IFU
INVESTMENT FUND FOR DEVELOPING COUNTRIES

OPERATING REPORT 2015

41 investments in 2015

IFU is **driving change**

DKK 900m invested

Seven **investment tips**

CAPITAL FOR **SUSTAINABLE INVESTMENTS**

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IFU and IFU managed funds invested DKK 906m in 41 projects.

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THE GLOBAL GOALS
For Sustainable Development

IFU IS DRIVING CHANGE

By providing risk capital IFU is driving change and supporting the Sustainable Development Goals.

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Most developing countries hold good business potential for Danish companies.

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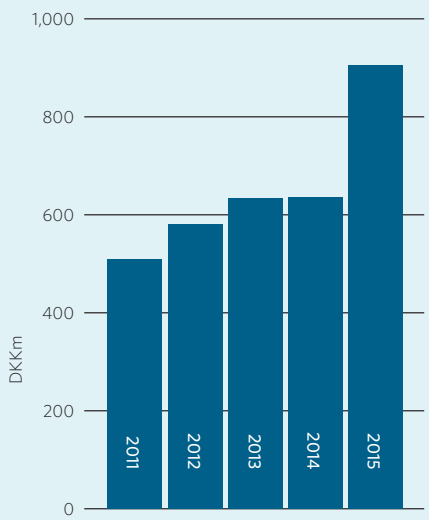
SUSTAINABLE INVESTMENTS
FROM A COMMERCIAL PLATFORM



Annual investment volume for IFU and IFU managed funds

IFU's objective is to give people in developing countries a better life and enhance opportunities for Danish companies to make profitable business in new markets.

It may sound contradictory, but it is not.

By offering risk capital to sustainable businesses, we establish competitive and commercially viable companies in developing countries, which increase economic growth and create sound jobs as well as tax revenue to local authorities.

Our business model has proven durable. For almost 50 years, IFU has assisted Danish companies in doing business in developing countries. In total, we have co-invested in 1,200 projects covering more than 100 countries in Africa, Asia, Latin America and Eastern Europe.

550,000 jobs in developing countries
During the years, we have been profitable and created more than 550,000 jobs in developing countries.

We are proud of what we have accomplished – but not satisfied. Going forward we will escalate IFU's positive development footprint further by increasing our investment level and continuing our strong focus on sustainability.

> In 2015, gross yield was 12.7 per cent on share capital and 7.7 per cent on loans.

INVESTMENTS 2015

In 2015, IFU invested DKK 906m in commercially viable projects, which will generate solid development effects by means of jobs, training, technology transfer and tax revenue.

In total, IFU and IFU managed funds made 41 investments. DKK 664m was invested in 21 new projects, while DKK 242m was provided as additional financing for ongoing projects.

2 **PROJECTS** FINANCED IN DAC DEVELOPING COUNTRIES (GLOBAL)

IFU AND IFU MANAGED FUNDS INVESTED A TOTAL OF

906 DKKm

IN **41 PROJECTS**

7 **PROJECTS** FINANCED IN LATIN AMERICA

LATIN AMERICA

NEW PROJECTS

EXPECTED DIRECT **EMPLOYMENT** **1,092**

IFU'S CONTRACTED **INVESTMENT** **168** DKKm

ADDITIONAL FINANCING in ongoing projects

ACTUAL DIRECT **EMPLOYMENT** **39**

IFU'S CONTRACTED **INVESTMENT** **11** DKKm

GLOBAL

NEW PROJECTS

EXPECTED DIRECT **EMPLOYMENT** **1,705**

IFU'S CONTRACTED **INVESTMENT** **94** DKKm

ADDITIONAL FINANCING in ongoing projects

ACTUAL DIRECT **EMPLOYMENT** **0**

IFU'S CONTRACTED **INVESTMENT** **0**

NEW PROJECTS ARE EXPECTED
TO EMPLOY MORE THAN

5,000
PEOPLE

19 **PROJECTS**
FINANCED
IN ASIA

13 **PROJECTS**
FINANCED
IN AFRICA

6 **CLIMATE RELATED**
PROJECTS IN
LATINAMERICA
AND ASIA

AFRICA

NEW PROJECTS

EXPECTED DIRECT **EMPLOYMENT**
1,148

IFU'S CONTRACTED **INVESTMENT**
249 DKKm

ADDITIONAL FINANCING in ongoing projects

ACTUAL DIRECT **EMPLOYMENT**
1,047

IFU'S CONTRACTED **INVESTMENT**
103 DKKm

ASIA

NEW PROJECTS

EXPECTED DIRECT **EMPLOYMENT**
1,091

IFU'S CONTRACTED **INVESTMENT**
153 DKKm

ADDITIONAL FINANCING in ongoing projects

ACTUAL DIRECT **EMPLOYMENT**
2,019

IFU'S CONTRACTED **INVESTMENT**
129 DKKm

IFU IN BRIEF

IFU provides risk capital and advice to companies wanting to do business in developing countries and emerging markets. Investments are made on commercial terms with the dual purpose of promoting economic and social development in investment countries and assisting Danish companies in entering new markets.

IFU is a state owned fund that has been engaged in direct commercial investments in developing countries for almost 50 years. Today, IFU also acts as a fund manager for a number of investment funds based on public or public-private capital, which target different regions or business sectors like climate and agribusiness.

Total capital under management in the funds is DKK 5.8bn.

Most experienced Danish investor

In total, IFU and IFU managed funds have invested in over 1,200 projects in more than 100 countries in Africa, Asia, Latin America and Europe. The total expected investment in these projects is almost DKK 170bn, with IFU and IFU managed funds contributing close to DKK 18bn in share capital and loans.

This makes IFU the most experienced Danish investor when it comes to direct investments in developing countries and emerging markets.

Investments create development

When investing, IFU is always focused on the double bottom line: creating development and profitable business. IFU has a strong focus on sustainability, which is integrated in our projects and

> What is unique about IFU is that the fund invests share capital directly in the foreign company. Not many investors do that and IFU is therefore an important supplement to the Danish banking sector.
>
> **Michael Rasmussen CEO, Nykredit**
> **Chairman of IFU's board of directors**

Total number of projects distributed by region

Africa	250
Asia	397
Europe	434
Latin America	119
Global	8

Orana is a Danish company with production facilities in e.g. India that produces fruit concentrates for dairy, juice and bread producers.

The Danish gear manufacturer, Niebuhr Gears, operates a well-functioning subsidiary in China.

secures fair conditions for employees, safeguards the environment and upholds basic human rights while creating economic growth and jobs.

More than 200 active investments

Typically, IFU is engaged in an investment for 6 – 8 years. After a loan is repaid or IFU has sold its shares, the revenue is used for new investments.

AS PER YEAR-END 2015, IFU MANAGED A PORTFOLIO OF

221 INVESTMENTS

As per year-end 2015, IFU had an active portfolio of 221 investments.

The actual direct employment in these investments is 32,000.

Being profitable is vital

IFU is a self-financing fund. In order to continue investing and having positive development effects IFU needs to be profitable. In 2015, IFU had a net profit of DKK 194m and the gross yield on share capital was 12.7 per cent, which is in line with the last five year average of just above 12 per cent. Gross yield from loans was 7.7 per cent.

IFU/IIP

CASE

Due to increasing smog and pollution, China has introduced stricter regulation on emissions from cars. This has made it possible for Haldor Topsøe to start a catalyst production in China that will remove NOx from engine exhaust.

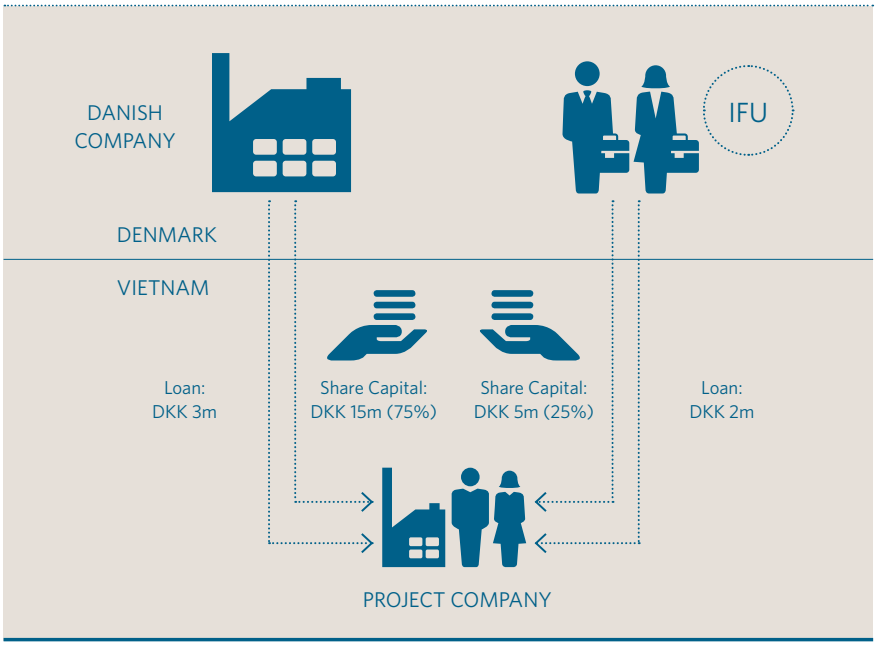
Danish partner: Haldor Topsøe
Investment year: 2013
IFU investment: DKK 152m
Expected total investment: DKK 900m
Expected direct employment: 122

HOW **IFU ASSISTS** DANISH COMPANIES **IN DOING BUSINESS** IN DEVELOPING COUNTRIES

IFU offers risk capital and professional advice and takes an active part in the business that is set up in a developing country.

If a company wants to do business in a developing country, IFU can assist in many ways. On commercial terms we provide different types of financing, including share capital, mezzanine financing, loans and guarantees. IFU's investments range from DKK 1m - DKK 100m in a single project.

AN EXAMPLE OF **A TYPICAL IFU INVESTMENT**



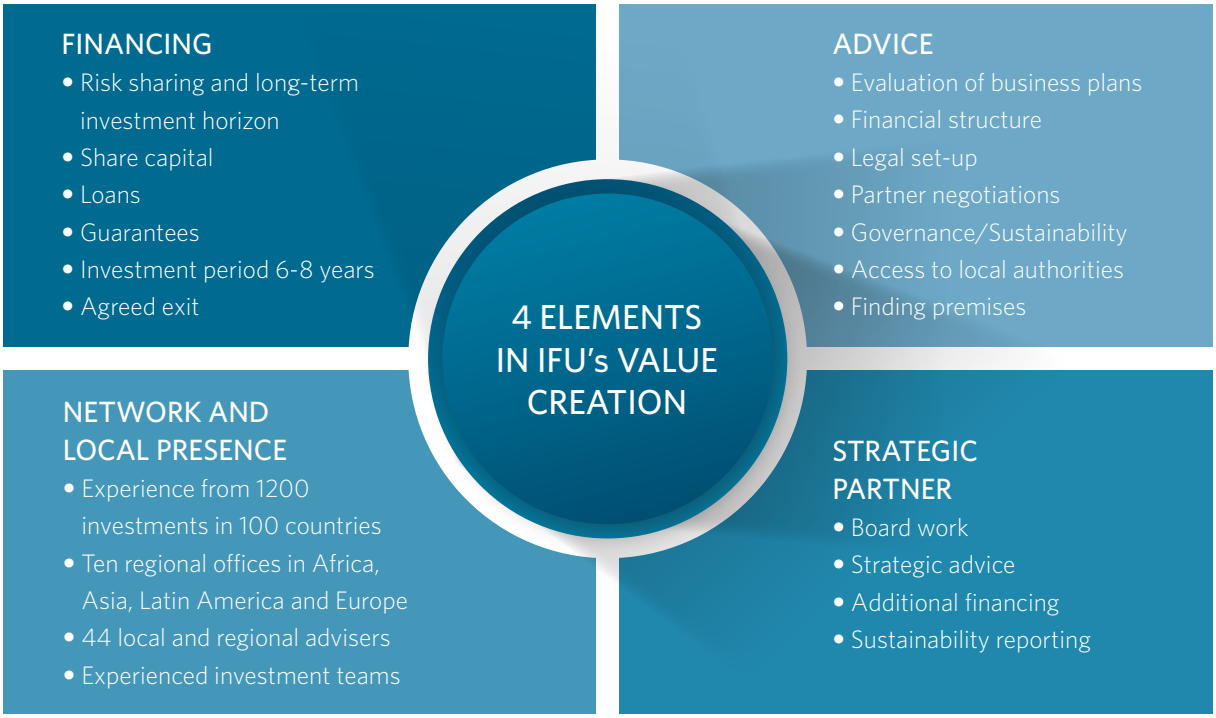
IFU has a long-term investment horizon and can participate in start-up companies, in joint ventures between Danish and local partners, in acquisitions and in projects with a Danish economic interest.

Professional advice all the way

Usually, IFU is involved from the initial considerations, during the establishment and until the company is economically viable. Throughout the process, IFU offers professional advice on the business plan, financial structure, legal set-up, governance and sustainability as well as negotiations with local partners and authorities. Often, IFU is also represented on the board of the company that is set up in the developing country offering strategic advice on an on going basis.

Ten regional offices abroad

Professional advice is provided by 40 experienced investment professionals based in Copenhagen or at one of our ten regional offices covering Africa, Asia, Latin America and Eastern Europe.



Moreover, IFU has an extensive network of external advisers with experience in business operations in developing countries.

> IFU is an important partner holding valuable local insight, business competences and is able to supply risk capital, which is very important for our company to grow.
>
> **Lars Wallevik, CEO, MIM Cashew, Ghana**

Tailor-made solutions

Over the years, IFU has teamed up with more than 800 Danish companies. Among these are large Danish enterprises like A.P. Møller Maersk, Carlsberg and FLSmidth but also a wide variety of small and medium sized companies within numerous sectors.

Regardless of the size of the company, IFU always tries to make tailor-made solutions, which include financing, advisory service and exit agreements with all partners.

DCIF

CASE

Lake Turkana Wind Power is located in northern Kenya and will be the largest wind farm in Africa with 365 wind turbines and a total capacity of 300 MW. Once fully operational, the wind farm will produce around 15 per cent of Kenya's electricity.

Danish partner: Vestas
Investment year: 2014
DCIF investment: DKK 88m
Expected total investment: DKK 5,1bn
Expected direct employment: 200

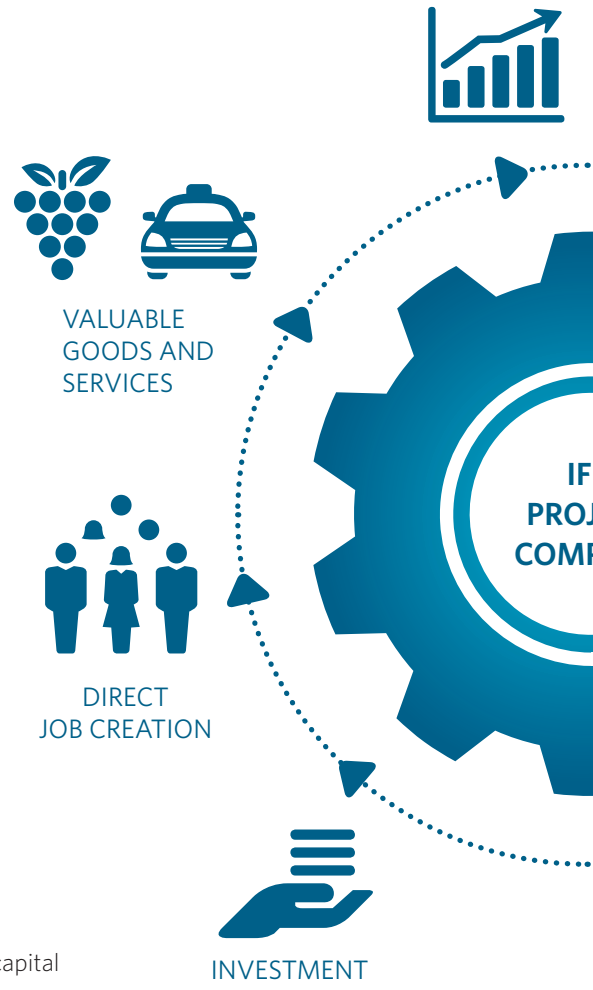
IFU IS **DRIVING CHANGE**

Poverty in developing countries is widespread and many people are in need of a job. By providing risk capital to commercially viable companies, IFU is driving the change towards more sustainable societies.

Development aid cannot stand alone. In order to create sustainable societies in the developing world private capital and investments are vital. This is also the conclusion in the new Sustainable Development Goals set forward by the UN to end poverty, fight inequality and injustice, and tackle climate change by 2030.

For almost 50 years, IFU has assisted Danish companies in setting up companies and doing business in developing countries. For every dollar IFU has invested 8 – 9 dollars in additional capital have been attracted forming a solid basis to bring about change and improvement.

In any project, IFU is addressing the effect on society and only if a project is deemed commercially viably and has positive development effects, we decide to enter.



Creating jobs and paying taxes

Commercial viability secures that the business is making a profit on invested capital and can continue to operate; creating jobs, producing important goods and services and paying taxes to society.

The spin-off is increased income for workers, transfer of knowledge, company sponsored employee training, interaction with local business as well as funding for the public sector, which can be used for education, healthcare and investments in e.g. important infrastructure.

In 2015, **IFU project companies paid**

DKK **372m**

in taxes to host countries

IFU investments **support the SDGs**

When IFU invests in developing countries, we are supporting the Sustainable Development Goals (SDGs). Creating jobs helps to **end poverty**, investing in agricultural projects **reduces hunger** and erecting wind farms and producing solar energy **tackles climate change**. Moreover, the investments have a positive direct and indirect impact on a number of the SDGs by focusing on sustainability, quality products and services as well as employment of women.

- NO POVERTY
- ZERO HUNGER
- QUALITY EDUCATION
- AFFORDABLE AND CLEAN ENERGY
- DECENT WORK AND ECONOMIC GROWTH
- INDUSTRY, INNOVATION AND INFRASTRUCTURE
- REDUCED INEQUALITIES
- RESPONSIBLE CONSUMPTION AND PRODUCTION
- CLIMATE ACTION

WORKING WITH **SUSTAINABILITY**

High sustainability standards add value to the company and enhance business opportunities in developing countries. IFU has extensive experience with sustainability issues and assists partners and project companies in finding the right solutions.

In developing countries, companies have a greater responsibility in upholding proper sustainability standards by securing e.g. sound jobs, high environmental standards and community engagement.

Sustainability throughout the investment process

IFU is signatory to the UN Global Compact and has set up a process to identify and solve sustainability issues that need to be addressed. The process consists of four phases; screening, due diligence, agreement and investment monitoring. In every investment, IFU and the company engage in a screening of relevant challenges and issues regarding a number of areas concerning the environment, health and safety as well as human rights and corporate governance.

> I am very pleased with our sustainability improvement. This will lead to an increased productivity of up to 10 per cent and the investment will soon be repaid.
>
> **Leif Madsen, CEO, Engsko United Milling Systems, Ethiopia**

IFU'S **SUSTAINABLITY WORKFLOW** MODEL

1 Screening

- Identification of project related sustainability issues to be assessed during due diligence
- Assessment of project sponsor'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 Agreement

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

4 Investment monitoring

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

Restaurant GUSTU serves great food, develops Bolivian food culture and educates local youngsters.

Must comply with national legislation

The starting point is that project companies must comply with national legislation in the country in which they operate and that they have to work towards implementing relevant international standards. If gaps are identified in the screening process, a written action plan will be required describing the measures that need to be implemented within an agreed time frame.

Moreover, when entering into an investment agreement, IFU requires project companies to:

- Adopt a written sustainability policy
- Appoint a person with overall responsibility for sustainability
- Establish a system to ensure continuous improvements
- Promote sustainability to partners and suppliers
- Prepare an annual sustainability report

Sharing experience with partners

IFU has extensive experience in creating sustainable businesses and shares this knowledge with its partners on an ongoing basis. Moreover, IFU has launched a sustainability handbook, organises regional seminars on the subject and are able to provide economic support for training of local employees in handling sustainability issues.

IFU/IIP

CASE

Over a 25-year period, DanPer has developed from a small company to one of Peru's largest exporters of agricultural products. The company is operating with high sustainability standards and has introduced healthcare to its more than 6,000 employees.

Danish partner: AHB holding
Investment year: 1991
IFU investment: DKK 191m
Expected total investment: DKK 375m
Local direct employment: 6,200

IFU AS **A FUND MANAGER**

IFU is operating as a fund manager for a number of investment funds based on public or public-private capital. Besides the described funds, IFU has for several years been fund manager for the Investment Fund for Central and Eastern Europe (IØ) that has made more than 400 investments. This fund is in the process of being phased out.

KIF DANISH CLIMATE INVESTMENT FUND

The Danish Climate Investment Fund

The Danish Climate Investment Fund (DCIF) offers risk capital and advice for climate investments or climate-related projects in developing countries and emerging markets.

DCIF can co-invest with companies as well as developers wishing to supply to, develop or operate businesses that reduce greenhouse gas emissions. As a minority investor, DCIF can participate with equity or mezzanine financing in the range of typically DKK 15m – DKK 150m in a single project.

DCIF can invest in all 146 developing countries and in projects with a Danish investor or a Danish economic interest.

DCIF	
Committed capital	DKK 1,3bn
Starting year	2014
Invested capital	DKK 367m
Number of projects	11
Investors: PensionDanmark, PKA, PBU, Dansk Vækstkapital, Aage V. Jensen Charity Foundation, IFU and the Danish State	

DAF DANISH AGRIBUSINESS FUND

The Danish Agribusiness Fund

The Danish Agribusiness Fund (DAF) offers risk capital and advice for agribusiness projects in developing countries and emerging markets.

DAF can co-invest with companies as well as developers wishing to supply to, develop or operate businesses across the value chain from farm to fork. As a minority investor, DAF can participate with equity or mezzanine financing in the range of typically DKK 15m – DKK 100m in a single project.

DAF can invest in all 146 developing countries and in projects with a Danish investor or a Danish economic interest.

DAF	
Committed capital	DKK 800m
Starting year	2016
Invested capital	0
Number of projects	0
Investors: PensionDanmark, PKA, IFU and the Danish State	

During the years we have had a very fruitful cooperation with IFU and are very satisfied with their contribution.

Arne Berg, Chairman of the board, DanPer, Peru

IFU investments have **created more than**

550,000

jobs in developing countries

IIP IFU INVESTMENT PARTNERS

IFU Investment Partners

IFU Investment Partners (IIP) provides equity to larger projects where IFU is a co-investor. This allows Danish companies to gain access to additional equity funding in a one-step process reducing bureaucratic burdens and financial risk as well as increasing the potential for profitable projects to be realised.

IIP can invest in all 146 developing countries and in projects with a Danish investor or a Danish economic interest.

IIP	
Committed capital	DKK 500m
Starting year	2012
Invested capital	DKK 223m
Number of projects	4
Investors: PKA, PBU	

AIF THE ARAB INVESTMENT FUND

The Arab Investment Fund

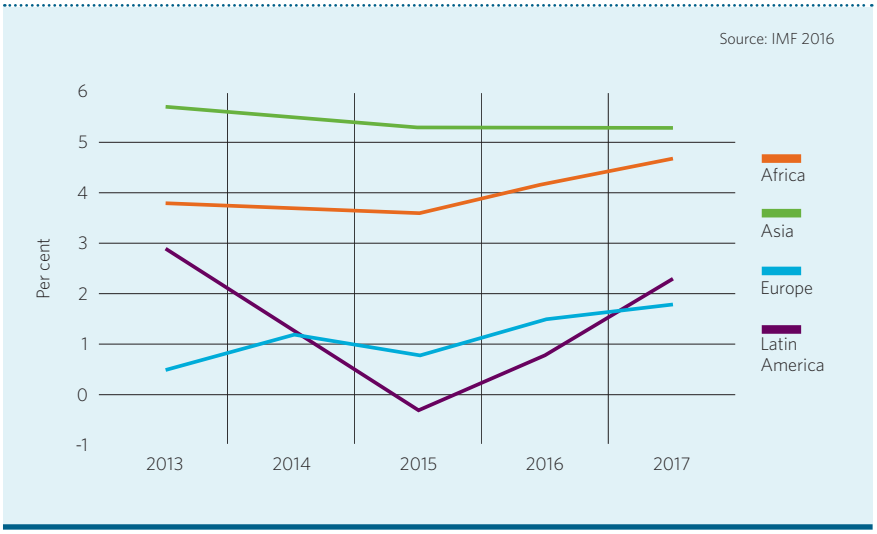
The Arab Investment Fund (AIF) was set up in connection with the Arab spring to contribute to the economic development of countries in North Africa and the Middle East.

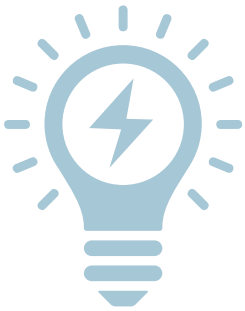
AIF can invest in Morocco, Algeria, Tunisia, Libya, Egypt, Jordan and Iraq.

AIF can co-invest with companies as well as developers wishing to supply to, develop or operate businesses across all sectors - except the few on IFU's exclusion list. As a minority investor, AIF can participate with equity, mezzanine or loan financing in projects with a Danish investor or a Danish economic interest.

AIF	
Committed capital	DKK 150m
Starting year	2011
Invested capital	DKK 121m
Number of projects	5
Investors: IFU and Danish State	

Economic growth rates 2013 - 2017





DEMAND FOR **ELECTRICITY IS EXPECTED TO GROW** BY NEARLY **75%**

GROWING BUSINESS OPPORTUNITIES IN DEVELOPING COUNTRIES

Most developing countries hold good business potential for Danish companies because these countries on average have high economic growth, an expanding middle class and a growing demand for quality products.

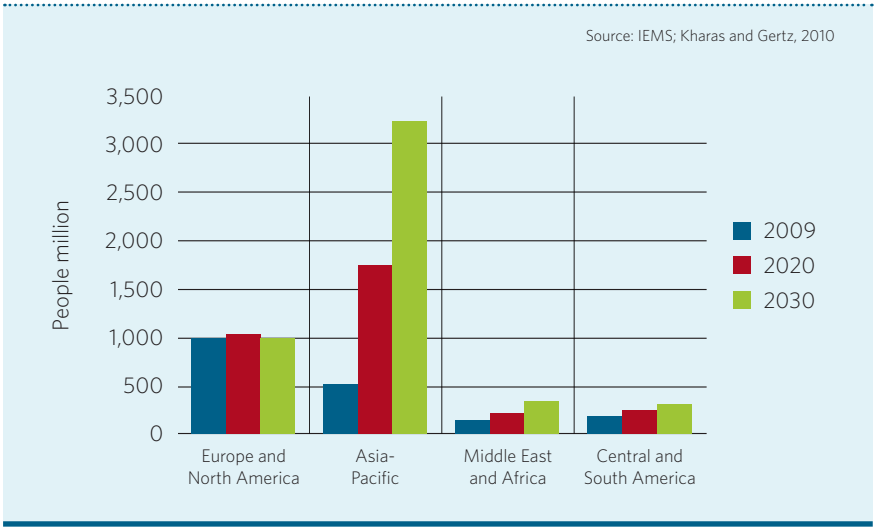
Many Danish companies are looking for business opportunities abroad. In recent years, more of these have started to become aware of the potential in developing countries - and this for a good reason.

In Asia and Africa, the economic growth has continuously been at a high level since the millennium and even the latest economic slowdown in Asia has not significantly affected the demand for quality products and services in sectors where Danish companies have world class expertise.

Global middle class will more than double

Towards 2030, the global middle class is expected to grow from around two billion to close to five billion people. This increase will to a large extend take place in Asia, but the middle class is also set to double in Africa and Latin America within the next 15 years. This will lead to a dramatic shift in global demand as many more people in developing countries will be able to afford high-end products and services. For instance, within agribusiness the demand for processed food will increase significantly and the focus on food security will grow continuously.

The global middle class size and distribution 2009 - 2030



> We have realised that we can have a much larger share of the market in China.
>
> **Christian Nielsen, CEO, DEIF Wind Power Technology**

1.2 billion people lack access to electricity

Today, 1.2 billion people lack access to electricity and 2.7 billion are without clean cooking facilities. 95 per cent of these people are either living in Africa or developing Asia. Consequently, the demand for electricity is expected to grow by nearly 75 per cent across non-OECD countries towards 2030.

This unlocks a huge business potential within energy and climate friendly technologies in the developing world.

First mover advantages

In general, Danish companies are able to provide many of the products and technologies to meet growing demands and new trends in developing countries. But to take full advantage, they must strive to be first movers in order not to leave these markets to other companies.

The Danish Climate Investment Fund (DCIF) has invested in the construction of the 6.8 MW "Vicuña Solar" in Chile.

IFU

CASE

Danosha is a pig farm in Ukraine. Annual production is around 300,000 slaughter pigs and the company employ close to 800 local staff. Moreover, Danosha cultivates more than 12,000 acres, which provides animal feed to the farm.

Danish partner: Axzon A/S
Investment year: 2004
IFU investment: DKK 79m
Expected total investment: DKK 1bn
Actual direct employment: 774

SEVEN **INVESTMENT TIPS**

Investing and doing business in developing countries is often a challenge. Solid and thorough preparation is crucial for success. Our seven investment tips will guide you in the right direction and our handbooks on business plans, finance, board work and sustainability can help you avoid the worst blunders.

IFU HANDBOOKS

IFU'S **GLOBAL PRESENCE**

IFU INVESTMENT FUND FOR DEVELOPING COUNTRIES

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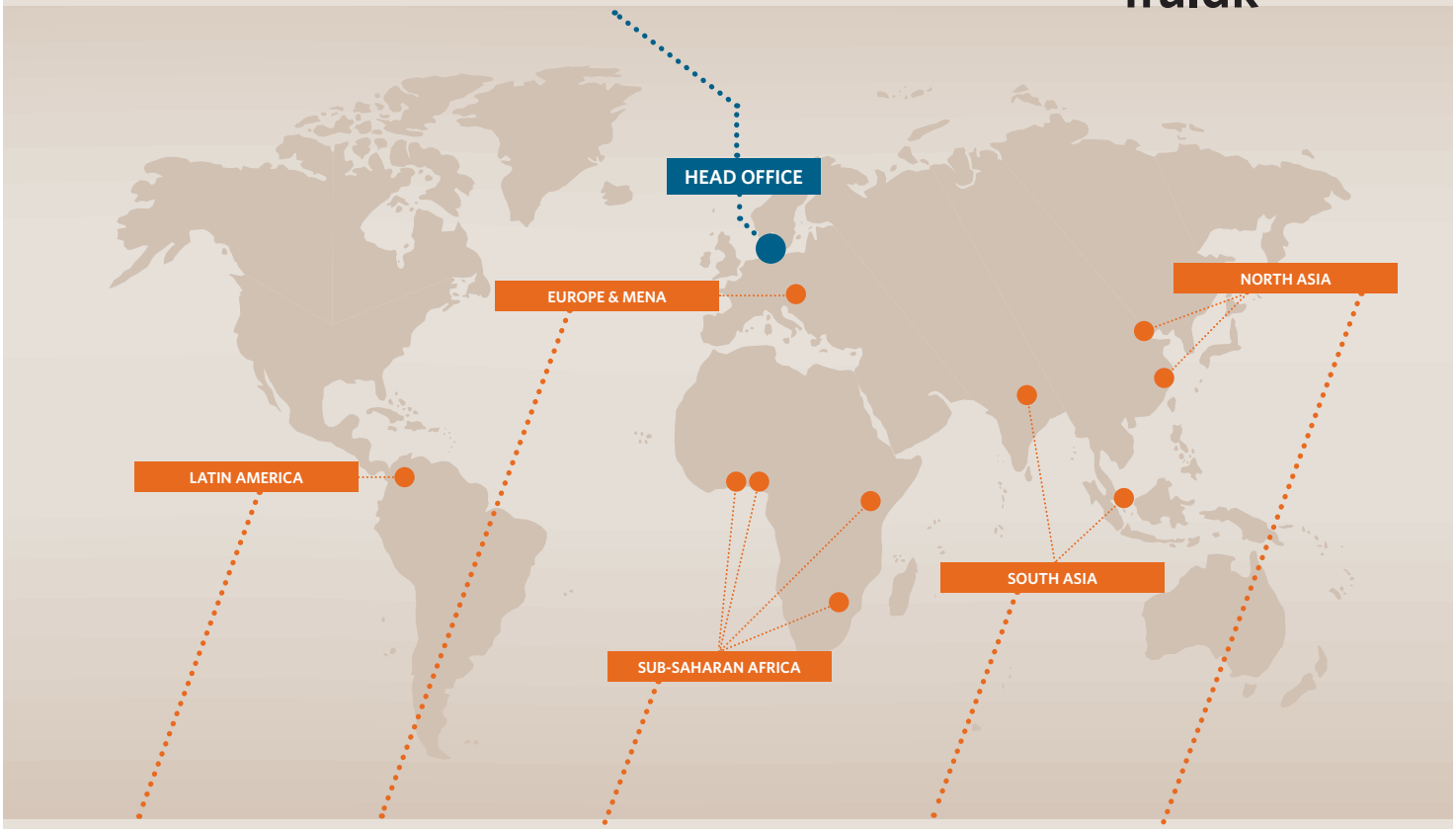

IFU LATIN AMERICA
Bogotá

IFU EUROPE & MENA
Kiev

IFU SOUTH ASIA, New Delhi
IFU SOUTH ASIA, Singapore

IFU EAST AFRICA, Nairobi
IFU WEST AFRICA, Accra
IFU WEST AFRICA, Lagos
IFU SOUTHERN AFRICA, Johannesburg

IFU CHINA, Beijing
IFU CHINA, Shanghai

IFU

INVESTMENT FUND FOR
DEVELOPING COUNTRIES

ifu.dk

IFU AND IFU MANAGED FUNDS CONTRIBUTE TO SUSTAINABLE GROWTH AND IMPROVED LIVING CONDITIONS

IFU MANAGED FUNDS

KIF DANISH CLIMATE INVESTMENT FUND

DAF DANISH AGRIBUSINESS FUND

IIP IFU INVESTMENT PARTNERS

AIF THE ARAB INVESTMENT FUND