

**The Investment Fund for Central and
Eastern Europe (IØ)**

Annual Report 2013

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Statement by the management on the annual report

The executive board and the board of directors have today considered and approved the annual report of the Investment Fund for Central and Eastern Europe (IØ) for the financial year 1 January 2013 – 31 December 2013.

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

In our opinion, the annual report gives a true and fair view of the Fund's financial position at 31 December 2013 and of the results of the Fund's operations and cash flows for 2013.

Copenhagen, 3 March 2014

Executive board:

Tommy Thomsen, CEO



Torben Huss, Executive Vice President




Board of directors:

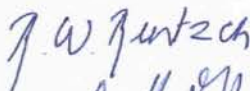
Michael Rasmussen, Chairman



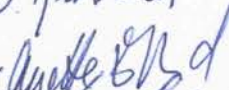
Lars Andersen, Deputy Chairman



Beate Bentzen



Anette Eberhard



Jens Jørgen Kollerup



Bjarne H. Sørensen



Dorrit Vanglo



Independent auditors' report

To the board of directors of the Investment Fund for Central and Eastern Europe (IØ)

We have audited the financial statements of IØ for the financial year 1 January – 31 December 2013, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

The board of directors' and executive board's responsibility for the financial statements

The board of directors and executive board are responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as the board of directors and executive board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations and the agreement between the Minister for Foreign Affairs and the Auditor General regarding the audit of IØ. This standard requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of financial statements that give a true and fair view 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors and executive board, as well as evaluating the overall presentation of the financial statements.

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

The audit has not resulted in any qualification.

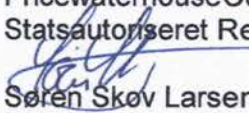
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund at 31 December 2013 and of the results of the Fund's operations and cash flows for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Statements Act.

Statement on management's review

We have read management's review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the financial statements. On this basis, in our opinion, the information provided in management's review is consistent with the financial statements.

Copenhagen, 3 March 2014
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab


Søren Skov Larsen
State Authorised Public Accountant


Henrik Mikkelsen
State Authorised Public Accountant

Financial highlights

	2013	2012	2011	2010	2009
	<u>DKKm</u>	<u>DKKm</u>	<u>DKKm</u>	<u>DKKm</u>	<u>DKKm</u>
Financial highlights 2009 - 2013					
<u>INCOME STATEMENT</u>					
Gross contribution from projects ¹	76	56	31	290	70
Operating income ²	67	42	19	278	52
Net income for the year	68	45	25	279	58
<u>BALANCE SHEET AT 31 DECEMBER</u>					
Share capital investment in projects at cost	191	190	350	414	494
Project loans at cost	304	380	429	441	425
Total investment in projects at cost	495	570	779	855	920
Accumulated value adjustments	23	(27)	92	320	38
Investments in projects, net	518	543	871	1,175	958
Cash and bonds, net	(29)	90	(13)	148	181
Repaid capital during the year	(200)	(275)	(500)	(100)	(100)
Total equity capital	497	629	859	1,335	1,155
Total balance	536	635	878	1,335	1,155
<u>ADDITIONAL DATA</u>					
New projects contracted (no.)	1	0	2	3	7
Portfolio of projects (no.)	36	45	66	73	88
Investments contracted	0	0	12	44	134
Investments disbursed	10	13	59	69	88
Undisbursed contracted investments incl. guarantees	0	16	40	183	331
Binding commitments not yet contracted	0	0	0	57	85
<u>KEY RATIOS</u>					
Gross contribution from projects/Average investment in projects - value adju	14.4%	7.9%	3.1%	27.2%	7.4%
Net income for the year/Average total equity capital	12.0%	6.1%	2.2%	22.4%	4.9%

¹ Information about composition of the contribution from projects including value adjustments can be found in "Financial review 2013" on page 9.

² Operating income = gross contribution from projects less operating expenses.

Management's review

Main activities

IØ generated net income of DKK 68m in 2013.

In 2010, the Danish government decided that the phasing out of IØ should be accelerated by increasing the capital extraction from IØ. As a result, the last new direct project investment was contracted by IØ in 2011. IØ still registered a new project in 2013; however, this was in the form of an indirect investment, Ermolino Agro, Russia, which is a subsidiary to an existing IØ project, Novsvin, Russia. Indirect projects involve no direct financing from IØ.

Up to the end of 2013, IØ had co-financed a total of 438 projects in 18 countries. Of these, IØ was still participating in 36 investments, while 402 had been exited.

Of the 36 active projects, 18 are located in Ukraine, 14 in the Russian Federation, and the remaining 4 projects are distributed on four different countries. It is expected that the remaining IØ projects will be exited within the next five to six years.

Operational framework

IØ's legal mandate was to promote Danish investments in central and eastern Europe and thereby support the reformist forces in these countries in their efforts to achieve 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 to the benefit of Danish trade and industry and employment in Denmark.

IØ was established in 1989 as a legally independent, self-governing entity, limited in its liability to the extent of its net worth only. IØ's board of directors and the managing director are appointed by the Danish Minister for Foreign Affairs. In 2010 it was decided to wind down IØ.

IØ provided 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 the sale of shares.

IØ operates on commercial terms and is self-financing.

Capital extraction

In 2013, IØ repaid an additional DKK 200m to the Danish government. This brought the total accumulated capital repayment made by IØ to the government since 2004 to DKK 3,225m.

IØ received in total DKK 1,898m from the Danish government during the period 1990-2001.

In 2014, it is expected that a further repayment of DKK 125m will be made.

Corporate social responsibility (CSR) reporting

IØ is a signatory to the UN Global Compact, and our commitment to this important UN initiative remains undiminished. The reporting below is a summary of IØ's and IFU's Communication on Progress (COP), which constitutes IØ's mandatory reporting as required according to section 99 a (7) of the Danish Financial Statements Act. The complete COP can be found on IFU's website (<http://www.ifu.dk/en/COP>).

CSR plays an increasing role in business. Company investors, customers, clients and other stakeholders have become less tolerant of irregularities in relation to issues such as the environment, human rights and labour rights, health and safety and corruption.

Companies that do not take these issues seriously risk getting their reputation tarnished and losing customers. The risk is particularly high when investing in developing countries, because foreign companies are expected to implement high standards and are often under more intense public scrutiny.

Recent years have shown economic challenges all over the world, which proves that active ownership is important and necessary. IØ working with several project companies is aware of the challenges and dilemmas involved. Having a responsible business plan is crucial for a company to achieve a satisfactory result for the long term and is a key part of IØ's CSR efforts to assist its partners in setting up clear CSR strategies that benefit the company and as a minimum ensure compliance with international standards and local regulations.

IØ's CSR policy is based on the 10 principles of the UN Global Compact, which cover four areas: human rights, labour rights, environment and anti-corruption. IØ has added the areas of animal welfare and community development. Investments must contribute to creating jobs and income, improving corporate governance, sound environmental and social performance and development in the local communities involved.

Implementing these objectives in a company's business strategy helps reduce the risk to the business, but it can also make a company more profitable and produce business opportunities. A fair salary can minimize costly employee turnover, saving energy can reduce expenses and high health and safety standards can limit loss of working days. A good reputation may also create new business.

It is IØ's policy that project companies must at all times be in compliance with all host country regulatory CSR requirements. In addition, international standards must be used as a baseline for significant CSR issues, and if these standards are not met, the project company must draw up and implement a CSR Action Plan to address the issues.

Assessment of CSR performance

Each year IØ carries out an internal assessment of its portfolio on compliance with its CSR policy. Each project is classified into one of five categories as follows: Excellent, Good, Fair, Poor and Critical.

In 2013, compliance assessments were carried out for 28 IØ projects. The exercise did not include four projects with no physical activities and four being exited.

CSR classification	Total score (%)	Environment (%)	OHS (%)	Human rights and labour practices (%)	Anti-corruption (%)
Excellent	31	25	29	39	32
Good	55	64	57	54	43
Fair	13	7	14	7	25

Poor	1	4	0	0	0
Critical	0	0	0	0	0

Projects with the classification Good are in compliance with local legislation and international standards, e.g. IFC/World Bank EHS guidelines on significant CSR issues. Projects with the classification Excellent go beyond that. Projects with the classification Fair, Poor or Critical are given extra attention, and IØ will engage in discussions with the partners on how the project can improve its CSR performance.

The classification shows that 86 per cent of projects are classified as either good or excellent, compared to 80 per cent in 2012. IØ also rates project companies on the extent to which they have implemented adequate procedures to fight corruption.

Corruption is recognised as one of the greatest barriers to sustainable development, and combating corruption is a key element in poverty alleviation. IØ has a zero tolerance policy on corruption and helps project companies to take a clear stand against corruption. IØ encourages project companies to identify and assess the risk of becoming involved in corruption in all parts of their operations and business relations and urges them to initiate the necessary preventive measures to counter the risks identified. The results of the classification are satisfactory to IØ, but IØ will continue to have focus on these issues to obtain further improvements.

Human resources

The Investment Fund for Developing Countries (IFU) is the fund manager of IØ, and all activities undertaken in relation to human resources that apply to IØ are described in IFU's annual report for 2013.

Financial review 2013

IØ recorded net income of DKK 68m in 2013 compared to net income of DKK 45m in 2012. The result was better than expected due to a much higher contribution from IØ's project loans. On the other hand, share capital investments did not contribute as expected.

In numbers, IØ's share capital investments contributed DKK (3)m in 2013 against DKK 58m in 2012. The result was due to a small negative value adjustment on investments outstanding at year-end. No share capital participations were divested during 2013. Project loans exceeded expectations in 2013 as positive developments made it possible to reverse previously made provisions on a couple of major loan engagements. Total contribution from loans and guarantees was DKK 79m in 2013 against DKK (3)m in 2012.

Total contributions from projects were DKK 76m in 2013 compared to DKK 56m in 2012.

IØ's part of the operating expenses for 2013 covering the Investment Fund for Developing Countries (IFU) and IØ was DKK 9m. In 2012, IØ's part of operating expenses was DKK 14m.

Financial income, net of financial expenses was DKK 1m compared to DKK 3m in 2012.

IØ ended the year with a net negative cash balance of DKK 28m after having paid out DKK 200m to the Danish government. The deficit is covered by a DKK 300m credit facility shared with IFU. Net payments to projects amounted to an inflow of DKK 96m. Undisbursed commitments were DKK 0.4m at year-end 2013.

As mentioned on page 7, it is expected that IØ will repay DKK 125m to the Government in 2014.

IØ's equity capital at the end of 2013 was DKK 497m down from DKK 629m at the end of 2012.

Risk management

IØ has invested in projects located in countries, where political and economic conditions may be subject to uncertainty. In addition, such projects are often subject to high commercial risk.

As a consequence of this exposure, and in particular because IØ measures its investments at estimated fair value in accordance with the applied accounting principles of the Danish Financial Statements Act, the Fund's net results may fluctuate considerably from year to year due to value adjustments on the investments.

In preparing the financial statements, management makes a number of estimates and assumptions of future events that will affect the carrying amount of assets and liabilities. The areas where estimates and assumptions are most critical to the financial statements are the fair value measurement of share capital investments and the fair value measurement of project loans. The note on accounting policies provides more details.

Financial risk

At the end of 2013, none of the loans in IØ's portfolio was denominated in currencies other than DKK or EUR, implying only limited direct exposure to currency fluctuations for IØ's financial results.

At year-end, 61 per cent of IØ's total outstanding investments at cost were placed in project loans, including loans with equity features. The major part of the project loans are based on IØ's standard interest terms of interbank interest rates plus a risk premium. A decrease in interbank interest rates would therefore have a negative effect on IØ's interest income from project loans.

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

Events after the balance sheet date

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

IØ is aware of recent geopolitical developments in Ukraine and will continuously assess the development and its possible impact on the Fund's Ukrainian portfolio.

Outlook for 2014

IØ expects to record a profit in 2014 at a lower level than in 2013.

Accounting policies

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

Accounting policies in general

The accounting principles applied are unchanged from 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 providing 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.

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.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Foreign currency adjustment

Foreign currency transactions are initially recognised in DKK using the exchange rate prevailing 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 prevailing 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.

Non-monetary items

Monetary balance sheet items are translated at the exchange rates prevailing at the balance sheet date, whereas non-monetary items are translated at transaction date rates.

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 the 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 the sale of shares.

Income statement

Contribution from share capital investments

Contribution from share capital investments includes declared dividends (after tax), contributions from divested share capital investments and value adjustments in relation to the outstanding portfolio at year-end. Dividends are included in the income statement at the declaration date.

Contribution from project loans and guarantees

Contribution from project loans and guarantees includes 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 Investment Fund for Developing Countries (IFU) manages the administration of IØ. From 2013, total operating expenses, net incurred by IFU are divided at year-end between IFU and IØ proportionate to average total project commitments during the year (the sum of outstanding investments at cost, remaining commitments and binding commitments). Until 2011, operating expenses, net were divided between IFU and IØ according to an activity dependent distribution key.

Operating expenses comprise expenses for management, administrative staff, office expenses, depreciation of fixed assets and leasehold improvements, etc.

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

Share capital investments and project loans 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, in particular when located in developing countries, a degree of caution is applied when exercising judgement and making the necessary estimates.

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.
- Current market conditions.
- Tax issues.

Share capital investment in projects, net

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. if 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, measured either at cost or at intrinsic value, is above or equal to DKK 20m. These investments are valued by either the discounted cash flow method 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 valued at intrinsic value according to the most recent financial statement of the company received by IØ.

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

Project loans, net

Project loans are measured at nominal value at actual exchange rates prevailing at the balance sheet date, except for project loans with an outstanding balance of more than DKK 20m with a fixed interest rate, which are valued at the net present value of the future cash flow.

For all loans, the 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 prevailing at the balance sheet date and after adjustments for risk of loss.

Other receivables

Investments in projects where a formal liquidation procedure has been initiated are stated as "Receivables from projects in liquidation" under "Other receivables" in the balance sheet.

Included in other receivables are administrative receivables and accrued interest receivables from bonds, both measured at cost.

Cash and bonds

Bonds are stated at the official prices quoted at the balance sheet date except for drawn 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.

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

	2013 <u>DKK 1,000</u>	2012 <u>DKK 1,000</u>
NOTE		
1/ Contribution from share capital investments	(2,890)	58,485
2/ Contribution from project loans and guarantees	79,258	(2,823)
3/ Other contributions from projects	-	225
	<u>76,368</u>	<u>55,887</u>
GROSS CONTRIBUTION FROM PROJECTS		
4/ Operating expenses, net	(9,437)	(13,586)
	<u>66,931</u>	<u>42,301</u>
OPERATING INCOME		
5/ Financial income, net	731	2,930
	<u>67,662</u>	<u>45,231</u>
NET INCOME FOR THE YEAR		

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

BALANCE SHEET AT 31 DECEMBER

ASSETS

NOTE	2013 <u>DKK 1,000</u>	2012 <u>DKK 1,000</u>
FIXED ASSETS		
	191,494	189,609
	79,799	90,232
6/ Share capital investment in projects, net	<u>271,293</u>	<u>279,841</u>
	303,621	379,999
	(56,989)	(116,843)
7/ Project loans, net	<u>246,632</u>	<u>263,156</u>
Total fixed assets	<u>517,925</u>	<u>542,997</u>
CURRENT ASSETS		
8/ Interest receivable related to projects	7,326	1,874
9/ Other receivables	383	206
Cash	<u>9,946</u>	<u>90,290</u>
Total current assets	<u>17,655</u>	<u>92,370</u>
TOTAL ASSETS	<u>535,580</u>	<u>635,367</u>

BALANCE SHEET AT 31 DECEMBER

LIABILITIES AND EQUITY CAPITAL

NOTE	2013 DKK 1,000	2012 DKK 1,000
EQUITY		
Paid-in capital	1,897,800	1,897,800
Repaid capital	(3,225,000)	(3,025,000)
Accumulated reserves related to net positive value adjustment on project investments	22,810	-
Retained earnings	<u>1,801,393</u>	<u>1,756,541</u>
10/ Total equity	<u>497,003</u>	<u>629,341</u>
11/ CURRENT LIABILITIES	<u>38,577</u>	<u>6,026</u>
Total liabilities	<u>38,577</u>	<u>6,026</u>
TOTAL EQUITY, PROVISION FOR LOSSES AND LIABILITIES	<u>535,580</u>	<u>635,367</u>
12/ UNDISBURSED COMMITMENTS TO PROJECTS		
13/ RELATED PARTY DISCLOSURES		
14/ FINANCIAL HIGHLIGHTS, INVESTMENTS CONTRACTED IN 2013, DEVELOPMENTAL HIGHLIGHTS AND CSR CLASSIFICATION		

CASH FLOW STATEMENT

	2013 <u>DKK 1,000</u>	2012 <u>DKK 1,000</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Interest from projects received	12,869	17,315
Other project related payments	49	863
Operating expenses, net	(15,380)	(10,156)
Net payments related to financial income and expenses	<u>770</u>	<u>2,938</u>
Net cash from operating activities	<u>(1,692)</u>	<u>10,960</u>
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Received from sale of shares	15,543	332,474
Received from project loans	77,234	47,123
Paid-in share capital in projects	(9,885)	-
Disbursement of project loans	<u>-</u>	<u>(12,740)</u>
Net cash from (to) investing activities	<u>82,892</u>	<u>366,857</u>
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Repaid capital during the year	<u>(200,000)</u>	<u>(275,000)</u>
Net cash from (to) financing activities	<u>(200,000)</u>	<u>(275,000)</u>
NET CHANGE IN CASH	(118,800)	102,817
CASH BEGINNING OF YEAR	<u>90,290</u>	<u>(12,527)</u>
CASH END OF YEAR	<u>(28,510)</u>	<u>90,290</u>
- Shown as cash in current assets	9,946	90,290
- Shown as drawn on bank credit facility in current liabilities, note 10	<u>(38,456)</u>	-

NOTES

	2013 <u>DKK 1,000</u>	2012 <u>DKK 1,000</u>
1 <u>Contribution from share capital investments</u>		
Contribution from divested share capital investments	2,871	14,484
Value adjustments, portfolio	<u>(5,761)</u>	<u>44,001</u>
Contribution from share capital investments	<u>(2,890)</u>	<u>58,485</u>
2 <u>Contribution from project loans and guarantees</u>		
Interest income and fees related to project loans and guarantees	24,793	28,107
Value adjustments excl. exchange rate adjustments, loan portfolio	55,544	(26,331)
Exchange rate adjustments, project loans	(20)	1,045
Value adjustments, interest and fees	<u>(1,059)</u>	<u>(5,644)</u>
Contribution from project loans and guarantees	<u>79,258</u>	<u>(2,823)</u>
3 <u>Other contributions from projects</u>		
Value adjustments, receivables, excl. exchange rate adjustments	-	20
Interest from receivables	<u>-</u>	<u>205</u>
Other contributions from projects	<u>-</u>	<u>225</u>
4 <u>Operating expenses, net</u>		
IØ's part of operating expenses *	9,437	13,546
Expenses directly attributable to IØ	<u>-</u>	<u>40</u>
	<u>9,437</u>	<u>13,586</u>

*) Specification of Personnel expenses - see Annual report 2013 for IFU - note 4.
IØ's part of all expenses was 13,75% in 2013.

	2013 <u>DKK 1,000</u>	2012 <u>DKK 1,000</u>
5 <u>Financial income and expenses</u>		
<u>Financial income</u>		
Interest income, cash and bonds	777	2,930
Gain on bonds, net	<u>-</u>	<u>12</u>
Financial income	<u>777</u>	<u>2,942</u>
<u>Financial expenses</u>		
Interest expenses, bank charges and exchange rate adjustments	<u>(46)</u>	<u>(12)</u>
Financial expenses	<u>(46)</u>	<u>(12)</u>
Financial income, net	<u>731</u>	<u>2,930</u>

	2013 <u>DKK 1,000</u>	2012 <u>DKK 1,000</u>
6 <u>Share capital investment in projects, net</u>		
Share capital investment in projects beginning of year at cost	189,609	349,510
Paid-in share capital in projects during the year	9,885	-
Proceeds from divestment of shares	(15,543)	(332,474)
Income from divestment of shares relative to cost, net	<u>7,543</u>	<u>172,573</u>
Share capital investment in projects end of year at cost	<u>191,494</u>	<u>189,609</u>
Accumulated value adjustment beginning of year	90,232	204,320
Reversed value adjustments, divested share capital investments	(4,672)	(158,089)
Value adjustments, portfolio during the year	<u>(5,761)</u>	<u>44,001</u>
Accumulated value adjustment end of year	<u>79,799</u>	<u>90,232</u>
Share capital investment in projects, net end of year	<u>271,293</u>	<u>279,841</u>
Accumulated value adjustments end of year are comprised of:		
Plus values	131,919	131,540
Value adjustments excl. plus values	<u>(52,120)</u>	<u>(41,308)</u>
	<u>79,799</u>	<u>90,232</u>

	<u>2013</u> DKK 1,000	<u>2012</u> DKK 1,000	
7 Project loans, net			
Project loans beginning of year at cost	379,999	429,252	
Disbursements during the year	-	12,740	
Interest converted into project loans during the year	6,843	8,123	
Repayments during the year	(77,234)	(47,123)	
Exchange rate adjustments during the year relative to cost	338	376	
Write-offs during the year	<u>(6,325)</u>	<u>(23,369)</u>	
Project loans end of year at cost *	<u>303,621</u>	<u>379,999</u>	
Accumulated value adjustments beginning of year	(116,843)	(112,150)	
Reversed value adjustments, loans written off	3,272	22,629	
Exchange rate adjustments realised	(338)	(376)	
Value adjustments incl. exchange rate adjustments, during the year	58,577	(24,546)	
Value adjustments related to conversions during the year	<u>(1,657)</u>	<u>(2,400)</u>	
Accumulated value adjustments end of year	<u>(56,989)</u>	<u>(116,843)</u>	
Project loans, net end of year	<u>246,632</u>	<u>263,156</u>	
Accumulated value adjustments end of year are comprised of:			
Exchange rate adjustments relative to cost	378	736	
Value adjustments excl. exchange rate adjustments	<u>(57,367)</u>	<u>(117,579)</u>	
	<u>(56,989)</u>	<u>(116,843)</u>	
*) Project loans end of year at cost are comprised of:			
Senior project loans	145,902	203,681	
Subordinated loans	<u>157,719</u>	<u>176,318</u>	
	<u>303,621</u>	<u>379,999</u>	
*) Project loans end of year at cost in DKK distributed according to currency denomination:			
	<u>2013</u>	<u>2012</u>	
	Currency	Currency	
DKK			49,195
EUR	34,155	40,149	<u>254,426</u>
			<u>303,621</u>
			<u>379,999</u>

	2013 <u>DKK 1,000</u>	2012 <u>DKK 1,000</u>
8 <u>Interest receivable related to projects</u>		
Interest receivable related to projects before value adjustments	8,713	8,327
Value adjustments	<u>(1,387)</u>	<u>(6,453)</u>
Interest receivable related to projects	<u>7,326</u>	<u>1,874</u>
9 <u>Other receivables</u>		
Receivable front-end fees	383	205
Other project-related receivables	<u>-</u>	<u>1</u>
	383	206
Value adjustments	<u>-</u>	<u>-</u>
	<u>383</u>	<u>206</u>

	2013 <u>DKK 1,000</u>	2012 <u>DKK 1,000</u>
10 <u>Total equity</u>		
Paid-in capital beginning of year	1,897,800	1,897,800
Paid-in capital during the year	-	-
Paid-in capital end of year	<u>1,897,800</u>	<u>1,897,800</u>
Repaid capital beginning of year	(3,025,000)	(2,750,000)
Repaid capital during the year	(200,000)	(275,000)
Repaid capital end of year	<u>(3,225,000)</u>	<u>(3,025,000)</u>
Accumulated reserves related to net positive value adjustments on project investments beginning of year	-	92,170
Change during the year	22,810	(92,170)
Accumulated reserves related to net positive value adjustments on project investments end of year	<u>22,810</u>	<u>-</u>
Retained earnings beginning of year	1,756,541	1,619,140
Change in acc. reserves related to net positive value adjustments	(22,810)	92,170
Transferred from net income for the year	67,662	45,231
Retained earnings end of year	<u>1,801,393</u>	<u>1,756,541</u>
Total equity end of year	<u>497,003</u>	<u>629,341</u>

	2013 <u>DKK 1,000</u>	2012 <u>DKK 1,000</u>
11 <u>Current liabilities</u>		
Current accounts	121	6,026
Drawn on bank credit facility	<u>38,456</u>	<u>-</u>
	<u>38,577</u>	<u>6,026</u>
12 <u>Undisbursed commitments to projects</u>		
Undisbursed commitments to projects are comprised of undisbursed contractual commitments and binding commitments not yet contracted.		
Amounts payable on project agreements	<u>365</u>	<u>16,022</u>
Funds committed to projects	<u>365</u>	<u>16,022</u>

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 representatives are board members.

Board of directors and executive board

IØ's other related parties are the members of the board of directors and the executive board.

14 Financial highlights and CSR classification

Financial highlights (table) - see page 5

CSR classification (table) - see page 8

Management:

Board of directors

The Danish Minister for Foreign Affairs appoints the chairman, the deputy chairman and the other members of the board of directors for three-year terms. Each appointment is personal.

Since 1 January 2013, an observer from the Ministry of Foreign Affairs has been appointed to IØ's board of directors.

The board of directors usually convenes nine to ten times a year. On the recommendation of the executive board, it makes decisions about investments and key issues.

Michael Rasmussen, Chairman, board member since 2000

MSc (Economics). Chief Executive Officer, Nykredit.

Other board memberships: IFU (chairman).

Lars Andersen, Deputy Chairman, board member since 1994

MSc (Economics). Managing Director, The Economic Council of the Labour Movement.

Other board memberships: IFU (deputy chairman), DSB, Industripension Holding A/S, Industriens Pensionsforsikring A/S, Arbejdernes Landsbank A/S.

Beate Bentzen, board member since 2009

Business economics graduate. Previously Group Chief Operating Officer.

Other board memberships: IFU, North East Group (Hong Kong).

Anette Eberhard, board member since 2012

MSc (Economics). CEO, EKF.

Other board memberships: IFU, Finansiell Stabilitet

Jens Jørgen Kollerup, board member since 2009

MSc (Dairy science). Managing Director, Fan Milk International A/S & Emidan A/S.

Other board memberships: IFU, Fan Milk Côte d'Ivoire S.A., Fan Milk Limited, Ghana, Fan Milk PLC, Nigeria, Fan Milk Togo S.A.

Bjarne H. Sørensen, board member since 2012

MSc (Civil Engineering). Ambassador (retired).

Other board memberships: IFU, Care Danmark

Dorrit Vanglo, board member since 2012

MSc (Economics). CEO, Lønmodtagernes Dyrtidsfond.

Other board memberships: IFU, Den Professionelle Forening LD (chairman), Udbetaling Danmark, the Danish Committee on Corporate Governance

Morten Elkjær, board observer since 2013

MSc (Economics). Ambassador, Head of Department, Ministry of Foreign Affairs.

Executive board

The Danish Minister for Foreign Affairs appoints the CEO.

Tommy Thomsen, CEO

Management/shipping trainee education, A.P. Moller – Maersk Group.

Harvard University's graduate school of business administration, International Senior Management Program.

Torben Huss, Executive Vice President

MSc (Political Science), Copenhagen University, PhD (Business Economics), Copenhagen Business School.