

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

ANNUAL REPORT 2015

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Statement by the management on the annual report

Today, the executive management and the board of directors have considered and approved the annual report of the Investment Fund for Eastern and Central Europe (IØ) for the financial year 1 January – 31 December 2015.

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

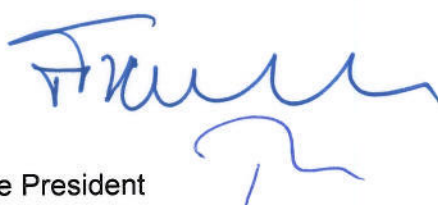
In our opinion, the annual report provides a true and fair view of IØ's financial position as per 31 December 2015 and of the results of IØ's operations and cash flows for 2015.

Additionally, it is our opinion that the Management's review includes a true and fair account of the development in the operations, the financial circumstances of the fund, the results for the year and IØ's financial position.

Copenhagen, 7 April 2016

Executive management:

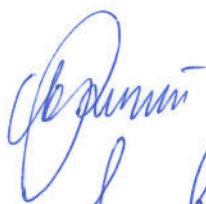
Tommy Thomsen, CEO



Torben Huss, Executive Vice President

Board of directors:

Michael Rasmussen, Chairman



Lars Andersen, Deputy Chairman



Jens Jørgen Kollerup



Bjarne H. Sørensen



Dorrit Vanglo



Mads Kjær



Independent auditors' report

To the board of directors of the Investment Fund for Eastern and Central Europe (IØ)
Independent auditors' report on the financial statements

We have audited the financial statements of IØ for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 regulation and the agreement between the Ministry of Foreign Affairs and the Auditor General regarding the audit of IØ. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 auditors consider internal control relevant to IØ'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 IØ's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, 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 opinion.

Our audit has not resulted in any qualification.

Opinion


In our opinion, the financial statements give a true and fair view of the IØ's financial position at 31 December 2015 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Frederiksberg, 7 April 2016

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



Lars Rhod Søndergaard
State Authorised
Public Accountant



Henrik Barner Christiansen
State Authorised
Public Accountant

Financial highlights

	2015	2014	2013	2012	2011
	DKKm	DKKm	DKKm	DKKm	DKKm
Financial highlights 2011 - 2015					
INCOME STATEMENT					
Gross contribution from projects ¹	21	2	76	56	31
Operating income ²	16	(5)	67	42	19
Net income for the year	16	(5)	68	45	25
BALANCE SHEET AT 31 DECEMBER					
Share capital investment in projects at cost	126	166	191	190	350
Project loans at cost	223	249	304	380	429
Total investment in projects at cost	349	415	495	570	779
Accumulated value adjustments	(103)	(82)	23	(27)	92
Investments in projects, net	245	334	518	543	871
Cash and bonds, net	(27)	30	(29)	90	(13)
Repaid capital during the year	(100)	(125)	(200)	(275)	(500)
Total equity capital	283	367	497	629	859
Total balance	316	367	536	635	878
ADDITIONAL DATA					
New projects contracted (no.) ³	0	0	0	0	1
Portfolio of projects (no.)	25	27	34	44	62
Investments contracted	0	0	0	0	12
Investments disbursed	0	0	10	13	59
Undisbursed contracted investments incl. guarantees	0	0	0	16	40
Binding commitments not yet contracted	0	0	0	0	0
KEY RATIOS					
Gross yield from projects ⁴	7,3%	0,5%	14,4%	7,9%	3,1%
Gross yield from share capital investments ⁴	6,2%	1,4%	-1,0%	14,0%	-3,2%
Gross yield from project loans and guarantees ⁴	6,6%	-0,5%	31,1%	-1,0%	17,5%
Net income for the year/Average total equity capital	4,9%	-1,2%	12,0%	6,1%	2,2%

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 2011 to 2013 have been adjusted, as IØ no longer includes indirect projects in the count. Indirect projects are typically majority-owned subsidiaries of existing IØ projects.

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 16m in 2015.

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.

At the end of 2015, IØ had co-financed a total of 408 projects in 18 countries. Of these, IØ was still participating in 25 investments, while 383 had been exited.

Of the 25 active projects, 14 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. Consequently, the aim was to support the reformist forces in these countries in their efforts to achieve increased economic, commercial and industrial development. Additionally, the aim was also 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, 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 is 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 2015, IØ repaid an additional DKK 100m to the Danish government. This brought the total accumulated capital repayment made by IØ to the Government since 2004 to DKK 3,450m.¹

IØ received in total DKK 1,898m¹ from the Danish government during the period 1990-2001.

In 2016, it is expected that a further repayment of DKK 75m will be made.

¹ Figures are in nominal prices.

Sustainability reporting

IØ is applying IFU's sustainability policy and offering advice to project companies on how to implement it.

IFU's sustainability policy provides the framework for the environmental, social and governance (ESG) requirements in the companies in which IFU invests. IFU is committed to ensuring that the project companies reduce sustainability risks, contribute to sustainable development and in general achieve high sustainability standards, which IFU believes adds value to the project company and enhances business opportunities.

IFU and IØ are signatories to the UN Global Compact, and our commitment to this important UN initiative remains undiminished²

IFU promotes the Global Compact principles through its investments and consequently strives 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 on Business and Human Rights;
- 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 within sustainability, and such activities must be anchored in their business plan.

Assessment of sustainability performance

The annual classification of project companies is based on an assessment of their sustainability performance. The classification is a combination of four separate areas within sustainability: 1) environment, 2) occupational health and safety (OHS), 3) human rights and labour practices and 4) anti-corruption. Each project company is classified into one of five categories as follows: Excellent, Good, Fair, Poor and Critical.

Project companies with the classification Good are in compliance with local legislation and relevant international standards in terms of applicable and relevant significant sustainability issues. Project companies with the classification Excellent go beyond that and are active in local communities, have high quality reports and certified management systems. Project companies with the classification Fair, Poor or Critical are given extra attention, and IFU will engage in discussions with the partners on how a project company can improve its performance.

² This sustainability reporting is a summary of the combined IFU and IØ Communication on Engagement (COE), which constitutes IFU's mandatory reporting as required according to section 99a (7) of the Danish Financial Statements Act. The complete COE can be found on IFU's website (<http://www.ifu.dk/en/values/sustainable-investments/ifus-sustainability-communication>).

In 2015, internal assessments were carried out for 23 IØ projects. The exercise did not include one project being exited and one inactive project.

Annual assessment of sustainability performance

Sustainability classification	Total Score (%)	Environment (%)	OHS (%)	Human Rights and labour practices (%)	Anti-corruption (%)
Excellent	68	70	70	70	60
Good	33	30	30	30	40
Fair	0	0	0	0	0
Poor	0	0	0	0	0
Critical	0	0	0	0	0

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 2015.

Financial review 2015

IØ recorded net income of DKK 16m in 2015 compared to net income of DKK (5)m in 2014. The result was a turn-around from 2014, but at the same time below expectations from a year ago. This was due to a lower-than-expected contribution from share capital investments caused by a continued difficult situation in Ukraine and Russia. Both countries' currencies continued to depreciate during 2015.

IØ's share capital investments contributed DKK 8m in 2015 against DKK 3m in 2014 whereas project loans contributed DKK 11m in 2015 against DKK (1)m in 2014. Total contributions from projects were DKK 21m in 2015 compared to DKK 2m in 2014. The figure for 2015 includes DKK 3m in other project related contributions.

IØ's part of the operating expenses covering the Investment Fund for Developing Countries (IFU) and IØ was DKK 5m compared to DKK 7m in 2014. The lower expense in 2015 is primarily a consequence of the continued phasing out of IØ.

IØ ended the year with a net negative cash balance of DKK 27m after having paid out DKK 100m to the Danish government. Inflow from projects amounted to DKK 49m.

IØ's equity capital at the end of 2015 was DKK 283m down from DKK 367m at the end of 2014.

Risk management

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

At year-end 2015, IØs' portfolio was composed as follows (at cost):

Country	2015 (DKKm)
Russia	200.4
Croatia	78.4
Ukraine	63.2
Hungary	6.6
Total	348.9

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, IØ's 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 2015, 95 per cent of IØ's loan portfolio was denominated in EUR and the remaining loans were denominated in DKK. Consequently, direct sensitivity to currency fluctuations is 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, 64 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. Consequently, a decrease in interbank interest rates would 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. At year-end, IØ had drawn DKK 33m on the facility.

Events after the balance sheet date

No events have occurred after the balance sheet date, which have materially affected IØ's financial position.

Outlook for 2016

IØ expects a profit level in 2016 similar to 2015.

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

As IØ's main activity is related to investments, the fund applies for the accounting principles describes in the Danish Financial Statements Act section 38 on measurement of investments and the corresponding financial obligations at fair value.

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.

IØ's percentage interests in project investments are in a number of cases above 20 %, but always remain below 50 %. The project companies are not considered related parties, as no controlling or significant influence is exercised.

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

	2015 <u>DKK 1,000</u>	2014 <u>DKK 1,000</u>
NOTE		
1/ Contribution from share capital investments	7,765	3,124
2/ Contribution from project loans and guarantees	10,905	(1,141)
3/ Other contributions from projects	<u>2,507</u>	<u>(54)</u>
GROSS CONTRIBUTION FROM PROJECTS	<u>21,177</u>	<u>1,929</u>
4/ Operating expenses, net	<u>(5,484)</u>	<u>(7,172)</u>
OPERATING INCOME	<u>15,693</u>	<u>(5,243)</u>
5/ Financial income, net	<u>150</u>	<u>(12)</u>
NET INCOME FOR THE YEAR	<u><u>15,843</u></u>	<u><u>(5,255)</u></u>

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

BALANCE SHEET AT 31 DECEMBER

ASSETS

		2015 <u>DKK 1,000</u>	2014 <u>DKK 1,000</u>
NOTE			
	FIXED ASSETS		
	Share capital investment in projects at cost	125,980	166,480
	Value adjustments	<u>(37,415)</u>	<u>(4,550)</u>
6/	Share capital investment in projects, net	88,565	161,930
	Project loans at cost	222,555	248,815
	Value adjustments	<u>(65,862)</u>	<u>(77,224)</u>
7/	Project loans, net	156,693	171,591
	Total fixed assets	<u>245,258</u>	<u>333,521</u>
	CURRENT ASSETS		
8/	Interest receivable related to projects	3,296	2,563
9/	Other receivables	61,077	365
	Cash	<u>6,365</u>	<u>30,448</u>
	Total current assets	<u>70,738</u>	<u>33,376</u>
	TOTAL ASSETS	<u>315,996</u>	<u>366,897</u>

BALANCE SHEET AT 31 DECEMBER

LIABILITIES AND EQUITY CAPITAL

NOTE		2015	2014
		<u>DKK 1,000</u>	<u>DKK 1,000</u>
	EQUITY		
	Paid-in capital	1,897,800	1,897,800
	Repaid capital	(3,450,000)	(3,350,000)
	Accumulated reserves related to net positive value adjustment on project investments	-	-
	Retained earnings	<u>1,834,791</u>	<u>1,818,948</u>
10/	Total equity	<u>282,591</u>	<u>366,748</u>
11/	CURRENT LIABILITIES	<u>33,405</u>	<u>149</u>
	Total liabilities	<u>33,405</u>	<u>149</u>
	TOTAL EQUITY, PROVISION FOR LOSSES AND LIABILITIES	<u>315,996</u>	<u>366,897</u>
12/	UNDISBURSED COMMITMENTS TO PROJECTS		
13/	RELATED PARTY DISCLOSURES		
14/	FINANCIAL HIGHLIGHTS, INVESTMENTS CONTRACTED IN 2015, DEVELOPMENTAL HIGHLIGHTS AND SUSTAINABILITY CLASSIFICATION		

CASH FLOW STATEMENT

	2015 <u>DKK 1,000</u>	2014 <u>DKK 1,000</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Dividends from projects received	11,612	10,500
Interest from projects received	5,486	7,021
Other project related payments	(153)	892
Operating expenses, net	(6,202)	(7,499)
Net payments related to financial income and expenses	<u>168</u>	<u>10</u>
Net cash from operating activities	<u>10,911</u>	<u>10,924</u>
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Received from sale of shares	9,920	101,988
Received from project loans	<u>21,681</u>	<u>71,046</u>
Net cash from (to) investing activities	<u>31,601</u>	<u>173,034</u>
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Repaid capital during the year	<u>(100,000)</u>	<u>(125,000)</u>
Net cash from (to) financing activities	<u>(100,000)</u>	<u>(125,000)</u>
NET CHANGE IN CASH	(57,488)	58,958
CASH BEGINNING OF YEAR	<u>30,448</u>	<u>(28,510)</u>
CASH END OF YEAR	<u>(27,040)</u>	<u>30,448</u>
- Shown as cash in current assets	6,365	30,448
- Shown as drawn on bank credit facility in current liabilities, note 11	(33,405)	-

NOTES

	2015 <u>DKK 1,000</u>	2014 <u>DKK 1,000</u>
1 <u>Contribution from share capital investments</u>		
Dividends from projects	11,612	10,500
Contribution from divested share capital investments	1,208	3,697
Value adjustments, portfolio	<u>(5,055)</u>	<u>(11,073)</u>
Contribution from share capital investments	<u>7,765</u>	<u>3,124</u>
2 <u>Contribution from project loans and guarantees</u>		
Interest income and fees related to project loans and guarantees	13,781	19,016
Value adjustments excl. exchange rate adjustments, loan portfolio	(859)	(17,933)
Exchange rate adjustments, project loans	578	(552)
Value adjustments, interest and fees	<u>(2,595)</u>	<u>(1,672)</u>
Contribution from project loans and guarantees	<u>10,905</u>	<u>(1,141)</u>
3 <u>Other contributions from projects</u>		
Exchange rate adjustments, receivables	-	2
Interest from receivables	2,555	-
Other income and expenses	<u>(48)</u>	<u>(56)</u>
Other contributions from projects	<u>2,507</u>	<u>(54)</u>
4 <u>Operating expenses, net</u>		
IØ's part of operating expenses *	<u>5,484</u>	<u>7,172</u>
	<u>5,484</u>	<u>7,172</u>

- *) Specification of Personnel expenses - see Annual report 2015 for IFU - note 4.
IØ's part of all expenses was 9,14% in 2015.

	2015 DKK 1,000	2014 DKK 1,000
5 <u>Financial income and expenses</u>		
<u>Financial income</u>		
Interest income, cash and bonds	<u>196</u>	<u>60</u>
Financial income	<u>196</u>	<u>60</u>
<u>Financial expenses</u>		
Interest expenses, bank charges and exchange rate adjustments	<u>(46)</u>	<u>(72)</u>
Financial expenses	<u>(46)</u>	<u>(72)</u>
Financial income, net	<u>150</u>	<u>(12)</u>

	2015 DKK 1,000	2014 DKK 1,000
6 <u>Share capital investment in projects, net</u>		
Share capital investment in projects beginning of year at cost	166,480	191,494
Proceeds from divestment of shares	(69,518)	(101,988)
Income from divestment of shares relative to cost, net	<u>29,018</u>	<u>76,974</u>
Share capital investment in projects end of year at cost	<u>125,980</u>	<u>166,480</u>
Accumulated value adjustment beginning of year	(4,550)	79,799
Reversed value adjustments, divested share capital investments	(27,810)	(73,276)
Value adjustments, portfolio during the year	<u>(5,055)</u>	<u>(11,073)</u>
Accumulated value adjustment end of year	<u>(37,415)</u>	<u>(4,550)</u>
Share capital investment in projects, net end of year	<u>88,565</u>	<u>161,930</u>
Accumulated value adjustments end of year are comprised of:		
Plus values	8,917	38,694
Value adjustments excl. plus values	<u>(46,332)</u>	<u>(43,244)</u>
	<u>(37,415)</u>	<u>(4,550)</u>

	2015 DKK 1,000	2014 DKK 1,000
7 <u>Project loans, net</u>		
Project loans beginning of year at cost	248,815	303,621
Interest converted into project loans during the year	9,302	16,245
Repayments during the year	(21,681)	(71,046)
Exchange rate adjustments during the year relative to cost	12	(5)
Write-offs during the year	<u>(13,893)</u>	<u>-</u>
Project loans end of year at cost *	<u>222,555</u>	<u>248,815</u>
Accumulated value adjustments beginning of year	(77,224)	(56,989)
Reversed value adjustments, loans written off	13,893	-
Exchange rate adjustments realised	(12)	5
Value adjustments incl. exchange rate adjustments, during the year	(281)	(18,485)
Value adjustments related to conversions during the year	<u>(2,238)</u>	<u>(1,755)</u>
Accumulated value adjustments end of year	<u>(65,862)</u>	<u>(77,224)</u>
Project loans, net end of year	<u>156,693</u>	<u>171,591</u>
Accumulated value adjustments end of year are comprised of:		
Exchange rate adjustments relative to cost	396	(169)
Value adjustments excl. exchange rate adjustments	<u>(66,258)</u>	<u>(77,055)</u>
	<u>(65,862)</u>	<u>(77,224)</u>
*) Project loans end of year at cost are comprised of:		
Senior project loans	82,617	115,419
Subordinated loans	<u>139,938</u>	<u>133,396</u>
	<u>222,555</u>	<u>248,815</u>
*) Project loans end of year at cost in DKK distributed according to currency denomination:		
	<u>2015</u>	<u>2014</u>
	Currency	Currency
DKK		10,500
EUR	28,469	31,925
	<u>212,055</u>	<u>237,810</u>
	<u>222,555</u>	<u>248,815</u>

	2015 DKK 1,000	2014 DKK 1,000
8 <u>Interest receivable related to projects</u>		
Interest receivable related to projects before value adjustments	3,557	3,861
Value adjustments	<u>(261)</u>	<u>(1,298)</u>
Interest receivable related to projects	<u>3,296</u>	<u>2,563</u>
9 <u>Other receivables</u>		
Receivables from sale of shares	59,598	-
Receivable front-end fees	<u>596</u>	<u>182</u>
	60,194	182
Current accounts	<u>883</u>	<u>183</u>
	<u>61,077</u>	<u>365</u>

	2015 DKK 1,000	2014 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	(3,350,000)	(3,225,000)
Repaid capital during the year	(100,000)	(125,000)
Repaid capital end of year	<u>(3,450,000)</u>	<u>(3,350,000)</u>
Accumulated reserves related to net positive value adjustments on project investments beginning of year	-	22,810
Change during the year	-	(22,810)
Accumulated reserves related to net positive value adjustments on project investments end of year	<u>-</u>	<u>-</u>
Retained earnings beginning of year	1,818,948	1,801,393
Change in acc. reserves related to net positive value adjustments	-	22,810
Transferred from net income for the year	15,843	(5,255)
Retained earnings end of year	<u>1,834,791</u>	<u>1,818,948</u>
Total equity end of year	<u>282,591</u>	<u>366,748</u>

	2015 DKK 1,000	2014 DKK 1,000
11 <u>Current liabilities</u>		
Current accounts	-	-
Deferred income	-	149
Drawn on bank credit facility	33,405	-
	33,405	149
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	365	365
Funds committed to projects	365	365

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 6

Sustainability classification (table) - see page 9

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, IFU's board is appointed for a three-year period. The current three-year term ends on 31 July 2018.

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

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

It is noted that the chairman and deputy chairman have both been members of the board for more than 12 years. Further it is noted that IØ in 2015 had business transactions with Nykredit Bank A/S (part of the Nykredit group in which the chairman is CEO).

The rules of procedure for the board contain detailed rules regarding conflicts of interest – as well as a reference to the conflict of interest rules in the Danish Public Administrations Act which the board is subject to – and the above mentioned circumstances are not considered to be of a nature as to impair the independence of the board members.

Michael Rasmussen, Chairman, board member since 2000

MSc (Economics).

CEO, Nykredit.

Other board memberships: 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: DSB, Industripension Holding A/S, Industriens Pensionsforsikring A/S, Arbejdernes Landsbank A/S.

Jens Jørgen Kollerup, board member since 2009

MSc (Dairy science).

Managing Director, Ormholt A/S.

Other board memberships: Arctic Group A/S, Vermund Larsen A/S (chairman).

Bjarne H. Sørensen, board member since 2012

MSc (Civil Engineering). Ambassador (retired).

Other board memberships: Care Danmark.

Dorrit Vanglo, board member since 2012

MSc (Economics).

CEO, Lønmodtagernes Dyrtdsfond.

Other board memberships: Kapitalforeningen LD (chairman), EKF, the Danish Committee on Corporate Governance, Committee on Foundation Governance.

Mads Kjær, board member since 2015

Managing Director, The Way Forward ApS.

Other board memberships: Kjaer Group A/S (chairman and owner), Andersen & Martini A/S, Udsyn A/S (chairman), Lunar Way A/S.

Morten Elkjær, board observer since 2013

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

Executive Management

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.

Board memberships: Director, Port of Singapore International, Director, Panama Canal Advisory Board, Director, Danish Shipowners' Club, Chairman, Danish Maritime Fund.

Torben Huss, Executive Vice President

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

Board memberships: JØP.