ANNUAL REPORT 2009

INVESTMENTS FOR DEVELOPMENT

ifu

THE INDUSTRIALISATION FUND FOR DEVELOPING COUNTRIES

CONTENTS

Legal mandate

"For the purpose of promoting economic activity in developing countries, IFU has been created to promote investments in these countries in collaboration with Danish trade and industry."

The Act on International Development Cooperation, The Danish Parliament, 7 June 1967.

Mission, vision and strategy

Mission:
To enhance global economic growth, development and more equitable income distribution through increased global flow of socially and environmentally responsible, productive investments making optimal use of comparative advantages.

Vision:
To contribute through information and advice in connection with co-investments to enhance Danish enterprises' active participation in the global flow of productive investments towards developing countries.

Strategy:
To become known, recognised and used by all relevant Danish enterprises as a competent provider of know-how, experience and external financing as well as their most preferred investment partner in developing countries.

Welcome note from the CEO

Dear Reader,

Denmark has been strongly affected by the financial and economic crisis, and many efforts are being made to pull the country out of the crisis.

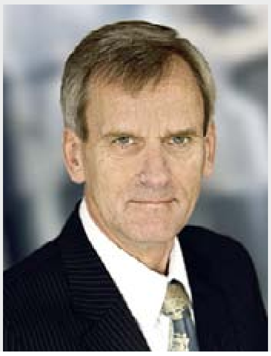
In this context it is interesting to note that in 2009, IFU not only had its busiest year ever in terms of contracted investments, but also delivered solid financial results. Even in 2008, when the crisis was also severe, IFU delivered high investment volumes as well as equally positive financial results.

This is most likely due to the fact that during the crisis Danish companies have increasingly turned to IFU seeking risk capital to finance strategic foreign investments. Secondly, many developing countries, in contrast to the developed world, have experienced continued economic growth, although at a lower pace.

For many years, IFU has proved that it can effectively provide risk capital on commercial terms to Danish companies investing in developing countries. IFU's performance in 2009 shows that the Fund also plays a counter-cyclical role in a time of crisis.

In 2009, IFU contracted investments for a total amount of DKK 642m, which is approximately 40% more than in 2008. IFU's success criteria scored high and so did the CSR rating.

IFU had a net income of DKK 90m in 2009, which corresponds to a return on equity of 4.1%. The result was above budget for 2009.



IFU's performance over the years shows that a self-governing, official fund like IFU offering risk capital on commercial terms is an effective way of facilitating Danish companies' entry into developing country markets, while at the same time promoting private business development in the host countries. For IFU to remain an important player in this regard requires that IFU offers the kind of services requested by Danish companies and is able to join in partnerships with Danish companies in markets of interest to them.

Africa constitutes a special challenge. IFU has made a major effort over the last decade to bring Danish investments to Africa, and the 15 new investments in 2009 represent a higher number than ever before. IFU has opened regional offices in Nairobi, Johannesburg and Accra to assist potential Danish investors. IFU has initiated cooperation in Africa with Danish institutional investors and private equity funds. It is, however, a fact that there is a shortage of good projects in Africa. Danish companies are not queuing up to invest in Africa, although they may get as good a return there as in other regions.

In the follow-up to COP15 there will be a need to mobilise capital for climate investments in developing countries. A large part of the money will have to be private capital, and the private sector will have to play a major role in implementing climate investments. IFU has a lot to offer in this respect as envisaged in IFU's general strategy. Scaling up IFU's climate investments will benefit both developing countries and Danish companies with the right technology. IFU strives to find partners sharing the same ambition.

I hope you will find our annual report informative, and that it will give you a taste of all the exciting issues the Fund deals with.

Finn Jønck
Managing Director, CEO

Statement by the Management on the Annual Report

The Executive and Supervisory Boards have today considered and approved the Annual Report of the Industrialisation Fund for Developing Countries (IFU) for the financial year 1 January 2009 – 31 December 2009.

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 the Fund's financial position at 31 December 2009 and of the results of the Fund's operations and cash flows for 2009.

Copenhagen, 4 March 2010

Executive Board:

Finn Jønck, Managing Director

Torben Huss, Deputy Managing Director

Supervisory Board:

Michael Rasmussen, Chairman

Lars Andersen, acting Deputy Chairman

Beate Bentzen

Eva Berneke

Betina Hagerup

Steen Hommel

Jens Jørgen Kollerup

Christina Rasmussen

Lisbeth Scott Reinbacher

Susan Ulbæk

AUDITORS´ REPORT

Independent auditors´ report

To the Supervisory Board of the Industrialisation Fund for Developing Countries (IFU)

We have audited the financial statements and Management's review of IFU for the financial year 1 January 2009 – 31 December 2009. The financial statements comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and accounting policies. The financial statements and Management's review are prepared in accordance with the Danish Financial Statements Act.

The Supervisory and Executive Boards' responsibility
The Supervisory and Executive Boards are responsible for the preparation and fair presentation of the financial statements in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Furthermore, the Supervisory and Executive Boards are responsible for preparing a Management's review that includes a true and fair account in accordance with the Danish Financial Statements Act.

Auditors' responsibility and basis of opinion
Our responsibility is to express an opinion on the financial statements and Management's review based on our audit. We conducted our audit in accordance with Danish Auditing Standards and the agreement between the Minister for Foreign Affairs and the Auditor General regarding the audit of IFU. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and Management's review are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Fund at 31 December 2009 and of the results of the Fund's operations and its cash flows for the financial year 1 January 2009 – 31 December 2009 in accordance with the Danish Financial Statements Act, and Management's review includes a true and fair account in accordance with the Danish Financial Statements Act.

Copenhagen, 4 March 2010

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Mikael Sørensen
State Authorised Public Accountant

Preben Larsen
State Authorised Public Accountant

Executive summary 2009

- Contracted investments increased by 42% from the previous year to a record DKK 642m
- DKK 497m was invested in 35 new projects
- Of this DKK 266m was contracted in 15 new investments in Africa
- DKK 145m was invested as additional financing in 18 projects
- New projects are expected to employ approximately 10,000 people
- Opening of a new regional office in Accra, Ghana
- An ongoing focus on climate-related investments with seven projects in 2009
- 77% of all projects were classified as good or excellent in their compliance with IFU's CSR policy
- New user-friendly CSR handbook
- Total fulfilment of IFU's success criteria of 83%
- Net income of DKK 90m
- Capital extraction of DKK 75m by the government

Allure Flowers, Tanzania – preparing flowers for export to Europe.

HIGHLIGHTS

Financial highlights

Financial highlights 2005 - 2009

	2009 DKKm	2008 DKKm	2007 DKKm	2006 DKKm	2005 DKKm
INCOME STATEMENT					
Gross contribution from projects [1]	126	115	355	467	186
Operating income [2]	65	62	306	414	148
Net income for the year	90	106	332	425	154
BALANCE SHEET AT 31 DECEMBER					
Share capital investment in projects at cost	1,077	1,018	989	1,064	1,132
Project loans at cost	745	736	771	850	787
Total investment in projects at cost	1,822	1,754	1,759	1,914	1,919
Accumulated value adjustments	(296)	(293)	(318)	(470)	(796)
Investments in projects, net [1]	1,526	1,461	1,442	1,445	1,123
Cash and bonds	685	699	791	359	402
Repaid capital/paid-in capital during the year	(75)	(200)	0	0	0
Total equity capital	2,237	2,222	2,316	1,984	1,559
Total balance	2,270	2,253	2,341	2,015	1,588
ADDITIONAL DATA					
New projects contracted (no.)	35	36	33	34	26
Portfolio of projects end of year (no.)	218	206	201	201	200
Investments contracted	642	451	464	498	364
Investments disbursed	272	369	260	372	282
Undisbursed contracted investments incl. guarantees	806	567	564	481	384
Binding commitments not yet contracted	319	216	227	245	311
KEY RATIOS					
Gross contribution from projects/Average investment in projects – value adjusted	8.5 %	7.9 %	24.6 %	36.4 %	17.3 %
Operating income/Average investment in projects – value adjusted	4.3 %	4.3 %	21.2 %	32.3 %	13.8 %
Net income for the year/Average total equity capital	4.1 %	4.7 %	15.5 %	24.0 %	10.4 %
Accumulated value adjustments/Investment in projects at cost	(16.2)%	(16.7)%	(18.1)%	(24.5)%	(41.5)%
Average number of full-time employees (IFU, IØ and IFV)	73	73	76	75	74

[1] Information about composition of the contribution from projects including value adjustments can be found in "Financial review 2009" on page 21

[2] Operating income = gross contribution from projects less operating expenses

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Increase in contracted investments by 42% to a record DKK 642 million

West African Fish – fish farm in Lake Volta, Ghana.

Management's review

Main activities

The global financial crisis has caused a significant increase in the demand for IFU's financial services due to the limited funding available from many traditional sources. By meeting the demand, IFU has been able to assist Danish companies in making strategic investments despite the general lack of capital as well as risk aversion from investors. In addition to the benefits to Danish trade and industry, this has also contributed to easing the negative effects of the crisis in developing countries.

IFU's contracted investments increased by 42% in 2009, from DKK 451m to DKK 642m in 53 project companies. DKK 497m was invested in 35 new project companies with an expected direct employment of approximately 10,000 people. Moreover, IFU provided additional financing to 18 ongoing projects employing approximately 5,600 people.

In Africa, IFU's investment activities remained at a high level, which is in line with IFU's focus on the poorer countries and especially on Africa. Fifteen of the new investments were related to Africa, this continent representing for the first time more than 50% of IFU's total contracted investments in new projects and more than 40% of overall investments (i.e. including additional financing in ongoing projects). This marked a significant increase compared to 2008.

IFU generated a net income of DKK 90m in 2009.

KAFCO fertilizer, Chittagong, Bangladesh.

Highlights of 2008 and 2009

	Number		DKKm		EURm*	
	2009	2008	2009	2008	2009	2008
Net income			90	106	12	14
Total equity capital at 31 December			2,237	2,222	301	298
Investments contracted	53	57	642	451	86	61
Contracted investments in projects since establishment in 1967, of which	687	652	8,303	7,661	1,116	1,028
disbursed (1967–end of year)**			5,925	5,653	796	759
undisbursed at 31 December			806	567	108	76
Number of countries in which IFU has invested since 1967	83	82				

*) Exchange rate: EUR 100 = DKK 744.15 at 31.12.2009 and DKK 745.06 at 31.12.2008.

**) Disbursed investments are smaller than contracted investments due primarily to the following factors:

- A number of projects have not been implemented.
- Contracted investments in share capital normally include a 25% overrun commitment. Most often, this commitment is not disbursed.
- Part of the contracted investments is in the form of guarantees, which do normally not result in disbursements.

Operational framework

IFU's legal mandate is to promote economic activity in developing countries by promoting investment in these countries in collaboration with Danish trade and industry. IFU was established by law in June 1967 as part of the Act on International Development Cooperation with the overall purpose of promoting economic and social growth in developing countries.

IFU was established as a legally independent, self-governing entity, limited in its liability to the extent of its net worth only. IFU's Supervisory Board and the Managing Director are appointed by the Danish Minister for Development Cooperation.

IFU provides share capital participation, loans and guarantees on commercial terms for investments in production or service companies in developing countries. In 2005, the Danish government decided that only countries with a per

capita income of less than USD 3,084 (2010) plus South Africa, Botswana and Namibia would be eligible for IFU financing. The Fund's revenues comprise interest income, dividends and profit from the sale of shares.

IFU operates on commercial terms and is self-financing.

To ensure high standards in respect of environment and human rights, the Fund's activities are supported by a corporate social responsibility (CSR) policy. The CSR policy is based on the principles of the UN Global Compact and seven international conventions and declarations and therefore aims to set high standards for environment, occupational health and safety (OHS), human rights and labour practices and overall business ethics.

By collaborating with IFU, partners gain access not only to financing, but also to the knowhow and experience from investments in nearly 700 projects in more than 80 countries obtained by IFU since 1967, and support from an extensive network of advisers and financial institutions. IFU is actively involved in both the start-up phase and the operations of a project, e.g. by having a seat on the boards of the projects.

IFU continuously strives to further increase Danish investments in poor countries, particularly in Africa, and at the same time makes a targeted effort to improve the quality of the project portfolio with a view to remaining profitable and sustainable in its own right. However, Danish companies generally do not have a specific or potential strategic interest in Africa.

IFU's investments in Africa have increased significantly in recent years, but the continent continues to stand out as a very challenging region that has also been negatively affected by the global financial crisis, making it difficult for the Millennium Development Goals set for 2015 to be achieved. The Fund will also continue to play an active role in developing countries in other regions that meet the per capita income limit requirements. Moreover, special focus will be given to climate and energy projects, i.e. projects within renewable energy, and/or projects that will contribute to reducing carbon emissions.

Investments in 2009 – an overview

IFU experienced a sharp increase in the level of investment activity in 2009, establishing 35 new projects. Total investment in the new projects constituted DKK 497m (representing a 53% increase over 2008 (DKK 323m)). One of the new projects was established as a majority-owned subsidiary of an IFU project company. Additional financing in 18 ongoing projects amounted to DKK 145m. IFU's investments in new projects were directed at 13 countries. In addition, four new projects had a regional focus (three in Africa and one in Latin America). The average amount invested in new projects was DKK 14.2m (up from DKK 9.0m in 2008).

55% of the amount invested in new projects was in the form of share capital and project loans with equity features.

At the KMC tapioca starch factory in Vietnam.

Investment overview 2009		
Number of new projects	35	
Number of additional financing of ongoing projects	18	
NEW PROJECTS		
IFU's contracted investments	DKK 497m	EUR 67m
Expected total investments in projects	DKK 14,118m	EUR 1,897m
Investments in new and ongoing projects	DKK 642m	EUR 86m
Disbursement of share capital and loans	DKK 272m	EUR 37m
Received from projects (dividends, interest, sale of shares and repayment of loans)	DKK 361m	EUR 49m
Expected direct employment in new projects	10,013 jobs	

Investments contracted in 2009

	Project name	Country	IFU's contracted investments in DKKm			Expected employment (persons)
			Shares*	Loans**	Total	
	New projects financed by IFU					
	AFRICA					
1	African Infrastructure Fund III	Africa (Regional)	58.2		58.2	25
2	EFP III	Africa (Regional)		37.2	37.2	0
3	Aureos Africa Fund	Africa (Regional)	26.0		26.0	27
4	ASEC Algeria Cement Co.	Algeria	29.5		29.5	400
5	FIPA Angola	Angola	25.1		25.1	4
6	Engsko Ethiopia	Ethiopia		4.0	4.0	105
7	Kwanim	Ghana		14.9	14.9	200
8	West African Fish	Ghana		8.9	8.9	25
9	SAS Radisson Nairobi	Kenya	17.5		17.5	100
10	Fan Milk Liberia	Liberia		2.5	2.5	1,000
11	Danlink Ingredients	South Africa		1.6	1.6	3
12	Fibertex South Africa	South Africa	30.2		30.2	80
13	Zanzibar Dolphin View	Tanzania		6.0	6.0	140
14	Allure Flowers	Tanzania		4.5	4.5	111
15	Careworks Zambia ****	Zambia				
	Subtotal, Africa		**186.5**	**79.6**	**266.1**	**2,220**
	ASIA					
16	Centre for Recycling	China	1.2		1.2	19
17	Sjølund Hefei	China	2.2	2.0	4.2	35
18	S-CHP	China	2.8		2.8	5
19	Anyang Biogas Plant	China	9.5		9.5	12
20	Jysk Shanghai	China		2.5	2.5	6,000
21	Fiberline China	China	2.5		2.5	25
22	Tajco Ningbo	China		11.9	11.9	300
23	Logitrans China	China	4.2		4.2	20
24	Hempel Guangzhou	China		40.0	40.0	150
25	Rool China	China	2.9		2.9	50
26	Valcon India	India	0.6		0.6	45
27	LM Glasfiber India	India		21.1	21.1	400
28	Rockwool India	India		50.0	50.0	200
29	Seedfund 2 India	India	17.3		17.3	150
30	Varo Thailand	Thailand	2.0		2.0	20
31	Celenia	Vietnam	0.6	1.4	2.0	50
32	LTP Vietnam	Vietnam		1.0	1.0	12
33	Hanoi Vung Tau	Vietnam		47.7	47.7	200
	Subtotal, Asia		**45.8**	**177.6**	**223.4**	**7,693**
	LATIN AMERICA					
34	Xoco Financing	Honduras		3.8	3.8	100
35	Protena International	Latin America (Regional)	3.5		3.5	0
	Subtotal, Latin America		**3.5**	**3.8**	**7.3**	**100**
	Total, new projects* **		**235.8**	**261.0**	**496.8**	**10,013**
	Additional financing of ongoing projects					Actual direct employment (persons)
	AFRICA					
36	Singa Banana Plantations	Cameroon	5.7		5.7	1,850
37	Radisson Emerald	Ethiopia	2.8		2.8	323
38	Kibotrade Textiles	Tanzania	0.4		0.4	44
39	Biyinzika	Uganda		2.0	2.0	80
	Subtotal, Africa		**8.9**	**2.0**	**10.9**	**2,297**
	ASIA					
40	SP Moulding	China		4.8	4.8	119
41	Lanzhou Huanghe Jianiang	China	4.4		4.4	1,994
42	Stainless Steel Qingdao	China	0.6	3.0	3.6	15
43	Bach Composite China	China		0.7	0.7	10
44	Hebei G&M Co.	China	4.3	37.8	42.1	36
45	Initto Technologies	India	2.0		2.0	135
46	Carlsberg India	India	19.7		19.7	379
47	HortiQ	Thailand	0.3	1.0	1.3	37
48	Holm Machinery	Thailand		3.0	3.0	42
49	Carlsberg Uzbek	Uzbekistan	37.2		37.2	469
50	Topas Eco Lodge	Vietnam		3.0	3.0	42
51	Sunmark Productions	Vietnam		8.0	8.0	42
	Subtotal, Asia		**68.5**	**61.3**	**129.8**	**3,320**
	LATIN AMERICA					
52	Xoco Fine Cocoa	Honduras	0.5		0.5	35
53	Protena	Nicaragua		3.6	3.6	8
	Subtotal, Latin America		**0.5**	**3.6**	**4.1**	**43**
	Total, additional financing* **		**77.9**	**66.9**	**144.8**	**5,660**
	GRAND TOTAL* **		**313.7**	**327.9**	**641.6**	**15,673**

*) Incl. overrun commitments.
**) Incl. guarantees.
***) Totals may not add up due to rounded figures.
****) Majority owned subsidiaries of existing IFU projects with financing for the subsidiary provided in full or in part by the parent company and thus indirectly by IFU.
■ Climate-related investments.

Fig 1 Number of active projects distributed by region

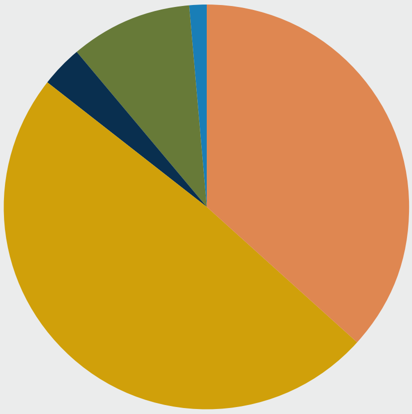
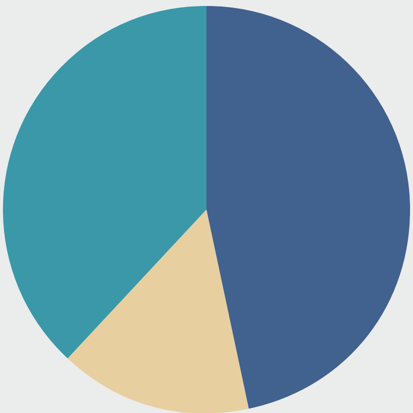


Fig 2 Number of active projects distributed by size of Danish partner



Project portfolio 2009

Up to the end of 2009, IFU had co-financed a total of 687 projects in 83 countries. Of these, 218 are ongoing investments, while IFU has exited 469 projects.

The distribution of the active projects by geographic region is illustrated in figure 1. Of the 218 active projects, 49% are located in Asia and 37% in Africa.

The distribution of active investments by size of the Danish partner is illustrated in figure 2. The Fund has adopted a new SME definition, which is more widely recognised and advocated by the European Commission and also used by Statistics Denmark and the Danish Commerce and Companies Agency. The new definition allows for international comparisons and takes into account the number of employees, revenue and total assets. As a result, the fraction of large partners has increased slightly from 31% to 38%, whereas 15% of the Danish partners are now categorised as 'medium-sized' compared to 9% if the old definition had been applied. The group of small partners has consequently declined from 60% to 47%. More information on the definition can be found on www.ifu.dk.

The distribution of active investments by main sector is illustrated in figure 3. Accounting for 62% of the investments, manufacturing is the largest sector by far followed by trade and transport at 12%, finance and insurance at 7%, agriculture at 6%, while other sectors make up 13% combined.

Information about all projects, active as well as exited, can be found in a separate publication entitled IFU Project portfolio list.

Capital extraction

In 2009, IFU repaid DKK 75m to the Danish government, thereby bringing the total capital repayment from IFU to the government since 2004 to DKK 1,025m, resulting in IFU having repaid nearly the same amount as the total paid-in capital of DKK 1,051m since the Fund's establishment in 1967.

IFU eligible countries

IFU's geographical area of operation has always been limited to developing countries below a certain level of per capita

income, with this key figure defined in accordance with the Gross National Income (GNI) per capita as published yearly by the World Bank. Until 2005, the level was fixed according to the World Bank graduation limit, which at that time was USD 5,295, and which for 2010 has been adjusted to USD 6,725. In 2005, the Danish government decided that the limit should be reduced to 80% of the upper Lower Middle Income Countries (LMIC) limit, corresponding to USD 2,428. Since then, this value has determined – subject to annual adjustments – the upper limit for when countries are eligible to receive investments from IFU. In 2009, the limit was raised to USD 2,964, and for 2010 the figure has been adjusted to USD 3,084.

If a country's GNI per capita exceeds the limit for two consecutive years, it will no longer be eligible for new IFU investments.

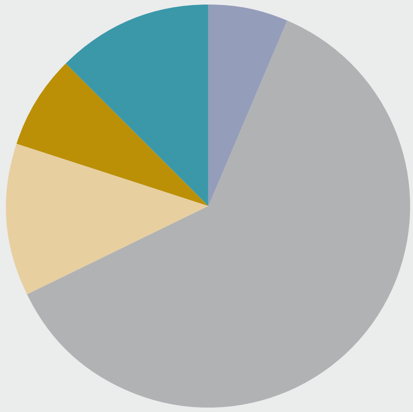
Since the change in 2005, a total of 19 countries have graduated from IFU eligibility. These are the following: Albania, Algeria, Bosnia and Herzegovina, Colombia, Cuba, the Dominican Republic, Ecuador, Equatorial Guinea, Fiji, Iran, Kazakhstan, Macedonia, the Maldives, Montenegro, Peru, Serbia, Surinam, Thailand and Tunisia. During the period 2006-2009, IFU's investments in these countries totalled DKK 333m, representing 15% of IFU's contracted investments during these four years.

In 2010, six countries are in their first year of being above the IFU threshold limit, and provided this situation persists when the next annual GNI statistics are released in mid-2010, these six countries will no longer be eligible as of 1 January 2011. They are: Angola, Armenia, Azerbaijan, Cape Verde, El Salvador and Jordan.

In the medium term, the gradual reduction in IFU's area of operation constitutes a risk to IFU's continued relevance for Danish companies. In recent years, however, IFU has strengthened its focus on investments in low income countries and has increasingly expanded its presence in Africa. The rate of return on projects in low income countries can be as attractive as in higher income countries and may offer significant business opportunities for Danish companies.

However, IFU's limit remains far below the threshold levels applied by the other Nordic DFIs within the EDFI group that

Fig 3 Number of active projects distributed by sectors



Agriculture, forestry and fishing	6%
Manufacturing, mining and quarrying, and utility services	62%
Trade and transport etc.	12%
Financial and insurance,	7%
Other businesses	13%

MBL China, components for wheelchairs.

MANAGEMENT'S REVIEW

range from USD 6,725 to nearly USD 12,000, thereby excluding IFU from a number of investment countries.

GoGlobal cooperation

The collaboration within the GoGlobal initiative continued in 2009. GoGlobal comprises IFU/IØ, Eksport Kredit Fonden (EKF), the Ministry of Foreign Affairs (Danida) and the Ministry of Foreign Affairs (The Trade Council).

All of these institutions offer services and financing to Danish enterprises operating outside Denmark, including in developing countries. The collaboration between the institutions aims to provide more specific information to interested companies, and to offer supplementary knowledge to the GoGlobal employees. A total of five of the new projects co-financed by IFU in 2009 are being established in collaboration with Danida's B2B Programme, the mixed-credits scheme and/or EKF.

For further information on the GoGlobal initiative, go to www.goglobal.dk.

Development impact

The purpose of IFU is to generate development in the developing countries. IFU's tool is investments with Danish companies.

In IFU's experience, the way to achieve successful development is to secure that investments made are both economically viable and socially and environmentally sustainable.

Scancom Vietnam, production of furniture.

To measure the development impact of an investment, the Fund has prepared a set of success criteria that are used in the appraisal of each investment and by the Supervisory Board when considering investment recommendations. The full list of success criteria can be found on www.ifu.dk.

The success criteria estimate the effects that the investments will have on the host country by generation of employment, transfer of knowledge and the impact on CSR issues. These effects are added up in the category "development impact", which carries a 50%-weighting in the total score of the project.

Moreover, IFU estimates the "Fund's additionality", which focuses on the Fund's relative financial participation, capital mobilisation and mitigation of political and financial risk, among other things. Finally, the investments are assessed on "sustainability and profitability" and "efficiency and effectiveness of Fund operation".

The success criteria are consolidated annually into four main categories, which are shown in the table below. When added up, the scores in each of the four categories indicate the total fulfilment of the Fund's success criteria, ranging from 25–100%.

As a result, IFU can track the development impact of new investments annually and compare our performance from year to year.

In 2009, IFU reached a total score of 83%.

Developmental and environmental highlights

weighted by invested amounts, new projects

	2009	2008	2007	2006	2005
Total fulfilment of Fund's success criteria (Range: 25 - 100%)*	83%	80%	81%	78%	76%
Development impact	84%	78%	83%	80%	82%
Fund's additionality	74%	73%	69%	70%	62%
Sustainability and profitability of projects	92%	90%	87%	88%	75%
Efficiency and effectiveness of Fund operation	78%	81%	77%	68%	82%
Environmental Investment Ratio (Range: 0 - 100%)	32%	31%	20%	45%	16%

* A minor correction of the figure for 2005 has been made in respect of total fulfilment of the Fund's success criteria.
Detailed information about IFU's success criteria can be found on www.ifu.dk.

The environmental investments are, as part of CSR issues, estimated separately and display the percentage of the Fund's investment that is focused on improvements in respect of the environment, occupational health and safety, facilities for waste water treatment, among other things.

Apart from the success criteria, the expected direct employment and actual direct employment in the active investments are published annually. These figures can be seen in the Project portfolio list and on www.ifu.dk.

New head office

In 2009, IFU decided to move from its present location at Bremerholm 4, which has served as IFU's head office for more than 30 years. New office premises have been identified at Fredericiagade 27, which is located only about one kilometre from Bremerholm – and also in the centre of Copenhagen. The move is planned to take place during May 2010.

The new head office will be renovated according to IFU's needs, i.e. with a greater number of conference rooms and a more modern distribution of space facilitating knowledge sharing.

Much attention has also been given to the environmental aspects. As an example, the costs for heating are estimated to be reduced by at least 50% - despite a greater overall floor space - primarily due to better insulation and improved and more efficient energy management. The latter is also reflected in an expected 50% reduction in electricity consumption for IT hardware due to a modernisation and streamlining of the hardware installations.

Focus on Africa

Performance in Africa in 2009

IFU continued its strong performance in Africa in 2009, contracting 15 new investments, including three Pan-African and one country-specific (Angola) investment fund and 11 project investments in eight different countries. The total sum of contracted investments amounted to DKK 266m, DKK 130m more than in 2008. Furthermore, IFU signed four agreements for additional financing to existing projects for a total of DKK 11m. Of IFU's total contracted investments of DKK 277m, 84% was in the form of equity and/or quasi-equity (DKK 233m).

IFU's investments spanned a broad range of business sectors in 2009. The investment funds in which IFU chose to invest will target their investments into infrastructure and small and medium-sized companies, and will provide a new source of risk financing to newly established and expanding companies.

Direct investments in specific projects included a cement plant in Algeria, mill stones in Ethiopia, fish farming and agriculture in Ghana, a five-star hotel in Kenya, food ingredients in South Africa, dairy production in Liberia and flower farming and beach resorts in Tanzania.

IFU's Danish project partners reflect the diversity of the Danish private sector and include pension funds (PKA), large industrial enterprises (FLSmidth), hospitality experts (Rezidor Hotels), dairy manufacturers (Fan Milk) and a range of small and medium-sized Danish companies from the agricultural, manufacturing and service sectors.

The variety of projects in which IFU participates – both in terms of the type and size of partners, financing and business sectors – gives IFU unique experience, learning first hand from the obstacles and challenges encountered in its active project portfolio. This experience and knowledge is subsequently shared with new partners and projects to allow full synergy effects from IFU's many initiatives across the African continent, thus enabling IFU and its partners to mitigate risk factors and increase both the developmental impact from the investments as well as the financial returns.

New regional office in Ghana

Over the years, IFU has participated in 16 projects in Ghana – including two new investments in 2009. In light of recent years' economic growth in Ghana, its status as a key country for Danish development aid and the strengthening of the democratic process in the country, IFU has placed its new Regional Office for West Africa in Accra, the capital of Ghana.

This completes IFU's roll out of regional offices in Sub-Saharan Africa, following the establishment of the Regional Office for East Africa in Nairobi in 2007 and the Regional Office for Southern Africa in Johannesburg in 2008.

The Regional Office for West Africa is headed by Senior Investment Manager Martin Rømer.

The Africa Commission

In the spring of 2009, the Africa Commission, which was set up by the Danish government, presented their report. The primary focus was on the relationship between private sector driven economic growth, job creation and the fulfilment of the Millennium Development Goals. The report presented a number of concrete initiatives and recommendations.

One of the main findings was that nine out of ten jobs in developing countries are created in the private sector, and that private sector growth is needed if development in Africa is to be achieved. In particular, there is a need to promote investment in small and medium-sized companies and renewable energy, which hold large job potential.

IFU has invested with Danish companies in Africa for nearly 40 years and is one of the most experienced institutions when it comes to investing in and setting up businesses on commercial terms on the continent. The overall performance of IFU's investments in Africa has improved significantly over the past decade.

One of the main reasons for the positive development is a friendlier business environment and relatively high growth rates in Africa. But IFU has also intensified its focus and strengthened its setup in Africa and thus improved the quality of advice provided to Danish companies. This has resulted in more economically viable projects and also increased the positive development impact of the investments.

Today, IFU is in a position where the Fund has the potential to play an important role in Africa and become a key operator in making the goals of the Africa Commission materialise. The Fund's impact is, however, limited due to the fact that IFU may invest only with a Danish partner. A supplement to IFU's core activities and a way to promote Danish investments in Africa could be to consider – as suggested in IFU's strategy – easing the prevailing stringent requirements regarding the form of participation of the Danish partner and enable IFU to invest in good and viable projects with links to the Danish business community.

Micro-finance

The lack of access to financing and financial services particularly to the small and micro sectors in most African and other developing economies remains a key issue of concern. Hence, during 2009, IFU continued to strengthen relations with Danish institutional investors.

IFU, PKA A/S and LD Invest A/S are combining efforts to establish a commercial fund contributing to the improvement of financial services for small businesses, micro-entrepreneurs and lower income groups by providing vital financing to microfinance institutions and related organisations such as banks that are dedicated to serving those excluded from traditional financial services.

This partnership is expected to be signed in 2010, and it represents the first Danish approach of its kind with regards to SME and microfinance.

Activities in Asia and Latin America

Performance in Asia

Despite the global economic crisis and recessionary trends, the Asian region continued to play an important role for Danish investors in 2009. More than 40% of IFU's total contracted investments in new projects in 2009 were channelled to this region – notably China, India and Vietnam – offering competitive advantages of continued positive GDP growth rates, promising local market demand and attractive cost levels.

With ten new contracted investments, *China* still attracts a large number of Danish investors. In December 2009, IFU reached investment no. 100 since making its first China investment in 1987. The year has seen a number of wind energy-related projects with subsuppliers following their main customers – typically large wind turbine manufacturers – and thereby tapping into China's expected position of becoming the world's second-largest market for installed wind power. Also drawing attention is a new biogas project to turn human waste into clean energy. This concept is believed to hold big potential for other similar investments in the future. Climate-related investments in 2009 count for four of the ten new projects signed. In addition, IFU contracted five additional investments for existing projects.

Likewise, *India* sustained its relatively high GDP growth in 2009, despite the global economic recession. A continued broad pipeline of new investments resulted in four new projects being signed in 2009 with two large investments having a particular environmental scope. Co-financing of a venture capital fund is expected to successfully generate business start-ups and incubators for attractive technologies. Additional financing was made for one existing project.

On an overall scale, *Vietnam* had a relatively low inflow of foreign direct investment in 2009. However, IFU still concluded three new investments in 2009 (one more than in 2008) as well as additional financing for two existing projects. The biggest investment in 2009 was the financing with Carlsberg Breweries of a new greenfield brewery in Vung Tau in southern Vietnam.

Investment agreement no. 100 in China

Towards the end of 2009, IFU reached investment agreement no. 100 in China. The agreement was signed with Rool Maskinfabrik in Kolding, which is a medium-sized company primarily producing transport frames to the wind energy industry.

The majority of Danish companies are investing in China either because of the huge potential of the Chinese market, or because they have large customers establishing a presence in China and inviting them to do the same. An example of the latter is the wind energy industry, where the alternative to moving part of production to China is losing sales and access to one of the largest wind markets in the world, and hence giving local competitors a chance to gain market shares with little competition.

At first, IFU primarily invested with large Danish companies like Novozymes, Danisco and Danfoss. But in recent years, the typical Danish company co-investing with IFU is a small or medium-sized company.

IFU has focused increasingly on Western China and invested with Carlsberg Breweries, among others.

The Chinese portfolio consists of 43 active and 57 exited investments. The expected total investment is close to DKK 7bn, with IFU having contributed more than DKK 1bn.

Performance in Latin America

In Latin America, IFU co-financed two new projects in 2009, one regional and one in Honduras that also targets Nicaragua and Guatemala. Only eight IFU eligible countries are left in the region namely Bolivia, Guatemala, Guyana, Haiti, Honduras, Nicaragua, Paraguay and El Salvador, the latter due to lose its eligibility from 2011.

Climate and energy

Climate changes affect the entire world, and the poorer countries tend to suffer more from periods of drought and floods, as they lack resources to prevent and remedy the effects of climate change. In Africa, many environmental and climate challenges are closely linked to years of inefficient and poor natural resource management, and hence many solutions can also be found locally. IFU will seek to identify interesting investment opportunities that help address the climate and environmental problems that developing countries face. Such projects could be renewable energy (wind, hydro and biomass), energy conservation, water supply, environmentally sustainable agriculture and livestock or reforestation.

Head of Regional Office in New Delhi, Deepa Hingorani, planting a tree at Parag Breweries, Kolkata, India.

Corporate social responsibility reporting

IFU introduced a corporate social responsibility (CSR) policy in 2005, which is reviewed regularly. The policy states that the Fund's investments shall, on an ongoing basis, contribute to the creation of jobs and income, improving corporate governance, sound environmental and social performance, and development in the local communities. The Fund aims to ensure that the investments continually contribute to sustainable development. Basing its CSR policy on international UN, ILO and OECD conventions, declarations and agreements, IFU seeks to contribute to the global achievement of the UN Millennium Development Goals.

The Fund is committed to securing high standards of CSR as a fundamental aspect of sound business management of the Fund's investments and business practice. The Fund has signed up to the 10 UN Global Compact principles and is committed to implementing and advancing these together with the project companies and within its sphere of influence.

This reporting is a summary of IFU's Communication on Progress (COP) to the UN Global Compact, which constitutes IFU's mandatory reporting as required by the Danish Financial Statements Act. IFU thereby applies the exemption stipulated in section 99 a (7) of said Act. The complete version including the complete CSR policy and monitoring guidelines can be found on IFU's website (http://www.ifu.dk/en/Menu/Sustainable+investments/Communication+on+Progress+%28COP%29).

Graphic designers at An Phu Design Co., Ho Chi Minh City, Vietnam.

These CSR pages and the full COP report focus on the areas in which IFU through its efforts and encouragement can make a significant difference towards the project companies as part of the fulfilment of IFU's commitments in the CSR policy.

Active ownership

It is the policy of the Fund that project companies must be in compliance with all legal and regulatory requirements regarding CSR issues of the host country. In addition, when significant CSR issues are identified in a project, relevant international standards must be used as a baseline. If the project company does not comply with international standards on significant issues, the project company must draw up and implement a CSR Action Plan to improve these issues within a reasonable timeframe. The CSR Action Plan must then be approved by the project partners, including the Fund. Each project company is required to prepare an annual CSR Status Report for discussion and approval by its board of directors. The CSR Status Report serves as a tool for monitoring all CSR issues of relevance to the project company.

Through an active ownership IFU seeks to ensure that its CSR objectives are anchored in the business strategies of the project companies and fully adapted to and integrated into their procedures and operations. The Fund therefore, in addition to the requirements set out in IFU's CSR policy, induces each project company to adopt a written CSR policy of its own, which clearly defines and describes the company's vision, strategy and operational guidelines. IFU sees this as a signal of strong commitment and anchoring of CSR in the company, although other means may be used to ensure high standards. In 2009, 23% of IFU's project companies (50 companies) had a written CSR policy of their own or were covered by a CSR policy issued by the parent company.

The Fund directly encourages project companies to identify areas of improvement, determine action plans and strengthen their environmental and social management capacity. For this purpose, the Fund makes its experience and tools available. In 2009, IFU launched a CSR handbook, which exemplifies how project companies implement strategic CSR, and how

IFU's CSR policy should be interpreted. The handbook has been well received by partners and project companies.

Assessment of CSR performance in the project companies
Each year IFU carries out an internal assessment of its portfolio regarding compliance with its CSR policy, and each project is classified into one of five categories as follows: (1) excellent (2) good (3) fair (4) poor or (5) critical.

In 2009, compliance assessments were carried out for 185 projects. The compliance assessment does not include 33 projects that are either in the process of being established (19), projects with no physical activities (5), or projects under closing (9).

The CSR classification is a combination of three separate classifications: 1) environment, 2) occupational health and safety (OHS) and 3) human rights and labour practices.

CSR classification	Total score (%)	Environment (%)	OHS (%)	Human rights and labour practices (%)
Excellent	26.7	26.0	23.3	30.8
Good	50.2	53.0	50.8	47.0
Fair	21.8	20.0	24.3	21.1
Poor	1.1	0.5	1.6	1.1
Critical	0.2	0.5	0.0	0.0

Projects with the classification good are in compliance with local legislation and also in compliance with international standards, e.g. World Bank EHS guidelines on significant CSR issues. Projects with the classification excellent go beyond that. Projects with the classification fair, poor or critical are projects to which IFU pays much attention to advise the projects on how to improve their CSR performance.

The classification shows an improvement of the total portfolio compared to 2008 with an increase in the total combined score of projects classified as either good or excellent from 71% to 77%.

Reviews of project companies
IFU regularly asks advisers and external experts to conduct CSR reviews of either country portfolios or sector portfolios. The reviews cover all significant issues of IFU's CSR policy including external environment, occupational health and safety, and labour and human rights. The issues covered have developed over the years in accordance with the development of IFU's CSR policy. In 2005, 2006 and 2008, a total of 44 project companies were reviewed. All project companies received a report on the results of their review including an evaluation of the seriousness of the required action and any recommendations on further action.

Successful CSR investment in Tanzania
CSR has always been high on the agenda at Kibotrade Textiles in Tanzania. In 2009, Kibotrade Textiles received the Fairtrade certification and became the first company in the textile industry on mainland Africa to be SA 8000 certified. Maintaining high CSR standards has become part of the company's brand and a prerequisite for business.

Kibotrade Textiles employs 44 people and produces a wide range of made-to-order clothing for export, using high-quality knitted cotton. In 2007, IFU granted Kibotrade Textiles a loan to build a factory and continues to provide ongoing assistance.

According to partner and co-founder Bo Raahauge Rasmussen, CSR is a competitive advantage that Kibotrade Textiles can use to market its products and compete with textile companies in e.g. India and China. "CSR is important simply because we could not imagine running a business without such high standards. This also motivates our employees and gives us a considerable amount of goodwill. In addition, we can use CSR as a way of distinguishing ourselves from the competition."

In order to document high standards to customers, certification is essential. Kibotrade Textiles has chosen the global social accountability standard SA 8000 and the Fairtrade certification, which is highly valued in the fashion industry. Certification reassures ethically motivated consumers that Kibotrade Textiles provides the best working environment and terms for its employees. SA 8000 requires the company to respect the

rights of its employees to earn a living wage that is sufficient to meet the basic needs in Tanzania.

In fact, Kibotrade Textiles goes beyond the requirements of certification. The company provides a free breakfast, an afternoon snack and a heavily subsidised lunch. Kibotrade Textiles covers health care expenses for its employees and teaches them about HIV/AIDS and other health issues. Employees can also take English lessons and attend training courses during working hours.

The next step for Kibotrade Textiles is to demonstrate its environmental considerations by certifying that its products are organic cotton fabrics.

English class at Kibotrade Textiles, Tanzania.

CSR in the supply chain

Many companies around the world have been associated with suppliers violating CSR issues, and IFU encourages its project companies to minimize this risk by in different ways making their CSR policies clear to their suppliers and promoting improvements. This is a major task, especially because it often requires striking an equitable and practical balance between the commercial imperative of continuing business, and the ethical demands that flow from any CSR abuses by the supplier. The initial reaction might be to cease using the supplier. However, dropping a supplier as soon as it violates a CSR policy does not serve the overall goal of securing human and labour rights and reducing pollution of the environment – the violation will continue. A better CSR approach is to encourage and persuade the supplier to raise its performance by maintaining business contact.

IFU as fund manager

In 1989, the Danish government decided to set up the Investment Fund for Central and Eastern Europe – IØ – for the new democracies in central and eastern Europe. IØ served a dual purpose. On the one hand, it was to promote Danish investments in central and eastern Europe and thereby support the countries in their efforts to achieve increased economic, commercial and industrial development. On the other hand, the investments were also to benefit Danish trade and industry as well as the employment situation in Denmark. IFU was chosen as fund manager for IØ.

By the end of 2009, IØ together with Danish companies had made 432 investments in 18 different central and eastern European countries, including Russia. The total expected investment was just below DKK 36bn with an IØ contribution of approximately DKK 5bn. More than DKK 4bn has been disbursed, and more than DKK 900m is still outstanding.

During the first ten years, the government injected DKK 1,898m into IØ. Since 2004, IØ has repaid DKK 2,150m, thus exceeding the total injection amount by DKK 252m. Moreover, IØ's equity is close to DKK 1.2bn.

In addition to the positive financial results, the investments have also contributed to an expected direct employment of more than 50,000 people in the host countries. Furthermore, the investments have added in general to the positive economic development in central and eastern Europe by for example transfer of knowhow, corporate taxes, export revenues and indirect employment effects.

The Danish companies investing with IØ have benefitted in the form of professional advice and risk-sharing by the fund, and most of them have developed a profitable business, which has also had a positive effect in Denmark.

In that sense, IØ has lived up to the original purpose and created a win-win-win situation, in which the investment countries and Danish trade and industry have benefitted

from the Fund's investments. This has been achieved without using taxpayers' money.

Throughout its 20-year lifetime, IØ has been managed by IFU. Now that IØ is being phased out – the last new investment in the region will be made in 2012 – IFU's skills as a fund manager will continue to be employed in managing investments in the developing countries.

Human resources

The development and success of IFU depend on having the right people with the necessary competences in the organisation. Motivated staff, ongoing further education and training and efficient processes for strategic organisational development are some of the prerequisites.

Employee satisfaction

An employee satisfaction survey for all IFU staff worldwide was carried out in 2009. The survey was conducted for IFU by the consultancy company Cultivator. The response rate was 93%, of which 94% was either satisfied or very satisfied with their job. The overall results of the survey are very positive and reflect the positive and motivated people working at IFU.

In order to continuously follow up on the overall motivation and satisfaction of the organisation, an Employee Satisfaction Survey will be conducted again in 2010 and subsequently every second year.

Competence development

IFU maintains an on-going competence development at all levels of the organisation. In 2009, special attention was directed towards maintaining a high level of professional skills within corporate finance and the accounting aspects of the board work conducted by IFU staff. A two-day seminar on those two aspects was carried out by experts from PricewaterhouseCoopers.

Utilising core competences

IFU has entered into an institutional twinning agreement with IFAD (the International Fund for Agricultural Development) with the objective of assisting in the establishment of FREDA (the Fund for Rural Economic Development in Armenia). The purpose of FREDA is to make minority investments in commercially viable existing enterprises with positive development aspects in rural areas of Armenia.

In this respect IFU and IØ can assist with core competences both within project development and investment monitoring. Moreover, the knowledge accumulated over time on investments in agricultural and related projects is highly relevant in relation to the investments FREDA makes.

Deliveries on the institutional twinning agreement began in 2009 and will continue during 2010. Members of IFU's staff are coaching FREDA staff in all aspects of the investment and development life-cycle of projects. Coaching has taken place in Copenhagen and in Armenia.

PEOPLE FACTS (IFU and IØ)

Number of employees (Average 2009)	73	Total number of advisers (January 2010)	40
Divided on regions:		**Divided according to coverage:**	
Europe (incl. head office in Copenhagen)	57	Global	12
Asia	11	Asia	14
Africa	4	Africa	6
Eastern Europe/ Russia	1	Eastern Europe/Russia	6
Latin America	0	Latin America	2

Educational level	
Percentage of employees holding a master's degree	67%

Age, seniority and gender (Average 2009)	
Average age	42
Average seniority in years	9.5
Percentage male	48%
Percentage female	52%

Financial review 2009

IFU recorded a net income of DKK 90m in 2009. This was less than the net income of DKK 106m in 2008, but higher than expected a year ago when the financial crisis was at its peak. Especially the contribution from IFU's share capital investments was much better than expected with many portfolio companies still delivering solid, albeit lower, profits and having generally positive expectations for future sales. This coupled with the lower interest rate environment led to a substantial appreciation in the value of many portfolio companies.

The expectations for future improvements at company level are in line with the latest World Bank forecasts for 2010 GDP growth in developing countries[1]. Examples are 9.0% for China, 7.5% for India and 3.8% for Sub-Saharan Africa.

Total contributions from IFU's primary project-related activities amounted to DKK 126m against DKK 115m in 2008.

Share capital investments contributed DKK 162m in 2009, markedly higher than the DKK 59m recorded in 2008. The 2009 performance was driven by an appreciation in the value of investments still held at year-end of DKK 124m against DKK (53)m in 2008, the negative figure for 2008 being in part due to substantial dividends of DKK 87m paid out to IFU that year. Dividends contributed a smaller, but still healthy amount of DKK 39m in 2009. Divestments contributed DKK (1)m in 2009 and were therefore on a net basis essentially effected at end of year 2008 values. In 2008, divestments contributed DKK 26m.

Net cash flows related to share capital including dividends received were DKK 55m in 2009 after new disbursements of DKK 99m. For 2008, the net cash flow was DKK 36m after disbursements of DKK 147m.

Project loans, on the other hand, performed much worse than expected with a contribution of DKK (17)m in 2009 against DKK 58m in 2008. The poor result can mainly be ascribed to a few large loan facilities where the project companies and their parent companies in Denmark were severely hit by the financial crisis. This resulted in net value adjustments of DKK (67)m in 2009 against DKK (9)m in 2008. However, no widespread weakness was seen in the portfolio, as net interest income after provisions held up at DKK 50m against DKK 60m in 2008, the decline mostly being due to lower average floating interest rates in 2009. Exchange rate adjustments net of hedging arrangements were largely 0 against DKK 7m in 2008.

Net cash flows related to loans including interest received were DKK 34m in 2009 after disbursement of new loans of DKK 173m. For 2008, the net cash flow was DKK 70m after disbursements of DKK 221m.

Other contributions from projects amounted to DKK (18)m in 2009 against DKK (2)m in 2008. The negative contribution in 2009 was due to provisions on receivables from the sale of shares.

IFU's part of the overall operating expenses for 2009 covering the three funds managed by IFU, i.e. IFU, the Investment Fund for Central and Eastern Europe (IØ) and the Investment Fund for Emerging Markets (IFV), was DKK 62m compared to DKK 53m in 2008.

The overall net operating expenses were DKK 81m, compared to DKK 73m in 2008. The increase in particular reflects non-recurring expenses related to IFU's relocation to new premises in Copenhagen, higher expenses for regional offices in Africa and payment of pay-roll tax starting from 2009. IFU's part of the overall expenses rose to 76% from 72% in 2008, both due to increased activities at IFU and the continued divestment of IØ's portfolio. This trend is expected to continue in the next few years.

Financial income, net of financial expenses, was DKK 26m compared to DKK 44m in 2008. The lower income was primarily due to lower market rates during 2009.

IFU ended the year with cash and bonds equalling DKK 685m after having paid out DKK 75m to the Danish government. Undisbursed commitments were at a record level of DKK 1,125m at year-end 2009 as a consequence of the high level of new investments and the postponement of a number of disbursements into 2010. Based on the large commitments and an analysis of IFU's future cash flows and in response to a request from the government, IFU's Board has informed the government that no capital repayment to the government will be possible in 2010.

[1] Global Economic Prospects, The World Bank, 21 January 2010

Risk management

IFU invests in projects located in developing countries, where political and economic conditions may be turbulent. In addition, such projects are often subject to high commercial risk.

As a consequence of this exposure and in particular because IFU measures its investments at estimated fair value in accordance with the applied accounting principles of the Da-

nish Financial Statements Act, IFU's net results may fluctuate considerably from year to year – in a positive or a negative direction – due to value adjustments on the investments.

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 project, partner and country risk exposure as well as guidelines for managing direct financial risk.

Project risk is managed by the indicative limit for IFU's participation in a single project, which is DKK 100m, whereas *partner risk* is limited through the indicative limit that a partner (at group level) should not account for more than 20% of the Fund's total project commitments (the sum of outstanding investments at cost, remaining commitments and binding commitments). Furthermore, as a guideline, the total commitment in a single country should normally not exceed 30% of the Fund's total project commitments.

Financial risk
At the end of 2009, IFU had a total of USD 38m (DKK 197m at year-end exchange rates) in USD-denominated loans outstanding, and the net profit is therefore sensitive to fluctuations in the USD/DKK exchange rate. A hedging policy is implemented in order to limit this sensitivity. At the end of 2009, 43% of the USD exposure had been hedged, and IFU's exposure to currencies other than USD, DKK and EUR was very low, at 1% of the loan portfolio at cost.

At year-end, 41% of IFU's total outstanding investments at cost were placed in project loans, including loans with equity features. The major part of the project loans are based on IFU's standard interest terms of CIBOR/LIBOR floating rate plus a risk premium. An increase in CIBOR/LIBOR interest rates would therefore have a positive effect on IFU's interest income from project loans.

Liquidity is managed with the aim of always having a positive cash position. A DKK 300m credit facility shared with IØ is in place to cover unexpected negative short-term fluctuations in cash flows.

Distribution of project commitments as at 31 December 2009 – five largest portfolios.

Country/region	2009 %	2008 %
China	15.7	14.5
Africa (regional)	10.6	10.2
India	9.7	6.0
DAC Developing Countries	6.1	3.2
Egypt	6.1	6.0
Total	**48.2**	**39.9**

Note: Africa (regional) and DAC Developing Countries: projects included cover more than one country.

Events after the balance sheet date
No events materially affecting the financial position of IFU have occurred after the balance sheet date.

Outlook for 2010

In 2010, IFU expects to enter into agreements for approximately 30-35 new projects. IFU expects total investments in the range of DKK 475-525m, including additional financing to an estimated 15 projects. Focus will continue to be on the poorer countries and especially on Africa.

Based on currently known expectations for the profit performance and value of the project companies, IFU expects to record a profit in 2010.

It is, however, inherently difficult to predict the development of the fair values of IFU's investments, including the effects of exchange rate fluctuations. Consequently, the expected net profit is subject to considerable uncertainty.

"

DKK 277 million invested in 19 projects in Africa

Meeting with recipients of micro loans outside Bangalore, India.

Accounting policies

Accounting policies

This Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C (large enterprises).

Accounting policies in general
The accounting principles applied are unchanged from last year.

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

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

Liabilities are recognised in the balance sheet when the Fund 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 the Fund, 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 effected as described below for each item.

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 considered at recognition and measurement.

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

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

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

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

Derivative financial instruments
IFU has established a set of criteria for entering into forward exchange contracts and cross currency swaps (derivative financial instruments) to hedge future transactions concerning selected foreign currency loans and receivables from the sale of shares (fair value hedge).

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently adjusted to fair value. Derivative financial instruments are recognised under other receivables or other payables.

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 hedging of project loans, or "Other contributions from projects", if related to hedging of receivables from the 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, value adjustments, including exchange rate adjustments in relation to the portfolio, the effect of derivatives and other value adjustments, principally of interest receivables.

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, net

IFU manages the administration and accounting of a total of three funds. This includes IFU, the Investment Fund for Central and Eastern Europe (IØ) and the Investment Fund for Emerging Markets (IFV). The total operating expenses incurred by IFU, net of income related to operating activities, are divided at year-end between IFU, IØ and IFV according to an activity dependent distribution key.

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

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

Investments in projects – general

Share capital investments and project loans are reported at the estimated fair value as at the reporting date. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

When estimating the fair value of an investment, IFU seeks to use a methodology which is appropriate in light of the nature, facts and circumstances relating to the investment and its materiality in the context of the total investment portfolio. Methodologies are applied consistently from period to period, except when a change would result in a better estimation of fair value.

Because of the uncertainties inherent in estimating fair value for unquoted investments, in particular when located in developing countries, a degree of caution is applied when exercising judgement and making the necessary estimates.

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:

- The financial status and most recent results of and expectations for the project company.
- Risk of remittance, if any.
- Specific circumstances relating to the partners, project, country, region and/or sector.
- Current market conditions.
- Tax issues.

Share capital investment in projects, net

If the Fund receives a binding offer in writing during the 12-month period prior to the reporting date, this offer is used as a starting point for the valuation of the investment.

Quoted share capital investments

All quoted share capital investments are valued according to the most recent market price listed on or before the reporting date. If the market is not considered liquid, i.e. if a sale of the investment may cause a significant movement in the stock price, an illiquidity discount is applied.

Unquoted share capital investments
Investments are valued at cost until IFU receives audited accounts covering a period of at least two years of operational activities of the project company following the first disbursement by IFU.

Unquoted share capital investments having met the two-year operational criteria (as defined above) are divided into two groups dependent on the size of IFU's outstanding investment.

In this context the larger investments are defined as those for which IFU's outstanding investment, measured either at cost or at intrinsic value, is above or equal to DKK 20m. These investments are valued by either the discounted cash flow method, by an earnings multiple, if appropriate and reliable transaction/earnings multiples are available, or by the net assets methodology, if appropriate.

All other unquoted share capital investments having met the two-year operational criteria are valued at intrinsic value according to the most recent financial statement of the company received by IFU.

For all share capital investments, quoted as well as unquoted, exit terms agreed, if any, will be taken into account when performing the valuation.

Project loans, net
Project loans are measured at nominal value at actual exchange rates prevailing at the balance sheet date, except for project loans with an outstanding balance of more than DKK 20m with a fixed interest rate, which are valued at the net present value of the future cash flow.

For all loans, the value is adjusted, if necessary and appropriate, by taking into account specific terms as agreed, if any, the expected sales value and accessibility of pledged assets, if any, and the historical record of debt service and actual defaults.

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 five 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
Interest receivable related to projects and other receivables are measured at fair value, i.e. at actual exchange rates prevailing at the balance sheet date and after adjustments for risk of loss.

Other receivables
Investments in projects where a formal liquidation procedure has been initiated are stated as "Receivables from projects in liquidation" under "Other receivables" in the balance sheet.

Included in other receivables are administrative receivables and accrued interest receivables from bonds, both measured at cost.

Cash and bonds
Bonds are stated at the official prices quoted at 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.

Provision for losses
Provision for losses comprises anticipated losses related to guarantee agreements. Adjustments of provision for losses related to guarantee agreements are recognised in the income statement as „Other value adjustments" under "Contribution from project loans and guarantees".

Lease commitments
Lease commitments relating to assets held under finance leases are capitalised and recognised in the balance sheet under long-term debt or current liabilities and are measured at amortised cost, which in most cases corresponds to nominal value.

Long-term debt
Long-term debt is measured at amortised cost, which in most cases corresponds to nominal value.

Current liabilities
Current liabilities related to projects are measured at fair value. Other current liabilities are measured at amortised cost, which in most cases corresponds to nominal value.

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.

Gleco Kunfeng, China, production of packaging materials.

Income statement

NOTE		2009 DKK 1,000	2008 DKK 1,000
1/	Contribution from share capital investments	161,516	58,839
2/	Contribution from project loans and guarantees	(17,332)	57,858
3/	Other contributions from projects	(17,748)	(1,605)
	GROSS CONTRIBUTION FROM PROJECTS	**126,436**	**115,092**
4/	Operating expenses, net	(61,923)	(52,631)
	OPERATING INCOME	**64,513**	**62,461**
5/	Financial income, net	25,915	43,629
	NET INCOME FOR THE YEAR	**90,428**	**106,090**

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

Balance sheet at 31 December

Assets

NOTE		2009 DKK 1,000	2008 DKK 1,000
	FIXED ASSETS		
	Share capital investment in projects at cost	1,076,749	1,017,798
	Value adjustments	(107,137)	(171,862)
6/	Share capital investment in projects, net	969,612	845,936
	Project loans at cost	744,924	736,333
	Value adjustments	(188,796)	(121,399)
7/	Project loans, net	556,128	614,934
8/	Fixed assets and leasehold improvements	953	499
	Total fixed assets	**1,526,693**	**1,461,369**
	CURRENT ASSETS		
9/	Interest receivable related to projects	9,105	21,112
10/	Other receivables	49,980	71,524
	Bonds	354,724	354,802
	Cash	329,862	344,166
	Total current assets	**743,671**	**791,604**
	TOTAL ASSETS	**2,270,364**	**2,252,973**

Balance sheet at 31 December

Liabilities and equity capital

NOTE		2009 DKK 1,000	2008 DKK 1,000
	EQUITY CAPITAL		
	Paid-in capital	1,050,936	1,050,936
	Repaid capital	(1,025,000)	(950,000)
	Accumulated reserves	2,211,513	2,121,085
11/	**Total equity capital**	**2,237,449**	**2,222,021**
12/	LONG-TERM DEBT	3,056	4,523
	Long-term debt	**3,056**	**4,523**
13/	CURRENT LIABILITIES	29,859	26,429
	Total liabilities	**29,859**	**26,429**
	TOTAL EQUITY CAPITAL, PROVISION FOR LOSSES AND LIABILITIES	**2,270,364**	**2,252,973**

14/ UNDISBURSED COMMITMENTS TO PROJECTS AND CLEARANCES IN PRINCIPLE
15/ CONTINGENT LIABILITIES
16/ PLEDGED ASSETS
17/ RELATED PARTY DISCLOSURES

Cash flow statement

	2009	2008
	DKK 1,000	DKK 1,000
CASH FLOW FROM OPERATING ACTIVITIES		
Dividends from projects received	35,871	95,300
Interest from projects received	46,136	59,565
Other project related payments	3,292	4,318
Operating expenses, net	(57,472)	(50,031)
Net payments related to financial income and expenses	23,475	45,284
Net cash from operating activities	**51,302**	**154,436**
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Received from sale of shares	118,081	87,422
Received from project loans	162,080	223,391
Received from derivatives, loans	(1,028)	8,830
Paid-in share capital in projects	(99,047)	(147,066)
Disbursement of project loans	(172,979)	(221,496)
Received from (invested in) bonds	3,705	283,995
Net cash from (to) investing activities	**10,812**	**235,076**
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Repaid to EIB (ECFI III Facility)	(1,418)	(1,380)
Repaid capital during the year	(75,000)	(200,000)
Net cash from (to) financing activities	**(76,418)**	**(201,380)**
NET CHANGE IN CASH	(14,304)	188,132
CASH BEGINNING OF YEAR	**344,166**	**156,034**
CASH END OF YEAR	**329,862**	**344,166**

Notes

NOTE		2009 DKK 1,000	2008 DKK 1,000
1	Contribution from share capital investments		
	Dividends from projects	39,074	86,544
	Contribution from divested share capital investments	(1,327)	25,627
	Value adjustments, portfolio	123,769	(53,332)
	Contribution from share capital investments	**161,516**	**58,839**
2	Contribution from project loans and guarantees		
	Interest income and fees related to project loans and guarantees	53,094	84,563
	Value adjustments excl. exchange rate adjustments, portfolio	(67,372)	(8,720)
	Exchange rate adjustments, project loans	(2,435)	9,646
	Exchange rate adjustments, derivatives	2,806	(2,751)
	Other value adjustments	(3,425)	(24,880)
	Contribution from project loans and guarantees	**(17,332)**	**57,858**
3	Other contributions from projects		
	Value adjustments, receivables, excl. exchange rate adjustments	(21,897)	(9,711)
	Exchange rate adjustments, receivables	706	3,667
	Interest from receivables	3,493	4,604
	Other income and expenses	(50)	(165)
	Other contributions from projects	**(17,748)**	**(1,605)**

Notes

NOTE		2009 DKK 1,000	2008 DKK 1,000
4	Operating expenses, net		
	Expenses, (IFU, IØ and IFV)		
	Salaries, head office	36,606	34,944
	Rental expenses	6,192	3,874
	Travelling expenses	3,830	4,868
	Regional Office expenses	10,605	7,714
	Fees for Supervisory Board	1,312	1,243
	Fees for external assistance	7,885	10,605
	IT expenses	4,429	3,108
	Office expenses	1,918	1,708
	Various expenses	4,477	5,268
	Payroll tax	3,415	0
	Depreciation of fixed assets and leasehold improvements (note 8)	557	217
	Total expenses	81,226	73,549
	Income, (IFU, IØ and IFV)		
	Management fees	(33)	(28)
	Board member fees, net of tax	(277)	(371)
	Various income	76	(13)
	Total income	(234)	(412)
	Total operating expenses, net (IFU, IØ and IFV)	80,992	73,137
	Operating expenses, net charged to IØ	(18,678)	(20,146)
	Operating expenses, net charged to IFV	(391)	(360)
	IFU's part of operating expenses, net	**61,923**	**52,631**
	Fee to the auditor of the funds included in "Fees for external assistance" and "Various expenses":	**1,130**	**1,142**
	– hereof audit fees	740	1,039
	– hereof non-audit fees	390	103

Notes

NOTE		2009 DKK 1,000	2008 DKK 1,000
	Specification of personnel expenses (salaries etc.)*		
	Salaries, remunerations etc.	40,154	37,112
	Pension contributions	3,582	3,288
	Other expenses for social security	181	192
	Payroll tax	3,415	0
	Personnel expenses in total	**47,332**	**40,592**
*)	The figures are included in "Salaries, head office", "Travelling expenses", "Regional Office expenses", "Fees for Supervisory Board" and "Payroll tax".		
	Total remuneration to the Supervisory Board	1,312	1,243
	Remuneration to the Executive Board:		
	Salaries and pension (figure for 2008 incl. paid-out vacation allowance)	2,787	2,901
	Performance remuneration	449	344
	Total remuneration to the Executive Board	3,236	3,245
	Total remuneration to the Supervisory Board and Executive Board	**4,548**	**4,488**
	Average number of employees, head office (IFU, IØ and IFV)	57	57
	Average number of employees, Regional Offices (IFU, IØ and IFV)	16	16
		73	**73**
5	Financial income, net		
	Financial income		
	Interest income, cash and bonds	22,627	38,584
	Gain on bonds, net	3,627	3,591
	Financial income	**26,254**	**42,175**
	Financial expenses		
	Interest expenses, bank charges and exchange rate adjustments	(339)	1,454
	Financial expenses	**(339)**	**1,454**
	Financial income, net	**25,915**	**43,629**

Notes

NOTES

NOTE	2009 DKK 1,000	2008 DKK 1,000
6 Share capital investment in projects, net		
Share capital investment in projects beginning of year at cost	1,017,798	988,775
Paid-in share capital in projects during the year	99,047	147,066
Project loans or interest converted into share capital during the year	5,673	25,736
Proceeds from divestment of shares	(102,068)	(99,403)
Income from divestment of shares relative to cost, net	56,299	(44,376)
Share capital investment in projects end of year at cost	**1,076,749**	**1,017,798**
Accumulated value adjustments beginning of year	(171,862)	(168,931)
Reversed value adjustments, divested share capital investments	(57,626)	70,003
Value adjustments, portfolio during the year (note 1)	123,769	(53,332)
Value adjustments related to conversions during the year	(1,418)	(19,602)
Accumulated value adjustments end of year	**(107,137)**	**(171,862)**
Share capital investment in projects, net end of year	**969,612**	**845,936**
Accumulated value adjustments end of year are comprised of:		
Plus values	187,036	151,619
Value adjustments excl. plus values	(294,173)	(323,481)
	(107,137)	**(171,862)**

Share capital investments acquired by IFU by means of syndicated capital are not included in the above figures and amount to DKK 0m (DKK 0m in 2008), measured at fair value.

Syndicated capital is investment capital received from third parties and invested in projects, in principle on their own account and risk, and syndicated capital therefore only becomes due to the extent that IFU receives payment from these projects.

Notes

NOTE		2009 DKK 1,000	2008 DKK 1,000
7	Project loans, net		
	Project loans beginning of year at cost	736,333	770,641
	Disbursements during the year	172,979	221,496
	Interest converted into project loans during the year	102	351
	Repayments during the year	(162,080)	(223,391)
	Project loans converted into share capital during the year	0	(21,982)
	Exchange rate adjustments during the year relative to cost	(2,410)	(10,425)
	Write-offs during the year	0	(357)
	Project loans end of year at cost *	**744,924**	**736,333**
	Accumulated value adjustments beginning of year	(121,399)	(148,954)
	Reversed value adjustments, loans written off	0	357
	Exchange rate adjustments realised	2,410	10,425
	Value adjustments incl. exchange rate adjustments, during the year (note 2)	(69,807)	926
	Value adjustments related to conversions during the year	0	15,847
	Accumulated value adjustments end of year	**(188,796)**	**(121,399)**
	Project loans, net end of year	**556,128**	**614,934**
	Accumulated value adjustments end of year are comprised of:		
	Exchange rate adjustments relative to cost	(18,123)	(18,099)
	Value adjustments excl. exchange rate adjustment	(170,673)	(103,300)
		(188,796)	**(121,399)**
*)	Project loans end of year at cost are comprised of:		
	Senior project loans	712,574	707,751
	Subordinated loans	22,092	23,949
	Equity loans	10,258	4,633
		744,924	**736,333**

NOTE			2009 DKK 1,000	2008 DKK 1,000
*) Project loans end of year at cost in DKK distributed according to currency denomination:				
	2009 Currency	2008 Currency		
DKK			164,751	135,533
USD[1]	37,868	37,312	214,620	215,601
EUR	47,809	50,407	356,636	376,052
Other currencies			8,917	9,147
			744,924	**736,333**

[1] USD 16.3m is hedged against DKK (USD 21.5m in 2008)

Project loans provided by IFU by means of syndicated capital are not included in the above figures and amount to DKK 3.9m (DKK 2.0m in 2008), measured at fair value.

8 Fixed assets and leasehold improvements

	2009 DKK 1,000	2008 DKK 1,000
Cost beginning of year	1,898	1,584
Additions during the year	1,011	378
Disposals during the year	0	(64)
Cost end of year	**2,909**	**1,898**
Depreciation beginning of year	1,399	1,246
Depreciation for the year (note 4)	557	217
Depreciation for disposal of the year	0	(64)
Depreciation end of year	**1,956**	**1,399**
Book value end of year	**953**	**499**

Notes

NOTE	2009 DKK 1,000	2008 DKK 1,000
9 Interest receivable related to projects		
Interest receivable related to projects before value adjustments	54,186	55,602
Value adjustments	(45,081)	(34,490)
Interest receivable related to projects	**9,105**	**21,112**

NOTE	2009 DKK 1,000	2008 DKK 1,000
10 Other receivables		
Dividend receivables	7,332	4,945
Receivables from sale of shares	45,007	60,619
Receivable front-end fees	2,557	1,210
Receivables from projects in liquidation	23,430	23,462
Other project-related receivables	2,770	1,471
	81,096	91,707
Value adjustments	(50,488)	(33,589)
	30,608	58,118
Derivatives *	3,633	(201)
Administrative receivables	5,095	3,495
Accrued interest receivables from bonds	8,076	9,466
Rental deposits	2,568	646
	49,980	**71,524**

*) Stated amount for 2009 concerns a hedged amount of USD 17.1m with term from 2010 to 2014.

Notes

NOTE		2009 DKK 1,000	2008 DKK 1,000
11	Total equity capital		
	Paid-in capital beginning of year	1,050,936	1,050,936
	Paid-in capital during the year	0	0
	Paid-in capital end of year	**1,050,936**	**1,050,936**
	Repaid capital beginning of year	(950,000)	(750,000)
	Repaid capital during the year	(75,000)	(200,000)
	Repaid capital end of year *	**(1,025,000)**	**(950,000)**
	Accumulated reserves beginning of year	2,121,085	2,014,995
	Net income for the year	90,428	106,090
	Accumulated reserves end of year	**2,211,513**	**2,121,085**
	Total equity capital end of year	**2,237,449**	**2,222,021**
12	Long-term debt		
	EIB (ECFI III facility) *	3,056	4,523
		3,056	**4,523**
*)	hereof payable after five years: DKK 0		
13	Current liabilities		
	EIB (ECFI III facility)	1,461	1,420
	Other project-related debt	2,400	7,322
		3,861	8,742
	Administrative debt	22,670	14,400
	Current accounts	3,483	3,502
	Deferred income	(155)	(215)
		29,859	**26,429**

Notes

NOTE		2009 DKK 1,000	2008 DKK 1,000
14	Undisbursed commitments to projects and clearances in principle		
	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	719,369	484,750
	Guarantees, net *	86,200	81,758
	Binding commitments	319,126	216,209
	Undisbursed commitments to projects	**1,124,695**	**782,717**
	Clearances in principle for new projects amount to	**682,748**	**590,192**
*)	Gross outstanding guarantees before provision for losses, if any, amount to DKK 86,200 (DKK 81,758 in 2008)		

15 Contingent liabilities

The total lease and rental commitments amount to DKK 23.8m (DKK 3.4m in 2008)
– hereof due within the following year DKK 5.3m (DKK 0m in 2008).

16 Pledged assets

On 31 December 2009 IFU had pledged bonds and cash amounting to DKK 5.8m as security for long-term debt to EIB.

17 Related party disclosures

IFU project investments – shares and loans

IFU's percentage interests in project investments often exceed 20%, but always remain below 50%. The project companies are not considered related parties, as no controlling or significant influence is exercised over them.

It should be noted that transactions conducted during the year with the project companies include dividends, interest income and fees and directors' fees from the companies in which IFU employees are board members.

Supervisory and Executive Boards

IFU's other related parties are the members of the Supervisory and Executive Boards.

During the year there were no transactions other than remuneration paid to the Supervisory and Executive Board members.

"

Through an active ownership IFU seeks to ensure that its CSR objectives are anchored in the business strategies of the project companies

Topas Eco Lodge in Vietnam.

Supervisory Board and Executive Board

Supervisory Board

The Danish Minister for Development Cooperation appoints the Chairman, the Deputy Chairman and the other members of the Supervisory Board for a three-year period. Each appointment is personal. The current Supervisory Board was appointed for the three-year period beginning 1 August 2009.

The Supervisory Board usually convenes nine to ten times a year. On the recommendation of the Executive Board, it makes decisions about investments and key issues. The rules of disqualification follow the provisions of the Public Administration Act (Act No. 571 of 19 December 1985, sections 3–6). As a principle, a member of the Supervisory Board or an employee cannot discuss a matter involving a company in which that particular person has a special interest.

Members of the Supervisory Board may not buy or sell shares or other securities issued by companies of which they have obtained special knowledge through their work as board members. To prevent insider trading, at each meeting the Supervisory Board authorises an updated list of the listed companies of which the Supervisory Board believes it holds inside information; however, it applies in general that utilising knowledge obtained from board work is not allowed.

All information received by the members of the Supervisory Board, orally or in writing, shall be treated as confidential.

Michael Rasmussen (1964), Chairman, member since 2000.
MSc (Economics). Member of the Group Executive Management, Nordea AB.
Other board memberships: IØ**, IFV**, Nordea Kredit A/S**, Nordea Finance**, PBS A/S, Multidata A/S, LR Realkredit A/S, Karl Pedersens & Hustrus Industrifond, Danmarks Skibskredit A/S.

Lars Andersen (1958), acting Deputy Chairman, member since 1994.
MSc (Economics). Managing Director, The Economic Council of the Labour Movement.
Other board memberships: IØ*, IFV*, DSB, Industripension Holding A/S, Industriens Pensionsforsikring A/S, Arbejdernes Landsbank A/S.

Beate Bentzen (1956), member since 2009.
Business economics graduate. Self-employed.
Other board memberships: IØ, IFV.

Eva Berneke (1969), member since 2009.
MSc (Mechanical engineering), MBA INSEAD. Chief HR and Strategy Officer, TDC.
Other board memberships: IØ, IFV, Copenhagen Business School.

Betina Hagerup (1961), member since 2006.
MSc (Business Affairs). Deputy Permanent Secretary,
Ministry of Economic and Business Affairs.
Other board memberships: IØ, IFV, VisitDenmark, Eksport Kredit Fonden.

Steen Hommel (1970), member since 2009.
MSc (Economics). Head of Department, the Trade Council of Denmark,
Ministry of Foreign Affairs.
Other board memberships: IØ, IFV.

Jens Jørgen Kollerup (1955), member since 2009.
MSc (Dairy science). Managing Director, Fan Milk International A/S & Emidan A/S.
Other board memberships: IØ, IFV, Fan Milk Benin S.A., Fan Milk Ghana Limited,
Fan Milk Nigeria PLC, Fan Milk Togo S.A., Finamark S.A., Fan Milk Liberia Ltd.

Christina Rasmussen (1967), member since 2008.
MSc (Business Economics and Auditing). State Authorised Public Accountant.
Group Executive Director CFO, Toms Gruppen A/S.
Other board memberships: IØ, IFV, Toms Webes AB, K/S Mirfield.

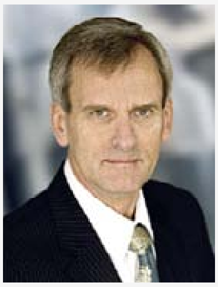
Lisbeth Scott Reinbacher (1944), member since 2009.
Managing Director.
Other board memberships: IØ, IFV, L&S A/S, L&S Signal Textiles A/S, Dansk Tekstil og Beklædning. Member of the Commitee of Representatives, Nykredit.

Susan Ulbæk (1960), member since 2009.
MSc (Economics). Ambassador, Under-Secretary for Africa, Asia, America and the Middle East, Ministry of Foreign Affairs.
Other board memberships: IØ, IFV, Copenhagen Business School Asia Research Centre.

** Chairman – * Deputy Chairman

Executive Board

The Danish Minister for Development Cooperation appoints the Managing Director. The rules which apply to the Supervisory Board regarding the selling or buying of shares or other securities issued by companies of which they have obtained special knowledge also apply to the Managing Director and the Deputy Managing Director in their capacity as members of the Executive Board.

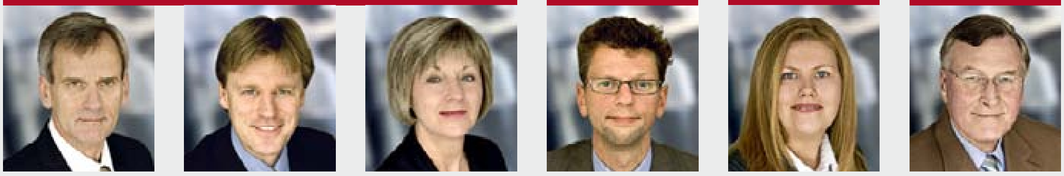


Finn Jønck (1948), Managing Director since 2006.
MSc (Economics).

Torben Huss (1962), Deputy Managing Director since 2009.
MSc (Political Science), PhD (Business Economics).

Staff and advisers

Executive Board / Communication / HRD / Legal Unit



Finn Jønck
Managing Director

Torben Huss
Deputy Managing Director

Elsebeth H. Rasmussen
Executive Assistant

Communication

Rune Nørgaard
Head of Communication

HRD

Susanne M. Nielsen
HR Manager

Legal Unit

Jens Rixen
Senior Legal Adviser

Project Development Department (PDD)

Peter Schwalbe
Department Director

Ib Albertsen
Senior Investment Manager

Jens Bayer
Senior Investment Manager

Nicolai Boserup
Legal Adviser

Catherine I. Cax
Investment Manager

Kim Gredsted
Senior Investment Manager

Jacob Klingemann
Senior Investment Manager

Natalia Svejgaard
Senior Investment Manager

Alex Unsgaard
Investment Manager

Henning Wiesinger
Senior Investment Manager

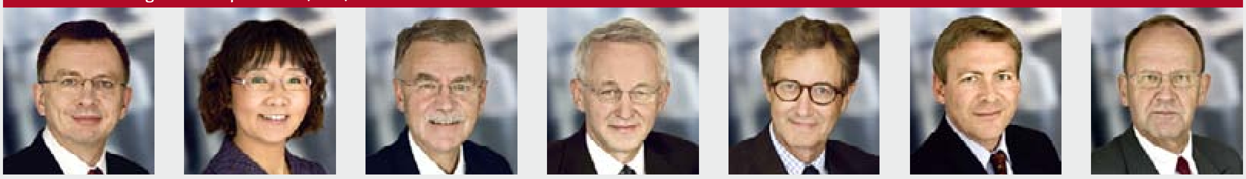
Lone Jespersen
Project Secretary

Maria Monti
Project Secretary

Rikke Rusborg
Project Secretary

Rina Wachsberg
Project Secretary
on maternity leave

Investment Management Department (IMD)



Morten Christiansen
Department Director

Rena Chen
Senior Investment Manager

Max Kruse
Senior Investment Manager

Peer Munkholt
Senior Investment Manager

Hans-Jørgen Nyegaard
Senior Investment Manager

Anders Paludan-Müller
Senior Investment Manager

Jens Lund Sørensen
Senior Investment Manager

Lis Bluhme
Project Secretary

Birthe Bræstrup
Project Secretary

Linda Wamsler
Project Secretary

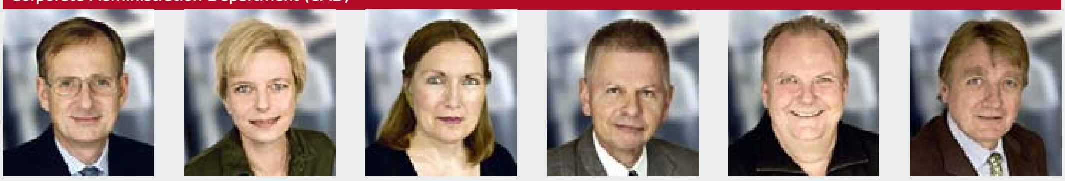
CSR Unit

Birgitte Bang Nielsen
Head of CSR

Carole Welton Kaagaard
CSR Adviser

Birgitte Waage [1]
Senior Administrator

Corporate Administration Department (CAD)



Henrik Jepsen
Department Director

Kirsten Sloth
Department Secretary

Birgitte Christensen
Chief Archivist

Niels Evendt [2]
Head of Secretariat

Michael Stig Andersen
System Manager

Søren Heilmann
Senior System Manager

Finance Department (FIN)

Niels Gravgaard Laursen
Department Director

Alice Brøndum
Staff Manager

Lone Bjørn Hansen
Financial Accounts
Manager

Bjarke Nielsen
Finance Officer

1) Also works for Communication.

2) Also works as Senior Investment Manager for PDD and IMD.

IFU Offices (Reporting to IMD)

ACCRA – GHANA
Martin Rømer
Head of Regional Office

BEIJING – CHINA
Hong Jiang
Chief Representative

BEIJING – CHINA
Le An
Investment Manager

BEIJING – CHINA
Janet Shi
Secretary

JOHANNESBURG – SOUTH AFRICA
Johnny Ohgrøn Hansen
Head of Regional Office

NAIROBI – KENYA
Brian M. Andersen
Head of Regional Office

NAIROBI – KENYA
Edward Mungai
Investment Manager

NAIROBI – KENYA
Ann Njeri Murage
Secretary

NEW DELHI – INDIA
Deepa Hingorani
Head of Regional Office

NEW DELHI – INDIA
Rahul Dubey
Investment Manager

NEW DELHI – INDIA
Nidhi Narang
Investment Manager

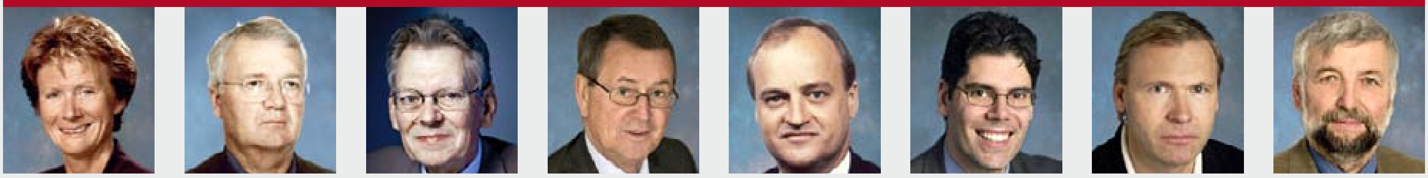
NEW DELHI – INDIA
Sanjay Chatterji
Senior Regional Manager IT

NEW DELHI – INDIA
Balasubramanian Ramnath
Regional Manager IT

NEW DELHI – INDIA
Dinesh Kumar Verma
Regional System Manager IT

NEW DELHI – INDIA
Sunita Bisht
Secretary

Advisers



GLOBAL
Helle Bechgaard
Denmark

GLOBAL
Uffe Bundgaard-Jørgensen
Denmark (Facilitator)

GLOBAL
Søren Guldborg
Denmark

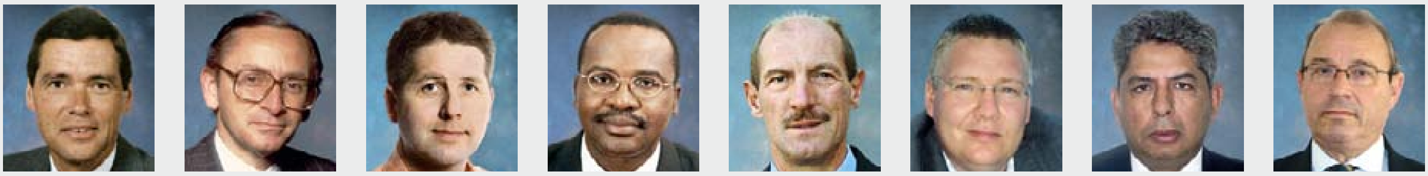
GLOBAL
Svend J. Heineke
Denmark

GLOBAL
Henrik de Jonquières
Denmark (Facilitator)

GLOBAL
Rami Khoury
Jerusalem, Israel

GLOBAL
Jørgen Lindahl
Denmark

GLOBAL
Poul Martin Møller
Denmark



GLOBAL
Mikael Olufsen
Denmark (Facilitator)

GLOBAL
José M. Ruisánchez
Washington D.C., USA

GLOBAL
Flemming Sehested
Denmark

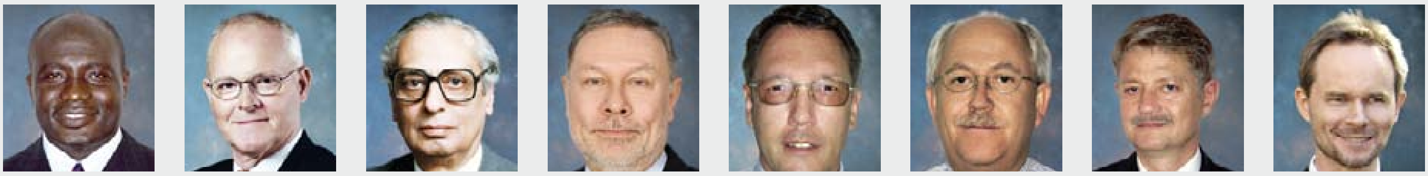
AFRICA
Kodjo Aziagbé
Dakar, Senegal

AFRICA
Gareth Campbell
Johannesburg, South Africa

AFRICA
Johnni P. Kjelsgaard
Nairobi, Kenya

AFRICA
Deepak Malik
Johannesburg, South Africa

AFRICA
Jens Erik Møllenbach
Lagos, Nigeria



AFRICA
Felix Quansar
Accra, Ghana

ASIA
Leo Emdal Alexandersen
Bangkok, Thailand

ASIA
Riyaz Bokhari
Lahore, Pakistan

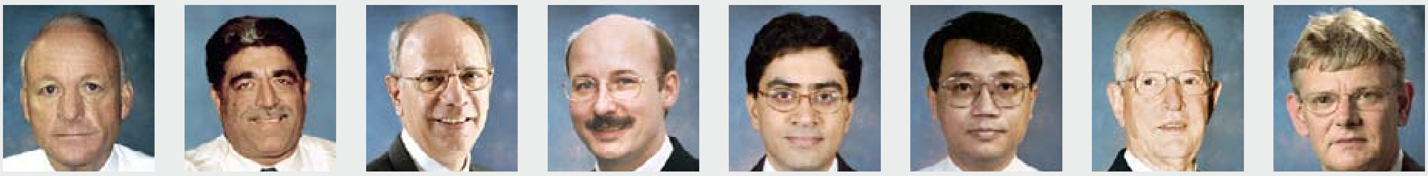
ASIA
Jan Fabritius
Beijing, China

ASIA
Thomas Hermansen
Ho Chi Minh City, Vietnam

ASIA
Preben Hjortlund
Hanoi, Vietnam

ASIA
Bo Myken Jørgensen
Ningbo, China

ASIA
Patrik Lund
Shanghai, China



ASIA
John Madsen
Kuala Lumpur, Malaysia

ASIA
Vipin Malik
New Delhi, India

ASIA
Pradeep Mallick
Mumbai, India

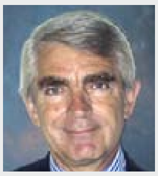
ASIA
Peter Rasmussen
Suzhou, China (Facilitator)

ASIA
Sridhar Sampath
Chennai (Madras), India

ASIA
Lucien Wang
Beijing, China

ASIA
Poul Weber
Bangkok, Thailand

LATIN AMERICA
Per E. L. Olsen
São Paulo, Brazil



LATIN AMERICA
Paul Cardwell
San José, Costa Rica

Danish International Investment Funds

Danish International Investment Funds is the umbrella term for IFU and IØ

Each of the Funds operates in its specific geographical sphere:

- IFU in developing countries with a per capita income below 80% of the World Bank's upper limit for Lower Middle Income Countries (LMIC) (USD 3,084 in 2010) and South Africa, Botswana and Namibia
- IØ in the Russian Federation, Ukraine and Belarus

European cooperation

IFU and IØ are members of the European Development Finance Institutions (EDFI). In addition to the Danish Funds, there are 16 other members. They are all bilateral finance institutions offering capital for the development of the private sector in developing countries, and countries that are in a transition process towards a market economy. The objective of EDFI is to further cooperation and to safeguard common interests in relation to the European Commission and its institutions, including the European Investment Bank (EIB). EDFI website: www.edfi.be

Offices

HEAD OFFICE: Copenhagen – **OFFICES:** Accra · Beijing · Johannesburg · Nairobi · New Delhi – **ADVISER OFFICES:** Kiev · Warsaw

ADVISERS: Accra · Bangkok · Beijing · Chennai · Copenhagen · Dakar · Hanoi · Ho Chi Minh City · Jerusalem · Johannesburg Kaliningrad · Kiev · Kuala Lumpur · Lagos · Lahore · Lviv · Moscow · Mumbai · Nairobi · New Delhi · Ningbo St Petersburg · San José · São Paulo · Shanghai · Suzhou · Washington D.C.

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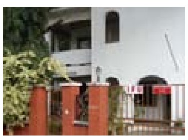

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INVESTMENTS FOR DEVELOPMENT

INVESTMENTS FOR DEVELOPMENT

THE INDUSTRIALISATION FUND
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