

**LANDBRUGSINVESTERINGSFACILITETEN  
(LIF)**

**ANNUAL REPORT 2017**

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## 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 Landbrugsinvesteringsfaciliteten (LIF) 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 LIF's financial position as per 31 December 2017 and of the results of LIF'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 LIF.

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

## **Independent auditors' report**

To the board of directors of Landbrugsinvesteringsfaciliteten (LIF)

### **Opinion**

We have audited the financial statements of LIF for the financial year 1 January – 31 December 2016, 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 LIF's financial position at 31 December 2016 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2016 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 LIF 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 LIF 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 the LIF'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 LIF'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 LIF'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 LIF 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.

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 Børner Christiansen  
State Authorised Public Accountant  
MNE no: mne10778

## Financial highlights

	2017	15/12 - 2015 -31/12 - 2016
	<u>DKKm</u>	<u>DKKm</u>
<b>Financial highlights 2016 - 2017</b>		
<u>INCOME STATEMENT</u>		
Gross contribution from projects <sup>1</sup>	2	(2)
Operating income <sup>2</sup>	2	(2)
Net income for the year	2	(2)
<u>BALANCE SHEET AT 31 DECEMBER</u>		
Share capital investment in projects at cost	22	7
Total investment in projects at cost	22	7
Accumulated value adjustments	0	(2)
Investments in projects, net <sup>1</sup>	22	6
Cash	26	31
Total equity capital	49	37
Total balance	49	37
<u>CASH FLOW STATEMENT</u>		
Paid-in capital during the year	10	39
Investments disbursed	15	7
<u>ADDITIONAL DATA</u>		
New projects contracted (no.)	0	1
Portfolio of projects (no.)	1	1
Investments contracted	0	88
Undisbursed contracted investments incl. guarantees	66	81
Binding commitments not yet contracted	0	0
<u>KEY RATIOS</u>		
Gross yield from share capital investments <sup>3</sup>	12,2%	-59,7%
Gross yield from project loans and guarantees <sup>3</sup>	-	-
Gross yield from projects (total) <sup>3</sup>	12,2%	(59,7%)
Net income for the year/Average total equity capital	3,6%	(10,3%)
Solidity ratio	100,0%	100,0%

<sup>1</sup> Information about composition of the contribution from projects including value adjustments can be found in "Financial review 2017" on page 12. Investments are valued at fair market value in accordance with the Danish Financial Statements Act.

<sup>2</sup> Operating income = gross contribution from projects less operating expenses

<sup>3</sup> 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

## Management's review

### Legal mandate

Landbrugsinvesteringsfaciliteten (LIF) was established in 2015 with the purpose of contributing to sustainable economic growth, improved competitiveness and good jobs by promoting profitable and sustainable investments in the agribusiness sector

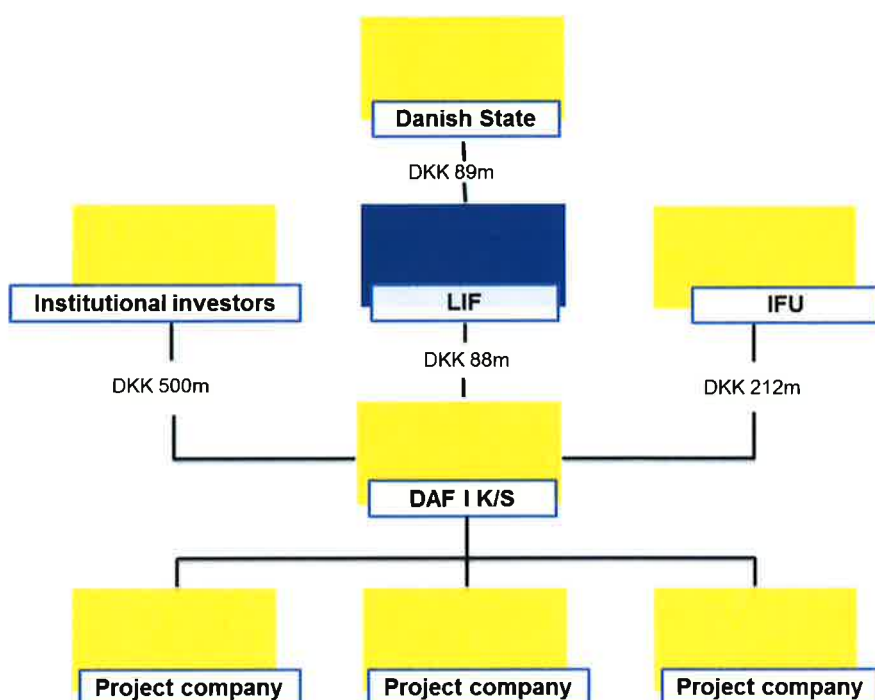
In 2015 and 2016, total capital of DKK 89m was allotted to LIF from the Danish State.

LIF is legally a part of IFU, but is treated as a facility separate from IFU's funds.

### Public-private partnership

To further increase the capital base, the goal of LIF was to raise additional capital from private investors. This was achieved with success in January 2016 with the first close of the Danish Agribusiness Fund I K/S (DAF). Including a subsequent second close, total capital committed to DAF reached DKK 800m. Three institutional investors have committed DKK 500m, LIF itself committed the major part of its funds or DKK 88m, and IFU committed DKK 212m.

DAF will invest in projects across the value chain from farm to fork based on Danish technology and know-how.



The relation between LIF and DAFLIF's relation to DAF

**Experienced investment team appointed**



DAF is managed by IFU, which has set up an experienced investment team to identify investment opportunities and link up with Danish companies supplying relevant technologies. All investments within DAF above DKK 25m are decided by an external investment committee.

## Investments in 2017

DAF made five new investment in 2017 at a total of DKK 222m and provided DKK 12m in additional financing for one ongoing project. Total investments in 2017 was DKK 234m.

Project name	Country	Shares*	Loans**	Total	Expected direct employment (people)
<b>DAF investments contracted 2017</b>					
Coexca Latin Pork	Chile	84.5		84.5	120
Heilongjiang Asia-Europe	China	37.7		37.7	100
Huayang Sangshuiping Co.	China	42.0		42.0	72
Saraf Foods	India	14.6		14.6	450
Teli Pig Farming	South Africa	43.1		43.1	100
<b>Total new projects</b>		<b>221.9</b>		<b>221.9</b>	<b>842</b>
<b>DAF additional financing of ongoing projects</b>					<b>Actual direct employment (people)</b>
Scandinavian Farms Pig Industries	China		11.8	11.8	372
<b>Total additional financing</b>			11.8	11.8	
<b>Grand total DAF</b>		<b>221.9</b>	<b>11.8</b>	<b>233.7</b>	<b>372</b>

Totals may not add up due to rounded figures.

\*) including overrun commitments

\*\*) including guarantees

Including open commitments not yet contracted and investments contracted in 2017, DAF has at year-end 2017 committed DKK 479m corresponding to 60 per cent of the total fund. The investment period runs till end of 2020.

## Sustainability reporting

LIF (and DAF) is applying IFU's sustainability policy and offering advice to project companies on how to implement it.

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

IFU is a signatory to the 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; and
- 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**

Identifying and handling sustainability impacts is an integral part of IFU's investment process. During the due diligence phase, risks are identified and projects are categorised in terms of environmental and social risk. This includes labour rights and working condition issues, anti-corruption, prevention of pollution, management systems, biodiversity, etc.

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. For all investee companies, IFU also receives a copy, even if IFU is not a board member.

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.

Agri-business 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.

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

**Assessment of sustainability performance**

The annual classification of project companies is based on an 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 in compliance with local legislation and relevant international standards in terms of applicable and relevant significant sustainability issues. Project companies with the classification Excellent go beyond that and are active in local community, have high quality reports and 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 three DAF projects. The exercise did not include three projects, which were not yet disbursed. For further information, see IFU's annual report 2017.

**Development impact**

To internally rate the development effects created by different project companies, IFU has developed a Development Impact Model (DIM). The model consists of 38 indicators like for example on employment, training, technology, tax, climate change mitigation, renewable energy, agribusiness and microfinance. The contracted investments in 2017 is rated and included in IFU's annual report 2017.

Expected direct employment in the new investments contracted in 2017 is 842.

**Operational framework**

LIF is legally a part of IFU, but is accounted for separately, and LIF's capital must be kept separate from IFU's capital. LIF cannot commit itself in excess of its capital.

IFU's board of directors and executive management act as board of directors and executive management for LIF.

LIF will through DAF participate with share capital, loans and guarantees on commercial terms in investments in cooperation with private investors.

LIF's revenues will consist of interest, dividends and profit from sale of shares distributed from DAF.

## **Financial review**

LIF recorded net income of DKK 2m in 2017 compared to net income of DKK (2)m in 2016. LIF's result is mainly made up of the contribution from LIF's investment in DAF, and the improvement reflects that the investments in DAF have started to contribute positively, more than balancing out management fees in 2017.

Operating expenses (management fee) at LIF level were DKK 0.1m in 2017 compared to DKK 0.2 m in 2016.

Financial income, net of financial expenses, was DKK (0.1)m in 2017 similar to 2016.

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 provides more details.

### **Cash flow and balance sheet items**

LIF ended 2017 with cash totalling DKK 26m after having received DKK 10m from the Danish State in capital contribution. In 2016 LIF ended with cash totalling DKK 31m.

Undisbursed commitments were DKK 66m at year-end 2017.

LIF's equity capital at the end of 2017 was DKK 49 compared to DKK 37 in 2016.

### **Events after the balance sheet date**

No events have occurred after the balance sheet date, which have materially affected the financial position of LIF.

### **Outlook for 2018**

In 2018, DAF will continue to invest in new agribusiness investments. LIF expects to record a positive result in 2018 similar to the result in 2017.

## INCOME STATEMENT

NOTE	2017 <u>DKK 1,000</u>	15/12 - 2015 -31/12 - 2016 <u>DKK 1,000</u>
2/ Contribution from share capital investments	<u>1.701</u>	<u>(1.701)</u>
<b>GROSS CONTRIBUTION FROM PROJECTS</b>	<b><u>1.701</u></b>	<b><u>(1.701)</u></b>
Operating expenses, net	<u>(50)</u>	<u>(157)</u>
<b>OPERATING INCOME</b>	<b><u>1.651</u></b>	<b><u>(1.858)</u></b>
3/ Financial income, net	<u>(88)</u>	<u>(54)</u>
<b>NET INCOME FOR THE YEAR</b>	<b><u><u>1.563</u></u></b>	<b><u><u>(1.912)</u></u></b>

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

**BALANCE SHEET AT 31 DECEMBER**

**ASSETS**

NOTE	2017 <u>DKK 1,000</u>	2016 <u>DKK 1,000</u>
<b>LONG TERM ASSETS</b>		
Share capital investment in projects at cost	22.290	7.395
Value adjustments	-	(1.701)
4/ Share capital investment in projects	<u>22.290</u>	<u>5.694</u>
<b>Total long term assets</b>	<b><u>22.290</u></b>	<b><u>5.694</u></b>
<b>CURRENT ASSETS</b>		
Cash	<u>26.382</u>	<u>31.394</u>
<b>Total current assets</b>	<b><u>26.382</u></b>	<b><u>31.394</u></b>
<b>TOTAL ASSETS</b>	<b><u><u>48.672</u></u></b>	<b><u><u>37.088</u></u></b>

**BALANCE SHEET AT 31 DECEMBER**

## LIABILITIES AND EQUITY CAPITAL

	2017 <u>DKK 1,000</u>	2016 <u>DKK 1,000</u>
NOTE		
EQUITY		
Paid-in capital	49.000	39.000
Retained earnings	<u>(349)</u>	<u>(1.912)</u>
5/ <b>Total equity</b>	<b><u>48.651</u></b>	<b><u>37.088</u></b>
6/ CURRENT LIABILITIES	<u>21</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>21</u></b>	<b><u>-</u></b>
<b>TOTAL EQUITY, PROVISION FOR LOSSES AND LIABILITIES</b>	<b><u>48.672</u></b>	<b><u>37.088</u></b>

1/ ACCOUNTING POLICIES

7/ UNDISBURSED COMMITMENTS TO PROJECTS

8/ FINANCIAL HIGHLIGHTS

## CASH FLOW STATEMENT

	2017 <u>DKK 1,000</u>	2016 <u>DKK 1,000</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating expenses, net	(51)	(158)
Net payments related to financial income and expenses	<u>(66)</u>	<u>(53)</u>
<b>Net cash from operating activities</b>	<b><u>(117)</u></b>	<b><u>(211)</u></b>
<b>CASH FLOW FROM (TO) INVESTING ACTIVITIES</b>		
Received from sale of shares	195	-
Paid-in share capital in projects	<u>(15.090)</u>	<u>(7.395)</u>
<b>Net cash from (to) investing activities</b>	<b><u>(14.895)</u></b>	<b><u>(7.395)</u></b>
<b>CASH FLOW FROM (TO) FINANCING ACTIVITIES</b>		
Paid-in capital received during the year	<u>10.000</u>	<u>39.000</u>
<b>Net cash from (to) financing activities</b>	<b><u>10.000</u></b>	<b><u>39.000</u></b>
NET CHANGE IN CASH	(5.012)	31.394
<b>CASH BEGINNING OF YEAR</b>	<b><u>31.394</u></b>	<b><u>-</u></b>
<b>CASH END OF YEAR</b>	<b><u>26.382</u></b>	<b><u>31.394</u></b>



## **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 (medium-sized enterprises).

The accounting principles applied remain unchanged from previous year.

#### **Presentation and classification**

To better reflect LIF'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 LIF's special character as an investment fund (long-term investments) the financial statements hereby provide the reader with the best possible clarity of LIF'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 probable that future economic benefits will flow to the Fund, and provided that the value of the assets can be measured reliably.

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

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

Information brought to LIF's attention before the time of finalising the presentation of the Annual Report and which confirms or invalidates affairs and conditions existing at the balance sheet date, is considered at recognition and measurement.

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

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

#### **Foreign currency adjustment**

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

**Non-monetary items**

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

**Income statement****Contribution from share capital investments – DAF I K/S**

Contribution from share capital investments is LIF's share of net result of DAF I K/S.

**Other contributions from projects**

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

**Operating expenses, net**

The Investment Fund for Developing Countries (IFU) manages the administration and accounting of the fund.

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

**Financial income, net**

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

**Balance sheet****Share capital investments 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.

**Investments in projects – DAF I K/S**

DAF I K/S values its portfolio investments at fair value and LIF will consequently measure its participation in DAF I K/S at intrinsic value.

More information can be found in the publicly available annual report for DAF I K/S.

**Other receivables**

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

**Cash and bonds**

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

**Current liabilities**

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

**Cash flow statement**

The cash flow statement has been prepared in accordance with the direct method and shows LIF's cash flow from operating, investing and financing activities as well as LIF's cash position at the beginning and end of the year.

Cash comprises cash at hand less short-term bank debt.

## NOTES

	2017 <u>DKK 1,000</u>	15/12 - 2015 -31/12 - 2016 <u>DKK 1,000</u>
2 <u>Contribution from share capital investments</u>		
Value adjustments, portfolio	<u>1,701</u>	<u>(1,701)</u>
Contribution from share capital investments	<u><b>1,701</b></u>	<u><b>(1,701)</b></u>
3 <u>Financial income, net</u>		
<u>Financial income</u>		
Interest income, cash and bonds	<u>-</u>	<u>-</u>
Financial income	<u><b>-</b></u>	<u><b>-</b></u>
<u>Financial expenses</u>		
Interest expenses, bank charges and exchange rate adjustments	<u>(88)</u>	<u>(54)</u>
Financial expenses	<u><b>(88)</b></u>	<u><b>(54)</b></u>
Financial income, net	<u><b>(88)</b></u>	<u><b>(54)</b></u>

	2017 <u>DKK 1,000</u>	2016 <u>DKK 1,000</u>
4 <u>Share capital investment in projects, net</u>		
Share capital investment in projects beginning of year at cost	7,395	-
Paid-in share capital in projects during the year	15,090	7,395
Proceeds from divestment of shares	<u>(195)</u>	<u>-</u>
Share capital investment in projects end of year at cost	<b><u>22,290</u></b>	<b><u>7,395</u></b>
Accumulated value adjustments beginning of year	(1,701)	-
Value adjustments, portfolio during the year (note 2)	<u>1,701</u>	<u>(1,701)</u>
Accumulated value adjustments end of year	<b><u>-</u></b>	<b><u>(1,701)</u></b>
Share capital investment in projects, net end of year	<b><u>22,290</u></b>	<b><u>5,694</u></b>
Herof associated companies:		
Share capital investment in projects end of year at cost	22,290	7,395
Accumulated value adjustments end of year	<u>-</u>	<u>(1,701)</u>
	<b><u>22,290</u></b>	<b><u>5,694</u></b>

	2017 <u>DKK 1,000</u>	2016 <u>DKK 1,000</u>
<b>5</b>	<b><u>Total equity</u></b>	
	Paid-in capital beginning of year	39,000
	Paid-in capital during the year	10,000
	Paid-in capital end of year *	<u>49,000</u>
	Retained earnings beginning of year	-
	Net income for the year	(1,912)
	Retained earnings end of year	<u>(349)</u>
	<b>Total equity end of year</b>	<b><u>37,088</u></b>
<b>6</b>	<b><u>Current liabilities</u></b>	
	Administrative debt	21
		<u>21</u>
<b>7</b>	<b><u>Undisbursed commitments to projects</u></b>	
	Undisbursed commitments to projects are comprised of undisbursed contractual commitments and binding commitments not yet contracted. The stated amount of guarantees is net of provision for losses, if any.	
	Amounts payable on share capital and loan agreements	65,514
	Undisbursed commitments to projects	80,605
		<u>65,514</u>
		<u>80,605</u>
<b>8</b>	<b><u>Financial highlights</u></b>	
	Financial highlights (table) - see page 7	

## **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.

The board of directors and executive management of IFU and LIF are identical.

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 conflict 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 Advisory Board.

**Torben Huss, Executive Vice President**

MSc (Political Science and Public Administration), Copenhagen University, PhD (Business Economics), Copenhagen Business School.

Board memberships: JØP.