

Annual Report 2005



CONTENTS

Legal mandate	3
Statement by the Management on the annual report	4
Auditors' report	5
Main activities	6
Highlights 2001-2005	7
Mission, Vision & Strategy	8
Management's review	9
Accounting policies	18
Income statement for 2005	21
Balance sheet at 31 December 2005	22
Cash flow statement for 2005	23
Notes	24
Management	28
A study of the effects of IØ/IFU projects in Denmark and in host countries	30
Expected number of employees – a realistic and good measure for IØ's development effect	32
Statistics and accumulated accounts	34
Four examples of IØ investments	37
IØ as a partner	44
IØ's adviser network	46
Investment portfolio at 31 December 2005	48



THE INVESTMENT FUND FOR CENTRAL AND EASTERN EUROPE

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CVR No. 13903689

Legal mandate

“The purpose of IØ is to promote Danish investments in Central and Eastern Europe and thereby support the reformist countries in their efforts to achieve an increased economic, commercial and industrial development; and to enhance the possibilities for closer economic cooperation between Denmark and Central and Eastern Europe resulting in generally improved East/West relations, which will benefit Danish trade and industry, as well as the employment situation in Denmark.”

The Act on Support to Danish Investments in Central and Eastern Europe,
The Danish Parliament, 14 December 1989.

List of abbreviations

ACP	Countries in Africa, the Caribbean and the Pacific being part of the Cotonou Agreement
ACR	Annual Conduct Review
AESR	Annual Environmental Status Report
B2B	Danida's Business-to-Business Programme
CBS	Copenhagen Business School
CDE	Centre for Development of Enterprise
CIS	Commonwealth of Independent States
CSR	Corporate Social Responsibility
Danida	Danish International Development Assistance
DFI	Development Finance Institution
DKK	Danish kroner
EBRD	European Bank for Reconstruction and Development
ECFI	European Community Financial Intermediaries
EDFI	European Development Finance Institutions
EFP	European Financing Partners
EIB	European Investment Bank
EU	European Union
EUR	Euro
FDI	Foreign Direct Investment
GNI	Gross National Income
GNP	Gross National Product
IFC	International Finance Corporation
IFU	The Industrialisation Fund for Developing Countries
IFV	The Investment Fund for Emerging Markets
ILO	International Labour Organisation
IMF	International Monetary Fund
IRR	Internal rate of return
IØ	The Investment Fund for Central and Eastern Europe
LDC	Least Developed Countries
LIC	Low Income Countries
MIØ	The Environmental Investment Facility for Central and Eastern Europe
NEFCO	Nordic Environment Finance Corporation
NGO	Non-governmental organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OHS	Occupational Health and Safety
SIMI	Scandinavian International Management Institute
SME	Small and Medium-sized Enterprises
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USD	United States dollar

Statement by the Management on the annual report

The Executive and Supervisory Boards have presented the annual report for the year ended 31 December 2005. The annual report was discussed and adopted on today's date.

The annual report has been presented in accordance with the Danish Financial Statements Act governing reporting class C enterprises (large).

We consider the accounting policies used appropriate and the accounting estimates made reasonable. To the best of our belief, the annual report includes the information which is relevant for an assessment of the Fund's financial position. Against this background, it is our opinion that the annual report gives a true and fair view of the Fund's assets and liabilities, financial position, results of operations and cash flows for the year ended 31 December 2005.

Copenhagen, 23 February 2006

Executive Board:

Sven Riskær, Managing Director

Frank Norman Larsen, Deputy Managing Director

Supervisory Board:

Johannes Poulsen, Chairman

Agnete Raaschou-Nielsen, Deputy Chairman

Lars Andersen

Sigurd Ø. Andersen

Elsebeth Budolfson

Ib Petersen

Kjeld Ranum

Michael Rasmussen

Anne Steffensen

Peter Torstensen

Auditors' report



Starco Beli Manastir, Croatia

To the Supervisory Board of IØ

We have audited the annual report of IØ for the financial year ended 31 December 2005 presented in accordance with the Danish Financial Statements Act.

The annual report is the responsibility of the Fund's Supervisory and Executive Boards. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards and agreement between the Minister for Foreign Affairs and Auditor General regarding the audit of IØ. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis,

evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Supervisory and Executive Boards, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Fund's financial position at 31 December 2005 and of the results of its operations and its cash flows for the financial year then ended in accordance with the Danish Financial Statements Act.

Copenhagen, 23 February 2006

Ernst & Young

Statsautoriseret Revisionsaktieselskab

Svend Duelund Jensen

State Authorised Public Accountant

Henrik Barner Christiansen

State Authorised Public Accountant

Main activities

IØ's legal mandate is to promote Danish investments in Central and Eastern Europe and thereby support the reformist forces in these countries in their efforts to achieve an increased economic, commercial and industrial development; and to enhance the possibilities for closer economic cooperation between Denmark and Central and Eastern Europe resulting in generally improved East/West relations, which will benefit Danish trade and industry as well as the employment situation in Denmark.

IØ was established as a legally independent, self-governing entity, limited in its liability to the extent of its net worth only. The Danish Minister for Foreign Affairs appoints the Supervisory Board and the Managing Director. The Fund operates in accordance with business principles and has elaborated, as basis for its investment activities, a Corporate Social Respon-

sibility (CSR) policy, which comprises high environmental standards, high standards for Occupational Health and Safety (OHS) as well as high standards for code of conduct.

IØ provides advisory services, share capital participation, loans and guarantees on commercial terms for investments in production or service companies in Central and Eastern Europe. From 2006 and onwards, IØ's investment activities will be limited to projects in Russia, Ukraine and Belarus. The Fund's revenues consist of interest, dividends and profits from shares.

By collaborating with IØ, the partners, in addition to financing, gain access to IØ's sister fund IFU's knowledge accumulated through investments in more than 500 projects in 72 countries since 1967, and to support from an extensive network of advisers and financial institutions.

Main features at 31 December 2005

	Number	DKKm	EURm*)
Net income 2005		273.7	36.7
Total equity capital at 31.12.2005		1,705.5	228.6
Investments contracted during 2005	37	215.6	28.9
Contracted investments in projects since establishment (1989-2005), of which	400	4,766.0	638.8
disbursed (1989-2005)		3,497.1	468.7
payable at 31.12. 2005		556.1	74.5
Number of countries in which IØ has invested (1989-2005)	18		

*) Exchange rate: EUR 100 = DKK 746.05

IØ contracted investments of DKK 173.4m in 26 new projects in 2005. In addition IØ granted further financing to 11 ongo-

ing projects with an amount of DKK 42.2m. The Fund's equity capital was DKK 1,705.5m at the end of 2005.

Starco Beli Manastir, Croatia



Highlights

Financial highlights

	2005 DKKkm	2004 DKKkm	2003 DKKkm	2002 DKKkm	2001 DKKkm
INCOME STATEMENT					
Gross contribution from projects	294	89	104	52	29
Operating income (loss)	265	61	72	20	(1)
Net income for the year	274	82	105	77	40
BALANCE SHEET AT 31 DECEMBER					
Share capital investment in projects at cost	835	947	814	857	882
Project loans at cost	519	627	705	684	677
Total investment in projects at cost	1,355	1,574	1,519	1,542	1,559
Accumulated value adjustments	(304)	(465)	(535)	(604)	(537)
Investments in projects, net ¹	1,051	1,108	983	938	1,022
Cash and bonds	624	316	997	940	740
Repaid capital/paid-in capital during the year	0	(650)	0	0	0
Total equity capital	1,706	1,432	2,000	1,895	1,818
Total balance	1,707	1,464	2,011	1,900	1,820
ADDITIONAL DATA					
New projects contracted (no.)	26	15	25	28	25
Portfolio of projects (no.)	151	165	181	175	171
Investments contracted	216	539	510	412	485
Investments disbursed	151	401	255	233	390
KEY RATIOS					
Gross contribution from projects/ Average investment in projects at cost	20.1%	5.8%	6.8%	3.3%	1.9%
Operating income/Average total equity capital	16.9%	3.5%	3.7%	1.1%	(0.1%)
Net income for the year/Average total equity capital	17.4%	4.8%	5.4%	4.2%	2.3%
Total equity capital/Total assets	99.9%	97.8%	99.4%	99.8%	99.9%
Accumulated value adjustments/ Investment in projects at cost	(22.4%)	(29.6%)	(35.3%)	(39.2%)	(34.4%)

¹⁾ The financial highlights have been restated for 2001 as a consequence of the changes in accounting policies effected in 2002.

The financial highlights have been adjusted for 2001 - 2003 as a consequence of the changes in presentation effected in 2004.

Developmental and environmental highlights - ex ante

Weighted by invested amounts (see text on new success criteria and Environmental Investment Ratio on page 11).

Environmental Investment Ratio (Range: 0-100%)	33%	30%	39%	31%
Total fulfilment of Fund's success criteria (Range: 25-100%)	78%	79%	74%	71%
Development impact	75%	87%	73%	69%
Partner mobilisation	78%	67%	65%	64%
Sustainability and profitability of projects	81%	84%	79%	79%
Fund's operational targets	78%	83%	77%	73%



Villa Bona Terra, Romania

Mission, Vision & Strategy

Mission:

To enhance global economic growth, development and more equitable income distribution through increased global flow of socially and environmentally responsible, productive investments making optimal use of comparative advantages.

Vision:

To contribute through information and advice in connection with co-investments to enhance Danish enterprises' active

participation in the global flow of productive investments towards developing and reform countries.

Strategy:

To become known, recognised and used by all relevant Danish enterprises as a competent provider of know-how, experience and external financing as well as their most preferred investment partner in developing and reform countries.

Management's review

Good corporate governance in IØ

The Supervisory Board and management of IØ are continually observing Danish and international discussions and guidelines regarding good corporate governance.

In 2005, the Danish Nørby Committee gave its final recommendations on good corporate governance for listed companies.

A report, "The State as Shareholder", was published in 2004 with a number of recommendations regarding companies owned by the Danish state.

IØ, being an independent, self-governing entity, initially funded by the Danish state, and with the Managing Director as well as the Supervisory Board appointed by the Minister for Foreign Affairs, falls outside the direct scope of the various corporate governance investigations, reports and recommendations.

At several board meetings in 2005, however, the Supervisory Board of IØ discussed requirements of good corporate governance in the Fund. In this process, the above-mentioned reports and recommendations have been an inspiration and a way to structure the debate in the absence of guidelines specifically targeting IØ's legal status.

The main issues discussed in 2005 are listed below with special emphasis on actions taken to comply with good corporate governance.

To strengthen the *communication between owner and Fund*,

the Minister for Foreign Affairs and the Chairman of IØ have agreed to meet at least once a year to ensure direct communication in relation to IØ's development, results and strategy.

Concerning *size and composition of the Supervisory Board*, the Supervisory Board resolved that the high number of board members (10) is suitable in the light of the substantial number of meetings. The qualifications of the board members are considered relevant, as they cover the competences required within the areas of investment and finance, international business, developing countries and environmental and social issues.

Three board members are *civil servants under instruction of their respective Minister*. The Supervisory Board has had explicit discussions in order to strengthen communication lines, debate and decision-making.

The Supervisory Board regards *the cooperation with management* as excellent, and has expressed its wish to strengthen the exchange of views and visions in relation to the overall strategic issues of IØ. It has been agreed that the annual strategy meeting be maintained, and additional input for strategic discussions will be given at the regular board meetings.

It is the Supervisory Board's intention to continue its discussions in relation to good corporate governance in IØ in 2006.

Development in IØ's area of activity during 2005

Global growth

According to the IMF, the increase in world output reached a record level of 5.1% in 2004. The growth rate is expected to have decreased to 4.3% in 2005 and to remain at this level, which is still quite high, in 2006 as well. In the Commonwealth of Independent States (CIS) the overall growth rate is expected to reach 5.7% in 2006 against 6.0 in 2005. IØ expects a continuation of the trend where Danish companies direct a substantial part of their investments towards low cost countries in Eastern Europe notably Russia and Ukraine in order to gain access to the fast growing market potential in these countries. Another important motive for investing in these countries is to make use of the relatively low costs prevailing

there, which will help safeguard competitiveness of companies outsourcing high-cost production to these countries.

Growth in Denmark

The GNP growth rate in Denmark is expected to be 2.8% in 2005, driven by an increase in private consumption, investments and exports. The Danish Economic Council estimates that growth will continue in 2006, but with a somewhat lower growth rate of 2.4%. The Danish economy is sound with a substantial surplus on the balance of payments as well as on the public accounts. A contributing factor is a healthy production of oil and gas in the Danish sector of the North Sea. It is expected, however, that the competitive pressure on Danish



Park Inn Ekaterienburg (Nordrus Hotel Holdings), Russia

enterprises will continue to increase and consequently increase the tendency of outsourcing the most labour-intensive production to countries with lower wage levels. Another factor which could increase this tendency is the prospect of bottlenecks in the Danish labour market if unemployment rates continue to fall in the coming years, which is actually expected to happen.

Change in focus and in management

In 2005, the Danish Government decided to phase out IØ, concurrently with the accession into the EU of the countries in Central and Eastern Europe. This means that today new IØ investments are limited to Russia, Ukraine and Belarus and are expected to cease in 2012. These changes will be implemented in the coming years.

Against this background, the Danish Ministry of Foreign Affairs and IØ's Managing Director since 1978, Sven Riskær, agreed that it would be an opportune moment to carry through a change of managing director as per 31 July 2006, on which date Sven Riskær shall thus resign from his position – at the same time as a new Supervisory Board of the Funds is appointed. Sven Riskær will be retained for advisory services to the new Board and Managing Director for an additional period of six months from 1 August 2006 to 31 January 2007.

Activities to be focused on three countries

In August 2005, the Minister for Foreign Affairs resolved that in the future IØ can only operate in Russia, Ukraine and Belarus.

Investments in the former IØ countries in Central and Eastern Europe with a GNI per capita below USD 2,428 in 2005 (80% of the World Bank's upper limit for new loans with maturity of 17 years) have been transferred from IØ to IFU.

As Bulgaria, Romania and Croatia are expected to become

members of the EU in the near future, IØ cannot make new commitments to projects in these countries.

Capital extraction and IØ to stop making new investments

The State Budget for 2006 includes a capital extraction from IØ of DKK 300m. Based on an analysis of the financial position of IØ, IØ's Supervisory Board has accepted the capital extraction and has authorised the transfer of the amount.

In the following years, 2007-2009, the Government has budgeted an annual capital extraction of DKK 200m from IØ.

Further, the Government has decided that from 2009 IØ shall gradually reduce the volume of new investments and stop making new investments completely in 2012.

Animal husbandry and environmental standards

Environment and the handling of slurry on Danish pig farms in Eastern Europe was publicly debated in Denmark in 2005.

Against this background, IØ asked the consultancy firm, Carl Bro, to make an inspection of the slurry handling on 11 pig farms in Central and Eastern Europe, in which the Fund is a co-investor. It resulted in a report concluding that all the pig farms complied with local legislation. Furthermore, the report listed specific recommendations as to how the slurry handling could be brought in accordance with Danish environmental standards. Together with the Danish partners and the boards of the 11 project companies, IØ decided to accelerate the ongoing modernisation and give the recommendations in the environmental area first priority.

In some of the projects, only minor adjustments had to be made, while other farms had to rebuild slurry systems concurrently with other urgent renovations made necessary by the fact that many pig farms were inefficient and worn-out collec-

tive farms when they were taken over by the Danish investors.

IØ has asked Carl Bro to carry out a new inspection of the improvements in question at the beginning of 2006, and to make sure that they have been carried out according to the recommendations.

Further information about Carl Bro's report can be found on: www.ioe.dk.

Revision of IØ's success criteria

In 2005, IØ's success criteria, which were decided in 2004, went through a refinement.

The success criteria imply that each project must be evaluated on the basis of four general categories under the following headlines:

- Development impact – e.g. job creation and transfer of knowledge.
- Partner mobilisation – includes measuring IØ's contribution to mobilisation of Danish partners (additionality).
- Sustainability and profitability of projects – where, for example, the viability of the projects is assessed.
- Efficiency and effectiveness of Fund operation.

A system has been developed, which endeavours to quantify each of the four categories making up the success criteria, and make it possible to aggregate them all together into one "success" figure for each project.

Previously, each of the four elements carried identical weight. The change of focus in 2005 implies that the weight of development impact has been increased to 50%, thus reducing the weight of the remaining three elements: partner mobilisation (to 20%), sustainability and profitability of projects (to 20%) and efficiency and effectiveness of Fund operation (to 10%).

The Environmental Investment Ratio, which is part of the success criteria, is an expression of the percentage of the Fund's investment in a project which can be considered an investment in improved environment or Occupational Health and Safety (OHS).

For projects in the fields of:

- environmental operations, such as waste-water treatment plants, etc.,
- production of environmental equipment,
- rehabilitation of existing plants with considerable negative environmental/OHS impacts, or
- renewable energy,

the Environmental Investment Ratio is 100%.

For other projects, the range of the Environmental Investment Ratio for a greenfield project fulfilling Danish or relevant international environmental/OHS standards in all essential areas is 15-30%. Rehabilitation of projects to international state-of-the-art standard gives a range for the Environmental Investment Ratio of 20-40%.

Furthermore, projects can obtain increases of 5-15% for environmental/OHS certifications (ISO 14001, EMAS OHAS

18001, FSC or similar), voluntary EIA (Environmental Impacts Assessment), or ecological production.

Further information about IØ's success criteria can be found on: www.ioe.dk.

Corporate Social Responsibility (CSR)

IØ prepared a new CSR policy in 2005 in order to influence projects and partners and help them set high environmental and ethical standards as part of their basic values. The objective is for the CSR policy to remain embedded in the project companies – also after IØ exits.

The CSR policy includes a set of guidelines, describing in detail how the projects can put the CSR policy into practice. Furthermore, specific guidelines have been prepared for HIV/AIDS, animal welfare and sectors that are particularly sensitive, such as pig production.

IØ offers CSR assistance to individual projects based on project type, conditions in the host country and the partners' experience and competence in handling environmental and ethical problems. The Funds will assist with guidance and advice, when considered necessary – possibly by involving external experts on environment and ethics.

The following is a brief summary of IØ's CSR policy:

As a publicly funded investor with international activities, IØ shall have a special commitment to ensure full compliance at any time with the legal and regulatory framework of the host countries. Whenever critical human rights issues and significant environmental issues are identified, Danish legal and regulatory requirements or other relevant international standards, should be taken into due and reasonable consideration, to the extent where this may lead to enhancement of operating standards.

In addition hereto, IØ shall be committed in its own operations to follow - as well as to induce and to the extent possible oblige the project companies to comply with internationally established rules and requirements, in particular those mentioned below which are established by international conventions and agreements and upon which also the 10 principles of the UN's Global Compact are based:

- United Nations' Universal Declaration of Human Rights, 1948, including the International Covenant on Civil and Political Rights, 1966, and the International Covenant on Economic, Social and Cultural Rights, 1966.
- The UN Convention Against Corruption, 2003.
- Convention for the Protection of Human Rights and Fundamental Freedoms, Council of Europe, 1950.
- ILO Conventions Nos. 29 (Protection against forced labour), 87 (Protection of freedom of association), 98 (Protection of the right to collective bargaining), 100 (Equal remuneration for men and women), 105 (Abolition of forced labour), 111 (Non-discrimination concerning employment), 138 (Protection against child labour), and 182 (Worst Forms of Child Labour).

- ILO 1998 Declaration on Fundamental Principles and Rights at Work.
- The 1992 Rio Declaration on Environment and Development.
- OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997.

Project companies should therefore embrace, support and enact within their sphere of influence the following 10 Global Compact Principles:

1. Businesses should support and respect the protection of internationally proclaimed human rights;
2. Make sure that they are not complicit in human rights abuses;
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour;
6. The elimination of discrimination in respect of employment and occupation;
7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility;
9. Encourage the development and diffusion of environmentally friendly technologies;
10. Businesses should work against all forms of corruption, including extortion and bribery.

IØ's Guidelines for big-scale pig production state that from 1 January 2006 it is a condition for IØ's participation in such projects that in addition to compliance with the host country's rules and regulations, they must be designed and operated – wherever legally and practically applicable – in such way that

they on significant, sensitive areas would also comply with Danish and/or other relevant international standards. This would specifically apply to areas such as handling of slurry, aspects of animal welfare and of veterinary practice.

Further information about IØ's Corporate Social Responsibility can be found on: www.ioe.dk.

Communications policy

As part of its new social responsibility policy, IØ decided to strengthen communications in 2005, externally as well as internally. As a consequence, IØ has revised and enhanced its communications strategy.

The main points of the new strategy are to keep relevant decision makers inside and outside Denmark informed about issues connected to the Fund, to inform and attract new Danish partners, and to enhance the level of internal information in IØ.

To fulfil this, IØ will build a strong set of communications channels during the next years; for instance the Fund will make more use of online media, expand the relations to the media and keep a strong focus on partnerships with relevant organisations and other actors in Denmark and abroad.

In 2005, IØ established a new communications unit to ensure an efficient implementation of the communications strategy.

Investments in 2005

In 2005, IØ experienced a continued high level of investment activity with investments in 26 new projects of a total amount of DKK 173.4m. Further financing in 11 ongoing projects amounted to DKK 42.2m. The investments in new projects went to seven countries. IØ's average investment in the new projects amounted to DKK 6.7m.

44% of the new investments were in the form of share capital and project loans with equity features. This figure should be compared with a target rate of 70% decided by IØ's Supervisory Board on 18 December 2003.

Number of investments in new projects	26			
Number of further financing of ongoing projects	11			
NEW PROJECTS				
IØ's investments	DKK	173.4m	EUR	23.2m
Total investments	DKK	1,204.1m	EUR	161.4m
Investments in new and ongoing projects	DKK	215.6m	EUR	28.9m
Disbursement of share capital and loans	DKK	150.5m	EUR	20.2m
Paid-in from projects	DKK	410.2m	EUR	55.0m
Estimated job creation in host countries	1,715 jobs			

Investments contracted in 2005

Project name	Country	IØ's contracted investments in DKKm			Expected employment (persons)	
		Shares*	Loans**	Total		
New projects						
1	Dencall Bosnia	Bosnia & Herzegovina		0.4	0.4	2
2	Sleipner Telecom	Bulgaria		0.9	0.9	7
3	Dencro Internet & Telecom	Croatia	0.0	2.0	2.0	10
4	Balyk Product-Vostok	Kazakhstan		4.5	4.5	114
5	Buskov Romania	Romania	2.5	10.0	12.5	9
6	Crop farm in Romania	Romania	5.0	8.0	13.0	10
7	Dan Bred Romania	Romania	1.9	11.5	13.4	50
8	Energy Saving Agency	Romania	11.3		11.3	4
9	Greengate Romania	Romania	4.3	9.9	14.2	6
10	Labofa Munch Romania	Romania	1.3	0.9	2.1	10
11	Richter Romania II	Romania		2.8	2.8	160
12	Voronet Furniture	Romania		0.7	0.7	29
13	WWE Romania	Romania	2.1		2.1	3
14	Aalborg White Russia	Russian Federation	6.8		6.8	14
15	Baltic Prop Trust Russia	Russian Federation	50.0		50.0	12
16	Jysk Investment	Russian Federation		2.5	2.5	200
17	Park Inn Ekaterineburg	Russian Federation				
18	Ambiente Furniture	Ukraine		5.0	5.0	250
19	NGM Ukraine	Ukraine		3.7	3.7	70
20	Pandora Invest	Ukraine		3.0	3.0	65
21	ProTec Ukraine	Ukraine		5.0	5.0	35
22	Scanlak Ukraine	Ukraine		2.0	2.0	25
23	Steens Furniture	Ukraine		8.1	8.1	100
24	Ukrex Volyn Wood	Ukraine		3.0	3.0	80
25	UTG Ejendomme	Ukraine		2.5	2.5	3
26	UTG Ukraine	Ukraine		2.0	2.0	447
Total***			85.1	88.3	173.4	1,715
Further financing of ongoing projects						
						Actual employment
27	Dan-Farm Hungary Kft.	Hungary	1.2		1.2	14
28	Danish Farm. Consultants	Poland		10.0	10.0	71
29	Legajne Energy Gen.	Poland	1.1		1.1	1
30	Radiowo Ren.Energy Gen.	Poland	3.3		3.3	1
31	Sosnowiec Ren.Energy Gen.	Poland	0.6		0.6	1
32	DDCA Romania	Romania		0.7	0.7	55
33	Glulam Romania	Romania		1.2	1.2	40
34	Aller Petfood	Russian Federation		5.5	5.5	65
35	Novsvin	Russian Federation		15.0	15.0	45
36	TK Development Pushkin	Russian Federation	2.8		2.8	18
37	3J Holding	Ukraine		0.8	0.8	7
Total***			9.0	33.3	42.2	318
Grand Total***			94.1	121.5	215.6	

*) incl. overrun commitments

**) incl. guarantees

***) totals may not add up due to rounding up

Knowledge and human resources

Knowledge is one of IØ's major assets and is embedded in the staff in Copenhagen, the offices abroad and within the network of advisers.

The Fund places emphasis on continuously maintaining and developing the staff and adjusting the framework, so that the required skills can be utilised in the best possible way in the day-to-day work to the benefit of projects with IØ participation.

In the autumn of 2005, the entire staff and a number of advisers convened for a two-day seminar in Copenhagen to discuss the Fund's new strategies. The seminar also provided a good opportunity for exchanging views and consolidating the common team spirit.

Furthermore, a number of seminars were organised in Copenhagen to update relevant investment officers and advisers on current issues.

Offices abroad and adviser network

Specific country experience is embedded in the offices abroad and the adviser network. The main task of the offices and ad-

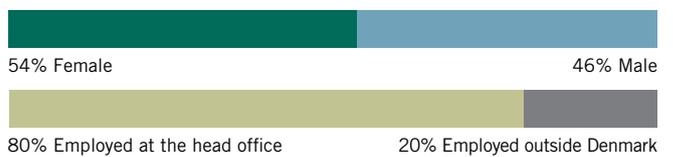
visers is to assist in project implementation and to promote and monitor the projects by assisting with their thorough knowledge of local markets, authorities, legislation, businesses, etc.

IØ has an office in Moscow/Russia, and an adviser office in Warsaw/Poland. The adviser office in Warsaw concentrates on monitoring existing projects, since IØ no longer makes new investments in the new EU member countries.

At year-end 2005, 21 advisers in six countries were attached to IØ.

Facts about the staff

IØ is administered by and in close combination with its sister fund, IFU, which operates in developing countries. The average number of employees in 2005 was 74. At year-end the distribution of employees was as follows:

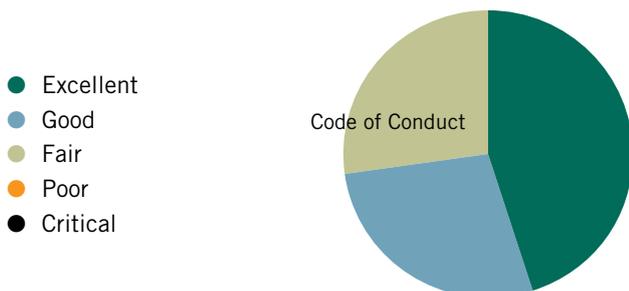


Compliance with Corporate Social Responsibility (CSR)

With effect from 2006, a new system for assessing compliance with the CSR policy will be implemented. The data presented below are based on the system used up to the end of 2005.

Code of Conduct

Every year IØ carries out an assessment of the human rights situation in a majority of the active projects – a so-called Annual Conduct Review (ACR). Not all 151 active projects are covered by the assessment. Newly established projects and projects under liquidation with no physical activities are not included in the assessment. The latest ACR was implemented for 103 projects. All 103 projects assessed were classified as "fair" or better.



Focus on the external environment and Occupational Health and Safety (OHS)

IØ has elaborated a policy which will contribute to ensuring high environmental and Occupational Health and Safety standards in the projects. In addition to the project company being obligated to comply with the rules and regulations of the host country, the Danish partner has to confirm to IØ that the project meets the standards of the Danish environmental and Occupational Health and Safety rules on significant issues. Any deviations must be described, and it is assessed whether they are acceptable to IØ, or whether a plan to improve the deviant areas must be made.

External environment

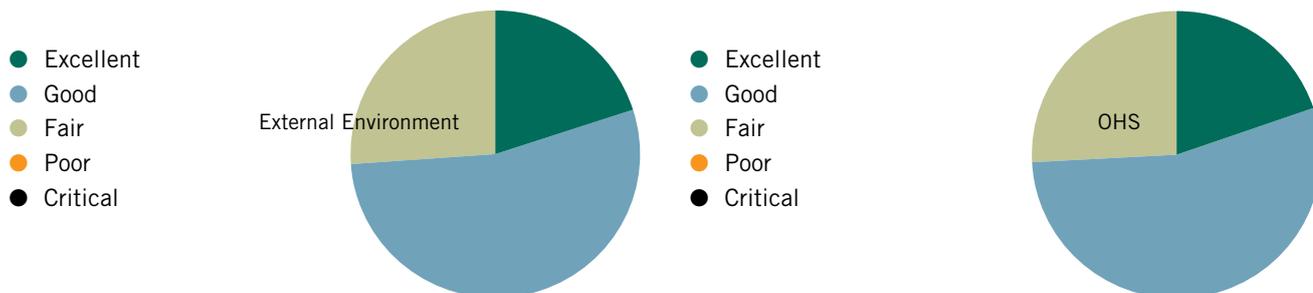
The projects are categorised as either A, B or C projects according to the World Bank environmental review procedure, under which the A projects have the potentially largest environmental effects. At the same time, the World Bank sector guidelines are applied, e.g. within tropical forestry, where Danish rules and regulations cannot be used as a framework.

Project companies initiated after the approval of IØ's environmental policy in 1996 must prepare an Annual Environmental Status Report (AESR) for the board of the company, in order for the board to identify possible needs for improvement. This report becomes part of IØ's ongoing monitoring of the project. Together with the in-depth knowledge of the project, which IØ's representative possesses, the AESR forms the basis of an internal environmental classification of a majority of the active IØ projects. As was the case with ACR, not

all active projects are required to prepare an AESR. The latest AESR was made for 111 projects. All the projects were classified as "fair" or better.

Occupational Health and Safety (OHS)

The AESR also takes account of the OHS aspects in the projects for which an AESR is made. All the projects were classified as "fair" or better in respect of OHS.



Financial review 2005

IØ's result for 2005 was a record profit of DKK 273.7m, substantially higher than the profit of DKK 82.2m in 2004, and also much better than expected a year ago. This is due to a large improvement in the contribution from IØ's share capital investments and project loans, which rose to DKK 294.0m in 2005 from DKK 89.1m in 2004.

Share capital investments contributed DKK 221.2m compared to DKK 84.1m in 2004. The net contribution from realised transactions, dividends and divested share capital investments was DKK 141.5m in 2005 compared to DKK 93.8m in 2004. Net contribution means that the figures are net of reversal of adjustments to assessed fair value made in prior years on the investments in question. The large improvement is due to a continued high level of dividends from projects as well as to a number of share sales that were realised at higher prices than the fair value assessment of these investments at the end of 2004. IØ's assessment of the fair value of the Fund's share capital investments naturally reflects a certain degree of caution, due not only to the typically illiquid nature of the investments, but also the often uncertain and unstable conditions in some of the countries in which IØ invests. Value adjustments made through the year on the portfolio of share capital investments outstanding at year-end contributed DKK 79.8m, which was also a large improvement compared to DKK (9.7)m in 2004.

Total contribution from project loans and outstanding guarantees was DKK 68.3m compared to DKK 4.2m in 2004. The main reason for this positive development is that in 2005 it was possible to reverse a significant amount of provision for losses made in prior years. Total value adjustments, which also includes a minor amount of exchange rate adjustments on loans in foreign currencies, therefore rose to DKK 38.2m in 2005 versus DKK (39.1)m in 2004. On the other hand, interest income and fees decreased to DKK 30.1m in 2005 from DKK 42.3m in 2004, reflecting in particular that the average size of the outstanding portfolio of project loan was lower in 2005. IØ's exposure to other currencies than DKK or EUR is very small as described in the section Risk management below.

IØ's part of the overall operating expenses for 2005 for the three funds managed by the Industrialisation Fund for Developing Countries (IFU), i.e. IFU, IØ and the Investment Fund for Emerging Markets (IFV), was DKK 29.2m, a minor increase compared to DKK 28.4m in 2004. In relative terms, IØ's part of the total expenses in 2005 was more or less the same as in 2004, as the total expenses showed a similar percentage increase, rising to DKK 68.3m from DKK 66.7m.

Financial income, net of financial expenses was DKK 8.9m compared to DKK 21.4m in 2004. The lower net financial income in 2005 primarily reflects the DKK 650m capital extraction, which was effected at the end of 2004.

Risk management

IØ invests in projects located in countries, where political and economic conditions are uncertain and further, the commercial risk in the projects is often high.

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

Project risk is managed by the limit for IØ's participation in a single project, which is DKK 50m, whereas *Partner risk* is limited through the indicative limit that a partner (at group level) should not account for more than 20% of the Fund's total project engagement (the sum of outstanding investments at cost, remaining commitments and binding commitments). Furthermore, as a guideline, the total engagement in a single country should normally not exceed 30% of the Fund's total project engagement.

Financial risk

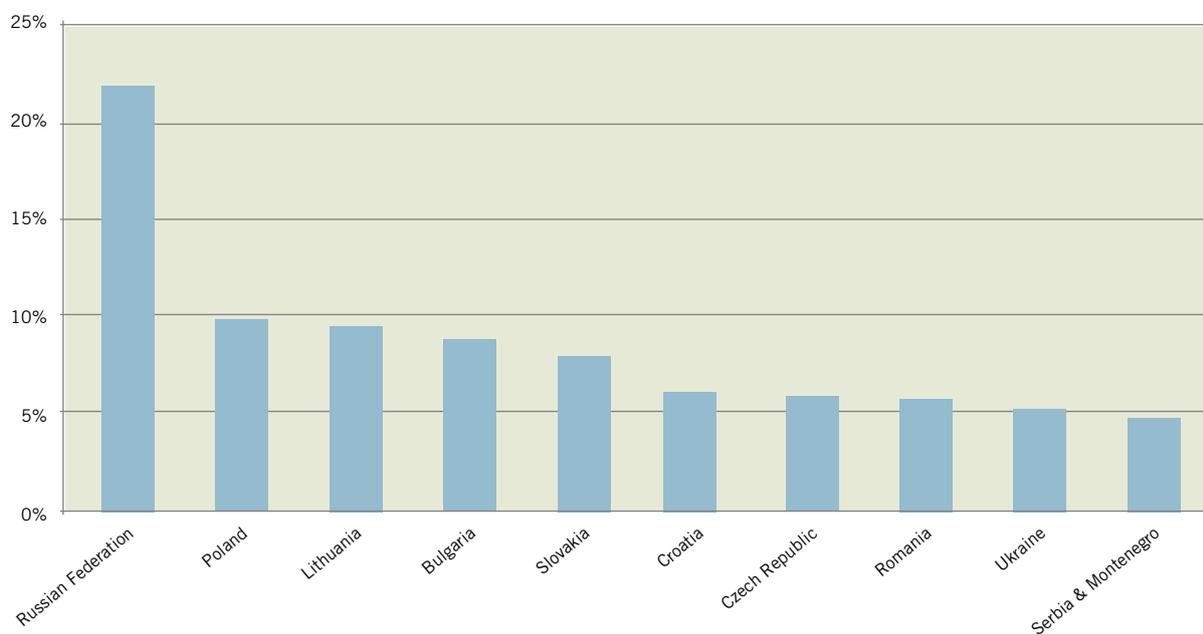
6% of the exchange rate adjusted outstanding loan portfolio at year-end was denominated in USD, and IØ's financial result is

therefore to some extent sensitive to fluctuations in the USD/DKK exchange rate. A hedging policy is implemented in order to reduce this sensitivity. The policy for hedging states that the exposure in USD should not exceed 15% of the Fund's equity capital plus value adjustments, and that the hedged portion of the total USD outstanding should normally not exceed 75%. IØ only hedges project loans with an estimated low risk of default. At the end of 2005, approximately 75% of the USD exposure was hedged. At the end of 2005, IØ had no exposure to currencies other than USD, DKK and EUR.

38% of IØ's total outstanding investment at cost at year-end was placed in project loans, of which 88% is based on IØ's standard variable interest terms, CIBOR/LIBOR, plus a risk premium dependent on the Fund's assessment of the projects' risk profile. An increase in the CIBOR/LIBOR interest rates will therefore have a positive effect on IØ's result.

Liquidity is managed with the aim of always securing a positive cash position. A credit facility of DKK 300m shared with IFU is in place to cover unexpected negative short-term fluctuations in the cash flows.

Distribution of project engagement at 31.12.2005 - ten largest country portfolios



Events after the balance sheet date

The Supervisory Boards of IØ and IFU have in principle and subject to the necessary approvals, legal and otherwise, approved that IFU acquires IØ's current investments, in total four projects, in the countries that are transferred from IØ to IFU.

The transaction is not expected to affect IØ's net result for 2006. Apart from this, no events materially affecting the financial position of IØ have taken place since the balance sheet date.

Outlook for 2006

In 2006, IØ will only have three countries left in which to invest, and IØ therefore expects a lower activity level in terms of number of projects and invested amounts than in 2005.

A positive net result of DKK 70-80m is currently expected for 2006. The expected net result is subject to uncertainty, primarily because the development in the fair value of the in-

vestments made by IØ, including the effects of exchange rate fluctuations (see the section Risk management above), by nature is difficult to predict. The final result may therefore differ from the stated expectation. In 2006, IØ will examine how to further improve the Fund's procedures and models for assessment of the fair value of the investments made by IØ.

Starco Beli Manastir, Croatia



Accounting policies

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

Accounting policies in general

Apart from the changes in relation to conversions described below, the accounting principles applied are the same as those for last year.

Presentation and classification

IØ's income statement and balance sheet vary from the standard tables of the Danish Financial Statements Act, because they are presented on the basis of IØ's special character as an investment fund (long-term investments), and with a view to the best possible clarity of information to the reader of the accounts. The deviation is in concurrence with section 23 (4) of the Danish Financial Statements Act.

In order to make the best possible presentation of the contributions from share capital investments and project loans in the income and cash flows statements, IØ has changed the way in which conversions are accounted for and presented. Conversions can arise if IØ's financial participation in a project company is restructured, and typically involve either conversion from project loans to share capital participation and/or conversions of accrued interest to project loan principal.

Previously, conversions were shown as cash flow transactions, e.g. as repayment of loans and disbursement of share capital. Consequently, in the case of conversion from a project loan to share capital where a provision for losses existed on the project loan, the reversal of this provision was shown as a positive contribution in the section "Contributions from project loans and guarantees" in the income statement, and the introduction, if any, of a value adjustment on the new share capital participation was shown in the section "Contribution from share capital investments" in the income statement.

From this year conversions will be shown as balance sheet transactions only, and only subsequent net changes in the size of the value adjustments on the converted amounts will be shown in the income statement.

The change has no net effect on the previously reported net results, net cash flow or balance sheet total. The following adjustments have been made to figures in the income and cash flow statements for 2004:

Income statement	Change	
	2005	2004
Contribution from share capital investments		
Value adjustments, portfolio and dividend receivables	2,750	90,580
Contribution from project loans and guarantees		
Changes in provision for losses (project loans)	2,607	(72,594)
Value adjustments interest receivables	(5,357)	(17,986)
Net income for the year	0	0

Cash flow statement	Change	
	2005	2004
Cash flow from operating activities		
Interest from projects received	(7,889)	(19,602)
Cash flow from (to) investing activities		
Received from project loans	0	(91,159)
Paid-in share capital in projects	2,750	91,159
Disbursement of project loans	5,139	19,602
Net change in cash	0	0

Information about conversions, if any, is now included in notes 6 and 7.

Recognition and measurement

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

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

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

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

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

Foreign currency adjustment

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

Derivative financial instruments

IØ has established a set of criteria for entering into forward exchange contracts and cross currency swaps (derivative financial instruments) to hedge future transactions concerning selected foreign currency loans and receivables from sale of shares (fair value hedge).

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently adjusted to fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments are recognised in the income statement as either "Value adjustments, portfolio and receivables", if related to hedging of project loans, or "Other value adjustments, income and expenses related to projects, net", if related to hedging of receivables from sale of shares.

Income statement

Dividends from projects

Dividends from projects net of withholding taxes, if any, are recognised as income at the date of declaration.

Income from sale of shares (relative to cost)

Income from sale of shares is stated relative to cost in DKK and is recognised at the date of IØ's entering into a sales agreement.

Share capital written off (relative to cost)

Write-offs on share capital investments are stated relative to cost in DKK and are recognised at the date of IØ's entering into a sales agreement or at the date of liquidation.

Reversed plus values and reversed provision for losses (divested share capital investments)

Reversals of plus values and provision for losses made prior to

the beginning of the year on share capital investments divested during the year are stated relative to cost in DKK, in the same way as Income from sale of shares and Share capital written off.

Value adjustments, portfolio and dividend receivables

Value adjustments, portfolio comprise all adjustments to fair value made during the year on share capital investments outstanding at year-end. Value adjustments, dividend receivables include provision for losses, realised and unrealised exchange rate adjustments and realised losses, if any, on dividend receivables.

Interest income and fees related to projects

Interest income on loans and commission on guarantees to projects are recognised as they are accrued. Fees related to project loans and guarantees are recognised as income when earned.

Project loans written off

Write-offs on project loan principals in foreign currency are stated in DKK at a value corresponding to the exchange rate at the date of the write-off.

Reversed provision for losses (loans written off)

Reversals of provision for losses (loans written off) made prior to the start of the year on loan principals in foreign currency, fully or partly written off during the year, are stated at their value in DKK as it was at the end of the year before, i.e. based on the value of the loans adjusted to exchange rates prevailing at that date.

Value adjustments, portfolio and receivables

Value adjustments, portfolio comprise all other adjustments to fair value during the year on project loan principals and guarantees, including all realised and unrealised exchange rate adjustments during the year on project loan principals. Value adjustments, receivables include provision for losses, realised and unrealised exchange rate adjustments and realised losses, if any, on loan interest, guarantee commission and fee receivables.

Other value adjustments, income and expenses related to projects

Other value adjustments comprise all adjustments to fair value on other project related receivables, primarily receivables from sale of shares, including provision for losses, realised and unrealised exchange rate adjustments and realised losses, if any. Other income includes interest income on receivables, recognised when accrued and other fees, recognised when earned. Other expenses include grants to projects and various expenses.

Operating expenses, net

The Industrialisation Fund for Developing Countries (IFU) manages the administration and accounting of three funds al-

together. At present this includes IFU, IØ and The Investment Fund for Emerging Markets (IFV). The total operating expenses incurred by IØ, net of income related to operating activities, are divided at year-end between IFU, IØ and IFV according to an activity dependent distribution key.

Financial income and expenses

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

Balance sheet

Share capital investment in projects, net

Share capital investments in project companies are measured at fair value, i.e. net of or including value adjustments relative to cost in DKK.

Fair value for a specific share capital investment is defined as the estimated amount for which the investment should exchange on the balance sheet date in an arm's length transaction between a willing buyer and a willing seller, taking into account such aspects as the latest known stock exchange price, if relevant, i.e. the company is listed and the market is deemed liquid; formal exit agreements, if applicable, relevant and exercisable; the book value in DKK of IØ's investment according to the latest accounts; past and expected future results of the project company, and commercial and political risks involved.

Value adjustments on share capital are measured in steps of 25 percentage points relative to cost in DKK based on an assessment of each individual project.

Project loans, net

Fair value of project loans is measured net of or including value adjustments relative to cost in DKK. These adjustments take into account actual exchange rate, security, if any, the financial situation of the project company, and commercial and political risks involved.

Value adjustments other than exchange rate adjustments on project loans are measured in steps of 25 percentage points relative to the exchange rate adjusted value based on an assessment of each individual project.

Interest receivable related to projects and other receivables

Interest receivable related to projects and other receivables are measured at fair value, i.e. at actual exchange rates and after adjustments for risk of loss. Included in other receivables are administrative receivables and other receivables from bonds, both measured at cost.

Cash and bonds

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

Provision for losses

Provision for losses comprises anticipated losses related to guarantee agreements. Adjustments of provision for losses related to guarantee agreements are recognised in the income statement as value adjustments, portfolio and receivables under "Contribution from project loans and guarantees".

Current liabilities

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

Cash flow statement

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

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

INCOME STATEMENT

	2005	2004
	<u>DKK 1,000</u>	<u>DKK 1,000</u>
NOTE		
Contribution from share capital investments		
Dividends from projects	37,725	35,298
Income from sale of shares (relative to cost)	72,204	49,707
Reversed plus values (divested share capital investments)	(1,654)	(10,624)
Share capital written off (relative to cost)	(12,271)	(95,878)
Reversed provision for losses (divested share capital investments)	45,454	115,317
1/ Value adjustments, portfolio and dividend receivables	<u>79,753</u>	<u>(9,701)</u>
Total contribution from share capital investments	<u>221,211</u>	<u>84,119</u>
Contribution from project loans and guarantees		
2/ Interest income and fees related to project loans and guarantees	30,133	42,256
Project loans written off	(20,650)	(15,197)
Reversed provision for losses (loans written off)	20,650	16,183
3/ Value adjustments, portfolio and receivables	<u>38,195</u>	<u>(39,071)</u>
Total contribution from project loans and guarantees	<u>68,328</u>	<u>4,171</u>
4/ Other value adjustments, income and expenses related to projects, net	<u>4,417</u>	<u>812</u>
GROSS CONTRIBUTION FROM PROJECTS	<u>293,956</u>	<u>89,102</u>
Operating expenses, net	<u>(29,202)</u>	<u>(28,374)</u>
OPERATING INCOME	<u>264,754</u>	<u>60,728</u>
5/ Financial income	9,136	21,601
5/ Financial expenses	<u>(204)</u>	<u>(168)</u>
NET INCOME FOR THE YEAR	<u>273,686</u>	<u>82,161</u>

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

BALANCE SHEET AT 31 DECEMBER

ASSETS		2005	2004
		DKK 1,000	DKK 1,000
NOTE	FIXED ASSETS	<u>2005</u>	<u>2004</u>
	Share capital investment in projects at cost	835,416	946,578
	Value adjustments	(161,461)	(282,264)
6/	Share capital investment in projects, net		673,955
	Project loans at cost	519,413	627,020
	Value adjustments	(142,101)	(183,212)
7/	Project loans, net		377,312
	Total fixed assets	1,051,267	1,108,122
	CURRENT ASSETS		
8/	Interest receivable related to projects		3,318
9/	Other receivables		28,763
10/	Bonds		50,178
	Cash		573,359
	Total current assets	655,618	355,528
	TOTAL ASSETS	1,706,885	1,463,650
LIABILITIES AND EQUITY CAPITAL			
	EQUITY CAPITAL		
	Paid-in capital		1,897,800
	Repaid capital		(650,000)
	Accumulated reserves		457,721
11/	Total equity capital	1,705,521	1,431,835
	PROVISION FOR LOSSES		
	Guarantees		0
	Total provisions	0	27,319
12/	CURRENT LIABILITIES		1,364
	Total liabilities	1,364	4,496
	TOTAL EQUITY CAPITAL, PROVISION FOR LOSSES AND LIABILITIES	1,706,885	1,463,650
13/	FUNDS COMMITTED TO PROJECTS AND CLEARANCES IN PRINCIPLE		
14/	CONTINGENT LIABILITIES		
15/	RELATED PARTY DISCLOSURES		

CASH FLOW STATEMENT

	2005 DKK 1,000	2004 DKK 1,000
CASH FLOW FROM OPERATING ACTIVITIES		
Dividends from projects received	37,961	35,202
Interest from projects received	22,755	43,731
Other project related payments	3,866	(4,529)
Operating expenses, net	(31,423)	(22,077)
Net payments related to financial income and expenses	<u>14,861</u>	<u>16,684</u>
Net cash from operating activities	<u>48,020</u>	<u>69,011</u>
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Received from sale of shares	197,337	143,436
Received from project loans	212,910	155,037
Paid-in share capital in projects	(24,232)	(232,284)
Disbursement of project loans	(126,279)	(168,886)
Received from (invested in) bonds	<u>60,738</u>	<u>424,120</u>
Net cash from (to) investing activities	<u>320,474</u>	<u>321,423</u>
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Repaid capital during the year	<u>0</u>	<u>(650,000)</u>
Net cash from (to) financing activities	<u>0</u>	<u>(650,000)</u>
NET CHANGE IN CASH	368,494	(259,566)
CASH BEGINNING OF YEAR	<u>204,865</u>	<u>464,431</u>
CASH END OF YEAR	<u>573,359</u>	<u>204,865</u>

NOTES

	2005 DKK 1,000	2004 DKK 1,000
1 <u>Value adjustments, portfolio and dividend receivables (Share capital investments)</u>		
Changes in plus values portfolio	15,207	26,000
Changes in provision for losses portfolio	<u>64,546</u>	<u>(35,701)</u>
Value adjustments, portfolio and dividend receivables (Share capital investments)	<u>79,753</u>	<u>(9,701)</u>
2 <u>Interest income and fees related to project loans and guarantees</u>		
Interest from project loans	27,329	38,091
Front-end fees	1,832	961
Guarantee commission	<u>972</u>	<u>3,204</u>
Interest income and fees related to project loans and guarantees	<u>30,133</u>	<u>42,256</u>
3 <u>Value adjustments, portfolio and receivables (project loans and guarantees)</u>		
Exchange rate adjustments, realised (project loans)	(4,346)	(3,636)
Exchange rate adjustments, unrealised (project loans)	10,682	(367)
Exchange rate adjustments (derivatives)	(3,274)	3,361
Changes in provision for losses (project loans)	12,386	(23,632)
Changes in provision for losses guarantees	27,319	(16,572)
Value adjustments interest receivables	<u>(4,572)</u>	<u>1,041</u>
Value adjustments, portfolio and receivables (project loans and guarantees)	<u>38,195</u>	<u>(39,071)</u>
4 <u>Other value adjustments, income and expenses related to projects, net</u>		
Exchange rate adjustments (receivables)	267	(121)
Other value adjustments (receivables)	2,840	(1,493)
Interest from receivables	1,310	2,475
Various expences	<u>0</u>	<u>(49)</u>
Other value adjustments, income and expenses related to projects, net	<u>4,417</u>	<u>812</u>
5 <u>Financial income and expenses</u>		
<u>Financial income</u>		
Interest income, cash and bonds	9,873	22,060
Gain on bonds, net	<u>(737)</u>	<u>(459)</u>
Financial income	<u>9,136</u>	<u>21,601</u>
<u>Financial expenses</u>		
Interest expenses, bank charges and exchange rate adjustments	<u>(204)</u>	<u>(168)</u>
Financial expenses	<u>(204)</u>	<u>(168)</u>
Financial income and expenses	<u>8,932</u>	<u>21,433</u>

	2005 DKK 1,000	2004 DKK 1,000
6 <u>Share capital investment in projects, net</u>		
Share capital investment in projects beginning of year at cost	946,578	813,931
Paid-in share capital in projects during the year	24,232	232,284
Project loans or interest converted into share capital during the year	2,750	91,159
Cost of shares sold during the year	(125,873)	(94,918)
Write-offs during the year at cost	(12,271)	(95,878)
Share capital investment in projects end of year at cost	<u>(835,416)</u>	<u>946,578</u>
Accumulated value adjustment beginning of year	(282,264)	(286,675)
Value adjustments during the year	123,553	94,991
Value adjustments related to conversions during the year	(2,750)	(90,580)
Accumulated value adjustment end of year	<u>(161,461)</u>	<u>(282,264)</u>
Share capital investment in projects, net end of year	<u>673,955</u>	<u>664,314</u>
Accumulated value adjustments end of year are comprised of:		
Plus values	41,407	27,855
Value adjustments excl. plus values	(202,868)	(310,119)
	<u>(161,461)</u>	<u>(282,264)</u>
7 <u>Project loans, net</u>		
Project loans beginning of year at cost	627,020	704,701
Disbursements during the year	126,279	168,886
Interest converted into project loans during the year	5,139	19,602
Repayments during the year	(212,910)	(155,035)
Project loans converted into share capital during the year	0	(91,159)
Exchange rate adjustments during the year relative to cost	(4,346)	(3,637)
Project loans transferred to other receivables during the year	(1,119)	(1,141)
Write-offs during the year	(20,650)	(15,197)
Project loans end of year at cost *	<u>519,413</u>	<u>627,020</u>
Accumulated value adjustments beginning of year	(183,212)	(248,724)
Value adjustments during the year	43,718	(7,082)
Value adjustments related to conversions during the year	(2,607)	72,594
Accumulated value adjustments end of year	<u>(142,101)</u>	<u>(183,212)</u>
Project loans, net end of year	<u>377,312</u>	<u>443,808</u>
Accumulated value adjustments end of year are comprised of:		
Exchange rate adjustments relative to cost	(8,014)	(18,695)
Value adjustments excl. exchange rate adjustments	(134,087)	(164,517)
	<u>(142,101)</u>	<u>(183,212)</u>
*) Project loans end of year at cost are comprised of:		
Senior project loans	369,987	465,296
Subordinated loans	149,426	161,724
	<u>519,413</u>	<u>627,020</u>

			2005 DKK 1,000	2004 DKK 1,000
*) Project loans end of year at cost in DKK distributed according to currency denomination:				
	<u>2005</u>	<u>2004</u>		
	Currency	Currency		
DKK			198,365	200,217
USD ¹⁾	4,804	6,497	39,196	53,168
EUR	37,885	46,416	281,852	345,238
Other currencies			<u>0</u>	<u>28,397</u>
			<u>519,413</u>	<u>627,020</u>

¹⁾ USD 3.6m is hedged against DKK (USD 5.2m in 2004).

Project loans provided by IØ by means of syndicated capital are not included in the above figures and amount to DKK 1.5m (DKK 1.7m in 2004), measured at fair value.

Syndicated capital is investment capital received from third parties and invested in projects, in principle on their own account and risk, and syndicated capital therefore only becomes due to the extent that IØ receives payment from these projects.

8 Interest receivable related to projects

Interest receivable related to projects before value adjustments	5,171	15,310
Value adjustments	<u>(1,853)</u>	<u>(11,167)</u>
Interest receivable related to projects	<u>3,318</u>	<u>4,143</u>

9 Other receivables

Dividend receivables	0	7
Receivables from sale of shares	7,565	6,613
Receivables from sale of loan	11,251	11,218
Receivable front-end fees	2,608	2,285
Other project related receivables	<u>8</u>	<u>5</u>
	21,432	20,128
Value adjustments	<u>(1,058)</u>	<u>(3,858)</u>
	20,374	16,270
Derivatives *	6,394	13,270
Accrued interest receivables from bonds	1,995	4,388
Current accounts	<u>0</u>	<u>1,676</u>
	<u>28,763</u>	<u>35,604</u>

*) Stated amount for 2005 concerns a hedged amount of USD 3.6m with term from 2006 to 2010.

10 Bonds

Listed bonds	<u>50,178</u>	<u>110,916</u>
Bonds end of year	<u>50,178</u>	<u>110,916</u>

	2005 DKK 1,000	2004 DKK 1,000
11 Total equity capital		
Paid-in capital beginning of year	1,897,800	1,897,800
Paid-in capital during the year	<u>0</u>	<u>0</u>
Paid-in capital end of year	<u>1,897,800</u>	<u>1,897,800</u>
Repaid capital beginning of year	(650,000)	0
Repaid capital during the year	<u>0</u>	<u>(650,000)</u>
Repaid capital end of year *	<u>(650,000)</u>	<u>(650,000)</u>
Accumulated reserves beginning of year	184,035	101,874
Net income for the year	<u>273,686</u>	<u>82,161</u>
Accumulated reserves end of year	<u>457,721</u>	<u>184,035</u>
Total equity capital end of year	<u>1,705,521</u>	<u>1,431,835</u>

*) A capital extraction of DKK 300,000 has been decided for 2006.

12 Current liabilities

Other project related debt	1,029	209
Administrative debt	0	4,279
Current accounts	328	0
Deferred income	<u>7</u>	<u>8</u>
	<u>1,364</u>	<u>4,496</u>

13 Funds committed to projects and clearances in principle

Funds committed to projects are comprised of undisbursed contractual commitments allocated for investments. The stated amount of guarantees is net of provision for losses, if any.

Amounts payable on project agreements	499,863	379,716
Guarantees, net *	56,195	29,477
Binding commitments	<u>30,559</u>	<u>27,938</u>
Funds committed to projects	<u>586,617</u>	<u>437,131</u>
Clearances in principle for new projects amount to	<u>147,812</u>	<u>413,645</u>

*) Gross outstanding guarantees amount to DKK 56,195 (DKK 56,796 in 2004)

14 Contingent liabilities

The total lease and rental commitments amount to DKK 0m (DKK 0m in 2004)
- hereof due within the following year DKK 0m (DKK 0m in 2004).

15 Related party disclosures

IØ project investments - shares and loans

IØ's percentage interests in project investments often exceed 20%, but always remain below 50%. The project companies are not considered related parties, as no controlling or significant influence is exercised over them.

It should be noted that transactions conducted during the year with the project companies include dividends, interest income and fees and directors' fees from the companies in which IØ employees are board members.

Supervisory and Executive Boards

IØ's other related parties are the members of the Supervisory and Executive Boards.

Management

Supervisory Board

The Danish Minister for Foreign Affairs appoints the Chairman, the Deputy Chairman and the other members of the Supervisory Board for a three-year period. Each appointment is personal.

The current Supervisory Board has been reappointed for another three-year period beginning August 2003.

The Supervisory Board usually convenes on a monthly basis. On the recommendation of the Executive Board, it makes decisions about investments and key issues.

The rules of disqualification follow the provisions of the Public Administration Act (Act No. 571 of 19 December 1985, sections 3–6). The principle is that a member of the Supervisory Board or an employee cannot participate

in the discussion of a case involving a company in which the person in question has a special interest.

Members of the Supervisory Board may not buy or sell shares or other securities issued by companies of which they have obtained special knowledge through board work. To prevent insider trading, the Supervisory Board authorises an updated list at each meeting of the listed companies of which the Supervisory Board believes it has inside information; however, the prohibition of utilising knowledge from board work applies in general.

All information received by the members of the Supervisory Board, orally or in writing, is being treated with full confidentiality.



Johannes Poulsen, Chairman (1942), member since 1997.

MSc (Economics and Business Administration). Director, BUUR INVEST A/S. Other board memberships: IFU**, IFV**, AXCEL IndustriInvestor A/S, AXCEL II A/S, Extend Reach Corporation A/S*, Bukkehave A/S, Dantherm Holding A/S, Eksport Kredit Finansiering A/S, F.L.Smith & Co. A/S, F.L.Smith A/S*, Greentech Energy Systems A/S, Lyskilde Holding A/S, Frandsen Lighting A/S, JP/Politikens Hus A/S, Eksport Kredit Fonden, Skjern Papirfabrik A/S, VM Tarm A/S.



Agnete Raaschou-Nielsen, Deputy Chairman (1957), member since 2000.

PhD (Economics). Managing Director, Zacco Denmark A/S. Other board memberships: IFU*, IFV*, Kuben A/S*, Höganäs AB, Danske Invest Administration A/S.



Lars Andersen (1958), member since 1994.

MSc (Economics). Managing Director, The Economic Council of the Labour Movement. Other board memberships: IFU, IFV, DSB, Industripension Holding A/S, Industriens Pensionsforsikring A/S, Naesborg A/S.



Sigurd Ø. Andersen (1951), member since 2000.

MSc (Engineering). Managing Director, Burmeister & Wain Scandinavian Contractor A/S. Other board memberships: IFU, IFV, Pedregal S. de R.L., BWSC A/S, BWSC Mindanao Inc., BWSC Panama S.A., Brancheforeningen for Biogas, Brancheforeningen for Energiindustrien, Center for Bioenergi og Miljøteknisk Innovation.



Elsebeth Budolfson (1947), member since 2000.

MSc (Pharm). Director. Other board memberships: IFU, IFV, Fertin Pharma A/S, Contura A/S, Contura International A/S, VækstFonden*, NSGene A/S, Persona A/S, DDS Ltd.**, Risø. Member of the Advisory Board, Danske Bank A/S.



Ib Petersen (1960), member since 2005.

MSc (Political Science). Ambassador, Undersecretary for Bilateral Affairs, Ministry of Foreign Affairs. Other board memberships: IFU, IFV.



Kjeld Ranum (1938), member since 1990.

MSc (Engineering). Director. Other board memberships: IFU, IFV, Svejsmaskinfabrikken Migatronic A/S**, JP/Politikens Hus A/S.



Michael Rasmussen (1964), member since 2000.

MSc (Economics). Member of the Executive Management, Nordea Bank Denmark A/S. Other board memberships: IFU, IFV, Nordea Realkreditaktieselskab, Nordea Finance, Dansk Ejendomsfond I A/S**, Nordea Liv & Pension, Danish Trade Council, LR Realkredit A/S.



Anne Steffensen (1963), member since 2005.

MSc (Political Science). Ambassador, Undersecretary for Foreign Trade and Investment, Ministry of Foreign Affairs. Other board memberships: IFU, IFV, Eksport Kredit Fonden, Danish-Chinese Business Forum.



Peter Torstensen (1968), member since 2005.

MSc (Technological and Socio-Economic Planning). Other board memberships: IFU, IFV, Eksport Kredit Fonden, Dansk Design Center, VisitDenmark.

** Chairman

* Deputy Chairman

Executive Board

The Danish Minister for Foreign Affairs appoints the Managing Director. The rules which apply to the Supervisory Board regarding selling or buying shares or other securities issued by companies of which they have ob-

tained special knowledge also apply to the Managing Director and the Deputy Managing Director in their capacity as members of the Executive Board.



Sven Riskær (1938), Managing Director since 1978.

MSc (Engineering), MSc (Economics) and PhD (Physics). Board memberships: ATMS Stichting, Kapacitet A/S, Air Liquide A/S and Vennelyst A/S.



Frank Norman Larsen (1949), Deputy Managing Director since 1994.

MSc (Political Science).

A study of the effects of IØ/IFU projects in Denmark and in host countries

In 2005 a team of researchers from Copenhagen Business School undertook a study of IØ/IFU partner companies to examine two questions:

1. What are the effects of direct investments in developing countries and countries in Central and Eastern Europe on the Danish investor?
2. What are the effects of direct investments in developing countries on partner companies in host countries?

For the study data were partly collected through interviews with a number of IØ/IFU partners in Denmark and host countries, and partly through a questionnaire-based survey of approximately 60 IØ/IFU partners and their approximately 90 projects.

Although the study is still ongoing, the following preliminary results are available:

• Investment motives

- Market access remains the most important motive behind Danish investments in developing countries.
- However, a growing number of investors seek cost reductions when they invest abroad. The increase is mainly driven by SME investors in the metals and machinery and light manufacturing (electronics, plastic products) industries investing in Asia and Eastern Europe.

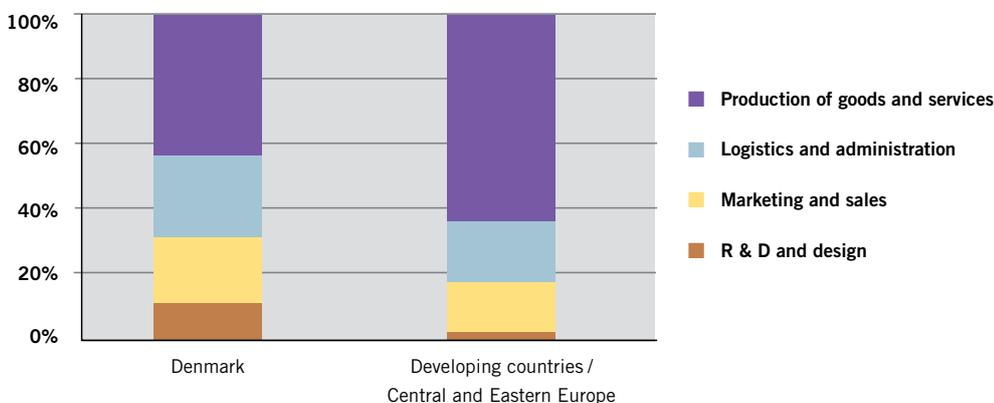
• Global value chain integration

- Danish firms seem to keep the more sophisticated and high-level activities at home (e.g. R&D and marketing), while the more standardised activities (e.g. production) are moved abroad.
- In some instances a movement of value chains from the North to the South is seen. Thus, nearly half of the projects report a contributing reason for entering the host country being a wish to follow their clients. These clients were mostly foreign multinationals, however, in several cases the client was another Danish firm.
- 2/3 of the projects are exporting, 1/3 more than 50% of their turnover. The highly exporting projects are typically closely integrated into the global strategies of the Danish investor and are often meeting high standards in terms of quality and delivery.

• Job creation

- The composition of employees as regards skills and education in Denmark is very different from that of the host countries. In Denmark there is a much higher share of white-collar jobs, whereas the share of blue-collar jobs is much higher in the host countries.
- Half of the responding companies expect that the long run job effects in Denmark would have been negative if the project had not been established.

Distribution of employees on functions in Denmark and Central and Eastern Europe / developing countries

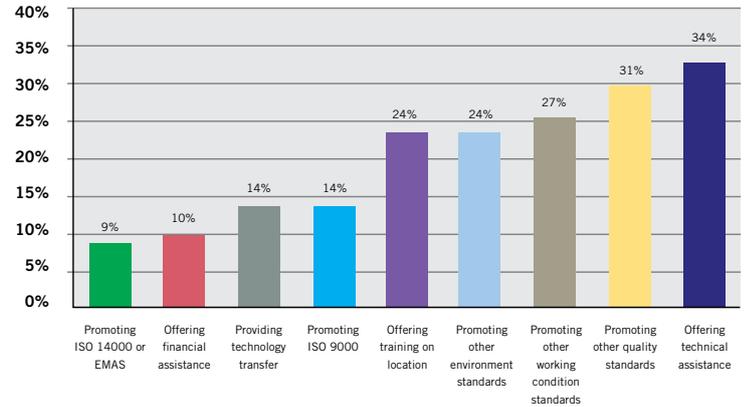


- Danish investments sometimes have a substantial cascading effect in terms of job creation in the host country: For each job created with approximately 60 projects providing such information, an additional 1.3 jobs were reported created with local partner companies upstream or downstream in the value chain.

- **The "developmental enterprise"**

- Certain types of projects invest substantial resources in developing a local supply base and upgrading local partner companies. Part of this upgrade takes place via the Danish investor challenging local companies to meet various quality, environmental or social standards, another part via the Danish investor monitoring and controlling the local partner's performance and products, and yet another part through technical assistance and training activities.

Share of projects assisting local partner companies



Ambiente Furniture, Ukraine



Expected number of employees – a realistic and good measure for IØ's development effect



Dana Metal, Ukraine

Since 1990 IØ has published the expected number of people to be employed directly in each of the approved and agreed projects in its annual reports. The reason for publishing these figures is that employment represents one of the most important developmental effects of the investment activities in the host countries. The figures for expected employment are obtained from the projects' business plans presented by the Danish partners and approved by IØ at the appraisal stage.

For IØ, the total number of jobs expected to be created directly in the 400 projects established from the start in 1989 and up to the end of 2005 was 42,078.

Experience, however, has shown that the figure for realised employment in a project at a certain point of time may vary significantly – up or down – from the figure for expected em-

ployment. A lower realised figure may be due to the start-up of the project being slower than expected, or the project having experienced difficulties not foreseen at the appraisal stage or – more seldom – the project being abandoned. On the other hand, the figures for realised employment at any given time may also be higher than the figures for expected employment because the project developed better or faster than expected.

In 2005 IØ made a survey of realised employment in all projects established in the period 1998-2002. The number of projects in this population is 135.

The criteria for selecting the population was that it should not be too old, because then IØ would have exited many of the projects, making it difficult to collect employment data. On the other hand, the population should not be too young, because this would imply that a large part of the projects had not yet been fully implemented.

In many companies employment fluctuates in the course of the year, and the scope of the analysis was therefore to collect figures for maximum realised employment in each project



Dana Metal, Ukraine

since its establishment and up to the time of the analysis (November 2005), as well as for the actual employment at that time. Maximum realised employment for a project might be higher than actual employment if the project has experienced a recent decline in activities.

The result of the analysis is illustrated in the table below:

Expected employment at time of appraisal	19,300
Maximum realised employment	29,100
Actual employment in 2005	25,300

As can be seen, the figures for maximum realised employment and actual employment are both higher than the figure for expected employment at the time of appraisal. This means that the figures for expected employment published in the

annual reports are underestimating the employment effect of the projects.

The result of the above mentioned analysis has been reviewed by IØ's auditors, who have selected a sub-sample of the population in order to check the validity of the employment data collected. The auditors found no evidence of the analysis not being correct.

It should be noted that in addition to the number of people directly employed in the projects, the projects also generate significant indirect employment in the host countries. According to UNCTAD, experience shows that the magnitude of the indirect employment effect is one or two times the number of jobs created directly in the projects.

In order to improve the information value of the employment figures, IØ will henceforth endeavour to publish figures not only for expected but also for actual employment of all active projects by the end of the year under review, except for new projects established in that year.

Statistics and accumulated accounts

The total number of IØ projects reached 400 at the end of 2005. Out of these IØ has exited from 249 projects. Success and profitability of IØ projects can only be evaluated in a long-term perspective and – from IØ’s perspective – best after IØ’s exit. In the following, selected statistics and accounts will be presented for the exited projects. Further, an analysis of the mortality rate for all IØ projects is presented.

Internal rate of return (IRR) on exited projects

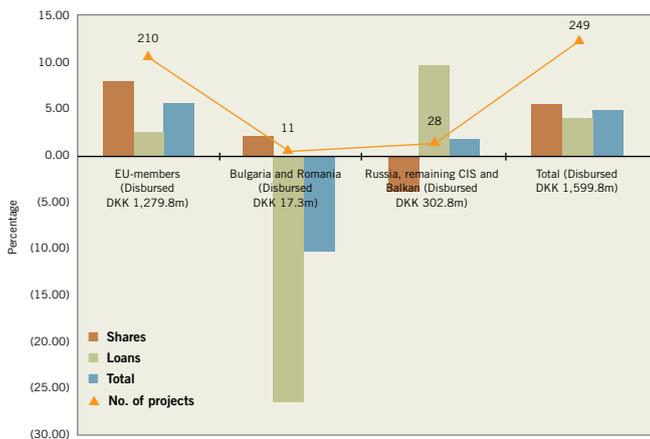
Total IRR on the 249 projects from which IØ has exited is 4.7%. The IRR on projects in the new EU member countries amounts to 5.5% against 1.8% in Russia, the remaining CIS states and the Balkans. For projects in Bulgaria and Romania, the IRR is as low as (10.2%). The latter figure, however, is based on a rather limited number of projects.

When related to size of partner, the highest IRR is achieved

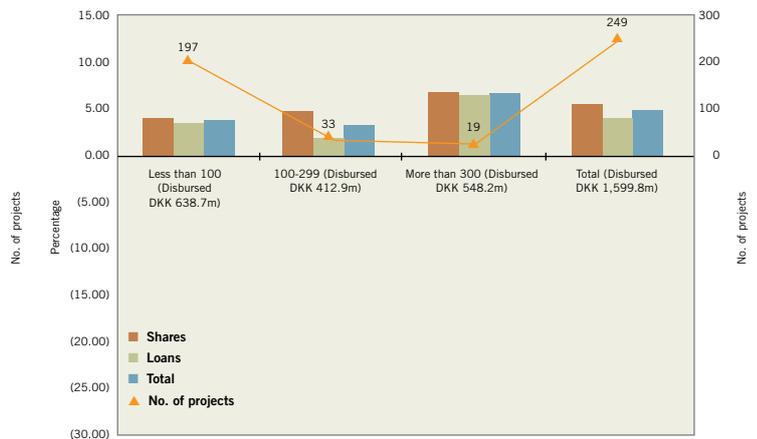
on projects where the Danish partner employs more than 299 people. The proportion of projects established with Danish partners with fewer than 300 employees constituted 67% of all the exited projects. This proportion is increasing over time.

Related to size of project, the largest projects display the highest IRR.

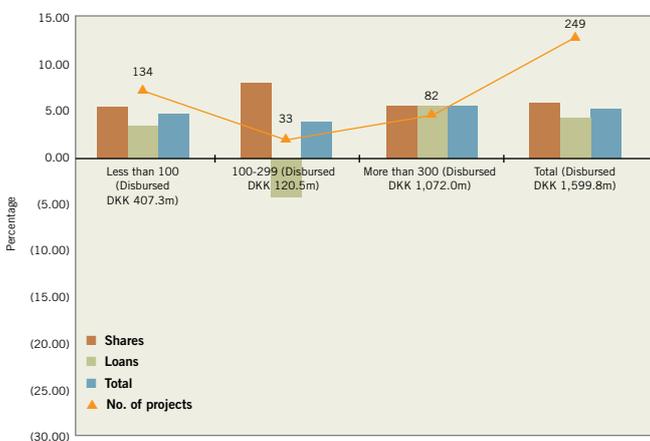
IRR and country



IRR and size of project (employees)



IRR and size of Danish partner (employees)



Accumulated accounts

The calculated contribution from the 249 projects exited from since 1989 shows that IØ received a total gross contribution from projects of DKK 287.1m. DKK 125.4m of this amount originates from share capital investments, while DKK 156.9m originates from loans and guarantees.

The calculated cash flow on project activities for the same project sample during the same period shows that operating activities resulted in a positive net cash flow of DKK 213.0m, while investing activities generated a net cash flow of DKK 74.3m.

Contribution from projects exited 1989-2005

	DKKm
Contribution from share capital investments	
Dividends from projects	13.9
Income from sale of shares (relative to cost)	280.2
Share capital written off (relative to cost)	(168.4)
Write-offs and realised exchange rate adjustments, dividend receivables	(0.3)
Total contribution from share capital investments	125.4
Contribution from project loans and guarantees	
Interest income and fees related to project loans and guarantees	218.2
Write-offs and realised exchange rate adjustments, project loans	(43.5)
Write-offs and realised exchange rate adjustment, interest and fee receivables	(17.8)
Total contribution from project loans and guarantees	156.9
Other project income, net	4.8
GROSS CONTRIBUTION FROM PROJECTS	287.1

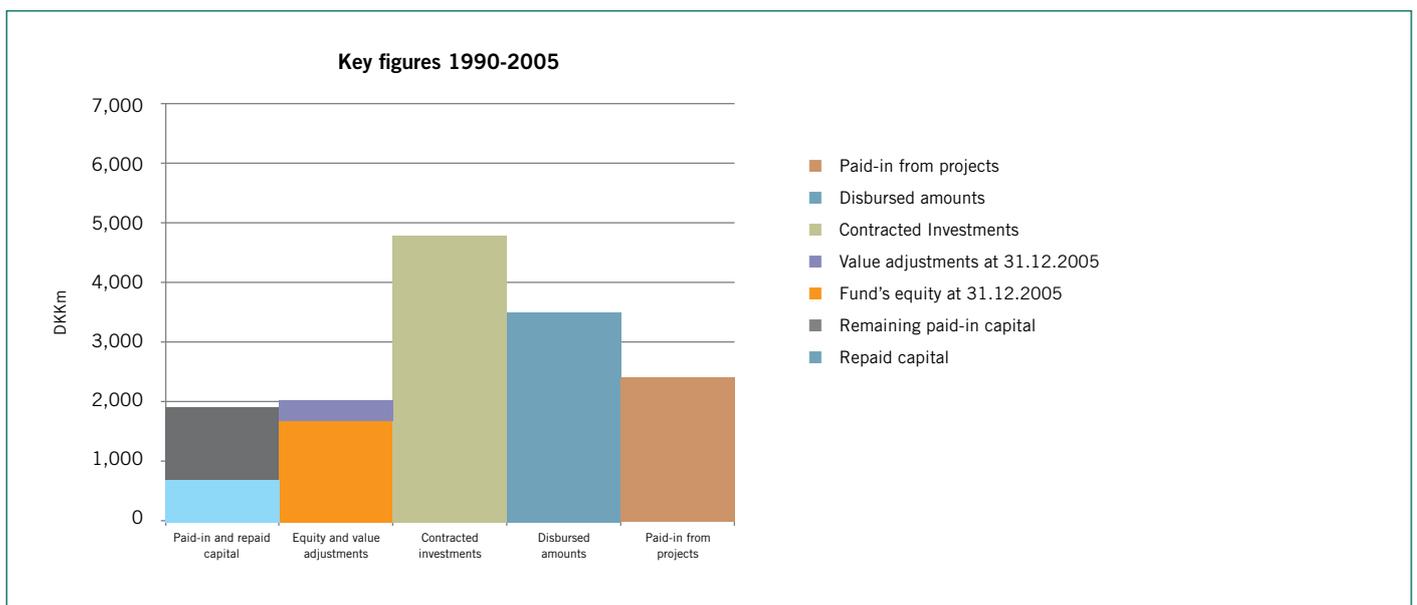
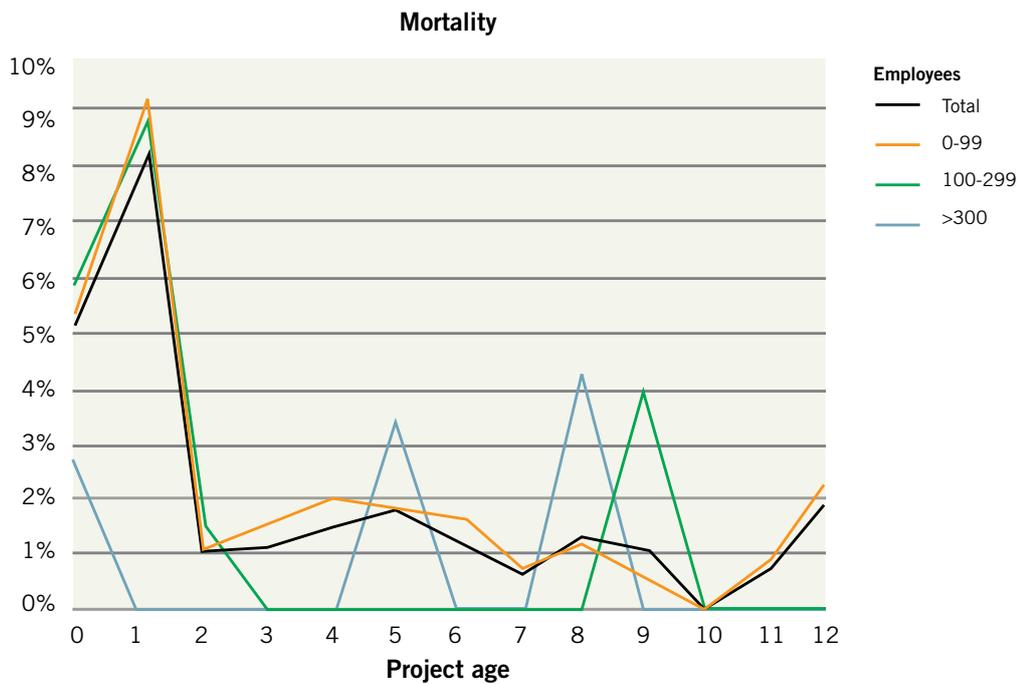
Cash flow from projects exited 1989-2005

	DKKm
Cash flow from operating activities	
Dividends from projects received	13.7
Interest and fees from projects received	199.3
Net cash from operating activities	213.0
Cash flow from (to) investing activities	
Received from sale of shares	837.2
Received from project loans	836.8
Paid-in share capital in projects	(676.4)
Disbursement of project loans	(923.3)
Net cash from (to) investing activities	74.3
NET CHANGE IN CASH	287.3
Outstanding third party balances related to projects exited (net of value adjustments)	
Receivables	0.0
Payables	(0.2)
	(0.2)
TOTAL CASH AND NET OUTSTANDING BALANCE	287.1

Project mortality

A survey of the “mortality” rate for projects as a function of project age shows that about 80% of the projects are in operation 12 years after signing of the investment agreement. The mortality rate for small projects is higher than for larger projects. About 5% of all projects are never implemented, and about 8% stop within the first 12 months after project startup.

In the following years, the mortality rate falls to an average of about 1% a year. All in all, less than 20% of the IØ projects stop their activities within an age of up to about 12 years. After that age, no operational stops have been registered. This means that about 80% of the IØ projects survive and thus contribute to fulfilment of IØ’s purpose.





Jysk Investment, Russia

Making Danish quilts and pillows popular in Moscow

One of the largest and most popular chains of retail outlets in Denmark, JYSK, has entered Russia. The first outlet was opened in August 2005 in a suburb of Moscow and has become very popular in a short time.

“The Russians love brands, and the first outlet has been extremely well received by our customers. They comment that it is a very nice outlet. The most popular items are high-tech furniture, garden furniture made from teak, mattress pads, quilts and a wide range of gift items,” says Jens Veino, who has taken JYSK into Russia on a master franchise agreement with the Danish JYSK chain.

Jens Veino has several years of experience working for Russian companies. In 2005, he decided to make use of this valuable experience and formed a company, Jysk Investment, together with the financial investor, Dansk Olie Kompagni, in Rødovre. IØ participates in the project with a loan.

Expansion to other regions

Jysk Investment intends to establish a chain of at least 10 outlets in Moscow during the next five years and possibly expand the chain on a franchise basis to other Russian regions.

“We still expect to build up a chain of JYSK outlets in the Moscow area. In November we signed contracts for renting two more locations for outlets, and we opened the second outlet just before Christmas and the third in the middle of January,” says Jens Veino. He is responsible for the daily management.

The popularity of foreign outlets underlines the growing wealth of the Russian middle class. The Swedish IKEA chain has become very popular among middle class Russians, and by some Russians JYSK is considered a small version of the big IKEA store.

Each JYSK outlet has from 4 to 10 employees. They are paid a salary according to the market level.

“It is my impression that we treat our employees with more respect and delegate more responsibility than other shops. And

then our employees like to tell their friends that they work at a foreign outlet,” says Jens Veino.

Experience from similar projects

JYSK Denmark receives a franchise fee and contributes with brand, marketing know-how, products and training of employees. Along with the opening of more outlets in Russia, JYSK in Denmark will be able to increase its exports.

IØ has very positive experience with a similar chain of JYSK outlets in the Baltic States. Furthermore, IØ has experience with a chain of shoe outlets in Russia, Bianco Footwear, and HTH kitchen outlets in Poland.

The JYSK concept is very similar to the concept that Bianco Footwear introduced in Russia a few years ago, and IØ has been able to share its experience accumulated from the Bianco project and similar types of projects.

IØ has also given advice about preferred locations for the JYSK outlets. Locations in the centre of Moscow are very expensive, while locations on the outskirts are more reasonable in rent.

Placing JYSK on the outskirts also makes the outlets “around the corner”-shops that are close to the customers’ homes and easy to access.

Facts about Jysk Investment

Danish private partner	Dansk Olie Kompagni A/S and JEV Holding A/S
Country	Russia
IØ entering the project	2005
IØ loan	DKK 2.5m
Total investment	DKK 7.5m



NGM, Ukraine

Forming a Danish industrial park in Ukraine

In the autumn of 2004, a former tannery in the small town of Kulikyv close to L'viv in Ukraine was revived by the Danish company, N. Graversens Metalvarefabrik A/S. Several workmen used the end of 2004 and the first half of 2005 to renovate the building and prepare it for production. Since August 2005, about 50 employees have been very busy producing a wide range of metal and coating components and shipping them to Denmark.

So far, the 10,000 m² building houses three Danish companies with the owner of the building, NGM Ukraine, as the largest with 52 employees. The second company, Scanlak, specialises in painting and coating metal components. And

the third company, V. Guldmann, specialises in producing metal components for hospital beds and tools for disabled people.

“We are all able to cooperate and make use of each other's skills. From time to time we even lend our employees to the two other companies, and we ship our goods together. Furthermore, we help each other with administration and contact to the authorities,” says director Christen Bo Justesen, N. Graversens Metalvarefabrik A/S.

Brings optimism to the area

IØ became involved with NGM Ukraine in 2005 and offered a



NGM, Ukraine

loan to the project. The Danish company, N. Graversens Metalvarefabrik A/S, needed to be more competitive in order to hold on to its customers. With the new facility in Ukraine, the company is now competitive in large-scale production. Development and small-scale production is still handled in Denmark.

“It is our goal that the production in Ukraine will make it possible to maintain the number of employees in Denmark. In that way NGM Ukraine plays an important role in securing the company’s competitiveness and long-term existence,” says Christen Bo Justesen.

This was also the case with the two other Danish companies. They were lucky that NGM Ukraine was only able to find a very big building and had to rent out the extra space.

The Danish companies have brought optimism to the area. Farming has been reduced dramatically, and the former military production does not exist anymore. In that light, any new company that offers new jobs is very welcome. 95% of the new foreign companies in the area are Danish.

IØ a valuable partner

“We had two main objectives when we became involved with IØ – the financial part and the possibility of using the Fund as a sparring partner. And IØ has given us valuable sparring. We have used IØ as a checklist for small and big issues, and furthermore, IØ has helped us keep discipline in the project and be more committed to holding on to the project plans,” says Christen Bo Justesen.

He adds that strictly seen, the Danish company could have managed the financing on its own. But even though the company has to pay interest to IØ, it is worth it.

Danish network

During the negotiations about the final contracts for the land and buildings in Ukraine, IØ advised NGM Ukraine to double-check the documents with the use of two different legal advisers.

This action made the company certain that the documents actually handed over the ownership to NGM Ukraine. IØ’s advice was based on other cases in Ukraine, where foreign companies did not achieve ownership even though the documents seemed in order.

“IØ has also introduced NGM Ukraine to a network of Danish companies in Ukraine. Through this network we have access to experiences on how to form a proper company structure, employment procedures, how much to pay and how to make contracts with people stationed from Denmark,” says Christen Bo Justesen.

So far, IØ has participated in two board meetings, and according to Christen Bo Justesen, the presence of IØ ensures that all important issues are discussed.

Facts about NGM Ukraine

Danish private partner	N. Graversens Metalvarefabrik A/S
Country	Ukraine
IØ entering the project	2005
IØ loan	DKK 3.7m
Total investment	DKK 7.4m

Danish roofing for Russian buildings

At the end of 2006, the Danish roofing company, Icopal, will begin producing a wide range of roofing and waterproofing materials for the Russian market directly from a brand new factory, in the Russian Vladimir region.

Icopal is the world leader within roofing made with bitumen membrane, and the new factory will fulfil an increasing demand for roofing in the growing building sector in Russia and the rest of the CIS.

The new factory, Villaco, is a greenfield project, and IØ participates with a secured project loan equivalent to 40% of the total investment. During the first stage, the factory will have

between 40 and 60 employees. Later on, as production grows, Icopal Russia expects to employ between 100 and 120 people.

“With the factory we are able to produce high quality materials at a low cost. We also gain protection from the increasing competition in Eastern Europe, and we can develop sales in both the Russian and other CIS markets,” says Igor Krupnov, project director, Villaco.

Icopal Russia saves a 15% import tax as well as transport costs. Furthermore, the factory is closer to the market and has easy local access to raw materials at a low cost. The produc-

Villaco, Russia





Villaco, Russia

tion in Russia is part of Icopal's global strategy, and it will not affect employment in Denmark.

Valuable help

It has strengthened the Russian authorities' confidence in the project that IØ is a fund supported by the Danish state and also participates as an investor.

Furthermore, IØ has contributed with substantial experience from other projects in the building sector with the Danish companies Rockwool, Danfoss and Broen.

"IØ has very good knowledge about the country, which definitely helps Danish investors who enter the Russian market without any other local support. IØ's organisation is flexible and ready to assist in arranging meetings with local authorities, etc. IØ also has a good understanding of our specific business needs in Russia," says Igor Krupnov.

Environmental aspects

The foundation stone for the new factory was laid on 7 October 2005. The ceremony was attended by several officials, including the Governor of the Vladimir region, N.V. Vinogradov, Counsellor of the Royal Danish Embassy, Frans Th. Bolvenkel-Andersen, Mayor of Petushki, A.D. Sereda and CEO of Icopal A/S, Martin Ellis.

On behalf of the administration of the region, the Governor said that he was proud that Icopal had selected Vladimir for the construction of the first Icopal plant in Russia.

"The attitude of the local government is friendly and supportive at most levels. The bureaucracy only creates "normal" problems like everywhere else in Russia, but we are able to solve the problems through our own local experience and understanding," says Igor Krupnov and continues:

"The local community had some concerns about the environmental aspects of our future production, but we managed to reach an understanding after extensive PR work and by following the local norms strictly."

Better conditions for employees

The factory is situated about 130 km east of Moscow in a rather poor, rural area.

"The Icopal plant in Petushki will encourage the economic development of the Vladimir region and create new work places for the local labour force," says Igor Krupnov.

He adds that Icopal as a western company offers better social security for its employees, as well as official salaries - compared to the "closed envelope" system used by many Russian companies.

"We also offer better career opportunities, training and development of the employees' knowledge," says Igor Krupnov.

Facts about Villaco

Danish private partner	Icopal A/S
Country	Russia
IØ entering the project	2004
Number of employees	100
IØ loan	DKK 39.0m
Total investment	DKK 97.5m



Ambiente Furniture, Ukraine

Production in Ukraine broadens furniture assortment

The Danish furniture manufacturer, Gangsø Møbler A/S, has solved two major challenges by establishing production in Ukraine. One challenge was to broaden the assortment of furniture to include upholstered sofas, and another challenge was to lower production costs. The company in Ukraine is called Ambiente Furniture.

“Traditionally, Gangsø has produced tables, but in the past two years we have changed our strategy in order to offer furniture dealers a broader assortment. Like in many other sectors, dealers tend to cut the number of suppliers, and we want to be among the chosen ones,” says director Lars Erikstrup, Gangsø Møbler A/S.

“If successful, Ambiente Furniture will strengthen Gangsø’s position, and we see the production in Ukraine as a very important part of the company’s long-term development, which

could also improve the job situation in Denmark,” says Lars Erikstrup.

The idea to establish a production in Ukraine came when Lars Erikstrup contacted Jacob Willumsen, who has many years of experience in the upholstered furniture business in Eastern Europe. Together they contacted IØ for advice on establishing a joint venture for sofa production in Ukraine.

“During a six-month period we had a good dialogue with IØ about the business plan and where to establish the production. It was obvious that IØ had the financing expertise, local contacts and knowledge about a lot of practical issues,” says Lars Erikstrup.

Bought a cooperative farm

It was quite a job to find the right place to start the production.



Ambiente Furniture, Ukraine

After several trips to Ukraine, a former cooperative farm in a rural area in Zhovtanci was finally selected.

“The farm had been closed for some years and was still owned by about 1,500 farmers in the area. To buy the farm we had to negotiate with more than 200 representatives in the local cinema. We attended a very lively discussion without really knowing what it was about. It turned out that the price was not the issue. The farmers were more focused on dividing the machines and tools from the farm, and on finding out how many jobs we would offer to this low-income area,” says Lars Erikstrup.

The local authorities were also excited about the prospect of a new production and new jobs, and in September 2005 the renovation of the former stables began. The stables now house the production of wooden frames for sofas and workrooms for upholstering. The first shipment of furniture was sent from Ukraine to Denmark in November 2005.

Pan-Nordic commitment

“We have cooperated very well with the local authorities, and with the help of IØ and local advisers we have been able to get the paperwork done with only little bureaucracy,” says Lars Erikstrup.

The Ukraine subsidiary was formed as a joint venture between Gangsø Møbler and Jacob Willumsen under the name Ambiente Furniture. IØ, together with NEFCO (Nordic Environmental Finance Corporation) and Swedfund, participate in the project with loans in a Pan-Nordic commitment.

With IØ, NEFCO and Swedfund as partners, the project focuses on environmental issues as well as Occupational Health and Safety. Furthermore, Ambiente is planning to introduce the IKEA code of conduct with rules and norms for environ-

mental and occupational issues. This is also done to prepare for possible delivery of furniture to IKEA at a later stage.

Good conditions for people and environment

The manager of the factory is Jacob Willumsen, who is currently building up the production capacity and gradually hiring and training employees. At present the company has about 35 employees – half of them women. However, in the first part of 2006 the number will increase to 100. Ambiente Furniture offers good working conditions.

“We aim to behave as decently as we do in Denmark. This means that we pay our employees the market salary, and that they get it when it is payday. This might seem obvious, but unfortunately in Ukraine it is not. We want our employees to feel safe when they work for us,” says Lars Erikstrup.

Furthermore, Ambiente has introduced higher environmental standards than what is normally applied in Ukraine.

“We want to transfer our knowledge and standards to Ukraine and contribute to the areas of development and growth,” says Lars Erikstrup.

Facts about Ambiente Furniture

Danish partner	Ambiente Furniture A/S
Country	Ukraine
IØ entering the project	2005
IØ loan	DKK 5.0m
Total investment	DKK 17.4m

IØ as a partner

By collaborating with IØ partners gain access to ethical values, money and experience

A strong set of values

IØ contributes with a set of operational guidelines on Corporate Social Responsibility. The aim is to ensure human rights and a high environmental and Occupational Health and Safety standard in the project.

It seems easy – but it takes a determined management to ensure that the project company is always and in all respects in compliance with all rules and regulations of the host country.

Money: Financing is important

IØ was created to take risks and provide financing where it is hard to find alternative means of financing. IØ may participate in the financing of projects through share capital participation, loans and guarantees on commercial terms.

The maximum amount IØ may normally invest in a single project is DKK 50m.

The Fund can normally only co-finance up to 30% of the total project investment, including working capital. For small projects the financing from the Fund may, however, go up to 50% of the total investment.

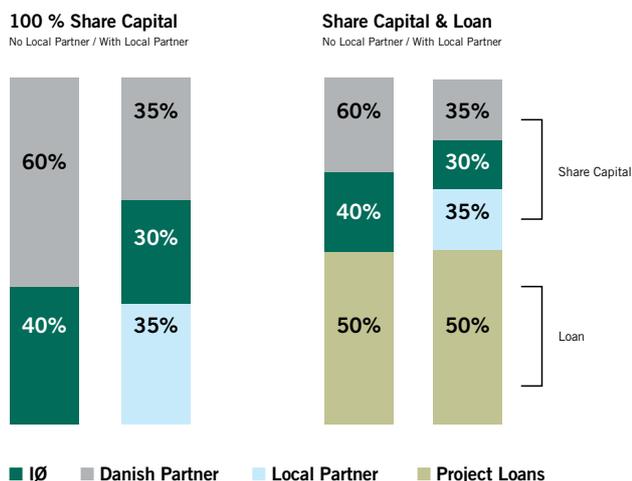
IØ intends to withdraw from a project when it has become self-sustainable, typically 5-7 years after start-up. When the fund withdraws, the shares are normally offered to the other parties.

Knowledge and experience

Through partnership with IØ, companies gain access to:

- General experience as an investor with specific country experience from more than 17 countries.
- Experience from activities in countries with difficult investment conditions.
- An office in Russia.
- A network of advisers with expertise within specific geographical areas.
- Expertise within a variety of business sectors.
- Unique knowledge when it comes to partner relations. Over the years, the Fund has gained considerable insight into the strengths of partnerships, and also their pitfalls.
- Board members with experience.

This is obviously an advantage in the early phases of the project – and since IØ normally takes a seat on the board of directors of the project companies, the project can also benefit from the Fund's expertise at later stages of its development.



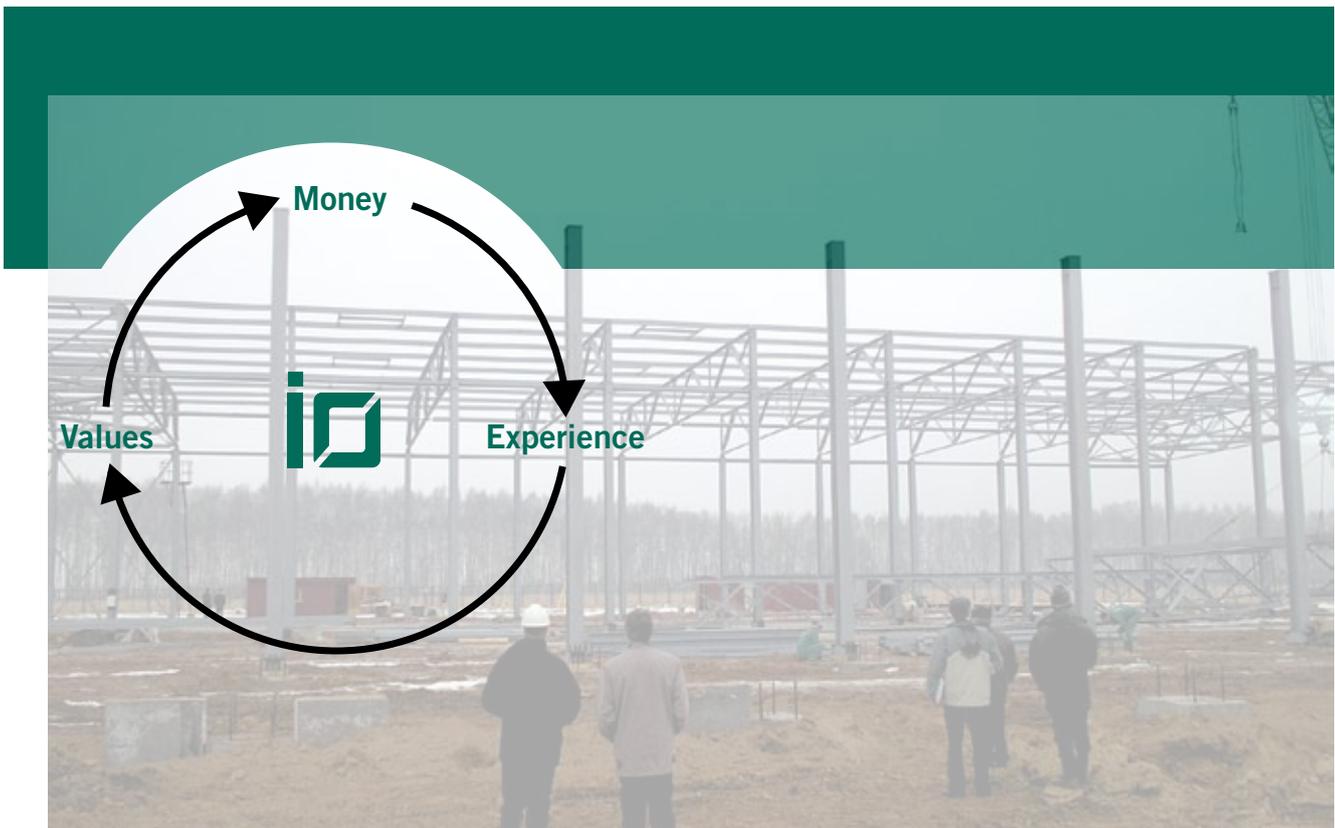
Projects eligible for financing

Both large and small projects, including pilot projects, are eligible for financing. This applies to greenfield projects, expansion of existing projects or privatisation of state-run businesses.

The investment is conditional on IØ viewing the project as commercially viable and on the participation of an experienced Danish company.

How cooperation with IØ works

IØ recommends that interested companies contact IØ early on during preparations. In this way they will be able to benefit fully from IØ's participation.



During 2005 IØ developed a special package for Small and Medium-sized Enterprises which is specially designed to yield support to these kinds of enterprises in their plans to make investments abroad.

At the beginning of the process, IØ may grant a preliminary approval of the project – a declaration of Clearance in Principle. This serves as proof of IØ's acceptance in principle of the project, and can facilitate negotiations with authorities, project partners and other investors/lenders.

When preparations are well advanced, IØ will endeavour to arrange for the partners to meet at a final meeting, a so-called "pre-investment meeting", headed by an independent facilitator to ensure that all potential problems are tabled, and that the partners share a full and clear understanding of each other's business motives and obligations prior to the final investment decision.

The signing of the shareholders' agreement and/or the loan agreement between IØ and the partners marks the conclusion of the project preparations. IØ usually takes a seat on the board of the project company, which allows the partners to

benefit continuously from the Fund's knowledge.

Once the commercial and financial situation of the project company is consolidated – usually after 5-7 years – IØ withdraws. IØ's shares are sold at market terms, or in some cases on conditions agreed by the partners at the beginning of the project. The revenue thus earned by IØ can then be used for new investments.

IØ's sister funds and international cooperation

Together with its sister fund IFV, which stopped making new investments in 2004, IØ is administered by IFU (the Industrialisation Fund for Developing Countries).

The Funds are members of the European Development Finance Institutions (EDFI). This is an organisation created by its members with the objective of furthering mutual cooperation between the 14 EU development finance institutions and developing common interests and a strong cooperation platform in relation to the European Commission and its institutions, including the European Investment Bank (EIB).

IØ's adviser network

IØ's special expertise and local knowledge

Companies entering into dialogue with IØ can draw directly on a diverse group of IØ advisers, who have special expertise or local knowledge of the area in which establishment of the project is contemplated.

At the end of 2005, IØ had 21 advisers in six countries.

The network is extended continuously with the purpose of offering the best possible guidance when it comes to choice of

partners, preparation and implementation of the projects.

Most of the advisers are senior businessmen with considerable commercial experience. They have run their own business or have held a leading position in a company, and they have in-depth knowledge of local business culture, investment authorities, local financing institutions, accountants, lawyers, etc. The advisers can be contacted on: IOE-adviser@ioe.dk.

Economic growth and improved business climate in Russia



Taras Usatchev

Foreign companies establishing business in Russia in these years will be able to increase their competitiveness and gain a valuable share of the fast growing markets in Russia and its neighbouring countries.

"The market situation in Russia has become much better since IØ made its first investment here. This is confirmed by

the increasing ratings from world-leading rating agencies like Moody's and FITCH," says IØ's adviser, Taras Usatchev, who is based in the Russian city of Kaliningrad.

He adds that Russia offers low production costs along with increasing business profitability when compared to Western costs.

Growing business in consumer goods

"The Russian standard of living is increasing, which makes manufacturing of consumer goods a growing business. Also, Russian industrial companies need to renovate their buildings and machines. This creates good business opportunities for Danish producers of industrial equipment."

Taras Usatchev is the financial director of JSC Aorta-Trans in Kaliningrad. He was educated in marine engineering at the Baltic State Fishing Fleet Academy and has attended training programmes for managers and executives at Kaliningrad International Business Institute.

Taras Usatchev is an experienced negotiator, and he has a professional certificate from the Federal Commission for the Securities Market. He has good personal contacts with heads and owners of the big companies within industry and retail in Kaliningrad.

IØ is a leading fund in Russia

"Recently, we have had a number of interesting projects with financial support from development funds, and in my opinion the fund activity in Russia is quite successful. Especially Danish companies are discovering new opportunities in Russia, and IØ is among the few funds making real, direct investments in Russia," says Taras Usatchev.

He is experienced within the consulting business and is able to help Danish companies with legal aspects, estimate the investments needed for the project, find reliable partners in the Kaliningrad region and help with contacts to local and regional authorities.

Ukraine: A place of great opportunity for Danish investors



Olexander Tsepko

Ukraine has a lot to offer international business investors. The country has a diverse manufacturing base, large deposits of natural resources, extensive and extremely fertile farmland and developed infrastructure. Add a unique location in the centre of Europe, a highly educated and skilled labor force and a large consumer market - and you have

the important assets of Ukraine.

“Ukraine is becoming a place of great opportunity for Danish investors. It is really an optimal time for Danish entrepreneurs to consider the business opportunities in Ukraine and get considerable advantages from expansion into new, growing and promising markets,” says Olexander Tsepko, IØ’s new adviser in Ukraine.

An expert on SME

Olexander Tsepko has over 12 years of experience with SME development and enterprise restructuring issues. He has participated as a consultant in the implementation of numerous EU funded and bilateral projects of international technical assistance.

He is currently deputy director of the Institute for Rural Development in Ukraine and one of the key experts on policy advice on SME development issues for the “Ukrainian Rural Livelihoods Programme”.

“Although the current legislative framework and environment require further improvements, they are basically acceptable for investors, which is illustrated by the constantly growing amount of foreign direct investments to Ukraine,” says Olexander Tsepko.

A solid basis for investments

He adds that IØ as a development fund has good possibilities to successfully expand its activities in Ukraine. The national development strategy and programmes are supporting a healthy environment for investors and private businesses.

“IØ’s potential, expertise and successful projects create a solid basis for Danish investments in Ukraine. The projects will also support further economic, commercial and industrial development in both countries,” says Olexander Tsepko.

Together with his colleagues he can provide Danish companies with research and information about business sectors, trends, markets and legislation. He can also be helpful in identifying and negotiating with potential partners, authorities and other relevant stakeholders.



Villa Bona Terra, Romania

Investment Portfolio at 31 December 2005

Project Name	Activity/product	Danish Partner	IØ/MIØ's participation		Total Disbursed (DKKm)	Total Outstanding (DKKm)	Expected Total Investment (DKKm)	Expected Direct Employment (persons)	Actual Direct Employment (persons)	Period
			Shares (DKKm)	Loans (DKKm)						
ASIA										
Kazakhstan										
<i>Active projects</i>										
Balyk Product-Vostok	Fish fillet factory	Grønlandsk Reinvest		4.5			10.4	114		2005-
Total 1 active project				4.5			10.4	114		
Total 1 project in Kazakhstan				4.5			10.4	114		
Total ASIA 1 project				4.5			10.4	114		
EUROPE										
Baltic Countries (Regional)										
<i>Active projects</i>										
Baltic Property Trust	Real estate	Baltic Property	20.8		20.8	20.8	200.0	40	40	2002- #
Jysk Baltics	Retail shops	Skemman (Jysk)		12.5	12.5	7.5	50.0	220	287	2002-
Total 2 active projects			20.8	12.5	33.3	28.3	250.0	260	327	
<i>Exited projects</i>										
Incentive	Research and development	Incentive	0.1	0.4	0.5		1.2	5		1993-1995*
TK Development Baltics	Development of real estate	TK Development	7.8	18.8			360.0	6		2002-2004
Total 2 exited projects			7.9	19.2	0.5		361.2	11		
Total 4 projects in Baltic Countries (Regional)			28.7	31.6	33.8	28.3	611.2	271		
Central Europe (Regional)										
<i>Active projects</i>										
Euro Mall Holding	Real estate activities	TK Development	120.0	106.8	120.0	90.0	2,419.6	25	103	2001-
Total 1 active project			120.0	106.8	120.0	90.0	2,419.6	25	103	
Total 1 project in Central Europe (Regional)			120.0	106.8	120.0	90.0	2,419.6	25		
Belarus										
<i>Active projects</i>										
Unomedical Belarus	Medical/precision instruments	Unomedical	0.2	3.6	3.5	0.1	7.8	25	404	1992-
Total 1 active project			0.2	3.6	3.5	0.1	7.8	25	404	
<i>Exited projects</i>										
Beldandor	Consulting	Kampsax	0.1				0.6	2		1996-1997*
Technology Science	Chemical industry	Three Stones Company	0.0	0.3			3.0	3		1995-1997*
Total 2 exited projects			0.1	0.3			3.6	5		
Total 3 projects in Belarus			0.2	3.9	3.5	0.1	11.4	30		
Bosnia & Herzegovina										
<i>Active projects</i>										
Dencall Bosnia	Telecom Services	Dencro Holding		0.4			2.5	2		2005-
Horizonte BH Enterprise	Financial institution	No Danish partner	6.9		5.3	5.3	125.0	6	3	1997- #
Total 2 active projects			6.9	0.4	5.3	5.3	127.5	8	3	
<i>Exited projects</i>										
[Carlsberg Croatia, CROATIA]										
Panonska pivovara Saraj.	Beer distribution	Tuborg International								1998-2001*
Total 1 exited project										
Total 3 projects in Bosnia & Herzegovina			6.9	0.4	5.3	5.3	127.5	8		
Bulgaria										
<i>Active projects</i>										
Carlsberg Bulgaria	Brewery	Carlsberg	79.3		79.3	79.3	562.6	512	558	2004-
Martello-Trikel	Tekstile	Martello		10.0	10.0	10.0	35.0	350	220	2004-
Sleipner Telecom	Telecom services	Sleipner Invest		0.9	0.3	0.3	1.8	7		2005-
Total 3 active projects			79.3	10.9	89.6	89.6	599.4	869	778	
<i>Exited projects</i>										
Brunata	Energy consulting	Brunata	0.1		0.1		0.4	4		1992-1995
Bulrib NOWACO	Storage/distrib. of food prod.	Nowaco	1.8	4.0	5.5		20.0	30		2000-2005
Porsaco	Fabricated metal products	Porsaco	0.1				0.3	2		1994-1996*

Project Name	Activity/product	Danish Partner	IØ/MIØ's participation				Expected Total Investment (DKKkm)	Expected Direct Employment (persons)	Actual Direct Employment (persons)	Period
			Shares (DKKkm)	Loans (DKKkm)	Total Disbursed (DKKkm)	Total Outstanding (DKKkm)				
Toptex	Textiles	B&C Textiles	0.3		0.3		2.0	50		1998-2005*
UMS Tervel	Sunflower extraction	United Milling Systems	7.8				93.0	125		1995-1996*
Total 5 exited projects			10.1	4.0	5.9		115.7	211		
Total 8 projects in Bulgaria			89.4	15.0	95.5	89.6	715.1	1,080		
Croatia										
<i>Active projects</i>										
Carlsberg Croatia	Brewery	Carlsberg Breweries	73.6		53.2	53.2	375.0	450	317	1994-
Dencro Internet & Telecom	Telecom services	Dencro Holding	0.0	2.0	1.8	1.8	5.0	10		2005-
Esplanade Oleander	Hotel with restaurant	SAS Hotels		52.0	52.1	56.6	286.8	142	149	2003-
Starco Beli Manastir	Production of iron car wheels	Starco		10.0	10.0	9.2	25.5	70	87	2003-
Total 4 active projects			73.6	64.0	117.2	120.8	692.3	672	553	
Total 4 projects in Croatia			73.6	64.0	117.2	120.8	692.3	672		
Czech Republic										
<i>Active projects</i>										
Baltom	Road maintenance	Inreco		2.2	2.2	0.5	9.9	3	78	2001-
Cembrit CZ	Fibre cement products	Dansk Eternit Holding	68.0	69.9	98.2	44.5	436.4	401	479	1992-
Dan-Moravia Agrar	Agricultural production	Moravia Invest		16.5	2.1	0.5	89.2	20	10	1998-
[Euro Mall Holding, CENTRAL EUROPE (REGIONAL)]										
Euro Mall Czech Holding	Real estate activities	TK Development								2001- #
Hydrotech International	Hydraulic systems	Svendborg Brakes		5.1	5.1	1.6	19.1	80	30	2001-
[Lifeline Slovakia, SLOVAKIA]										
Lifeline Bohemia	Retail textile company	United Textile Group								2000-
Maersk Agency	Warehousing/distribution	A. P. Møller-Mærsk		34.5	35.3	24.7	76.9	42	120	2001- *
Merfin Europe	Pulp and paper products	Niro	24.6		19.6	0.6	255.4	60	0	1995-
Zivotice	Agriculture and farming	DLF-T	1.8	4.2	6.2	2.5	73.8	35	33	1995-
nkt cables s.r.o.	Cables and conductors	No Danish partner	36.7		36.9	36.9	314.0	566	339	2002-
Total 10 active projects			131.1	132.5	205.6	111.7	1,274.7	1,207	1,089	
<i>Exited projects</i>										
BHJ Garant	Wholesale and distribution	BHJ	7.0	11.0	16.1		89.3	180		2001-2005
Bohemian Waste	Sewage and refuse disposal	Marius Pedersen		0.9	0.9		4.0	5		1992-2001
CRI (CZ)	Software / consultancy	Computer Resources Int.	2.0		2.0		12.0	40		1993-1999
CTT	Research and development	Dansk Eternit Holding		2.5	2.5		5.0	6		1992-1997
Cembrit Moravia	Fibre cement products	Dansk Eternit Holding	20.6	25.5	26.1		126.5	230		1993-2003
Central Sticks	Wood products	Norwood	2.2	7.0	7.2		26.1	15		1995-2002
DISA Industries	Machinery and equipment	DISA		61.5	61.9		168.7	220		1997-2005
Dancco Praha	PVC pipes	Naturgas Syd	12.9				60.0	115		1990-1992*
Danflax	Textiles	Dansk Stålservice	0.6	1.2	1.7		4.5	6		1992-2003*
EKO-Chlebicov	Sewage and refuse disposal	Marius Pedersen		3.6	3.6		18.5	8		1994-2001
Elio Slezsko	Sewage and refuse disposal	Marius Pedersen		1.8	1.8		7.0	5		1995-2001
Ivesko	Ventilation equipment	IVS	0.1	0.7	0.7		2.9	6		1992-2003*
Lousa & Christensen	Auditing firm	Erik Nielsen & N.H Christensen		0.2	0.2		0.9	6		1993-1997
Maersk Sealand	Container terminal operation	Maersk Czech		59.4			122.6	84		2002-2005
Morabo a.s.	Roofing material	Dansk Eternit Holding		6.2	6.2		28.1	20		1996-2002
Moravska Skladkova	Sewage and refuse disposal	Marius Pedersen		2.0	2.0		6.7	10		1993-2001
Nowaco	Food trading and cold stores	Nowaco		7.0	7.0		28.5	40		1994-2001
Regios	Sewage and refuse disposal	Danwaste		7.3	7.3		24.0	20		1994-2001
SSHL	Sewage and refuse disposal	Marius Pedersen		5.1	5.1		5.9	3		1993-2001
Sedba Baking	Food and beverages	Havnemølleme	0.4		0.4		1.2	15		1992-1995
TK Development Czech H.	Real estate	TK Development	11.3	20.0	25.1		200.0	14		1997-2001#
Brno Shopping Center	Shopping center	TK Development								1999-2001#
Total 22 exited projects			57.2	222.9	177.7		942.4	1,048		
Total 32 projects in Czech Republic			188.3	355.4	383.3	111.7	2,217.0	2,255		

Project Name	Activity/product	Danish Partner	IØ/MIØ's participation			Total Outstanding (DKKk)	Expected Total Investment (DKKk)	Expected Direct Employment (persons)	Actual Direct Employment (persons)	Period
			Shares (DKKk)	Loans (DKKk)	Total Disbursed (DKKk)					
Estonia										
<i>Active projects</i>										
Baltifalt	Construction	Colas Denmark	2.9	2.6	5.5	5.5	27.4	140	116	1997-
Treilor	Road pavement	Colas Denmark								1999-
Falck Baltic	Safety services	Group 4 Holding	26.8		26.8	26.8	122.0	3,000	7,097	1998-
Radisson SAS Hotel	Hotels	SAS Hotels	13.4		13.4	13.4	240.7	220	170	1999-
Saare Püünis	Rope and fishing nets	Frydendahl		3.0	3.0	2.4	9.4	100	102	2003-
Total 5 active projects			43.0	5.6	48.7	48.1	399.5	3,460	7,485	
<i>Exited projects</i>										
Bunim Welding	Production of metal components	Jern Holding	2.4		2.0		20.0	120		1998-2002*
Flex-Heat	Energy production/distribution	Justsen Energi./Flexa Holding Ho	0.5		0.5		1.5	2		1996-2000
Flexa Eesti	Wood products	Flexa Møbler	3.6	3.1	5.9		23.7	125		1994-1997
Hansa Graanul	Wood pellets	VE-Gruppen		6.0	6.0		25.2	14		2001-2005
Holsteinborg	Wood products	Holsteinborg	0.3		0.3		2.5	2		1994-1995
Merit Kinnisvara	Ecological milk product	I/S Estland		2.5			8.4	5		2003-2004
Nycomed SEFA	Chemical industry	Nycomed Danmark		8.0	5.0		21.5	32		1993-1999
OÜ Notio Puit	Furniture	Notio Møbler	1.1	0.6	1.7		3.8	31		1997-2005*
Rationel Eesti	Wooden windows	Viking Window	2.3	0.2	2.0		12.0	60		1995-2002
Vest-Wood Eesti	Production of doors/furniture	Vest-Wood		4.5	4.5		30.0	150		1999-2003
Total 10 exited projects			10.2	24.8	27.8		148.6	541		
Total 15 projects in Estonia			53.2	30.4	76.5	48.1	548.1	4,001		
Georgia										
<i>Active projects</i>										
Georgian Natural Products	Production of hazel nuts	Vennedt	1.6	0.6	1.5	1.5	3.7	140	52	1999-
Total 1 active project			1.6	0.6	1.5	1.5	3.7	140	52	
<i>Exited projects</i>										
Georgian Egg	Production of egg	ScanBrid	4.1				21.2	213		2002-2003
Total 1 exited project			4.1				21.2	213		
Total 2 projects in Georgia			5.7	0.6	1.5	1.5	24.9	353		
Hungary										
<i>Active projects</i>										
Dan-Farm Hungary Kft.	Pig production	Dan-Farm Holding	2.7	8.8	11.2	10.4	41.7	20	14	2002-
Danagrico Production	Pasteurised liquid eggs	Danæg Products	4.0		3.9	3.9	16.0	20	6	2001-
Danagricola	Egg products	Danæg Products	0.1				0.3	5	0	2001- *
IO Interactive Hungary	Computer games	IO Interactive	6.0		4.7	4.7	10.0	100	0	2003- *
Total 4 active projects			12.8	8.8	19.8	19.1	68.0	145	20	
<i>Exited projects</i>										
Capella	Food and beverages	Niels Buchholst		0.4			1.7	5		1993-1994*
Hungarian Tel. and Cable	Telecommunications	TDC	62.4		62.2		1,285.9	380		1999-2002
Inreco Hungary	Road construction	Inreco	0.5	0.5	0.9		21.7	19		1995-2004
Intermag	Agriculture and farming	Frøkompagniet	1.2				14.6	9		1990-1992*
Kelet-Nógrád-Com	Post and telecommunications	TDC	4.9	27.6	31.9		419.0	200		1994-1997
Kolos	Food and beverages	Kolding Gruppen	41.3	6.0	18.9		95.5	29		1993-2004
Mentor Informatika	Computer and rel. activities	Mentor Informatik	0.1		0.1		2.2	13		1992-1994*
Pannon GSM	Post and telecommunications	TDC		23.7	21.6		1,249.1	200		1994-1996
Raba-Com	Post and telecommunications	TDC	4.1	20.2	23.4		175.0	66		1994-1997
TOPP Group	Cold goods distribution	TOPP Group		3.5	3.5		20.0	20		1996-2000*
Wavin Kft.	Rubber and plastic products	Nordisk Wavin	15.0		14.1		62.6	83		1992-2004
Total 11 exited projects			129.5	81.9	176.7		3,347.3	1,024		
Total 15 projects in Hungary			142.4	90.6	196.5	19.1	3,415.3	1,169		
Latvia										
<i>Active projects</i>										
Balta	Insurance	Codan	82.3		69.2	69.2	277.8	1,000	1,325	2001-
CSK Steel SIA	Steel constructions	CSK Letland Holding	3.7		3.0	3.0	16.5	60	105	2000-
Danlat Agro	Crop production	Dan-Lat Agro		1.2	1.2	0.6	5.2	8	14	1999-
East Metal	Metal production	East Metal Trade		1.5	1.5	0.2	3.3	50	110	2000-

Project Name	Activity/product	Danish Partner	IØ/MIØ's participation				Expected Total Investment (DKKkm)	Expected Direct Employment (persons)	Actual Direct Employment (persons)	Period
			Shares (DKKkm)	Loans (DKKkm)	Total Disbursed (DKKkm)	Total Outstanding (DKKkm)				
Labiba Un Kvalitate	Agriculture	Latvia Farming	1.3	0.6	1.5	1.3	5.1	6	15	1999-
Ozolaji Cukaudzetava	Pig production	Lat-Agro		5.0	5.0	5.0	10.0	15	5	2003-
Pumac Liepaja	Production of steel components	Pumac		5.2	5.2	5.2	20.2	75	153	2003-
Sia Locitech	Production of metal components	Haugaard		2.5	2.5	1.8	8.5	75	38	2003-
Total 8 active projects			87.2	16.0	89.1	86.2	346.7	1,289	1,765	
<i>Exited projects</i>										
Air Baltic Corporation	Air transport	SAS	15.9	18.4	25.8		130.0	300		1995-2004
Ballegaard	Wood products	Ballegaard Ejendomme		0.5	0.5		2.3	15		1994-1996
Balta Insurance	Insurance and pension funds	Tryg-Baltica		2.9	2.8		7.4	12		1992-1993*
Baltic Candles	Production of candles	P. Brøste/Langeland Design		0.5	0.5		1.4	25		1997-2000
DLT-AUCE	Clothing	Godske Group/Spectre/Power K.		0.6	0.6		1.2	125		1996-1997
DLT-Saiva	Clothing	Godske Group/Spectre/Power K.		2.5	2.5		4.7	500		1993-1997
Danlat Inform Whole Sale	Computer and rel. activities	Bornholms Skibradio	0.2	0.6	0.8		2.4	15		1991-1999*
Danteks	Production of knitwear	First Factory		3.0	3.0		7.4	100		2003-2005
East Wood	Building materials	E Wood		1.8	1.8		7.0	85		1998-2003
Gaizeni	Pig production	Danlat Gruppen	0.3	3.8	4.0		15.0	20		2001-2004
Godske Latvian Textile	Textiles	Godske Group		1.6	1.6		6.5	30		1997-2002
HoP Riga	Tobacco	House of Prince	6.4		7.2		117.6	360		1992-2001
Hotel Cesis	Hotel activity	Danlat Gruppen	0.8	0.8	1.7		6.0	30		1998-2005
Kakenieki	Agriculture and farming	Dansk-Lettisk Kartoffelavl	0.2		0.2		1.5	12		1994-2002*
Klagati	Land purchase and cultivation	Klagati DK		0.5	0.5		2.1	3		2003-2005
Kristensen Baltic	Shopping center	Th. Kristensen Properties	12.7	19.0	11.2		145.5	15		2000-2005
Lanell Int.	Clothing	Kinell Fashion/Kirsten Lyngsø	0.2		0.1		0.5	21		1993-1996
Latvall	Wood pellets	Spanvall	1.9	3.5	5.0		17.3	13		1997-2005
Latvia Timber Int.	Wood products	Vejen Trælasthandel	6.3	3.4	7.9		18.7	30		1992-1996
Latvidan Agro	Pig production	Torpgaard Holding		12.0			33.6	17		2002-2005
Lauku Agro	Production of grain for feed	Torpgaard Holding		3.0			18.0	4		2002-2005
Let-Line	Water transport	Dan Transport Group	1.6	2.5	4.1		14.0	8		1994-1996*
Stema Latvia	Processing of fish	Ideal Huse	1.5		1.4		12.1	35		2002-2005
Total 23 exited projects			47.9	80.9	83.1		572.2	1,775		
Total 31 projects in Latvia			135.2	96.9	172.2	86.2	918.9	3,064		

Lithuania

Active projects

Azuolas	Furniture production	Bodilsen	2.3	2.0	3.8	1.8	10.0	150	227	2001-
Espersen Lietuva	Fish processing	Espersen		15.0	15.0	6.7	50.8	180	290	2002-
Jurbalita	Flower decorations	El-Flora		0.4	0.4	0.4	0.9	50	42	2002-
La-Nika	Textile production	United Textile Group		2.0	2.0	0.7	5.7	393	459	2002-
Lietuvos Draudimas	Insurance	Codan	98.9		102.2	87.9	618.0	2,000	1,578	2000-
NCC Fegda UAB	Construction	NCC International	18.1	3.4	18.1		89.0	50	297	1997-
Randers Reb Production	Production of rope	Randers Reb	7.5	20.0	17.5	7.5	40.0	73	79	2002- *
Saerimner	Pig production	Danish Lithuanian Holding		17.5	17.5		65.9	90	225	2000-
Svyturys Brewery	Brewery	Carlsberg Int.	70.6		69.0	69.0	330.0	292	570	1999-
Vilniaus Taurus Brewery	Brewery	Bryggerigruppen		23.4	26.6		58.5	500	432	2000-
Total 10 active projects			197.4	83.7	272.1	174.0	1,268.8	3,778	4,199	

Exited projects

ABB ELGA	Fabricated metal products	ABB Energi	0.7		0.5		3.0	5		1993-1995
ABB Tekhnika	Construction	ABB	0.4				2.5	3		1994-1995*
Baltijos Kopia	Publishing and printing	Damgaard-Jensen/Århus Neokopi	0.4		0.4		1.5	20		1994-2003
Bio Ekra	Waste water engineering	Biobalance	0.2		0.2		0.4	3		1996-2002
Bité GSM Baltic	Post and telecommunications	TDC		23.5	25.8		165.0	300		1996-2002
BlueTel Baltic	Telecommunications	BlueTel	3.0	1.5	2.4		10.0	45		2001-2005
Comliet	Post and telecommunications	TDC		10.3	8.9		30.7	33		1992-2001
DanBaltTrans	Land transport	Andreas Andresen	0.8	0.3	0.7		3.1	15		1994-2005
Danplastas	Glass fibre production	Bach Glasfiber		2.0	2.0		7.0	60		2003-2005
Dara Food	Agriculture and farming	IME	0.0	0.4	0.4		1.2	40		1992-1999*
Engel-Dali	Clothing	F. Engel	0.4		0.3		1.4	60		1995-1999
Gelezies Lauzas	Recycling	H.J. Hansen Genvindingsind.	1.9		1.7		8.0	40		1996-1999
Gitolita	Textiles	Gito		0.3			1.8	105		1995-1996*

Project Name	Activity/product	Danish Partner	IØ/MIØ's participation			Expected Total Investment (DKKkm)	Expected Direct Employment (persons)	Actual Direct Employment (persons)	Period
			Shares (DKKkm)	Loans (DKKkm)	Total Disbursed (DKKkm)				
LA-NIKA Baltic	Clothing	United Textile Group		1.4	1.4	4.6	100		1994-2000
Minijos Nafta	Extraction of oil and gas	DONG	0.1	22.9	6.9	88.8	8		1995-1999
Modematic	Electrical machinery/equipment	Relæmatic/Løsekraut	1.0		1.0	3.5	15		1995-2003
Utzon	Production of fish nets/ropes	N.P. Utzon Holding		7.0	7.0	16.0	30		2001-2004
Vilnius Margarino Gam.	Food and beverages	Dragsbæk	2.5	3.8	3.3	14.9	26		1997-2003
Wavin Baltic	Rubber and plastic products	Nordisk Wavin	3.9		4.4	18.0	100		1995-2002
Wood Team Production	Furniture	Wood Team Denmark	5.1	0.2	4.2	21.6	170		1997-2002
Total 20 exited projects			20.3	73.6	71.3	403.0	1,178		
Total 30 projects in Lithuania			217.7	157.3	343.4	174.0	1,671.8	4,956	

Poland

Active projects

Allerpasz	Wholesale of feeds	Brdr. Bylling		8.0	8.0	5.0	34.0	25	36	2001-	
BL-Invest	Real estate activities	ABC Hansen/Skiold Holding		2.2	2.2	0.3	8.4	1	0	1998-	
BL-Kutno	Agricultural machinery	Maskinfabrikken BL		0.6			2.8	40	109	1998-	
Bytom Ren.Energy Gen.	Landfill gas extraction	Hedeselskabet	4.7	3.1	0.0		15.0	3	1	2000-	
Danish Farm. Consultants	Pig production	Pol-Dan	2.3	18.5	20.0	13.3	45.1	65	71	1995-	
Demex Electric Polska	Manufacture of el. switches	Demex Electric	1.3	1.0	2.0	1.9	6.0	35	88	2003-	
[Euro Mall Holding, CENTRAL EUROPE (REGIONAL)]											
Euro Mall Poland Holding	Real estate activities	TK Development								2001-	#
FishinSea	Processing of fish products	FishinSea	0.8	1.1	1.3	0.7	5.7	56	0	1992-	*
Geotermia Stargard	Geothermal power production	Scandinavian Energy Group		2.3	2.3	2.1	75.8	5	12	2003-	
Grene	Agricultural machinery	P. Grene	16.5		16.3	16.3	89.2	250	271	1998-	
HTH Ekspert w Kuchni	Kitchen furniture	HTH Køkkener	3.0	1.1	3.0	2.0	14.8	120	24	1999-	
KVF Poland	Clothing	Vestergaard Frandsen Group	0.4	0.3	0.7	0.4	1.9	90	0	1995-	*
Katowice Ren.Energy Gen.	Landfill gas extraction	Hedeselskabet	4.7	2.8	3.8	3.8	15.0	3	1	2000-	
Kongskilde Polska II	Machinery & equipment	Kongskilde		6.0	6.0	1.0	12.0	150	0	1998-	
Kongskilde Polska III	Machinery & equipment	Kongskilde		20.0	19.9	15.7	50.0	250	227	2001-	
Legajne Energy Gen.	Landfill gas extraction	Hedeselskabet	3.8	0.2	2.9	2.7	11.7	2	1	1997-	#
Lubna Energy Gen.	Landfill gas extraction	Hedeselskabet	3.7				12.0	2	2	1997-	
MBL Poland	Production of spare parts	MBL		10.0	10.0	7.8	54.3	225	655	2002-	
Maersk Polska	Warehousing and distribution	Maersk Holding Poland		34.5	34.6	10.6	103.1	100	75	1999-	#
Malarska Hørberg	Sale of paints	Malerfirmaet Hørberg	0.3	0.3	0.2	0.2	2.0	3	0	1992-	*
Palsgaard Poland	Sale of emulsifiers	Palsgaard Industri	0.2		0.2	0.2	1.5	4	5	2002-	
Policon	Production of 3D labels	Jørgen Clemmensen Holding	1.1	0.7	1.5	0.3	4.7	6	11	2001-	
Prime Food	Food and beverages	Polen Invest	31.9	19.1	36.1	26.5	174.1	440	480	1993-	
Print Partner	Manufacture of plastic packing	J. & R. Frydenberg		0.4	0.4	0.3	1.6	3	0	1999-	*
Radiowo Ren.Energy Gen.	Landfill gas extraction	Hedeselskabet	6.7	4.8	8.0	8.0	26.5	3	1	2000-	
Radisson SAS Krakow	Hotel	SAS Hotels		17.9	17.8	20.8	220.8	134	118	2001-	
Radisson SAS Wroclaw	Hotel	SAS Hotels		14.9	14.9	16.6	171.3	120	103	2000-	
Remek	Car starters and alternators	Elstock		9.9	9.9	5.8	29.6	120	208	2001-	
Skandinavian Transformer	Transformer production	TransElectro		2.3	2.3	2.0	5.7	25	18	2002-	
Sonion Polska	Medical/precision instruments	Sonion Roskilde	3.0	2.0	5.0	3.0	18.0	50	1,249	1997-	
Sosnowiec Ren.Energy Gen.	Landfill gas extraction	Hedeselskabet	5.3	2.8	3.8	3.8	15.0	3	1	2000-	
Sotofte Polska	Real estate development	Søtøftegård	2.8	6.7	8.8	8.8	20.0	6	0	2001-	*
Voigt Promotion	Production of flags	Vallø Saft		2.0	2.0	0.5	4.9	30	39	2000-	
Zelmech	Electric domestic appliances	Metro Therm	3.6		1.6	1.6	17.4	105	0	1999-	
nkt cables Warszowice	Production of wires and cables	NKT Holding		19.3	19.3	3.5	275.6	25	110	1999-	
Total 35 active projects			95.9	214.7	264.9	185.3	1,545.4	2,499	3,916		

Exited projects

Aalborg Portland	Cement	Aalborg Portland	7.5				20.0	7		1995-1996	*
Aalborg Portland Polska	Trade company	Aalborg Portland	0.0		0.0		0.2	4		1996-2004	
Agrocorm	Machinery and equipment	Cormall Agro Holding	1.1		1.1		8.3	18		1990-1995	
Alsbybet	Concrete pipes	Sydbeton	1.4	1.0	2.4		10.5	18		1992-2004	
Anonymous	Production of cables	Anonymous	7.5				118.8	426		1998-2000	
BAAC	Auditing firm	Alsø & Breinholt/Christiansen	0.5	0.1	0.6		1.8	11		1990-1998	
BDO Polska	Auditing firm	RIR Revision	0.5		0.1		1.1	15		1991-1995	*
Bank Wlasnosci Procown.	Banking	Nordea	12.0		12.5		268.0	20		1999-2001	
Bauma Unicon	Paving stones	Unicon Danmark	2.2	1.9	3.9		94.3	37		1994-2000	

Project Name	Activity/product	Danish Partner	IØ/MIØ's participation			Expected Total Investment (DKKkm)	Expected Direct Employment (persons)	Actual Direct Employment (persons)	Period
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Baxi Radan	Production of boilers	Baxi	4.9	8.8		36.5	140	1999-2001	
BelTiCa-Poland	Textiles	Belika Strikvarefabrik		1.2	1.2	3.5	275	1997-2005*	
Berendsen Poland	Laundry Services	Sophus Berendsen	11.1		8.5	82.1	390	1993-2005#	
Bording Polska	Production of envelopes	F.E. Bording	1.0	0.4	1.0	3.5	5	1996-2001	
Budodana	Energy production/distribution	Smedana	0.1			0.7	20	1995-1996*	
C.J.International	Land transport	C.J. International	0.3		0.3	3.5	120	1991-1996	
CET	Electrical machinery/equipment	NKT Holding	0.3		0.3	5.5	25	1993-1998	
Carlsberg Okocim	Brewery	Carlsberg	77.0		76.6	926.4	1,173	1996-2005	
Chlodnice Nissens Polska	Radiators for vehicles	Nissens Kølerfabrik	0.0	0.5		3.1	5	1998-2001*	
Credin Polska	Food and beverages	Palsgaard Industri	5.8		5.2	13.0	9	1994-2005	
Cygate Polska	Computer and rel. activities	Erik Westerberg		3.0	3.0	8.0	11	1996-2001	
DISA	Air pollution control equip.	DISA		29.8	29.8	62.2	140	2000-2005	
DLH Finér	Wood products	Dalhoff Larsen & Hornemann		3.5	3.5	14.3	30	1995-1999	
DLH Nordisk	Wood products	Dalhoff Larsen & Hornemann		27.6	17.4	28.9	16	1994-1999	
DP Batteries	Batteries	Alkaline Batteries	2.0	6.1	5.1	17.3	72	1991-1995	
Danagri Invest	Real estate activities	Cormall Agro Holding		0.4		1.2	1	1998-2001	
Danexport	Whole sale and distribution	BHJ	8.0		6.7	42.6	57	2002-2005	
FARO Szczecin	Whole sale and distribution	BHJ						2002-2003	
Danipol	Textiles	Performance Group	2.0		2.0	15.3	500	1992-2004	
Danlux	Wood products	Dan-Imex		1.1	0.6	1.7	35	1993-2000	
Danselbud	Real estate activities	Noratel Denmark				4.0	1	1996-1998*	
Druk X-Press	Publishing and printing	Power Print Polen	0.1	0.5	0.6	2.3	10	1991-1994*	
Dyrup Polska	Chemical industry	Dyrup & Co.		4.8	4.8	61.9	66	1994-2002	
EIEE	Education	EIEE	0.3		0.2	0.7	4	1994-1996	
ESCO International A/S	Energy production/distribution	HME Contractors	4.0			53.7	2	1997-1998#	
ESCO International S.A.	Energy production/distribution	HME Contractors/DIFKO Energi	8.4	8.7		374.4	15	1997-2000	
Elda	Electrical machinery/equipment	LK	33.0		21.7	154.4	1,200	1994-1999#	
Elserv	Marketing & financial services	LK						1998-1999	
Elopak	Pulp and paper products	Schouw Packing	15.9	8.4	14.5	40.0	11	1993-2002	
Elopak Finance	Financial institution	Schouw Packing	7.8			28.8	1	1995-1996*	
Elsamprojekt Polska	Consultancy	Elsam	0.4		0.2	1.6	6	1990-1998	
Energo-Asekuracja	Non-life insurance	Tryg-Baltica	45.4		44.5	492.8	350	1999-2001	
Energo Zycie	Life insurance company	Tryg-Baltica						2000-2001	
Espersen Polska	Food and beverages	Espersen	3.9	11.5	14.4	73.5	75	1994-2003	
Euro Mall Holding	Real estate activities	TK Development/Steen & Strøm	6.0	60.6	66.6	304.3	32	1997-2001#	
C. H. Reduta	Shopping center	TK Development						1997-2001#	
C. H. Targówek	Shopping center	TK Development						1997-2001#	
C.H.Reduta II	Shopping center	TK Development						2000-2001#	
C.H.Targowek II	Shopping center	TK Development						2000-2001#	
Centrum Handl. Chorzow	Shopping center	TK Development						1998-2001#	
Centrum Handlowe Bytom	Shopping center	TK Development						1998-2001#	
Centrum Handlowe Sosnowie	Shopping center	Euro Mall (TKF) Holding						1999-2001#	
Exbud-Nova	Road material	Novejfa	1.0	2.7	3.6	23.0	185	1995-2001	
Expol	Building products	Dras		3.0		12.0	60	1993-1996*	
Fabryka Wafli MIRAN	Food and beverages	Frima Vafler	1.7	0.7	1.5	7.2	10	1994-2004	
Famacorm	Real estate activities	Kongsilde	0.1		0.1	3.7	1	1994-1999	
Fire-Eater Poland	Fire equipment	Fire Eater	0.4	1.0		3.0	40	2003-2005	
Fiskars Slupsk	Fabricated metal products	Fiskars Danmark	3.0	0.4	2.5	9.5	44	1991-1999	
Fiskars Warsaw	Trade company	Fiskars Danmark	0.0			0.1	5	1996-1996*	
Fomar Roulunds	Friction materials	Roulunds Braking	41.6	8.4	42.0	144.4	850	1996-2005	
GMT-Poland	Food and beverages	Globe Meat Technology		12.4	12.7	44.6	450	1996-2004*	
GP Batteries	Whole sale of batteries	Alkaline Batteries		1.0		4.0	11	1993-1995*	
Gedsted Auto	Vehicle spare parts	Gedsted Auto	1.3		1.0	5.7	10	1994-2001*	
Greensam	Consulting engineers	Hørning Maskinfabrik	0.3			0.8	8	1992-1995*	
Hercules Poland	Fabricated metal products	Hercules	1.5			7.3	15	1994-1996	
ISOwent	Machinery and equipment	JKF Industri	0.9		0.7	4.9	9	1996-2005	
InfoCenter	Directory service provider	Yellow Tel		5.7	5.7	11.6	3	2000-2004	
Inreco Polska	Road renovation	Inreco	0.8	1.9	2.7	8.7	20	1994-2004	
Inreco-Emulsja	Asphalt emulsion	Inreco		1.4	1.4	5.2	1	1999-2003	

Project Name	Activity/product	Danish Partner	IØ/MIØ's participation			Expected Total Investment (DKKkm)	Expected Direct Employment (persons)	Actual Direct Employment (persons)	Period
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Karwice	Agriculture and farming	Karsten Birkedal Jensen		2.1	2.1	26.8	10	1998-2005	
Kongskilde Polska I	Machinery and equipment	Kongskilde	0.0	0.7	0.7	3.3	73	1994-2003	
Logstor-Pol	Heating pipes	Løgstør Rør	0.1			0.2	5	1991-1996*	
ME-FA International	Fabricated metal products	Me-Fa		1.0	1.0	3.6	10	1995-1998*	
Marburg	Fast food	Slagteriregion SYD		1.3	1.3	15.6	70	1991-1993*	
Max Derby	Refrigeration	Maskinfabrikken Derby	7.9		1.6	67.7	260	1993-2001*	
Mira Polska	Non-metallic mineral products	Mira	1.2			8.3	50	1998-2002	
Multiram	Fabricated metal products	Melstrup & Lomholt		0.3	0.3	0.7	5	1995-2000	
Noratel	Electrical machinery/equipment	Noratel Denmark	1.3	1.2	2.0	4.5	95	1992-2004	
Nykredit Bank Hipoteczny	Mortgage bank	Nykredit		74.3		232.6	100	2003-2005	
OSM Krotoszyn	Food and beverages	Niro		3.8	4.0	51.0	210	1995-2002	
P. Nielsen & Partners	Firm of lawyers	P. Nielsen & Partners	0.2		0.2	0.7	7	1990-1997	
Pantom Poland	Food and beverages	Pantom	0.3	0.3	0.6	1.9	5	1993-2000	
Podan-Pfeiffer	Slaughterhouse machinery	Pfeiffer	0.9		0.4	2.2	5	1992-1996*	
Pol-Sun	Wholesale of solariums	Dan-Sun		0.5		2.5	4	2000-2002	
Polconsul	Construction	ISC Holding	0.3			1.3	3	1990-1994*	
Poldanor	Pig production	Polen Invest	7.9	28.6	36.0	82.0	135	1994-2004	
Polline	Fishing equipment	Hvalpsund Net		1.3		3.9	10	1997-2002	
Polrubber	Rubber products	Danrubber	0.5		0.5	1.8	55	1991-1995*	
Pomrol Agro	Pig production	Polen Invest	2.4	2.0	2.3	14.3	75	1996-2001	
Rockwool Malkinia	Insulating material	Rockwool International		35.0		140.0	150	1995-1996*	
Rockwool Polska	Insulating material	Rockwool International	21.1	34.7	53.9	97.8	554	1993-2002	
Rol-Dan	Agriculture and farming	Dangro Invest		4.4	3.6	12.2	20	1999-2005	
Rosti (Polska)	Prod. of plastic components	Rosti		25.0	21.3	91.3	150	1999-2005	
SFK	Electrical machinery/equipment	NKT Holding	20.0		20.0	118.8	470	1993-1997	
SGS Poland	Distribution & transportation	Scandinavian Garment Service	1.0		0.8	8.0	11	1997-2000	
Scandic Food	Food and beverages	DDG Holding		4.8	4.8	100.0	50	1997-2004	
Siltec	Electrical equipment	Silcon		9.5	9.5	37.8	70	1998-2003	
Sopot Bank	Bank	DiskontoBanken	1.0	5.4	6.4	58.8	40	1993-1996	
Stok Emballering	Pulp and paper products	Stok Emballering		1.5	1.1	5.0	28	1995-2001	
Synoptik Polska	Optical retail chain	Synoptik	3.8		3.0	30.0	80	2000-2003	
TK Development Polska	Real estate	TK Development	5.0	20.0	25.0	158.0	16	1996-2001	
Tarco Vej	Construction	Tarco Vej	0.1			0.3	170	1992-1996*	
TopWasa	Insurance	TopWasa	8.4			30.0	2	1992-1995*	
Unicon Beton	Ready-mix concrete	Unicon Danmark	22.1	8.5	24.1	245.8	126	1995-2004	
Unicon Beton Gdansk	Ready-mix concrete	Unicon Danmark						1997-2004	
Unicon Beton Gdynia	Ready-mix concrete	Unicon Danmark						1998-2004	
Unicon Beton Myslowice	Ready-mix concrete	Unicon Danmark						1998-2004	
Unicon Beton Warsaw II	Ready-mix concrete	Unicon Danmark						1997-2004	
Unicon Beton Warsaw III	Ready-mix concrete	Unicon Danmark						1998-2004	
Vallo Holding	Food and beverages	Vallø Saft	4.7	18.0	18.0	190.0	25	1996-2004	
Wavin Metalplast-Buk	PVC pipes	Nordisk Wavin	9.9		9.4	93.5	425	1991-1997	
Woody	Sale of building material	Dalhoff Larsen & Hornemann		8.5	5.5	17.4	40	1996-1999	
X-Press Couriers	Courier services	ViaBaltic/Budstikken	0.3	0.5	0.7	2.3	40	1996-2005	
Zylber König	Food and beverages	Danpol Copenhagen		2.0		9.8	22	1996-1998*	
Total 113 exited projects			442.9	513.5	682.9	5,652.0	10,751		
Total 148 projects in Poland			538.8	728.2	947.8	185.3	7,197.4	13,250	

Romania

Active projects

APM Terminals Romania	Container terminal	A. P. Møller-Mærsk		29.8	29.8	12.6	59.4	30	50	2001-
Agrileasing	Leasing activity	Agriholding	1.6		1.5	1.5	16.5	5	12	2000- #
Buskov Romania	Chicken breeding	Buskovgård	2.5	10.0			39.4	9		2005-
Crop farm in Romania	Crop farming	AIC	5.0	8.0			42.0	10		2005-
DDCA Romania	Saw mill and pallet production	Gents		2.2	2.2	1.9	4.9	80	55	2003-
Dan Bred Romania	Pig production	Munkbro	1.9	11.5			38.5	50		2005-
Energy Saving Agency	Facility for energy saving	Vestforsyning Erhverv	11.3				60.0	4		2005-
Glulam Romania	Production of woodproducts	Limtræ Danmark	5.8	21.3	26.8		46.6	170	40	2003-
Greengate Romania	Wheat production	Greengate	4.3	9.9	3.5	3.5	44.5	6		2005-
Labofa Munch Romania	Furniture manufacturing	Labofa Munch	1.3	0.9			5.0	10		2005-

Project Name	Activity/product	Danish Partner	IØ/MIØ's participation				Expected Total Investment (DKKkm)	Expected Direct Employment (persons)	Actual Direct Employment (persons)	Period
			Shares (DKKkm)	Loans (DKKkm)	Total Disbursed (DKKkm)	Total Outstanding (DKKkm)				
Richter Romania II	Leather sofa cushioning	Richter International		2.8	2.8	2.8	10.2	160		2005-
United Romanian Breweries	Brewery	Carlsberg Int.	9.5	9.8	8.0	8.0	260.1	170	685	1995- #
Carlsrom Beverage	Beer distribution	Carlsberg Int.								1995- #
Villa Bona Terra	Production of wine	Chris-Wine	3.7	5.9	8.9	4.8	22.5	100	16	2002-
Voronet Furniture	Prod. of wood components to fu	Rodaco		0.7	0.3	0.3	2.3	29		2005-
WWE Romania	Biomass heating equip. leasing	Weiss	2.1				6.2	3		2005- #
Total 16 active projects			48.9	112.8	83.8	35.4	658.1	836	858	
<i>Exited projects</i>										
Agraria Majeco	Agriculture and farming	Manfred Johannesen	0.0				0.1	1		1992-1994*
BlueTel	Telecommunication equipment	BlueTel		1.1	1.1		2.7	10		1999-2005
HITROM	Insulating material	Rockwool International	12.0		9.1		14.5	800		1998-2002
IMT Labs Romania	Automated chat	IMT Labs	2.5				5.3	5		2004-2005
Kuma Romania	Marble basin production	Kuma Produkter		1.2	0.8		3.2	27		1999-2005
Richter Romania	Leather furniture upholstery	Richter		0.5	0.5		2.1	22		2000-2004
Total 6 exited projects			14.5	2.8	11.4		27.9	865		
Total 22 projects in Romania			63.4	115.6	95.2	35.4	686.0	1,701		

Russian Federation

Active projects

Aalborg White Russia	Wholesale of white cement	Aalborg White	6.8		0.8	0.8	16.7	14		2005-
Agripo	Pig production	Agripo		10.0	10.0	10.0	28.0	14	23	2004-
Aller Petfood	Production of pet food	Brdr. Bylling	9.4	5.5	13.0	13.0	54.0	120	65	2004- #
Baltic Prop Trust Russia	Real Estate activity	BPT AM	50.0				820.0	12		2005-
Bianco Footwear Russia	Sale of shoes	B Holding		0.4	0.4	0.3	1.7	10	13	2004-
Broen - ADL	Production of valves	BROEN		26.3	4.0	0.5	59.0	70	250	2002- #
Estate	Prod/assembly of freezers	Caravell	14.2	33.2	3.1	3.1	163.6	150	50	2004- #
Jysk Investment	Jysk shop on franchise basis	Dansk Olie Kompagni		2.5	2.5	2.5	7.5	200		2005-
Nordrus Hotel Holdings	3-star hotel chain	SAS Hotels	51.2		2.0	2.0	540.0	320	0	2003-
Park Inn Ekaterineburg	3-star hotel	SAS Hotels								2005-
Novsvin	Pig production	Russian Pig Meat	11.0	15.0	0.5	0.5	50.0	54	45	2004-
Petro Pack	Forest berries packaging	Berrifine Invest		3.3	3.3	2.9	18.6	25	42	2003-
Rockwool Vyborg	Production of stone wool	Rockwool International	75.6	39.0	91.1	39.0	385.0	150	104	2003-
Sadolin Garments	Production of garments	Sadolin Trade		0.5	0.5	0.5	2.4	300	0	1998- *
Sadolin Properties	Renting of real estate	Kalinka Trade	0.2	1.2	1.4	1.4	3.5	1	0	1999- *#
Sadolin Sestoretorsk	Production of garments	Kalinka Trade	0.9		0.9	0.9	3.5	300	18	1999-
TK Development Pushkin	Construction	TK Development	4.1	15.0	16.4	19.1	65.0	1	18	1995- #
Villaco	Prod. of roofing protection	Icopal		39.0	12.7	12.7	97.5	100	5	2004-
ZAO Mineral Wool	Insulating material	Rockwool International	52.1	48.8	97.5	16.9	215.0	500	491	1998-
Total 19 active projects			275.4	239.6	259.9	126.0	2,531.0	2,341	1,124	

Exited projects

Belsoe Russia	Production of cereals	Nutana Holding	3.3		2.6		8.0	50		2001-2004#
DRTG	Telecommunication	GN Store Nord/TDC		20.0	20.0		80.0	60		1993-1996
DRTG R-J-K	Telecommunication	GN Store Nord/TDC		20.0	20.0		317.1	1		1995-1998
Danfoss	Machinery and equipment	Danfoss	24.3		21.6		70.0	50		1993-2005
EBI Suppliers	Machinery and equipment	EBI Suppliers	6.2	1.2	6.4		21.2	40		1992-1995
Harry's Russia	Food production	Dan Cake	4.6	10.1	14.2		40.6	200		1998-2004#
Iceberg	Ice cream	Scan System Group	0.3	1.0	1.2		4.8	35		1994-2002
KAR-KO RUS	Agriculture and farming	Kar-Ko	0.5		0.5		1.7	5		1993-1995
Neda Paging	Telecommunication	GN Store Nord		2.0	1.7		7.5	48		1993-1998
PEH/PBCM	Metal packaging products	PLM Holding	51.6		53.6		947.2	229		1997-2003#
Roulunds Rus	Production of V-belts etc.	Roulunds Rubber	2.5				20.7	50		1998-2000
SISL	Fishing	Ørskov Værft/Royal Greenland	30.0		30.0		530.0	180		1997-2004#
Sabroe Russ	Machinery and equipment	York Refrigeration	0.9	0.0	0.9		10.0	10		1992-1999*
Scanbech	Rubber and plastic products	Scanbech	2.8	0.8	2.6		9.6	16		1996-2004*
Shawood	Wood products	Velux		8.0	8.0		41.0	50		1991-2005
St. Petersburg Taxophones	Payphone operators	GN Store Nord	6.5	11.5	18.8		50.0	90		1994-2001
Stimorol Chewing Gum	Chewing gum (packaging)	Dandy Holding	20.8		19.4		57.8	58		1995-1999
Sunny Cake	Food products	Dan Cake	9.8		9.8		91.8	3		1997-1999*
Vladimir of Scandinavia	Textiles retail trade	Danko Trade		2.6			10.3	15		1998-1999
ZAO Dirol	Chewing gum	Dandy Holding	3.1	68.2	71.0		665.0	304		1997-2002#

Project Name	Activity/product	Danish Partner	IØ/MIØ's participation				Expected Total Investment (DKKkm)	Expected Direct Employment (persons)	Actual Direct Employment (persons)	Period
			Shares (DKKkm)	Loans (DKKkm)	Total Disbursed (DKKkm)	Total Outstanding (DKKkm)				
ZMI St.Petersborg	Machinery and equipment	EBI Suppliers	0.2				1.0	80		1995-1996*
Total 21 exited projects			167.3	145.4	302.3		2,985.3	1,574		
Total 40 projects in Russian Federation			442.7	384.9	562.2	126.0	5,516.3	3,915		
Serbia & Montenegro										
<i>Active projects</i>										
Carlsberg Serbia	Brewery	Carlsberg Breweries	93.3		93.3	93.3	566.4	348	368	2004-
Total 1 active project			93.3		93.3	93.3	566.4	348	368	
Total 1 project in Serbia & Montenegro			93.3		93.3	93.3	566.4	348		
Slovakia										
<i>Active projects</i>										
DKI Plast	Prod. of plastic components	DKI Plast	2.5	3.8	5.8	5.8	19.8	25	112	2003-
DRI Slovakia	Car starters and alternators	Dansk Renoveringsindustri	1.1	9.2	10.0	10.0	28.3	280	91	2002-
Dan-Slovakia	Pig production	Slovakia Invest		35.0			127.5	85	130	2002-
Ecco Slovakia	Shoe production	Ecco Sko	20.0	25.0	45.0	36.7	165.2	1,500	818	2002-
[Euro Mall Holding, CENTRAL EUROPE (REGIONAL)]										
Euro Mall Slovakia Hold.	Real estate activities	TK Development								2001- #
JK Gabcikovo	Pig production	Hospoda Invest		20.0	20.0	20.0	74.5	40	63	2003-
Lifeline Slovakia	Retail textile company	United Textile Group		2.0	2.0	0.6	7.6	20	42	2000-
PigAgro	Pig production	Slovakian Farm Invest		31.9	23.4	23.4	139.8	20	75	2002-
Polnovakia Agrar	Pig production	Agrovakia	8.5	8.5	15.4	14.6	57.3	1	84	2003-
Radisson SAS Carlton	Hotel complex	Tractebel/SAS Hotels		35.1	35.2		351.6	130	133	1999-
Total 10 active projects			32.0	170.5	156.8	111.1	971.6	2,101	1,548	
<i>Exited projects</i>										
CRI (SK)	Computer and rel. activities	Computer Resources Int.	0.0	0.3			0.4	5		1996-1999
Dusan Rajcan	Kiln drying of sawed wood	Danish Hardwood Sjælland		1.6	1.6		2.1	24		2000-2004
Lifeline	Textiles retail trade	La-Nika	1.0				3.0	40		1995-1996*
Pohronie	Sewage and refuse disposal	Marius Pedersen		1.8	1.8		6.8	30		1996-2002
Povazie	Sewage and refuse disposal	Marius Pedersen		1.6	1.6		6.3	30		1996-2002
Saris	Sewage and refuse disposal	Marius Pedersen		1.5	1.5		5.7	30		1996-2002
Slovakian Field Invest	Cultivation of plants	Christian Nors Holding		17.8			62.8	15		2003-2005
Total 7 exited projects			1.0	24.4	6.4		87.1	174		
Total 17 projects in Slovakia			33.1	194.9	163.2	111.1	1,058.7	2,275		
Slovenia										
<i>Exited projects</i>										
Danfoss Compressors	Compressors	Danfoss		54.0	53.4		342.5	600		1996-2005
Wilhelm Slovenia	Drying of wood	Wilhelm	1.1				6.1	6		1999-2000
Total 2 exited projects			1.1	54.0	53.4		348.6	606		
Total 2 projects in Slovenia			1.1	54.0	53.4		348.6	606		
Ukraine										
<i>Active projects</i>										
3J Holding	Distribution centre	P. Jahn		3.0	2.2	2.2	6.5	3	7	2002-
Ambiente Furniture	Furniture production	Ambiente Furniture		5.0	5.0	5.0	17.4	250		2005-
Dana Metal	Products of metal wire	Dana Tråd	3.4	1.0	4.4	4.4	11.6	20	109	2004-
Dana Tech	Production of steel plates	Dana Tråd	3.1		2.5	2.5	3.8	30	11	2004-
Danam Farms	Pig production	ABC Hansen		2.5	2.6	1.3	8.0	10	38	2000-
Danish Textiles	Prod. of velour fabrics	PVN Holding		1.5	1.5	0.9	30.7	500	713	2002-
Danosha	Pig production	Ukraine Invest		49.5			195.6	260	280	2004-
Lindevang Ukraine	Agriculture and farming	Knud Rasmussen		0.8	0.8	0.8	2.5	15	5	2004-
MP Ukraine	Lids for kitchen furniture	MP Låger		1.5	1.5	1.5	4.3	40	38	2004-
NGM Ukraine	Metal components production	N. Graversens Metalvarefabrik		3.7	3.7	3.7	7.5	70		2005-
Pandora Invest	Furniture production	Jesper Office		3.0			7.5	65		2005-
ProTec Ukraine	Production of windows	ProTec Vinduer		5.0			15.0	35		2005-
Scanlak Ukraine	Powder coating	Scanlak		2.0			4.0	25		2005-
Sokalska Hosiery Factory	Real estate	PVN Holding		4.2	4.2	2.5	17.8	3	0	2002-
Steens Furniture	Furniture	Steens Furniture Kjellerup		8.1			24.3	100		2005-

Project Name	Activity/product	Danish Partner	IØ/MIØ's participation		Total Disbursed (DKKkm)	Total Outstanding (DKKkm)	Expected Total Investment (DKKkm)	Expected Direct Employment (persons)	Actual Direct Employment (persons)	Period
			Shares (DKKkm)	Loans (DKKkm)						
UTG Ejendomme	Lease of real estate	United Textile Group		2.5	2.5	2.5	7.8	3		2005-
UTG Ukraine	Sewing operations	United Textile Group		2.0	2.0	2.0	5.0	447		2005-
Ukrex Volyn Wood	Production of play houses	Romdan		3.0			6.3	80		2005-
Total 18 active projects			6.5	98.2	32.9	29.3	375.7	1,956	1,201	
<i>Exited projects</i>										
Airline Tekstilt. Ukraine	Textile print	Airline Textiltryk		1.6			5.5	22		2003-2005
Dronningborg Ukraine	Machinery and equipment	Dronningborg Industries	0.6		0.5		82.4	2		1996-2000*
Novokasa	Real estate/sewing operation	Novotex		3.0			11.6	5		2001-2003
Total 3 exited projects			0.6	4.6	0.5		99.5	29		
Total 21 projects in Ukraine			7.0	102.9	33.3	29.3	475.2	1,985		
Total EUROPE 150 active projects			1,325.9	1,281.2	1,897.3	1,354.8	14,106.2	21,959	25,793	
Total EUROPE 249 exited projects			914.8	1,252.3	1,599.8		15,115.5	20,005		
Total EUROPE 399 projects			2,240.6	2,533.5	3,497.1	1,354.8	29,221.7	41,964		
Active projects 151										
			1,325.9	1,285.6	1,897.3	1,354.8	14,116.6	22,073	25,793	
Exited projects 249										
			914.8	1,252.3	1,599.8		15,115.5	20,005		
Total projects 400										
			2,240.6	2,537.9	3,497.1	1,354.8	29,232.1	42,078		

For each country the projects are divided into two groups: active and exited projects. As from December 2005, a project is considered to be exited when the following three conditions have been met: 1) IØ's board member has left the project's board, and all legal formalities in this respect have been fulfilled. 2) All loans have been fully repaid incl. interest - or the loans have been formally written off - even if mortgage for the loans formally still exists. 3.a) IØ's shares have been sold according to a legal binding agreement without any conditions precedent, and either full payment has been received, or IØ has been de-registered as shareholder, or 3.b) A liquidation procedure has been completed for the project company even if dividends (if any) have not been fully received. Furthermore, subsidiaries of projects with direct financial participation from IØ (indirect projects) are henceforth named directly under the relevant parent company, whereas all financial data related to indirect projects are included in the data shown for the parent company. Compared to the investment portfolio at 31 December 2004 minor corrections have been made.

IØ's participation is the accumulated sum in DKK of IØ's contracted investments in the project companies since project start. Investments denominated in foreign currency are stated in the DKK equivalent at the exchange rate prevailing at the time of signing of the investment agreement. Share capital participation includes overrun commitments and amounts converted from loans. Loan participation includes guarantees and interest converted to principal. As the list includes active projects as well as projects where IØ's participation has been terminated, the figure for IØ's total participation, which is a historical aggregation of all contracted investments, does not relate to the figures for outstanding investments in the balance sheet at year-end.

Total disbursements are the total sum in DKK of share capital and loans disbursed to projects as at 31 December 2005. Disbursements in foreign currencies are stated in the DKK equivalent at the exchange rate prevailing at the time of disbursement. Disbursement figures can be different from the figures for IØ's participation due to changes in the exchange rate for the currency in question, if the contracted amount is not fully disbursed, or if the stated participation includes amounts originating from conversions. Starting in 2005 the figures for disbursement do no longer include amounts from conversions from loans to share capital or from interest to loan principal. For information, the total accumulated sum of conversions was DKK 199.4m as at 31 December 2005, the major part being conversions from loans to share capital.

Total outstanding is the outstanding amount of share capital and loans stated in DKK at cost and can be reconciled with the figures in the balance sheet on page 22. Total outstanding may include outstanding amounts originating from conversions, and the total may therefore be larger than the disbursed amount.

Expected total investment is the expected total investment in the project company in DKK since IØ's involvement, as foreseen at the most recent appraisal stage (the original appraisal stage or a later appraisal stage if additional financing has been provided). The figure for expected total investment is not directly comparable to the figures for IØ's participation. This is primarily because IØ's participation may include amounts originating from conversions, overrun commitments on share capital, and/or participations that are guaranteed by IØ's partners.

Expected direct employment is the number of persons expected to be employed directly in the project company once full capacity utilisation is achieved, as foreseen at the appraisal stage (either at the original appraisal stage, or at a later appraisal stage if additional financing has been provided, and the figure for expected employment has risen). For greenfield projects the figures indicate the number of jobs expected to be created, while for brown field projects the figures indicate the number of jobs to be created and/or preserved.

Actual direct employment shown for the active projects is the actual number of persons employed directly in the project companies, including subsidiaries, typically calculated in the final part of the year, as reported to IØ by the project company. In case part of the company's activities is run by an external contractor, the persons employed by the external contractor are included. No adjustments have been made for seasonal variation in the number of employees or for part-time employees. No figures for actual employment are shown for projects established in 2005. The figures for actual employment for active projects are typically lower than the figures for expected (full capacity) employment because a number of the projects are under implementation.

* Operation discontinued

Investment through Holding Company

Co-financing by the Environmental Investment Facility for Central and Eastern Europe

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Birgitte Bang Nielsen
Head of CSR

CORPORATE SOCIAL RESPONSIBILITY (CSR) UNIT



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¹⁾ Stationed at IØ Copenhagen until May 2006 in connection with SIMI studies

Danish International Investment Funds

Danish International Investment Funds is the umbrella term for IØ, IFU and IFV. Each of the Funds operates in its specific geographical sphere:

- IØ in the Russian Federation, Ukraine and Belarus
- IFU in developing countries with a per capita income below 80% of the World Bank's upper limit for new loans with maturities of 17 years (USD 2,604 in 2006) and in South Africa
- IFV in developing countries with a per capita income originally above the IFU limit (IFV has stopped making new investments)

European cooperation

IØ, IFU and IFV are members of the European Development Finance Institutions (EDFI). Besides the Danish Funds, there are 14 other members. They are all bilateral finance institutions offering capital for the development of the private sector in developing countries, and countries that are in a transition process towards market economy. The objective of EDFI is to further cooperation and to safeguard common interests in relation to the European Commission and its institutions, including the European Investment Bank (EIB). EDFI website: www.edfi.be.

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