

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

**ANNUAL REPORT 2020**

## Contents

Statement by the management on the annual report.....	3
Independent auditors' report .....	4
Financial highlights .....	7
Management's review .....	8
Main activities .....	8
Operational framework.....	8
Sustainability reporting.....	8
Organisation .....	9
Financial review .....	9
Risk management .....	10
Events after the balance sheet date .....	11
Outlook for 2021.....	11
Income statement.....	12
Balance sheet.....	13
Cash flow statement.....	15
Notes.....	16
Management.....	37
Board of directors.....	37
Executive management.....	38

## **Statement by the management on the annual report**

The executive management 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 – 31 December 2020.

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 IØ's financial position as per 31 December 2020 and of the results of IØ's operations and cash flows for 2020.

Further, it is our opinion that business procedures and internal controls have been set up to ensure that the transactions covered by the financial statements comply with the appropriations granted, legislation and other regulations and with agreements entered into and usual practice; and that due financial consideration has been taken of the management of funds and operations covered by the financial statements.

It is further our opinion that the Management's Review includes a true and fair account of the development in the operations and financial circumstances of the fund of the results for the year and the financial position of IØ.

Copenhagen, 8 April 2021

### **Executive management:**

Torben Huss, CEO

Lars Krogsgaard, CIO

### **Board of directors:**

Michael Rasmussen, Chairman

Lars Andersen, Deputy Chairman

Jens Jørgen Kollerup

Bjarne H. Sørensen

Mads Kjær

Anne Broeng

## **Independent auditors' report**

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

### **Opinion**

We have audited the financial statements of IØ for the financial year 1 January – 31 December 2020, which comprise an income statement, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of IØ's financial position at 31 December 2020 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. In addition, the audit was performed in accordance with generally accepted public auditing standards as required by the Articles of Association of IØ. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of IØ in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### **Management's responsibilities 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 as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing IØ's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably

be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 IØ's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on IØ's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause IØ to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Statement on the management's review**

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the management's review.

### **Report on other legal and regulatory requirements**

#### *Statement on compliance audit and performance audit*

Management is responsible for ensuring that the transactions covered by the financial reporting comply with appropriations granted, legislation and other regulations and with agreements entered into and usual practice; and that due financial consideration has been taken of the management of funds and operations covered by the financial statements.

In performing our audit of the financial statements, it is our responsibility in accordance with generally accepted public auditing standards to select relevant items for both compliance audit and performance audit purposes. When conducting a compliance audit, we test the selected items to obtain reasonable assurance as to whether the transactions covered by the financial reporting comply with the appropriations granted, legislation and other regulations as well as agreements entered into and usual practice. When conducting a performance audit, we perform assessments to obtain reasonable assurance as to whether the tested systems, processes or transactions support due financial consideration in relation to the management of funds and operations covered by the financial statements.

We must report on any grounds for significant critical comments should we find such in performing our procedures.

We have no significant critical comments to report in this connection.

Copenhagen, 8 April 2021

EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Lars Rhod Søndergaard  
State Authorised Public Accountant  
mne28632

Anne Tønsberg  
State Authorised Public Accountant  
mne32121

## Financial highlights

	2020	2019	2018	2017	2016
	DKKm	DKKm	DKKm	DKKm	DKKm
<b>Financial highlights 2016 - 2020</b>					
<b><u>INCOME STATEMENT</u></b>					
Contribution from projects <sup>1</sup>	(9)	32	15	23	49
Operating income <sup>2</sup>	(9)	32	14	20	45
Net income for the year	(9)	32	14	20	45
<b><u>BALANCE SHEET AT 31 DECEMBER</u></b>					
Share capital investment in projects at cost	65	65	75	82	83
Project loans at cost	102	114	123	127	191
Total investment in projects at cost	166	180	198	209	273
Accumulated value adjustments	(76)	(62)	(78)	(77)	(85)
Investments in projects, net	90	117	121	132	189
Cash and bonds, net	(1)	13	(23)	(11)	4
Repaid capital during the year	(30)	0	(35)	(150)	(75)
Total equity capital	92	131	99	122	252
Total balance	94	133	122	133	260
<b><u>ADDITIONAL DATA</u></b>					
New projects contracted (no.)	0	0	0	0	0
Portfolio of projects (no.)	6	7	9	13	17
Investments contracted	0	0	0	0	0
Investments disbursed	0	0	0	0	0
Undisbursed contracted investments incl. guarantees end of year	0	0	0	0	0
Binding commitments not yet contracted end of year	0	0	0	0	0
<b><u>KEY RATIOS</u></b>					
Yield from share capital investments <sup>3</sup>	6,5%	11,9%	-3,0%	17,7%	25,6%
Yield from project loans and guarantees <sup>3</sup>	-13,9%	33,4%	22,1%	6,3%	16,1%
Yield from projects (total) <sup>3</sup>	-8,4%	26,9%	12,0%	14,5%	22,4%
Net income for the year/Average total equity capital	-8,2%	27,4%	12,6%	10,6%	16,8%
Solidity ratio	98,0%	98,4%	81,5%	91,8%	97,3%

Totals may not add up due to rounded figures.

<sup>1</sup> Information about composition of the contribution from projects including value adjustments and allowance for impairment can be found in "Financial review 2020" on page 9.

<sup>2</sup> Operating income comprises contribution from projects, management fees, other income and less operating expenses.

<sup>3</sup> Contribution from projects/Average investment in projects - value adjusted

Contribution from share capital investments/Average share capital in projects - value adjusted

Contribution from project loans and guarantees/Average project loans - net of allowance for impairment.

## Management's review

### Main activities

IØ generated net income of DKK (9)m in 2020.

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 2020, IØ had co-financed a total of 408 projects in 18 countries. Of these, IØ was still participating in six investments, while 402 had been exited.

Of the six active projects, four are in Ukraine, one in the Russian Federation and one project in Croatia. It is expected that the remaining IØ projects will be exited within the next two to three 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 are appointed by the Danish Minister for Foreign Affairs.

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.

### Sustainability reporting

IØ is applying IFU's sustainability policy that was in force at the time when the investments were contracted. IFU's current sustainability policy can be found on IFU's website.

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



More information about IFU' sustainability policy and reporting on results for 2020, including for IØ's projects, can be found in IFU's Sustainability and Impact Report 2020 (link).

### **Sustainability throughout the investment process**

Before the investment is approved, IFU ensures commitment to a written sustainability action plan describing the measures to be implemented within an agreed time frame to meet the requirements of IFU's sustainability policy and the relevant sustainability standards. Both the sustainability action plan and the impact creation plan act as tools for IFU's ongoing management and monitoring of the sustainability performance of the project.

Throughout the investment period, IFU exercises active ownership and uses its leverage to initiate improvement of the sustainability performance of the project. IFU's investment professionals have the overall responsibility for ensuring that the sustainability requirements are met, and typically they participate in the board of directors of the direct investments

Projects are required to prepare an annual sustainability report to be discussed and approved by its board of directors. The report serves as an important tool for the annual stocktaking of the project's sustainability performance and development impacts. The annual reports must be submitted to IFU and are essential for IFU's ability to perform active ownership and provide transparent sustainability information about its investments.

### **Organisation**

The Investment Fund for Developing Countries (IFU) is the fund manager of IØ, and all activities undertaken in relation to the organisation that apply to IØ are described in IFU's annual report for 2020.

### **Financial review**

IØ recorded net income of DKK (9)m in 2020 compared to net income of DKK 32m in 2019. The result was lower than expected.

IØ's share capital investments contributed DKK 2m against DKK 4m in 2019, whereas project loans contributed DKK (11)m against DKK 28m in 2019. The negative contribution from loans was due to an increase in the allowance for impairment on a larger loan engagement with a hotel in Croatia. The hotel has been severely impacted by both the Covid-19 related restrictions and the earthquake that hit Zagreb early in the year and has as a consequence been closed or operated at reduced capacity for most of the year. Total contributions from projects was DKK (9)m compared to DKK 32m in 2019.

IØ's part of the operating expenses covering the Investment Fund for Developing Countries (IFU) and IØ was DKK (0.2)m compared to DKK (0.4)m in 2019.

IØ ended the year with a net cash balance of DKK (1)m after having paid out DKK 30m to the Danish Government.

The total accumulated capital repayment made by IØ to the State since 2004 is DKK 3,740m<sup>1</sup>. At year-end, IØ's equity amounted to DKK 92m compared to DKK 131m at the end of 2019.

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

In 2021, it is expected that a further repayment of DKK 25m will be made.

## 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 2020, IØs' portfolio was composed as follows (at cost):

Country	2020 (DKKm)
Croatia	74.4
Russia	70.2
Ukraine	21.6
Total	166.2

As a consequence of this exposure, and in particular because IØ measures its investments at estimated fair value or recoverable amount 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 assessment of the need for specific allowances for impairment on project loans. The notes to the financial statements provide more details.

## Financial risk

At the end of 2020, 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, 62 per cent of IØ's total outstanding investments at cost were placed in project loans. 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.

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<sup>1</sup> Figures are in nominal prices.

At year-end, IØ had drawn DKK 2m on the facility. The total liquidity resources available to IØ and IFU in relation to the credit facility amounted to DKK 298m at the year-end 2020.

### **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 2021**

IØ expects a positive result in 2021, however, subject to considerable uncertainty related to Covid-19, specifically the timing and scope of the lifting of restrictions as well as the risk of new waves and mutations materialising.

## INCOME STATEMENT

		2020	2019
		<u>DKK 1,000</u>	<u>DKK 1,000</u>
NOTE			
2/	Contribution from share capital investments	1,820	4,203
3/	Contribution from project loans and guarantees	(10,534)	27,930
4/	Other contributions from projects	<u>(9)</u>	<u>(186)</u>
	<b>CONTRIBUTION FROM PROJECTS</b>	<b><u>(8,723)</u></b>	<b><u>31,947</u></b>
5/	Operating expenses, net	<u>(225)</u>	<u>(379)</u>
	<b>OPERATING INCOME</b>	<b><u>(8,948)</u></b>	<b><u>31,568</u></b>
6/	Financial income, net	<u>(145)</u>	<u>(29)</u>
	<b>NET INCOME FOR THE YEAR</b>	<b><u><u>(9,093)</u></u></b>	<b><u><u>31,539</u></u></b>

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

## BALANCE SHEET AT 31 DECEMBER

### ASSETS

NOTE	2020 <u>DKK 1,000</u>	2019 <u>DKK 1,000</u>
<b>FIXED ASSETS</b>		
	64,535	65,087
	(35,564)	(37,935)
7/ Share capital investment in projects	<u>28,971</u>	<u>27,152</u>
	101,637	114,465
	(40,562)	(24,344)
8/ Project loans, net	<u>61,075</u>	<u>90,121</u>
<b>Total fixed assets</b>	<b><u>90,046</u></b>	<b><u>117,273</u></b>
<b>CURRENT ASSETS</b>		
9/ Interest receivable related to projects	1,901	172
10/ Other receivables	1,052	922
Cash	<u>701</u>	<u>14,660</u>
<b>Total current assets</b>	<b><u>3,654</u></b>	<b><u>15,754</u></b>
<b>TOTAL ASSETS</b>	<b><u>93,700</u></b>	<b><u>133,027</u></b>

Penneo dokumentnagje: CSM7N-SYDW6-21485-7SY0A-E550-SW470

## BALANCE SHEET AT 31 DECEMBER

### LIABILITIES AND EQUITY CAPITAL

NOTE	2020 <u>DKK 1,000</u>	2019 <u>DKK 1,000</u>
<b>EQUITY</b>		
Paid-in capital	1,897,800	1,897,800
Repaid capital	(3,740,000)	(3,710,000)
Retained earnings	<u>1,933,988</u>	<u>1,943,081</u>
<b>11/ Total equity</b>	<b><u>91,788</u></b>	<b><u>130,881</u></b>
<b>CURRENT LIABILITIES</b>		
Drawn on bank credit facility	1,912	1,819
<b>12/ Other current liabilities</b>	<u>-</u>	<u>327</u>
<b>Total liabilities</b>	<b><u>1,912</u></b>	<b><u>2,146</u></b>
<b>TOTAL EQUITY, PROVISION FOR LOSSES AND LIABILITIES</b>	<b><u><u>93,700</u></u></b>	<b><u><u>133,027</u></u></b>

- 1/ ACCOUNTING POLICIES
- 13/ UNDISBURSED COMMITMENTS TO PROJECTS
- 14/ RELATED PARTY DISCLOSURES
- 15/ FINANCIAL HIGHLIGHTS
- 16/ FINANCIAL RISK MANAGEMENT
- 17/ EQUITY AND CREDIT RISK
- 18/ CURRENCY RISK
- 19/ INTEREST RATE RISK
- 20/ LIQUIDITY RISK
- 21/ CLASSIFICATION OF FINANCIAL INSTRUMENTS
- 22/ FAIR VALUE MEASUREMENT BASIS

## CASH FLOW STATEMENT

	2020	2019
	<u>DKK 1,000</u>	<u>DKK 1,000</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Dividends from projects received	-	1,536
Interest from projects received	402	577
Other project-related payments	(339)	281
Operating expenses, net	(368)	(445)
Net payments related to financial income and expenses	<u>(130)</u>	<u>(15)</u>
<b>Net cash from operating activities</b>	<b><u>(435)</u></b>	<b><u>1,934</u></b>
<b>CASH FLOW FROM (TO) INVESTING ACTIVITIES</b>		
Received from sale of shares	1	18,723
Received from project loans	<u>16,382</u>	<u>14,692</u>
<b>Net cash from (to) investing activities</b>	<b><u>16,383</u></b>	<b><u>33,415</u></b>
<b>CASH FLOW FROM (TO) FINANCING ACTIVITIES</b>		
Repaid capital during the year	<u>(30,000)</u>	<u>-</u>
<b>Net cash from (to) financing activities</b>	<b><u>(30,000)</u></b>	<b><u>-</u></b>
<b>NET CHANGE IN CASH</b>	<b>(14,052)</b>	<b>35,349</b>
<b>NET CASH BEGINNING OF YEAR</b>	<b><u>12,841</u></b>	<b><u>(22,508)</u></b>
<b>NET CASH END OF YEAR</b>	<b><u><u>(1,211)</u></u></b>	<b><u><u>12,841</u></u></b>
<b>- Shown as cash in current assets</b>	<b>701</b>	<b>14,660</b>
<b>- Shown as drawn on bank credit facility</b>	<b>(1,912)</b>	<b>(1,819)</b>

Penneo dokumenttaggle: CSM7N-SYD/W6-21485-7SY0A-BE550-SW470

## Note 1

### Accounting policies

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning Class C enterprises (medium sized) and elective choice of certain provisions.

In accordance with Section 37 (5) in the Danish Financial Statements Act, IØ applies the International Financial Reporting Standards (IFRS) as regards measurement of financial assets and financial liabilities (IFRS 9) and related disclosures (IFRS 7).

The accounting principles applied are unchanged from previous year.

### Presentation and classification

To better reflect IØ's activities, the presentation of the income statement and balance sheet as well as the order of the line items in the income statement deviate from the standard format in the Danish Financial Statements Act. By presenting the primary statements on the basis of IØ's special character as an investment fund (long-term investments), the financial statements hereby provide the reader with the best possible overview of IØ's activities. The deviation is in accordance 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 IØ, and provided that the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when IØ 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 IØ, 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 affected 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 included in the 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.

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value



measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances.

For assets and liabilities that are measured at fair value on a recurring basis, IØ identifies transfers to and from the three levels of the fair value hierarchy by re-assessing the categorisation, and deems transfers to have occurred at the beginning of each reporting period.

### **Foreign currency adjustment**

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

### **Non-monetary items**

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

### **Derivative financial instruments**

On initial recognition in the balance sheet and subsequently, derivative financial instruments are measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under other receivables or other payables, respectively, and are only offset when IØ has the legal right and the intention to settle several financial instruments net.

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

## **INCOME STATEMENT**

### **Contribution from share capital investments**

Contribution from share capital investments includes declared dividends (net of non-refundable taxes), gains and losses 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 income, guarantee commissions and value adjustments, including impairment provisions, reversals of impairment provisions and exchange rate adjustments.

### **Other contributions from projects**

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

### **Operating expenses**

The Investment Fund for Developing Countries (IFU) manages the administration of IØ.

Operating expenses, net are total operating expenses incurred by IFU less income received for management services rendered by IFU, other than from the Investment Fund for Central and Eastern Europe (IØ), and income related to operating activities. Operating expenses, net are divided at year-end between IFU and IØ proportionate to average total project commitments during the year (the sum of outstanding investments at acquisition cost, remaining commitments and binding commitments).

Operating expenses comprise expenses for management, administrative staff, office expenses, depreciation of fixed assets and leasehold improvements, etc. Income related to operating activities includes board member fees, etc.

### **Income from investments in associates and subsidiaries**

Dividends from associates and subsidiaries are included in the income statement at the declaration date.

### **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**

### **Share capital investment in projects**

Share capital investments in projects are recognised when they are disbursed. Share capital investments in projects are measured both at initial recognition and throughout the investment period at fair value with changes recognised through profit or loss as contribution from share capital investments.

Share capital investments in projects where IØ has significant influence (typically 20-50 per cent of the voting rights) are associates and are accounted for as share capital investments.

### **Project loans**

Project loans are designated as loans and receivables, and are recognised when they are disbursed. Project loans are initially recognised at fair value and are subsequently measured at amortised cost less an allowance for impairment.

The allowance for impairment is measured in accordance with IFRS 9 by applying the simplified approach, whereby the expected loss in the remaining life of the loan is recognised irrespective of whether the loan is allocated to stage 3 (credit impaired), stage 2 (significant increase in credit risk) or stage 1 (all other loans).

The expected loss is measured loan by loan by applying an estimated loss percentage based on IØ's past experience, current expectations and internal rating of the individual project loans.

Provisions for losses on guarantees and loan commitments are calculated in the same way as the allowance for impairment of project loans.

Impaired project loans, together with the associated allowance amount, are written off when there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to IØ. If a previous write-off is later recovered, the recovery is credited to "Contribution from project loans and guarantees".

### **Interest receivable related to projects and other receivables**

Interest receivables related to projects and other receivables are designated as receivables and are recognised over the period when they are earned.

Interest receivables related to projects and other receivables are recognised at nominal value less any allowance for impairment.

Interest receivable related to projects includes accrued interest on project loans. Other receivables include receivables from sale of shares and loans, dividends receivables, administrative and other project-related receivables.

### **Cash and cash equivalents**

Bonds are stated at the official prices quoted on 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 are initially recognised at cost, which is fair value, and are subsequently measured at amortised cost.

### **Commitments**

Undisbursed commitments to projects are comprised of undisbursed contractual commitments and binding commitments not yet contracted. The existence of such liabilities will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within IØ's control.

### **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.

## NOTES

	2020 <u>DKK 1,000</u>	2019 <u>DKK 1,000</u>
<b>2</b> <u>Contribution from share capital investments</u>		
Dividends from projects		1,536
Realised gain from divested share capital investments	1	1,127
Value adjustments, portfolio	<u>1,819</u>	<u>1,540</u>
Contribution from share capital investments	<b><u>1,820</u></b>	<b><u>4,203</u></b>
<b>3</b> <u>Contribution from project loans and guarantees</u>		
Interest income and fees related to project loans and guarantees	7,392	7,695
Allowance for impairment, interest and fees	(3,034)	(1,769)
Allowance for impairment, loan portfolio	(14,507)	21,964
Exchange rate adjustments, project loans	<u>(385)</u>	<u>40</u>
Contribution from project loans and guarantees	<b><u>(10,534)</u></b>	<b><u>27,930</u></b>
<b>4</b> <u>Other contributions from projects</u>		
Value adjustments, receivables, excl. exchange rate adjustments	1	(139)
Exchange rate adjustments, receivables		13
Other income and expenses	<u>(10)</u>	<u>(60)</u>
Other contributions from projects	<b><u>(9)</u></b>	<b><u>(186)</u></b>
<b>5</b> <u>Operating expenses, net</u>		
IØ's part of operating expenses *	<u>225</u>	<u>379</u>
	<b><u>225</u></b>	<b><u>379</u></b>

\*) Specification of Personnel expenses - see Annual report 2020 for IFU - note 5.  
IØ's part of all expenses was 2,22% in 2020.

	2020 <u>DKK 1,000</u>	2019 <u>DKK 1,000</u>
6 <u>Financial income and expenses</u>		
<u>Financial income</u>		
Interest income, cash and bonds	<u>-</u>	<u>-</u>
Financial income	<u>-</u>	<u>-</u>
<u>Financial expenses</u>		
Interest expenses, bank charges and exchange rate adjustments	<u>(145)</u>	<u>(29)</u>
Financial expenses	<u>(145)</u>	<u>(29)</u>
Financial income, net	<u>(145)</u>	<u>(29)</u>

	2020 DKK 1,000	2019 DKK 1,000
<b>7 Share capital investment in projects</b>		
Share capital investment in projects beginning of year at cost	65,087	74,972
Proceeds from divestment of shares	(1)	(18,723)
Realised gain from divestment of shares relative to cost, net	<u>(551)</u>	<u>8,838</u>
Share capital investment in projects end of year at cost	<b><u>64,535</u></b>	<b><u>65,087</u></b>
Accumulated value adjustment beginning of year	(37,935)	(31,764)
Reversed value adjustments, divested share capital investments	552	(7,711)
Value adjustments, portfolio during the year	<u>1,819</u>	<u>1,540</u>
Accumulated value adjustment end of year	<b><u>(35,564)</u></b>	<b><u>(37,935)</u></b>
Share capital investment in projects end of year	<b><u>28,971</u></b>	<b><u>27,152</u></b>
Herof associated companies:		
Share capital investment in projects end of year at cost	513	513
Accumulated value adjustments end of year	<u>(513)</u>	<u>(513)</u>
	<b><u>-</u></b>	<b><u>-</u></b>
Accumulated value adjustments end of year are comprised of:		
Positive value adjustments	14,975	13,156
Negative value adjustments	<u>(50,539)</u>	<u>(51,091)</u>
	<b><u>(35,564)</u></b>	<b><u>(37,935)</u></b>

Name / Domicile:	Form of company:	IØ's ownership interest: (%)	According to the latest approved annual report	
			Result	Equity
UPG Ejendomme 3 ApS Denmark	ApS	20%	(14)	(867)

	<u>2020</u>	<u>2019</u>
	<u>DKK 1,000</u>	<u>DKK 1,000</u>
8 <u>Project loans, net</u>		
Project loans beginning of year at cost	114,465	123,102
Interest converted into project loans during the year	3,939	6,015
Repayments during the year	(16,382)	(14,692)
Exchange rate adjustments, project loans	<u>(385)</u>	<u>40</u>
Project loans end of year at cost *	<b><u>101,637</u></b>	<b><u>114,465</u></b>
Accumulated value adjustment incl. allowance for impairment beginning of year	(24,344)	(45,753)
Value adjustments including allowance for impairment for the year	(14,507)	21,964
Allowance for impairment related to conversions during the year	<u>(1,711)</u>	<u>(555)</u>
Accumulated value adjustments incl. allowance for impairment end of year	<b><u>(40,562)</u></b>	<b><u>(24,344)</u></b>
Project loans, net end of year	<b><u>61,075</u></b>	<b><u>90,121</u></b>
* ) Project loans end of year at cost are comprised of:		
Senior project loans	7,137	12,589
Subordinated loans	<u>94,500</u>	<u>101,876</u>
	<b><u>101,637</u></b>	<b><u>114,465</u></b>
* ) Project loans end of year at cost in DKK distributed according to currency denomination:		
	<u>2020</u>	<u>2019</u>
	Currency	Currency
DKK		5,513
EUR	12921	14,340
		<u>96,124</u>
		<b><u>101,637</u></b>
		<b><u>114,465</u></b>

	2020 <u>DKK 1,000</u>	2019 <u>DKK 1,000</u>
9 <u>Interest receivable related to projects</u>		
Interest receivable related to projects before allowance for impairment	5,584	2,545
Allowance for impairment	<u>(3,683)</u>	<u>(2,373)</u>
Interest receivable related to projects	<u><b>1,901</b></u>	<u><b>172</b></u>
10 <u>Other receivables</u>		
Receivable front-end fees	<u>301</u>	<u>301</u>
	301	301
Value adjustments	<u>(138)</u>	<u>(139)</u>
	163	162
Current accounts	<u>889</u>	<u>760</u>
	<u><b>1,052</b></u>	<u><b>922</b></u>



	2020 DKK 1,000	2019 DKK 1,000
<b>11 <u>Total equity</u></b>		
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><b>1,897,800</b></u>	<u><b>1,897,800</b></u>
Repaid capital beginning of year	(3,710,000)	(3,710,000)
Repaid capital during the year	(30,000)	-
Repaid capital end of year	<u><b>(3,740,000)</b></u>	<u><b>(3,710,000)</b></u>
Retained earnings beginning of year	1,943,081	1,911,542
Transferred from net income for the year	(9,093)	31,539
Retained earnings end of year	<u><b>1,933,988</b></u>	<u><b>1,943,081</b></u>
Total equity end of year	<u><b>91,788</b></u>	<u><b>130,881</b></u>
<b>12 <u>Other current liabilities</u></b>		
Other project-related debt	-	327
	<u><b>-</b></u>	<u><b>327</b></u>
<b>13 <u>Undisbursed commitments to projects</u></b>		

Undisbursed commitments to projects are comprised of undisbursed contractual commitments and binding commitments not yet contracted. There are no undisbursed commitments to projects.

## 14 Related party disclosures

### **IØ project investments - shares and loans**

For a list of project investments where IØ has significant influence, see note 7.

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.

In accordance with section 98 c (7) of the Danish Financial Statements Act, the amount of the related party transactions have not been disclosed in the financial statements, as they were conducted on an arm's length basis.

### **Board of directors and executive board**

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

During 2020 IØ 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 conflict 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 business transactions are not considered to be of a nature as to impair the general independence of the board members.

Furthermore remuneration was paid to the members of the board of directors and the executive board.

## 15 Financial highlights

Financial highlights (table) - see page 7

## 16 Financial risk management

### Introduction

Through investments, IØ is exposed to financial risks such as equity and credit risk on investments, currency risk, interest rate risk and liquidity risk.

The board of directors has established limits to avoid excessive concentrations of risk, and IØ through its investment policy and due diligence procedures further seeks to identify and mitigate the equity and credit risk.

## 17 Equity and credit risk

### Equity risk

Equity risk arises from changes in the fair values of share capital investments in projects.

### Credit risk

Credit risk is the risk that IØ will incur a financial loss due to a counterparty not fulfilling their obligation. These credit exposures occur from project loans, derivatives and other transactions.

### Managing equity and credit risk

At the portfolio level, IØ mitigates equity risk and credit risk by investing in a variety of countries and by limiting the concentration of risks per partner. IØ assesses concentrations of risk on the basis of total commitments, which include acquisition cost of both share capital investments and project loans, binding commitments and amounts payable on share capital and loan agreements. Further IØ through the due diligence process assesses the specific risks for each share capital investment and project loan and seeks to mitigate associated equity and credit risks.

For some of IØ's share capital investments, IØ has the opportunity to sell the shares through pre-agreed exit agreements. In this way, IØ mitigates the risk of not being able to exit the investments. See note 21 for fair value measurement basis.

On an ongoing basis, the credit quality of the projects is assessed based on among other things:

- Specific terms as agreed
- Current and expected operational results of the project companies
- Expected value of pledges, indemnities and counter-guarantees
- Historical records of debt service

The table below shows the distribution of the cost of IØ's investments by the OECD country risk classification. This classification takes into account the political and economic environment of each country, including risk of force majeure such as war, etc. The classification of each country is updated twice a year.

2020	Share capital investments		Project loans		Total		Commitments (off balance)	
	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%
-	-	0%	-	0%	-	0%	-	0%
1	-	0%	-	0%	-	0%	-	0%
2	-	0%	-	0%	-	0%	-	0%
3	-	0%	-	0%	-	0%	-	0%
4	50,026	78%	94,500	93%	144,526	87%	-	0%
5	-	0%	-	0%	-	0%	-	0%
6	14,509	22%	7,137	7%	21,646	13%	-	0%
7	-	0%	-	0%	-	0%	-	0%
<b>Total</b>	<b>64,535</b>	<b>100%</b>	<b>101,637</b>	<b>100%</b>	<b>166,172</b>	<b>100%</b>	<b>-</b>	<b>0%</b>

2019	Share capital investments		Project loans		Total		Commitments (off balance)	
	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%
-	-	0%	-	0%	-	0%	-	0%
1	-	0%	-	0%	-	0%	-	0%
2	-	0%	-	0%	-	0%	-	0%
3	-	0%	-	0%	-	0%	-	0%
4	50,026	77%	101,876	89%	151,902	85%	-	0%
5	-	0%	-	0%	-	0%	-	0%
6	-	0%	-	0%	-	0%	-	0%
7	15,061	23%	12,589	11%	27,650	15%	-	0%
<b>Total</b>	<b>65,087</b>	<b>100%</b>	<b>114,465</b>	<b>100%</b>	<b>179,552</b>	<b>100%</b>	<b>-</b>	<b>0%</b>

### Credit quality/impairment

All outstanding project loans have been classified into three stages:

- Stage 1 includes project loans with no credit deterioration and no specific allowance for impairment.  
The allowance for impairment according to IFRS 9 are based on IØ's historical annual credit loss.
- Stage 2 includes project loans where payments are delayed with more than 30 days at the end of the year but without specific allowance for impairment.  
The allowance for impairment according to IFRS 9 are based on IØ's historical credit loss.
- Stage 3 includes credit impaired project loans with a specific allowance for impairment.

The table below shows the project loans at cost according to stages.

DKK'000	2020	2019
Project loans (stage 1)	5,513	7,350
Project loans (stage 2)	-	84,122
Project loans (stage 3)	96,124	22,993
<b>Total</b>	<b>101,637</b>	<b>114,465</b>

The table below illustrates the credit quality by OECD country risk for project loans in stage 1.

DKK'000	2020	2019
OECD 6	5,513	-
OECD 7	-	7,350
<b>Total</b>	<b>5,513</b>	<b>7,350</b>

The table below shows project loans according to stages.

DKK'000	Allowance for impairment %	Project loans at cost	Accumulated allowance for impairment	Project loans carrying amount 2020
Project loans (stage 1)	-3.0%	5,513	(164)	5,349
Project loans (stage 2)	#DIV/0!	-	-	-
Project loans (stage 3)	-42.0%	96,124	(40,398)	55,726
<b>Total</b>		<b>101,637</b>	<b>(40,562)</b>	<b>61,075</b>

DKK'000	Allowance for impairment %	Project loans at cost	Accumulated allowance for impairment	Project loans carrying amount 2019
Project loans (stage 1)	-2.2%	7,350	(162)	7,188
Project loans (stage 2)	-1.4%	84,122	(1,189)	82,933
Project loans (stage 3)	-100.0%	22,993	(22,993)	-
<b>Total</b>		<b>114,465</b>	<b>(24,344)</b>	<b>90,121</b>

	2020			
<b>Project loans at amortised cost before allowance for impairment</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Project loans beginning of year at cost	7,350	84,122	22,993	114,465
Interest and fees converted into project loans during the year	-	2,228	1,711	3,939
Repayments during the year	(1,837)	(11,746)	(2,799)	(16,382)
Exchange rate adjustments, project loans	-	(301)	(84)	(385)
Project loans end of year at cost before change of stages	5,513	74,303	21,821	101,637
Change in loan value from stage 2	-	(74,303)	74,303	-
Project loans end of year at cost	<b>5,513</b>	<b>-</b>	<b>96,124</b>	<b>101,637</b>

<b>Accumulated value adjustment incl. allowance for impairment</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Accumulated value adjustment including allowance for impairment beginning of year	(162)	(1,189)	(22,993)	(24,344)
Value adjustments including allowance for impairment for the year	(2)	(17,388)	2,883	(14,507)
Allowance for impairment related to conversions during the year	-	-	(1,711)	(1,711)
Accumulated value adjustments including allowance for impairment end of year before change of stages	(164)	(18,577)	(21,821)	(40,562)
Change in loan value from stage 2	-	18,577	(18,577)	-
Accumulated value adjustments including allowance for impairment end of year	<b>(164)</b>	<b>-</b>	<b>(40,398)</b>	<b>(40,562)</b>

	2019			
<b>Project loans at amortised cost before allowance for impairment</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Project loans beginning of year at cost	7,350	4,540	111,212	123,102
Interest and fees converted into project loans during the year	-	-	6,015	6,015
Repayments during the year	-	(3,737)	(10,955)	(14,692)
Exchange rate adjustments, project loans	-	4	36	40
Project loans end of year at cost before change of stages	7,350	807	106,308	114,465
Change in loan value from stage 3	-	83,315	(83,315)	-
Project loans end of year at cost	<b>7,350</b>	<b>84,122</b>	<b>22,993</b>	<b>114,465</b>

<b>Accumulated value adjustment incl. allowance for impairment</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Accumulated value adjustment including allowance for impairment beginning of year	(150)	(1,742)	(43,861)	(45,753)
Allowance for impairment	(12)	1,386	20,590	21,964
Allowance for impairment related to conversions during the year	-	-	(555)	(555)
Accumulated value adjustments including allowance for impairment end of year before change of stages	(162)	(356)	(23,826)	(24,344)
Change in loan value from stage 2	-	(833)	833	-
Accumulated value adjustments including allowance for impairment end of year	<b>(162)</b>	<b>(1,189)</b>	<b>(22,993)</b>	<b>(24,344)</b>

### Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk for IØ. The table only includes derivatives with positive market value.

DKK 1,000	2020		2019	
	Carrying amount	Maximum credit exposure (contractual cash flow)	Carrying amount	Maximum credit exposure (contractual cash flow)
Project loans	61,075	101,637	90,121	114,465
Interest receivable related to projects	1,901	5,584	172	2,545
Other receivables	163	301	162	301
Derivatives	-	-	-	-
Cash	701	701	14,660	14,660
Commitments	-	-	-	-
<b>Total</b>	<b>63,840</b>	<b>108,223</b>	<b>105,115</b>	<b>131,971</b>

### Description of collateral held and fair value hereof (accessibility of pledged assets for project loans)

In a number of cases IØ has received securities to minimise credit exposure. IØ has received the following types of securities

- Pledges
- Indemnities and counter-guarantees

The fair value of the pledges is DKK 56m (2019: DKK 82m) and for indemnity and counter-guarantees the fair value is DKK 5m (2019: DKK 7m).

18 Currency risk

Currency risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates.

**Currency exposure and sensitivity**

The following table indicates the currencies to which IØ had significant exposure as of 31 December on its financial assets and liabilities excluding share capital investments. The analysis calculates the effect of a reasonably likely movement of the currency rate against DKK on profit or loss with all other variables held constant. There is no sensitivity effect on equity as IØ has no assets classified as available-for-sale.

2020						
DKK 1,000	Project loans	Interest receivables	Other project related receivables	Net exposure	Increase in foreign exchange rates	Effect on profit or loss
EUR	55,726	1,834	-	57,560	1%	576
DKK	5,349	67	163	5,579	N/A	-
<b>Total</b>	<b>61,075</b>	<b>1,901</b>	<b>163</b>	<b>63,139</b>		

2019						
DKK 1,000	Project loans	Interest receivables	Other project related receivables	Net exposure	Increase in foreign exchange rates	Effect on profit or loss
EUR	82,933	82	-	83,015	1%	830
DKK	7,188	90	162	7,440	N/A	-
<b>Total</b>	<b>90,121</b>	<b>172</b>	<b>162</b>	<b>90,455</b>		

19 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Most of IØ's investments in project loans carry variable interbank interest rates, thus changes in interest rates will mainly affect future cash flows and income.

**Interest rate exposure and sensitivity**

The annual effect of changes in the interest rate only affects the fair value of fixed rate loans. For variable rate loans, the effect on profit and loss will be a change in the interest payments for the coming year.

The annual effect of an increase in the interest rate of 100 basis points is shown in the table below for fixed and variable interest rate loans.

2020				
DKK 1,000	Project loans	Net exposure	Increase in interest rates	Effect on profit or loss
Fixed	-	-	100 bp	-
Variable	61,075	61,075	100 bp	-
<b>Total</b>	<b>61,075</b>	<b>61,075</b>		

2019				
DKK 1,000	Project loans	Net exposure	Increase in interest rates	Effect on profit or loss
Fixed	-	-	100 bp	-
Variable	90,121	90,121	100 bp	-
<b>Total</b>	<b>90,121</b>	<b>90,121</b>		

20 Liquidity risk

Liquidity risk is defined as the risk that IØ will encounter difficulty in meeting financial obligations.

IØ has no external funding and is equity financed except for current liabilities comprised of administrative debt and negative fair value of derivative financial instruments.

IØ's primary exposure to liquidity risk arises from commitments to disburse share capital investments and project loans.

To meet these and other obligations, IØ, apart from capital contributions net of dividends, relies on a continuous positive cash flow from interest and repayments on project loans as well as dividends and sales of share capital investments to meet its obligations. It is IØ's policy to maintain a positive cash position. A DKK 300 million credit facility shared with IFU is in place to cover unexpected negative short-term fluctuations in cash flows. At year-end, DKK 298 million was available for drawing.

**Contractual maturities**

The contractual maturities based on undiscounted contractual cash flows are shown below for financial assets, liabilities, guarantees and commitments.

**2020**

DKK 1,000	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
<b>Assets</b>							
Project loans	61,075	101,637	96,124	5,513	-	-	-
Interest receivable related to projects	1,901	5,584	5,584			-	-
Other receivables	1,052	1,190	301	889	-	-	-
Cash and cash equivalents	701	701	701	-	-	-	-
<b>Total assets</b>	<b>64,729</b>	<b>109,112</b>	<b>102,710</b>	<b>6,402</b>	-	-	-
<b>Liabilities</b>							
Drawn on credit facilities	1,912	1,912		1,912			
Other current liabilities	-	-		-			
<b>Total liabilities</b>	<b>1,912</b>	<b>1,912</b>	-	<b>1,912</b>	-	-	-
<b>Off-balance</b>							
Amounts payable on share capital and loan agreements		-	-				
<b>Total off-balance</b>		-	-	-	-	-	-

**2019**

DKK 1,000	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
<b>Assets</b>							
Project loans	90,121	114,465	46,572	64,218	3,675	-	-
Interest receivable related to projects	172	2,545	2,545				
Other receivables	922	1,061	301	760	-	-	-
Cash and cash equivalents	14,660	14,660	14,660				
<b>Total assets</b>	<b>105,875</b>	<b>132,731</b>	<b>64,078</b>	<b>64,978</b>	<b>3,675</b>	-	-
<b>Liabilities</b>							
Drawn on credit facilities	1,819	1,819		1,819			
Other current liabilities	327	327		327			
<b>Total liabilities</b>	<b>2,146</b>	<b>2,146</b>	-	<b>2,146</b>	-	-	-
<b>Off-balance</b>							
Amounts payable on share capital and loan agreements		-	-				
<b>Total off-balance</b>		-	-	-	-	-	-



## 21 Classification of financial instruments

The following table provides a reconciliation between line items in the balance sheet and categories of financial instruments.

<b>2020</b>	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Other liabilities at amortised cost	Total
DKK 1,000				
<b>Financial assets</b>				
Share capital investment in projects	28,971	-		28,971
Project loans	-	61,075		61,075
Interest receivable related to projects	-	1,901		1,901
Other receivables	163	889		1,052
Cash and cash equivalents	-			-
<b>Total financial assets</b>	<b>29,134</b>	<b>63,865</b>	-	<b>92,999</b>
<b>Financial liabilities</b>				
Current liabilities:				
Drawn on credit facilities		(1,211)	-	(1,211)
<b>Total financial liabilities</b>	-	<b>(1,211)</b>	-	<b>(1,211)</b>
<b>2019</b>	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Other liabilities at amortised cost	Total
DKK 1,000				
<b>Financial assets</b>				
Share capital investment in projects	27,152	-		27,152
Project loans	-	90,121		90,121
Interest receivable related to projects	-	172		172
Other receivables	-	922		922
Cash and cash equivalents	-	12,841		12,841
<b>Total financial assets</b>	<b>27,152</b>	<b>104,056</b>	-	<b>131,208</b>
<b>Financial liabilities</b>				
Current liabilities:				
Drawn on credit facilities	-		-	-
<b>Total financial liabilities</b>	-	-	-	-

The carrying amount of project loans with fixed interest terms amount to DKK 0m (2019: 0m). The fair value of project loans amount to DKK 0m (2019: DKK 0m) measured as the net present value of the future cash flow. The inputs used to measure the fair value for project loans are all level 2 inputs in the fair value hierarchy, for more information see disclosure on fair value measurement, note 22. For other loans and receivables and other liabilities the carrying amount is measured at amortised cost a reasonable approximation of fair value.

## 22 Fair value measurement basis

The calculation of fair value is based on a fair value hierarchy that reflects the level of judgement associated with the inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 inputs are unobservable inputs that have been applied in valuing the respective assets or liabilities.

In the following sections a short description of the overall principle for IØ's calculation of fair value is provided. 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:

- 1) Current and expected operational results of the project company
- 2) Risk of remittance, if any
- 3) Specific circumstances relating to the partners, project, country, region and/or sector
- 4) Current market conditions
- 5) Tax issues

### **Share capital investments**

IØ's fair value estimates are based on unobservable market data (level 3).

Indirect investments through financial intermediaries (funds) where the underlying investments are valued according to a fair value principle will be valued at net assets value according to the most recent financial statement received by IØ. Financial intermediaries include externally managed funds.

Direct investments are valued as follows:

- In the initial phase all investments are valued at cost price less any impairment adjustment, as this is deemed to provide a good indication of fair value. Hereafter investments will be valued at either the Discounted Cash Flow method (DCF), by an earnings multiple if appropriate and reliable transaction/earnings multiples are available, or by the net assets methodology, if appropriate. For smaller investments, see below.
- If IØ during the 12-month period prior to the reporting date has received a binding offer in writing from a third party or a significant transaction has taken place, the shares will normally be valued based on the offer or the recent transaction.

The following general assumptions are applied when performing DCF or earnings multiple calculations:

- For DCF calculations, budgets and forecasts for the investments form the basis for the valuation.
- a weighted average cost of capital based on the cost of equity and the cost of debt weighted by the targeted financial leverage from the industry. Growth in terminal period is based on the estimated long-term inflation rate of the country.
- An illiquidity discount is applied and other specific adjustments may be applied where relevant for both DCF and earnings multiple calculations.

Valuing private investments in developing countries at fair value involves a large inherent uncertainty. Due to this uncertainty, a degree of caution is applied when exercising judgements and making the necessary estimates. For smaller investments (cost price or intrinsic value below DKK 25m) uncertainties are deemed to be even higher and therefore these will be valued at intrinsic value to reflect IØ's share of earnings in the companies. These investments constitute a minor part of IØ's portfolio.

Some share capital investments include a pre-agreed exit agreement. In these cases the value of the exit agreements is taken into consideration as part of the fair value calculation. Investments valued according to exit agreements are in the table below disclosed together with investments valued based on a recent binding offer or transaction.

### Fair value measurements and reconciliation

The following table shows financial instruments recognised at fair value by level in the fair value hierarchy and a reconciliation of all movements in the fair value of items categorised within level 3.

#### 2020

DKK 1,000	Level 1	Level 2	Level 3	Total
<b>Share capital investments</b>				
Opening balance	-	-	27,152	27,152
Transfers into the level	-	-	-	-
Transfers out of the level	-	-	-	-
Total gains/ losses for the period included in profit or loss <sup>1</sup>	-	-	1,820	1,820
Paid-in share capital in projects	-	-	-	-
Proceeds from divestment of shares	-	-	(1)	(1)
<b>Closing balance</b>	-	-	<b>28,971</b>	<b>28,971</b>
<b>Other receivables</b>				
Opening balance	-	922	-	922
Closing balance	-	889	-	889
<b>Total recurring fair value measurements</b>	-	<b>889</b>	<b>28,971</b>	<b>29,860</b>

#### 2019

DKK 1,000	Level 1	Level 2	Level 3	Total
<b>Share capital investments</b>				
Opening balance	-	-	43,208	43,208
Transfers into the level	-	-	-	-
Transfers out of the level	-	-	-	-
Total gains/ losses for the period included in profit or loss <sup>1</sup>	-	-	2,667	2,667
Paid-in share capital in projects	-	-	-	-
Proceeds from divestment of shares	-	-	(18,723)	(18,723)
<b>Closing balance</b>	-	-	<b>27,152</b>	<b>27,152</b>
<b>Other receivables</b>				
Opening balance	-	900	-	900
Closing balance	-	922	-	922
<b>Total recurring fair value measurements</b>	-	<b>922</b>	<b>27,152</b>	<b>28,074</b>

1) Recognised in Contribution from share capital investments.

Hereof DKK 2m (2019: DKK 2m) is attributable to assets held at 31 December for level 3.

Valuation techniques and unobservable inputs used measuring fair value of Level 3 fair value measurements.

**2020**

DKK 1,000

Type of investment	Fair value at 31/12/2020	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value
<b>Indirect investments through financial intermediaries</b>					
Externally managed funds	0	Net assets value			
<b>Direct investments</b>	0	Binding offers/transaction/exit terms			
	28,971	Book value of equity (small investments)			
<b>Share capital investments</b>	<b>28,971</b>				

**2019**

DKK 1,000

Type of investment	Fair value at 31/12/2019	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value
<b>Indirect investments through financial intermediaries</b>					
Externally managed funds	0	Net assets value			
<b>Direct investments</b>	0	Binding offers/transaction/exit terms			
	27,152	Book value of equity (small investments)			
<b>Share capital investments</b>	<b>27,152</b>				

## 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, according to Section 9 of the Danish Act on International Development Cooperation. Each appointment is personal. The current three-year term ends on 31 July 2021.

The board of directors and executive management of IFU and IØ are identical.

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 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 and as such cannot be considered independent in accordance with the recommendations by the Danish Committee on Corporate Governance.

#### **Michael Rasmussen, Chairman, board member since 2000**

CEO, Nykredit.

Other board memberships: Nykredit Bank A/S (chairman), Totalkredit A/S (chairman), Finance Denmark (deputy chairman), Copenhagen Business School (deputy chairman), Sparinvest Holding SE (chairman).

#### **Lars Andersen, Deputy Chairman, board member since 1994**

Managing Director, The Economic Council of the Labour Movement.

Other board memberships: Industriens Pensionsforsikring A/S, Arbejdernes Landsbank A/S, Divérs.

#### **Jens Jørgen Kollerup, board member since 2009**

Managing Director, Ormholt A/S.

Other board memberships: Vermund Larsen A/S (chairman), Royal Danish Fish Group A/S.

#### **Bjarne H. Sørensen, board member since 2012**

MSc (Civil Engineering). Ambassador (retired).

#### **Mads Kjær, board member since 2015**

Managing Director, Kjaer Group A/S

Other board memberships: Kjaer Group A/S, Udsyn A/S, Ejendomsselskabet Svendborg ApS.

#### **Anne Broeng, board member since 2019**

Professional board member.

Other board memberships: Velliv (chairman), NNIT A/S, VKR Holding A/S, ATP, Sleep Cycle AB, Aquaporin A/S, Rodinia aps, Asta og Jul. P Justesen Fond (chairman).

#### **Signe Skovbakke Winding, board observer since 2020**

Head of Department, Ministry of Foreign Affairs

## **Executive management**

The Danish minister for development cooperation appoints the CEO.

### **Torben Huss, CEO**

Board memberships: Nordic Microfinance Initiative.

### **Lars Krogsgaard, CIO**

Board memberships: ViroGates A/S, Samplix A/S, DCR Solution A/S.

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## Lars Krogsgaard

CIO

På vegne af: Investeringsfonden for Østlandene (IØ)

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IP: 83.89.xxx.xxx

2021-04-13 14:20:59Z

NEM ID 

## Torben Huss

CEO

På vegne af: Investeringsfonden for Østlandene (IØ)

Serienummer: PID:9208-2002-2-926154053858

IP: 188.120.xxx.xxx

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NEM ID 

## Anne Broeng

Board of Directors

På vegne af: Investeringsfonden for Udviklingslande ...

Serienummer: PID:9208-2002-2-749531137088

IP: 62.243.xxx.xxx

2021-04-13 14:43:59Z

NEM ID 

## Mads Krarup Kjær

Board of Directors

På vegne af: Investeringsfonden for Østlandene (IØ)

Serienummer: PID:9208-2002-2-105161381075

IP: 77.234.xxx.xxx

2021-04-13 14:50:40Z

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## Jens Jørgen Kollerup

Board of Directors

På vegne af: Investeringsfonden for Østlandene (IØ)

Serienummer: PID:9208-2002-2-874659491101

IP: 85.191.xxx.xxx

2021-04-13 14:51:07Z

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## Lars Andersen

Deputy Chairmann

På vegne af: Investeringsfonden for Østlandene (IØ)

Serienummer: PID:9208-2002-2-992806485965

IP: 188.183.xxx.xxx

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## Bjarne Henneberg Sørensen

Board of Directors

På vegne af: Investeringsfonden for Østlandene (IØ)

Serienummer: PID:9208-2002-2-751431887448

IP: 2.106.xxx.xxx

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## Michael Rasmussen

Chairman

På vegne af: Investeringsfonden for Østlandene (IØ)

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## Anne J. N. Toensberg

State Authorised Public Accountant

På vegne af: EY Godkendt Revisionspartnerselskab

Serienummer: CVR:30700228-RID:1277382725905

IP: 85.83.xxx.xxx

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## Lars Rhod Soendergaard

State Authorised Public Accountant

På vegne af: EY Godkendt Revisionspartnerselskab

Serienummer: CVR:30700228-RID:1277382550577

IP: 93.164.xxx.xxx

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