.

Stakeholder engagement and partnerships

IFU participates in several fora to monitor stakeholder expectations and keep up-to-date on developments in standards for good ethical conduct, dilemmas and risks. For this purpose, IFU is a member of and represented on the board of the Danish Ethical Trading Initiative (DIEH).

IFU 's own stakeholder initiative is the IFU Sustainability Advisory Board, which has eight members, each representing important IFU stakeholder issues: human rights, labour conditions, gender, climate, development and corporate policy. The advisory board meets regularly to discuss and advise on key issues. Topics discussed in 2018 were IFU's work on applying the UNGP and IFU's new Sustainability Policy.

At the end of 2018, IFU's Sustainability Advisory Board had the following members:

- Lars Engberg-Pedersen, Senior Researcher, DIIS
- Nanna Callisen Bang, Programme Manager, Tuborgfondet
- John Nordbo, Climate Advocacy, CARE
- Allan Lerberg Jørgensen, Lead Sustainability Advisor, Social Impact, A.P. Moller Maersk
- Malene Østergaard, Director, Group Sustainability, Danfoss
- Gitte Dyrhagen Husager, Private Sector Focal Point & Senior Advisor, Danish Church Aid
- Mads Bugge, Ulandssekretariatet
- Jacqueline Bryld, Sex og Samfund

In addition, IFU aims to strengthen external stakeholder dialogue to ensure quick response to public initiatives and wishes. IFU will continue to meet with the civil society organizations twice a year to maintain an open dialogue about stakeholder input and concerns.

IFU's sustainability facility

In 2017, it was decided not to replenish the Danida CSR training grant facility, and during 2018, IFU closed the Danida CSR Training Fund to new applicants. In 2018, three companies received CSR training grants, all of which were main grants.

In April 2018, IFU's board decided to establish a new IFU Sustainability Facility for IFU companies to promote sustainability aspects by allocating funds for this purpose from IFU's profits with an initial sum of DKK 3 million. This facility will replace the Danida CSR Training Fund and can also include technical assistance.

The first project supported by IFU's Sustainability Facility in December 2018 was a partnership between the Danish Family Planning Association (Sex og Samfund) and IFU. The project focuses on gender equality in IFU's project companies and will be implemented in 2019.

Investment partners at the 50 km² solar site, Benban Solar Park, near Aswan, Egypt.

ORGANISATIONAL STRENGTH AND PREPAREDNESS

IFU is a global knowledge organisation, and our result creation relies on teamwork, knowledge sharing and on-going organisational learning and development.

The project **Fit for purpose** was initiated late 2017 and fully implemented in 2018 to continuously ensure a match between business scope and organisation. Individual competence assessments and prioritized development plans based on role-specific competences for investment professionals and the sustainability unit have provided systematic and accurate competence development.

A motivated and committed organisation is a pre-requisite for being able to deliver results, and in 2018 IFU conducted a global workplace assessment to identify strengths as well as areas for improvement. The workplace assessment was conducted by the consultancy firm Health Group and shows a very motivated, committed and loyal organisation with good teamwork between colleagues and the feeling of being part of a team. IFU's results are also compared to a benchmark provided by Health Group on the finance and banking sector, and the results outperform the benchmark. The increased activity level means increased expectations for delivery from everybody in the organisation, and the continued ability to honour these expectations is a focus area for IFU.

IFU's policy and objectives for the gender composition of the board and leadership positions in IFU follow the guidelines of the Danish Business Authority, Section 11 (2) of the Danish Gender Equality Act and Section 99 b of the Danish Financial Statements Acts.

IFU's board of directors consists of up to ten members and is appointed by the minister for development cooperation. To have a balanced composition on the board of directors, the objective is to have representation of at least one third of each gender. Currently, the board consists of eight members and one observer[9]. Five members are male (63 per cent), and three are female (37 per cent).

The objective for the gender composition of leadership positions at IFU is the same as the above. IFU did not meet the objective in 2018, given a 72/28 per cent split between males and females end of 2018. It is IFU's policy to increase the share of the under-represented gender in leadership positions.

Danish Prime Minister Lars Løkke Rasmussen (middle) met IFU employees at the inauguration of the building which will host the Danish embassy in New Delhi.

Environment

IFU strives to continuously limit energy consumption, apply energy efficient solutions, minimise water consumption, substitute hazardous materials and increase recycling of waste. IFU pays attention to environmental issues related to its supply chain. Furthermore, environmental as well as health and safety considerations are reflected in the terms and conditions of contractors working at IFU's premises.

HR statistics

On average IFU had 89 full-time employees and 39 advisers working on projects in 2018.

14 different nationalities are represented among IFU's employees, and 24 per cent of the full-time employees are based at IFU's regional offices. The average age of IFU's employees is 44 years, and the average seniority is nine years. There is a 53/47 percentage split between male and female employees.

Employee turnover*	13.5%
Retention (five years of seniority or more)*	63%
New people on-boarded*	11

*Excluding students and others on hourly wage

9) Observers are not included as per the guidelines from the Danish Business Authority.

FINANCIAL REVIEW

IFU recorded net loss of DKK (161)m in 2018 compared to net income of DKK 141m in 2017.

The result in 2018 was against an original expectation of a higher income in 2018 than in 2017 and was due to a negative contribution from share capital investments, which make up more than 70 per cent of the outstanding portfolio. The negative contribution can mainly be ascribed to a few larger investments. Project loans provided a stable income again in 2018.

Gross yield from share capital investments was negative with (7.6) per cent against plus 6.2 per cent in 2017. The negative contribution is not satisfactory; however, results fluctuate from year to year, and as IFU is a long-term investor, measurement on especially share capital investments should be seen over a longer time span. The average five-year and ten-year returns for IFU on share capital investments stand at 6.8 per cent and 9.3 per cent, respectively.

Gross yield from loans was 5.4 per cent against 6.6 per cent in 2017. The return was to a minor extent affected negatively by value adjustments on a few struggling engagements. Still, the yield was better than expected. The average five-year and ten-year returns for IFU on loans stand at 6.9 per cent and 4.1. per cent, respectively.

Management fees and other income was much higher due to the successful launch of the Danish SDG Investment Fund. Operating expenses increased reflecting the continued growth in activities and associated need for increased resources. Net financial income was negative DKK (5)m, mainly due to the continued negative interest rate environment.

IFU's equity end of year 2018 was DKK 3,802m.

Appropriation of net income for the year

Due to the negative result and in accordance with IFU's dividend policy, no declaration of dividend for 2018 is proposed.

Gross contribution from projects

Total gross contributions from IFU's primary project-related activities were DKK (121) against DKK 200m in 2017.

Share capital investments contributed DKK (167)m in 2018 against positive DKK 116m in 2017. Out of this, DKK (149)m can be referred to only three investments within pig production in China (disease outbreak), hospitality in Kenya (cost overrun) and cement production in Pakistan (negative stock price development). Also providing a negative contribution in 2018 were smaller investments below DKK 25m in acquisition price, which contributed DKK (27)m or about (21) per cent of average value during the year. On the positive side, IFU received dividends of DKK 55m, which was above the level in 2017, including from a fertilizer investment in Bangladesh, which had a strong year in 2018.

Apart from the dividend and adjustment of an outstanding share sales receivable, almost the entire contribution was due to unrealised negative value adjustments on the portfolio.

Project loans and guarantees was the positive element in 2018 and contributed DKK 52m against DKK 65m in 2017, the lower contribution being mainly due to a reversal in value adjustments with a negative contribution of DKK (23)m in 2018 against a net positive amount of DKK 14m in 2017. Net effect of exchange rate adjustments and hedges was DKK (5)m against DKK (23)m in 2017. Interest and fees income, after provisions but before hedging arrangements, increased to DKK 77m from DKK 72m in 2017.

From January 2018, IFRS 9, a new accounting standard, was introduced, replacing IAS 39. The effect of the change primarily relates to the requirement of provisions on IFU's loan and guarantee portfolio to reflect expected losses already from the time a loan or a guarantee is granted. The combined effect up till 31 December 2017 was DKK (19)m and was recognized directly in equity at the beginning of 2018. The effect in 2018 was DKK (2)m, which is included in the contribution from project loans and guarantees in the income statement. See note 22 for details.

Other contributions from projects was DKK (6)m in 2018 against DKK 19m in 2017. The negative contribution in 2018 was mainly due diligence expenses.

Management income and operating expenses

Management income was DKK 78m in 2018, up from DKK 47m in 2017. The increase is mainly due to the Danish SDG Investment Fund, which made first close in June 2018. The investment periods of both DCIF and DAF have now ended, and the management fee from these funds will gradually decrease corresponding with the divestment of the portfolios. Another contributor to the increase is coverage of expenses related to DBF, which now is included for a full year versus only four months in 2017.

Overall gross expenses covering both IFU and IFU managed funds rose to DKK 112m from DKK 105m in 2017. The increase was due to higher salary expenses at the head office, mainly due to full-year effects from additions in 2017, and higher expenses for travel, external assistance and sundry. Detailed expense figures can be seen in note 5 in the accounts.

Integration of facilities

In 2018, the Parliament's finance committee decided that four so-called investment facilities should be integrated into IFU with effect from 1 January 2018 in order to ease administrative burdens and to optimize liquidity management. The four facilities were created based on capital injections from the government in the period 2011-2016, and each served ear-marked purposes, see table below.

All facilities have by the end of 2018 fully committed their investable capital, and reflow from the investments will be part of IFU's capital and support IFU's investment activity within the four areas, which are all focus areas for IFU, also going forward.

Financial income, cash flows and balance sheet items

Net financial income was DKK (5)m compared to DKK (0)m in 2017. The result reflects mainly the negative interest rate environment during the year.

Net cash flow for the year was DKK (134)m, including DKK 58m in divested bonds. New capital contributions from the State provided DKK 306m, and pay-out of dividend to the State was DKK 50m. New disbursements to investments were DKK 849m, a record level, and IFU received DKK 414m from investments and investment-related receivables. Not included in the net cash flow for the year is DKK 235m received in cash from the integration of the facilities at the beginning of the year.

The average value adjusted portfolio of share capital investments grew to DKK 2.2bn in 2018 from DKK 1.9bn in 2017. For loans and guarantees, the average value adjusted portfolio was unchanged at DKK 1.0bn.

Cash and bonds end of year was DKK 579m, up from DKK 431m in 2017, and undisbursed commitments were DKK 4,410m, a large increase from DKK 1,674m in 2017. The increase is principally due to IFU's commitment to the Danish SDG Investment Fund of DKK 1,943m as well as taking over commitments from the integrated facilities. DKK 41m was drawn on a credit facility end of year compared to a draw of DKK 25m in 2017.

The very high level of commitments compared to cash underlines the continued need for stringent management of IFU's liquidity position. Commitments, however, only translate into disbursements over a multi-year period, not least for the Danish SDG Investment Fund, which has a four-year investment period. According to IFU's liquidity policy the aim is to always have a positive cash position. Further, the liquidity position is backed by a DKK 300m credit facility shared with IØ (DKK 236m available for drawing at end of 2018). Finally, IFU in 2018 was granted access to loan fi-

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	Capital provided up till 2017 (DKKm)				Investments committed[1] End of 2017 (DKKm)	Equity End of 2017 (DKKm)	Effect on IFU equity[2] Start of 2018 (DKKm)
	Year of creation	State	IFU	Total			
Arab Investment Fund (facility)	2011	100.0	50.0	150.0	202.3	143.1	95.4
Danish Climate Investment Fund (facility)	2012-13	275.0	50.0	325.0	315.0	314.7	266.3
Agricultural Investment Facility[3]	2015	49.0	0.0	49.0	88.0	48.7	48.7
The Ukraine Investment Facility[4]	2016	29.5	0.0	29.5	10.3	27.4	27.4
		453.5	**100.0**	**553.5**	**615.6**	**533.9**	**437.8**

1) Aggregated investments contracted. For Climate and Agricultural facilities, the figures are committed amounts to DCIF and DAF, respectively.
2) Figure reflects State's part of the equity for each facility end of 2017.
3) DKK 40m was provided in 2018.
4) Remaining investment capacity in UFA committed in 2018. See investments contracted on page 12.

nancing of DKK 800m from Danmarks Nationalbank partly for funding IFU's commitment to the Danish SDG Investment Fund. No drawings had been made on this line at end of 2018. Including the credit facility and the national bank lending line, total liquidity resources available to IFU amounted to DKK 1,615m at year-end 2018.

In 2019, IFU will receive a further DKK 66m for the NEIF facility, and further capital contributions of up to DKK 250m are contemplated. In addition, IFU will commence borrowing on the national bank lending line.

As per 31 December 2018, IFU had equity of DKK 3,802m, up from DKK 3,288m at 31 December 2017. The net change reflects the net loss of DKK (161)m in 2018 plus paid-in capital of DKK 306m and the effect of the integration of facilities of DKK 438m and less the approved dividend of DKK 50m for 2017 and the start of year effect of adoption of IFRS9 of DKK (19)m.

Risk management

IFU invests in projects located in developing countries. Political and economic conditions may be turbulent, and the projects are often subject to high commercial risk.

As a result of this exposure, and in particular because IFU measures its investments at estimated fair value in accordance with the accounting principles set out in the Danish Financial Statements Act, IFU's net results may fluctuate considerably from year to year due to value adjustments on the investments.

In preparing the financial statements, management makes a number of estimates and assumptions of future events that will affect the carrying amount of assets and liabilities. The areas where estimates and assumptions are most critical to the financial statements are the fair value measurement of share capital investments and the fair value measurement of project loans. The note on accounting policies and note 22 on fair value measurement basis provide more details. To minimise the overall risk in IFU's investment portfolio, a set of risk policies have been implemented in the investment policy. These policies include guidelines for appraisal of commercial risk for project, partner and country risk exposure as well as guidelines for managing direct financial risk.

Commercial risk for each project is evaluated at time of appraisal using a risk model that builds on IFU's large experience from previously exited projects as well as on sensitivity analyses of key performance parameters specific to the project in question.

Project risk (and commercial risk) is further managed by the indicative limit for IFU's participation in individual projects, which is DKK 100m to 150m, whereas partner risk is limited through the indicative limit that a partner (at group level) should not account for more than 20 per cent of the fund's total project commitments (the sum of investments at acquisition cost, remaining commitments and binding commitments).

Country risk is managed by the indicative limit that total commitment in any single country should not exceed 30 per cent of the fund's total project commitments.

Details on equity, credit, currency, interest rate risk and liquidity risk are provided in notes 22 to 25 to the financial statement.

Distribution of project commitments as at 31 December 2018 – five largest single country portfolios*

Country	2018 (%)	2017 (%)
Kenya	10.5	6.8
China	8.7	10.7
India	6.9	6.0
Ukraine	6.9	5.5
Brazil	4.4	4.9

* Based on IFU and IFU's share of portfolio investments in own managed funds

Events after the balance sheet date

Beginning of 2019, a large pig production farm in China, in which IFU has a substantial investment, experienced a new disease outbreak. As a consequence, the production will be significantly lower in the near term, and the effect on the value of the investment could be material for IFU.

Outlook for 2019

In 2019, IFU expects to directly invest in the range of DKK 700-800m. The figure includes additional financing to existing investments. IFU expects a positive result in the range of DKK 200-250m, including the effect of the above-mentioned negative event. As evidenced by the development in 2018, the result is subject to considerable uncertainty.

Including IFU managed funds, IFU expects to invest in the range of DKK 1,500-1,700m, a further increase over the record level achieved in 2018.

STATEMENT

STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

The executive management and the board of directors have today considered and approved the annual report of the Investment Fund for Developing Countries (IFU) for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual report gives a true and fair view of IFU's financial position as per 31 December 2018 and of the results of IFU's operations and cash flows for 2018.

Further, it is our opinion that business procedures and internal controls have been set up to ensure that the transactions covered by the financial statements comply with the appropriations granted, legislation and other regulations and with agreements entered into and usual practice; and that due financial consideration has been taken of the management of funds and operations covered by the financial statements.

In addition, it is our opinion that systems and processes have been established to support economy, productivity and efficiency.

It is further our opinion that the management's review includes a true and fair account of the development in the operations and financial circumstances of the fund of the results for the year and the financial position of IFU.

Copenhagen, 4 April 2019

EXECUTIVE MANAGEMENT:

Torben Huss, CEO

BOARD OF DIRECTORS:

Michael Rasmussen, Chairman

Lars Andersen, Deputy Chairman

Jens Jørgen Kollerup

Bjarne H. Sørensen

Dorrit Vanglo

Mads Kjær

Charlotte Jepsen

Anne Broeng

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the board of directors of the Investment Fund for Developing Countries (IFU)

Opinion

We have audited the financial statements of IFU for the financial year 1 January – 31 December 2018, which comprise an income statement, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of IFU's financial position at 31 December 2018 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. In addition, the audit was performed in accordance with generally accepted public auditing standards and the agreement regarding the audit of IFU between the Ministry of Foreign Affairs and the Auditor General. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of IFU in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing IFU's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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 IFU's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on IFU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause IFU to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the management's review.

Report on other legal and regulatory requirements

Statement on compliance audit and performance audit

Management is responsible for ensuring that the transactions covered by the financial reporting comply with appropriations granted, legislation and other regulations and with agreements entered into and usual practice; and that due financial consideration has been taken of the management of funds and operations covered by the financial statements.

In performing our audit of the financial statements, it is our responsibility in accordance with generally accepted public auditing standards to select relevant items for both compliance audit and performance audit purposes. When conducting a compliance audit, we test the selected items to obtain reasonable assurance as to whether the transactions covered by the financial reporting comply with the appropriations granted, legislation and other regulations as well as agreements entered into and usual practice. When conducting a performance audit, we perform assessments to obtain reasonable assurance as to whether the tested systems, processes or transactions support due financial consideration in relation to the management of funds and operations covered by the financial statements.

We must report on any grounds for significant critical comments should we find such in performing our procedures.

We have no significant critical comments to report in this connection.

Copenhagen, 4 April 2019

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant
mne28632

Anne Tønsberg
State Authorised Public Accountant
mne32121

IFU launched a **DKK 5bn investment fund** to support the **UN Sustainable Development Goals**

Income statement

Note		2018 DKK 1,000	2017 DKK 1,000
2/	Contribution from share capital investments	(167,121)	115,815
3/	Contribution from project loans and guarantees	52,182	65,268
4/	Other contributions from projects	(5,919)	18,702
	Contribution from associates	0	0
	GROSS CONTRIBUTION FROM PROJECTS	**(120,858)**	**199,785**
5/	Management fees and other income	77,679	46,693
5/	Operating expenses	(112,204)	(105,444)
	OPERATING INCOME	**(155,383)**	**141,034**
6/	Financial income, net	(5,312)	(322)
	NET INCOME FOR THE YEAR	**(160,695)**	**140,712**

Balance sheet at 31 December

Assets

Note		2018	2017
		DKK 1,000	DKK 1,000
	FIXED ASSETS		
	Share capital investment in projects at cost	2,332,435	1,764,765
	Value adjustments	44,280	185,117
7/	Share capital investment in projects	2,376,715	1,949,882
	Project loans at cost	1,002,037	923,418
	Value adjustments	(72,933)	(52,316)
8/	Project loans, net	929,104	871,102
9/	Investment in subsidaries	2,230	1,680
10/	Fixed assets and leasehold improvements	4,175	4,955
	Total fixed assets	**3,312,224**	**2,827,619**
	CURRENT ASSETS		
11/	Interest receivable related to projects	31,592	24,411
12/	Other receivables	47,932	127,134
	Bonds	181,218	150,393
	Cash	397,500	280,463
	Total current assets	**658,242**	**582,401**
	TOTAL ASSETS	**3,970,466**	**3,410,020**

Balance sheet at 31 December

Liabilities and equity

Note		2018	2017
		DKK 1,000	DKK 1,000
	EQUITY		
	Paid-in capital	2,141,842	1,382,842
	Repaid capital	(1,250,000)	(1,250,000)
	Proposed dividend	0	50,000
	Retained earnings	2,910,079	3,105,108
13/	**Total equity**	**3,801,921**	**3,287,950**
	PROVISION FOR LOSSES		
14/	Provisions for guarantees and loan commitments	2,933	0
	CURRENT LIABILITIES		
	Drawn on bank credit facility	41,088	25,025
15/	Other current liabilities	124,524	97,045
		165,612	122,070
	Total liabilities	**165,612**	**122,070**
	TOTAL EQUITY, PROVISION FOR LOSSES AND LIABILITIES	**3,970,466**	**3,410,020**

1/ ACCOUNTING POLICIES
16/ UNDISBURSED COMMITMENTS TO PROJECTS
17/ CONTINGENT LIABILITIES
18/ RELATED PARTY DISCLOSURES
19/ RECOMMENDED APPROPRIATION OF PROFIT
20/ FINANCIAL HIGHLIGHTS, INVESTMENTS CONTRACTED IN 2018 AND SUSTAINABILITY CLASSIFICATION
21/ FINANCIAL RISK MANAGEMENT
22/ EGUITY AND CREDIT RISK
23/ CURRENCY RISK
24/ INTEREST RATE RISK
25/ LIQUIDITY RISK
26/ CLASSIFICATION OF FINANCIAL INSTRUMENTS
27/ FAIR VALUE MEASUREMENT BASIS

Cash flow statement

	2018	2017
	DKK 1,000	DKK 1,000
CASH FLOW FROM OPERATING ACTIVITIES		
Dividends from projects received	55,428	47,671
Interest from projects received	62,199	59,471
Other project related payments	2,145	3,178
Operating expenses, net	(8,281)	(75,001)
Net payments related to financial income and expenses	(3,986)	460
Net cash from operating activities	**107,505**	**35,779**
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Received from sale of shares	80,799	191,509
Received from project loans	226,161	312,997
Received from derivatives, loans	(12,994)	(14,367)
Paid-in share capital in projects	(582,074)	(270,329)
Disbursement of project loans	(266,947)	(207,512)
Paid-in capital in subsidiaries	(550)	0
Received from (invested in) bonds	58,344	(150,585)
Net cash from (to) investing activities	**(497,261)**	**(138,287)**
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Paid-in capital received during the year	305,500	216,500
Paid-out dividend during the year	(50,000)	(50,000)
Net cash from (to) financing activities	**255,500**	**166,500**
NET CHANGE IN CASH	(134,256)	63,992
NET CASH BEGINNING OF YEAR	**255,438**	**191,446**
Adjustment 01/01-2018 due to integration of facilities	235,230	0
NET CASH BEGINNING OF YEAR	**490,668**	**191,446**
NET CASH END OF YEAR	**356,412**	**255,438**
- Shown as cash in current assets	**397,500**	**280,463**
- Shown as drawn on bank credit facility	**(41,088)**	**(25,025)**

Note

1/ Accounting policies

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning Class C enterprises (large).

In accordance with Section 37 (5) in the Danish Financial Statements Act, IFU applies the International Reporting Standards (IFRS) as regards measurement of financial assets and financial liabilities and related disclosures.

Based on decision by the finance committee of the Danish Parliament the investments facilities the Arab Investment Fund (facility), Klimainvesteringsfonden (facility), Landbrugsinvesteringsfaciliteten and The Ukraine Investment Facility have been integrated into IFU with effect from 1 January 2018. The integration has been recognised as a capital contribution of DKK 438 million at 1 January 2018 based on the book value of assets and liabilities in the respective investment facilities. Comparative figures for 2017 have not been restated.

Management fees are presented separately in the income statement. In previous years such fee income was presented as a deduction of expenses. Comparative figures for 2017 have been restated accordingly.

The accounting principles applied are unchanged from previous year, except for the implementation of IFRS 9 as described below.

Implementation of IFRS 9 (Financial instruments)
The accounting policies have been changed with effect from 1 January 2018 due to the implementation of IFRS 9. The changes include new principles for classification and measurement of financial instruments.

The changes had no effect on the classification of IFU's financial instruments. For project loans at amortised cost, loan commitments and guarantees, the principles for measuring provisions for impairment losses have been changed. Under IFRS 9 impairment provisions must be recognised for all loans, commitments and guarantees based on expected losses. Previously, impairment provisions were not recognised until objective evidence of impairment existed.

The transition to IFRS 9 resulted in an increase in impairment losses of DKK 18.7 million on 1 January 2018, which has been recognised directly in equity as specified below.

In accordance with the transition rules, comparative figures for 2017 have not been restated. The comparative figures for financial assets and liabilities are therefore subject to the accounting policies described in the annual report for 2017.

The accounting principles applied in 2018 for each class of financial assets and liabilities are outlined below.

	IAS 39 31/12 2017	Integration of facilities	Change in measurement	IFRS 9 1/1 2018
Project loans at cost	923,418	44,196		967,614
Value adjustment	(52,316)	0	(13,340)	(65,656)
Project loans, net	871,102			901,958
Provision for guarantees	0	0	(155)	(155)
Provision on loans commitments	0	0	(5,207)	(5,207)
Effect on equity as at 1/1 2018	3,287,950		(18,702)	3,269,248

Notes

Presentation and classification
To better reflect IFU's activities, the presentation of the income statement and balance sheet as well as the order of the line items in the income statement deviate from the standard format in the Danish Financial Statements Act. By presenting the primary statements on the basis of IFU's special character as an investment fund (long-term investments), the financial statements hereby provide the reader with the best possible clarity of IFU's activities. The deviation is in accordance with Section 23 (4) of the Danish Financial Statements Act.

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

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

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

IFU applies the accounting principles described in the Danish Financial Statements Act Section 37 (5), on measurement of financial assets and liabilities in accordance with IFRS.

Information brought to IFU's attention before the time of finalising the presentation of the annual report, and which confirms or invalidates affairs and conditions existing at the balance sheet date, is included in the recognition and measurement.

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

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

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances.

For assets and liabilities that are measured at fair value on a recurring basis, IFU identifies transfers to and from the three levels of the fair value hierarchy by re-assessing the categorisation, and deems transfers to have occurred at the beginning of each reporting period.

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

Notes

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

Derivative financial instruments
On initial recognition in the balance sheet and subsequently, derivative financial instruments are measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under other receivables or other payables, respectively, and are only offset when IFU has the legal right and the intention to settle several financial instruments net.

Changes in the fair value of derivative financial instruments are recognised in the income statement as either "Contribution from project loans and guarantees", if related to economical hedging of project loans, or "Other contributions from projects", if related to economical hedging of receivables from sale of shares.

INCOME STATEMENT

Contribution from share capital investments
Contribution from share capital investments includes declared dividends (after tax), contributions from divested share capital investments and value adjustments in relation to the outstanding portfolio at year-end. Dividends are included in the income statement at the declaration date.

Contribution from project loans and guarantees
Contribution from project loans and guarantees includes interest income, guarantee commissions and value adjustments, including impairment provisions, reversals of impairment provisions and exchange rate adjustments.

Other contributions from projects
Other contributions from projects include value adjustments, including exchange rate adjustments in relation to receivables, the effect of derivatives and interest from receivables.

Operating expenses
Operating expenses comprise expenses for management, administrative staff, office expenses, depreciation of fixed assets and leasehold improvements, etc.

Income from investments in associates and subsidiaries
Dividends from associates and subsidiaries are included in the income statement at the declaration date.

Financial income, net
Financial income, net comprises interest income on cash and bonds, realised and unrealised capital gains and losses on bonds, interest expenses, exchange rate adjustments on cash and bank charges.

BALANCE SHEET

Share capital investment in projects
Share capital investments in projects are recognised when they are disbursed. Share capital investments in projects are measured both at initial recognition and throughout the investment period at fair value with changes recognised through profit or loss as contribution from share capital investments.

Share capital investments in projects where IFU has significant influence (typically 20-50 per cent of the voting rights) are associates and are accounted for as share capital investments.

Project loans
Project loans are designated as loans and receivables, and are recognised when they are disbursed. Project loans are initially recognised at cost, which is fair value and are subsequently measured at amortised cost less any allowance for impairment.

The allowance for impairment is measured in accordance with IFRS 9 by applying the simplified approach, whereby the expected loss in the remaining life of the loan is recognised irrespective of whether the loan is allocated to stage 3 (credit impaired), stage 2 (significant increase in credit risk) or stage 1 (all other loans).

Notes

The expected loss is measured loan by loan by applying an estimated loss percentage based on IFU's past experience, current expectations and internal rating of the individual project loans.

Provisions for losses on guarantees and loan commitments are calculated in the same way as the allowance for impairment of project loans.

Impaired project loans, together with the associated allowance amount, are written off when there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to IFU. If a previous write-off is later recovered, the recovery is credited to "Contribution from project loans and guarantees".

Investments in subsidiaries and associates
Investments in subsidiaries are included in the balance at cost less accumulated impairment losses. Subsidiaries are insignificant in size and consolidated accounts have not been made. Associates that are not share capital investments in projects are presented as investments in associates.

Fixed assets and leasehold improvements
Fixed assets and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Straight-line depreciation is made on the basis of an estimated useful life of the fixed asset varying from three to ten years. Depreciation is recognised in the income statement under operating expenses, net.

Fixed assets and leasehold improvements costing less than DKK 50,000 per unit are recognised as costs in the income statement at the time of acquisition.

Interest receivable related to projects and other receivables
Interest receivables related to projects and other receivables are designated as receivables and are recognised over the period when they are earned.

Interest receivables related to projects and other receivables are recognised at nominal value less any allowance for impairment.

Interest receivable related to projects includes accrued interest on project loans. Other receivables includes receivables from sale of shares and loans, dividends receivables, administrative and other project-related receivables.

Cash and cash equivalents
Bonds are stated at the official prices quoted on the balance sheet date except for drawn bonds, which are stated at par value. Realised and unrealised gains or losses on bonds are recognised in the income statement under financial income, net.

Current liabilities
Current liabilities are initially recognised at cost, which is fair value, and are subsequently measured at amortised cost.

Commitments
Undisbursed commitments to projects are comprised of undisbursed contractual commitments and binding commitments not yet contracted. The existence of such liabilities will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within IFU's control.

CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with the direct method and shows IFU's cash flow from operating, investing and financing activities as well as IFU's cash position at the beginning and end of the year. Cash comprises cash at hand less short-term bank debt.

Notes

Note		2018 DKK 1,000	2017 DKK 1,000
2/	Contribution from share capital investments		
	Dividends from projects	54,744	48,819
	Realised gain (loss) from divested share capital investments	(32,851)	36,221
	Value adjustments, portfolio	(189,014)	30,775
	Contribution from share capital investments	**(167,121)**	**115,815**
3/	Contribution from project loans and guarantees		
	Interest income and fees related to project loans and guarantees	81,653	77,126
	Value adjustments, loan portfolio	(22,638)	14,083
	Value adjustments, remaining commitments on loan portfolio	2,368	0
	Value adjustments, guarantees	61	2,366
	Exchange rate adjustments, project loans	21,710	(62,522)
	Value adjustments, derivatives	(26,586)	39,360
	Value adjustments, interest and fees	(4,386)	(5,145)
	Contribution from project loans and guarantees	**52,182**	**65,268**
4/	Other contributions from projects		
	Value adjustments, receivables, excl. exchange rate adjustments	(1,577)	21,017
	Exchange rate adjustments, receivables	(191)	(1,555)
	Interest from receivables	841	1,810
	Other income and expenses	(4,992)	(2,570)
	Other contributions from projects	**(5,919)**	**18,702**

Notes

Note		2018 DKK 1,000	2017 DKK 1,000
5/	Management fees, other income and operating expenses		
	Management fees and other income		
	Management fees	77,380	45,841
	Board member fees	192	332
	Various income	107	520
	Total management fees and other income	77,679	46,693
	Expenses		
	Salaries, head office	56,986	54,180
	Rental expenses	7,179	7,109
	Travelling expenses	6,458	5,774
	Regional office expenses	14,316	13,943
	Fees for board of directors	1,195	1,079
	Fees for external assistance	5,898	4,826
	IT expenses	5,101	7,820
	Office expenses	1,486	1,449
	Various expenses	9,950	7,200
	Depreciation of fixed assets and leasehold improvements (note 10)	1,155	1,061
	Total expenses before payroll tax	109,724	104,441
	Payroll tax	2,480	1,003
	Total operating expenses	112,204	105,444
	Fee to the auditor of the funds included in "Fees for external assistance" and "Various expenses":	**660**	**837**
	- hereof audit fees	567	527
	- hereof other assurance engagements	34	97
	- hereof tax and VAT advice	26	0
	- hereof other non-audit services	33	213

Notes

Note		2018 DKK 1,000	2017 DKK 1,000
	Specification of personnel expenses (salaries etc.)*		
	Salaries, remunerations etc.	62,674	59,211
	Pension contributions	5,293	4,885
	Other expenses for social security	336	194
	Payroll tax	2,480	1,003
	Personnel expenses in total	**70,783**	**65,293**

*) The figures are included in "Salaries, head office", "Travelling expenses", "Regional office expenses", "Fees for board of directors" and "Payroll tax".

	2018	2017
Remuneration to the board of directors:		
Michael Rasmussen, Chairman	271	263
Lars Andersen, Deputy Chairman	199	194
Other board members *	725	622
Total remuneration to the board of directors	1,195	1,079
Remuneration to the executive board:		
Salaries and pension **	3,353	3,804
Performance remuneration	796	842
Total remuneration to the executive board	4,149	4,646
Total remuneration to the board of directors and executive board	**5,344**	**5,725**

*) Seven members (five members in 2017)
**) Hereof pension 530 (495 in 2017)

	2018	2017
Average number of employees, head office	72	68
Average number of employees, regional offices	17	16
	89	**84**

Note		2018 DKK 1,000	2017 DKK 1,000
6/	Financial income, net		
	Financial income		
	Interest income, cash and bonds	324	(49)
	Financial income	**324**	**(49)**
	Financial expenses		
	Interest expenses, bank charges and exchange rate adjustments	(4,540)	(81)
	Loss on bonds	(1,096)	(192)
	Financial expenses	**(5,636)**	**(273)**
	Financial income, net	**(5,312)**	**(322)**

Notes

Note		2018 DKK 1,000	2017 DKK 1,000
7/	Share capital investment in projects		
	Share capital investment in projects beginning of year at cost	1,764,765	1,620,763
	Adjustment 01/01-2018 due to integration of facilities	67,040	0
	Share capital investment in projects beginning of year at cost	1,831,805	1,620,763
	Paid-in share capital in projects during the year	582,074	270,329
	Project loans or interest converted into share capital during the year	15,678	10,094
	Proceeds from divestment of shares	(15,786)	(167,982)
	Realised gain (loss) from divestment of shares relative to cost, net	(81,336)	31,561
	Share capital investment in projects end of year at cost	**2,332,435**	**1,764,765**
	Accumulated value adjustments beginning of year	185,117	149,682
	Adjustment 01/01-2018 due to integration of facilities	(307)	0
	Accumulated value adjustments beginning of year	184,810	149,682
	Reversed value adjustments, divested share capital investments	48,484	4,660
	Value adjustments, portfolio during the year	(189,014)	30,775
	Accumulated value adjustments end of year	**44,280**	**185,117**
	Share capital investment in projects end of year	**2,376,715**	**1,949,882**
	Herof associated companies:		
	Share capital investment in projects end of year at cost	899,066	778,354
	Accumulated value adjustments end of year	(90,136)	21,271
		808,930	**799,625**
	Accumulated value adjustments end of year are comprised of:		
	Positive value adjustments	467,179	504,333
	Negative value adjustments	(422,899)	(319,216)
		44,280	**185,117**

Note

Investment in associated comprises of:

DKK 1,000

Name/domicile:	Form of company:	IFU's ownership interest (%)	2018 Result	2018 Equity
			According to the latest approved annual report	
Aerial & Maritime Ltd., *Mauritius*	Ltd.	35.18%	(3,104)	76,432
Africa Coffee Roasters Limited, *Kenya*	Ltd.	20.00%	(12,336)	(4,343)
AfriNord Hotel Investment A/S, *Denmark*	A/S	20.00%	25	3,020
Afro Farm Limited, *Tanzania*	Ltd.	40.22%	(78)	4,828
Al Quseir Hotel Company SAE, *Egypt*	SAE	20.00%	(2,663)	15,627
Aller Aqua China A/S, *Denmark*	A/S	38.00%	(6,183)	25,516
Alliance for Microfinance in Myanmar Limited, *Myanmar*	Ltd.	22.05%	2,862	60,476
Birger Christensen China Holding A/S, *Denmark*	A/S	40.00%	(238)	280
BOPA PTE Ltd, *Cambodia*	Ltd.	25.66%	6,123	73,709
Bukkehave Distribution ApS under tvangsopløsning, *Denmark*	ApS	40.00%	(664)	(3,953)
ClickBeauty International ApS, *Denmark*	ApS	25.00%	(1,814)	1,456
Compact India Pvt. Ltd., *India*	Ltd.	38.32%	(11,112)	30,444
COT Africa Limited, *Mauritius*	Ltd.	49.99%	(3,704)	22,696
CerCa A/S, *Denmark*	A/S	48.00%	N/A	N/A
Danish Agribusiness Fund K/S, *Denmark*	K/S	37.50%	16,062	202,907
Danish Climate Investment Fund I K/S, *Denmark*	K/S	39.92%	24,007	537,852
Danish Microfinance Partners K/S, *Denmark*	K/S	24.92%	19,577	473,346
Danish Sustainable Development Goals Investment Fund K/S, *Denmark*	K/S	40.00%	N/A	N/A
Danper Agricola La Venturosa S.A.C., *Peru*	S.A.C	45.00%	(23,698)	56,302
Danper Agricola Olmos S.A.C., *Peru*	S.A.C	24.99%	(1,141)	142,951
DESMI India LLP, *India*	LLP	20.00%	(911)	14,315
DSC Denmark Holding ApS under frivillig likvidation, *Denmark*	ApS	33.33%	(609)	793
Dynatest South America Holding ApS, *Denmark*	ApS	33.33%	(3,259)	4,291
Elgon Road Developments Ltd, *Kenya*	Ltd.	27.18%	(35,916)	193,343
Emerging Markets Power (Ghana) Limited, *Ghana*	Ltd.	27.00%	N/A	N/A
EMF Cooling Systems Hong Kong Limited, *Hong Kong*	Ltd.	26.77%	(1,897)	48,321
Enara Bahrain SPV W.L.L., *Bahrain*	WLL	43.06%	N/A	N/A
Fertin India Private Limited, *India*	Ltd.	25.00%	(6,493)	14,874
Fiberline Asia Limited, *Hong Kong*	Ltd.	24.89%	3,955	5,997
Fibertex South Africa, *South Africa*	Pty. Ltd.	25.80%	(15,567)	39,077

Notes

Note

Investment in associated comprises of:

DKK 1,000

Name/domicile:	Form of company:	IFU's ownership interest (%)	2018 Result	2018 Equity
			According to the latest approved annual report	
Foss India Private Limited, *India*	Ltd.	24.15%	(334)	5,852
Frontier Trading Co. Ltd., *China*	Ltd.	40.00%	N/A	N/A
Ghana Emulsion Limited, *Ghana*	Ltd.	26.10%	N/A	N/A
Gustu Gastronomia S.A., *Bolivia*	S.A.	45.00%	(1,414)	4,850
House of Odin Ltd., *Nigeria*	Ltd.	20.20%	342	6,835
IBF Uganda ApS, *Denmark*	ApS	36.00%	(606)	44
Jema Autolife Co., Ltd, *China*	Ltd.	44.01%	(735)	(2,575)
Jyden China Holding A/S, *Denmark*	A/S	49.00%	1,434	3,030
Kenya Property Holding ApS, *Denmark*	ApS	49.00%	(114)	5,886
Merkur Udviklingslån A/S, *Denmark*	A/S	50.00%	(316)	15,988
Mim Cashew & Agricultural Products Limited, *Ghana*	Ltd.	20.00%	(6,952)	60,968
Motorcare Services Holding A/S*, *Denmark*	A/S	83.33%	(962)	24,262
Niebuhr Limited, *Hong Kong*	Ltd.	25.00%	2,641	26,626
Nordic Horn of Africa Opportunities Fund, *Canada*	Fund	20.00%	N/A	N/A
Nordic Microfinance Initiative AS, *Norway*	A/S	33.33%	8,636	74,756
Nordic Microfinance Initiative Fund III KS, *Norway*	K/S	24.40%	89,172	446,644
Orana India Pvt Ltd, *India*	Ltd.	36.95%	750	1,917
Rabai Power Holdings Limited, *United Kingdom*	Ltd.	20.00%	41,701	409,141
Smart Solar International Holding, *France*	SA	49.00%	N/A	N/A
Wagner China ApS, *Denmark*	ApS	40.00%	(17,832)	(1,406)

*) IFU contributes with B-shares and does not have control.

Notes

Note		2018	2017
		DKK 1,000	DKK 1,000
8/	Project loans, net		
	Project loans beginning of year at cost	923,418	1,101,886
	Adjustment 01/01-2018 due to integration of facilities	44,196	0
	Project loans beginning of year at cost	967,614	1,101,886
	Disbursements during the year	266,947	207,512
	Share capital converted into project loans during the year	5,000	0
	Interest and fees converted into project loans during the year	1,011	1,526
	Repayments during the year	(226,161)	(312,997)
	Project loans converted into share capital during the year	(18,634)	(10,094)
	Exchange rate adjustments, project loans	21,710	(62,522)
	Project loans transferred to other receivables during the year	0	(911)
	Write-offs during the year	(15,450)	(982)
	Project loans end of year at cost *	**1,002,037**	**923,418**
	Accumulated value adjustments beginning of year	(52,316)	(67,279)
	Adjustment 01/01-2018 due to integration of facilities	0	0
	Adjustment 01/01-2018 according to IFRS 9	(13,340)	0
	Accumulated value adjustments beginning of year	(65,656)	(67,279)
	Reversed value adjustments, loans written off	(8,823)	(1,094)
	Value adjustments	1,635	16,160
	Value adjustments related to conversions during the year	(89)	(103)
	Accumulated value adjustments end of year	**(72,933)**	**(52,316)**
	Project loans, net end of year	**929,104**	**871,102**
*)	Project loans end of year at cost are comprised of:		
	Senior project loans	770,960	786,128
	Subordinated loans	187,319	113,856
	Equity loans	43,758	23,434
		1,002,037	**923,418**

Notes

Note			2018 DKK 1,000	2017 DKK 1,000

*) Project loans end of year at cost in DKK distributed according to currency denomination:

	2018 Currency	2017 Currency		
DKK			182,332	197,043
USD[1]	54,116	65,929	352,807	409,270
EUR	57,785	37,701	431,500	280,681
Other currencies			35,399	36,425
			1,002,037	**923,418**

1) USD 36.3m is hedged against DKK (USD 43.2m in 2017)

Notes

Note		2018 DKK 1,000	2017 DKK 1,000
9/	Investment in subsidiaries		
	Investment in subsidiaries beginning of year at cost	1,680	1,680
	New investments during the year	550	0
	Investment in subsidiaries end of year at cost	**2,230**	**1,680**
	Accumulated value adjustments end of year	**0**	**0**
	Investment in subsidiaries, net end of year	**2,230**	**1,680**

Investment in subsidiaries comprises of:

Name/domicile:	Form of company:	IFU's ownership interest (%)	2018 Result	2018 Equity
			According to the latest approved annual report	
IFU Investment Komplementar, Copenhagen, *Denmark*	ApS	100%	14	148
IFU Investment Partners GP, Copenhagen, *Denmark*	P/S	100%	(23)	399
DCIF I GP Komplementar, Copenhagen, *Denmark*	ApS	100%	7	76
DCIF I GP, Copenhagen, *Denmark*	P/S	100%	(14)	456
DAF I GP Komplementar, Copenhagen, *Denmark*	ApS	100%	6	61
DAF I GP, Copenhagen, *Denmark*	P/S	100%	(11)	482
DSDG GP Komplementar, Copenhagen, *Denmark*	ApS	100%	N/A	N/A
DSDG GP, Copenhagen, *Denmark*	P/S	100%	N/A	N/A

Subsidiaries are insignificant in size and consolidated accounts have not been made.

Notes

Note		2018	2017
		DKK 1,000	DKK 1,000
10/	Fixed assets and leasehold improvements		
	Cost beginning of year	12,050	10,044
	Additions during the year	375	2,006
	Disposals during the year	0	0
	Cost end of year	**12,425**	**12,050**
	Depreciation beginning of year	7,095	6,034
	Depreciation for the year (note 5)	1,155	1,061
	Depreciation for disposal of the year	0	0
	Depreciation end of year	**8,250**	**7,095**
	Book value end of year	**4,175**	**4,955**
11/	Interest receivable related to projects		
	Interest receivable related to projects before value adjustments	51,839	40,909
	Value adjustments	(20,247)	(16,498)
	Interest receivable related to projects	**31,592**	**24,411**
12/	Other receivables		
	Dividend receivables	148	847
	Receivables from sale of shares	11,268	81,345
	Receivables from sale of loan	911	910
	Receivable front-end fees	3,881	2,939
	Other project-related receivables	463	372
		16,671	86,413
	Value adjustments	(1,630)	(101)
		15,041	86,312
	Derivatives *	5,144	17,451
	Administrative receivables	20,995	20,969
	Current accounts	3,792	0
	Accrued interest receivables from bonds	498	0
	Rental deposits	2,462	2,402
	Deferred income	0	0
		47,932	**127,134**

*) Stated amount for 2018 concerns a hedged amount of USD 21.9m with term from 2019 to 2025.

Note		2018 DKK 1,000	2017 DKK 1,000
	Bonds		
	Listed bonds	181,218	150,393
	Bonds end of year	**181,218**	**150,393**
13/	Total equity		
	Paid-in capital beginning of year	1,382,842	1,166,342
	Adjustment 01/01-2018 due to integration of facilities:		
	The Arab Investment Fund	100,000	0
	Klimainvesteringsfonden	275,000	0
	Landbrugsinvesteringsfaciliteten	49,000	0
	The Ukraine Investment Facility	29,500	0
	Paid-in capital during the year	1,836,342	1,166,342
	General purpose contribution	0	200,000
	Project Development Programme	19,000	16,500
	Danish Sustainable Development Goal	99,500	0
	African Guarantee Fund	85,000	0
	Neighbourhood Energy Investment Fund	62,000	0
	Landbrugsinvesteringsfaciliteten	40,000	0
	Paid-in capital end of year	**2,141,842**	**1,382,842**
	Repaid capital beginning of year	(1,250,000)	(1,250,000)
	Repaid capital during the year	0	0
	Repaid capital end of year	**(1,250,000)**	**(1,250,000)**
	Dividend proposed for the year	**0**	**50,000**
	Retained earnings beginning of year	3,105,108	3,017,396
	Adjustment 01/01-2018 due to integration of facilities	(15,632)	0
	Adjustment 01/01-2018 according to IFRS 9	(18,702)	0
	Retained earnings beginning of year	3,070,774	3,017,396
	Dividend regarding previous year	0	0
	Transfered income for the year	(160,695)	87,712
	Retained earnings end of year	**2,910,079**	**3,105,108**
	Total equity end of year	**3,801,921**	**3,287,950**

Notes

Note	2018 DKK 1,000	2017 DKK 1,000

14/ Provisions for guarantees and loan commitments

Value adjustments on remaining commitments beginning of year	0	0
Adjustment 01/01-2018 according to IFRS 9:		
Value adjustments om remaining commitments on loans	5,207	0
Value adjustments om remaining commitments on guarantees	155	0
Value adjustments on remaining commitments beginning of year	5,362	0
Value adjustments on remaining commitments on loans	(2,368)	0
Value adjustments on remaining commitments on guarantees	(61)	0
Value adjustments on remaining commitments end of year	**2,933**	**0**

15/ Other current liabilities

Other project-related debt	2,290	6,604
	2,290	6,604
Derivatives *	9,342	8,057
Dividend regarding previous year	50,000	50,000
IFU Sustainability Facility	3,000	3,000
Administrative debt	57,673	28,301
Current accounts	0	788
Deferred income	2,219	295
	124,524	**97,045**

*) Stated amount for 2018 concerns a hedged amount of USD 14.4m with term from 2019 to 2025.

16/ Undisbursed commitments to projects

Undisbursed commitments to projects are comprised of undisbursed contractual commitments and binding commitments not yet contracted. The stated amount of guarantees is net of provision for losses, if any.

Amounts payable on share capital and loan agreements	3,593,093	1,210,015
Guarantees *	51,897	53,983
Binding commitments	765,442	409,763
Undisbursed commitments to projects	**4,410,432**	**1,673,761**

*) Net outstanding guarantees after provision for losses, amount to 51,803 (53,983 in 2017)

17/ Contingent liabilities

The total lease and rental commitments amount to DKK 7.3m (DKK 8.0m in 2017)
- hereof due within the following year DKK 6.4m (DKK 6.6m in 2017).

Note		2018 DKK 1,000	2017 DKK 1,000

18/ Related party disclosures

IFU project investments - shares and loans
For a list of project investments where IFU has significant influence, see note 7.

Transactions conducted during the year with the project companies include dividends, interest income and fees and directors' fees from the companies in which IFU representatives are board members.

Board of directors and executive board
IFU's other related parties are the members of the board of directors and the executive board.

During the year there were no transactions other than remuneration paid to the members of the board of directors and the executive board.

19/ Recommended appropriation of profit

	2018	2017
Dividend proposed for the year	0	50,000
Distribution to IFU Sustainability Facility	0	3,000
Transfered to reserve under equity	(160,695)	87,712
	(160,695)	**140,712**

20/ Financial highlights, Investments contracted in 2018, Developmental highlights and Sustainability classification
Financial highlights (table) - see page 7
Investments contracted in 2018 (table) - see page 12
Sustainability classification (table) - see page 31

21/ Financial risk management

Introduction
Through investments, IFU is exposed to financial risks such as equity and credit risk on investments, currency risk, interest rate risk and liquidity risk.

The board of directors has established limits to avoid excessive concentrations of risk, and through its investment policy and due diligence procedures IFU further seeks to identify and mitigate the equity and credit risk.

Note

22/ Equity and credit risk

Equity risk
Equity risk arises from changes in the fair values of share capital investments in projects.

Credit risk
Credit risk is the risk that IFU will incur a financial loss due to a counterparty not fulfilling its obligation. These credit exposures occur from project loans, derivatives and other transactions.

Managing equity and credit risk
At portfolio level, IFU mitigates equity risk and credit risk by investing in a variety of countries and by limiting the concentration of risks per partner. IFU assesses concentrations of risk on the basis of total commitments, which include acquisition costs of both share capital investments and project loans, binding commitments and amounts payable on share capital and loan agreements. Further, through the due diligence process, IFU assesses the specific risks for each share capital investment and project loan and seeks to mitigate associated equity and credit risks.
For some of IFU's share capital investments, IFU has the opportunity to sell the shares through pre-agreed exit agreements. In this way, IFU mitigates the risk of not being able to exit the investments. See note 27 for fair value measurement basis.

On an ongoing basis, the credit quality of the projects is assessed based on among other things:
- Specific terms as agreed
- Current and expected operational results of the company
- Expected sales value and pledges
- Historical records of debt service

Notes

Note

The table below shows the distribution of the cost of IFU's investments by the OECD country risk classification. This classification takes into account the political and economic environment of each country, including risk of force majeure such as war, etc. The classification of each country is updated twice a year.

2018	Share capital investments		Project loans		Total		Commitments (off balance)	
OECD	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%
2	163,765	7%	125,513	13%	289,278	9%	110,843	3%
3	182,999	8%	148,361	15%	331,360	10%	323,630	7%
4	96,946	4%	45,998	5%	142,944	4%	63,325	1%
5	190,768	8%	21,761	2%	212,529	6%	212,095	5%
6	559,704	24%	388,977	39%	948,681	28%	453,466	10%
7	125,694	5%	269,427	27%	395,121	12%	291,056	7%
Africa regional	330,920	14%	2,000	0%	332,920	10%	288,001	7%
DAC	608,283	26%	0	0%	608,283	18%	2,548,335	58%
Asia regional	73,356	3%	0	0%	73,356	2%	61,006	1%
Not rated	0	0%	0	0%	0	0%	58,675	1%
Total	**2,332,435**	**100%**	**1,002,037**	**100%**	**3,334,472**	**100%**	**4,410,432**	**100%**

2017	Share capital investments		Project loans		Total		Commitments (off balance)	
OECD	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%
2	160,347	9%	127,377	14%	287,724	11%	77,615	5%
3	119,811	7%	176,263	19%	296,074	11%	213,098	13%
4	96,044	5%	53,588	6%	149,632	6%	93,582	6%
5	185,459	11%	27,924	3%	213,383	8%	236,201	14%
6	350,580	20%	363,970	39%	714,550	27%	276,214	17%
7	69,142	4%	171,670	19%	240,812	9%	210,063	13%
Africa regional	411,111	23%	2,626	0%	413,737	15%	161,449	10%
DAC	305,698	17%	0	0%	305,698	11%	377,479	23%
Asia regional	66,573	4%	0	0%	66,573	2%	28,060	2%
Total	**1,764,765**	**100%**	**923,418**	**100%**	**2,688,183**	**100%**	**1,673,761**	**100%**

Note

Credit quality/impairment (IFRS 9)

All outstanding project loans have been classified into three stages:

- Stage 1 includes project loans with no credit deterioration and no specific value adjustments.
  The value adjustments according to IFRS 9 are based on IFU's historical annual credit loss.
- Stage 2 includes project loans where payments are delayed with more than 30 days at the end of year but without specific value adjustments.
  The value adjustments according to IFRS 9 are based on IFU's historical credit loss.
- Stage 3 includes project loans with only specific value adjustments.

The table below shows the project loans at cost according to stages.

DKK 1,000	2018
Project loans (stage 1)	892,806
Project loans (stage 2)	33,963
Project loans (stage 3)	75,268
Total	**1,002,037**

The table below shows the project loans at cost that are either past due or value adjusted.

DKK 1,000	2017
Project loans, neither past due nor value adjusted	825,987
Project loans, past due but not value adjusted	16,721
Project loans, value adjusted	80,710
Total	**923,418**

Note

The table below illustrates the credit quality by OECD Country risk for project loans in stage 1.

DKK 1,000	2018
OECD 2	108,959
OECD 3	143,556
OECD 4	35,498
OECD 5	21,760
OECD 6	328,480
OECD 7	252,553
Africa regional	2,000
DAC	0
Asia regional	0
Total	**892,806**

The table below illustrates the credit quality by OECD Country risk for project loans that are neither past due nor value adjusted.

DKK 1,000	2017
OECD 2	110,114
OECD 3	128,783
OECD 4	48,487
OECD 5	27,923
OECD 6	343,448
OECD 7	164,775
Africa regional	2,457
DAC	0
Asia regional	0
Total	**825,987**

The table below shows project loans according to stages.

DKK 1,000	Value adjustments %	Project loans at cost	Accumulated value adjustments	**Project loans carrying amount 2018**
Project loans (stage 1)	(1.3)%	892,806	(11,595)	881,211
Project loans (stage 2)	(18.3)%	33,963	(6,200)	27,763
Project loans (stage 3)	(73.3)%	75,268	(55,138)	20,130
Total		**1,002,037**	**(72,933)**	**929,104**

Note

Adjustment 01/01-2018 according to IFRS 9

DKK 1,000	Value adjustments %	Project loans at cost	Accumulated value adjustments	**Project loans carrying amount 01-01-2018**
Project loans (stage 1)	(1.1)%	854,346	(8,973)	845,373
Project loans (stage 2)	(13.4)%	32,558	(4,367)	28,191
Project loans (stage 3)	(64.8)%	80,710	(52,316)	28,394
Total		**967,614**	**(65,656)**	**901,958**

Adjustment 01/01-2018 due to integration of facilities

DKK 1,000	Project loans at cost	Accumulated value adjustments	**Project loans carrying amount before IFRS 9 01-01-2018**
Project loans beginning of year:			
Project loans (stage 1)	810,150	0	810,150
Project loans (stage 2)	32,558	0	32,558
Project loans (stage 3)	80,710	(52,316)	28,394
	923,418	(52,316)	871,102
Adjustment 01/01-2018 due to integration of facilities:			
Project loans (stage 1)	44,196	0	44,196
Project loans (stage 2)	0	0	0
Project loans (stage 3)	0	0	0
Total	**967,614**	**(52,316)**	**915,298**

The table below shows the distribution according to due date

2017 DKK 1,000	Not value adjusted	Value adjusted	Project loans at cost	Value adjustments	Project loans, net
Project loans, not past due	825,987	56,311	882,298	(29,430)	852,868
Project loans, past due up to 12 months	8,353	7,112	15,465	(6,331)	9,134
Project loans, past due more than 12 months	8,368	17,287	25,655	(16,555)	9,100
Total	**842,708**	**80,710**	**923,418**	**(52,316)**	**871,102**

Notes

Note

Project loans at amortised cost before value adjustments	Stage 1	Stage 2	Stage 3	Total
Project loans beginning of year at cost	854,346	32,558	80,710	967,614
Disbursements during the year	244,247	0	22,700	266,947
Share capital converted into project loans during the year	5,000	0	0	5,000
Interest and fees converted into project loans during the year	1,011	0	0	1,011
Repayments during the year	(205,045)	(8,278)	(12,838)	(226,161)
Project loans converted into share capital during the year	(18,634)	0	0	(18,634)
Exchange rate adjustments, project loans	20,214	681	815	21,710
Write-offs during the year	(56)	(2,877)	(12,517)	(15,450)
Project loans end of year at cost before change of stages	901,083	22,084	78,870	1,002,037
Change in loan value from stage 1	(32,508)	12,944	19,564	0
Change in loan value from stage 2	2,315	(2,315)	0	0
Change in loan value from stage 3	21,916	1,250	(23,166)	0
Project loans end of year at cost	**892,806**	**33,963**	**75,268**	**1,002,037**

Accumulated value adjustments	Stage 1	Stage 2	Stage 3	Total
Accumulated value adjustments beginning of year	(8,973)	(4,367)	(52,316)	(65,656)
Reversed value adjustments, loans written off	0	0	(8,823)	(8,823)
Value adjustments	(18,854)	1,729	18,760	1,635
Value adjustments related to conversions during the year	(89)	0	0	(89)
Project loans end of year at cost before change of stages	(27,916)	(2,638)	(42,379)	(72,933)
Change in loan value from stage 1	16,612	(3,057)	(13,555)	0
Change in loan value from stage 2	(9)	9	0	0
Change in loan value from stage 3	(282)	(514)	796	0
Accumulated value adjustments end of year	**(11,595)**	**(6,200)**	**(55,138)**	**(72,933)**

Note

Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk for IFU. The table only includes derivatives with positive market value.

	2018		2017	
DKK 1,000	Carrying amount	Maximum credit exposure (contractual cash flow)	Carrying amount	Maximum credit exposure (contractual cash flow)
Project loans	929,104	1,002,037	871,102	923,418
Interest receivable related to projects	31,592	51,839	24,411	40,909
Other receivables	15,041	16,671	85,173	85,274
Derivatives	5,144	5,144	17,451	17,451
Cash	397,500	397,500	280,463	280,463
Commitments	0	616,240	0	549,765
Total	**1,378,381**	**2,089,431**	**1,278,600**	**1,897,280**

Description of collateral held and fair value hereof (accessibility of pledged assets for project loans)

In a number of cases, IFU has received securities to minimise credit exposure. IFU has received the following types of securities:

- Pledges
- Indemnities and counter-guarantees

The fair value of the pledges is DKK 236m (2017: DKK 269m) and for indemnity and guarantee commitments DKK 275m (2017: DKK 151m).

Note

23/ Currency risk

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

IFU is exposed to currency risk through its investments that are denominated in currencies other than the functional currency (DKK). It is IFU's general policy to hedge foreign exchange exposures originated from project loans in other currencies than EUR, when the principal of the loan is greater than the equivalent of USD 1m, and internal credit rating is above a certain threshold.

IFU does not hedge local currency exposure in share capital investments, as costs are typically very high and by way of operation investments may have a natural built-in hedge, e.g. export-oriented businesses. IFU does not hedge commitments to disburse either, as timing and amounts are often difficult to foresee.

IFU primarily uses cross currency swaps to hedge the exposure towards changes in foreign exchange rates on project loans. As exchange rate adjustments of the hedged item and fair value adjustments of the derivative financial instruments are recognised in the income statement, hedge accounting in accordance with IFRS 9 is not applied.

Currency exposure and sensitivity

The following table indicates the currencies to which IFU had significant exposure as of 31 December on its financial assets and liabilities excluding share capital investments. The analysis calculates the effect of a reasonably likely movement of the currency rate against DKK on profit or loss with all other variables held constant. There is no sensitivity effect on equity as IFU has no assets classified as available-for-sale or designated hedging instruments.

2018

DKK 1,000	Project loans	Interest receivables	Other project-related receivables	Hedged	Provision for losses Guarantees	Other project-related debt	Net exposure	Increase in foreign exchange rates	Effects on profit or loss
USD	336,983	12,039	2,413	(236,659)	0	0	114,776	10%	11,478
EUR	402,434	13,318	918	0	0	0	416,670	1%	4,167
DKK	168,481	5,033	11,140	236,659	0	(2,251)	419,062	N/A	0
Other	21,206	1,202	570	0	0	(39)	22,939	10%	2,294
Total	**929,104**	**31,592**	**15,041**	**0**	**0**	**(2,290)**	**973,447**		

2017

DKK 1,000	Project loans	Interest receivables	Other project-related receivables	Hedged	Provision for losses Guarantees	Other project-related debt	Net exposure	Increase in foreign exchange rates	Effects on profit or loss
USD	399,815	11,526	1,925	(268,281)	0	(54)	144,931	10%	14,493
EUR	258,490	6,921	28,616	0	0	(129)	293,898	1%	2,939
DKK	190,781	4,659	16,799	268,281	0	(4,339)	476,181	N/A	0
Other	22,016	1,304	38,972	0	0	(2,082)	60,210	10%	6,021
Total	**871,102**	**24,410**	**86,312**	**0**	**0**	**(6,604)**	**975,220**		

Note

24/ Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Most of IFU's investments in project loans carry variable interbank interest rates, thus changes in interest rates will mainly affect future cash flows and income.

Interest rate exposure and sensitivity

The annual effect of changes in the interest rate only affects the fair value of fixed rate loans. For variable rates loans, the effect on profit and loss will be a change in the interest payments for the coming year.

The annual effect of an increase in the interest rate of 100 basis points is shown in the table below for fixed and variable interest rate loans.

2018					
DKK 1,000	Project loans	SWAP	Net exposure	Increase in interest rates	Effect on profit or loss
Fixed	233,688	(10,234)	223,454	100 bp	0
Variable	695,416	10,234	705,650	100 bp	7,057
Total	**929,104**	**0**	**929,104**		

2017					
DKK 1,000	Project loans	SWAP	Net exposure	Increase in interest rates	Effect on profit or loss
Fixed	157,462	(22,489)	134,973	100 bp	0
Variable	713,640	22,489	736,129	100 bp	7,361
Total	**871,102**	**0**	**871,102**		

25/ Liquidity risk

Liquidity risk is defined as the risk that IFU will encounter difficulty in meeting financial obligations.

IFU has no external funding and is equity financed except for current liabilities comprised of administrative debt and negative fair value of derivative financial instruments.

IFU's primary exposure to liquidity risk arises from commitments to disburse share capital investments and project loans.

To meet these and other obligations, IFU, apart from capital contributions net of dividends, relies on a continuous positive cash flow from interest and repayments on project loans as well as dividends and sales of share capital investments to meet its obligations. It is IFU's policy to maintain a positive cash position. A DKK 300 million credit facility shared with IØ is in place to cover unexpected negative short-term fluctuations in cash flows. At year-end, DKK 236 million was available for drawing. Furthermore, IFU has access to loan financing of DKK 800m from Danmarks Nationalbank. No drawings had been made on this lending line at the end of 2018. Including the credit facility and lending line at the national bank, total liquidity ressources available to IFU amount to DKK 1,615m at year-end 2018.

Note

Contractual maturities

The contractual maturities based on undiscounted contractual cash flows are shown below for financial assets, liabilities, guarantees and commitments.

2018

DKK 1,000	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
Assets							
Project loans	929,104	1,002,037	43,289	301,065	492,311	165,372	0
Interest receivable related to projects	31,592	51,839	51,839	0	0	0	0
Other receivables	42,788	44,418	5,941	31,777	3,848	0	2,852
Derivatives	5,144	5,144	0	1,430	3,662	52	0
Cash and cash equivalents	578,718	578,718	84,500	313,000	181,218	0	0
Total assets	**1,587,346**	**1,682,156**	**185,569**	**647,272**	**681,039**	**165,424**	**2,852**
Liabilities							
Derivatives	9,342	9,342	0	4,412	4,315	615	0
Other current liabilities	115,182	115,182	0	115,182	0	0	0
Drawn on bank credit facilities	41,088	41,088	0	41,088	0	0	0
Total liabilities	**165,612**	**165,612**	**0**	**160,682**	**4,315**	**615**	**0**
Off-balance							
Guarantees		51,897	0	0	0	0	51,897
Amounts payable on share capital and loan agreements		3,593,093	3,593,093	0	0	0	0
Binding commitments		765,442	0	765,442	0	0	0
Total off-balance		**4,410,432**	**3,593,093**	**765,442**	**0**	**0**	**51,897**

Note

2017

DKK 1,000	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
Assets							
Project loans	871,102	923,418	41,120	297,998	516,789	67,511	0
Interest receivable related to projects	24,411	40,909	40,909	0	0	0	0
Other receivables	109,683	109,784	2,422	44,585	0	0	38,267
Derivatives	17,451	17,451	0	4,766	10,905	1,780	0
Cash and cash equivalents	430,856	430,856	100,463	180,000	150,393	0	0
Total assets	**1,453,503**	**1,522,418**	**184,914**	**527,349**	**678,087**	**69,291**	**38,267**
Liabilities							
Derivatives	8,057	8,057	0	5,346	3,996	0	0
Other current liabilities	88,988	88,988	0	88,988	0	0	0
Drawn on bank credit facilities	25,025	25,025	0	25,025	0	0	0
Total liabilities	**122,070**	**122,070**	**0**	**119,359**	**3,996**	**0**	**0**
Off-balance							
Guarantees		53,983	0	0	0	0	53,983
Amounts payable on share capital and loan agreements		1,210,015	1,210,015	0	0	0	0
Binding commitments		409,763	0	409,763	0	0	0
Total off-balance		**1,673,761**	**1,210,015**	**409,763**	**0**	**0**	**53,983**

Note

26/ Classification of financial instruments

The following table provides a reconciliation between line items in the balance sheet and categories of financial instruments.

2018

DKK 1,000	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Other liabilities at amortised cost	Total
Financial assets				
Share capital investment in projects	2,376,715	0	0	2,376,715
Project loans	0	929,104	0	929,104
Interest receivable related to projects	0	31,592	0	31,592
Other receivables	10,800	31,988	0	42,788
Derivatives	5,144	0	0	5,144
Bonds	181,218	0	0	181,218
Cash and cash equivalents	0	356,412	0	356,412
Total financial assets	**2,573,877**	**1,349,096**	**0**	**3,922,973**
Financial liabilities				
Current liabilities:				
Derivatives	9,342	0	0	9,342
Other current liabilities	0	0	115,182	115,182
Total financial liabilities	**9,342**	**0**	**115,182**	**124,524**

2017

DKK 1,000	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Other liabilities at amortised cost	Total
Financial assets				
Share capital investment in projects	1,949,882	0	0	1,949,882
Project loans	0	871,102	0	871,102
Interest receivable related to projects	0	24,411	0	24,411
Other receivables	82,154	27,529	0	109,683
Derivatives	17,451	0	0	17,451
Bonds	150,393	0	0	150,393
Cash and cash equivalents	0	255,438	0	255,438
Total financial assets	**2,199,880**	**1,178,480**	**0**	**3,378,360**
Financial liabilities				
Current liabilities:				
Derivatives	8,057	0	0	8,057
Other current liabilities	0	0	88,988	88,988
Total financial liabilities	**8,057**	**0**	**88,988**	**97,045**

Note

The carrying amounts of project loans with fixed interest terms amounts to DKK 227m (2017: 157m). The fair value of these project loans amounts to DKK 235m (2017: DKK 133m) measured as the net present value of the future cash flow. The inputs used to measure the fair value for project loans are all level 2 inputs in the fair value hierarchy, for more information see disclosure on fair value measurement, note 27. For other loans and receivables and other liabilities the carrying amount is measured at amortised cost a reasonable approximation of fair value.

27/ Fair value measurement basis

The calculation of fair value is based on a fair value hierarchy that reflects the level of judgement associated with the inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 inputs are unobservable inputs that have been applied in valuing the respective assets or liabilities.
- In the following sections a short description of the overall principle for IFU's calculation of fair value is provided.

For all investments the value determined by using the methods described below will be adjusted, if considered necessary and appropriate, by taking the following factors into account:

1) Current and expected operational results of the project company
2) Risk of remittance, if any
3) Specific circumstances relating to the partners, project, country, region and/or sector
4) Current market conditions
5) Tax issues

Share capital investments

Most of IFU's fair value estimates are based on unobservable market data (level 3).
Indirect investments through financial intermediaries (funds) where the underlying investments are valued according to a fair value principle will be valued at net assets value according to the most recent financial statement received by IFU. Financial intermediaries include own managed funds, loan funds, (externally managed) funds where IFU has a managerial role and externally managed private equity funds. For own managed funds, IFU has made the fair value assessment of the indirect investments following the same principles as described here.

Direct investments are valued as follows:

- In the initial phase all investments are valued at cost price less any impairment adjustment, as this is deemed to provide a good indication of fair value. Hereafter investments will be valued at either the Discounted Cash Flow method (DCF), by an earnings multiple if appropriate and reliable transaction/earnings multiples are available, or by the net assets methodology, if appropriate. For direct investments in financial institutions, intrinsic value is applied in cases where it reflects fair value. For smaller investments, see below.
- If during the 12-month period prior to the reporting date IFU has received a binding offer in writing from a third party, or a significant transaction has taken place, the shares will normally be valued based on the offer or the recent transaction.

Note

The following general assumptions are applied when performing DCF or earnings multiple calculations:

- For DCF calculations, budgets and forecasts for the investments form the basis for the valuation.
- A weighted average cost of capital based on the cost of equity and the cost of debt weighted by the targeted financial leverage from the industry. Growth in terminal period is based on the estimated long-term inflation rate of the country.
- An illiquidity discount is applied and other specific adjustments may be applied where relevant for both DCF and earnings multiple calculations.

Valuing private investments in developing countries at fair values involves a large inherent uncertainty. Due to these uncertainties, a degree of caution is applied when exercising judgements and making the necessary estimates. For smaller investments (cost price or intrinsic value below DKK 25m) uncertainties are deemed to be even higher and therefore these will be valued at intrinsic value to reflect IFU's share of earnings in the companies. These investments constitute a minor part of IFU's portfolio.

Some share capital investments include a pre-agreed exit agreement. In these cases the value of the exit agreements is taken into consideration as part of the fair value calculation. Investments valued according to exit agreements are in the table below disclosed together with investments valued based on a recent binding offer or transaction.

Note

2018				
DKK 1,000	Level 1	Level 2	Level 3	Total
Share capital investments				
Opening balance	4,213	0	1,945,669	1,949,882
Adjustment 01/01-2018 due to integration of facilities	0	0	66,733	66,733
Transfers into the level	0	0	15,678	15,678
Transfers out of the level	0	0	0	0
Total gains/ losses for the period included in profit or loss [1]	(15,016)	0	(206,850)	(221,866)
Paid-in share capital in projects	31,738	0	550,336	582,074
Proceeds from divestment of shares	0	0	(15,786)	(15,786)
Closing balance	**20,935**	**0**	**2,355,780**	**2,376,715**
Other receivables				
Opening balance	0	82,154	0	82,154
Closing balance	0	10,800	0	10,800
Derivative financial instruments (Assets)				
Opening balance	0	17,451	0	17,451
Closing balance	0	5,144	0	5,144
Derivative financial instruments (Liabilities)				
Opening balance	0	8,057	0	8,057
Closing balance	0	9,342	0	9,342
Total recurring fair value measurements	**20,935**	**25,286**	**2,355,780**	**2,402,001**

Note

2017				
DKK 1,000	Level 1	Level 2	Level 3	Total
Share capital investments				
Opening balance	3,233	0	1,767,212	1,770,445
Transfers into the level	0	0	10,094	10,094
Transfers out of the level	0	0	0	0
Total gains/ losses for the period included in profit or loss [1]	980	0	66,016	66,996
Paid-in share capital in projects	0	0	270,329	270,329
Proceeds from divestment of shares	0	0	(167,982)	(167,982)
Closing balance	**4,213**	**0**	**1,945,669**	**1,949,882**
Other receivables				
Opening balance	0	85,845	0	85,845
Closing balance	0	82,154	0	82,154
Derivative financial instruments (Assets)				
Opening balance	0	252	0	252
Closing balance	0	17,451	0	17,451
Derivative financial instruments (Liabilities)				
Opening balance	0	44,586	0	44,586
Closing balance	0	8,057	0	8,057
Total recurring fair value measurements	**4,213**	**107,662**	**1,945,669**	**2,057,544**

1) Recognised in Contribution from share capital investments.
Hereof DKK (189)m (2017: DKK 30m) is attributable to assets held at 31 December for level 3.

Note

Valuation techniques and unobservable inputs used measuring fair value of level 3 fair value measurements.

2018

DKK 1,000 Type of investment	Fair value at 31/12/2018	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value
Indirect investments through financial intermediaries					
Own managed funds, loan funds and funds where IFU has a managerial role	656,896	Net assets value			
Externally managed funds	716,518	Net assets value			
Direct investments	228,255	Cost			
	223,712	Binding offers/transaction/ exit terms			
	128,785	Intrinsic value			
	257,899	Discounted Cash Flow	WACC	+ 10%	(25,703)
			Growth in terminal value	- 20%	(3,870)
	52,326	Multiple valuation	EV/EBITDA	- 10%	(5,887)
	91,389	Intrinsic value (small investments)			
Share capital investments	**2,355,780**				

2017

DKK 1,000 Type of investment	Fair value at 31/12/2017	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value
Indirect investments through financial intermediaries					
Own managed funds, loan funds and funds where IFU has a managerial role	462,795	Net assets value			
Externally managed funds	564,829	Net assets value			
Direct investments	197,986	Cost			
	153,570	Binding offers/transaction/ exit terms			
	122,700	Intrinsic value			
	315,661	Discounted Cash Flow	WACC	+ 10%	(28,083)
			Growth in terminal value	- 20%	(3,397)
	65,475	Multiple valuation	EV/EBITDA	- 10%	(7,067)
	62,653	Intrinsic value (small investments)			
Share capital investments	**1,945,669**				

IFU's **active investments** are currently **employing 215,000 people**

MANAGEMENT

BOARD OF DIRECTORS

The Danish minister for development cooperation appoints the chairman, the deputy chairman and the other members of the board of directors for three-year terms, according to Section 9 of the Danish Act on International Development Cooperation. Each appointment is personal. The current three-year term ends on 31 July 2021.

Since 1 January 2013, an observer from the Ministry of Foreign Affairs has been appointed to IFU's board of directors.

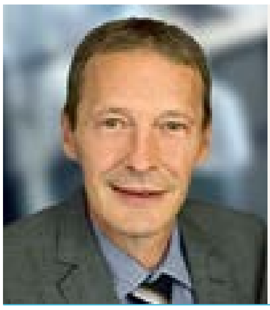
The board of directors usually convenes six to eight times a year. On the recommendation of the executive management, it makes decisions about investments and key issues.

It is noted that the chairman and deputy chairman have both been members of the board for more than 12 years and as such cannot be considered independent in accordance with the recommendations by the Danish Committee on Corporate Governance.

Further it is noted that IFU in 2018 had business transactions with Nykredit Bank A/S (part of the Nykredit group, in which the chairman is CEO), with Kjaer Group A/S, which is majority owned by board member Mads Kjær, and with Royal Danish Fish Group A/S, in which board member Jens Jørgen Kollerup is a board member.

The rules of procedure for the board contain detailed rules regarding conflict of interest – as well as a reference to the conflict of interest rules in the Danish Public Administrations Act, which the board is subject to – and the above-mentioned business transactions are not considered to be of a nature as to impair the general independence of the board members.

Michael Rasmussen, Chairman, board member since 2000
MSc (Economics). CEO, Nykredit.
Other board memberships: Nykredit Bank A/S (chairman), Totalkredit A/S (chairman), Finance Denmark (chairman), Copenhagen Business School (deputy chairman).



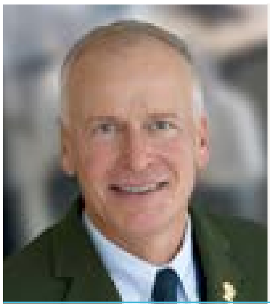
Lars Andersen, Deputy Chairman, board member since 1994
MSc (Economics). Managing Director, The Economic Council of the Labour Movement.
Other board memberships: Industripension Holding A/S,
Industriens Pensionsforsikring A/S, Arbejdernes Landsbank A/S.

>

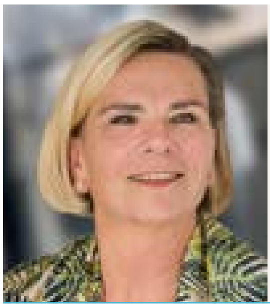
Jens Jørgen Kollerup, board member since 2009
MSc (Dairy Science).
Managing Director, Ormholt A/S.
Other board memberships: Arctic Group A/S, Vermund Larsen A/S (chairman), Royal Danish Fish Group A/S.

Bjarne H. Sørensen, board member since 2012
MSc (Civil Engineering). Ambassador (retired).

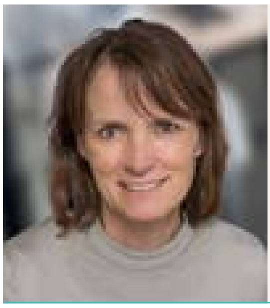
Dorrit Vanglo, board member since 2012
MSc (Economics). CEO, LD Fonde.
Other board memberships: Kapitalforeningen LD (chairman), EKF - Danmarks Eksportkredit (vice chairman), Eksportkreditfinansiering A/S (vice chairman), Investeringsforeningen Lægernes Invest, Kapitalforeningen Lægernes Invest, Det Danske Hedeselskab, Dalgas Group A/S, Komiteen for god Fondsledelse.



Mads Kjær, board member since 2015
Managing Director, Kjaer Group A/S.
Other board memberships: Kjaer Group A/S, Udsyn A/S, Ejendomsselskabet Svendborg ApS.



Charlotte Jepsen, board member since 2017
MSc (Social Sciences). Managing Director, FSR – Danish Auditors.
Other board memberships: Plan Børnefonden, Pantebrevselskabet Boligkredit A/S.



Anne Broeng, board member since 2019
MSc (Economics). Professional board member.
Other board memberships: Velliv (chairman), NNIT A/S, VKR A/S, Velux A/S, ATP, Aquaporin A/S, NASDAQ Nordic OY, Bikubenfonden, Kollegiefonden Bikuben, Købmand Ferdinand Sallings Fond.

Ole Thonke, board observer since 2017
Ambassador, Head of Department, Ministry of Foreign Affairs

EXECUTIVE MANAGEMENT

The Danish minister for development cooperation appoints the CEO.

Torben Huss, CEO
MSc (Political Science and Public Administration), Copenhagen University,
PhD (Business Economics), Copenhagen Business School.
Board memberships: JØP.

STAFF AND GLOBAL PRESENCE

STAFF - SEE WWW.IFU.DK - CLICK HERE

GLOBAL PRESENCE

IFU
INVESTMENT FUND FOR DEVELOPING COUNTRIES

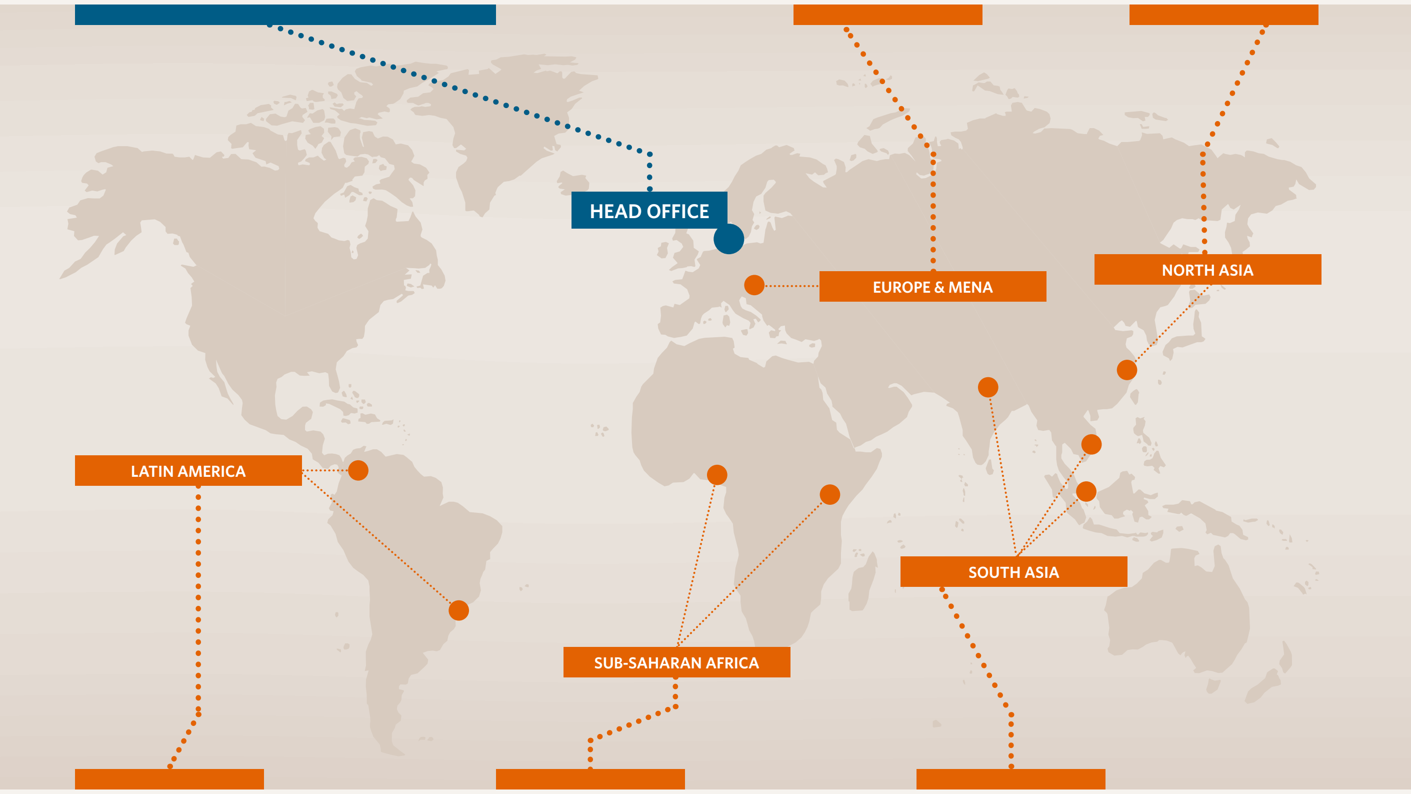
Fredericiagade 27, 1310 Copenhagen K, Denmark
Tel: + 45 33 63 75 00
E-mail: ifu@ifu.dk
ifu.dk

IFU UKRAINE, KIEV

Gulliver office center
1A Sportyvna square
1716 Kyiv
Ukraine 01601
opa@ifu.dk

IFU CHINA, SHANGHAI

3/F Ruijinyilu 139
Shanghai – 200020 China
Metro Line 13
Huai Hai Middle Road Exit # 3
jac@ifu.dk



IFU LATIN AMERICA, BOGOTÁ

Embajada Real de Dinamarca
Cra. 13 # 93-40 Bogotá D.C. Colombia
frz@ifu.dk

IFU LATIN AMERICA, SÃO PAULO

Rua Oscar Freire, 379, Cj. 31
São Paulo – 01426-001
Brazil
lsh@ifu.dk

IFU WEST AFRICA, ACCRA

Embassy of Denmark
No 67 Dr Isert Road, North Ridge
Box CT 596, Accra, Ghana
nyk@ifu.dk

IFU EAST AFRICA, NAIROBI

Embassy of Denmark
13, Runda Drive, Runda
P.O. Box 40412, 00100 GPO Nairobi, Kenya
sgi@ifu.dk

IFU SOUTH ASIA, SINGAPORE

101 Thomson Road, United Square, #06-01
Singapore 307591, dhi@ifu.dk

IFU SOUTH ASIA, NEW DELHI

SPWD Building, 2nd floor
14 A, Vishnu Digambar Marg, (Rouse Avenue Lane)
New Delhi – 110002, India, rdu@ifu.dk

IFU SOUTH ASIA, HO CHI MINH CITY

Embassy of Denmark, Danish Economic &
Commercial Office (DECO) Suite 505 Centec Tower,
5th Floor 72-74 Nguyen Thi Minh Khai, Dist. 3,
HO CHI MINH, DISTRICT 3, Vietnam, hvt@ifu.dk

IFU has **offices abroad,**
covering Africa, Asia,
Latin America and Europe

INVESTMENT FUND FOR
DEVELOPING COUNTRIES

Fredericiagade 27
1310 Copenhagen K
Denmark

Tel: +45 33 63 75 00
ifu@ifu.dk
ifu.dk
CVR No. 23598612

Cover photo: Berry pickers from United Exports, blueberry production in South Africa. Photo: Alfred Lor.

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