

**THE INVESTMENT FUND FOR CENTRAL AND EASTERN EUROPE
(IØ)**

ANNUAL REPORT 2014

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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 2014 – 31 December 2014.

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 2014 and of the results of the Fund's operations and cash flows for 2014.

Copenhagen, 26 March 2015

Executive board:

Tommy Thomsen, CEO



Torben Huss, Executive Vice President

Board of directors:

Michael Rasmussen, Chairman

Lars Andersen, Deputy Chairman

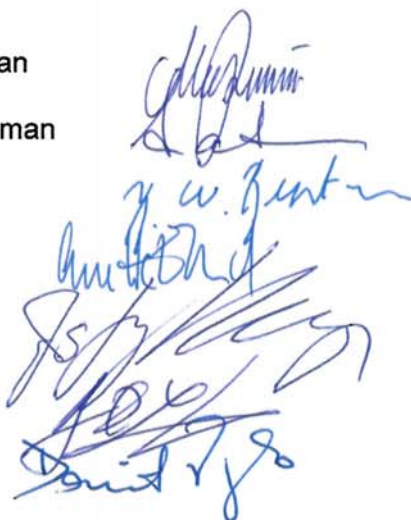
Beate Bentzen

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 2014, 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 2014 and of the results of the Fund's operations and cash flows for the financial year 1 January - 31 December 2014 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, 26 March 2015

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Jesper Edelbo
State Authorised Public Accountant



Henrik Mikkelsen
State Authorised Public Accountant



Financial highlights

Financial highlights 2010 - 2014

	2014	2013	2012	2011	2010
	DKKm	DKKm	DKKm	DKKm	DKKm
INCOME STATEMENT					
Gross contribution from projects ¹	2	76	56	31	290
Operating income ²	(5)	67	42	19	278
Net income for the year	(5)	68	45	25	279
BALANCE SHEET AT 31 DECEMBER					
Share capital investment in projects at cost	166	191	190	350	414
Project loans at cost	249	304	380	429	441
Total investment in projects at cost	415	495	570	779	855
Accumulated value adjustments	(82)	23	(27)	92	320
Investments in projects, net	334	518	543	871	1,175
Cash and bonds, net	30	(29)	90	(13)	148
Repaid capital during the year	(125)	(200)	(275)	(500)	(100)
Total equity capital	367	497	629	859	1,335
Total balance	367	536	635	878	1,335
ADDITIONAL DATA					
New projects contracted (no.) ³	0	0	0	1	2
Portfolio of projects (no.)	27	34	44	62	68
Investments contracted	0	0	0	12	44
Investments disbursed	0	10	13	59	69
Undisbursed contracted investments incl. guarantees	0	0	16	40	183
Binding commitments not yet contracted	0	0	0	0	57
KEY RATIOS					
Gross yield from projects ⁴	0.5%	14.4%	7.9%	3.1%	27.2%
Gross yield from share capital investments ⁴	1.4%	-1.0%	14.0%	-3.2%	35.9%
Gross yield from project loans and guarantees ⁴	-0.5%	31.1%	-1.0%	17.5%	4.6%
Net income for the year/Average total equity capital	-1.2%	12.0%	6.1%	2.2%	22.4%

¹ Information about composition of the contribution from projects including value adjustments can be found in "Financial review 2015" on page 9

² Operating income = gross contribution from projects less operating expenses

³ Figures for "New projects contracted (no.)" and "Portfolio of projects end of year (no.)" for the period 2010 to 2013 have been adjusted, as IØ no longer includes indirect projects in the count. Indirect projects are projects that have received indirect financing from IØ.

⁴ Gross contribution from projects/Average investment in projects - value adjusted
 Gross contribution from share capital investments/Average share capital in projects - value adjusted
 Gross contribution from project loans and guarantees/Average project loans - value adjusted

Management's review

Main activities

IØ generated net income of DKK (5)m in 2014.

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.

Up to the end of 2014, IØ had co-financed a total of 408 projects in 18 countries. Of these, IØ was still participating in 27 investments, while 381 had been exited.

Of the 27 active projects, 16 are located in Ukraine, 9 in the Russian Federation, and the remaining 2 projects are in Croatia and Hungary. It is expected that the remaining IØ projects will be exited within the next five 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 2014, IØ repaid an additional DKK 125m to the Danish Government. This brought the total accumulated capital repayment made by IØ to the Government since 2004 to DKK 3,350m.

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

In 2015, it is expected that a further repayment of DKK 150m will be made.

Sustainability reporting

New sustainability policy

In 2014, IFU as the fund manager of IØ reviewed its CSR policy and updated it to a Sustainability Policy, which now provides the framework for the environmental, social and governance (ESG) requirements in companies in which IFU and IFU managed funds invest. IFU is committed to ensuring that investees reduce sustainability risks, contribute to sustainable development and in general achieve high sustainability standards, which IFU believes adds value to the investee and enhances business opportunities.

IFU and IØ are signatories to the UN Global Compact and our commitment to this important UN initiative remains undiminished¹.

IFU and IFU managed funds promote the Global Compact principles through their investments and thereby strive to create shared value by:

- respecting and promoting all basic human rights, including labour rights and occupational health and safety, and addressing adverse human rights impacts that the investment may cause or contribute to as outlined in e.g. the UN Guiding Principles for Human Rights and Business (UNGP);
- enhancing positive development effects, including the creation of jobs and income, payment of taxes, contribution to government revenue, transfer of know-how and cleaner technologies, training and education, gender equality, community health and food security and other corporate social responsibility-related activities;
- securing corporate governance and business ethics, including anti-corruption, anti-fraud, transparency and stakeholder engagement;
- improving environmental performance through a preventative and precautionary approach that addresses environmental challenges, including climate change, loss of biodiversity and land use changes; and
- ensuring good animal welfare, including proper treatment of animals used for food production and for other commercial purposes and testing.

The investees must continuously work towards achieving satisfactory long-term results in sustainability, and such activities must be anchored in the business plan.

Working towards international standards

Identifying sustainability impacts is an integrated part of IFU's appraisal process, and we expect our partners to share our aspirations regarding sustainability. IFU and IØ require investees to comply with national regulations in the host country in which they operate and to work towards implementing relevant international standards. IFU defines international standards as standards based on UN, ILO and OECD conventions, declarations, agreements and principles. International standards could be the IFC Performance Standards or other credible, globally or regionally recognised standards that encourage continual improvements. For each investee, international standards are defined as specifically and operationally as possible.

Assessment of sustainability performance

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

In 2014, compliance assessments were carried out for 26 IØ projects. The exercise did not include one project with no physical activities.

¹ This sustainability reporting below is a summary of the combined IFU and IØ Communication on Engagement (COE), which constitutes IFU's mandatory reporting as required according to section 99 a (7) of the Danish Financial Statements Act. The complete COE can be found on IFU's website (<http://www.ifu.dk/en/COE>).

The classification is a combination of four separate classifications: 1) environment, 2) occupational health and safety (OHS), 3) human rights and labour practices and 4) anti-corruption.

Sustainability classification	Total score (%)	Environment (%)	OHS (%)	Human rights and labour practices (%)	Anti-corruption (%)
Excellent	35	38	31	42	31
Good	53	50	58	46	58
Fair	11	8	11	12	11
Poor	1	4	0	0	0
Critical	0	0	0	0	0

Projects with the classification Good are in compliance with local legislation and relevant international standards in terms of applicable and relevant significant sustainability issues. Projects with the classification Excellent go beyond that. Projects with the classification Fair, Poor or Critical are given extra attention, and IFU will engage in discussions with the partners on how a project can improve its performance. The total scores in 2014 are very similar to those from previous years as there are no new projects coming to IØ. The Poor score is related to one project with specific environmental challenges.

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 2014.

Financial review 2014

IØ recorded net income of DKK (5)m in 2014 compared to net income of DKK 68m in 2013 and worse than the expectations a year ago. The result was negative as the geopolitical and economic development in particular in Russia necessitated increased provisions on part of the Russia portfolio.

IØ's share capital investments contributed DKK 3m in 2014 against DKK (3)m in 2013. The result was affected by the Russia development but still positive. Three share capital participations were divested during 2014.

Project loans contributed DKK (1)m in 2014 against DKK 79m in 2013. The negative result was due in particular to a DKK (18m) negative value adjustment on the portfolio. In 2013, value adjustments on the loan portfolio were DKK 55m.

Total contributions from projects were DKK 2m in 2014 compared to DKK 76m in 2013.

IØ's part of the operating expenses covering the Investment Fund for Developing Countries (IFU) and IØ was DKK 7m compared to DKK 9m in 2013. The lower expense in 2014 is primarily a consequence of the continued phasing out of IØ.

IØ ended the year with a net positive cash balance of DKK 30m after having paid out DKK 125m to the Danish government. Inflow from projects amounted to DKK 191m.

IØ's equity capital at the end of 2014 was DKK 367m down from DKK 497m at the end of 2013.

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 2014, 96 per cent of IØ's loan portfolio was denominated in EUR, and the remaining loans were denominated in DKK. Direct sensitivity to currency fluctuations is therefore limited to the EUR/DKK exchange rate. IØ does not hedge local currency exposure in share capital investments as costs are typically very high and investments may by way of operation have a natural built-in hedge, i.e. export-oriented businesses.

At year-end, 60 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 the actions taken by the Danish National Bank early in the year to maintain the DKK within its agreed range versus the EUR. IØ has not taken steps to hedge its outstanding portfolio of loans denominated in EUR.

At year-end 2014, IØ had an outstanding portfolio in Ukraine of DKK 64m. All investments are located in the western part of the country, and so far IØ has not seen the need to introduce provisions on the portfolio related to the unrest. IØ is aware of the sharp depreciation of the UAH in the beginning of 2015, which, if the situation persists, could become a significant issue. Also, lack of availability of foreign currency for repayment of loans could become a factor.

In Russia, IØs' portfolio amounted to DKK 244m at year-end 2014. IØ will continue to monitor developments in Russia to evaluate the need for provisions.

Outlook for 2015

IØ expects to return to profit in 2015, but results could be significantly impacted by developments in Ukraine and Russia.

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.

Financial intermediaries

Participations in financial intermediaries where the underlying investments are valued according to a fair value principle will be valued at intrinsic value according to the most recent financial statement received by IFU.

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

	2014 <u>DKK 1,000</u>	2013 <u>DKK 1,000</u>
NOTE		
1/ Contribution from share capital investments	3,124	(2,890)
2/ Contribution from project loans and guarantees	(1,141)	79,258
3/ Other contributions from projects	<u>(54)</u>	<u>-</u>
GROSS CONTRIBUTION FROM PROJECTS	<u>1,929</u>	<u>76,368</u>
4/ Operating expenses, net	<u>(7,172)</u>	<u>(9,437)</u>
OPERATING INCOME	<u>(5,243)</u>	<u>66,931</u>
5/ Financial income, net	<u>(12)</u>	<u>731</u>
NET INCOME FOR THE YEAR	<u><u>(5,255)</u></u>	<u><u>67,662</u></u>

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

BALANCE SHEET AT 31 DECEMBER

ASSETS

NOTE		2014	2013
		<u>DKK 1,000</u>	<u>DKK 1,000</u>
	FIXED ASSETS		
	Share capital investment in projects at cost	166,480	191,494
	Value adjustments	(4,550)	79,799
6/	Share capital investment in projects, net	<u>161,930</u>	<u>271,293</u>
	Project loans at cost	248,815	303,621
	Value adjustments	(77,224)	(56,989)
7/	Project loans, net	<u>171,591</u>	<u>246,632</u>
	Total fixed assets	<u>333,521</u>	<u>517,925</u>
	CURRENT ASSETS		
8/	Interest receivable related to projects	2,563	7,326
9/	Other receivables	365	383
	Cash	<u>30,448</u>	<u>9,946</u>
	Total current assets	<u>33,376</u>	<u>17,655</u>
	TOTAL ASSETS	<u>366,897</u>	<u>535,580</u>

BALANCE SHEET AT 31 DECEMBER

LIABILITIES AND EQUITY CAPITAL

	2014	2013
	<u>DKK 1,000</u>	<u>DKK 1,000</u>
NOTE		
EQUITY		
Paid-in capital	1,897,800	1,897,800
Repaid capital	(3,350,000)	(3,225,000)
Accumulated reserves related to net positive value adjustment on project investments	-	22,810
Retained earnings	<u>1,818,948</u>	<u>1,801,393</u>
10/ Total equity	<u>366,748</u>	<u>497,003</u>
11/ CURRENT LIABILITIES	<u>149</u>	<u>38,577</u>
Total liabilities	<u>149</u>	<u>38,577</u>
TOTAL EQUITY, PROVISION FOR LOSSES AND LIABILITIES	<u><u>366,897</u></u>	<u><u>535,580</u></u>

12/ UNDISBURSED COMMITMENTS TO PROJECTS

13/ RELATED PARTY DISCLOSURES

14/ FINANCIAL HIGHLIGHTS AND SUSTANABILITY CLASSIFICATION

CASH FLOW STATEMENT

	2014 <u>DKK 1,000</u>	2013 <u>DKK 1,000</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Dividends from projects received	10,500	-
Interest from projects received	7,021	12,869
Other project related payments	892	49
Operating expenses, net	(7,499)	(15,380)
Net payments related to financial income and expenses	<u>10</u>	<u>770</u>
Net cash from operating activities	<u>10,924</u>	<u>(1,692)</u>
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Received from sale of shares	101,988	15,543
Received from project loans	71,046	77,234
Paid-in share capital in projects	<u>-</u>	<u>(9,885)</u>
Net cash from (to) investing activities	<u>173,034</u>	<u>82,892</u>
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Repaid capital during the year	<u>(125,000)</u>	<u>(200,000)</u>
Net cash from (to) financing activities	<u>(125,000)</u>	<u>(200,000)</u>
NET CHANGE IN CASH	58,958	(118,800)
CASH BEGINNING OF YEAR	<u>(28,510)</u>	<u>90,290</u>
CASH END OF YEAR	<u><u>30,448</u></u>	<u><u>(28,510)</u></u>
- Shown as cash in current assets	-	9,946
- Shown as drawn on bank credit facility in current liabilities, note 10	30,448	(38,456)

NOTES

	2014 <u>DKK 1,000</u>	2013 <u>DKK 1,000</u>
1 <u>Contribution from share capital investments</u>		
Dividends from projects	10,500	-
Contribution from divested share capital investments	3,697	2,871
Value adjustments, portfolio	<u>(11,073)</u>	<u>(5,761)</u>
Contribution from share capital investments	<u>3,124</u>	<u>(2,890)</u>
2 <u>Contribution from project loans and guarantees</u>		
Interest income and fees related to project loans and guarantees	19,016	24,793
Value adjustments excl. exchange rate adjustments, loan portfolio	(17,933)	55,544
Exchange rate adjustments, project loans	(552)	(20)
Value adjustments, interest and fees	<u>(1,672)</u>	<u>(1,059)</u>
Contribution from project loans and guarantees	<u>(1,141)</u>	<u>79,258</u>
3 <u>Other contributions from projects</u>		
Exchange rate adjustments, receivables	2	-
Other income and expenses	<u>(56)</u>	<u>-</u>
Other contributions from projects	<u>(54)</u>	<u>-</u>
4 <u>Operating expenses, net</u>		
IØ's part of operating expenses *	<u>7,172</u>	<u>9,437</u>
	<u>7,172</u>	<u>9,437</u>

*) Specification of Personnel expenses - see Annual report 2014 for IFU - note 4.
IØ's part of all expenses was 11,45% in 2014.

	2014 <u>DKK 1,000</u>	2013 <u>DKK 1,000</u>
5 <u>Financial income and expenses</u>		
<u>Financial income</u>		
Interest income, cash and bonds	<u>60</u>	<u>777</u>
Financial income	<u>60</u>	<u>777</u>
<u>Financial expenses</u>		
Interest expenses, bank charges and exchange rate adjustments	<u>(72)</u>	<u>(46)</u>
Financial expenses	<u>(72)</u>	<u>(46)</u>
Financial income, net	<u>(12)</u>	<u>731</u>

	2014 DKK 1,000	2013 DKK 1,000
6 <u>Share capital investment in projects, net</u>		
Share capital investment in projects beginning of year at cost	191,494	189,609
Paid-in share capital in projects during the year	-	9,885
Proceeds from divestment of shares	(101,988)	(15,543)
Income from divestment of shares relative to cost, net	<u>76,974</u>	<u>7,543</u>
Share capital investment in projects end of year at cost	<u>166,480</u>	<u>191,494</u>
Accumulated value adjustment beginning of year	79,799	90,232
Reversed value adjustments, divested share capital investments	(73,276)	(4,672)
Value adjustments, portfolio during the year	<u>(11,073)</u>	<u>(5,761)</u>
Accumulated value adjustment end of year	<u>(4,550)</u>	<u>79,799</u>
Share capital investment in projects, net end of year	<u>161,930</u>	<u>271,293</u>
Accumulated value adjustments end of year are comprised of:		
Plus values	38,694	131,919
Value adjustments excl. plus values	<u>(43,244)</u>	<u>(52,120)</u>
	<u>(4,550)</u>	<u>79,799</u>

	2014 DKK 1,000	2013 DKK 1,000
7 <u>Project loans, net</u>		
Project loans beginning of year at cost	303,621	379,999
Interest converted into project loans during the year	16,245	6,843
Repayments during the year	(71,046)	(77,234)
Exchange rate adjustments during the year relative to cost	(5)	338
Write-offs during the year	-	(6,325)
	<u>248,815</u>	<u>303,621</u>
Project loans end of year at cost *		
Accumulated value adjustments beginning of year	(56,989)	(116,843)
Reversed value adjustments, loans written off	-	3,272
Exchange rate adjustments realised	5	(338)
Value adjustments incl. exchange rate adjustments, during the year	(18,485)	58,577
Value adjustments related to conversions during the year	(1,755)	(1,657)
	<u>(77,224)</u>	<u>(56,989)</u>
Accumulated value adjustments end of year		
Project loans, net end of year	<u>171,591</u>	<u>246,632</u>
Accumulated value adjustments end of year are comprised of:		
Exchange rate adjustments relative to cost	(169)	378
Value adjustments excl. exchange rate adjustments	(77,055)	(57,367)
	<u>(77,224)</u>	<u>(56,989)</u>
*) Project loans end of year at cost are comprised of:		
Senior project loans	115,419	145,902
Subordinated loans	133,396	157,719
	<u>248,815</u>	<u>303,621</u>
*) Project loans end of year at cost in DKK distributed according to currency denomination:		
	<u>2014</u>	<u>2013</u>
	Currency	Currency
DKK		11,005
EUR	31,925	34,155
	<u>237,810</u>	<u>237,810</u>
	<u>248,815</u>	<u>303,621</u>

	2014 DKK 1,000	2013 DKK 1,000
8 <u>Interest receivable related to projects</u>		
Interest receivable related to projects before value adjustments	3,861	8,713
Value adjustments	<u>(1,298)</u>	<u>(1,387)</u>
Interest receivable related to projects	<u>2,563</u>	<u>7,326</u>
9 <u>Other receivables</u>		
Receivable front-end fees	182	383
Value adjustments	<u>-</u>	<u>-</u>
	182	383
Current accounts	<u>183</u>	<u>-</u>
	<u>365</u>	<u>383</u>

	2014 DKK 1,000	2013 DKK 1,000
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	(3,225,000)	(3,025,000)
Repaid capital during the year	(125,000)	(200,000)
Repaid capital end of year	<u>(3,350,000)</u>	<u>(3,225,000)</u>
Accumulated reserves related to net positive value adjustments on project investments beginning of year	22,810	-
Change during the year	(22,810)	22,810
Accumulated reserves related to net positive value adjustments on project investments end of year	<u>-</u>	<u>22,810</u>
Retained earnings beginning of year	1,801,393	1,756,541
Change in acc. reserves related to net positive value adjustments	22,810	(22,810)
Transferred from net income for the year	(5,255)	67,662
Retained earnings end of year	<u>1,818,948</u>	<u>1,801,393</u>
Total equity end of year	<u>366,748</u>	<u>497,003</u>

	2014 DKK 1,000	2013 DKK 1,000
11 <u>Current liabilities</u>		
Current accounts	-	121
Deferred income	149	-
Drawn on bank credit facility	-	38,456
	<u>149</u>	<u>38,577</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>365</u>
Funds committed to projects	<u>365</u>	<u>365</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 Sustainability classification

Financial highlights (table) - see page 5

Sustainability 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.

According to the Act on Denmark's international development cooperation, IØ's board is appointed for a three-year period. The current three-year term ends on 31 July 2015.

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 six to eight 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).

CEO, Nykredit.

Other board memberships: IFU, Nykredit Bank A/S (chairman), Totalkredit A/S (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. Former Group Chief Operating Officer.

Other board memberships: IFU, Danish Venture Academy.

Anette Eberhard, board member since 2012

MSc (Economics). CEO, EKF.

Other board memberships: IFU, Finansiel Stabilitet, The Danish Guarantee Fund for Depositors and Investors, PKA – Healthcare Professionals' Pension Fund

Jens Jørgen Kollerup, board member since 2009

MSc (Dairy science).

Managing Director, Ormholt A/S

Other board memberships: IFU, Arctic Group A/S

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, Kapitalforeningen LD (chairman), Udbetaling Danmark, EKF, the Danish Committee on Corporate Governance, Komiteen for god Fondsledelse.

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.