



DANISH
MICROFINANCE
PARTNERS K/S

Annual report 2016

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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 2016.

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

In our opinion, the parent financial statements and the consolidated financial statements give a true and fair view of the limited partnership's and group's assets, liabilities and financial position at 31 December 2016 and of results of their operations and cash flows for the financial year 1 January – 31 December 2016.

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

We recommend the annual report 2016 for adoption at the annual general meeting.

Copenhagen, 3 April 2017

General partner:
Danish Microfinance Partners General Partner ApS

Executive Board:



Kasper Svarrer

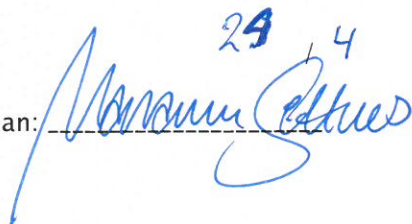


Thomas Riis

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

on

Chairman:



29 4
2017

STATEMENTS

Independent auditors' report

To the Limited Partners in Danish Microfinance Partners K/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Danish Microfinance Partners K/S for the financial year 1 January – 31 December 2016, which comprise accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes for both the Group and the parent company. The consolidated financial statements and the parent company financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2016, and of the results of the Group and parent company 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 the 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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the parent company'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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the limited partnership or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists.

STATEMENTS

Independent auditors' report

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 these consolidated financial statements and parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 Group's and the parent company'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 consolidated financial statements and the parent company 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 Group's and the parent company'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 consolidated financial statements and the parent company financial statements or, if such disclosures are in-adequate, 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 the Group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Management's review

Management is responsible for the Management's review.

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

STATEMENTS

Independent auditors' report


In connection with our audit of the consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 consolidated financial statements and the parent company 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, 3 April 2017

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


Per Gunslev
State Authorised
Public Accountant


Ole Karstensen
State Authorised
Public Accountant

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 Osvold Helmuths Vej 4 DK-2000 Frederiksberg Denmark |

MANAGEMENT COMMENTARY

KEY FIGURES AND RATIOS FOR DANISH MICROFINANCE PARTNERS K/S

| '000 DKK | 2016 | 2015 | 2014* | 2013* | 2012* |
|--|----------|----------|----------|----------|----------|
| Key figures | | | | | |
| Profit/loss | | | | | |
| Income from investments in portfolio companies** | 100,675 | 90,087 | 104,726 | 7,849 | (7,313) |
| Operating profit | 92,820 | 82,304 | 96,266 | (746) | (16,004) |
| Profit for the year | 89,594 | 79,131 | 93,012 | (3,254) | (16,846) |
| Balance sheet | | | | | |
| Investments in portfolio companies | 478,666 | 443,976 | 326,938 | 164,288 | 58,755 |
| Total assets | 480,886 | 448,845 | 330,465 | 167,277 | 61,821 |
| Equity | 443,451 | 424,516 | 328,682 | 140,381 | 24,732 |
| Financial resources | | | | | |
| Cash | 937 | 1,396 | 120 | 729 | 1,038 |
| Remaining commitment | 56,671 | 108,745 | 125,250 | 222,905 | 342,565 |
| Total financial resources | 57,608 | 110,141 | 125,370 | 223,634 | 343,603 |
| Cash flow | | | | | |
| Cash flows from operating activities | (1,814) | (1,250) | (8,359) | (10,113) | (8,757) |
| Cash flows from investing activities | 82,157 | (27,178) | (61,335) | (99,000) | (42,380) |
| Cash flows from financing activities | (80,803) | 29,704 | 69,085 | 108,803 | 51,996 |
| Net change in cash | (459) | 1,276 | (609) | (309) | 859 |
| Ratios | | | | | |
| Equity ratio | 92% | 95% | 99% | 84% | 40% |
| Paid-in capital to committed capital (%) | 86% | 73% | 69% | 44% | 15% |

* The key figures and ratios for 2012–2014 have not been modified cf. the Danish Financial Statements Act § 101.3.

** For 2012–2014, unrealised value adjustments of investments in subsidiaries and other investments in portfolio companies are included in "Income from investments in portfolio companies". For 2015–2016, positive unrealised value adjustments of investments in subsidiaries are made directly at the equity. The effect of the change in accounting policies appears from "Accounting policies".

MANAGEMENT COMMENTARY

KEY FIGURES AND RATIOS FOR THE GROUP

| '000 DKK | 2016 | 2015 |
|--|----------|----------|
| Key figures* | | |
| Profit/loss | | |
| Income from investments in portfolio companies | 100,675 | 90,087 |
| Operating profit | 92,809 | 82,272 |
| Profit for the year | 89,581 | 79,099 |
| Balance sheet | | |
| Investments in portfolio companies | 478,380 | 443,395 |
| Total assets | 480,895 | 448,855 |
| Equity | 443,451 | 424,516 |
| Cash flow | | |
| Cash flows from operating activities | (1,465) | (1,694) |
| Cash flows from investing activities | 81,874 | (26,817) |
| Cash flows from financing activities | (80,803) | 29,704 |
| Net change in cash | (393) | 1,193 |
| Ratios | | |
| Equity ratio | 92% | 95% |

* Key figures only comprise 2015 and 2016 cf. the Danish Financial Statements Act § 128.4.

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). The investment period ended in June 2015.

Investment policy and strategy in Danish Microfinance Partners

The Fund has invested in financial institutions with a significant exposure to micro- and SME financial services. For the Fund to consider investing, these microfinance institutions must have 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 invests in microfinance institutions in Latin America, Asia and Africa and can invest directly with equity or quasi-equity instruments (convertible loans), or indirectly via funds. The Fund is an active minority investor, generally taking a 5–25% 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.

CSR policy and social impact

Danish Microfinance Partners follows an impact investment strategy with a double bottom line targeting both social impact and financial return. The Fund advocates the protection of social and environmental sustainability to promote corporate social responsibility. In order to maximise positive social and environmental impact and minimise any such negative impact of the operations and of the portfolio companies, it is the Fund's objective to be in compliance with the International Finance Corporation's (IFC's) Policy on Social and Environmental Sustainability together with international recognised standard for the microfinance industry.

MANAGEMENT COMMENTARY

BUSINESS REVIEW

The CSR Policy of the Fund considers the provisions laid down in IFC's Microfinance Exclusion List, Anti-Money Laundering Requirements, Anti-Corruption Guidelines and CGAP Client Protection Principles, and aims to keep track of activities of its portfolio companies in identifying, assessing and managing social and environmental risks at the ground level. Through earnest implementation of its CSR Policy, Danish Microfinance Partners strives to achieve its vision of generating a double bottom line return for its investors.

Danish Microfinance Partners organisation

At year-end 2016, the advisory team consisted of one Managing Partner for Financial Infrastructure, one Partner, the Executive Board of Fondsmæglerselskabet Maj Invest A/S (MI), one CSR Manager, one Senior Investment Manager, one Investment Manager, three Analysts as well as four 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 Infrastructure 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% |

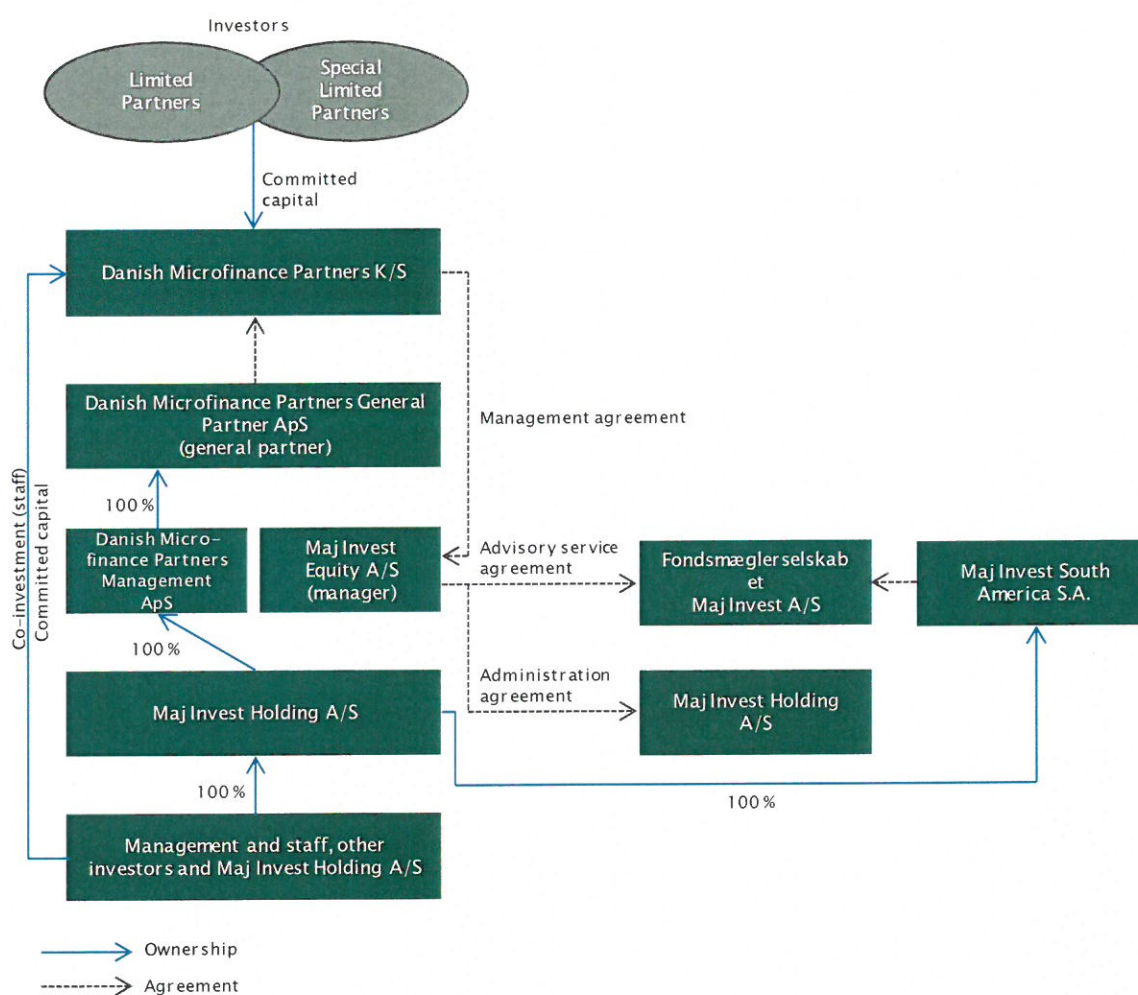
MANAGEMENT COMMENTARY

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 Infrastructure 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 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.

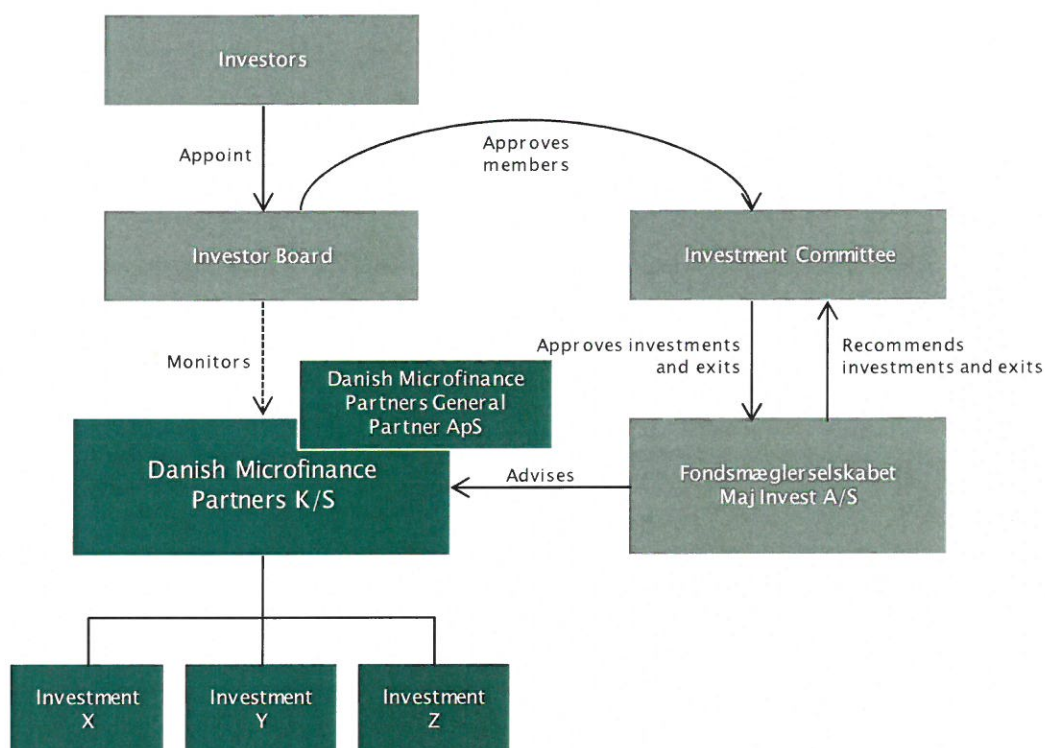
MANAGEMENT COMMENTARY

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 acts as a supervisory body and monitors developments in the Fund. The Investor Board also 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 11 in the parent financial statements, which shows any other executive functions or directorships held by investment committee members. Investment committee members do not participate in the particular companies 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.

The total amount of 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. 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 2016.

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 will be 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.

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Market development, development in activities and the financial position

Market development

The financial inclusion market is of significant magnitude and presents an attractive investment opportunity. Companies in this sector provide financial services to clients above extreme poverty levels, but below the middle class as well as to micro, small and medium sized enterprises (MSMEs). The Fund seeks to generate above market returns by investing in the financial infrastructure and micro finance banking sector in such developing markets as Latin America, Asia and Africa.

Globally, financial inclusion is an ample and growing market. It is estimated that 2.3 billion people are unbanked with no access to accounts, savings or payment mechanisms. Over 200 million MSMEs, in developing economies, are unserved or underserved, suffering a financing gap of USD 2.1–2.6 trillion. Financial institutions in this market, in 2014, had a loan portfolio of USD 87 billion and attended 111 million clients and grew at 10% and 16%, respectively. Zurich-based responsAbility, in its Market Outlook 2016, estimated that the global microfinance market grew at 10–15%, showing a stronger pace for Asia Pacific (30%, mainly in India and Cambodia) and Sub-Saharan Africa (15–20% on the back of low penetration levels) than for Latin America (5–10%, given its mature market status). Albeit this fast growth pace, the ratio of private credit to GDP in countries with large micro finance markets hovers around 40%, whereas in developed countries this ratio is well above 100%. There are vast opportunities for growth as evidenced by a pervasive financial exclusion landscape.

As a market grows, there is pressing need for new conducive regulation, products, technologies and investments. According to the EIU Global Microscope 2016, four countries, out of 55, top the list for their favorable regulatory environment for financial inclusion: Colombia, Peru, India and Philippines. India's addition to the top-four is the result of its government's efforts to provide wider access to its large unbanked population. Technology usage, such as e-payments or mobile money, is expanding quite rapidly in India and Bolivia. Both countries show the highest scores on e-payments in the EIU report. Kenya takes the lead on mobile phone usage to receive money remittances with 67% of the population using such means. Other developments, such as branchless banking or peer-to-peer lending are becoming more mainstream. In China alone, as of mid-2016, a local paper reported the existence of 2,349 online lenders with outstanding loans of USD 93 billion.

As a large and, to a point, unattended market keeps growing, sector participants need significant sums of capital to close the financial inclusion gap. Symbiotics, a financial intermediary, estimates that the private sector has invested around USD 11 billion in microfinance assets as of 2015. As structural changes take place, even more capital is needed. For instance, in March 2016, Cambodia increased the minimum capital requirements for deposit-taking MFIs from USD 2.5 million to USD 30 million. In mature

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microfinance markets, such as Colombia and Peru, equity positions owned by entities with no commercial focus, will seek to exit as their developmental role comes to an end. These shifts have translated into average equity transaction tickets growing from USD 2–5 million to USD 15–20 million.

The financial infrastructure and micro finance banking market presents an unparalleled investment opportunity. The imbalances between the size of the population demanding these services and the small, albeit growing, current offering, create significant prospects for capital deployment. Moreover, the technological and regulatory advances in the countries where the Fund invests opens the possibility for operating efficiencies, value creation opportunities and demand of equity investments leading to outsized returns upon exit.

Investments in 2016:

In April 2016, Danish Microfinance Partners made a capital increase in Microcred in order to maintain the ownership in the portfolio company.

In autumn 2016, minor follow-on investments were completed in Financiera Credinka S.A. in order to maintain a 10% ownership.

The Fund has actually invested in six portfolio companies since inception.

More information on investments is available below.

Exits in 2016

Danish Microfinance Partners has successfully divested the investment in Satin Creditcare Network Limited and has also sold a minor shareholding in NCF Servicios which was part of the Financiera Credinka investment.

Profit for the year

The bottom-line for 2016 for Danish Microfinance Partners as well as at group level is a profit of DKK 90 million (against a profit in 2015 of DKK 79 million) which management finds satisfactory. The Funds bottom-line was favourably affected by realised gain from sale of portfolio companies of DKK 85 million and also a positive unrealised value adjustment of the investments of DKK 29 million (in 2015 DKK 90 million), whereof DKK 15 million is related to positive currency adjustments mainly USD adjustments.

Development in portfolio companies in 2016

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 Funds aim is partly

MANAGEMENT COMMENTARY

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Microfinance Institutions (MFI) in a start-up phase, partly well-established MFI's in need of capital to grow. Aavishkaar has invested in six MFIs and has completed a full exit of a portfolio company in 2016. The underlying performance of the portfolio in Aavishkaar has been satisfactory. Danish Microfinance Partners has a commitment of USD 3 million, equal to an ownership interest of 10%, and has one seat in the Advisory Committee.

Próspero Microfinanzas Fund L.P. (Próspero)

Próspero is a fund, investing in small and medium sized microfinance institutions in Central America and South America. The focus is on microfinance institutions in a start-up or early growth phase. Próspero has invested in eight microfinance institutions. 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 94 agencies and approximately 200 ATMs. Since the establishment in 1992, the bank has experienced a significant growth. The bank has more than 250,000 borrowers and a loan portfolio of more than USD 1 billion. BancoSol has performed very well in 2016. Danish Microfinance Partners has received dividend from BancoSol in 2016.

Microcred Holding S.A. (Microcred)

Microcred was established in 2005 and is a digital finance company focusing on financial inclusion in Africa and China through 156 branches. Microcred offers financial services to emerging client segments particularly the unbanked with a focus on micro and small entrepreneurs. The bank has more than 570,000 clients and a loan portfolio of approx. 430 million EUR. Microcred has shown satisfactory performance in terms of growth in gross loan portfolio and saving portfolio and earnings have improved.

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 the investment.

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Capital resources

Danish Microfinance Partners has a total capital commitment of DKK 401 million. As of 31 December 2016, investors had paid DKK 345 million, equal to 86% of their capital commitments. The remaining capital commitment is DKK 57 million. Danish Microfinance Partners' equity amounted to DKK 443 million at 31 December 2016, matching an equity ratio of 92%.

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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. At year-end 2016, debt to banks amounted to DKK 6 million, which primarily relates to follow-on investments made in autumn 2016.

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 2017

In 2017, management expects a continued value creation in the portfolio companies which is expected to lead to a positive result in the Fund.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

GENERAL

The annual report for Danish Microfinance Partners for 2016 is prepared in accordance with the provisions of the Danish Financial Statements Act for reporting class C entities (medium-sized) 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 and balance sheet 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. The fair values of the investments are presented as one item under the balance sheet regardless of the size of the ownership interest.

With effect from 1 January 2016, the fund has implemented the Act no. 738 of 1 June 2015. This entails the following changes to the recognition and measurement of:

Change of reporting class

The reporting class has changed from reporting class B entities to reporting class C entities (medium-sized). This implies that consolidated financial statements are prepared.

Investments in portfolio companies

Investments in portfolio companies are measured at fair value. Previously, all investments in portfolio companies were measured at fair value with unrealised value adjustments through the income statement. Prospectively, investments in portfolio companies relating to subsidiaries are measured at fair value and positive unrealised value adjustments are made directly at the equity.

The effect of the above change is a reduction of profit for the year for the parent company of DKK 2.9 million in 2016 and DKK 0.2 million in 2015. Total assets and equity have not been affected in terms of amounts.

Financial liabilities

The measuring principle for bank loans regarding bridge financing has been changed. Previously, the bank loans were measured at fair value, but prospectively, they are measured at amortised cost.

This change has no effect on profit/loss for the year, total assets or equity at

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

31 December 2016 or on the comparative figures for 2015 for the parent company or the group.

Except for these changes, the accounting policies remain unchanged compared to 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.

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.

Consolidated financial statements

The consolidated financial statements comprise the parent and the subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of uniform nature and eliminating intercompany income and expenses, shareholdings etc.

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.

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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 and other administrative expenses.

Financial income and expenses

Financial income and expenses include interest on bank deposits, interest on bridge loans 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".

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.

FINANCIAL STATEMENTS

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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.

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.

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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.

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PARENT INCOME STATEMENT

| '000 DKK | Note | 2016 | 2015 |
|--|------|----------------|----------------|
| Income from investments in portfolio companies | 1 | 100,675 | 90,087 |
| Administrative expenses | | <u>(7,855)</u> | <u>(7,783)</u> |
| Operating profit | | 92,820 | 82,304 |
| Financial income | | 649 | - |
| Financial expenses | 2 | <u>(425)</u> | <u>(315)</u> |
| Profit before tax | | 93,044 | 81,990 |
| Withholding tax | | <u>(3,450)</u> | <u>(2,859)</u> |
| Profit for the year | | 89,594 | 79,131 |
| Proposed distribution of net profit | | | |
| Retained earnings | | <u>89,594</u> | <u>79,131</u> |
| | | 89,594 | 79,131 |

FINANCIAL STATEMENTS

PARENT BALANCE SHEET

| '000 DKK | Note | 31/12/2016 | 31/12/2015 |
|--|------|----------------|----------------|
| ASSETS | | | |
| Investments in portfolio companies | 3 | 478,666 | 443,976 |
| Total investments | | 478,666 | 443,976 |
| Total non-current assets | | 478,666 | 443,976 |
| Other receivables | | - | 1,140 |
| Prepayments | | 1,283 | 2,333 |
| Total receivables | | 1,283 | 3,473 |
| Cash | | 937 | 1,396 |
| Total current assets | | 2,220 | 4,869 |
| Total assets | | 480,886 | 448,845 |
| EQUITY AND LIABILITIES | | | |
| Paid-in capital | | 344,629 | 292,555 |
| Distributions | | (128,771) | (3,123) |
| Fair value adjustment of investments in subsidiaries | | 3,112 | 198 |
| Retained earnings | | 224,480 | 134,886 |
| Total equity | | 443,451 | 424,516 |
| Debt to general partner | 4 | 80 | 80 |
| Other payables | 5 | 31,000 | 9,000 |
| Total long-term liabilities | | 31,080 | 9,080 |
| Debt to banks | | 6,271 | 13,500 |
| Debt to general partner | | 32 | 32 |
| Other payables | | 52 | 1,717 |
| Total short-term liabilities | | 6,355 | 15,249 |
| Total liabilities | | 37,435 | 24,329 |
| Total equity and liabilities | | 480,886 | 448,845 |
| Cash flows – adjustments | 6 | | |
| Cash flows – change in working capital | 7 | | |
| Contingent liabilities etc. | 8 | | |
| Other notes | 9–11 | | |

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PARENT STATEMENT OF CHANGES IN EQUITY

| '000 DKK | Paid-in capital | Distributions | Fair value adjustment of investments in subsidiaries | Retained earnings | Total |
|--|-----------------|------------------|--|-------------------|----------------|
| 2016 | | | | | |
| Equity 01/01 | 292,555 | (3,123) | 198 | 134,886 | 424,516 |
| Paid-in capital from limited partners | 52,075 | - | - | - | 52,075 |
| Distributions to limited partners | - | (125,648) | - | - | (125,648) |
| Fair value adjustment of investments in subsidiaries | - | - | 2,914 | - | 2,914 |
| Profit for the year | - | - | - | 89,594 | 89,594 |
| Equity 31/12 | 344,629 | (128,771) | 3,112 | 224,480 | 443,451 |
| The limited partners are liable for their share of the remaining commitment 31/12/2016 | | | | | 56,671 |
| 2015 | | | | | |
| Equity 01/01 | 276,050 | (3,123) | - | 55,755 | 328,682 |
| Paid-in capital from limited partners | 16,505 | - | - | - | 16,505 |
| Fair value adjustment of investment in subsidiaries | - | - | 198 | - | 198 |
| Profit for the year | - | - | - | 79,131 | 79,131 |
| Equity 31/12 | 292,555 | (3,123) | 198 | 134,886 | 424,516 |
| The limited partners are liable for their share of the remaining commitment 31/12/2015 | | | | | 108,745 |

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PARENT CASH FLOW STATEMENT

| '000 DKK | Note | 2016 | 2015 |
|---|------|-----------------|-----------------|
| Profit for the year | | 89,594 | 79,131 |
| Adjustments | 6 | (88,707) | (78,489) |
| Change in working capital | 7 | 526 | 1,282 |
| Cash flows from operating activities before net financials | | 1,413 | 1,924 |
| Financial income | | 649 | - |
| Financial expenses | | (425) | (315) |
| Paid withholding tax | | (3,450) | (2,859) |
| Cash flows from operating activities | | (1,814) | (1,250) |
| Purchase of investments in portfolio companies | | (32,704) | (27,178) |
| Sale of shares in portfolio company | | 114,861 | - |
| Cash flows from investing activities | | 82,157 | (27,178) |
| Paid-in capital from limited partners | | 52,075 | 16,505 |
| Distributions to limited partners | | (125,648) | - |
| Changes in bank loans | | (7,229) | 13,199 |
| Cash flows from financing activities | | (80,803) | 29,704 |
| Cash flows for the year, net | | (459) | 1,276 |
| Cash at the beginning of the year | | 1,396 | 120 |
| Cash at the end of the year | | 937 | 1,396 |

FINANCIAL STATEMENTS

PARENT NOTES

| '000 DKK | 2016 | 2015 |
|--|----------------|---------------|
| NOTE 1 Income from investments in portfolio companies | | |
| Unrealised value adjustments | 29,182 | 89,663 |
| Realised gain from sale of portfolio company | 84,751 | - |
| Dividend received from portfolio companies | 7,383 | 7,656 |
| Interest received from portfolio companies | 1,089 | 768 |
| Other income from portfolio companies | 270 | - |
| Carried interest | (22,000) | (8,000) |
| | 100,675 | 90,087 |
| NOTE 2 Financial expenses | | |
| Financial expenses, general partner | 32 | 32 |
| Other financial expenses | 393 | 283 |
| | 425 | 315 |

| | Investments in subsidiaries | Other investments | Total |
|--|-----------------------------|-------------------|----------------|
| NOTE 3 Investments in portfolio companies | | | |
| Cost at 01/01/2016 | 63,723 | 191,130 | 254,853 |
| Additions during the year | 25,719 | 6,985 | 32,704 |
| Disposals during the year | - | (30,111) | (30,111) |
| Cost at 31/12/2016 | 89,442 | 168,004 | 257,446 |
| Value adjustments at 01/01/2016 | 14,373 | 174,750 | 189,124 |
| Value adjustments during the year | 3,274 | 81,337 | 84,611 |
| Currency adjustments during the year | (359) | 4,567 | 4,208 |
| Disposals during the year | - | (56,722) | (56,722) |
| Value adjustments at 31/12/2016 | 17,288 | 203,932 | 221,220 |
| Carrying amount at 31/12/2016 | 106,730 | 371,936 | 478,666 |

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PARENT NOTES

NOTE 3 Investments in portfolio companies (continued)

| Name of investments in subsidiaries | Registered office | Ownership interest | Share capital | Equity | Profit/loss for the year |
|-------------------------------------|-------------------|--------------------|---------------|--------------------|--------------------------|
| DMP Holding 1 ApS | Copenhagen | 100.0% | EUR 11,724 | '000 DKK 63,663 | '000 DKK -32 |

| Name of other investments | Registered office | Ownership interest | Share capital | Equity | Profit/loss for the year |
|--|-------------------|--------------------|--------------------|---------------------|--------------------------|
| Próspero Microfinanzas Fund L.P. | Cayman Island | 11.1% | USD N/A | '000 DKK 107,883 | '000 DKK 13,170 |
| Aavishkaar Goodwell India Micro-finance Development Company II Ltd.* | Mauritius | 10.0% | USD 29,212,300 | '000 DKK 325,518 | '000 DKK 27,812 |
| Banco Solidario S.A. | Bolivia | 15.0% | BOB 626,133,800 | '000 DKK 949,304 | '000 DKK 218,220 |
| Financiera Credinka S.A. | Peru | 10.0% | PEN 104,678,000 | '000 DKK 189,343 | '000 DKK -19,388 |

Share capital, equity and profit/loss for the year are from the annual reports 2015 which are the latest annual reports published. The latest annual report published for Aavishkaar Goodwell India Microfinance Development Company II Ltd. is for the financial year 2015/16.

* Financial year is 1 April to 31 March.

FINANCIAL STATEMENTS

PARENT NOTES

'000 DKK 31/12/2016 31/12/2015

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.

| | 2016 | 2015 |
|---|-----------------|-----------------|
| NOTE 6 Cash flow statement – adjustments | | |
| Financial income | (649) | – |
| Financial expenses | 425 | 315 |
| Withholding tax | 3,450 | 2,859 |
| Carried interest | 22,000 | 8,000 |
| Realised gain from sale of portfolio company | (84,751) | – |
| Unrealised value adjustments in portfolio companies | (29,182) | (89,663) |
| | (88,707) | (78,489) |

NOTE 7 Cash flow statement – change in working capital

| | | |
|--|------------|--------------|
| Change in receivables | 2,190 | (66) |
| Change in other short-term liabilities | (1,664) | 1,348 |
| | 526 | 1,282 |

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 2016, the fee payable amounted to app. DKK 2.6 million (at 31 December 2015 app. DKK 8 million) as the management fee will be in decline after the expiry of the investment period (June 2015).

Danish Microfinance Partners has given a commitment to Aavishkaar Goodwell India Microfinance Development Company II Ltd. of USD 3 million. As of 31 December 2016 USD 2.9 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 2016 USD 1.9 million has been paid in to the fund.

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PARENT NOTES

NOTE 9 Related parties

No related parties have controlling interest on Danish Microfinance Partners.

Related parties include the general partner "Danish Microfinance Partners General Partner ApS", the manager "Maj Invest Equity A/S", "Danish Microfinance Partners Management ApS" and also the executive board of the general partner. The director of the executive board Kasper Svarrer is a special limited partner in Danish Microfinance Partners.

In addition to this, no limited partners have significant influence.

Transactions with related parties comprise interest expenses from loan provided from Danish Microfinance Partners General Partner ApS and management fee paid to Maj Invest Equity A/S.

There have been no other transactions with related parties.

NOTE 10 Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual report 2016 after the balance sheet date and up to today.

NOTE 11 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 General Partners ApS, Danish Microfinance Partners Management ApS, Management Equity Vietnam I ApS and General Partner Equity Vietnam ApS.

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.

Chairman of:

Jutlandia Terminal A/S, A/S J. Lauritzen's Eftf., Esbjerg and Fonden MIFIF II GP.

Board member of:

Jantzen A/S and Microcred Holding S.A.

Member of Investment Committee of:

Maj Invest Financial Inclusion Fund II K/S.

Thomas Riis

Director of:

Danish Microfinance Partners General Partner ApS, Danish Microfinance Partners Management ApS, DMP Holding 1 ApS, General Partner Equity Vietnam ApS and Management Equity Vietnam I ApS.

In addition, managing director or directorship of various holding companies and underlying portfolio companies owned by LD Equity 2 K/S, LD Equity 3 K/S and Maj Invest Equity 4 K/S.

FINANCIAL STATEMENTS

PARENT NOTES

NOTE 11 Executive board and Investment Committee (continued)

Investment Committee:

Jeppe Christiansen

CEO of:

Fondsmæglerselskabet Maj Invest A/S.

Director of:

Maj Invest Holding A/S, Maj Invest Equity A/S, Emlika ApS and Det Kgl. Vajsenhus.

Chairman of:

Haldor Topsøe A/S and Emlika ApS.

Vice Chairman of the boards of:

Novo Nordisk A/S and Maj Bank A/S.

Board member of:

Kirkbi A/S, Symphogen A/S, Novo A/S 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.

Pelle Pedersen

Member of Investment Committee of:

Danish Microfinance Partners K/S.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

| '000 DKK | Note | 2016 | 2015 |
|--|------|---------------|---------------|
| Income from investments in portfolio companies | 1 | 100,675 | 90,087 |
| Administrative expenses | | (7,866) | (7,815) |
| Operating profit | | 92,809 | 82,272 |
| Financial income | | 649 | - |
| Financial expenses | 2 | (427) | (315) |
| Profit before tax | | 93,031 | 81,957 |
| Withholding tax | | (3,450) | (2,859) |
| Profit for the year | | 89,581 | 79,099 |
| Proposed distribution of net profit | | | |
| Retained earnings | | 89,581 | 79,099 |
| | | 89,581 | 79,099 |

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

| '000 DKK | Note | 31/12/2016 | 31/12/2015 |
|--|------|----------------|----------------|
| ASSETS | | | |
| Investments in portfolio companies | | 478,380 | 443,395 |
| Total investments | | 478,380 | 443,395 |
| Total non-current assets | | 478,380 | 443,395 |
| Other receivables | | - | 1,501 |
| Prepayments | | 1,283 | 2,333 |
| Total receivables | | 1,283 | 3,834 |
| Cash | | 1,232 | 1,626 |
| Total current assets | | 2,515 | 5,460 |
| Total assets | | 480,895 | 448,855 |
| EQUITY AND LIABILITIES | | | |
| Paid-in capital | | 344,629 | 292,555 |
| Distributions | | (128,771) | (3,123) |
| Fair value adjustment | | 17,634 | 14,434 |
| Retained earnings | | 209,959 | 120,650 |
| Total equity | | 443,451 | 424,516 |
| Debt to general partner | 3 | 80 | 80 |
| Other payables | 4 | 31,000 | 9,000 |
| Total long-term liabilities | | 31,080 | 9,080 |
| Debt to banks | | 6,271 | 13,500 |
| Debt to general partner | | 32 | 32 |
| Other payables | | 61 | 1,727 |
| Total short-term liabilities | | 6,364 | 15,259 |
| Total liabilities | | 37,444 | 24,339 |
| Total equity and liabilities | | 480,895 | 448,855 |
| Cash flows – adjustments | 5 | | |
| Cash flows – change in working capital | 6 | | |
| Contingent liabilities etc. | 7 | | |
| Other notes | 8–9 | | |

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| '000 DKK | Paid-in capital | Distributions | Fair value adjustment | Retained earnings | Total |
|---------------------------------------|-----------------|------------------|-----------------------|-------------------|----------------|
| 2016 | | | | | |
| Equity 01/01 | 292,555 | (3,123) | 14,434 | 120,650 | 424,516 |
| Foreign currency translation | - | - | - | (273) | -273 |
| Paid-in capital from limited partners | 52,075 | - | - | - | 52,075 |
| Distributions to limited partners | - | (125,648) | - | - | (125,648) |
| Fair value adjustment | - | - | 3,200 | - | 3,200 |
| Profit for the year | - | - | - | 89,581 | 89,581 |
| Equity 31/12 | 344,629 | (128,771) | 17,634 | 209,958 | 443,451 |
| 2015 | | | | | |
| Equity 01/01 | 276,050 | (3,123) | - | 41,551 | 314,478 |
| Paid-in capital from limited partners | 16,505 | - | - | - | 16,505 |
| Fair value adjustment | - | - | 14,434 | - | 14,434 |
| Profit for the year | - | - | - | 79,099 | 79,099 |
| Equity 31/12 | 292,555 | (3,123) | 14,434 | 120,650 | 424,516 |

FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

| '000 DKK | Note | 2016 | 2015 |
|---|------|-----------------|-----------------|
| Profit for the year | | 89,581 | 79,099 |
| Adjustments | 5 | (88,705) | (78,489) |
| Change in working capital | 6 | 888 | 870 |
| Cash flows from operating activities before net financials | | 1,763 | 1,479 |
| Financial income | | 649 | - |
| Financial expenses | | (427) | (315) |
| Paid withholding tax | | (3,450) | (2,859) |
| Cash flows from operating activities | | (1,465) | (1,694) |
| Purchase of investments in portfolio companies | | (32,987) | (26,817) |
| Sale of shares in portfolio company | | 114,861 | - |
| Cash flows from investing activities | | 81,874 | (26,817) |
| Paid-in capital from limited partners | | 52,075 | 16,505 |
| Distributions to limited partners | | (125,648) | - |
| Changes in bank loans | | (7,229) | 13,199 |
| Cash flows from financing activities | | (80,803) | 29,704 |
| Cash flows for the year, net | | (393) | 1,193 |
| Cash at the beginning of the year | | 1,626 | 433 |
| Cash at the end of the year | | 1,232 | 1,626 |

FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| '000 DKK | 2016 | 2015 |
|---|-----------------|-----------------|
| NOTE 1 Income from investments in portfolio companies | | |
| Unrealised value adjustments | 29,182 | 89,663 |
| Realised gain from sale of portfolio company | 84,751 | - |
| Dividend received from portfolio companies | 7,383 | 7,656 |
| Interest received from portfolio companies | 1,089 | 768 |
| Other income from portfolio companies | 270 | - |
| Carried interest | (22,000) | (8,000) |
| | <u>100,675</u> | <u>90,087</u> |
| NOTE 2 Financial expenses | | |
| Financial expenses, general partner | 32 | 32 |
| Other financial expenses | 395 | 283 |
| | <u>427</u> | <u>315</u> |
| NOTE 3 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 4 Other payables – long term | | |
| Other payables relate to carried interest which is expected due within the next five years. | | |
| NOTE 5 Cash flow statement – adjustments | | |
| Financial income | (649) | - |
| Financial expenses | 427 | 315 |
| Withholding tax | 3,450 | 2,859 |
| Carried interest | 22,000 | 8,000 |
| Realised gain from sale of portfolio company | (84,751) | - |
| Unrealised value adjustments in portfolio companies | (29,182) | (89,663) |
| | <u>(88,705)</u> | <u>(78,489)</u> |

FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| '000 DKK | 2016 | 2015 |
|---|------------|------------|
| NOTE 6 Cash flow statement – change in working capital | | |
| Change in receivables | 2,551 | (427) |
| Change in other short-term liabilities | (1,664) | 1,297 |
| | 888 | 870 |

NOTE 7 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 2016, the fee payable amounted to app. DKK 2.6 million (at 31 December 2015 app. DKK 8 million) as the management fee will be in decline after the expiry of the investment period (June 2015).

Danish Microfinance Partners has given a commitment to Aavishkaar Goodwell India Microfinance Development Company II Ltd. of USD 3 million. As of 31 December 2016 USD 2.9 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 2016 USD 1.9 million has been paid in to the fund.

NOTE 8 Related parties

No related parties have controlling interest on Danish Microfinance Partners.

Related parties include the general partner "Danish Microfinance Partners General Partner ApS", the manager "Maj Invest Equity A/S", "Danish Microfinance Partners Management ApS" and also the executive board of the general partner. The director of the executive board Kasper Svarrer is a special limited partner in Danish Microfinance Partners.

In addition to this, no limited partners have significant influence.

Transactions with related parties comprise interest expenses from loan provided from Danish Microfinance Partners General Partner ApS and management fee paid to Maj Invest Equity A/S.

There have been no other transactions with related parties.

NOTE 9 Events after the balance sheet date

There have been no events that materially affect the assessment of this consolidated financial statements 2016 after the balance sheet date and up to today.