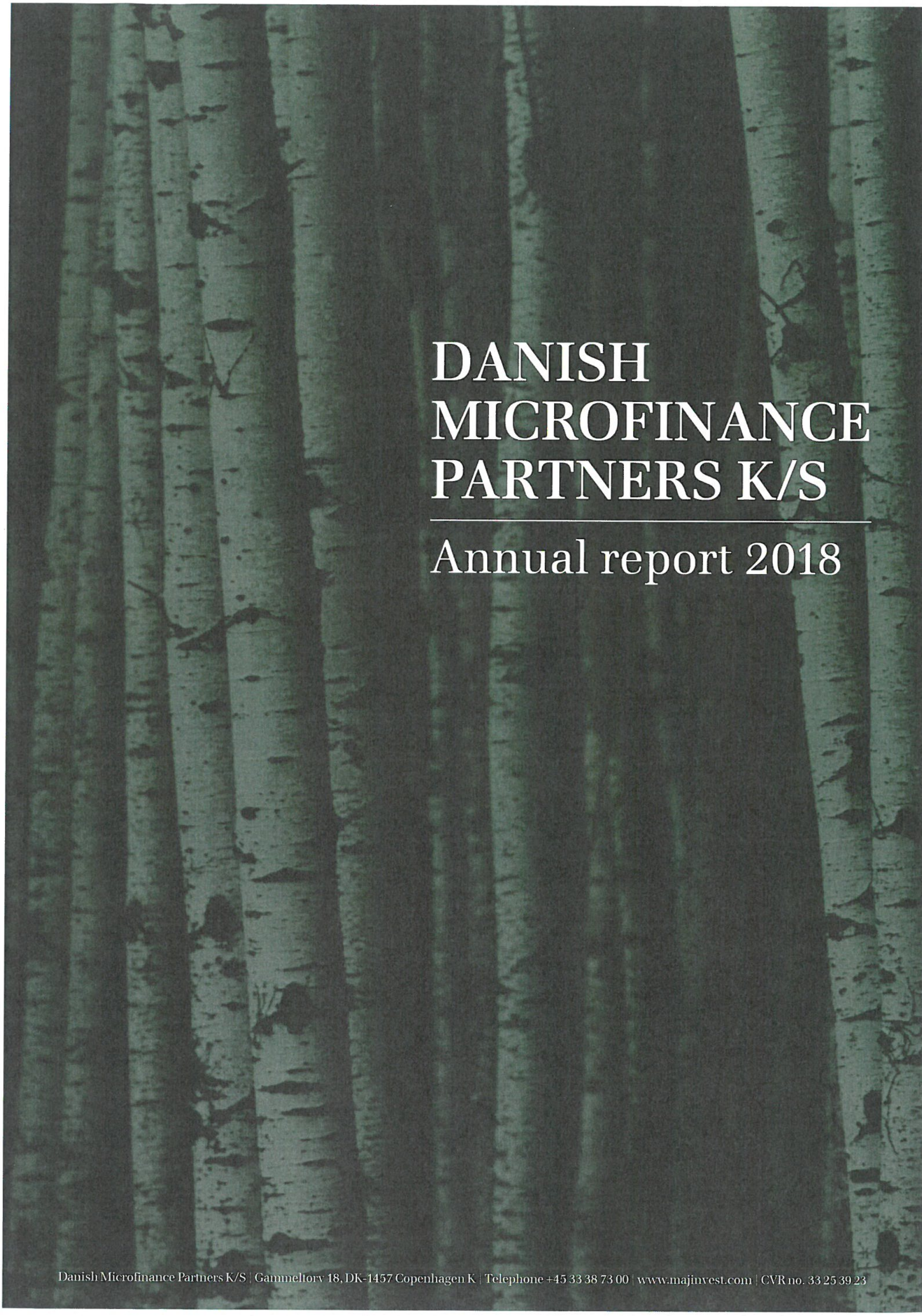


DANISH MICROFINANCE PARTNERS K/S

Annual report 2018

Danish Microfinance Partners K/S | Gammeltorv 18, DK-1457 Copenhagen K | Telephone +45 33 38 73 00 | www.majinvest.com | CVR no. 33 25 39 23

CONTENTS

STATEMENTS

STATEMENT BY MANAGEMENT

The Executive Board has today discussed and approved the annual report for Danish Microfinance Partners K/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the limited partnership's assets, liabilities and financial position at 31 December 2018 and of the results of the limited partnership's operations and cash flows for the financial year 1 January - 31 December 2018.

We believe that the Management commentary includes a fair review of the affairs and conditions referred to therein.

We recommend the annual report 2018 for adoption at the annual general meeting.

Copenhagen, 11 April 2019

General partner:
Danish Microfinance Partners General Partner ApS

Executive Board:

Kasper Svarrer   Thomas Riis

The annual report is presented and adopted at the annual general meeting.

on 29/4 2019

Chairman: ______________________

STATEMENTS

Independent auditor's report

To the limited partners in Danish Microfinance Partners K/S

Opinion

We have audited the financial statements of Danish Microfinance Partners K/S for the financial year 1 January - 31 December 2018, which comprise accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. 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 the financial position of the Limited Partnership at 31 December 2018 and of the results of the Limited Partnership's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. 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 the Limited Partnership 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 Limited Partnership '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 Limited Partnership 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 as to whether the financial statements as

STATEMENTS

Independent auditor's report

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 scepticism 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 the Limited Partnership'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 the Limited Partnership'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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Limited Partnership 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

STATEMENTS

Independent auditor's report

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 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 the work we have performed, 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 11 April 2019

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Ole Karstensen, mne16615
State Authorised
Public Accountant

Rasmus Berntsen, mne35461
State Authorised
Public Account

MANAGEMENT COMMENTARY

Fund information

The limited partnership	Danish Microfinance Partners K/S Gammeltorv 18 DK-1457 Copenhagen K Denmark
Contact information	E-mail: kontakt@majinvest.com Website: www.majinvest.com
CVR no.	33 25 39 23
Financial year	1 January - 31 December
Registered office	Copenhagen
General partner	Danish Microfinance Partners General Partner ApS
Executive Board in Danish Microfinance Partners General Partner ApS	Kasper Svarrer Thomas Riis
Manager	Maj Invest Equity A/S
Depositary	Private Equity Administrators Depositary Services ApS
Auditors	ERNST & YOUNG Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 DK-2000 Frederiksberg Denmark

MANAGEMENT COMMENTARY

KEY FIGURES AND RATIOS

'000 DKK	2018	2017	2016	2015	2014*
Key figures					
Profit/loss					
Income from investments in portfolio companies**	18,940	29,045	100,675	90,087	104,726
Operating profit	12,945	23,181	92,820	82,304	96,266
Profit for the year	8,907	19,577	89,594	79,131	93,012
Balance sheet					
Investments in portfolio companies	493,185	502,966	478,666	443,976	326,938
Total assets	497,939	504,528	480,886	448,845	330,465
Equity	472,419	473,346	443,451	424,516	328,682
Financial resources					
Cash	3,046	236	937	1,396	120
Remaining commitment	37,482	44,093	56,671	108,745	125,250
Total financial resources	40,528	44,330	57,608	110,141	125,370
Cash flow					
Cash flows from operating activities	3,061	(588)	(1,814)	(1,250)	(8,359)
Cash flows from investing activities	9,054	122	82,157	(27,178)	(61,335)
Cash flows from financing activities	(9,305)	(235)	(80,803)	29,704	69,085
Net change in cash	2,810	(701)	(459)	1,276	(609)
Ratios					
Equity ratio	95%	94%	92%	95%	99%
Paid-in capital to committed capital (%)	91%	89%	86%	73%	69%

* The key figures and ratios for 2014 have not been modified cf. the Danish Financial Statements Act § 101.3.
** For 2014, unrealised value adjustments of investments in subsidiaries and other investments in portfolio companies are included in "Income from investments in portfolio companies". For 2015-2018, positive unrealised value adjustments of investments in subsidiaries are made directly at the equity.

MANAGEMENT COMMENTARY

BUSINESS REVIEW

Danish Microfinance Partners K/S

The private equity fund Danish Microfinance Partners K/S (Danish Microfinance Partners) was established on 26 October 2010 as a limited partnership and is owned by The Investment Fund for Development Countries (IFU), Pension funds administered by PKA A/S (PKA) and Pensionskassen for Børne- og Ungdomspædagoger (PBU). The investors have entered into a limited partnership agreement (LPA).

Danish Microfinance Partners has a total capital commitment of DKK 401.3 million. The investment period ended in June 2015 and consequently, no investments are now being made in new portfolio companies. The Fund has invested in six portfolio companies since inception, of which one investment has been exited. As of year-end 2018, Danish Microfinance Partners has five active investments.

Investment policy and strategy in Danish Microfinance Partners

The Fund has invested in well-established microfinance institutions with the operational infrastructure and management skills to become a commercial, regulated bank. These institutions are characterised by having strong governance, highly qualified management and attractive growth opportunities based on a well-balanced strategy of social impact and financial return.

The microfinance institutions offer a range of financial products and services depending on country, market and regulations. All of them provide micro-credits which are small loans with short maturities. Other services are saving and insurance products. Loans are granted to groups or individual clients almost exclusively for income-generating activities. The customers are low income groups, with limited or no access to financial services in traditional commercial banks.

The Fund has invested in microfinance institutions in Latin America, Asia and Africa and the investments are both directly with equity instruments and indirectly via funds. The Fund is an active minority investor, taking a 5-15% stake and appointing a board member in the microfinance institution. Investments are mainly in unquoted companies; however, investments in listed companies are possible as well.

Danish Microfinance Partners prioritises long-term value creation and lays decisive emphasis upon each individual investment being supported by a sound and well-advised strategy and business plan. The Fund closely monitors investments to ensure that their value potential is realised and assesses exit opportunities on a continuous basis.

Social impact policy

The Social Impact Policy outlines the Fund's commitment to social impact. The Fund considers social impact as an integrated part of the overall framework for responsible investment, and the Fund's perception of responsible investment is aligned with that of

MANAGEMENT COMMENTARY

BUSINESS REVIEW

the United Nations (UN). More specifically, the UN has provided a framework in the form of Principles for Investors in Inclusive Finance for responsible investment within the microfinance and financial inclusion sector. These principles represent the core values of the Fund's commitment to social impact and express the Fund's intent to create long-term social impact.

The Social Impact Policy of the Fund considers the provisions laid down in international social impact standards. These include the Client Protection Principles of the Smart Campaign, the Universal Standards for Social Performance Management of the Social Performance Task Force, the Anti-Money Laundering Recommendations of the Financial Action Task Force, the Principles for Investors in Inclusive Finance as well as IFC's Exclusion List and EDFI's/IFU's Exclusion List. Through earnest implementation of its Social Impact Policy, Danish Microfinance Partners strives to achieve its vision of generating a sound financial return as well as positive social impact for its investors.

Danish Microfinance Partners organisation

The advisory team consists of one Managing Partner for Financial Inclusion, the Executive Board of Fondsmæglerselskabet Maj Invest A/S (MI), one partner, one director, one investment manager, one sustainability manager, one associate, two analysts as well as three back-office staff involved in finance, legal matters and administrative duties.

Ownership

Danish Microfinance Partners is owned by IFU, PKA and PBU, holding a stake of 99.7%. The Managing Partner for Financial Inclusion and one legal back-office employee involved in investments as well as one of the external members of the Fund's Investment Committee have all invested as Special Limited Partners in Danish Microfinance Partners. Any profits earned by such Special Limited Partners are subject to tax under current Danish and local tax rules. The Special Limited Partners do not pay management fees and partnership formation costs to the Fund.

Investors	Commitment DKKm	Interest in per cent
Pension funds	300.0	74.8%
Other professional investors	100.0	24.9%
Management and staff in Maj Invest Equity International	1.3	0.3%
	401.3	**100.0%**

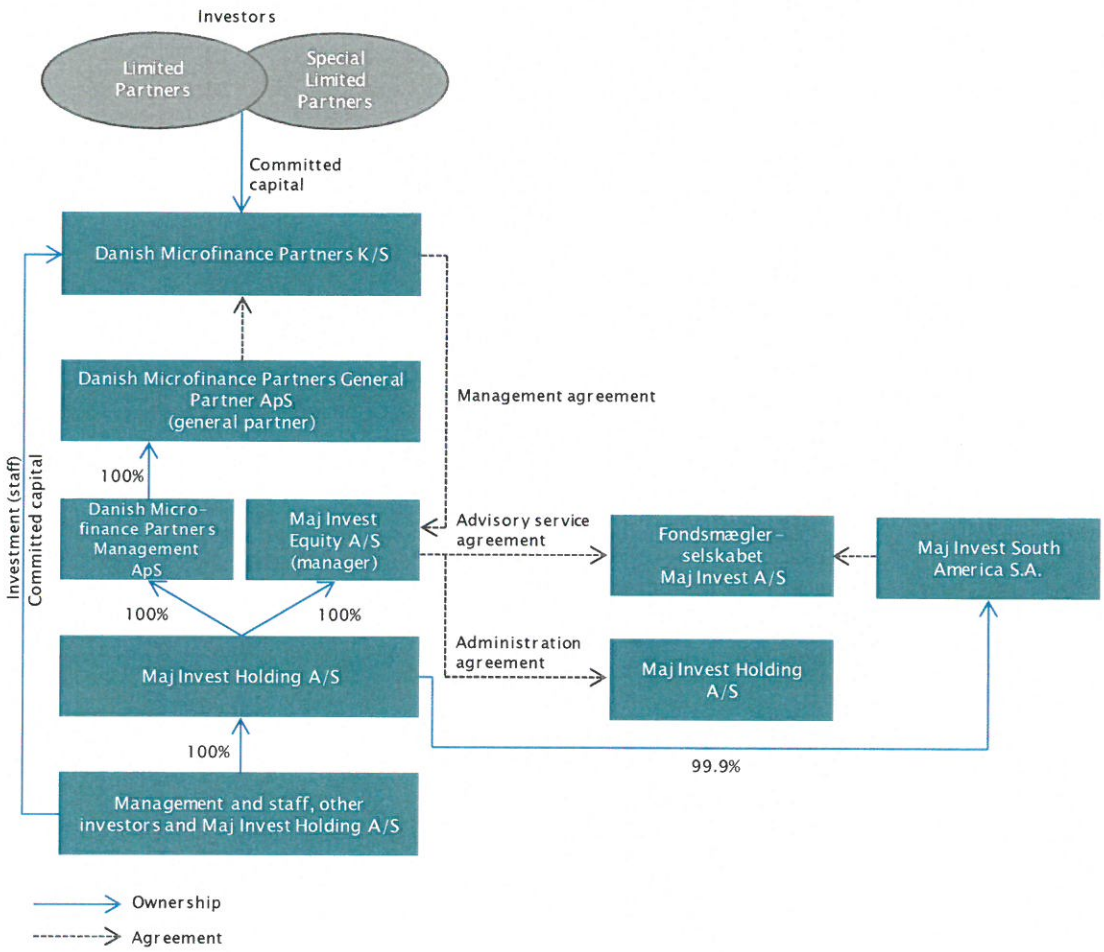
MANAGEMENT COMMENTARY

BUSINESS REVIEW

Legal structure

Danish Microfinance Partners is a Danish limited partnership with a Danish private limited company as general partner. The General Partner is managed by an executive board consisting of the Managing Partner for Financial Inclusion and a Director in MI. The General Partner is a subsidiary of the former manager Danish Microfinance Partners Management ApS which is owned by Maj Invest Holding A/S (Maj Invest Holding).

Legal structure of Danish Microfinance Partners



The General Partner is responsible for management and also signs for the Fund. Under a management agreement, the Manager handles all investment-related and administrative tasks for Danish Microfinance Partners. Consequently, Danish Microfinance Partners has no staff employed. The Manager has made an advisory service agreement with MI in respect of some of the investment-related tasks and an agreement with Maj Invest Holding in respect of administrative tasks.

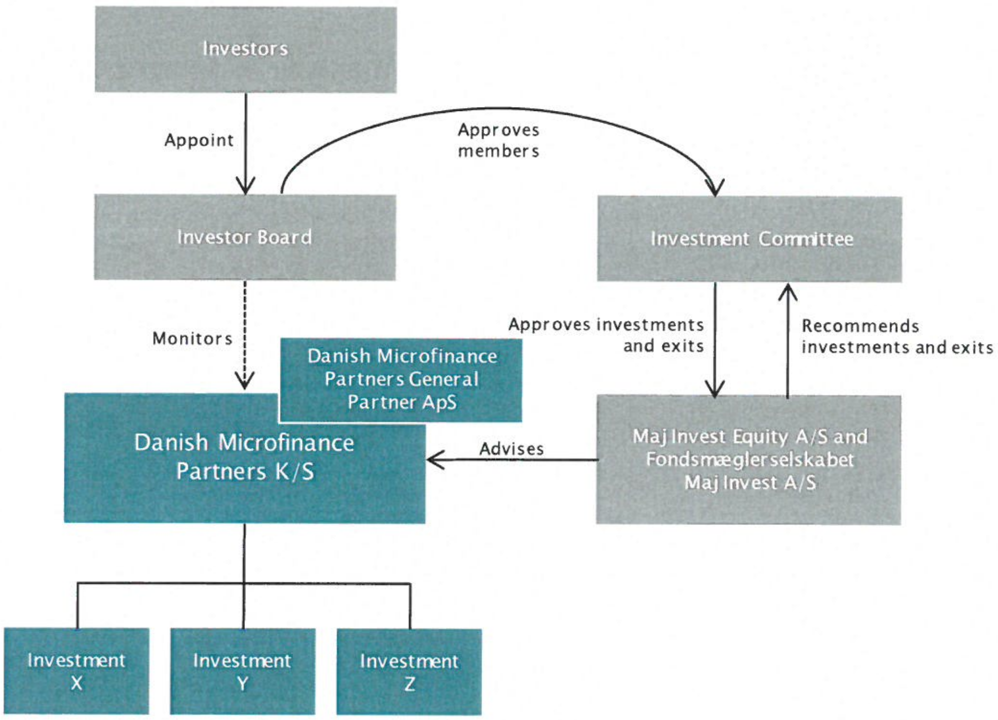
MANAGEMENT COMMENTARY

BUSINESS REVIEW

Decision structure

The investors in Danish Microfinance Partners have set up an Investor Board with representatives appointed by the investors. The Investor Board is the investor's representative body which evaluates the overall developments in the Fund. The Investor Board approves up to three members of the Investment Committee recommended by the General Partner. Any other members of the Investment Committee are appointed by MI.

Decision structure in Danish Microfinance Partners



The Investment Committee is responsible for deciding any investments in or divestments of portfolio companies in Danish Microfinance Partners following a recommendation by Maj Invest Equity International. The Investment Committee consists of three members - two external members, with business experience and the CEO of MI. Reference is made to note 9, which shows any other executive functions or directorships held by investment committee members. Investment committee members do not participate in the particular company and never invest in the portfolio companies in a discretionary manner.

MANAGEMENT COMMENTARY

BUSINESS REVIEW

License as manager with the Danish FSA
The Manager has received a license as manager (in Danish: forvalter) with the Danish FSA (in Danish: Finanstilsynet) and the Manager is under financial regulation and the Danish FSA supervision.

Danish Microfinance Partners has appointed a depositary in accordance with the provisions in FAIF.

Remuneration for the financial year paid to management and staff in Maj Invest Equity A/S is disclosed in the annual report of Maj Invest Equity A/S which is available on the website www.majinvest.com. Information is given on Manager level.

Carried interest
Danish Microfinance Partners has been established with a management fee structure which is normal in relation to the private equity market. This means that the Manager receives a fixed management fee and the General Partner receives carried interest depending on the investors' returns on their investments.

Carried interest is payable if the returns on investments adjusted for costs exceed a predetermined hurdle rate of 10% p.a. The carried interest is calculated as 20% of investor profits over the predetermined hurdle rate.

No carried interest has been paid as of 31 December 2018.

Reporting
One of the things governed by the LPA is the aspect of reporting on fund activities, its development and financial position in relation to investors. The Fund is obliged to report to its investors on a current basis:

- Quarterly reports on the financial situation, the development in individual investments and investment returns.
- Memoranda on investments.
- Memoranda on exits.
- Annual reports.
- Investor meetings
- Annual Social Impact Reports.
- Replies to current investor queries.

The quarterly reports to investors are prepared in compliance with the Invest Europe Investor Reporting Guidelines. Investments are valued at their fair values and in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

MANAGEMENT COMMENTARY

BUSINESS REVIEW

Market development, development in activities and the financial position
Market development
Significant advances have been made in enabling access to financial services for the unbanked. According to the World Bank, 1.2 billion adults worldwide have gotten access to an account since 2011, with two thirds of the adult population owning an account. A digital revolution is busting innovation in the financial system, especially in low income economies, where, on average, the number of mobile money accounts is more than twice the number of bank accounts per 1,000 adults (IMF). The loan portfolio of microfinance institutions worldwide is estimated to USD 114 billion for 2017 (15.6% more than the previous year).

In terms of competition, banks and microfinance institutions have been joined by new key players: fintech firms and mobile operators. Emerging Asia is now the hotspot for digital financial inclusion, with China and India leading the digital transformation. Technology is not only easing access and lowering costs, digitalization is creating new business models. The revolution is also reaching Small and Medium-sized Enterprises (SMEs) by offering solutions to address barriers related to symmetric information and collateral shortage (OECD).

Multiple players are working toward a more inclusive financial world, as it is recognized as a key enabler to reduce poverty and boost shared prosperity. The World Bank has set an ambitious global goal to reach universal financial access by 2020. Financial Inclusion has been identified as an enabler for 7 of the 17 Sustainable Development goals, adopted by all United Nations Member States and accepted by the world community.

In 2017, according to CGAP, a global partnership of 30 development organizations, international funders (public and private) committed USD 42 billion to financial inclusion. However, less than USD 2 billion were directed to equity investments. And not only impact investors are contributing. For example, in India USD 5.2 billion have been invested in financial inclusion since 2010, of which 39% of deals and 48% of investment value have been done by traditional private equity and venture capital (McKinsey), attracted by the potential growth and significant returns of the sector.

In fact, the potential of the market is huge, as close to one third of adults in the world (1.7 billion) are still unbanked, most of them living in developing economies (World Bank). India is currently the world's sixth largest economy and one of the fastest-growing large countries. It has been the main destination for financial inclusion investment, attracting over 10% of the world investment since 2013 (CGAP). McKinsey estimated that impact investments in India have the potential to grow between 20-25% by 2025. Indonesia, Cambodia and China, in the East Asia & Pacific region, are also attracting investors all over the world, being among top ten countries for financial inclusion investments. The

MANAGEMENT COMMENTARY

BUSINESS REVIEW

region shows the second fastest microfinance portfolio growth (18.1%), after South Asia (24.2%).

Even though, Latin America shows a more moderate portfolio growth (12.4%), it has some of the oldest and most successful microfinance institutions. It has the largest regional portfolio (USD 49.8 billion) and attracts the major part of the microfinance investments (32%, according to Symbiotics 2017 Survey). Colombia and Peru remain at the top positions for their enabling environment for financial inclusion (The Economist Intelligence Unit). In 2017, Colombia received 83% more money from financial inclusion investors than the year before (CGAP), enabled by a sound government strategy that is actively coordinated with the private sector. In this country, technology also plays a big role. Regulation has aimed to foster the creation of electronic financial products, easing access to microloans, promoting the participation of non-banking agents, and, more recently, fintech companies in the provision of inclusive products and services. On the contrary, in Africa and the Middle East, a lack of connectivity infrastructure and digital identification systems limits the expansion of digital financial inclusion.

Despite the tough time for emerging markets in 2018, performance of financial inclusion investment has been positive. The SMX-MIV Debt index, a benchmark built by the swiss asset manager Symbiotics, specialized in inclusive finance, had an annual return of 3.9% in USD (vs. 3.1% in 2017) and 1.2% in EUR (vs. 0.2% in 2017). The weighted average return for equity funds was 15.5% in 2017, according to the latest 2018 Symbiotics MIV Survey.

The technological financial revolution brings enormous opportunities, but also big challenges ahead. Many countries still need to update cybersecurity laws and develop their capacity to enforce data privacy protection. Innovation and outreach must go hand in hand with consumer protection and financial literacy. As a point of reference, in the most recent survey about financial literacy competencies, the average score of the OECD countries was 13.7 out of 21, no data for developing economies had been found, but we can infer the gap is wider in those regions.

Despite the advances in financial inclusion much needs to be done. The gender gap in account ownership remains at 9% in developing countries (World Bank), reducing the possibilities for women to control their financial lives. Political uncertainty and difficulty in attracting and retaining talent, together with costs and vulnerability of new technology are seen as the main risks in the sector (Centre for the Study of Financial Innovation).

Profit for the year
The bottom-line for 2018 is a profit of DKK 9 million (against a profit in 2017 of DKK 20 million) which is in line with management expectations. The result is positively affected by received dividends of DKK 13 million and realised gains from exits in fund-of-fund investments of DKK 6 million. Net unrealised value adjustment of the investments

amounts to DKK -6 million (in 2017 DKK 20 million), whereof DKK -23 million is related to unrealised value adjustments in the portfolio companies and DKK 17 million is related to currency adjustments mainly due to an increase in the USD exchange rate.

More information on investments is available below.

Development in portfolio companies in 2018
Unlisted portfolio companies
Aavishkaar Goodwell India Microfinance Development Company II Ltd (Aavishkaar)
Aavishkaar is a micro venture capital fund who provides equity finance and hands-on support to enterprises active in the microfinance sector in India. The investment strategy is to provide commercial long-term capital and active support to entrepreneurial microfinance institutions (MFIs) either at early stage or growth stage. Aavishkaar has invested in six MFIs and has completed one full exit and two partial exits at the end of 2018. The underlying performance of the portfolio in Aavishkaar has been very satisfactory. Danish Microfinance Partners has a commitment of USD 3 million, equal to an ownership interest of 10%, and has a seat in the Advisory Committee.

Próspero Microfinanzas Fund L.P. (Próspero)
Próspero is a fund, focusing on Tiers 2 MFIs in Central America and South America. The investment strategy is small MFIs (new generation or early stage) and medium size MFIs (intermediate stage). Próspero has invested in eight MFIs and has fully exited four investments at the end of 2018. Danish Microfinance Partners has a commitment of USD 2 million, equal to an ownership interest of 11%, and has a seat in the Advisory Committee.

Banco Solidario S.A. (BancoSol)
BancoSol is a commercial bank and has since its beginning been a leading institution of microfinance in Bolivia, with 234 branches and approximately 200 ATMs. Since the establishment in 1992, the bank has experienced a significant growth. The bank has around 986,000 clients and a loan portfolio of more than USD 1.6 billion. BancoSol has shown good performance in 2018 driven by an efficient cost management and better portfolio quality. Danish Microfinance Partners has a seat in the Supervisory Board. The fund has received dividend from BancoSol in 2018.

Baobab S.A.S. (Baobab) (formerly Microcred Holding S.A.)
Baobab was established in 2005 and currently has 11 subsidiaries in Africa and China operating as microfinance institutions/banks through 226 branches in ten countries. Baobab is serving the under banked micro and small entrepreneurs through branches and outlets having a total number of clients of approximately 950,000. Baobab has shown satisfactory performance for 2018, with stable growth in operations and strong improvement in profit which primally is the result of the company's focus on

strengthening management, tightening cost control and improving profitability. The Managing Partner for Financial Inclusion has a seat in the Supervisory Board.

Publicly listed portfolio companies
Danish Microfinance Partners has currently invested in one listed company: Financiera Credinka S.A. which is listed on the Lima Stock Exchange. We refer to the company's website www.credinka.com for further information regarding this investment.

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Capital resources
Danish Microfinance Partners has a total capital commitment of DKK 401 million. As of 31 December 2018, investors had paid DKK 364 million, equal to 91% of their capital commitments. The remaining capital commitment is DKK 37 million. Danish Microfinance Partners' equity amounted to DKK 472 million at 31 December 2018, matching an equity ratio of 95%.

Danish Microfinance Partners is able to finance follow-on investments from the time of investment and up to six months through bridge financing loans from financial institutions. A bridge loan must be repaid in connection with a capital call from investors. There are no bridge loans at year-end 2018.

Financial risks
The objective of Danish Microfinance Partners is to invest in portfolio companies. The major risk factor is therefore the failure to create value in the underlying portfolio companies, currency risk and the political risk in the countries of the investments.

Uncertainties relating to recognition and measurement in the financial statements
Interests in portfolio companies are valued at their fair values, according to the description in Accounting policies. The valuation includes accounting estimates and such valuation is therefore subject to some uncertainty.

Events after the balance sheet day
There have been no events after the balance sheet day and to date that materially affect the assessment of the annual report.

Outlook for 2019
In 2019, management expects a continued value creation in the portfolio companies which is expected to lead to a positive result in the Fund.

Danish Microfinance Partners will continue the work on preparing for a number of exits in the coming years.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

GENERAL

The annual report for Danish Microfinance Partners is prepared in accordance with the provisions of the Danish Financial Statements Act for reporting class B entities with the adoption of rules for reporting class C entities such as cash flow statement and with the necessary adjustments considering that the company is a limited partnership, whose activity is private equity. Investments in portfolio companies are recognised in compliance with the International Private Equity and Venture Capital Valuation Guidelines, drawn by the IPEV Board.

In order to achieve a true and fair view of operations of the limited partnership, the presentation of the income statement has been changed compared with the reporting form shown in schedule 2 of the Danish Financial Statements Act. Income from investments in portfolio companies is presented as an item under operating profit/loss.

Change of reporting class

The reporting class has changed from reporting class C entities (medium-sized) to reporting class B entities, cf. the Danish Financial Statements Act § 7.2 (1). The change has no effect on profit/loss, equity or total assets.

With reference to the Danish Financial Statements Act § 110, the limited partnership has not prepared consolidated financial statements.

The accounting policies are the same as last year.

Recognition and measurement

All income and expenses relating to the financial year are recognised in the income statement regardless of time of payment. Negative unrealised value adjustments of investments in subsidiaries as well as unrealised value adjustments of other investments in portfolio companies are also recognised in the income statement.

Assets are recognised in the balance sheet, if, in all probability, future economic benefits will flow to the limited partnership, and the value of such assets can be measured reliably.

Liabilities are recognised in the balance sheet, if, in all probability, future economic benefits will flow out of the limited partnership, and the value of such liabilities can be measured reliably.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement of assets and liabilities have taken into account any information available after the balance sheet date but before the presentation of the financial statements, either affirming or not affirming conditions existing on the balance sheet date.

Foreign currency translation
Transactions in foreign currencies are translated into Danish kroner using the exchange rates applicable on the transaction date. Assets and liabilities in foreign currencies are translated into Danish kroner using the rates on the balance sheet date.

INCOME STATEMENT
Income from investments in portfolio companies
Realised gains/losses on investments, negative unrealised value adjustments of investments in subsidiaries and unrealised value adjustments of other investments in portfolio companies are recognised in the income statement. Dividends, interests and other income received from portfolio companies as well as carried interest are also recognised as "Income from investments in portfolio companies".

Administrative expenses
Administrative expenses mainly consist of management fees, broken deal costs, depositary fee and other administrative expenses.

Financial income and expenses
Financial income and expenses include interest on bank deposits, interest on bridge loans, provision for credit facility and interest on loans provided by the general partner "Danish Microfinance Partners General Partner ApS".

Tax
Danish Microfinance Partners is a Danish limited partnership. The limited partnership is transparent for tax purposes and taxes are levied on the individual investor in proportion to their shares in the partnership. Consequently, no provisions for tax have been made in the financial statements. However, tax withheld on the payment of dividends and on gains from sale of shares are recognised in the income statement under "Withholding tax".

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

BALANCE SHEET

ASSETS

Investments in portfolio companies

On initial recognition, investments in subsidiaries and other investments in

portfolio companies are measured at cost, with the addition of transaction costs.

On subsequent recognition, investments in subsidiaries are measured at fair value and positive unrealised value adjustments are made directly at the equity. Negative unrealised value adjustments are recognised in the income statement.

On subsequent recognition, other investments in portfolio companies are measured at fair value and any value adjustments are recognised in the income statement.

The fair value of investments in unquoted portfolio companies are measured at the most recent market price for a limited period following the date of the relevant transaction, for instance in the form of an expansion of capital or partial sale or through the use of traditional valuation methods for microfinance institutions, e.g. P/B multiples.

The fair value of investments in quoted companies will for actively traded (quoted) investments be available market prices. If shares are not actively traded, investments will be measured as investments in unquoted portfolio companies.

Receivables

Other receivables are measured at the lower of amortised cost or net realisable value, which usually corresponds to the nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of an assessment of the individual receivables.

Prepayments

Prepayments recognised under assets mainly consist of prepaid management fees.

Cash

Cash includes deposits with financial institutions.

LIABILITIES

Financial liabilities

Bank loans regarding bridge financing are measured at amortised cost, corresponding to the outstanding debt.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Other liabilities are measured at amortised cost, usually corresponding to the nominal value.

CASH FLOW STATEMENT

Cash flow statement

The cash flow statements show cash flows from operating, investing and financing activities as well as the year's movements in cash flows and cash at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities include the net profit or loss for the year, adjusted for changes in working capital and non-cash operating items, such as unrealised value adjustments of investments in portfolio companies and provisions. The working capital includes current assets less short-term liabilities, exclusive of items included in cash and bank loans.

Cash flows from investing activities

Cash flows from investing activities include payments in respect of acquisitions or divestments of portfolio companies.

Cash flows from financing activities

Cash flows from financing activities include payments to and from limited partners as well as any changes in bank loans.

FINANCIAL STATEMENTS

INCOME STATEMENT

'000 DKK	Note	2018	2017
Income from investments in portfolio companies	1	18,940	29,045
Administrative expenses		(5,995)	(5,864)
Operating profit		**12,945**	**23,181**
Financial income		2	2
Financial expenses	2	(159)	(101)
Profit before tax		**12,788**	**23,082**
Withholding tax		(3,881)	(3,505)
Profit for the year		**8,907**	**19,577**

Proposed distribution of net profit		
Retained earnings	8,907	19,577
	8,907	**19,577**

FINANCIAL STATEMENTS

BALANCE SHEET

'000 DKK	Note	31/12/2018	31/12/2017
ASSETS			
Investments in subsidiaries		110,501	111,013
Other investments	3	382,683	391,953
Total investments in portfolio companies		**493,185**	**502,966**
Total non-current assets		**493,185**	**502,966**
Prepayments		1,707	1,326
Total receivables		**1,707**	**1,326**
Cash		**3,046**	**236**
Total current assets		**4,754**	**1,562**
Total assets		**497,939**	**504,528**
EQUITY AND LIABILITIES			
Paid-in capital		363,818	357,207
Distributions		(151,247)	(135,313)
Fair value adjustment of investments in subsidiaries		6,884	7,395
Retained earnings		252,965	244,057
Total equity		**472,419**	**473,346**
Debt to general partner	4	80	80
Other payables	5	25,300	31,000
Total long-term liabilities		**25,380**	**31,080**
Debt to banks		18	-
Debt to general partner		32	32
Other payables		89	70
Total short-term liabilities		**140**	**102**
Total liabilities		**25,520**	**31,182**
Total equity and liabilities		**497,939**	**504,528**

Cash flows - adjustments	6
Cash flows - change in working capital	7
Contingent liabilities etc.	8
Other notes	9

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

'000 DKK	Paid-in capital	Distri-butions	Fair value adjustment of investments in subsidiaries	Retained earnings	Total
2018					
Equity 01/01	357,207	(135,313)	7,395	244,057	473,346
Paid-in capital from limited partners	6,611	-	-	-	6,611
Distributions to limited partners	-	(15,934)	-	-	(15,934)
Fair value adjustment of investments in subsidiaries	-	-	(511)	-	(511)
Profit for the year	-	-	-	8,907	8,907
Equity 31/12	**363,818**	**(151,247)**	**6,884**	**252,965**	**472,419**
The limited partners are liable for their share of the remaining commitment 31/12/2018					37,482
2017					
Equity 01/01	344,629	(128,771)	3,112	224,480	443,451
Paid-in capital from limited partners	12,578	-	-	-	12,578
Distributions to limited partners	-	(6,542)	-	-	(6,542)
Fair value adjustment of investment in subsidiaries	-	-	4,283	-	4,283
Profit for the year	-	-	-	19,577	19,577
Equity 31/12	**357,207**	**(135,313)**	**7,395**	**244,057**	**473,346**
The limited partners are liable for their share of the remaining commitment 31/12/2017					44,093

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

'000 DKK	Note	2018	2017
Profit for the year		8,907	19,577
Adjustments	6	(1,445)	(16,536)
Change in working capital	7	(363)	(25)
Cash flows from operating activities before net financials		**7,099**	**3,016**
Financial income		2	2
Financial expenses		(159)	(101)
Paid withholding tax		(3,881)	(3,505)
Cash flows from operating activities		**3,061**	**(588)**
Purchase of investments in portfolio companies		(233)	(758)
Realisation of investments		9,287	880
Cash flows from investing activities		**9,054**	**122**
Paid-in capital from limited partners		6,611	12,578
Distributions to limited partners		(15,934)	(6,542)
Changes in bank loans		18	(6,271)
Cash flows from financing activities		**(9,305)**	**(235)**
Cash flows for the year, net		**2,810**	**(701)**
Cash at the beginning of the year		236	937
Cash at the end of the year		**3,046**	**236**

'000 DKK	2018	2017
NOTE 1 Income from investments in portfolio companies		
Unrealised value adjustments	(5,741)	20,140
Realised gain from sale of portfolio company	5,524	-
Dividend received from portfolio companies	12,546	7,781
Interest received from portfolio companies	643	938
Other income from portfolio companies	267	187
Carried interest	5,700	-
	18,940	**29,045**
NOTE 2 Financial expenses		
Financial expenses, general partner	32	32
Other financial expenses	127	69
	159	**101**

NOTE 3 Other investments

Other investments are minority investments with an ownership interest less than 20% which are valued according to the fair value measurements in Level 3 of the fair value hierarchy.

The fair market value for each portfolio company is primarily measured based on a P/B multiple which is the common method for microfinance institutions. The multiples are determined using the following criteria: the company's profitability and growth potential, growth in equity, actual return on equity, the company's and management's ability to accomplish the growth strategy, but also the country's economic and political conditions and legal framework.

Investments in fund-of-fund are measured based on latest Net Asset Value reported.

NOTE 4 Debt to general partner

Debt to general partner is an instalment-free loan to Danish Microfinance Partners for the full term of Danish Microfinance Partners.

NOTE 5 Other payables - long term

Other payables relate to carried interest which is expected due within the next five years.

'000 DKK	2018	2017
NOTE 6 Cash flow statement - adjustments		
Financial income	(2)	(2)
Financial expenses	159	101
Withholding tax	3,881	3,505
Carried interest	(5,700)	-
Realised gain from sale of portfolio company	(5,524)	-
Unrealised value adjustments in portfolio companies	5,741	(20,140)
	(1,445)	**(16,536)**

NOTE 7 Cash flow statement - change in working capital		
Change in receivables	(381)	(43)
Change in other short-term liabilities	18	18
	(363)	**(25)**

NOTE 8 Contingent liabilities etc.

Contingent liabilities

Danish Microfinance Partners has entered into a management agreement with Maj Invest Equity A/S, for the Manager's administration of Danish Microfinance Partners as well as the provision of investment advisory services to Danish Microfinance Partners. On termination, Danish Microfinance Partners may in certain circumstances be obliged to pay management fees for a six months period. At 31 December 2018, the fee payable amounted to approx. DKK 2.7 million (at 31 December 2017 approx. DKK 2.6 million) as the management fee will be in decline after the expiry of the investment period (June 2015).

Danish Microfinance Partners has given a commiment to Aavishkaar Goodwell India Microfinance Development Company II Ltd. of USD 3.02 million. As of 31 December 2018 USD 3.01 million has been paid in to the fund.

Danish Microfinance Partners has given a commitment to Próspero Microfinanzas Fund L.P. of USD 2 million. As of 31 December 2018 USD 1.96 million has been paid in to the fund.

FINANCIAL STATEMENTS

NOTES

NOTE 9 Executive board and Investment Committee

Executive board of the general partner:

Kasper Svarrer
Director of:
Kasper Svarrer Holding ApS, DMP Holding 1 ApS, Danish Microfinance Partners Management ApS, Management Equity Vietnam I ApS, General Partner Equity Vietnam ApS and MIFIF III GP ApS.
Chairman of:
Fonden MIFIF II GP.
Board member of:
Jutlandia Terminal A/S, A/S J. Lauritzen´s Eftf., Esbjerg, Jantzen A/S, Baobab S.A.S. and Arohan Financial Services Pvt.
Member of Investment Committee of:
Maj Invest Financial Inclusion Fund II K/S.

Thomas Riis
Director of:
ACE Capital ApS, Danish Microfinance Partners Management ApS, DMP Holding 1 ApS, General Partner Equity Vietnam ApS, Management Equity Vietnam I ApS and MIFIF III GP ApS.
In addition, managing director or directorship of various holding companies and underlying portfolio companies owned by LD Equity 3 K/S, Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.
In addition, managing director of several holding companies owned by Maj Invest Equity Vietnam I K/S and Maj Invest Equity Southeast Asia II K/S.

Investment Committee:

Jeppe Christiansen
CEO of:
Fondsmæglerselskabet Maj Invest A/S and Maj Invest Holding A/S.
Director of:
Maj Invest Equity A/S and Det Kgl. Vajsenhus.
Chairman of:
Haldor Topsøe A/S and Emlika ApS.
Vice Chairman of the boards of:
Novo Nordisk A/S, Symphogen A/S and Maj Bank A/S.
Board member of:
Kirkbi A/S, Novo Holdings A/S, JKLE Holding ApS and Maj Invest Equity A/S.
Member of Investment Committee of:
Maj Invest Equity Vietnam I K/S, Maj Invest Equity Southeast Asia II K/S, Maj Invest Financial Inclusion Fund II K/S, Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.

Joaquin Costa
Member of Investment Committee of:
Maj Invest Financial Inclusion Fund II K/S.

Dewi Dylander
Member of Investment Committee of:
Danish Microfinance Partners K/S.