ANNUAL REPORT 2017

IFU INVESTMENT FUND FOR DEVELOPING COUNTRIES

CONTENTS

LETTER FROM THE CEO

DEAR READER

In 2017, IFU and IFU managed funds set a new record by contracting investments of DKK 1.3bn. This is a 16 per cent increase compared to 2016 and in line with IFU's strategy to exceed an annual investment level of DKK 2bn in 2021.

An increasing number of the investments are made through IFU managed funds, which are based on public and private funding. In 2017, just above half of the investment volume was contracted by the Danish Climate Investment Fund, the Danish Agribusiness Fund, IFU Investment Partners, the Arab Investment Fund and the Ukraine Investment Facility.

During the year, we continued to focus on investing in projects that have a solid development impact and are able to generate an attractive return to their investors. The 22 new investments made in 2017 are expected to impact 12 of the 17 UN Sustainable Development Goals and will contribute with new jobs, renewable energy and microloans, for example. The more than 200 project companies in our active portfolio have reported local taxes of DKK 2.8bn in their most recent financial year, and in total they employ more than 180,000 people.

In 2017, focus has been on establishing the necessary capital base of DKK 5-6bn to fulfil our ambition to support the aspirations for a better world by 2030 set out in the UN Sustainable Development Goals.

First step has been on the equity side of IFU's activity, where emphasis has been on establishing an SDG Equity Fund with a targeted size of DKK 4-5bn. So far, the SDG Equity Fund has been well received by potential institutional and private investors, who are set to provide 60 per cent of the total funding. The second step will focus on IFU's loan activity with the aim of establishing the parameters for a potential SDG Loan Fund.

It is expected that the Danish SDG Equity Fund will be in place during 2018, and that the SDG Loan Fund will follow.

In 2017, IFU took over the administration of Danida Business Finance that offers financing on favourable terms to sustainable public infrastructure projects in developing countries, which would not otherwise have obtained financing on commercial terms. The objective of relocating Danida Business Finance is to create synergies in our work that will benefit the developing countries as well as create more business opportunities for Danish companies.

IFU's net financial result for 2017 was DKK 141m. The more modest result compared to 2016 was mainly caused by weakness among local currencies in most investment countries, which had a negative effect on the end-of-year evaluation of IFU's share capital investments. The portfolio of project loans continued to perform well.

Tommy Thomsen, CEO

IFU IN BRIEF

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

A five-step investment process

In every investment, IFU strives to engage with our partners to establish viable and sustainable project companies with an ongoing positive development impact. For that purpose, IFU has set up a five-step investment process. More information on the process is available on our website www.ifu.dk.

Sustainability policy

IFU's has a dedicated focus on sustainability, and the purpose of our sustainability policy is to create fair conditions for employees, safeguard the environment and uphold basic human rights, etc. We are a signatory to the UN Global Compact and are implementing the UN Guiding Principles on Business and Human Rights in our policy and guidelines.

One access – six funds

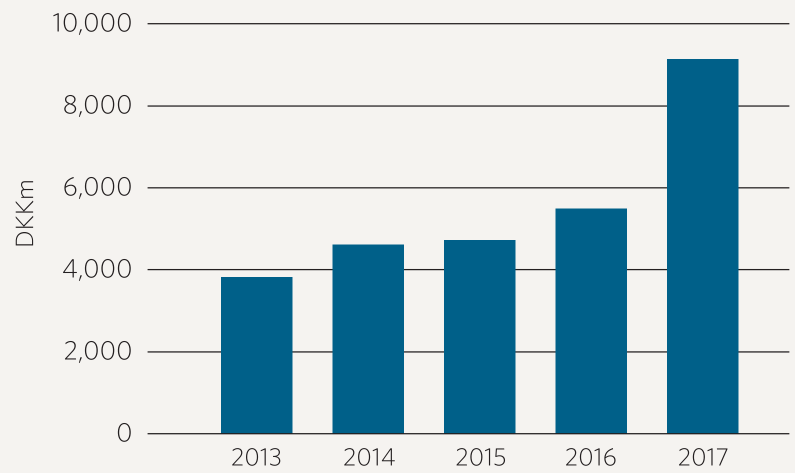
IFU acts as fund manager for a number of investment funds based on public and private capital: the Danish Climate Investment Fund (DCIF), the Danish Agribusiness Fund (DAF), IFU Investment Partners (IIP), the Investment Fund for Central and Eastern Europe (IØ), the Arab Investment Fund (AIF) and the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

Over time, IFU and IFU managed funds have invested in more than 1,250 projects covering more than 100 different

IFU´s five-step investment process

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

Development in capital under management



Comprised by equity in IFU, IØ, AIF and UFA, committed capital from private investors and the Danish State in DCIF and DAF, committed capital from private investors in IIP and guarantees outstanding for DBF.

countries in Africa, Asia, Latin America and Europe. The total expected investment in these projects is DKK 184bn, with IFU and IFU managed funds contributing DKK 20bn.

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

Statutory framework

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

As per 2017, total capital under management by IFU was DKK 9.1bn. Capital under management is comprised by IFU's equity of DKK 3.3bn, IØ's, AIF's and UFA's equity of DKK 0.25bn, committed capital from the Danish State and private investors in DCIF, DAF and IIP of DKK 2.1bn and outstanding DBF guarantees of DKK 3.5bn.

Site visit to power plant project in Benin.

EXECUTIVE SUMMARY 2017

IFU and IFU managed funds

- IFU and IFU managed funds contracted 37 investments totalling a record high DKK 1.3bn in 2017
- At year-end 2017, the funds had an active portfolio of 208 project companies
- IFU and IFU managed funds have engaged in 1,260 investments in more than 100 countries
- More than 180,000 people are employed in project companies included in the active portfolio
- Companies in the active portfolio reported DKK 2.8bn in local taxes
- The new IFU Sustainability Facility was funded by DKK 3m distributed from the annual profit
- Total capital under management was DKK 9.1bn

IFU

- 13 new projects signed with a total of DKK 517m in contracted investments
- Additional financing of DKK 123m contracted in 13 ongoing projects
- IFU made its first investment ever in Myanmar
- IFU took over the administration of Danida Business Finance
- Gross yield from investments was 6.2 per cent on share capital and 6.6 per cent on loans
- Net income of DKK 141m

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS 2013 - 2017

	2017 DKKm	2016 DKKm	2015 DKKm	2014 DKKm	2013 DKKm
INCOME STATEMENT					
Gross contribution from projects[1]	200	269	249	202	130
Operating income[2]	141	220	194	147	71
Net income for the year	141	218	194	149	72
BALANCE SHEET AT 31 DECEMBER					
Share capital investment in projects at cost	1,765	1,621	1,565	1,385	1,238
Project loans at cost[3]	923	1,102	1,018	1,008	939
Total investment in projects at cost	2,688	2,723	2,583	2,393	2,177
Accumulated value adjustments	133	82	(3)	(137)	(279)
Investments in projects, net[1]	2,821	2,805	2,580	2,256	1,897
Cash and bonds, net	255	191	202	341	396
Total equity capital	3,288	2,984	2,802	2,608	2,459
Total balance	3,410	3,125	2,892	2,667	2,500
CASH FLOW STATEMENT					
Investments disbursed	478	667	499	528	432
Paid-in capital during the year	217	14	0	0	0
Repaid capital/Paid-out dividend during the year	(50)	0	0	0	(75)
ADDITIONAL DATA					
New projects contracted (no.)[4]	13	25	16	21	22
Portfolio of projects end of year (no.)[4]	177	184	188	191	207
Investments contracted	640	1,103	660	681	566
Undisbursed contracted investments incl. guarantees	1,264	1,395	1,012	919	962
Binding commitments not yet contracted	410	347	581	196	399
KEY RATIOS					
Gross yield from share capital investments[5]	6.2%	11.1%	12.7%	11.4%	13.0%
Gross yield from project loans and guarantees[5]	6.6%	7.9%	7.7%	6.8%	-4.0%
Gross yield from projects (total)[5]	7.1%	10.0%	10.3%	9.7%	6.9%
Net income for the year/Average total equity capital	4.5%	7.5%	7.2%	5.9%	2.9%
Solidity ratio	96.4%	95.5%	96.9%	97.8%	98.3%
Average number of full-time employees	84	78	72	71	68

[1] Information about composition of the contribution from projects including value adjustments can be found in “Financial review 2017” on page 28. Investments are valued at fair market value in accordance with the Danish Financial Statemants Act.

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

[3] Project loans at cost for the period 2013 to 2014 are not currency exchange rate adjusted.

[4] Figures for “New projects contracted (no.)” and “Portfolio of projects end of year (no.)” for the period 2013 have been adjusted, as IFU no longer includes indirect projects in the count. Indirect projects are typically majority-owned subsidiaries of existing IFU projects.

[5] Gross contribution from projects/Average investment in projects - value adjusted.
Gross contribution from share capital investments/Average share capital in projects - value adjusted.
Gross contribution from project loans and guarantees/Average project loans - value adjusted.

In 2017, IFU set an

all-time record

investing DKK 1.3bn

MANAGEMENT'S REVIEW

INVESTMENTS IN 2017

IFU and IFU managed funds contracted a record level of investments at a total of DKK 1.3bn in 2017. This is an increase of 16 per cent compared to 2016 and is in line with IFU's strategy to exceed an annual investment level of DKK 2bn by 2021.

The investments were contracted across the funds. The Danish Climate Investment Fund almost doubled investments to a total of DKK 348m, and the fund was close to being fully invested at year-end. The Danish Agribusiness Fund invested DKK 234m in its second year of operation. The Arab Investment Fund, IFU Investment Partners and the Ukraine Facility contracted investments at a total of DKK 86m.

IFU itself contracted 13 new investments at a total of DKK 517m and provided additional financing to 13 ongoing project companies at a total amount of DKK 123m.

The projects, which are made in Africa, Asia, Latin America and Europe, are expected to generate solid development impacts by means of jobs, training, technology transfers, tax revenue as well as reducing CO_2 emissions.

Moreover, the projects will support the establishment or upgrading of important infrastructure like for example renewable energy, cement production, port facilities as well as financial and hotel services and food production in the investment countries.

In Myanmar, which was reopened to foreign investments a couple of years ago, IFU has made its first two investments ever. One investment is in Alliance, a microfinance operator based in the Mandalay region. The second investment is in an investment fund, MOF II, that is investing in local companies with high growth potential.

In Africa, IFU has, among other things, invested in a solar plant in Egypt, a hotel in Kenya and a large producer of ice cream and frozen dairy products in West Africa.

The new investments are expected to directly employ more than 5,000 people once full capacity is achieved. The actual direct employment in the projects receiving additional financing is just above 1,300 people.

One important aspect of IFU's investment is to use the fund's own resources as leverage for attracting additional capital to the project companies, as this leads to an overall higher development impact. Measured against the total expected investment in the new projects, IFU had a leverage factor of 11.8 in 2017.

Over a rolling period of three years, at least 50 per cent of IFU's investments must be made in poorer developing countries, being countries with a maximum GNI per capita of USD 3,228 in 2017. The threshold is calculated as 80 per cent of the upper limit for Lower Middle Income Countries, according to the World Bank's classification.

In 2017, 55 per cent of the investments were below the threshold. Seen over the three-year period 2015-2017, the share of investments below the threshold is 63 per cent. Included in these figures are investments in projects with a regional focus, covering countries above as well as below the threshold.

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More than 800 investments
Counting the 13 new investments, IFU has now engaged in a total of 832 projects.

IFU's total contracted investment in the 832 projects is DKK 13bn.

IFU's net income
IFU generated net income of DKK 141m in 2017.

The gross contribution from projects was DKK 200m, and net operating expenses were DKK 59m. The result was lower than in 2016, which was mainly caused by weakness among local currencies in most investment countries, which had a negative effect on the end-of-year valuation of IFU's share capital investments. The portfolio of project loans continued to perform well. Further information about the financial result can be found in the Financial review on page 28.

IFU AS A FUND MANAGER

IFU is acting as fund manager for a number of investment funds based on public or public-private capital. These are the Danish Climate Investment Fund, the Danish Agribusiness Fund, the Arab Investment Fund, IFU Investment Partners and the Investment Fund for Central and Eastern Europe. Moreover, IFU and Danida have set up the Ukraine Investment Facility and the Project Development Programme.

To give an overview of IFU's activities, relevant information on the IFU managed investment funds is provided in this annual report.

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

In 2017, DCIF made four new investments at a total of DKK 298m and provided additional financing for one project at a total of DKK 50m. The new investments included wind and solar power plants as well as a waste water recycling company. At year-end, the fund had invested in 18 projects with total contracted investments of DKK 902m.

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

In 2017, DAF contracted five new investments at a total of DKK 222m and provided additional financing for one project at a total of DKK 12m. The new investments included pig farming and agribusiness logistics. At year-end, the fund had invested in six projects with total contracted investments of DKK 305m.

IFU Investment Partners
IFU Investment Partners (IIP) is managed by IFU and capi-

Power Cement, Pakistan.

talised by the two pension funds PKA and PBU. The total commitment from the two pension funds is DKK 500m. The fund, which was established in 2012, serves as a co-investor in large IFU projects and as a tool for Danish companies to raise additional equity funding in a one-stop process.

In 2017, IIP made one new co-investment with IFU at a total of DKK 71m. IIP's share of the investment was DKK 32m. During the years, IIP has contracted investments at a total of DKK 255m.

The Investment Fund for Central and Eastern Europe

Due to the decision in 2010 to wind down the Investment Fund for Central and Eastern Europe (IØ), the fund continued its divestments in 2017. At year-end, IØ had a remaining active portfolio of 13 investments.

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

In 2017, IØ repaid an additional DKK 150m to the Danish State. This brought the total accumulated capital repayment made by IØ to the State since 2004 to DKK 3,675m[1]. As at 31 December 2017, IØ had equity amounting to DKK 122m.

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

The Arab Investment Fund

The Arab Investment Fund (AIF) was set up in 2011 to contribute to the economic development of seven specific countries in North Africa and the Middle East. Danida and IFU have committed DKK 50m and DKK 100m, respectively, to AIF.

In 2017, AIF made one new co-investment with IFU at a total of DKK 74m. AIF's share of the investment was DKK 52m. At year-end 2017, AIF had contracted a total of DKK 202m in six projects.

The Ukraine Investment Facility

The Ukraine Investment Facility (UFA) was established by the Danish Ministry of Foreign Affairs with the aim of creating more growth and jobs in Ukraine and Denmark. UFA is a four-year programme running from 2015 to 2019. A total of DKK 30m has been allocated to UFA.

In 2017, UFA contracted one new investment at a total of DKK 2m. Until year-end 2017, UFA had invested in three projects at a total of DKK 15m.

In 2018, it is contemplated to merge the remaining part of UFA's investment capacity into the new Neighbourhood Energy Investment Fund (NEIF), which is part of the Danish Neighbourhood Programme 2017-2021. The objective is to facilitate investments to mobilise private capital in the energy sectors in Ukraine and Georgia. NEIF will be administered by IFU.

The Project Development Programme

In 2016, Danida allocated DKK 50m for IFU to create the Project Development Programme (PDP) that can co-finance the costs of developing projects. The aim is to reduce the financial risk for Danish partners and developers who want to launch commercial projects in developing countries and emerging markets. Since inception, three projects have been made for a total amount of DKK 10.5m.

In 2017, IFU engaged in one development project, amounting to DKK 2m.

IFU and IFU managed funds overall

Total contracted investments by IFU and IFU managed funds amounted to DKK 1,296m in 37 projects in 2017.

At year-end, the active portfolio covering all funds contained 208 project companies.

In total, IFU and IFU managed funds have over the years contracted investments in 1,260 projects, excluding interfund investments.

Active portfolio at 31 December 2017

IFU	177
DCIF	16
DAF	6
IIP	3
IØ	13
AIF	3
UFA	3
Total	**221**
Exclusions*	(13)
Consolidated totals	**208**

* 13 projects are excluded due to inter-fund investments, or because they have received financing from more than one fund.

1) Figures are in nominal prices.

INVESTMENTS CONTRACTED IN 2017

IFU INVESTMENTS CONTRACTED IN 2017

	Project name	Country	IFU's contracted investments in DKKm			Expected direct employment (people)
			Shares*	Loans**	Total	
	New projects					
	AFRICA					
1	Fan Milk International	Africa (Regional)		112.0	112.0	350
2	SwiCorp	Egypt	63.9	22.1	86.0	70
3	Zoscales Ethiopia[1]	Ethiopia	26.1		26.1	
4	Radisson Blu Residence	Kenya		71.4	71.4	150
5	AfricInvest[1]	Tunisia	22.3		22.3	
	Subtoal Africa		**112.3**	**205.5**	**317.8**	**570**
	ASIA					
6	Akenz China	China		10.0	10.0	500
7	Ecogi China	China	14.6		14.6	76
8	Alliance Myanmar	Myanmar	18.1		18.1	537
9	MOF II[1]	Myanmar	31.5		31.5	
10	Power Cement Ltd	Pakistan	39.7		39.7	1,000
	Subtotal Asia		**103.9**	**10.0**	**113.9**	**2,113**
	EUROPE					
11	Regional Meat Moldova	Moldova		11.3	11.3	100
	Subtotal Europe			**11.3**	**11.3**	**100**
	LATIN AMERICA					
12	APMT Callao	Peru		71.4	71.4	1,380
	Subtotal Latin America			**71.4**	**71.4**	**1,380**
	PDP					
13	CerCa A/S	Cuba	2.4		2.4	
	Subtotal PDP		**2.4**		**2.4**	
	Total new projects		**218.7**	**298.1**	**516.8**	**4,163**

	ADDITIONAL FINANCING OF ONGOING PROJECTS		IFU's contracted investments in DKKm			Actual direct employment (people)
	AFRICA		Shares*	Loans**	Total	
14	Gomspace Ghana	Ghana	4.0		4.0	1
15	MIM Cashew	Ghana		1.6	1.6	237
16	COOP Kenya	Kenya	0.6	7.1	7.7	33
17	COT Africa	Mozambique	0.9		0.9	144
18	Mocotex Mozambique[2]	Mozambique		4.3	4.3	
19	Zambezi Logistics[2]	Mozambique		3.9	3.9	
20	AVK South Africa	South Africa		25.0	25.0	195
21	Fibertex South Africa	South Africa		10.5	10.5	167
	Subtotal Africa		**5.5**	**52.4**	**57.9**	**777**
	ASIA					
22	BOPA PTE Ltd	Cambodia	20.3		20.3	4
23	Aller Aqua (Qingdao)	China		11.7	11.7	92
24	Scandinavian Farms Pig Breeding	China		13.6	13.6	59
25	Scandinavian Farms Pig Industries	China		18.5	18.5	372
26	Farm & Garden Technology	India		1.2	1.2	23
	Subtotal Asia		**20.3**	**45.0**	**65.3**	**550**
	Total additional financing		**25.8**	**97.4**	**123.2**	**1,327**
	Grand total IFU		**244.5**	**395.5**	**640.0**	

	Project name	Country	Contracted investments in DKKm			
			Shares*	Loans**	Total	
	DCIF investments contracted in 2017					Expected direct employment (people)
27	NPP Coremas I-III	Brazil		119.4	119.4	15
28	Roserve International	India	19.6		19.6	5
29	Akuo Kita Solar	Mali	2.4	39.7	42.1	80
30	Sainshand Windfarm	Mongolia	117.2		117.2	12
	Total new projects		**139.3**	**159.1**	**298.4**	**112**
	DCIF additional financing of ongoing projects					Actual direct employment (people)
31	Nordic Power Partners	DAC Developing Countries	50.0		50.0	14
	Total additional financing		**50.0**		**50.0**	**14**
	Grand total DCIF		**189.3**	**159.1**	**348.4**	
	DAF investments contracted in 2017					Expected direct employment (people)
32	Coexca (Latin Pork)	Chile	84.5		84.5	120
33	Heilongjiang Asia-Europe	China	37.7		37.7	100
34	Huayang Sangshuiping Co	China	42.0		42.0	72
35	Saraf Foods	India	14.6		14.6	450
36	Teli Pig Farming	South Africa	43.1		43.1	100
	Total new projects		**221.9**		**221.9**	**842**
	DAF additional financing of ongoing projects					Actual direct employment (people)
	Scandinavian Farms Pig Industries	China		11.8	11.8	
	Total additional financing			**11.8**	**11.8**	
	Grand total DAF		**221.9**	**11.8**	**233.7**	
	AIF investments contracted in 2017					Expected direct employment (people)
	AfricInvest	Tunisia	52.1		52.1	
	Grand total AIF		**52.1**		**52.1**	
	IPP investments contracted in 2017					Expected direct employment (people)
	Power Cement Ltd	Pakistan	31.7		31.7	
	Grand total IIP		**31.7**		**31.7**	
	UFA investments contracted in 2017					Actual direct employment (people)
37	DanMilk Ukraine	Ukraine		2.2	2.2	23
	Grand total UFA			**2.2**	**2.2**	**23**

Total IFU + DCIF + DAF + AIF + IPP + UFA investments contracted in 2017

	Project name		Contracted investments in DKKm			
			Shares*	Loans**	Total	
22	**Total new projects**		**663.6**	**457.2**	**1,120.9**	**5,117**
15	**Total additional financing**		**75.8**	**111.4**	**187.2**	**1,364**
	Grand total IFU and IFU managed funds		**739.4**	**568.6**	**1,308.1**	
	Interfund financing and transfers:					
	Scandinavian Farms Pig Industry	Transferred from IFU to DAF		(11.8)	(11.8)	
	GRAND TOTAL CONSOLIDATED		**739.4**	**556.8**	**1,296.3**	

Totals may not add up due to rounded figures.
*) Including overrun commitments
**) Including guarantees
1) Expected direct employment is blank because employment in investment funds is created at a secondary level.
2) Figure for actual direct employment is shown under COT Africa

CELEBRATED IFU'S 50TH ANNIVERSARY

In the beginning of June 2017, IFU's 50th anniversary was celebrated at a conference attended by 200 national and international guests, including the Danish Minister of Finance and the Danish Minister for Development Cooperation.

The speakers emphasized IFU's key role in mobilizing private capital for projects that during the years have had a major impact on the development in countries across Africa, Asia, Latin America and parts of Europe. Highlighted was also the fund's ability to increase funding and investments through setting up innovative frameworks for blending private and public capital in new funds like the Danish Climate Investment Fund and the Danish Agribusiness Fund.

International speakers were Mr. H.P. Singh, Chairman and Managing Director of Satin Creditcare Network Limited, which backed by IFU is providing poor people in India with microfinance loans, and Ms. Caroline Ongeri, Deputy Managing Director of Lake Turkana Wind Power, which, backed by the Danish Climate Investment Fund, has erected a 310 MW wind park in Kenya.

Celebrating IFU's 50th anniversary at Eigtveds Pakhus in Copenhagen, June 2017.

LOCAL TAXES FUEL DEVELOPMENT

IFU project companies are operating as an integrated part of the local economy in the investment countries. Creating jobs, training staff, introducing modern technologies and engaging with sub-suppliers have a direct impact. Moreover, project companies also pay income taxes, which in turn can empower local and national governments to invest in public welfare like for example education, health and infrastructure.

As one of the first development finance institutions (DFI), IFU introduced a tax policy in 2015. The tax policy sets the guidelines and principles under which investees must operate when conducting their business. (IFU's tax policy can be found on ifu.dk)

The main principle is that investees must be in compliance with national tax regulation and pay taxes where they have their economic activity. This ensures that a fair share of the financial value created by the businesses will be allocated to local development.

Public focus on tax

In recent years, there has been an increased public focus on tax issues related to multinationals and other investors operating in developing countries. It has been voiced that they are depriving developing countries of billions of dollars through illegal tax evasion and aggressive tax planning.

Focus has especially been on using off-shore financial centres (OFC) when investing in developing countries.

In compliance with IFU's tax policy

In the structuring of IFU's investments, holding companies or investment funds domiciled in an OFC are only used in cases where there are good reasons for doing so. This could be avoiding double taxation, providing the ability for loan providers to enforce collateral, facilitating multiple jurisdiction issues, securing a proper legal framework and operating within an effective and well-functioning judicial system, etc.

IFU will always test the justification for using an OFC in its due diligence, and ensure that if accepted it is in compliance with IFU's tax policy. This means that IFU will not use jurisdictions that at the time of the investment decision do not comply with OECD's Global Forum or are included on EU's blacklist. In addition, the structures must be considered normal and usual as well as in all cases be legal, transparent and not designed to work against the spirit of the law.

To be transparent, IFU is providing public information if a third jurisdiction is used in an investment, including the name of the jurisdiction.

INITIATIVE IN SUPPORT OF THE UN GLOBAL GOALS

During 2017, IFU worked on establishing a Danish Sustainable Development Goals initiative based on an SDG Equity Fund and an SDG Loan Fund. The combined initiative is to engage public and private financial resources in the range of DKK 5 – 6bn, which will enable IFU to continue to grow its private sector investments in developing countries as well as increase the development impact and thereby support the UN's 17 Sustainable Development Goals.

An equity fund

Based on the positive experience from the Danish Climate Investment Fund and the Danish Agribusiness Fund, IFU has developed a concept for a Danish SDG Equity Fund, which has been presented to and well received by potential institutional and private investors.

The SDG Equity Fund has a target of DKK 4 – 5bn based on a 60/40 partnership between private investors and IFU funding. IFU will invest parts of its own equity, and the Danish government has approved that IFU can obtain DKK 800m in loan financing through Danmarks Nationalbank.

The mandate will enable the fund to invest across sectors supporting the Sustainable Development Goals and in all developing countries in Africa, Asia, Latin America and parts of Europe. Investments will be untied, and the strategy is to primarily invest in larger private sector projects drawing on the experience, knowledge and technology of Danish companies.

In addition to supporting the Sustainable Development Goals, the ambition is to provide investors with an attractive annual net return of 10 – 12 per cent in DKK. This currently corresponds to approximately 13 - 15 per cent in USD.

Supplemented by a loan fund

The second part of the initiative is to set up an SDG Loan Fund that can provide loan financing for commercially based projects in developing countries, supporting the Sustainable Development Goals. The loan fund is as the equity fund expected to be based on a public-private partnership securing funding in the range of DKK 1 – 2bn.

The Danish SDG Equity Fund will presumably have a first close in the second quarter of 2018 and a second close in the latter part of 2018.

DANIDA BUSINESS FINANCE MOVED TO IFU

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

IFU takes over the administration

In September 2017, the administration of DBF was taken over by IFU, who will handle all future cases and requests regarding DBF. The strategic framework for DBF and the authority to allocate funds to the individual projects are maintained at the Danish Ministry of Foreign Affairs.

The objective of moving the administration was to create more strategic, daily cooperation between Danida Business Finance and IFU, which is believed to create a solid framework for handling more large infrastructure projects to the benefit of the developing countries as well as to generate more business opportunities for Danish trade and industry. IFU and DBF will be able to draw on each other's experience and their respective networks in the developing countries as well as among Danish companies. Moreover, the expectation is that DBF and IFU in some cases can promote large infrastructure projects by providing finance based on IFU's commercial business and DBF's loans, which are partly subsidised by the State.

Providing clean drinking water to around 7 million people

Huge investments are needed to meet the growth in water demand in Dhaka, Bangladesh. In 2017, DBF granted support of DKK 977m to the Saidabad III Water Treatment Plant, which, in collaboration with other donors such as AFD, KfW and EIB, will mobilise total investments of DKK 4.3bn. The project is expected to deliver clean drinking water to approximately 7 million people, including the poor and disadvantaged in Dhaka's low-income communities.

A new team in place

To handle the new tasks and service DBF's clients, IFU has employed a new team, which consists of several of the staff members previously employed with the Ministry of Foreign Affairs.

The Danida Business Finance team.

SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS

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

By providing risk capital and advisory services, IFU supports commercially viable companies, which due to their profitability create a return on investment as well as a long term development impact through creating jobs, making products, providing services and paying taxes.

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

Consequently, IFU's investments have direct as well as indirect effects on achieving the Sustainable Development Goals. Creating jobs helps to end poverty, investing in agricultural projects reduces hunger and erecting wind farms and producing solar energy provide access to renewable energy and reduce CO_2 emissions.

Measuring development impact

In 2016, IFU implemented a new Development Impact Model (DIM), which is a tool for measuring the development impact of our investments, and how they affect the sustainable development goals. Only new projects are being measured, and consequently, most information available below is based on expected effects in the 22 new projects contracted in 2017.

The Development Impact Model also includes an annual update on a number of impacts as well as a final evaluation, which will compare expected and realised impacts. Going forward, these figures will be presented alongside the annual figures on employment and local taxes that IFU has published for several years. The latter figures are also included in this year's annual report.

A broad impact on the Sustainable Development Goals

The 22 new projects contracted in 2017 have a broad impact on the SDGs. In total, the projects are expected to impact 12 of the 17 Sustainable Development Goals. The impacts vary across the new projects. Some projects will

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affect several, and some only a few of the goals. All projects are expected to have a positive impact on goal 1, 8 and 17, being "No poverty", "Decent work and economic growth" and "Partnership for the goals". Moreover, seven projects will have an impact on goal 2 "Zero hunger" and goal 9 "Industry, innovation and infrastructure", and six projects will have an impact on goal 13 "Climate action".

Employment alleviates poverty

One of the most important development effects is employment, because it provides opportunities for people to escape poverty and improve their standard of living by increasing their earnings, leading to higher purchasing power as well as the possibility to invest in their future. Moreover, IFU requires that all project companies comply with national regulation and international standards on labour and working conditions, which leads to decent working conditions for the employees.

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

New projects contracted by IFU and IFU managed funds in 2017 are estimated to generate and preserve more than 5,000 direct jobs once in full operation. Compared to the total investment in new projects of DKK 1,121m, IFU and IFU managed funds are creating or preserving 4.5 jobs for every DKK million invested.

Projects contracted before 2017, and which are not yet divested by IFU, employs a total of 182,000[2] people. 95,000 people are employed in Asia, 48,000 people in Africa, while projects in Latin America, Europe and projects with a global focus account for the remaining jobs.

In total, IFU/IFU managed funds projects have an employment effect of 373,000 direct jobs.

Direct employment is, however, only part of the development impact. According to UN research, every direct job created creates one to two additional jobs for instance in local supply chains or with service companies. Counting both direct and indirect jobs, projects under IFU and IFU managed funds have over the years contributed to creating and preserving more than 930,000 jobs in developing countries.

Investments create economic growth

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

New technology implemented

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

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

Close to 95 per cent of the new projects[3] contracted in 2017 are expected to implement world class technology.

Training enhances skills

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

Close to 90 per cent of new projects[3] contracted in 2017 have plans for running training programmes for their employees.

Sound businesses pay taxes

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

For 2017, IFU has information on taxes from 168 investments. Tax information for projects under establishment, in the process of being exited or with no activity is not included.

2) From 2017, actual employment figures for portfolio companies in funds and financial intermediaries, in which IFU has invested, are included.
3) New investments in funds and microfinance are excluded because it is not possible to estimate technology used at secondary level at the time of appraisal.

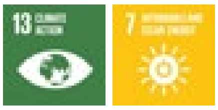
Total reported taxes from the 168 investments amount to DKK 2.8bn.[4]

The figures presented above are primarily related to the financial years 2016 and 2017.

Greenfield projects have a high impact

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

In 2017, more than 60 per cent of the new investments were greenfield projects.



Climate investments reduce greenhouse gas emissions

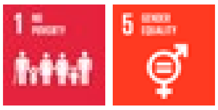
One of the big challenges in developing countries is the lack of access to energy for people and businesses. At the same time, many developing countries are the ones facing the most severe consequences of climate change.

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

The new investments contracted in 2017 will install renewable energy capacity of 345MW, which is expected to produce 548GWh when fully operational. In total, the new projects are expected to represent GHG savings of approximately 9,400,000t CO_2e during their lifetime.

Agribusiness investments combat hunger

For several years, IFU has invested in agribusiness projects in developing countries. In 2017, IFU and IFU managed fund contracted seven investments, which are expected to have an impact on goal 2 "No hunger". These are among others pig farming projects, milk production and agribusiness logistics.



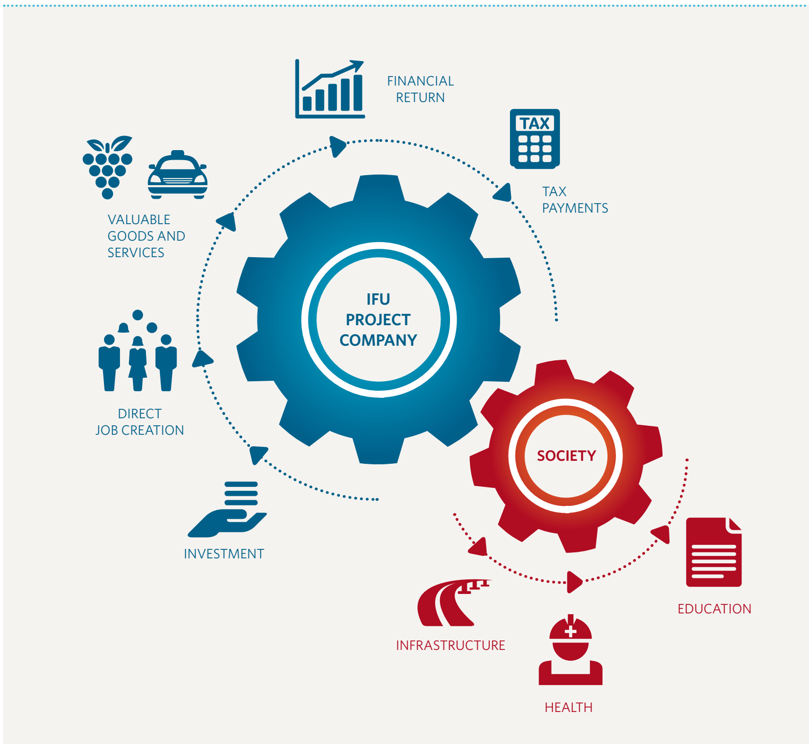
Microfinance

IFU is investing in microfinance through different funds and institutions. In 2017, IFU made one new investment in the sector.

In most developing countries, access to loan financing and other financial products is scarce, which is a major constraint on development not least for poorer people in rural areas. Microfinance deals with this issue by creating access to financing that is typically used by the borrowers to grow their small businesses and thereby enables them to improve the livelihood of their employees and families.

The new investment in 2017 is expected to provide more than 37,000 loans, of which approximately 33,000 are loans to female clients.

IFU is driving change



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

SUSTAINABILITY REPORTING

Sustainability policy

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

IFU's sustainability policy framework contains the overarching sustainability policy and underlying policies on corporate governance for investments, guidelines on sustainability in the investment process, anti-corruption, responsible supply chain management, the use of animals for farming and other commercial purposes and HIV/AIDS.

IFU is a signatory to the UN Global Compact, and our commitment to this important initiative remains undiminished. This annual report constitutes the mandatory Communication on Engagement for 2017 to be submitted to the UN Global Compact, and shows the practical actions IFU has taken to support the UN Global Compact principles. The report will be uploaded on https://www.unglobalcompact.org.

IFU takes active part in UN Global Compact and promotes the Global Compact principles through its investments, thereby striving to create shared value by:

- respecting and promoting all basic human rights, including labour rights and occupational health and safety, and addressing adverse human rights impacts that the investment may cause or contribute to as outlined in e.g. the UN Guiding Principles on Business and Human Rights;
- enhancing positive development effects, including the creation of jobs and income, payment of taxes, contribution to government revenue, transfer of know-how and cleaner technologies, training and education, gender equality, community health and food security and other corporate social responsibility-related activities;
- securing corporate governance and business ethics, including anti-corruption, anti-fraud, transparency and stakeholder engagement;
- improving environmental performance through a preventative and precautionary approach that addresses environmental challenges, including climate change, loss of biodiversity and land use changes;
- ensuring good animal welfare, including proper treatment of animals used for food production and for other commercial purposes and testing.

The investees must continuously work towards achieving satisfactory long-term results within sustainability, and such activities must be anchored in their business plan.

Sustainability throughout the investment process

IFU is aware of potential challenges and dilemmas in rela-

Air photo of solar cells at the NPP Coremas I-III project in Brazil.

IFU's sustainablity workflow model

1 First contact

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

2 Due diligence

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

3 Approval of investment

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

4 Active ownership

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

tion to sustainability. Consequently, addressing significant sustainability issues in the business plan is crucial for a project company to achieve satisfactory long-term results, and it is the objective of IFU's sustainability efforts that our partners set up clear sustainability strategies that benefit the company.

Identifying sustainability impacts is an integral part of IFU's investment process as shown in IFU's sustainability workflow model above.

First contact involves initial assessment of potential projects that IFU and IFU managed funds are considering investing in. The sustainability policy of the project sponsor, if such a policy exists, is considered together with information about the project sponsor's track record, commitment and competences to work with sustainability issues. Project-related sustainability risks and impacts to be assessed during the due diligence phase are identified, and projects are categorised in terms of environmental and social risk. IFU uses the risk categories A, B+, B and C, which is a proven concept defined and used by all EDFIs (European Development Finance Institutions). So-called A projects are projects with significant potential adverse environmental or social impacts or risks, e.g. thermal power plants and cement manufacturing. Contrary to this, C projects are projects with minimal or no adverse social or environmental impacts or risks, e.g. offices or IT development companies.

Based on the categorisation, the due diligence includes a comprehensive assessment of sustainability risks, impacts and mitigation measures related to the specific project. On-site visits are made to all potential high-risk projects, and project representatives must answer questions in the Global Compact Self Assessment Tool. For A and B+ projects, IFU will require a full Environmental and Social Impact Assessment (ESIA) in accordance with IFC Performance Standards.

This helps to identify gaps in the current performance or planned measures in the project company, and indicates which improvements are necessary. The results of the assessment are written in an action plan that describes the measures to be implemented within an agreed time frame. The action plan is used as a management tool for IFU to monitor the sustainability performance of the project company.

Project companies must comply with national regulations in the country in which they operate and work towards implementing relevant international standards.

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

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Risk management aspects

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

Management of environmental and social risks and impacts	*Is there an effective environmental and social management system in place?*
Labour and working conditions, including occupational health and safety	*How are the working conditions, and do they comply with international conventions, and how is the occupational health and safety conditions related to the specific sector?*
Resource efficiency and pollution prevention	*How are the resources used and managed to avoid or reduce the impact on human health and the environment, with regard to energy, water, air and waste?*
Community health, safety and security	*What are the risks for the community, and who are the vulnerable groups?*
Land acquisition and involuntary resettlement	*Are there any affected people that would need to be physically or economically displaced?*
Biodiversity	*Is there any biodiversity that is impacted and should be protected?*
Indigenous people	*Are any indigenous people affected?*
Cultural heritage	*Are there any cultural sites being affected?*
Anti-corruption	*How is anti-corruption managed?*

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

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

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

Agribusiness projects are required to comply with Danish standards regarding animal welfare and slurry management. This approach minimises the risk of pollution of the environment and ensures that nutrients in the slurry are used as fertilizer and contribute to soil improvement rather than being wasted. Animal welfare standards ensure proper living standards for the animals and contribute to increased efficiency and fewer illnesses, resulting in improved output from the farms.

Handling fish feed at Aller Aqua's factory in Zambia.

IFU and the UN Guiding Principles for Business and Human Rights (UNGPs)

In 2017, IFU requested the Danish Institute for Human Rights (DIHR) to conduct a review on IFU's current policies and procedures to ensure that IFU works towards applying the UNGPs. Where gaps were identified, DIHR was requested to provide recommendations on how IFU could move forward.

The result of the review was discussed by IFU's Board of Directors and IFU's Sustainability Advisory Board. Based on these discussions, IFU has developed an internal action plan to take the recommendations further to adjust its sustainability policy, sustainability handbook and procedures to be in line with the UNGPs. This update will take place in 2018.

Assessment of sustainability performance

The annual classification of project companies is based on an internal IFU assessment of their sustainability performance. The classification is a combination of four separate areas within sustainability: 1) environment, 2) occupational health and safety (OHS), 3) human rights and labour practices and 4) anti-corruption. Each project company is classified into one of five categories as follows: Excellent, Good, Fair, Poor and Critical.

Project companies with the classification Good are following local legislation and relevant international standards in terms of applicable and relevant significant sustainability

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Annual assessment of sustainability performance

Sustainability classification	Total score (%)	Environment (%)	OHS (%)	Human rights and labour practices (%)	Anti-corruption (%)
Excellent	30	31	30	31	26
Good	52	48	52	53	55
Fair	18	21	17	16	19
Poor	0	0	1	0	1
Critical	0	1	0	0	0

Totals may not add up due to rounded figures.

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

In 2017, internal assessments were carried out for 172 projects under IFU and IFU managed funds. The exercise did not include 13 projects that were not yet disbursed, 20 being inactive and three PDP projects, which are under implementation.

As seen in the figure above, the majority of projects are classified as Good or Excellent. In fact, on average 81 per cent of the projects have Good and Excellent ratings.

More project companies increased their sustainability awareness

IFU requires annual sustainability status reports from the project companies, and since 2014, IFU has required new project companies in our portfolio to prepare their own sustainability policy. A written sustainability policy has been used as a key performance indicator since 2009, and every year since, the number has increased. In 2017, 78 per cent of the companies that have submitted an annual status report have a sustainability policy. The project companies' annual status reports show an increased focus on sustainability. These reports are used in the ongoing dialogue with the project companies to improve their sustainability performance.

Stakeholder engagement and partnership

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

IFU's own initiative is the IFU Sustainability Advisory Board, which has six members, each representing important IFU stakeholder issues: human rights, environment, development and corporate policy. The advisory board meets regularly to discuss and advise on key issues, such as due diligence tools, supply chain dilemmas, anti-corruption, facilitation payments and media communication. Topics discussed in 2017 include UNGPs and IFU, tax and status on the development of the Sustainable Development Goals Fund.

At the end of 2017, the following were members of IFU's Sustainability Advisory Board:

- Lars Engberg-Pedersen, Senior Researcher, DIIS
- Nanna Callisen Bang, Programme Manager, Tuborgfondet
- John Nordbo, former Head of Conservation Department, World Wildlife Foundation, WWF
- Allan Lerberg Jørgensen, Lead Sustainability Advisor, Social Impact, A.P. Moller Maersk
- Malene Østergaard, Director, Group Sustainability, Danfoss
- Gitte Dyrhagen Husager, Private Sector Focal Point & Senior Advisor, Danish Church Aid

Partnership with the Danish Family Planning Association

IFU and the Danish Family Planning Association joined forces in a two-year partnership to promote women's rights and health in developing countries. The goal of the partnership is to show that strengthening women's rights and health benefits both the female employees and the business in IFU's project companies. Moreover the ambition is to encourage businesses in developing countries to actively contribute to SDG 3 on health and SDG 5 on equality.

In May 2017, IFU and the Danish Family Planning Association gathered Danish and East African companies at a conference in Nairobi with a focus on how businesses can benefit socially and financially from investing in women's health. As part of the partnership, two new publications on

Sustainability indicator from annual status reports

Indicators	2017 (172 projects)	2016 (172 projects)	2015 (156 projects)
Written sustainability policy	78%*	76%*	76%*

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

In 2017, IFU partnered up with the Danish Family Planning Association to arrange a women's health conference in Nairobi, Kenya.

employee health and gender equality were presented at the conference. The publications provide guidance on how companies can integrate employee health and gender equality into their business operations, and give examples of three companies, such as Georg Jensen in Thailand, who have invested in the health of their employees and gender equality.

The cooperation continues in 2018 and includes a conference to be held in India in the spring.

Study with Danish Church Aid on development effect for smallholders

In 2017, Danish Church Aid and IFU initiated a common study looking at the role of investors and agribusiness in contributing to the SDGs through smallholder inclusive business models to improve smallholders living conditions by linking them to the agribusiness value chain. The study was discussed at workshops at IFU and DIEH with NGOs and other stakeholders and identified learned insights, which can be shared between commercial businesses and aid projects addressing smallholder inclusiveness, to enhance development effects and contribute to the SDGs.

The study highlights practical advice and points out that strategic partnerships are the cornerstone for realising the SDGs and essential for creating sustainable inclusion of smallholder farmers, ensuring that the smallholders gain the full benefits of their informal or formal relationships with commercial businesses. The study can be found at https://www.ifu.dk/wp-content/uploads/Smallholder002.pdf

IFU present at Folkemødet

In 2017, IFU participated at Folkemødet, which gathers companies, politicians, trade organisations, NGOs as well as interested individuals, who want to learn and discuss issues of public interest.

In cooperation with UNDP and UNEP, IFU organised a debate on how to attract private companies and investors to participate in the financing of the Sustainable Development Goals and how to convert the goals into commercially based business opportunities.

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Community day at Rabai Power Plant in Kenya.

Moreover, the Danish Family Planning Association and IFU hosted a debate focusing on the gender perspective in business, highlighting how strengthening women's rights and health can benefit both the female employees and the businesses.

IFU also participated in debates on renewable energy and sustainability issues.

Danida CSR Training Fund

IFU manages the Danida CSR Training Fund. Through this fund, IFU can support project companies to meet sustainability objectives and contribute to capacity building. There are two types of grants; an assessment grant (of up to DKK 75,000), which may be provided to cover actual costs of an expert assessment of significant sustainability issues and training needs at the company and/or at key suppliers; and a main grant (of up to DKK 500,000), which may be provided to implement sustainability measures, technical assistance and sustainability training.

In 2017, five projects received grants, of which one was an assessment grant and four were main grants. As an example, a main grant was given to the fish feed factory project Aller Zambia to support training and housing of local staff, and the establishment of a community & training centre. Another main grant was given to the cashew plantation and processing facility project MIM Cashew located in Brong Ahafo, Ghana, an area that has substantial health challenges. The grant will support MIM Cashew to develop health-related workplace policies, among other things, establish a health and safety committee and train staff on occupational health and safety as well as sexual harassment in the workplace.

IFU establishes new Sustainability Facility

During 2017, it was decided not to replenish the Danida CSR training grant facility. This means that in future, funds for training in investee companies will have to come from other sources. In order to continue the important work on sustainability, IFU's board resolved that a new sustainability facility should be established by allocating funds for this purpose from IFU's profits. The first allocation of DKK 3m for this new facility was approved in connection with the board's approval of the annual report for 2017.

ORGANISATION

Investment activity

IFU's investment teams, five regional and three sector teams, work closely together on developing new investments as well as managing the existing investment portfolio. In 2017, an investment team for the Finance Sector was established, with the responsibility of defining IFU's future focus on investments in the financial sector, including investments in financial institutions, microfinance investments and soft loans through Danida Business Finance.

Fit for purpose

IFU's business continues to expand, which demands a continuous development of professional and personal competencies. The "Fit for Purpose" project was launched in 2017 and will deliver an organisational insight into the competencies needed - initially for the investment professional roles - now and in the future. Mapping of individual competencies and establishment of development plans have accelerated the competence development, benefitting both IFU and the individual.

Gender composition

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

IFU's board of directors consists of up to ten members and is appointed by the Minister for Foreign Affairs. To have a balanced composition on the board of directors, the objective is to have representation of at least one third of each gender. Currently, the board consists of seven members and one observer[5], of whom five are male (71 per cent) and two are female (29 per cent). One additional female board member was appointed in 2017, increasing the female representation from 16 per cent in 2016. As no other appointments were made, the composition is, however, still below the target. Focus is on meeting the objective as soon as possible.

Employee turnover*	7.7%
Retention (five years of seniority or more)*	63%
New people on-boarded*	16

*Excluding students and others on hourly wage

The objective for the gender composition of leadership positions at IFU is the same as the above. IFU met the objective in 2017, given the 64/36 per cent split between males and females. It is IFU's policy to increase the share of the under-represented gender in leadership positions.

HR statistics

IFU had 84 full-time employees and on average 39 advisers working on projects in 2017.

15 different nationalities are represented among IFU's employees, and 19 per cent of the full-time employees are based at IFU's regional offices. The average age of IFU's employees is 44 years, and the average seniority is nine years. There is a 53/47 percentage split between male and female employees.

Introduction to coffee farming in Tanzania.

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

FINANCIAL REVIEW

IFU recorded net income of DKK 141m in 2017 compared to DKK 218m in 2016.

The result in 2017 was negatively affected by widespread and larger than normally seen depreciation of currencies in developing countries in 2017. Many of the larger Sub-Saharan African economies, except South Africa, saw depreciations in the range of 10 to 15 per cent in 2017. Asian emerging market currencies saw on average lower depreciations, but the effect was still negative for all the major markets. As IFU's share capital investments are typically exposed to local currencies, this has had a negative effect on the valuation of the portfolio.

Gross yield from share capital investments consequently decreased to 6.2 per cent from 11.1 per cent in 2016.

Gross yield from loans was 6.6 per cent against 7.9 per cent in 2016. The return was affected negatively by the large depreciation of USD against DKK in 2017, as not the entire USD portfolio is secured by hedges. Still, the yield was better than expected.

Net operating expenses were higher than in 2016, mainly due to staffing up to manage the continued growth in activities. Net financial income was around nil.

IFU's equity end of year 2017 was DKK 3,288m.

Appropriation of net income for the year

As mentioned on page 26, IFU's board in October 2017 approved a new IFU financed sustainability grant facility. The board has decided that DKK 3m out of IFU's net income for 2017 be set aside for this facility. Further, the board recommends to the Minister for Development Cooperation that a dividend of DKK 50m for 2017 is paid out in 2019.

Gross contribution from projects

Total gross contributions from IFU's primary project-related activities were DKK 200m against DKK 269m in 2016.

Share capital investments contributed DKK 116m in 2017, down from DKK 190m in 2016, the development being mainly ascribed to currency effects as explained above. IFU does not hedge local currency exposure for share capital investments, as costs are often very high and timing of cash flow is uncertain. Future depreciation of local currencies is considered when appraising new investment proposals.

About two thirds of the contribution from share capital investments was due to dividends and divestments, whereas value adjustments on the portfolio accounted for just below a third. Value adjustments are made in accordance with the fair market value principle and IFU guidelines.

Project loans and guarantees contributed DKK 65m in 2017 against DKK 80m in 2016. Value adjustments were DKK 14m, basically unchanged compared to DKK 13m in 2016, as provisions made in previous years could be reversed. Net effect of exchange rate adjustments and hedges was DKK (23)m against DKK (1)m in 2016. Interest and fees income, after provisions but before hedging arrangements, increased to DKK 72m from DKK 66m in 2016.

Other contributions from projects were DKK 19m in 2017 against DKK (1)m in 2016. This was due to reversal of provisions on sale receivables.

Operating expenses

Net operating expenses for IFU in 2017 were DKK 59m, a relatively large increase compared to DKK 49m in 2016, but more on par with the level of DKK 55m in 2015. The development, which was expected, reflects that expenses to manage DAF, which was introduced in early 2016, continued to build up in 2017.

Overall gross expenses covering both IFU and IFU managed funds rose to DKK 105m from DKK 95m in 2016. The increase was due to higher salary expenses at the head office, including full-year effects from additions in 2016, and higher expenses for IT. Besides staff additions related to DAF, IFU also from September 2017 took over management of the Danida blended finance scheme and added five staff members for this purpose. IFU receives a fee covering costs for the DBF task. Detailed expense figures can be seen in note 5 in the accounts.

Overall fee income from IFU managed funds (besides IØ) and operating activities was DKK 43m, a slight increase from DKK 42m in 2016. The resulting net operating expenses of DKK 62m (DKK 53m in 2016) are divided between IFU and IØ based on size of average total project commitment. IØ's part of the expenses decreased to DKK 3m from DKK 4m in 2016, as the fund continues to divest its portfolio. IFU's part was, as mentioned above, DKK 59m.

Financial income, cash flows and balance sheet items

Net financial income was DKK (0)m compared to DKK (2) m in 2016. The result reflects among other things the negative interest rate environment during the year.

Net cash flow for the year was DKK 64m after acquisition of bonds of DKK 151m and after receiving DKK 217m in new capital contributions from the State. DKK 50m was paid as dividend to the State. New disbursements to investments were DKK 478m, and IFU received DKK 600m from investments and investment-related receivables.

The average value adjusted portfolio of share capital investments grew to DKK 1.9bn in 2017 from DKK 1.7bn in 2016. For loans and guarantees, the average value adjusted portfolio was unchanged at DKK 1.0bn.

Cash and bonds end of year was DKK 431m, up from DKK 202m in 2016, and undisbursed commitments were DKK 1,674m, slightly lower than DKK 1,742m in 2016.

The continued high level of commitments compared to cash underlines the need for stringent management of IFU's liquidity position. Commitments, however, only translate into disbursements over a multi-year period, and according to IFU's liquidity policy the aim is to always have a positive cash position. Further, the liquidity position is backed by a DKK 300m credit facility shared with IØ (DKK 264m available for drawing at end of 2017). Including the credit facility, total liquidity resources available to IFU amounted to DKK 670m at year-end 2017.

In early 2018, IFU received DKK 100m in capital contribution and will as elsewhere mentioned get access to loan financing of DKK 800m in Danmarks Nationalbank, both initiatives earmarked for funding IFU's part of up to DKK 2,000m of the planned SDG Equity Fund.

As per 31 December 2017, IFU had equity of DKK 3,288m, up from DKK 2,984m at 31 December 2016. The net change reflects the net income of DKK 141m in 2017 plus paid-in capital of DKK 217m and less the approved dividend of DKK 50m for 2016 and the appropriation of DKK 3m to the IFU Sustainability Facility.

>

The beginning of the Sainshand wind project in Mongolia.

From January 2018, IFRS 9, a new accounting standard, is introduced, replacing IAS 39. The effect of the change primarily relates to the requirement of provisions on IFU's loan and guarantee portfolio to reflect expected losses already from the time a loan is granted. It is estimated that the effect on IFU's 2017 equity will be around DKK (20)m. The change will be fully implemented from 2018 and is expected to be implemented as a correction to the retained earnings at the beginning of 2018.

Risk management

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

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

In preparing the financial statements, management makes a number of estimates and assumptions of future events that will affect the carrying amount of assets and liabilities. The areas where estimates and assumptions are most critical to the financial statements are the fair value measurement of share capital investments and the fair value measurement of project loans. The note on accounting policies and note 26 on fair value measurement basis provide more details.

To minimise the overall risk in IFU's investment portfolio, a set of risk policies have been implemented in the investment policy. These policies include guidelines for appraisal of commercial risk for project, partner and country risk exposure as well as guidelines for managing direct financial risk.

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

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

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

Details on equity, credit, currency, interest rate risk and liquidity risk are provided in notes 20 to 24 to the financial statement.

Distribution of project commitments as at 31 December 2017 – five largest single country portfolios

Country	2017 (%)	2016 (%)
China	8.4	10.0
Kenya	5.9	6.5
Vietnam	5.5	5.0
India	5.3	5.8
South Africa	5.1	3.7

Events after the balance sheet date

No events have occurred after the balance sheet date, which have materially affected IFU's financial position.

Outlook for 2018

In 2018, IFU expects to directly invest in the range of DKK 600-700m. The figure includes additional financing to existing investments. In addition, IFU will commit up to DKK 2,000m for the planned SDG Equity Fund, which will be drawn gradually over the coming years. IFU expects a higher profit level in 2018 than in 2017.

Including IFU managed funds, IFU expects to invest in the range of DKK 1,400-1,500m, a further increase over the record level achieved in 2017.

STATEMENT

STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

The executive management and the board of directors have today considered and approved the annual report of the Investment Fund for Developing Countries (IFU) for the financial year 1 January – 31 December 2017.

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

In our opinion, the annual report gives a true and fair view of IFU's financial position as per 31 December 2017 and of the results of IFU's operations and cash flows for 2017.

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

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

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

Copenhagen, 5 April 2018

EXECUTIVE MANAGEMENT:

Tommy Thomsen, CEO

Torben Huss, Executive Vice President

BOARD OF DIRECTORS:

Michael Rasmussen, Chairman

Lars Andersen, Deputy Chairman

Jens Jørgen Kollerup

Bjarne H. Sørensen

Dorrit Vanglo

Mads Kjær

Charlotte Jepsen

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Opinion
We have audited the financial statements of IFU for the financial year 1 January – 31 December 2017, which comprise an income statement, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of IFU's financial position at 31 December 2017 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

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

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

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

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

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of IFU's internal control.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management's review

Management is responsible for the management's review.

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

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

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

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

Report on other legal and regulatory requirements

Statement on compliance audit and performance audit

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

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

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

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

Copenhagen, 5 April 2018

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant
MNE no: mne28632

Henrik Barner Christiansen
State Authorised Public Accountant
MNE no: mne10778

IFU's **active**

investments are currently

employing **more than**

180,000 people…

Income statement

Note		2017 DKK 1,000	2016 DKK 1,000
2/	Contribution from share capital investments	115,815	190,135
3/	Contribution from project loans and guarantees	65,268	79,578
4/	Other contributions from projects	18,702	(560)
	Contribution from associates	0	0
	GROSS CONTRIBUTION FROM PROJECTS	**199,785**	**269,153**
5/	Operating expenses, net	(58,751)	(48,952)
	OPERATING INCOME	**141,034**	**220,201**
6/	Financial income, net	(322)	(2,020)
	NET INCOME FOR THE YEAR	**140,712**	**218,181**

Balance sheet at 31 December

Assets

Note		2017	2016
		DKK 1,000	DKK 1,000
	LONG TERM ASSETS		
	Share capital investment in projects at cost	1,764,765	1,620,763
	Value adjustments	185,117	149,682
7/	Share capital investment in projects	1,949,882	1,770,445
	Project loans at cost	923,418	1,101,886
	Value adjustments	(52,316)	(67,279)
8/	Project loans, net	871,102	1,034,607
9/	Investment in subsidaries	1,680	1,680
10/	Fixed assets and leasehold improvements	4,955	4,010
	Total long term assets	**2,827,619**	**2,810,742**
	CURRENT ASSETS		
11/	Interest receivable related to projects	24,411	17,268
12/	Other receivables	127,134	94,871
	Bonds	150,393	0
	Cash	280,463	202,191
	Total current assets	**582,401**	**314,330**
	TOTAL ASSETS	**3,410,020**	**3,125,072**

Balance sheet at 31 December

Liabilities and equity

Note		2017	2016
Note		DKK 1,000	DKK 1,000
	EQUITY		
	Paid-in capital	1,382,842	1,166,342
	Repaid capital	(1,250,000)	(1,250,000)
	Proposed dividend	50,000	50,000
	Retained earnings	3,105,108	3,017,396
13/	**Total equity**	**3,287,950**	**2,983,738**
	PROVISION FOR LOSSES		
	Guarantees	0	2,367
	CURRENT LIABILITIES		
	Drawn on bank credit facility	25,025	10,745
14/	Other current liabilities	97,045	128,222
		122,070	138,967
	Total liabilities	**122,070**	**138,967**
	TOTAL EQUITY, PROVISION FOR LOSSES AND LIABILITIES	**3,410,020**	**3,125,072**

1/ ACCOUNTING POLICIES
15/ UNDISBURSED COMMITMENTS TO PROJECTS
16/ CONTINGENT LIABILITIES
17/ RELATED PARTY DISCLOSURES
18/ RECOMMENDED APPROPRIATION OF PROFIT
19/ FINANCIAL HIGHLIGHTS, INVESTMENTS CONTRACTED IN 2017 AND SUSTAINABILITY CLASSIFICATION
20/ FINANCIAL RISK MANAGEMENT
21/ EGUITY AND CREDIT RISK
22/ CURRENCY RISK
23/ INTEREST RATE RISK
24/ LIQUIDITY RISK
25/ CLASSIFICATION OF FINANCIAL INSTRUMENTS
26/ FAIR VALUE MEASUREMENT BASIS

Cash flow statement

	2017	2016
	DKK 1,000	DKK 1,000
CASH FLOW FROM OPERATING ACTIVITIES		
Dividends from projects received	47,671	29,310
Interest from projects received	59,471	56,767
Other project related payments	3,178	9,642
Operating expenses, net	(75,001)	(42,833)
Net payments related to financial income and expenses	460	(1,769)
Net cash from operating activities	**35,779**	**51,117**
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Received from sale of shares	191,509	394,712
Received from project loans	312,997	222,401
Received from derivatives, loans	(14,367)	(25,258)
Paid-in share capital in projects	(270,329)	(351,034)
Disbursement of project loans	(207,512)	(316,228)
Paid-in capital in subsidaries	0	(550)
Received from (invested in) bonds	(150,585)	0
Net cash from (to) investing activities	**(138,287)**	**(75,957)**
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Paid-in capital received during the year	216,500	14,000
Paid-out dividend during the year	(50,000)	0
Net cash from (to) financing activities	**166,500**	**14,000**
NET CHANGE IN CASH	63,992	(10,840)
NET CASH BEGINNING OF YEAR	**191,446**	**202,286**
NET CASH END OF YEAR	**255,438**	**191,446**
- Shown as cash in current assets	**280,463**	**202,191**
- Shown as drawn on bank credit facility	**(25,025)**	**(10,745)**

Notes

Note

1/ Accounting policies

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

The accounting principle applied remain unchanged from previous year.

Implementation of new accounting legislation
From January 2018, IFRS 9, a new accounting standard, is introduced, replacing IAS 39. The change primarily relates to the requirement of provisions on IFU's loan and guarantee portfolio to reflect expected losses. Consequently, IFU will now have to make a provision already from a commitment has been granted. It is estimated that the provisions on IFU's loan and guarantee portfolio at the end of 2017 will increase from DKK 52.3m to around DKK 70m. The change will be fully implemented from 2018 and is expected to be implemented as a correction to the retained earnings at the beginning of the year.

Below, the accounting principles for each class of financial asset and liability are outlined.

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

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

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

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

IFU applies the accounting principles described in the Danish Financial Statements Act section 37 art. 5, on measurement of financial assets and liabilities in accordance with the International Reporting Standards 'IFRS' as adopted by the EU.

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.

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

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

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

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

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

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

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

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

INCOME STATEMENT

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

Contribution from project loans and guarantees
Contribution from project loans and guarantees includes interest, 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.

Notes

Operating expenses, net
Operating expenses, net are total operating expenses incurred by IFU less income received for management services rendered by IFU, other than from the Investment Fund for Central and Eastern Europe (IØ), and income related to operating activities.

Operating expenses, net are divided at year-end between IFU and IØ proportionate to average total project commitments during the year (the sum of outstanding investments at acquisition cost, remaining commitments and binding commitments). Operating expenses comprise expenses for management, administrative staff, office expenses, depreciation of fixed assets and leasehold improvements, etc. Income related to operating activities includes board member fees, etc.

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

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

BALANCE SHEET

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

Share capital investments in projects where IFU has significant influence are associates and are accounted for as share capital investments.

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

Impairment of financial assets

IFU assesses at a continuing basis whether a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The carrying amount of the asset is reduced through individual impairment on separate allowance accounts, and the amount of the loss is recognised in profit or loss as either "Contribution from project loans and guarantees" or "Other contributions from projects".

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

Current liabilities

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

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.

Commitments

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

Note		2017	2016
		DKK 1,000	DKK 1,000
2/	Contribution from share capital investments		
	Dividends from projects	48,819	28,370
	Realised gain from divested share capital investments	36,221	65,972
	Value adjustments, portfolio	30,775	95,793
	Contribution from share capital investments	**115,815**	**190,135**
3/	Contribution from project loans and guarantees		
	Interest income and fees related to project loans and guarantees	77,126	69,450
	Value adjustments, loan portfolio	14,083	13,451
	Value adjustments, guarantees	2,366	689
	Exchange rate adjustments, project loans	(62,522)	14,702
	Value adjustments, derivatives	39,360	(15,692)
	Value adjustments, interest and fees	(5,145)	(3,022)
	Contribution from project loans and guarantees	**65,268**	**79,578**
4/	Other contributions from projects		
	Value adjustments, receivables, excl. exchange rate adjustments	21,017	(409)
	Exchange rate adjustments, receivables	(1,555)	(210)
	Interest from receivables	1,810	1,305
	Other income and expenses	(2,570)	(1,246)
	Other contributions from projects	**18,702**	**(560)**

Notes

Note		2017 DKK 1,000	2016 DKK 1,000
5/	Operating expenses, net		
	Expenses		
	Salaries, head office	54,180	46,554
	Rental expenses	7,109	7,000
	Travelling expenses	5,774	4,583
	Regional office expenses	13,943	14,637
	Fees for board of directors	1,079	989
	Fees for external assistance	4,826	4,661
	IT expenses	7,820	6,319
	Office expenses	1,449	1,370
	Various expenses	7,200	6,666
	Depreciation of fixed assets and leasehold improvements (note 10)	1,061	988
	Total expenses before non-refundable VAT/taxes	104,441	93,767
	Non-refundable VAT/taxes	1,003	1,133
	Total expenses	105,444	94,900
	Income		
	Management fees	(42,630)	(41,725)
	Board member fees	(332)	(386)
	Various income	(520)	(244)
	Total income	(43,482)	(42,355)
	Total operating expenses, net (IFU and IØ)	61,962	52,545
	Operating expenses, net charged to IØ	(3,211)	(3,593)
	IFU's part of operating expenses, net	**58,751**	**48,952**
	Fee to the auditor of the funds included in "Fees for external assistance" and "Various expenses":	**837**	**1,056**
	- hereof audit fees	527	593
	- hereof other assurance engagements	97	139
	- hereof tax and VAT advice	0	31
	- hereof other non-audit services	213	293

Note		2017 DKK 1,000	2016 DKK 1,000
	Specification of personnel expenses (salaries etc.)*		
	Salaries, remunerations etc.	59,211	50,266
	Pension contributions	4,885	4,329
	Other expenses for social security	194	251
	Payroll tax	1,003	1,140
	Personnel expenses in total	**65,293**	**55,986**

*) The figures are included in "Salaries, head office", "Travelling expenses", "Regional office expenses", "Fees for board of directors" and "Non-refundable VAT/taxes".

	2017	2016
Remuneration to the board of directors:		
Michael Rasmussen, Chairman	263	255
Lars Andersen, Deputy Chairman	194	188
Other board members *	622	546
Total remuneration to the board of directors	1,079	989
Remuneration to the executive board:		
Salaries and pension **	3,804	3,458
Performance remuneration	842	579
Total remuneration to the executive board	4,646	4,037
Total remuneration to the board of directors and executive board	**5,725**	**5,026**

*) Five members (four members in 2016)
**) Hereof pension 495 (453 in 2016).

	2017	2016
Average number of employees, head office	68	62
Average number of employees, regional offices	16	16
	84	**78**

Notes

Note		2017 DKK 1,000	2016 DKK 1,000
6/	Financial income, net		
	Financial income		
	Interest income, cash and bonds	(49)	(118)
	Financial income	**(49)**	**(118)**
	Financial expenses		
	Interest expenses, bank charges and exchange rate adjustments	(81)	(1,902)
	Loss on bonds	(192)	0
	Financial expenses	**(273)**	**(1,902)**
	Financial income, net	**(322)**	**(2,020)**

Notes

Note		2017 DKK 1,000	2016 DKK 1,000
7/	Share capital investment in projects		
	Share capital investment in projects beginning of year at cost	1,620,763	1,565,008
	Paid-in share capital in projects during the year	270,329	351,034
	Project loans or interest converted into share capital during the year	10,094	3,200
	Proceeds from divestment of shares	(167,982)	(409,611)
	Realised gain from divestment of shares relative to cost, net	31,561	111,132
	Share capital investment in projects end of year at cost	**1,764,765**	**1,620,763**
	Accumulated value adjustments beginning of year	149,682	99,049
	Reversed value adjustments, divested share capital investments	4,660	(45,160)
	Value adjustments, portfolio during the year	30,775	95,793
	Accumulated value adjustments end of year	**185,117**	**149,682**
	Share capital investment in projects end of year	**1,949,882**	**1,770,445**
	Herof associated companies:		
	Share capital investment in projects end of year at cost	778,354	713,664
	Accumulated value adjustments end of year	21,271	3,267
		799,625	**716,931**
	Accumulated value adjustments end of year are comprised of:		
	Positive value adjustments	504,333	432,545
	Negative value adjustments	(319,216)	(282,863)
		185,117	**149,682**

Notes

Note

Investment in associated comprises of:

DKK 1,000

Name/domicile:	Form of company:	IFU's ownership interest (%)	2017 Result	2017 Equity
			According to the latest approved annual report	
Aerial & Maritime Ltd., *Mauritius*	Ltd.	35.18%	N/A	N/A
Africa Coffee Roasters Limited, *Kenya*	Ltd.	20.00%	(4,060)	7,611
AfriNord Hotel Investment A/S, *Denmark*	A/S	20.00%	388	4,695
Afro Farm Limited, *Tanzania*	Ltd.	40.22%	(758)	(758)
Al Quseir Hotel Company SAE, *Egypt*	SAE	20.00%	(12,274)	17,532
Aller Aqua China A/S, *Denmark*	A/S	40.00%	(5,219)	33,863
Alliance for Microfinance in Myanmar Limited, *Myanmar*	Ltd.	22.05%	(146)	30,971
Arab Investment Fund K/S, *Denmark*	K/S	33.33%	(6,915)	140,027
AVK Foundry Holding ApS, *Denmark*	ApS	34.20%	(15,525)	34,908
Birger Christensen China Holding A/S, *Denmark*	A/S	40.00%	(1,637)	518
BOPA PTE Ltd, *Cambodia*	Ltd.	23.00%	(87)	28,353
Bukkehave Distribution ApS, *Denmark*	ApS	40.00%	(3,373)	(3,046)
CDM Ukraine ApS, *Denmark*	ApS	49.00%	(22)	125
ClickBeauty International ApS, *Denmark*	ApS	20.00%	(997)	1,003
Compact India Pvt. Ltd., *India*	Ltd.	38.40%	(7,321)	14,544
COT Africa Limited , *Mauritius*	Ltd.	49.99%	(3,527)	21,611
Cubagro Holding ApS, *Denmark*	ApS	48.00%	N/A	N/A
Danish Agribusiness Fund K/S, *Denmark*	K/S	26.50%	(15,248)	51,431
Danish Microfinance Partners K/S, *Denmark*	K/S	24.92%	89,594	443,451
DanMoz Holding A/S, *Denmark*	A/S	25.00%	(5,741)	(5,687)
Danper Agricola La Venturosa S.A.C., *Peru*	S.A.C	45.00%	(4,159)	76,175
Danper Agricola Olmos S.A.C., *Peru*	S.A.C	24.99%	10,075	135,340
DESMI India LLP, *India*	LLP	20.00%	1,016	10,461
DSC Denmark Holding ApS, *Denmark*	ApS	33.33%	(168)	4,002
Dynatest South America Holding ApS, *Denmark*	ApS	33.33%	N/A	N/A
Elgon Road Developments Ltd, *Kenya*	Ltd.	27.18%	(26,444)	182,645
EMF Cooling Systems Hong Kong Limited, *Hong Kong*	Ltd.	26.77%	(1,811)	46,121
Falck Lanka (Pvt.) Limited, *Sri Lanka*	Ltd.	41.90%	(3,500)	(8,603)
Fertin India Private Limited, *India*	Ltd.	25.00%	(3,467)	18,818
Fiberline Asia Limited, *Hong Kong*	Ltd.	24.89%	3,775	5,724
Fibertex South Africa, *South Africa*	Pty. Ltd.	25.80%	(17,639)	60,543

Notes

Note

Investment in associated comprises of:

DKK 1,000

Name/domicile:	Form of company:	IFU's ownership interest (%)	2017 Result	2017 Equity
			According to the latest approved annual report	
Foss India Private Limited, *India*	Ltd.	24.15%	(2,069)	4,894
Frontier Trading Co. Ltd., *China*	Ltd.	40.00%	N/A	N/A
Ghana Emulsion Limited, *Ghana*	Ltd.	26.10%	N/A	N/A
Gustu Gastronomia S.A., *Bolivia*	S.A.	45.00%	(896)	5,793
Helnan International Hotels A/S*, *Denmark*	A/S	64.75%	824	9,984
HortiQ (Thailand) Company Limited, *Thailand*	Ltd.	40.00%	1,261	7,098
House of Odin Ltd., *Nigeria*	Ltd.	20.20%	770	6,189
IBF Uganda ApS, *Denmark*	ApS	36.00%	(102)	87
Jema Autolife Co., Ltd, *China*	Ltd.	44.01%	(740)	(2,592)
Jyden China Holding A/S , *Denmark*	A/S	49.00%	N/A	N/A
Kenya Property Holding ApS, *Denmark*	ApS	49.00%	(114)	5,886
Kosan Crisplant Cameroun S.A., *Cameroun*	S.A.C	21.92%	(1,381)	2,555
Merkur Udviklingslån A/S, *Denmark*	A/S	50.00%	383	16,052
Mim Cashew & Agricultural Products Limited, *Ghana*	Ltd.	20.00%	(19,789)	67,280
Motorcare Services Holding A/S*, *Denmark*	A/S	83.33%	(1,445)	27,539
Newtelco Georgia Ltd., *Georgia*	Ltd.	20.00%	(479)	(161)
Niebuhr Limited, *Hong Kong*	Ltd.	25.00%	2,515	25,353
Nordic Microfinance Initiative AS, *Norway*	K/S	33.33%	5,249	87,154
Nordic Microfinance Initiative Fund III KS, *Norway*	K/S	24.40%	33,695	340,381
Normeca International (Thailand) Co.Ltd., *Thailand*	Ltd.	25.00%	359	2,610
Orana India Pvt Ltd, *India*	Ltd.	36.95%	(2,696)	1,031
Rabai Power Holdings Limited, *United Kingdom*	Ltd.	20.00%	49,762	380,740
Wagner China ApS, *Denmark*	ApS	40.00%	58	16,426

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

Notes

Note		2017 DKK 1,000	2016 DKK 1,000
8/	Project loans, net		
	Project loans beginning of year at cost	1,101,886	1,017,761
	Disbursements during the year	207,512	316,228
	Interest and fees converted into project loans during the year	1,526	357
	Repayments during the year	(312,997)	(222,401)
	Project loans converted into share capital during the year	(10,094)	(3,200)
	Exchange rate adjustments, project loans	(62,522)	14,702
	Project loans transferred to other receivables during the year	(911)	0
	Write-offs during the year	(982)	(21,561)
	Project loans end of year at cost *	**923,418**	**1,101,886**
	Accumulated value adjustments beginning of year	(67,279)	(102,168)
	Reversed value adjustments, loans written off	(1,094)	(23,666)
	Value adjustments	16,160	58,677
	Value adjustments related to conversions during the year	(103)	(122)
	Accumulated value adjustments end of year	**(52,316)**	**(67,279)**
	Project loans, net end of year	**871,102**	**1,034,607**
*)	Project loans end of year at cost are comprised of:		
	Senior project loans	786,128	971,610
	Subordinated loans	113,856	96,770
	Equity loans	23,434	33,506
		923,418	**1,101,886**

Notes

Note			2017 DKK 1,000	2016 DKK 1,000

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

	2017 Currency	2016 Currency		
DKK			197,043	149,614
USD[1]	65,929	73,882	409,270	521,075
EUR	37,701	51,732	280,681	384,596
Other currencies			36,425	46,601
			923,418	**1,101,886**

1) USD 43.2m is hedged against DKK (USD 51.2m in 2016)

Note		2017 DKK 1,000	2016 DKK 1,000
9/	Investment in subsidaries		
	Investment in subsidaries beginning of year at cost	1,680	1,130
	New investments during the year	0	550
	Investment in subsidaries end of year at cost	**1,680**	**1,680**
	Accumulated value adjustments end of year	**0**	**0**
	Investment in subsidaries, net end of year	**1,680**	**1,680**

Investment in subsidaries comprises of:

Name/domicile:	Form of company:	IFU's ownership interest (%)	2017 Result	2017 Equity
			According to the latest approved annual report	
IFU Investment Komplementar, Copenhagen, *Denmark*	ApS	100%	14	133
IFU Investment Partners GP, Copenhagen, *Denmark*	P/S	100%	(20)	422
DCIF I GP Komplementar, Copenhagen, *Denmark*	ApS	100%	7	69
DCIF I GP, Copenhagen, *Denmark*	P/S	100%	(12)	470
DAF I GP Komplementar, Copenhagen, *Denmark*	ApS	100%	6	56
DAF I GP, Copenhagen, *Denmark*	P/S	100%	(7)	493

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

Notes

Note		2017 DKK 1,000	2016 DKK 1,000
10/	Fixed assets and leasehold improvements		
	Cost beginning of year	10,044	9,696
	Additions during the year	2,006	515
	Disposals during the year	0	(167)
	Cost end of year	**12,050**	**10,044**
	Depreciation beginning of year	6,034	5,213
	Depreciation for the year (note 5)	1,061	988
	Depreciation for disposal of the year	0	(167)
	Depreciation end of year	**7,095**	**6,034**
	Book value end of year	**4,955**	**4,010**
11/	Interest receivable related to projects		
	Interest receivable related to projects before value adjustments	40,909	30,700
	Value adjustments	(16,498)	(13,432)
	Interest receivable related to projects	**24,411**	**17,268**
12/	Other receivables		
	Dividend receivables	847	83
	Receivables from sale of shares	81,345	104,502
	Receivables from sale of loan	910	1,859
	Receivable front-end fees	2,939	1,477
	Other project-related receivables	372	705
		86,413	108,626
	Value adjustments	(101)	(20,859)
		86,312	87,767
	Derivatives *	17,451	252
	Administrative receivables	20,969	4,605
	Current accounts	0	0
	Accrued interest receivables from bonds	0	0
	Rental deposits	2,402	2,247
	Deferred income	0	0
		127,134	**94,871**

*) Stated amount for 2017 concerns a hedged amount of USD 28.8m with term from 2018 to 2025.

Notes

Note		2017 DKK 1,000	2016 DKK 1,000
	Bonds		
	Listed bonds	150,393	0
	Bonds end of year	**150,393**	**0**
13/	Total equity		
	Paid-in capital beginning of year	1,166,342	1,152,342
	Paid-in capital during the year	216,500	14,000
	Paid-in capital end of year	**1,382,842**	**1,166,342**
	Repaid capital beginning of year	(1,250,000)	(1,250,000)
	Repaid capital during the year	0	0
	Repaid capital end of year	**(1,250,000)**	**(1,250,000)**
	Dividend proposed for the year	**50,000**	**50,000**
	Retained earnings beginning of year	3,017,396	2,899,215
	Dividend regarding previous year	0	(50,000)
	Transfered income for the year	87,712	168,181
	Retained earnings end of year	**3,105,108**	**3,017,396**
	Total equity end of year	**3,287,950**	**2,983,738**
14/	Other current liabilities		
	Other project-related debt	6,604	4,895
		6,604	4,895
	Derivatives *	8,057	44,586
	Dividend regarding previous year	50,000	50,000
	IFU Sustainability Facility	3,000	0
	Administrative debt	28,301	26,363
	Current accounts	788	1,163
	Deferred income	295	1,215
		97,045	**128,222**

*) Stated amount for 2017 concerns a hedged amount of USD 14.4m with term from 2018 to 2025.

Notes

Note	2017 DKK 1,000	2016 DKK 1,000

15/ Undisbursed commitments to projects

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

	2017	2016
Amounts payable on share capital and loan agreements	1,210,015	1,366,309
Guarantees*	53,983	29,118
Binding commitments	409,763	346,726
Undisbursed commitments to projects	**1,673,761**	**1,742,153**

*) Net outstanding guarantees after provision for losses, amount to 53,983 (26,752 in 2016)

16/ Contingent liabilities

The total lease and rental commitments amount to DKK 8.0m (DKK 7.7m in 2016)
- hereof due within the following year DKK 6.6m (DKK 7.7m in 2016).

17/ Related party disclosures

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

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

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

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

18/ Recommended appropriation of profit

	2017	2016
Dividend proposed for the year	50,000	50,000
Distribution to IFU Sustainability Facility	3,000	0
Transfered to reserve under equity	87,712	168,181
	140,712	**218,181**

Note

19/ Financial highlights, Investments contracted in 2017, Developmental highlights and Sustainability classification

Financial highlights (table) - see page 7
Investments contracted in 2017 (table) - see page 12
Sustainability classification (table) - see page 23

20/ Financial risk management

Introduction

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

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

21/ Equity and credit risk

Equity risk

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

Credit risk

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

Managing equity and credit risk

At the portfolio level, IFU mitigates equity risk and credit risk by investing in a variety of countries and by limiting the concentration of risks per partner. IFU assesses concentrations of risk on the basis of total commitments, which include acquisition cost of both share capital investments and project loans, binding commitments and amounts payable on share capital and loan agreements. Further IFU through the due diligence process assesses the specific risks for each share capital investment and project loan and seeks to mitigate associated equity and credit risks. For some of IFU's share capital investments, IFU has the opportunity to sell the shares through pre-agreed exit agreements. In this way, IFU mitigates the risk of not being able to exit the investments. See note 25 for fair value measurement basis.

On an ongoing basis, the credit quality of the projects is assessed based on among other things:

- Specific terms as agreed
- Current and expected operational results of the company
- Expected sales value and pledges
- Historical records of debt service

Note

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

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

2016	Share capital investments		Project loans		Total		Commitments (off balance)	
OECD	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%
2	230,521	14%	114,300	10%	344,821	13%	101,221	6%
3	109,564	7%	282,057	26%	391,621	14%	113,482	7%
4	90,222	6%	57,532	5%	147,754	5%	183,876	11%
5	158,748	10%	31,156	3%	189,904	7%	102,189	6%
6	273,919	17%	442,264	40%	716,183	26%	236,791	14%
7	74,895	5%	167,658	15%	242,553	9%	338,155	19%
Africa regional	409,941	25%	6,919	1%	416,860	15%	145,349	8%
DAC	223,491	14%	0	0%	223,491	8%	470,918	27%
Asia regional	49,462	3%	0	0%	49,462	2%	50,172	3%
Total	**1,620,763**	**100%**	**1,101,886**	**100%**	**2,722,649**	**100%**	**1,742,153**	**100%**

Note

Credit quality/impairment

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

DKK 1,000	2017	2016
Project loans, neither past due nor value adjusted	825,987	1,000,158
Project loans, past due but not value adjusted	16,721	12,322
Project loans, value adjusted	80,710	89,406
Total	**923,418**	**1,101,886**

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

DKK 1,000	2017	2016
OECD 2	110,114	107,111
OECD 3	128,783	256,796
OECD 4	48,487	56,183
OECD 5	27,923	31,156
OECD 6	343,448	408,916
OECD 7	164,775	133,077
Africa regional	2,457	6,919
DAC	0	0
Asia regional	0	0
Total	**825,987**	**1,000,158**

The table below shows the distribution according to due date.

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

2016 DKK 1,000	Not value adjusted	Value adjusted	Project loans at cost	Value adjustments	Project loans, net
Project loans, not past due	1,000,158	66,790	1,066,948	(45,230)	1,021,718
Project loans, past due up to 12 months	5,556	5,727	11,283	(5,193)	6,090
Project loans, past due more than 12 months	6,766	16,889	23,655	(16,856)	6,799
Total	**1,012,480**	**89,406**	**1,101,886**	**(67,279)**	**1,034,607**

Note

Maximum exposure to credit risk

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

	2017		2016	
DKK 1,000	Carrying amount	Maximum credit exposure (contractual cash flow)	Carrying amount	Maximum credit exposure (contractual cash flow)
Project loans	871,102	923,418	1,034,607	1,101,886
Interest receivable related to projects	24,411	40,909	17,268	30,700
Other receivables	85,173	85,274	94,619	115,478
Derivatives	17,451	17,451	252	252
Cash	279,630	279,630	202,191	202,191
Commitments	0	549,765	0	477,128
Total	**1,277,767**	**1,896,447**	**1,348,937**	**1,927,635**

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

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

- Pledges
- Indemnities and counter-guarantees

The fair value of the pledges is DKK 269m (2016: DKK 257m) and for indemnity and guarantee commitments DKK 151m (2016: DKK 276m).

22/ Currency risk

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

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

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

IFU primarily uses cross currency swaps to hedge the exposure towards changes in foreign exchange rates on project loans. As exchange rate adjustments of the hedged item and fair value adjustments of the derivative financial instruments are recognised in the income statement, hedge accounting in accordance with IAS 39 is not applied.

Note

Currency exposure and sensitivity

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

2017

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

2016

DKK 1,000	Project loans	Interest receivables	Other project related receivables	Hedged	Provision for losses Guarantees	Other project related debt	Net exposure	Increase in foreign exchange rates	Effects on profit or loss
USD	505,412	5,749	948	(361,285)	(2,367)	(26)	148,431	10%	14,843
EUR	358,828	7,363	65,506	0	0	(260)	431,437	1%	4,314
DKK	138,854	2,030	2,744	361,285	0	(4,609)	500,304	N/A	0
Other	31,513	2,126	18,569	0	0	0	52,208	10%	5,221
Total	**1,034,607**	**17,268**	**87,767**	**0**	**(2,367)**	**(4,895)**	**1,132,380**		

Note

23/ Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Most of IFU's investments in project loans carry variable interbank interest rates, thus changes in interest rates will mainly affect future cash flows and income.

Interest rate exposure and sensitivity

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

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

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

2016					
DKK 1,000	Project loans	SWAP	Net exposure	Increase in interest rates	Effect on profit or loss
Fixed	69,950	(21,948)	48,002	100 bp	0
Variable	964,657	21,948	986,605	100 bp	9,866
Total	**1,034,607**	**0**	**1,034,607**		

24/ Liquidity risk

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

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

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

To meet these and other obligations, IFU, apart from capital contributions net of dividends, relies on a continuous positive cash flow from interest and repayments on project loans as well as dividends and sales of share capital investments to meet its obligations. It is IFU's policy to maintain a positive cash position. A DKK 300 million credit facility shared with IØ is in place to cover unexpected negative short-term fluctuations in cash flows. At year-end, DKK 282 million was available for drawing.

Note

Contractual maturities

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

2017

DKK 1,000	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
Assets							
Project loans	871,102	923,418	41,120	297,998	516,789	67,511	0
Interest receivable related to projects	24,411	40,909	40,909	0	0	0	0
Other receivables	77,116	77,217	2,422	44,585	0	0	38,267
Derivatives	17,451	17,451	0	4,766	10,905	1,780	0
Cash and cash equivalents	404,772	404,772	74,379	180,000	150,393	0	0
Total assets	**1,394,852**	**1,463,767**	**158,830**	**527,349**	**678,087**	**69,291**	**38,267**
Liabilities							
Derivatives	8,057	8,057	0	4,611	3,446	0	0
Other current liabilities	47,119	47,119	0	47,119	0	0	0
Provision for losses	0	0	0	0	0	0	0
Total liabilities	**55,176**	**55,176**	**0**	**51,730**	**3,446**	**0**	**0**
Off-balance							
Guarantees		53,983	0	0	0	0	53,983
Amounts payable on share capital and loan agreements		1,210,015	1,210,015	0	0	0	0
Binding commitments		409,763	0	409,763	0	0	0
Total off-balance		**1,673,761**	**1,210,015**	**409,763**	**0**	**0**	**53,983**

Note

2016 DKK 1,000	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
Assets							
Project loans	1,034,607	1,101,886	34,938	238,531	755,667	72,750	0
Interest receivable related to projects	17,268	30,700	30,700	0	0	0	0
Other receivables	94,619	115,478	2,422	92,242	0	0	20,814
Derivatives	252	252	0	12	189	51	0
Cash and cash equivalents	191,446	191,446	51,446	140,000	0	0	0
Total assets	**1,338,192**	**1,439,762**	**119,506**	**470,785**	**755,856**	**72,801**	**20,814**
Liabilities							
Derivatives	44,586	44,586	0	14,930	28,190	1,466	0
Other current liabilities	83,636	83,636	0	83,636	0	0	0
Provision for losses	2,367	2,367	0	0	0	0	2,367
Total liabilities	**130,589**	**130,589**	**0**	**98,566**	**28,190**	**1,466**	**2,367**
Off-balance							
Guarantees		29,118	0	0	0	0	29,118
Amounts payable on share capital and loan agreements		1,366,309	1,366,309	0	0	0	0
Binding commitments		346,726	0	346,726	0	0	0
Total off-balance		**1,742,153**	**1,366,309**	**346,726**	**0**	**0**	**29,118**

Note

25/ Classification of financial instruments

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

2017

DKK 1,000	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Other liabilities at amortised cost	Total
Financial assets				
Share capital investment in projects	1,949,882	0		1,949,882
Project loans	0	871,102		871,102
Interest receivable related to projects		24,411		24,411
Other receivables	82,154	27,529		109,683
Derivatives	17,451			17,451
Cash and cash equivalents		255,438		255,438
Total financial assets	**2,049,487**	**1,178,480**	**0**	**3,227,967**
Financial liabilities				
Current liabilities:				
Derivatives	8,057			8,057
Other current liabilities			88,988	88,988
Total financial liabilities	**8,057**	**0**	**88,988**	**97,045**

2016

DKK 1,000	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Other liabilities at amortised cost	Total
Financial assets				
Share capital investment in projects	1,770,445	0		1,770,445
Project loans	0	1,034,607		1,034,607
Interest receivable related to projects		17,268		17,268
Other receivables	85,845	8,774		94,619
Derivatives	252			252
Cash and cash equivalents		191,446		191,446
Total financial assets	**1,856,542**	**1,252,095**	**0**	**3,108,637**
Financial liabilities				
Current liabilities:				
Derivatives	44,586			44,586
Other current liabilities			83,636	83,636
Total financial liabilities	**44,586**	**0**	**83,636**	**128,222**

Note

The carrying amount of project loans with fixed interest terms amounts to DKK 157m (2016: 70m). The fair value of these project loans amount to DKK 133m (2016: DKK 72m) measured as the net present value of the future cash flow. The inputs used to measure the fair value for project loans are all level 2 inputs in the fair value hierarchy, for more information see disclosure on fair value measurement, note 26. For other loans and receivables and other liabilities the carrying amount is measured at amortised cost a reasonable approximation of fair value.

26/ Fair value measurement basis

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 inputs are unobservable inputs that have been applied in valuing the respective assets or liabilities.
- In the following sections a short description of the overall principle for IFU's calculation of fair value is provided. For all investments the value determined by using the methods described below will be adjusted, if considered necessary and appropriate, by taking the following factors into account:

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

Share capital investments

Most of IFU's fair value estimates are based on unobservable market data (level 3).

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

Note

Direct investments are valued as follows:

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

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

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

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

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

Fair value measurements and reconciliation

The following table shows financial instruments recognised at fair value by level in the fair value hierarchy and a reconciliation of all movements in the fair value of items categorised within level 3.

Note

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

1) Recognised in Contribution from share capital investments.
Hereof DKK 30m (2016: DKK 94m) is attributable to assets held at 31 December for level 3.

Note

2016				
DKK 1,000	Level 1	Level 2	Level 3	Total
Share capital investments				
Opening balance	1,440	0	1,662,617	1,664,057
Transfers into the level	0	0	3,200	3,200
Transfers out of the level	0	0	0	0
Total gains/losses for the period included in profit or loss [1]	1,793	0	159,972	161,765
Paid-in share capital in projects	0	0	351,034	351,034
Proceeds from divestment of shares	0	0	(409,611)	(409,611)
Closing balance	**3,233**	**0**	**1,767,212**	**1,770,445**
Other receivables				
Opening balance	0	68,130	0	68,130
Closing balance	0	85,845	0	85,845
Derivative financial instruments (Assets)				
Opening balance	0	0	0	0
Closing balance	0	252	0	252
Derivative financial instruments (Liabilities)				
Opening balance	0	53,900	0	53,900
Closing balance	0	44,586	0	44,586
Total recurring fair value measurements	**3,233**	**130,683**	**1,767,212**	**1,901,128**

1) Recognised in Contribution from share capital investments.
Hereof DKK 30m (2016: DKK 94m) is attributable to assets held at 31 December for level 3.

Note

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

2017

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

2016*

DKK 1,000 Type of investment	Fair value at 31/12/2016	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value
Indirect investments through financial intermediaries					
Own managed funds, loan funds and funds where IFU has a managerial role	361,940	Net assets value			
Externally managed funds	550,722	Net assets value			
Direct investments	278,559	Cost			
	198,935	Binding offers/transaction/ exit terms			
	136,897	Intrinsic value			
	146,750	Discounted Cash Flow	WACC Growth in terminal value	+10% - 20%	(9,737) (981)
	93,409	Intrinsic value (small investments)			
Share capital investments	**1,767,212**				

*) Classifications of fair value at 31/12/2016 on type of investment and valuation method have been adjusted.

IFU generated

net income of DKK 141m

in 2017

MANAGEMENT

BOARD OF DIRECTORS

The Danish Minister for Development Cooperation appoints the chairman, the deputy chairman and the other members of the board of directors for three-year terms. Each appointment is personal.

According to Section 9 of the Danish Act on International Development Cooperation, IFU's board is appointed for a three-year period. The current three-year term ends on 31 July 2018.

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

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

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

Further it is noted that IFU in 2017 had business transactions with Nykredit Bank A/S (part of the Nykredit group, in which the chairman is CEO), with Kjaer Group A/S, which is majority owned by board member Mads Kjær, and with Royal Danish Fish Group A/S, in which board member Jens Jørgen Kollerup is a board member.

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

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

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

>

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

Bjarne H. Sørensen, board member since 2012
MSc (Civil Engineering). Ambassador (retired).
Other board memberships: Care Danmark.

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

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

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

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

EXECUTIVE MANAGEMENT

The Danish Minister for Development Cooperation appoints the CEO.

Tommy Thomsen, CEO
Management/shipping trainee education, A.P. Moller – Maersk Group.
Harvard Business School, International Senior Management Program.
Board memberships: Port of Singapore International, Panama Canal Advisory Board, Danish Maritime Fund (chairman), Lauritzen Foundation, C.W. Obel, SDG Accelerator.

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

STAFF - SEE WWW.IFU.DK - CLICK HERE

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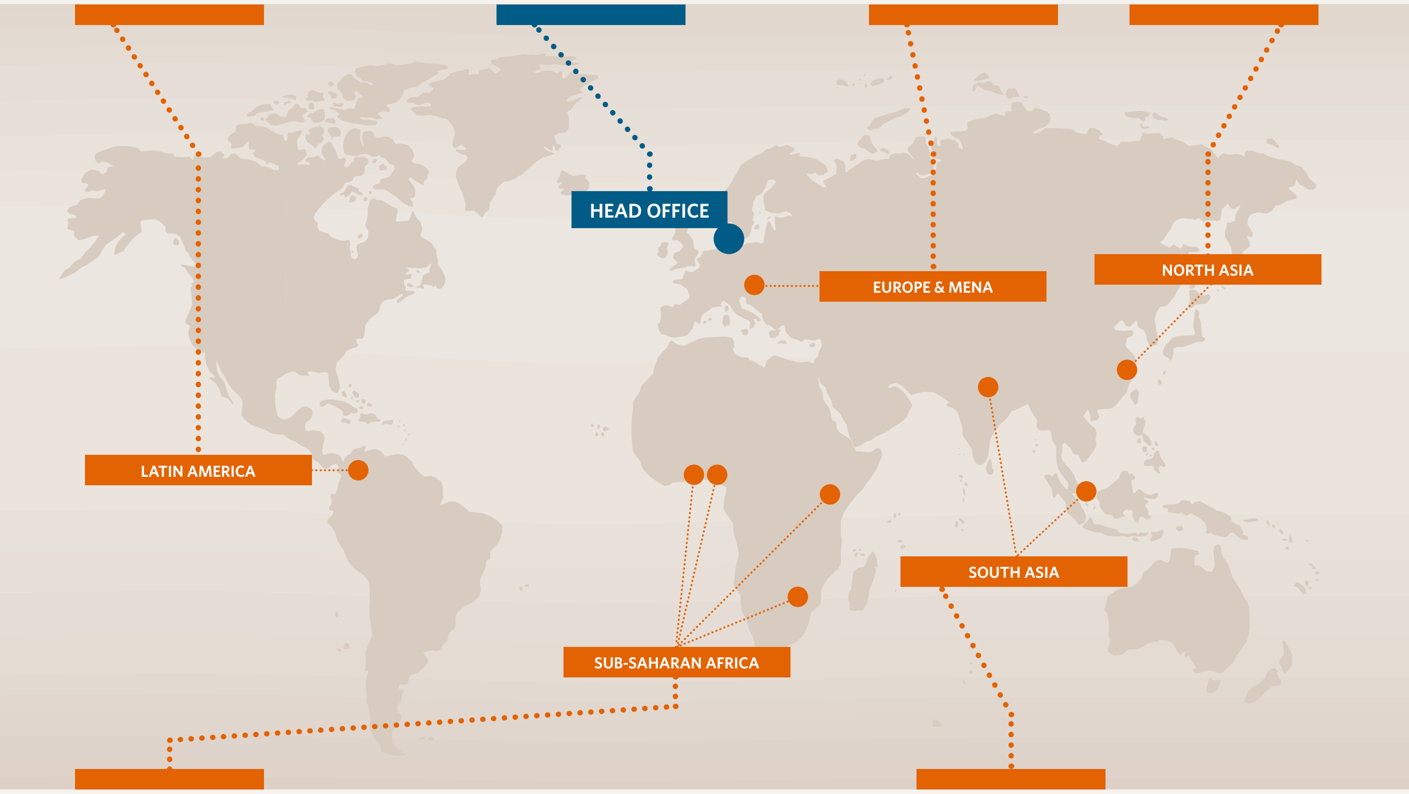

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IFU has **nine offices abroad,** covering Africa, Asia, Latin America and Europe

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Photos on page 14 and 16 by David Perrin and Ernst Tobisch, respectively.

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