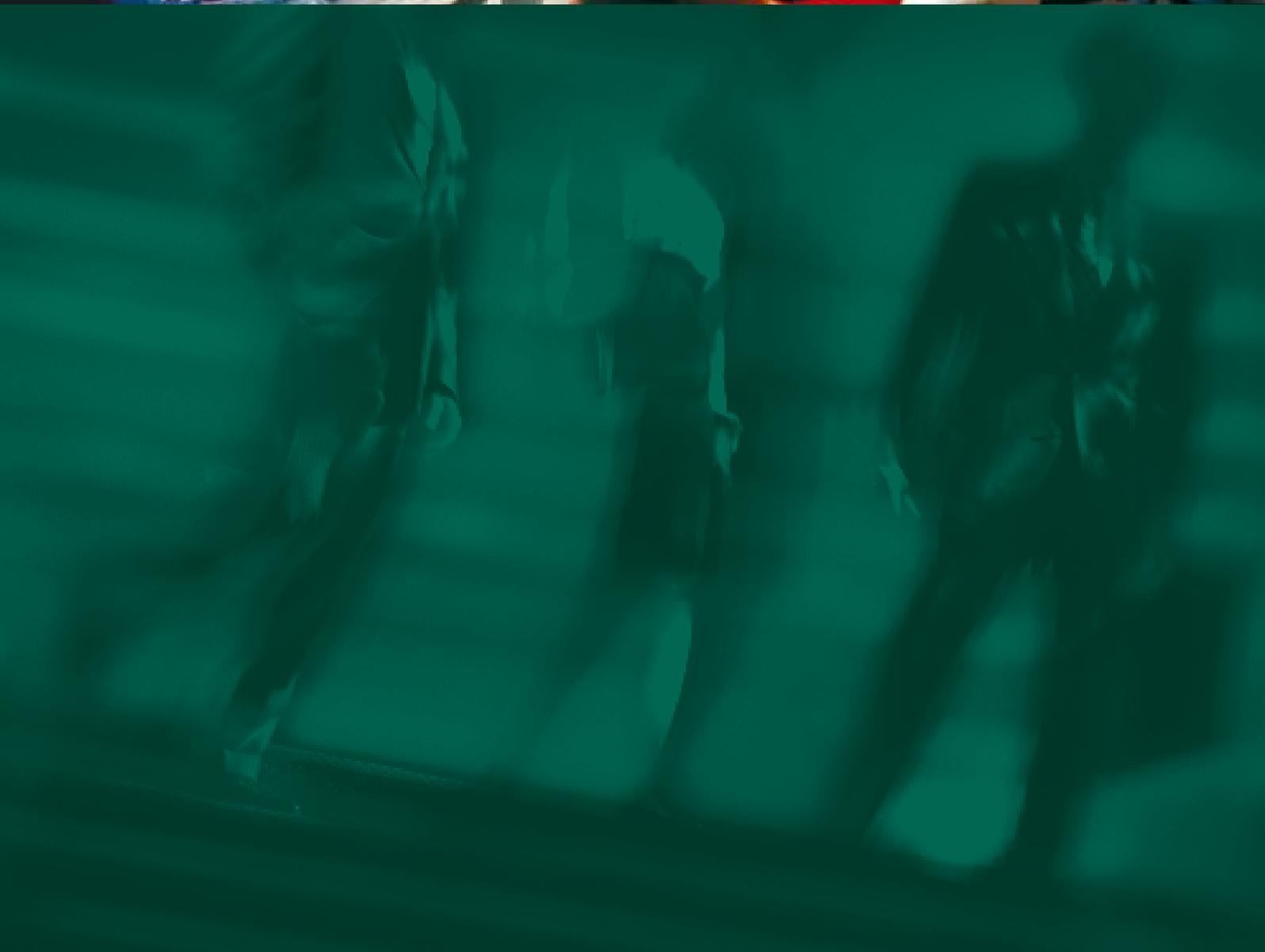
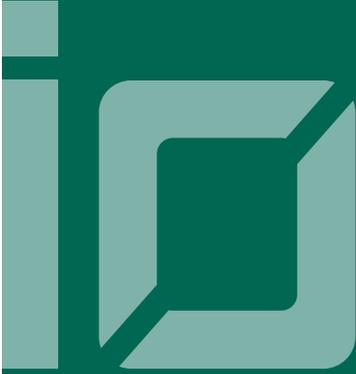


ANNUAL REPORT 06



THE INVESTMENT FUND FOR CENTRAL AND EASTERN EUROPE



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.

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.*

New format for the annual report

IØ has decided to improve and extend the information flow towards its key external stakeholder groups.

The traditional annual report will be in English and contain all basic information such as management's and financial review, information and statistics on IØ's success criteria, information on compliance with Corporate Social Responsibility, external environment, Occupational Health and Safety, the complete portfolio on active investments, etc.

To accommodate the need for more specific information aimed at new and existing business partners, organisations and the public, IØ will issue a profile brochure – IØ Perspective – in addition to its annual report in both English and Danish. IØ Perspective will focus on specific case studies and overall business strategies in accordance with IØ's political and ethical guidelines. This brochure will also include highlights from the annual results.

Information about all IØ's investments, active as well as exited, will be accessible on IØ's website www.ioe.dk and updated on a regular basis.

STATEMENT

Statement by the Management on the annual report

The Executive and Supervisory Boards have presented the annual report for the year ended 31 December 2006. 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 2006.

Copenhagen, 22 February 2007

Executive Board:

Finn Jønck, Managing Director
Frank Norman Larsen, Deputy Managing Director

Supervisory Board:

Johannes Poulsen, Chairman
Michael Rasmussen, Deputy Chairman
Lars Andersen
Sigurd Ø. Andersen
Elsebeth Budolfson
Betina Hagerup
Susanne Hyldelund
Ib Petersen
Agnete Raaschou-Nielsen

Independent auditors' report



To the Supervisory Board of the Investment Fund for Central and Eastern Europe (IØ)

We have audited the annual report of IØ for the financial year ended 31 December 2006, which comprises the statement of the Supervisory and Executive Boards on the annual report, the Management's review, a summary of significant accounting policies, the income statement, balance sheet, statement of changes in equity, cash flow statement for the year then ended, and notes including table showing the active projects in relation to which IØ has entered into investment agreements. The annual report has been prepared in accordance with the Danish Financial Statements Act.

The Supervisory and Executive Boards' responsibility for the annual report

The Supervisory and Executive Boards are responsible for the preparation and fair presentation of this annual report in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing and agreement between the Minister for Foreign Affairs and Auditor General regarding the audit of IØ. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the an-

nual report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Supervisory and Executive Boards, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit did not result 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 2006 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, 22 February 2007

Ernst & Young

Statsautoriseret Revisionsaktieselskab

Svend Duelund Jensen
State Authorised Public Accountant

Henrik Barner Christiansen
State Authorised Public Accountant



Executive summary

- IØ made investments in 10 new projects expected to employ about 1,700 persons
- A record number of new projects in Ukraine – a total of seven
- Many of the project companies have succeeded in taking advantage of the favourable market conditions, which has had a positive impact on IØ's value adjustment of its project companies and thus also its profit
- Altogether, 2006 yielded a record profit for IØ of DKK 696m
- Continued focus on Corporate Social Responsibility in 2006 following the entry into force of the new policy as of 1 January 2006
- The Fund will be able to increase the amount to be paid back in 2007 to the Government from DKK 200m to DKK 500m.
- IØ has decided to improve and extend the information flow by publishing a series of new publications. As a consequence, the contents of the traditional annual report for 2006 will be more focused
- With effect from 1 August 2006 Mr. Finn Jønck became new managing director of IØ succeeding Mr. Sven Riskær

HIGHLIGHTS

Financial highlights



	2006 DKKm	2005 DKKm	2004 DKKm	2003 DKKm	2002 DKKm
INCOME STATEMENT					
Gross contribution from projects	697	294	89	104	52
Operating income	674	265	61	72	20
Net income for the year	696	274	82	105	77
BALANCE SHEET AT 31 DECEMBER					
Share capital investment in projects at cost	617	835	947	814	857
Project loans at cost	562	519	627	705	684
Total investment in projects at cost	1,179	1,355	1,574	1,519	1,542
Accumulated value adjustments	161	(304)	(465)	(535)	(604)
Investments in projects, net ¹	1,341	1,051	1,108	983	938
Cash and bonds	730	624	316	997	940
Repaid capital/paid-in capital during the year	(300)	0	(650)	0	0
Total equity capital	2,102	1,706	1,432	2,000	1,895
Total balance	2,102	1,707	1,464	2,011	1,900
ADDITIONAL DATA					
New projects contracted (no.)	10	26	15	25	28
Portfolio of projects (no.)	121	151	165	181	175
Investments contracted	156	216	539	510	412
Investments disbursed	330	151	401	255	233
KEY RATIOS					
Gross contribution from projects/Average investment in projects - value adjusted	58.3%	27.2%	8.5%	10.8%	5.3%
Operating income/Average total equity capital	35.4%	16.9%	3.5%	3.7%	1.1%
Net income for the year/Average total equity capital	36.6%	17.4%	4.8%	5.4%	4.2%
Total equity capital/Total assets	100.0%	99.9%	97.8%	99.4%	99.8%
Accumulated value adjustments/Investment in projects at cost	13.7%	(22.4%)	(29.6%)	(35.3%)	(39.2%)

¹⁾ The financial highlights have been adjusted for 2002 - 2003 as a consequence of the changes in presentation effected in 2004.

Developmental and environmental highlights - ex ante ²

Environmental Investment Ratio (Range: 0 - 100%)	30%	33%	30%	39%	31%
Total fulfilment of Fund's success criteria (Range: 25 - 100%)*	70%	77%	79%	74%	71%
Development impact	65%	75%	87%	73%	69%
Partner mobilisation	66%	78%	67%	65%	64%
Sustainability and profitability of projects	88%	81%	84%	79%	79%
Fund's operational targets	70%	78%	83%	77%	73%

* A minor correction to the figure for 2005 has been made in respect of total fulfilment of the Fund's success criteria.

²⁾ Weighted by invested amounts (see text on Success Criteria and Environmental Investment Ratio on page 14).



Management's review



Main activities

2006 was an exceptional year for IØ with a record-high profit of DKK 696m.

In recent years many of the project companies have succeeded in taking advantage of the favourable market conditions, and this again has had a positive effect on IØ's value adjustment of its project companies and thus also its profit. In addition, IØ has completed a number of large and favourable share sales in countries where the Fund no longer invests.

As of 2006 IØ solely invests in project companies in the Russian Federation, Ukraine and Belarus, whereas the portfolio still contains project companies all over Central and Eastern Europe.

In 2006 the Fund entered into contracts to an amount of DKK 115.3m concerning 10 new project companies, of which the majority is domiciled in Ukraine. The figure for expected direct employment in the 10 new projects was about 1,700.

Main features at 31 December 2006

	Number	DKKm	EURm*)
Net income 2006		696.1	93.4
Total equity capital at 31.12.2006		2,101.6	281.9
Investments contracted during 2006	18	156.0	20.9
Contracted investments in projects since establishment (1989-2006), of which disbursed (1989-2006) payable at 31.12.2006	408	4,933.0	661.6
		3,774.8 458.7	506.3 61.5
Number of countries in which IØ has invested (1989-2006)	18		

*) Exchange rate: EUR 100 = DKK 745.6

The Fund also made supplementary investments in eight existing project companies to an amount of DKK 40.7m with employment of about 500 people.

IØ paid back DKK 300m to the Danish government in 2006, and due to the large share sales in 2006, the Fund will be able to increase the amount to be paid back in 2007 from DKK 200m to DKK 500m. Consequently, by the end of 2007, IØ will have paid back nearly DKK 1.5bn to the Danish government.

Legal mandate

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 is operating on commercial conditions and is self-financing.

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.

IØ provides share capital participation, loans and guarantees on commercial terms for investments in production or service companies in Central and Eastern Europe. The Fund's revenues consist of interest, dividends and profits from shares.

The Danish government has decided that as of 2012 IØ must no longer make new investments, and as of that year IØ will gradually phase out its investment portfolio.



As a pillar supporting IØ's investment activities, the Fund has drawn up a Corporate Social Responsibility (CSR) policy, which comprises high environmental standards and high standards for Occupational Health and Safety (OHS) as well as for code of conduct.

By collaborating with IØ, the partners, in addition to financing, gain access to IØ's knowledge accumulated through investments in more than 400 projects in Central and Eastern Europe since 1989, and to support from a network of advisers and financial institutions. Both in the start-up phase and during the operation of its projects IØ is actively involved, e.g. by having a seat on the boards of the project companies.

Development in IØ's area of activity during 2006

New managing director of IØ

On 1 August 2006 Finn Jønck became the new managing director of IØ succeeding Sven Riskær, who had been the managing director since the Fund's inception in 1989. Finn Jønck comes from the Danish Ministry of Foreign Affairs, where he has been working most of the time since graduating from the University of Copenhagen as M.Sc. in Economics. During the Uruguay Trade Round he was special adviser on trade policy to the Ministry. His most recent position was as Head of Development Policy. For a three-year period, 2000 to 2003, Finn Jønck was Executive Director in the World Bank Group in Washington representing the Nordic and Baltic countries on the Board of the Bank and IFC.

Investments in 2006 – an overview

In 2006 IØ experienced a relatively high level of investment activity with investments in 10 new projects of a total amount of DKK 115.3m. Additional financing in eight ongoing projects amounted to DKK 40.7m. Investments in new projects went to three countries with the majority in Ukraine. IØ's average investment amount in new projects was DKK 11.5m.

19% of the new investments were in the form of share capital and project loans with equity features.

Number of investments in new projects			10
Number of additional financing of ongoing projects			8
NEW PROJECTS			
IØ's contacted investments	DKK 115.3m	EUR 15.5m	
Expected total investments in projects	DKK 643.5m	EUR 86.3m	
Investments in new and ongoing projects	DKK 156.0m	EUR 20.9m	
Disbursement of share capital and loans	DKK 329.7m	EUR 44.2m	
Paid-in from projects	DKK 670.4m	EUR 89.9m	
Expected direct employment in the new projects			1,694 jobs





Investments contracted in 2006

	Project Name	Country	IØ's contracted investments in DKKm			Expected direct employment (persons)****
			Shares*	Loans**	Total	
NEW PROJECTS						
1	ISI Beli Manastir	Croatia		7.5	7.5	250
2	Flexa Wood	Russian Federation		18.0	18.0	1
3	ZAO Zapkarells	Russian Federation		25.0	25.0	600
4	AgroUkraine Fund	Ukraine	0.2	5.8	6.0	1
5	Atlantic Ukraine	Ukraine		29.1	29.1	370
6	Ciklum	Ukraine		2.0	2.0	400
7	Dan Farm Ukraine	Ukraine	4.0	9.2	13.2	25
8	Gangsø Ukraine	Ukraine		11.2	11.2	30
9	Poda Ukraine	Ukraine		2.2	2.2	15
10	UPG Property 1	Ukraine	0.0	1.1	1.2	2
	Total***		4.2	111.1	115.3	1,694
						Actual direct employment (persons)****
ADDITIONAL FINANCING OF ONGOING PROJECTS						
11	Starco Beli Manastir	Croatia		5.0	5.0	101
12	Dan-Farm Hungary Kft.	Hungary		1.4	1.4	19
13	Sosnowiec Ren.Energy Gen.	Poland	2.8#		2.8	1
14	Energy Saving Agency	Romania		5.0	5.0	5
15	Aller Petfood	Russian Federation		7.0	7.0	282
16	Bianco Footwear Russia	Russian Federation		2.6	2.6	29
17	Jysk Investment	Russian Federation		3.5	3.5	18
18	Villaco	Russian Federation		13.4	13.4	24
	Total		2.8	37.9	40.7	479
	Grand Total		7.0	149.0	156.0	

*) incl. overrun commitments **) incl. guarantees ***) totals may not add up due to rounding up ****) for definitions reference is made to page 39
 #) conversion from loans to shares



CSR policy

IØ promotes investments to support sustainable development in the countries where the Fund invests.

It is therefore IØ's ambition to make the ongoing work concerning Corporate Social Responsibility (CSR) a future benchmark for all project companies in which IØ invests.

The aim of IØ's operational CSR guidelines is to ensure that the project companies comply with environmental and health and safety legislation, and that they adhere to international human rights and business ethics declarations. In addition, the CSR policy urges the project companies to keep developing and improving their performance and to enter into dialogues with stakeholders in their local communities.

The work concerning CSR issues should be developed as an integral part of operations and management of the project company and should be sustainable, also when IØ exits the project company, which normally takes place after six to eight years.

CSR-specific initiatives in 2006

In November 2005 IØ adopted a new and comprehensive CSR policy. 2006 was therefore a year with focus on implementing the CSR policy in the daily practice of appraising and monitoring investments, e.g.:

- Communicating the CSR policy, procedures and guidelines to partners and project companies
- Implementing the Human Rights Quick Check tool which has been developed by the Danish Institute for Human Rights together with the Confederation of Danish Industries (Dansk Industri) and IØ. The tool is an appraisal tool used in all new projects with effect from January 2006. IFC has provided funding to develop a web-based version of the Institute's Human Rights Compliance Assessment tool for businesses.

Stakeholder involvement

The Fund established a CSR Advisory Board with Kim Carstensen, Chief Executive Officer, WWF, Morten Kjærum, Executive Direc-

tor, Danish Institute for Human Rights, Jacob Simonsen, Director, UNDP, and Anna Lise Mortensen, Vice President, Novozymes. The main task of the Advisory Board is to act as sparring partner and challenge IØ to further develop and improve its CSR policies and procedures.

Anti-corruption policy

IØ has prepared a policy paper for anti-corruption containing special guidelines for anti-corruption. The paper presents – in a comprehensive manner – the policy and practical guidelines as they are already part of the standard legal agreements. The documents can be found on www.ioe.dk.

Public access to environmental information

IØ treats all environmental data received from its companies as confidential. However, in 2006 the Ombudsman of Parliament informed IØ that he was of the opinion that IØ was not exempt from the initial "Act on Public Access to Environmental Information" of 1994. Accordingly, the Fund will comply with the Ombudsman's interpretation. Any request to gain access to documents received by IØ will be subjected to close scrutiny in accordance with the Act.

Compliance with environmental regulations in IØ pig farms

In 2006 – and as follow-up on the 2005 review – consultants from Carl Bro visited all pig farms with active IØ investments. The aim was to assess whether the recommendations from the 2005 review had been implemented. In June 2006 the review concluded that the farms had accepted the recommendations, and almost all of them have since been implemented on farms in operation. In cases where the implementation was not finalised, work was in progress and has since been completed.

Ukraine CSR assessment

At regular intervals IØ prepares CSR assessments of a full country portfolio. This year IØ chose Ukraine as this is a country where the Fund's portfolio is increasing. IØ asked the Danish company CRECEA to carry out an assessment of the external environment, Occupational Health and Safety (OHS) and IØ's Code of Conduct in eight projects in Ukraine. The projects as-



essed were practically all active projects, and the assessment was completed in mid-2006.

Compared to other locally owned or foreign-owned Ukrainian companies, the assessment showed that the standard was at a higher level for all eight companies. Most companies demonstrated a good understanding of how to organise and systematically work with external environment and OHS, and generally the companies comply with IØ's policies on code of conduct relating to social issues.

Four of the eight companies were in full compliance with Ukrainian and Danish legislation on all selected significant parameters. The remaining companies had a few outstanding issues to be solved in order for the companies to obtain full compliance. All eight projects received a report from CRECEA with the results. In each case the report was discussed at a board meeting, and a specific action plan was subsequently prepared to mitigate the issues, which vary from company to company and are e.g. lack of safety committee, welfare facilities and noise problems.

IØ will closely follow the implementation of the action plans and contribute to this by being represented on the board.

GoGlobal initiative

During 2006, the GoGlobal teamwork was further strengthened. GoGlobal is a collaboration between IFU, Eksport Kredit Fonden (The Export Credit Fund), Danish International Development Assistance (Danida) and the Danish Trade Council.

All these institutions offer services and financing to Danish enterprises operating outside Denmark, including developing countries. The purpose of the collaboration is to make it easier for Danish companies to make use of the various institutions by enabling the employees at the companies to become better at rendering advice on investment possibilities and opportunities for various kinds of partnerships. The collaboration between the institutions aims at providing more specific information activities to companies, which may display an interest, and offering supplementary education to the employees. The GoGlobal collaboration is reviewed on a regular basis.





Further information about the GoGlobal initiative can be found on www.GoGlobal.dk

IØ's success criteria

The success criteria imply that each project must be appraised 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.
- Sustainability and profitability of projects – where, for example, the viability of the projects is assessed.
- Efficiency and effectiveness of Fund operation.

IØ has developed a system which endeavours to quantify each of the four categories making up the success criteria, and which has made it possible to aggregate them all to form one "success" figure for each project.

The weight of the development impact is 50%, while the weight of the remaining three elements is distributed as follows: partner mobilisation 20%, sustainability and profitability of projects 20% and efficiency and effectiveness of Fund operation 10%.

An overall ratio above 80% is considered to be excellent; a ratio between 60 and 80% is considered to be good. A ratio in the range of 50 to 60% is considered to be fair, while a ratio below 50% is considered to be poor.

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).

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

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 its staff and adjusting the framework, so that the required skills can be utilised in the day-to-day work to the benefit of projects with IØ participation.

Consequently, a number of seminars were organised in 2006





to update staff and advisers on current issues. As an example two adviser seminars were held in Copenhagen, one for IØ advisers living outside Denmark and one for IØ advisers living in Denmark.

Offices abroad and adviser network

Specific country experience is embedded in the offices abroad and in the adviser network. The main task of the offices and advisers is to assist in project implementation and to promote and monitor projects by assisting with their thorough knowledge of local markets, authorities, legislation, businesses, etc.

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

In 2007 IØ and the Warsaw office will open a satellite adviser office in Kiev, Ukraine.

At year-end 2006 28 advisers in seven countries were servicing IØ.

Facts about the staff

IØ is administered by its sister fund, IFU, which operates in developing countries. The average number of employees in 2006 was 75. At year-end the distribution of employees was as follows:

51% Female	82% Employed at the head office
49% Male	18% Employed outside Denmark

Review by the National Audit Office of Denmark

In 2006 the National Audit Office of Denmark initiated a review of IØ (and IFU) with the purpose of making an assessment of IØ's efficiency. Staff from the National Audit Office visited a number of IØ projects in Russia, (and IFU projects in Western Africa and Vietnam). The review is expected to be completed in May 2007.

Financial review 2006

IØ's result for 2006 was a record profit of DKK 696m. This result was substantially higher than what was expected a year ago and followed a profit of DKK 274m in 2005.

The result was predominantly due to contributions from IØ's portfolio of share capital investments, DKK 653m, with an almost even split between contribution from realised transactions, divestments and dividends, and value adjustments during the year on investments still held at year-end.

IØ exited a number of large share capital investments in 2006 – primarily in the new EU countries – with very favourable results compared to the valuation at the end of 2005. This and also the positive non-cash adjustments of DKK 373m on the portfolio were a result of the continued positive development of the economies and markets in Eastern Europe in 2006.

Totally, IØ divested shares to an amount of DKK 546m in 2006, and these transactions made it possible not only to repay DKK 300m to the Danish government in 2006, but also to raise the planned repayment in 2007 to DKK 500m from DKK 200m. The sales amount includes DKK 95m relating to the transfer at market value of three projects located in countries transferred from IØ to IFU in 2006.

Net cash flow in 2006 related to share capital was DKK 443m after disbursements of DKK 140m.

Project loans contributed DKK 36m in 2006 compared to DKK 68m in 2005. As a result of large disbursements of new loans to an amount of DKK 190m, net cash flow related to loans was negative by DKK (44)m in 2006.

Total contribution from IØ's primary project-related activities amounted to DKK 697m against DKK 294m in 2005.

IØ's part of the overall operating expenses for 2006 covering 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 23m, a decrease compared to DKK 29m in 2005. The decrease primarily reflects a reduced activity level for IØ in 2006 when compared to 2005, both in terms of new projects and the size of the outstanding portfolio. As previously stated, IØ can now solely invest in project companies in three countries in Eastern Europe, and IØ is in the process of gradually phasing out its portfolio in the countries where it can no longer make new investments.

Financial income, net of financial expenses was DKK 22m compared to DKK 9m in 2005.



Risk management

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

As a consequence of this exposure and in particular as IØ measures its investments at estimated fair value in accordance with the prevailing accounting principles of the Danish Financial Statements Act, the Fund's net result may show large fluctuations – positive and negative – from year to year due to value adjustments on the investments.

To minimise the overall risk in IØ's investment portfolio, a set of risk policies have 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. As IØ now only invests in three countries, no specific guidelines have been set up for country risk exposure.

Project risk is managed by the indicative 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).

Financial risk

At the end of 2006 only a small part of IØ's loan portfolio was denominated in other currencies than DKK or EUR causing only limited direct exposure to currency fluctuations for IØ's financial result. A hedging policy is implemented in order to reduce primarily the sensitivity towards changes in the USD/DKK exchange rate. 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 share of the total USD outstanding amount should normally not exceed 75%. IØ only hedges project loans with an estimated low risk of default. At the end of 2006 approximately 50% of the USD exposure was hedged.



48% of IØ's total outstanding investment at cost at year-end was placed in project loans, including loans with equity features, of which a large part 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 interest income from project loans.

Liquidity is administered 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 cash flows.

Distribution of project engagement at 31 December 2006 – ten largest portfolios

Country	%
Russian Federation	31.3
Ukraine	10.7
Poland	10.1
Croatia	9.4
Slovakia	6.5
Bulgaria	6.2
Romania	5.4
Lithuania	5.1
Czech Republic	3.4
Hungary	1.7

Note: Only the Russian Federation, Ukraine and Belarus are now eligible for IØ investments.

Events after the balance sheet date

No events materially affecting the financial position of IØ have taken place after the balance sheet date.

Outlook for 2007

In 2007 IØ expects to enter into agreements for approximately 10 new projects. If additional financing to existing projects is included, the total IØ investment is expected to amount to DKK 150m.

On the basis of IØ's current projections for investments and disinvestments (share sales and loan repayments), the Fund

also expects a positive result for 2007, though at a lower level than what was realised in 2006.

The expected net result is subject to considerable uncertainty, as it is difficult by nature to predict the development in fair value of both new investments and investments in the existing portfolio, including the effects of exchange rate fluctuations. ■





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

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 both emphasise and clarify the different kinds of contributions from IØ's project activities, the income statement has been changed only to show aggregated contributions from share capital investments, project loans and other contributions.

The various contributions are further specified in notes 1 to 3.

Comparative figures for 2005 have been aggregated in the same way.

Changes in the format have no effect on the result.

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 (de-



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 "Contribution from project loans and guarantees", if related to hedging of project loans, or "Other contributions from projects", if related to hedging of receivables from sale of shares.



Income statement

Contribution from share capital investments

Contributions from share capital investments include declared dividends (after tax), contributions from divested share capital investments and value adjustments in relation to the outstanding portfolio at year-end.

Contribution from project loans and guarantees

Contributions from project loans and guarantees include invoiced interest, value adjustments, including exchange rate adjustments in relation to the portfolio, the effect of derivatives and other value adjustments, principally of interest receivables.

Other contributions from projects

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

Operating expenses, net

The Industrialisation Fund for Developing Countries (IFU) manages the administration and accounting of altogether three funds. 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, net

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

Balance sheet

Investments in projects – general

Investments are reported at the estimated fair value as at the reporting date. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.



When estimating the fair value of an investment, IØ seeks to use a methodology which is appropriate in light of the nature, facts and circumstances relating to the investment and its materiality in the context of the total investment portfolio. Methodologies are applied consistently from period to period, except when a change would result in a better estimation of fair value.

Because of the uncertainties inherent in estimating fair value for unquoted investments, a degree of caution is applied when exercising judgement and making the necessary estimates.

In 2006 IØ reviewed and adjusted the procedures and models for assessing the fair value of the investments made by IØ.

For all investments the value determined by using the methods described below will be adjusted, if considered necessary and appropriate, by taking the following factors into account:

- The financial status and most recent results of and expectations for the project company.
- Risk of remittance, if any.
- Specific circumstances relating to the partners, project, country, region and/or sector.
- Tax issues.

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.

If the Fund receives a binding offer in writing during the 12-month period prior to the reporting date, this offer is used as a starting point for the valuation of the investment.

Quoted share capital investments

All quoted share capital investments are valued according to the most recent market price listed on or before the reporting date. If the market is not considered liquid, i.e. that a sale of the investment may cause a significant movement in the stock price, an illiquidity discount is applied.

Unquoted share capital investments

Investments are valued at cost until IØ receives audited accounts covering a period of at least two years of operational activities of the project company following the first disbursement by IØ.

Unquoted share capital investments having met the two-year operational criteria (as defined above) are divided into two groups dependent on the size of IØ's outstanding investment.

In this context the larger investments are defined as those for which IØ's outstanding investment is above or equal to DKK 20m. These investments are initially valued by either the Discounted Cash Flow method (DCF), by an earnings multiple, if appropriate and reliable transaction/earnings multiples are available, or by the net assets methodology, if appropriate.

All other unquoted share capital investments having met the two-year operational criteria are initially valued at intrinsic value according to the most recent financial statement for the company received by IØ.

For all share capital investments, quoted as well as unquoted, formal exit agreements, if any, will be taken into account when performing the valuation.

Project loans, net

Fair value of project loans is measured net of or including value adjustments relative to cost in DKK.

Project loans based on variable interest terms are initially valued at the exchange rate adjusted cost.

Project loans with a fixed interest rate and an exchange rate adjusted outstanding balance below DKK 20m are initially valued at the exchange rate adjusted cost.

Project loans with a fixed interest rate and an exchange rate adjusted outstanding balance above DKK 20m are initially valued at the net present value of the future cash flow.



The initially estimated fair value is adjusted, if necessary and appropriate, by taking into account specific terms as agreed, if any, the expected sales value and accessibility of pledged assets, if any, and the historical record of debt service and actual defaults.

Interest receivable related to projects

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.

Other receivables

As from 2006 investments in projects where a formal liquidation procedure has been initiated are transferred from the project investments and stated as "Receivables from projects in liquidation" under "Other receivables" in the balance sheet. Comparative figures for 2005 have not been revised due to insignificance.

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

NOTE	2006	2005
	DKK 1,000	DKK 1,000
1/ Contribution from share capital investments	660,954	221,211
2/ Contribution from project loans and guarantees	35,577	68,328
3/ Other contributions from projects	564	4,417
GROSS CONTRIBUTION FROM PROJECTS	697,095	293,956
Operating expenses, net	(22,822)	(29,202)
OPERATING INCOME	674,273	264,754
4/ Financial income, net	21,839	8,932
NET INCOME FOR THE YEAR	696,112	273,686
Distribution of net income for the year:		
Transferred to accumulated reserves	535,008	273,686
Transferred to accumulated reserves related to net positive value adjustments on project investments	161,104	0
	696,112	273,686

INCOME STATEMENT

Balance sheet at 31 December

Assets

BALANCE SHEET

NOTE	2006 DKK 1,000	2005 DKK 1,000
FIXED ASSETS		
14/ Share capital investment in projects at cost	617,302	835,416
Value adjustments	284,731	(161,461)
5/ Share capital investment in projects, net	902,033	673,955
14/ Project loans at cost	562,179	519,413
Value adjustments	(123,627)	(142,101)
6/ Project loans, net	438,552	377,312
Total fixed assets	1,340,585	1,051,267
CURRENT ASSETS		
7/ Interest receivable related to projects	5,069	3,318
8/ Other receivables	26,082	28,763
Bonds	336,903	50,178
Cash	393,528	573,359
Total current assets	761,582	655,618
TOTAL ASSETS	2,102,167	1,706,885

Balance sheet at 31 December

Liabilities and equity capital

NOTE	2006	2005	
	DKK 1,000	DKK 1,000	
EQUITY CAPITAL			
	Paid-in capital, net	947,800	1,247,800
	Accumulated reserves related to net positive value adjustment on project investments	161,104	0
	Accumulated reserves	<u>992,729</u>	<u>457,721</u>
9/	Total equity capital	<u>2,101,633</u>	<u>1,705,521</u>
PROVISION FOR LOSSES			
	Guarantees	<u>0</u>	<u>0</u>
	Total provisions	<u>0</u>	<u>0</u>
10/	CURRENT LIABILITIES	<u>534</u>	<u>1,364</u>
	Total liabilities	<u>534</u>	<u>1,364</u>
	TOTAL EQUITY CAPITAL, PROVISION FOR LOSSES AND LIABILITIES	<u>2,102,167</u>	<u>1,706,885</u>
11/	FUNDS COMMITTED TO PROJECTS AND CLEARANCES IN PRINCIPLE		
12/	CONTINGENT LIABILITIES		
13/	RELATED PARTY DISCLOSURES		

BALANCE SHEET

Cash flow statement

CASH FLOW STATEMENT

NOTE	2006 DKK 1,000	2005 DKK 1,000
CASH FLOW FROM OPERATING ACTIVITIES		
Dividends from projects received	37,015	37,961
Interest from projects received	21,291	22,755
Other project related payments	16,823	3,866
Operating expenses, net	(26,244)	(31,423)
Net payments related to financial income and expenses	23,733	14,861
Net cash from operating activities	72,618	48,020
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Received from sale of shares	545,804	197,337
Received from project loans	124,620	212,910
Paid-in share capital in projects	(140,076)	(24,232)
Disbursement of project loans	(189,662)	(126,279)
Received from (invested in) bonds	(293,135)	60,738
Net cash from (to) investing activities	47,551	320,474
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Repaid capital during the year	(300,000)	0
Net cash from (to) financing activities	(300,000)	0
NET CHANGE IN CASH	(179,831)	368,494
CASH BEGINNING OF YEAR	573,359	204,865
CASH END OF YEAR	393,528	573,359

Notes

NOTE	2006	2005
	DKK 1,000	DKK 1,000
1 Contribution from share capital investments		
Dividends from projects	36,973	37,725
Contribution from divested share capital investments	243,634	103,733
Value adjustments, portfolio	<u>380,347</u>	<u>79,753</u>
Contribution from share capital investments	<u>660,954</u>	<u>221,211</u>
2 Contribution from project loans and guarantees		
Interest income and fees related to project loans and guarantees	35,161	30,133
Value adjustments excl. exchange rate adjustments, portfolio	8,001	12,386
Exchange rate adjustments, project loans	(4,267)	6,336
Exchange rate adjustments, derivatives	1,502	(3,274)
Other value adjustments excl. exchange rate adjustments	<u>(4,820)</u>	<u>22,747</u>
Contribution from project loans and guarantees	<u>35,577</u>	<u>68,328</u>
3 Other contributions from projects		
Value adjustments, receivables, excl. exchange rate adjustments	196	2,840
Exchange rate adjustments, receivables	43	267
Interest from receivables	335	1,310
Other income and expenses	<u>(10)</u>	<u>0</u>
Other contributions from projects	<u>564</u>	<u>4,417</u>

NOTES

Notes

NOTES

NOTE	2006 DKK 1,000	2005 DKK 1,000
4 Financial income and expenses		
Financial income		
Interest income, cash and bonds	21,384	9,873
Gain on bonds, net	1,006	(737)
Financial income	22,390	9,136
Financial expenses		
Interest expenses, bank charges and exchange rate adjustments	(551)	(204)
Financial expenses	(551)	(204)
Financial income, net	21,839	8,932

Notes

NOTE	2006	2005
	DKK 1,000	DKK 1,000
5 Share capital investment in projects, net		
Share capital investment in projects beginning of year at cost	835,416	946,578
Paid-in share capital in projects during the year	140,076	24,232
Project loans or interest converted into share capital during the year	7,651	2,750
Proceeds from divestment of shares	(546,188)	(198,077)
Income from divestment of shares relative to cost, net	184,772	59,933
Share capital transferred to other receivables during the year	(4,425)	0
Share capital investment in projects end of year at cost	617,302	835,416
Accumulated value adjustment beginning of year	(161,461)	(282,264)
Reversed value adjustments, divested share capital investments	58,862	43,800
Value adjustments, portfolio during the year (note 1)	380,347	79,753
Value adjustments related to transfer to other receivables during the year	4,171	0
Value adjustments related to conversions during the year	2,812	(2,750)
Accumulated value adjustment end of year	284,731	(161,461)
Share capital investment in projects, net end of year	902,033	673,955
Accumulated value adjustments end of year are comprised of:		
Plus values	341,409	41,407
Value adjustments excl. plus values	(56,678)	(202,868)
	284,731	(161,461)

NOTES

Notes

NOTES

NOTE	2006 DKK 1,000	2005 DKK 1,000
6 Project loans, net		
Project loans beginning of year at cost	519,413	627,020
Disbursements during the year	189,662	126,279
Interest converted into project loans during the year	10,049	5,139
Repayments during the year	(124,620)	(212,910)
Project loans converted into share capital during the year	(7,651)	0
Exchange rate adjustments during the year relative to cost	(5,129)	(4,346)
Project loans transferred to other receivables during the year	(9,839)	(1,119)
Write-offs during the year	(9,706)	(20,650)
Project loans end of year at cost *	<u>562,179</u>	<u>519,413</u>
Accumulated value adjustments beginning of year	(142,101)	(183,212)
Reversed value adjustments, loans written off	9,706	20,650
Exchange rate adjustments realised	5,129	4,346
Value adjustments incl. exchange rate adjustments, during the year (note 2)	3,734	18,722
Value adjustments related to transfer to other receivables during the year	6,954	0
Value adjustments related to conversions during the year	(7,049)	(2,607)
Accumulated value adjustments end of year	<u>(123,627)</u>	<u>(142,101)</u>
Project loans, net end of year	<u>438,552</u>	<u>377,312</u>
Accumulated value adjustments end of year are comprised of:		
Exchange rate adjustments relative to cost	(7,152)	(8,014)
Value adjustments excl. exchange rate adjustments	(116,475)	(134,087)
	<u>(123,627)</u>	<u>(142,101)</u>
*) Project loans end of year at cost are comprised of:		
Senior project loans	408,187	369,987
Subordinated loans	153,992	149,426
	<u>562,179</u>	<u>519,413</u>

Notes

NOTE	2006 DKK 1,000	2005 DKK 1,000
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*) Project loans end of year at cost in DKK distributed according to currency denomination:

	2006 Currency	2005 Currency		
DKK			185,689	198,365
USD ¹⁾	5,241	4,804	37,217	39,196
EUR	45,556	37,885	<u>339,273</u>	<u>281,852</u>

¹⁾ USD 2.7m is hedged against DKK (USD 3.6m in 2005) **562,179** **519,413**

Project loans provided by IØ by means of syndicated capital are not included in the above figures and amount to DKK 1.9m (DKK 1.5m in 2005), 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.

NOTES

7 Interest receivable related to projects

Interest receivable related to projects before value adjustments	7,187	5,171
Value adjustments	<u>(2,118)</u>	<u>(1,853)</u>
Interest receivable related to projects	<u>5,069</u>	<u>3,318</u>

8 Other receivables

Receivables from sale of shares	7,952	7,565
Receivables from sale of loan	0	11,251
Receivable front-end fees	1,230	2,608
Receivables from projects in liquidation	11,385	0
Other project-related receivables	<u>0</u>	<u>8</u>
	20,567	21,432
Value adjustments	<u>(12,110)</u>	<u>(1,058)</u>
	8,457	20,374
Derivatives *	5,970	6,394
Accrued interest receivables from bonds	8,405	1,995
Current accounts	<u>3,250</u>	<u>0</u>
	<u>26,082</u>	<u>28,763</u>

*) Stated amount for 2006 concerns a hedged amount of USD 2.7m with term from 2007 to 2010.

Notes

NOTES

NOTE	2006 DKK 1,000	2005 DKK 1,000
9 Total equity capital		
Paid-in capital beginning of year	1,897,800	1,897,800
Paid-in capital during the year	0	0
Paid-in capital end of year	1,897,800	1,897,800
Repaid capital beginning of year	(650,000)	(650,000)
Repaid capital during the year	(300,000)	0
Repaid capital end of year *	(950,000)	(650,000)
Paid-in capital end of year, net	947,800	1,247,800
Accumulated reserves related to net positive value adjustments on project investments beginning of year	0	0
Transferred from net income for the year	161,104	0
Accumulated reserves related to net positive value adjustments on project investments end of year	161,104	0
Accumulated reserves beginning of year	457,721	184,035
Transferred from net income for the year	535,008	273,686
Accumulated reserves end of year	992,729	457,721
Total equity capital end of year	2,101,633	1,705,521

*) It has been decided to make a capital extraction of DKK 500m for 2007.

Notes

NOTE	2006	2005
	DKK 1,000	DKK 1,000
10		
<u>Current liabilities</u>		
Other project-related debt	527	1,029
Current accounts	0	328
Deferred income	7	7
	<u>534</u>	<u>1,364</u>

11 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	177,662	499,863
Guarantees, net *	8,500	56,195
Binding commitments	57,988	30,559
	<u>244,150</u>	<u>586,617</u>
Clearances in principle for new projects amount to	<u>101,428</u>	<u>147,812</u>

*) Gross outstanding guarantees amount to DKK 8,5 (DKK 56,195 in 2005)

12 Contingent liabilities

The total lease and rental commitments amount to DKK om (DKK om in 2005) - hereof due within the following year DKK om (DKK om in 2005).

13 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.

NOTE

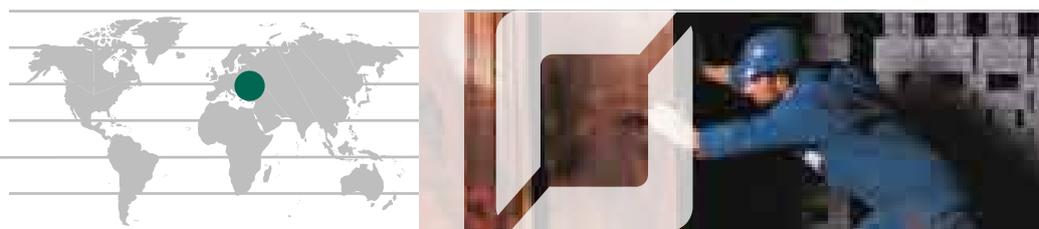
14 Active project portfolio

The following table shows the active projects in relation to which IØ has entered into investment agreements. For each country and project the table shows how much IØ has participated in the form of agreements for share capital and loans, IØ's total disbursements and outstanding amounts at 31 December 2006. Furthermore, the table shows expected total investment in the projects, expected number of jobs created and/or preserved at the projects and finally, the actual employment in 2006 (for projects established before 2006). Reference is made to the in-depth explanations below the table.

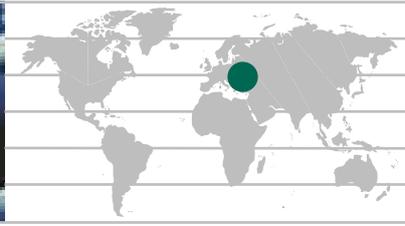
Active project portfolio at 31 December 2006

PERIOD	Project name	Activity / Product	Danish Partner	IFU's participation		Total disbursed (DKKkm)	Total outstanding (DKKkm)	Expected total investment (DKKkm)	Expected direct employment (persons)	Actual direct employment (persons)
				Shares (DKKkm)	Loans (DKKkm)					
	EUROPE									
	Baltic Countries (Regional)									
02> #	Baltic Property Trust	Real estate	Dancasa	20.8		20.8	20.8	200.0	40	73
02>	Jysk Baltics	Retail shops	Skemman		12.5	12.5	5.0	50.0	420	465
	Total 2 active projects			20.8	12.5	33.3	25.8	250.0	460	538
	Central Europe (Regional)									
01>	Euro Mall Holding	Real estate activities	TK Development	120.0	106.8	120.0	90.0	2,419.6	25	155
	Total 1 active project			120.0	106.8	120.0	90.0	2,419.6	25	155
	Belarus									
92>	Unomedical Belarus	Medical/precision instruments	Unomedical	0.2	3.6	3.5		7.8	25	377
	Total 1 active project			0.2	3.6	3.5		7.8	25	377
	Bulgaria									
04>	Carlsberg Bulgaria	Brewery	Carlsberg	79.3		79.3	79.3	562.6	512	588
04>	Martello-Trikel	Textile	Martello		10.0	10.0	7.8	35.0	350	237
05>	Sleipner Telecom	Telecom services	Sleipner Invest		0.9	0.9	0.9	1.8	7	0
	Total 3 active projects			79.3	10.9	90.2	88.0	599.4	869	825
	Croatia									
94>	Carlsberg Croatia	Brewery	Carlsberg Breweries	73.6		53.2	53.2	375.0	450	311
05>	Dencro Internet & Telecom	Telecom services	Dencro Holding	0.0	2.0	1.8	1.8	5.0	10	8
03>	Esplanade Oleander	Hotel with restaurant	SAS Hotels		52.0	52.1	59.5	286.8	142	152
06>	ISI Beli Manastir	Starch production	International Starch Institute		7.5			200.0	250	
03>	Starco Beli Manastir	Production of iron car wheels	Starco		15.0	15.0	11.7	55.0	97	101
	Total 5 active projects			73.6	76.5	122.2	126.2	921.8	949	572
	Czech Republic									
01>	Baltom	Road maintenance	Inreco		2.2	2.2		9.9	3	145
92>	Cembrit CZ	Fibre cement products	Dansk Eternit Holding	68.0	69.9	98.2	22.8	436.4	401	487
98>	Dan-Moravia Agrar	Agricultural production	Moravia Invest		16.5	2.1	0.2	89.2	20	11
	[Euro Mall Holding, CENTRAL EUROPE (REGIONAL)]									
01> #	Euro Mall Czech Holding	Real estate activities	TK Development							
01>	Hydrotech International	Hydraulic systems	Svendborg Brakes		5.1	5.1	1.6	19.1	80	2
	[Lifeline Slovakia, SLOVAKIA]									
00>	Lifeline Bohemia	Retail textile company	United Textile Group							
01>	Maersk Agency	Warehousing/distribution	A. P. Møller-Mærsk		34.5	35.3	21.5	76.9	42	397
95> *	Merfin Europe	Pulp and paper products	Niro	24.6		19.6	0.6	255.4	60	0
95>	Zivotice	Agriculture and farming	DLF-T	1.8	4.2	6.2	1.9	73.8	35	32
	Total 9 active projects			94.4	132.5	168.7	48.6	960.7	641	1,074

EUROPE



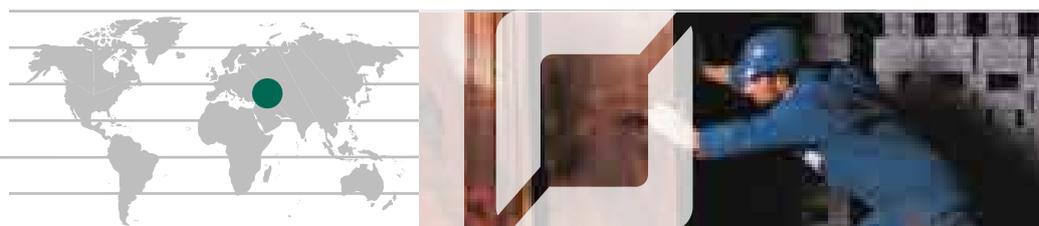
Project name	Activity / Product	Danish partner	IFU's participation		Total disbursed (DKKm)	Total outstanding (DKKm)	Expected total investment (DKKm)	Expected direct employment (persons)	Actual direct employment (persons)	PERIOD
			Shares (DKKm)	Loans (DKKm)						
Estonia										
Baltifalt	Construction	Colas Denmark	2.9	2.6	5.5	2.9	27.4	140	123	97>
Treilor	Road pavement	Colas Denmark								99>
Radisson SAS Hotel	Hotels	SAS Hotels	13.4		13.4	13.4	240.7	220	176	99>
Saare Püünis	Rope and fishing nets	Frydendahl		3.0	3.0	1.8	9.4	100	105	03>
Total 4 active projects			16.3	5.6	21.9	18.1	277.5	460	404	
Hungary										
Dan-Farm Hungary Kft.	Pig production	Dan-Farm Holding	2.7	10.2	12.6	11.8	41.7	20	19	02>
Danagrigo Production	Pasteurised liquid eggs	Danæg Products	4.0		3.9	3.9	40.0	20	8	01>
IO Interactive Hungary	Computer games	IO Interactive	6.0		4.7	4.7	10.0	100	0	03> *
Total 3 active projects			12.7	10.2	21.2	20.5	91.7	140	27	
Latvia										
CSK Steel SIA	Steel constructions	CSK Letland Holding	3.7		3.0	3.0	16.5	60	130	00>
Danlat Agro	Crop production	Dan-Lat Agro		1.2	1.2	0.3	5.2	8	15	99>
Ozolaji Cukaudzetava	Pig production	Lat-Agro		5.0	5.0	4.4	10.0	15	6	03>
Pumac Liepaja	Production of steel components	Pumac		5.2	5.2	5.2	20.2	75	179	03>
Total 4 active projects			3.7	11.4	14.4	13.0	51.9	158	330	
Lithuania										
Espersen Lietuva	Fish processing	Espersen		15.0	15.0	3.3	50.8	180	277	02>
Jurbalita	Flower decorations	El-Flora		0.4	0.4	0.4	0.9	50	250	02>
La-Nika	Textile production	United Textile Group		2.0	2.0	0.2	9.6	300	463	02>
Svyturys Utenos Alus	Brewery	BBH	70.6		69.0	69.0	330.0	292	473	99>
Total 4 active projects			70.6	17.4	86.4	73.0	391.3	822	1,463	
Poland										
Allerpasz	Production of fish feed	Aller Group		8.0	8.0	3.0	34.0	25	52	01>
Borg Automotive	Car starters and alternators	Elstock		9.9	9.9	3.7	29.6	120	267	01>
Danish Farm. Consultants [Euro Mall Holding, CENTRAL EUROPE (REGIONAL)]	Pig production	Pol-Dan	2.3	18.5	20.0	10.2	45.1	65	68	95>
Euro Mall Poland Holding	Real estate activities	TK Development								01> #
Geotermia Stargard	Geothermal power production	Scandinavian Energy Group		2.3	2.3	1.8	75.8	5	14	03>
HTH Ekspert w Kuchni	Kitchen furniture	HTH Køkkener	2.1	1.1	3.0		14.8	120	28	99>
Katowice Ren.Energy Gen.	Landfill gas extraction	Dalgasgroup	4.7	2.8	3.8	3.8	15.0	3	1	00> *
Kongskilde Polska	Machinery and equipment	Kongskilde	0.0	26.7	26.7	12.2	115.3	200	219	94>
Legajny Ren.Energy Gen.	Landfill gas extraction	Dalgasgroup	3.8	0.2	2.9	2.7	11.7	2	1	97>
MBL Poland	Production of spare parts	MBL		10.0	10.0	6.7	54.3	225	644	02>



EUROPE

PERIOD	Project name	Activity / Product	Danish Partner	IFU's participation		Total disbursed (DKKm)	Total outstanding (DKKm)	Expected total investment (DKKm)	Expected direct employment (persons)	Actual direct employment (persons)
				Shares (DKKm)	Loans (DKKm)					
99> #	Maersk Polska	Warehousing and distribution	Maersk Holding Poland		34.5	34.6	5.3	103.1	100	287
02>	Palsgaard Poland	Sale of emulsifiers	Palsgaard Industri	0.2		0.2	0.2	1.5	4	7
01>	Policon	Production of 3D labels	Jørgen Clemmensen Holding	1.1	0.7	1.5	0.2	4.7	6	14
93>	Prime Food	Food and beverages	Polen Invest	31.9	19.1	36.6	25.0	174.1	440	514
99> *	Print Partner	Printing and photocopying	J. & R. Frydenberg		0.4	0.4	0.3	1.6	3	0
00>	Radiowo Ren.Energy Gen.	Landfill gas extraction	Dalgasgroup	6.7	4.8	8.0	8.0	26.5	3	1
01>	Radisson SAS Krakow	Hotel	SAS Hotels		17.9	17.8	22.0	220.8	134	149
00>	Radisson SAS Wroclaw	Hotel	SAS Hotels		14.9	14.9	20.9	171.3	120	143
02>	Skandinavian Transformer	Transformer production	TransElectro		2.3	2.3	1.7	5.7	25	36
97>	Sonion Polska	Medical/precision instruments	Sonion Roskilde	3.0	2.0	5.0	3.0	18.0	50	1,588
00>	Sosnowiec Ren.Energy Gen.	Landfill gas extraction	Dalgasgroup	8.1	2.8	3.8	3.8	15.0	3	1
00>	Voigt Promotion	Production of flags	VP Holding		2.0	2.0	0.1	4.9	30	60
Total 22 active projects				63.9	180.8	213.7	134.7	1,142.7	1,683	4,094
Romania										
01>	APM Terminals Romania	Container terminal	A. P. Møller-Mærsk		29.8	29.8		59.4	30	51
00> #	Agrileasing	Leasing activity	Agriholding	1.6		1.5	1.5	16.5	5	16
05>	Crop farm in Romania	Crop farming	AIC	5.0	8.0			42.0	10	0
03>	DDCA Romania	Saw mill and pallet production	Gents		2.2	2.2	1.5	4.9	80	69
05>	Danbred Arges	Pig production	Munkbro	1.9	11.5	13.0	13.0	38.5	50	50
05>	Energy Saving Agency	Facility for energy saving	Vestforsyning Erhverv	11.3	5.0	2.7	2.7	60.0	4	5
05>	Labofa Munch Romania	Furniture manufacturing	Labofa Munch	1.3	0.9	1.0	1.0	5.0	10	26
05>	Richter Romania II	Leather sofa cushioning	Richter International		2.8	2.8	2.1	10.2	160	119
05>	Rumænien Invest – Sanavia	Chicken breeding	Danhatch	1.0	11.2			39.4	9	0
95> #	United Romanian Breweries	Brewery	Carlsberg Int.	9.5	9.8	8.0	8.0	260.1	170	844
95> #	Carlsrom Beverage	Beer distribution	Carlsberg Int.							
02>	Villa Bona Terra	Production of wine	Chris-Wine	3.7	5.9	8.9	3.0	22.5	100	56
05>	Voronet Furniture	Prod. of wood components	Rodaco		0.7	0.7	0.7	2.3	29	35
05> #°	WWE Romania	Biomass heating equip. leasing	Weiss	2.1				6.2	3	0
Total 14 active projects				37.3	87.7	70.5	33.4	567.0	660	1,271
Russian Federation										
04>	Agripo	Pig production	Agripo		10.0	10.0	10.0	28.0	14	54
04> #	Aller Petfood	Production of pet food	Aller Group	9.4	12.5	20.0	19.3	54.0	130	282
05>	BPT Arista	Real Estate activity	BPT AM	50.0		50.0	50.0	820.0	12	5
04> #	Bianco Footwear Russia	Sale of shoes	B Holding		3.0	3.0	2.8	6.0	78	29
04> #	Caravell Kaliningrad	Prod/assembly of freezers	Caravell	14.2	33.2	3.1	3.1	163.6	150	91
06>	Flexa Wood	Hold shares in ZA0 Zapkarells	Flexa Holding		18.0			113.0	1	
05>	Jysk Investment	Jysk shop on franchise basis	Dansk Olie Kompagni		6.0	6.0	6.0	7.5	200	18
03>	Nordrus Hotel Holdings	3-star hotel chain	SAS Hotels	51.2		27.7	28.2	540.0	320	0
05>	Park Inn Ekaterineburg	3-star hotel	SAS Hotels							

EUROPE



Project name	Activity / Product	Danish partner	IFU'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)						
Novsvin	Pig production	Russian Pig Meat	5.5	20.0	25.0	25.0	50.0	54	112	04>
Petro Pack	Forest berries packaging	Berrifine Invest		3.3	3.3	2.7	18.6	25	36	03>
Rockwool Vyborg	Production of stone wool	Rockwool International	75.6	39.0	108.0	104.1	385.0	150	144	03>
Sadolin Garments	Production of garments	Kalinka Trade		0.5	0.5	0.5	2.4	300	0	98> *
Sadolin Properties	Renting of real estate	Kalinka Trade	0.2	1.2	1.4	1.4	3.5	1	0	99> *
Sadolin Sestrotresk	Production of garments	Kalinka Trade	0.9		0.9	0.9	3.5	300	0	99> *
Villaco	Prod. of roofing protection	Icopal		52.4	39.1	39.1	132.0	100	24	04>
ZAO Mineral Wool	Production of stone wool	Rockwool International	52.1	48.8	97.5	16.9	215.0	500	483	98>
ZAO Zapkarelles	Processing of raw wood	Flexa Holding		25.0			142.0	600		06> #
Total 18 active projects			259.0	272.7	395.4	310.0	2,684.0	2,935	1,278	
Slovakia										
DRI Slovakia	Car starters and alternators	Dansk Renoveringsindustri	1.1	9.2	10.0	10.0	28.3	280	99	02>
Ecco Slovakia	Shoe production	Ecco Sko	20.0	25.0	45.0	20.0	165.2	1,500	951	02>
[Euro Mall Holding, CENTRAL EUROPE (REGIONAL)]										
Euro Mall Slovakia Hold.	Real estate activities	TK Development								01> #
JK Gabcikovo	Pig production	Hospoda Invest		20.0	20.0	15.6	74.5	40	55	03>
Lifeline Slovakia	Retail textile company	United Textile Group		2.0	2.0	0.5	7.6	20	80	00>
PigAgro	Pig production	Slovakian Farm Invest		31.9	23.4	24.3	139.8	20	76	02>
Polnovakia Agrar	Pig production	Agrovakia	8.5	8.5	15.4	12.9	57.3	1	104	03>
Total 7 active projects			29.5	96.5	115.8	83.2	472.7	1,861	1,365	
Ukraine										
3J Holding	Distribution centre	P. Jahn		3.0	3.0	2.4	6.5	3	9	02>
AgroUkraine Fund	Financing agricultural equipm.	Denukraine	0.2	5.8	0.2	0.2	44.2	1		06>
Ambiente Furniture	Furniture production	Ambiente Furniture		5.0	5.0	4.5	17.4	250	76	05>
Atlantic Ukraine	Grain storage and feedmill	DUI Holding		29.1	20.5	20.5	58.4	370		06>
Ciklum	Software outsourcing	Ciklum ApS		2.0			2.5	400		06>
Dan Farm Ukraine	Pig production	Ukraine-Agro	4.0	9.2			41.4	25		06> #
Dana Metal	Products of metal wire	Dana Traad	3.4	1.0	4.4	4.4	11.6	20	128	04>
Dana Tech	Production of steel plates	Dana Traad	3.1		2.5	2.5	3.8	30	1	04>
Danish Textiles	Prod. of velour fabrics	PVN Holding		1.5	1.5	0.6	30.7	500	756	02>
Danoshia	Pig production	Ukraine Invest		49.5	49.6	49.6	195.6	260	344	04>
Gangsø Ukraine	Furniture production	Gangsø Møbler		11.2	7.2	7.2	33.7	30		06>
Lindevang Ukraine	Agriculture and farming	Knud Rasmussen		0.8	0.8	0.6	2.5	15	13	04>
MP Ukraine	Lids for kitchen furniture	MP Låger		1.5	1.5	1.4	4.3	40	29	04>
NGM Ukraine	Metal components production	N. Graversens Metalvarefabrik		3.7	3.7	3.4	7.5	70	54	05>
Pandora Invest	Furniture production	Jesper Office		3.0	2.7	2.7	7.5	65	6	05>
Poda Ukraine	Wooden fences and gates	PODA		2.2			4.5	15		06>
ProTec Ukraine	Production of windows	ProTec Vinduer		5.0	5.0	5.0	15.0	35	68	05>



EUROPE

PERIOD	Project name	Activity / Product	Danish Partner	IFU's participation		Total disbursed (DKKm)	Total outstanding (DKKm)	Expected total investment (DKKm)	Expected direct employment (persons)	Actual direct employment (persons)		
				Shares (DKKm)	Loans (DKKm)							
05>	Scanlak Ukraine	Powder coating	Scanlak		2.0	2.0	2.0	4.0	25	7		
02>	Sokalska Hosiery Factory	Real estate	PVN Holding		4.2	4.2	1.7	17.8	3	34		
05>	Steens Furniture	Furniture	Steens Furniture Kjellerup		8.1			24.3	100	0		
06> #	UPG Property 1	Real estate management	UPG	0.0	1.1			3.9	2			
05>	UTG Ejendomme	Lease of real estate	United Textile Group		2.5	2.5	1.9	7.8	3	0		
05>	UTG Ukraine	Textile production	United Textile Group		2.0	2.0	1.6	5.0	447	472		
05>	Ukrex Volyn Wood	Production of play houses	Romdan		3.0	3.0	3.0	6.3	80	6		
Total 24 active projects				10.7	156.4	121.2	115.0	556.2	2,789	2,003		
Total EUROPE 121 active projects				891.9	1,181.7	1,598.5	1,179.5	11,394.4	14,477	15,776		
Employment Totals:									Active projects established before 2006		12,783	15,776
									Active projects established in 2006		1,694	
Active projects 121				891.9	1,181.7	1,598.5	1,179.5	11,394.4	14,477	15,776		

Note to the active project portfolio

The project list in the annual report for 2006 comprises active projects at 31 December 2006.

As from December 2006 a project is considered to be exited when the following two conditions have been met: 1.a. All loans have been fully repaid incl. interest, and 1.b. IFU's shares have been sold according to a legal binding agreement without any conditions precedent or 2. A bankruptcy/liquidation procedure has formally been initiated by appointment of a liquidator/receiver. Until these criteria have been met, projects may appear in the list of active projects even if the operation is discontinued. Furthermore, subsidiaries of projects with direct financial participation from IØ (indirect projects) are 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 2005 minor corrections have been made.

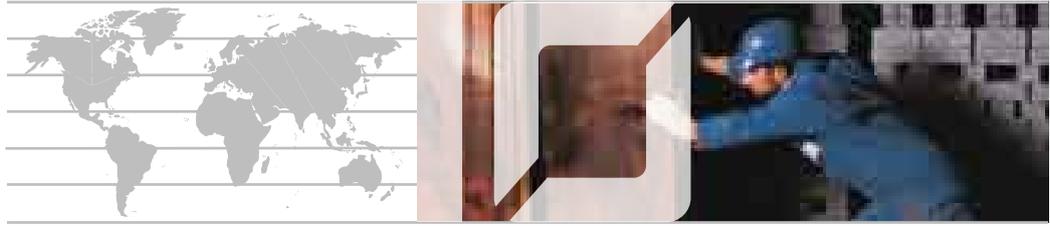
IØ's participation is the accumulated sum in DKK of IØ's contracted investments in the project companies since project start. Investments denominated in foreign currency are stated in the DKK equivalent at the exchange rate prevailing at the time of signing of the investment agreement. Share capital participation includes overrun commitments and amounts converted from loans. Loan participation includes guarantees and interest converted to principal. 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 at 31 December 2006 disbursed to projects as at 31 December 2006. 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.

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. 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 IFU'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 in-



vestment is not directly comparable to the figures for IFU'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 green-field 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 total 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. There may be figures for actual employment even if IØ has not made any disbursements to the project. This will typically be the case when IØ's participation takes place in the form of a guarantee or in case IØ invests in a brown field project and disbursements have not yet taken place. 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 2006. 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 a holding company

° The Fund's participation cancelled





Code of Conduct	No. of projects	%	External environment	No. of projects	%	OHS	No. of projects	%
Excellent	45	37	Excellent	20	16	Excellent	22	18
Good	27	22	Good	52	43	Good	50	41
Fair	29	24	Fair	30	25	Fair	29	24
Poor	1	1	Poor	1	1	Poor	0	0
Critical	0	0	Critical	0	0	Critical	1	1
Without classification	19	16	Without classification	18	15	Without classification	19	16
Total	121	100	Total	121	100	Total	121	100

Compliance with Corporate Social Responsibility in 2006



Every year IØ's CSR Unit and the investment officers carry out an internal review of all relevant CSR aspects of the active projects to see how the projects work with the aspects in relation to IØ's policies and procedures.

As part of the new CSR policy of November 2005, IØ has implemented new assessment and implementation tools. Consequently, the annual review of new projects will be based on a new methodology, especially the use of the Human Rights Quick Check tool. The Quick Check tool is a questionnaire related to human rights, labour rights and health and safety issues based on the Human Rights Compliance Assessment Tool (HRCA), which has been developed by the Danish Institute for Human Rights in cooperation with the Confederation of Danish Industries (Dansk Industri) and IØ.

All new projects from 2006 follow this new methodology, which is based on the results from the Quick Check, follow-up activities in a project-specific action plan, the annual CSR reports from the project related to all relevant CSR issues, and information from board meetings and visits to the project site.

All projects prior to 2006 follow the methodology based on the former assessment methodologies, as they had already been agreed upon with the project companies in line with IØ's Environmental Policy and Code of Conduct. They are also based on reporting from the project, agreed action plans, and information from board meetings and visits to the project site.

The assessment methodologies are not the same for projects approved before and after 1 January 2006. IØ has, however, decided to keep the same scoring system for 2006 as used in the previous years, i.e. 1) Excellent 2) Good 3) Fair 4) Poor and 5) Critical.

Projects with a "poor" or "critical" score are projects which have IØ's special attention, and where IØ and its partners look into all possibilities to remedy the problem.

In some cases, the projects do not have any classification. These projects are typically in the process of being established or closed down.

Labour rights and human rights review

In 2006 labour rights and human rights reviews were carried out for 102 projects. 101 projects were classified as fair or better meaning that they comply with the labour rights and human rights issues relating to their specific project in the host country, and that they were working with the challenges to an extent satisfactory to IØ.

One project was classified as poor meaning that it had special attention, and that action plans were being prepared to improve the performance.

Environmental review

In 2006 environmental reviews were carried out for 103 projects. 102 projects were classified as fair or better meaning that they were in compliance with host country legislation, had already met international standards or were working towards meeting international standards to an extent satisfactory to IØ.

One project was classified as poor meaning that it had special attention, and that action plans were being prepared to improve the performance.

Occupational Health and Safety review

In 2006 Occupational Health and Safety reviews were carried out for 102 projects. 101 projects were classified as fair or better meaning that they were in compliance with host country legislation, had already met international standards or were working towards meeting international standards to an extent satisfactory to IØ.

One project was classified as critical meaning that it had special attention, and that action plans were being prepared to improve the performance.



Supervisory Board and Executive Board



Supervisory Board

The Danish Minister for Development Cooperation 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 appointed for a three-year period beginning 1 August 2006.

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 IndustrInvestor 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.Smidth & Co. A/S, F.L.Smidth A/S, Frandsen Holding A/S, Frandsen Lighting A/S, JP/Politikens Hus A/S, Eksport Kredit Fonden, Skjern Papirfabrik A/S, VM Tarm A/S.



**Michael Rasmussen, Deputy Chairman (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, LR Realkredit 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). Chairman. Other board memberships: IFU, IFV, Fertin Pharma A/S, Contura A/S, Contura International A/S, NSGene A/S, Persona A/S, DDS Ltd.**, Risø, Jacobsen Pharma A/S**. Member of the Advisory Board, Danske Bank A/S.



**Betina Hagerup (1961),
member since 2006.**

MSc (Business Affairs). Deputy Permanent Secretary, The Ministry of Economics and Business Affairs. Other board memberships: IFU, IFV, VisitDenmark, Eksport Kredit Fonden.



**Susanne Hyldelund (1968),
member since 2006.**

MSc (Business Administration). Head of Customer Relations in the Danish Trade Council, Ministry of Foreign Affairs. Other board memberships: IFU, IFV.



**Ib Petersen (1960),
member since 2005.**

MSc (Political Science). State Secretary, Ministry of Foreign Affairs.
Other board memberships: IFU, IFV.



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

PhD (Economics). Vice President, Aalborg Portland Group. Other board memberships:
IFU, IFV, Kuben A/S*, Höganäs AB, Danske Invest Administration A/S, Sinai White Portland
Cement Co., Sydsten AB, Aalborg Portland White A/S.

** Chairman - * Deputy Chairman

Executive Board

The Danish Minister for Development Cooperation 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 obtained special knowledge also apply to the Managing Director and the Deputy Managing Director in their capacity as members of the Executive Board.



**Finn Jønck (1948),
Managing Director since 2006.**
MSc (Economics).

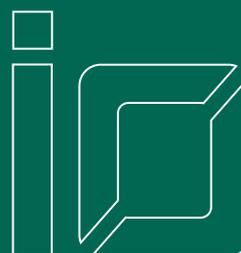


**Frank Norman Larsen (1949),
Deputy Managing Director since 1994.**
MSc (Political Science).



List of abbreviations

ACP	Countries in Africa, Caribbean and Pacific being part of the Cotonou Agreement
ACR	Annual Conduct Review
AESR	Annual Environmental Status Report
CSR	Corporate Social Responsibility
Danida	Danish International Development Assistance
DFI	Development Finance Institution
DKK	Danish kroner
EDFI	European Development Finance Institutions
EFP	European Finance Partners
EIB	European Investment Bank
EU	European Union
EUR	Euro
FDI	Foreign Direct Investment
GNI	Gross National Income
IFC	International Finance Corporation
IFU	The Industrialisation Fund for Developing Countries
IFV	The Investment Fund for Emerging Markets
ILO	International Labour Organisation
IRR	Internal rate of return
IØ	The Investment Fund for Central and Eastern Europe
OHS	Occupational Health and Safety
SIMI	Scandinavian International Management Institute
SME	Small and Medium-sized Enterprises
USD	United States dollar
WWF	World Wildlife Foundation





Contents

Mission, vision & strategy	3
Legal mandate	3
Statement by the Management	4
Independent auditors' report	5
Executive summary	6
Financial highlights	7
Management's review	9
Accounting policies	19
Income statement	23
Balance sheet	24
Cash flow statement	26
Notes	27
Active project portfolio	34
Compliance with CSR	41
Management	43
List of abbreviations	46

Executive BoardFinn Jønck
Managing DirectorFrank Norman Larsen
Deputy Managing DirectorElsebeth H. Rasmussen
Executive Assistant**Communications**Klaus Fridorf
Head of Communications**Finance Department (FIN)**Niels Gravgård Laursen
Department DirectorAlice Brøndum
Personnel AdministratorLone Bjørn Hansen
Chief AccountantKnud Lundgaard-Karlshøj
Finance Officer**Project Development Department (PDD)**Torben Huss
Department DirectorJens Bayer
Senior Investment ManagerKim Gredsted
Senior Investment ManagerRami Khoury
Investment ManagerMorten Mikkelsen
Investment ManagerMartin Rømer
Investment ManagerPeter Schwalbe
Senior Investment ManagerKasper Svarrer
Investment Manager**Legal Unit**Natalia Svejgaard
Investment ManagerLone Jespersen
Project SecretaryMaria Monti
Project SecretaryRina Wachsberg
Project SecretaryJens Rixen
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Danish International Investment Funds

Danish International Investment Funds is the umbrella term for IFU, IØ 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 2,772 in 2007) and South Africa, Botswana and Namibia
- 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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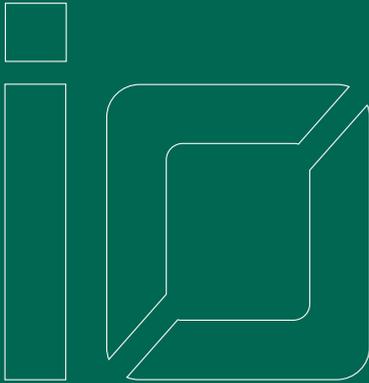
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