

1999

ANNUAL REPORT



iø

DANISH INTERNATIONAL INVESTMENT FUNDS:

**The Investment Fund for Central
and Eastern Europe – Denmark**

Purpose of Operations

The purpose of IØ is to promote Danish investments in Central and Eastern Europe and thereby support the reformist countries in their efforts to achieve an increased economic, commercial and industrial development, and to enhance the possibilities for closer economic co-operation between Denmark and Central and Eastern Europe resulting in generally improved East/West relations which will benefit Danish trade and industry, as well as the employment situation in Denmark.

THE DANISH PARLIAMENT, DECEMBER 14, 1989:
THE ACT ON SUPPORT TO DANISH INVESTMENTS IN CENTRAL AND EASTERN EUROPE

IØ at a Glance

Founded	By legislation in 1989.
Institutional form	Self-governing fund with a board of directors appointed by the Minister of Foreign Affairs.
Total equity capital	DKK 1,574 million.
Experience from	16 countries. 256 projects.
Working method	With equity capital and/or loans IØ can participate as a joint venture partner when Danish companies invest in Central and Eastern Europe, the Baltic States and in the Commonwealth of Independent States (CIS).
Eligibility	To be qualified, projects must be evaluated as commercially viable. Green-field projects as well as expansion of existing projects and privatisation of state-owned enterprises are eligible for IØ investments. All countries in the region are eligible, provided they are undertaking market economy reforms.
Size of investments	Both large projects and small ones, including pilot projects are eligible for financing from IØ. This flexibility fits well with the needs of CEE and the structure of Danish trade and industry.
Participation	On the basis of its many years of experience with a wide range of investments, IØ offers advisory service in the preparatory and initial phases of investment projects. IØ is a working member of the board of directors as long as it holds shares in the project.
Financial engineering	IØ has expertise in identifying and mobilising supplementary sources of finance to ensure the most viable project financing.

IFU – the sister Fund for investments in developing countries

The Industrialization Fund for Developing countries (IFU) was used as the model, when IØ was established. It thus works along the same lines as IØ.

Though an independent entity, IFU shares its board of directors and management with IØ, and is administered within the same organisation.

IFU was established as a self-governing fund by legislation in 1967 and has over the years invested in 401 enterprises in co-operation with partners from the private sector in Denmark and in the host countries. IFU has contacts in almost all developing countries and has business experience with the majority. IFU has offices in China, India, Mexico and Zimbabwe.

IFU is the focal point for contacts between Danish companies and international finance institutions with interests in developing



countries. The Fund is the Danish agent for the European Union's joint venture programme (ECIP). In addition, IFU has entered into an agreement with the European Investment Bank (EIB) concerning the ECFI Programme. EIB can invest in the 71 African, Caribbean and Pacific countries which have signed the Lomé Convention. ECIP can invest in other developing countries. IFU has close contacts with the International Finance Corporation (IFC) and a number of Nordic and other international financial institutions, as well as local and regional development banks in developing countries.

Gujarat Sidhee Cement Limited (GSCL) was established in 1988 at Veraval in the Western Indian State of Gujarat with modern dry process technology from F.L. Smidth & Co. A/S (FLS). IFU invested DKK 13.1 million in the share capital of the company in 1994.

IFV – the sister Fund for investments in Emerging Markets

The purpose of the Investment Fund for Emerging Markets (IFV) is to encourage Danish companies to establish local companies in emerging markets and to contribute to environmentally balanced economic growth in these markets. 1999 was the second year of operation for the Fund.

Like IØ, IFV is an independent entity, but shares its board of directors and management with IFU. It also works along the same lines as the other two Funds. It can co-finance the establishment of new companies and the extension of existing ones or privatisation of state owned enterprises, provided that Danish companies participate with financing as well as in management. IFV also facilitates Danish companies' access to international project financing.

IFV can operate in countries or regions outside Europe, which are on the OECD's list of recipients of development aid, but have a per capita income above USD 5,280

in 2000. It thus covers almost any non-industrialised country and region which is not eligible for IFU or IØ financing.



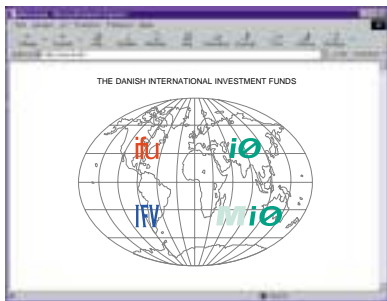
Segetrans (Argentina) S.A., in which IFV invested DKK 2.9 million in 1999, offers transportation of fresh fruit and other perishables from producers in southern Argentina to the exporting harbours. By introducing modern technology, Segetrans ensures that the buyers in USA and Europe receive higher quality produce than before.



Danish International Investment Funds is the umbrella term for IFU, IØ and IFV.

The funds offer co-financing in Central and Eastern Europe and in developing countries and regions. Developing countries with relatively high per capita

incomes are eligible for IFV investments. Due to their economic growth some countries which were previously in the IFU sphere have moved to the IFV sphere. Examples are Argentina, the Republic of Korea and Singapore.



Visit the web-site for up-date information:

www.ioe.dk



DANISH INTERNATIONAL INVESTMENT FUNDS

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The Investment Fund for
Central and Eastern Europe
Denmark

Investments Contracted in 1999

New projects

		IØ's investment (DKK million)			Expected employ- ment
Project Name	Country	Shares*	Loans**	Total	(persons)
1	Brno Shopping Center			0.0	5
2	Radisson Hotel Tallinn	13.4		13.4	100
3	Rak-Wood		4.5	4.5	150
4	Treilor			0.0	60
5	Vennndt Hazelnuts	1.6		1.6	140
6	Hungarian Telephone and Cable	62.4		62.4	380
7	Danlat Agro		1.2	1.2	8
8	Labiba Un Kvalitate	1.3	0.5	1.8	6
9	Svyturus Brewery	70.6		70.6	292
10	Baxi Radan	4.9	8.8	13.7	140
11	Maersk Polska		34.5	34.5	100
12	Rol-Dan		3.6	3.6	20
13	Nowe Slaskie Kable		19.3	19.3	25
14	Print Partner		0.4	0.4	3
15	Bank Wlasnosci Procowniczej	12.0		12.0	20
16	HTH Polska	0.9		0.9	25
17	Energo-Asekuracja	5.4		5.4	320
18	Zelmech	3.6		3.6	105
19	Inreco-RDM Emulsja		1.4	1.4	1
20	Rosti (Polska)		25.0	25.0	150
21	Centrum Handlowe Sosnowiec			0.0	5
22	BlueTel		1.1	1.1	10
23	Kuma		0.4	0.4	27
24	Sadolin Sestroretsk	0.9		0.9	300
25	Sadolin Properties	0.2	1.2	1.4	1
26	Radisson-SAS		35.1	35.1	130
27	Wilhjelm Slovenia	1.1		1.1	6
Total		178.3	137.0	315.3	2,529

Further financing of ongoing projects

Project Name	Country	Shares*	Loans**	Total
28	Cembrit Bohemia		21.0	21.0
29	Baltifalt	1.6		1.6
30	Inreco Hungary	0.2	0.5	0.7
31	Air Baltic Corporation	7.3		7.3
32	Danlat Group Latvija SIA		0.8	0.8
33	UAB Wood Team Production	1.1	0.2	1.3
34	Vilnius Margarino Gamykla		3.0	3.0
35	Bauma Unicon	0.4		0.4
36	Poldanor		8.0	8.0
37	Danish Farm. Consultants		1.5	1.5
38	X-Press Bikers		0.3	0.3
39	Noratel		0.7	0.7
40	HITROM	10.1		10.1
41	Sunny Hills Property	7.5		7.5
42	St. Petersburg Taxophones		2.1	2.1
Total		28.2	38.1	66.3
Grand total		206.5	175.1	381.6

*) incl. overrun commitment

**) incl. guarantees



Growth in Investment Volume

This report summarises – unless otherwise stated – the combined activities of IØ and the Environmental Investment Facility for Central and Eastern Europe (MIØ).

The financial crisis of 1997-1998 had only a minor effect on the outward flow of Danish foreign direct investment. It continued in 1999 to be at a high level also in Central and Eastern Europe.

The total amount of IØ's contracted investments in 1999 was DKK 381.6 million against DKK 343.8 million in 1998. Out of the contracted investments in 1999, DKK 315.3 million were for new projects and DKK 66.3 million were for further financing.

IØ's total investment was distributed with DKK 206.5 million (54 per cent) as share capital and DKK 175.1 million (46 per cent) as loans.

The total investments in the projects amounted to DKK 3,454 million, including contributions from joint venture partners in Denmark and host countries and from other sources. For every DKK 100 IØ invested, it thus generated an aggre-

gate investment in Central and Eastern Europe of DKK 996.

The investments in new projects in 1999 are estimated to create/preserve 2,500 jobs in the host countries and export from Denmark worth DKK 440 million, providing the equivalent of employment for one year to 900 people in Denmark.

During 1999, IØ participated in 42 investments of which 27 were in new projects and 15 were additional financing in already existing project companies.

In 1999, IØ withdrew from 19 projects and by the end of the year the portfolio of projects with active IØ participation was 168.

A continued high number of new investment proposals presented to IØ demonstrates that Danish companies are ready to meet the challenges of globalisation – with IØ as a much demanded co-investment partner. It is fair to assume that the demand on IØ capital and advisory services will remain at the present high level.

Through IØ's co-operation with a large number of Nordic, European and global financial institutions, the

partners from the private sector are to an increasing extent obtaining finance for their projects from a variety of sources. Among the institutions IØ co-operates with are the Nordic Investment Bank (NIB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the International Finance Corporation (IFC). IØ is a member of EDFI, a grouping of 12 European Development Finance Institutions.

Regional distribution

In Russia, the financial and political uncertainties of 1999 have led to a marked hesitation on the part of Danish investors to invest in this potentially huge market. However, IØ participated in 2 new projects in Russia in 1999, as some projects prepared over a long period became ripe for action in 1999. Some Danish companies were also spurred to commence local production, as the devaluation in August 1998 of the Russian rouble made traditional exports very difficult.

In the meantime, an undiminished flow of Danish investments continues in the Baltic region, while there was a number of new projects

■ ADDING NEW EXPERTISE TO IØ

By engaging professionals from Central and Eastern Europe, IØ gains a broader capacity to advice its partners in the private sector. IØ also employs trainees from Central and Eastern Europe, usually as part of their studies at the Scandinavian International Management Institute (SIMI). This contributes to the build-up of a new generation of business managers in these countries. The idea is to introduce them to IØ during their studies and to continue to employ some of them, once they have completed their studies.



36 years old **Robert Lech** was employed by IØ in 1997 in Warsaw and was subsequently offered the opportunity to complete his studies at SIMI as in-service training.

He was born in Warsaw and has previously worked as a project co-ordinator for the International Finance Corporation in Poland, and as a consultant and senior consultant for private companies in Poland.

Mr Lech is of great value to IØ and its partners due to his cross-cultural experience, command of languages and knowledge of the local business environment. In addition, he possesses professional skills in project evaluation, in business and project management and in human resources development.



In 1997 **Victor Victorovich Dementiev**, 41, joined IØ as investment officer in Copenhagen and started simultaneously at SIMI.

Earlier he had had a career in Russian companies as an engineer and from 1991 he was Managing Director of the company Energotechnika. His Danish connection began in 1992, when he became head of the representation office of the Danish company Flexcon Aalborg A/S.

This type of qualifications is in great demand, and in 1999 he accepted the position as General Manager at the Grundfos subsidiary in Moscow, Russia. His background from IØ and SIMI adds to his value for the Danish company.





Johannes Poulsen, Chairman

Sven Riskær, Managing Director

in the southern part of Central Europe and a first time IØ investment took place in Georgia.

Poland remains by far the most important target for IØ investments. Out of the 27 new projects 12 were established in Poland, followed by 3 in Estonia. It is expected that the investment activity in the future will also remain at a high level in Poland, which from a Danish perspective is a nearby market with great potential.

Accounts

The net result for IØ and MIØ in 1999 was a deficit of DKK 85.3 million and 22.0 million respectively – mainly caused by yet another strong upsurge in disbursements, and consequently high general provisions against losses. In addition, specific provisions had to be made in response to serious problems in some of the Russian projects. In 1998, the net result of IØ and MIØ was respectively a deficit of DKK 5.9 million and a surplus of DKK 3.9 million. IØ's disbursement of share capital and loans to projects in 1999 amounted to DKK 439.7 million against DKK 257.8 million in 1998. The corresponding figures for MIØ were DKK 116.2 million and DKK 18.6 million.

IØ's outstanding amount at the end of 1999 was DKK 1,296.7 million against DKK 940.8 million in 1998. The corresponding figures for MIØ were DKK 230.2 million and DKK 127.9 million. 56 per cent of IØ's outstanding amount is share capital.

The corresponding figure for MIØ is 65 per cent.

In 1999, DKK 40 million was allocated to IØ and DKK 70 million to MIØ from the Danish Government as new equity capital (IØ) and facility capital (MIØ). In 1999, the equity capital of IØ thus decreased by DKK 45.3 million to DKK 1,205.9 million while MIØ's facility capital increased by DKK 48.0 million to DKK 367.7 million. In 2000, a capital injection of a further DKK 35 million to IØ and DKK 50 million to MIØ is expected. Hereafter the capital basis of IØ is expected to have reached a sustainable level, while demand for environmental investments seems to justify further capital injections into MIØ for yet some years to come.

Expertise and human resources

Apart from the financing itself, it is becoming increasingly important to investors that they can draw on the experience and expertise of IØ. Through its more than 250 investments over 10 years, IØ has become a well recognised resource base of expertise.

Not only is IØ's experience constantly accumulated, combined and


The Board and Management wish to thank the entire staff and the advisers for their dedication and efforts shown during the year.


analysed; new knowledge is also infused through the policy of engaging highly qualified professionals from Central and Eastern Europe as advisers and staff members. This gives IØ a much broader base for assisting its partners, and adds to the institution's competence with respect to inter-cultural understanding and language. By the end of 1999, IØ had engagements with about ten advisers in relevant geographical areas assisting IØ and its partners in connection with project appraisal and monitoring. Furthermore, IØ directly employed 5 staff members from Central and Eastern Europe.

In 1999 IØ continued its work to strengthen the environmental and ethical aspects of its investment projects. Independent experts carried out a two-year review on the environmental status of projects in Poland, the results of which will be published by mid 2000. Meanwhile, IØ and the Confederation of Danish Industries collaborate with the Danish Centre for Human Rights in order to have employees' rights and other human rights aspects in private business scrutinised. The results of the research and evaluation activities will provide guidance for an ethical code of conduct in private business.

By the end of 1999, the Fund Manager – the Industrialization Fund for Developing Countries – had a staff of 79, of which 42 were female. 63 were employed at the head office. Of the staff, 44 were professionals. A total of 18 were non-Danes. 11 new staff members were hired, and 11 left. The implementation of a major scheme for human resource development for the staff continued in 1999.

Copenhagen, February 24, 2000


 Johannes Poulsen
 Chairman


 Sven Riskær
 Managing Director

From Rags towards Riches



At the end of 1999, IØ could celebrate its first 10 years of operation. What are the lessons from these turbulent years? Max Kruse, IØ's Regional Representative

in Warsaw, is in a good position to answer this question, as he heads an office overlooking half of the investment projects, which have been initiated.

The end of the Communist era ten years ago left a number of countries in economic and political ruin. Few were prescient enough to envisage these countries turning into magnets of direct foreign investment, almost overnight. However, there was hardly any doubt in the minds of Danish politicians that spurring such a development would benefit both Europe and Danish companies. Today, the outcome of their initiative during those turbulent months is one of the success stories of the 1990s.

On 22 September 1989, the Danish Government presented an Action Plan to support the reform process in Central and Eastern Europe. The idea of an investment fund was one

of its elements. Just before Christmas, Law no. 228, establishing IØ, was passed by the Parliament.

Ten years later, it is appropriate to take stock and draw lessons.

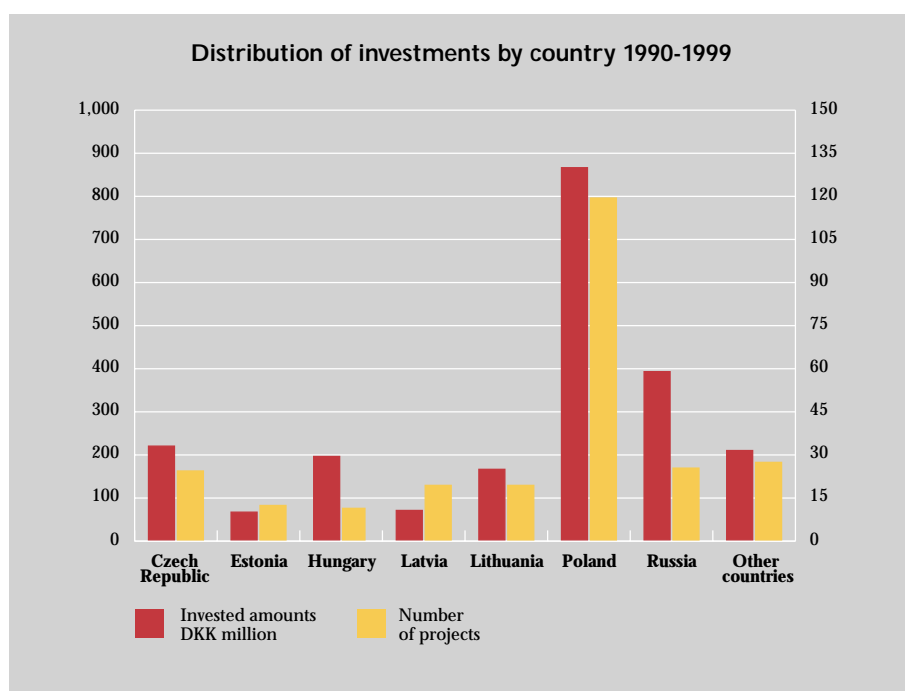
Immediately in gear

IØ was able to embark on its activities almost immediately as a result of a decision to make the already

well established and well-reputed IFU (the Industrialization Fund for Developing Countries) its Fund Manager. In 1990, IØ received DKK 155 million from the Danish Government, and during its first year of operation, the fund participated in five projects in Poland, one in the then Czechoslovakia and one in Hungary. IØ's financial participation in the seven projects totalled DKK 16 million.



Wavin Metalplast-Buk, Poland. IØ participation 1991-1997.



While the start may seem modest, it was clear from the more than 400 project proposals in 1990 alone that Danish trade and industry foresaw great opportunities in Central and Eastern Europe. Ever since, the number of investments has been growing.

- By the end of 1999 IØ had participated in the financing of 256 projects in 16 countries.
- IØ's investments amounted to DKK 2,167 million.
- With "the blue stamp" from IØ, it is easier for projects to obtain capital from other sources. By year-end 1999 IØ had thus attracted supplementary investments for the projects of about DKK 2,900 million

from e.g. the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), the Nordic Environmental Finance Corporation (NEFCO) and the European Union's Joint Venture Programme (JOP).

- Approx. 22,900 jobs have been created or preserved through the 256 projects.
- Export from Denmark to the 256 projects amounted to an estimated sum of DKK 5,000 million, equalling approximately 10,000 man-years of employment.

Environment

IØ's investments have contributed towards a reduction of the pollution in Central and Eastern Europe. In many of the projects, the Danish partners have introduced state of the art environmental protection equipment in the production lines. Other projects produce environmental protection accessories.



Microtronic Poland, production of precision instruments. IØ participation 1997- .

With assistance from environmental experts, IØ has carried out an analysis of the environmental impact of all the projects in Poland co-financed by IØ. The preliminary indications show that the projects in general contribute positively towards a better environment.

Of the 256 projects co-financed by IØ since 1990, 30 have been financed directly under a special facility, the Environmental Investment Facility for Central and Eastern Europe (MIØ), established in 1995.

Motivation for investment

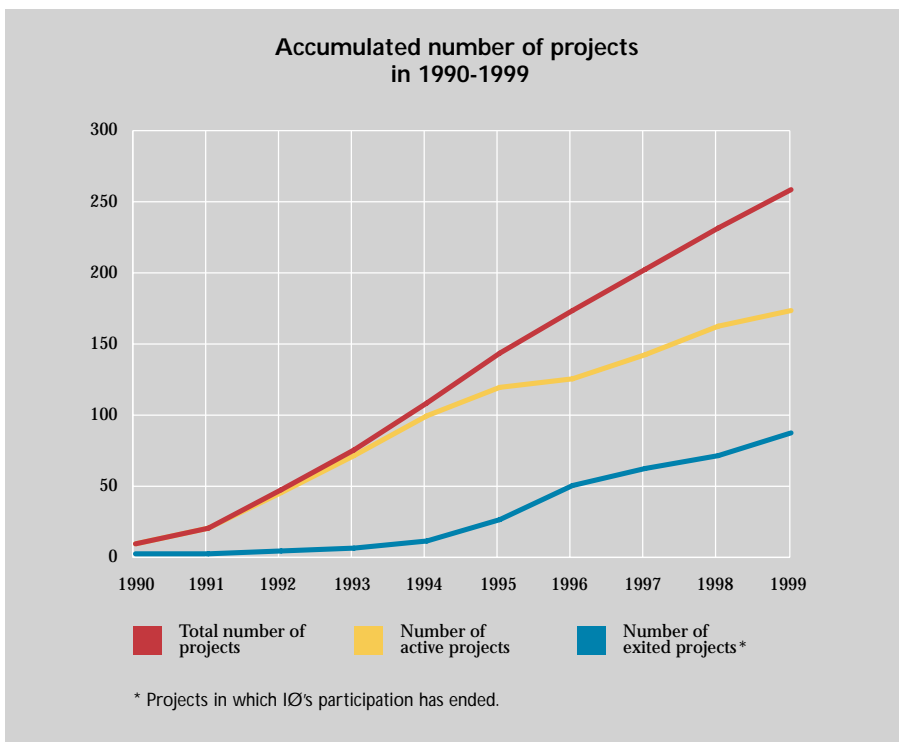
It is a common belief that the main motive behind Danish investments in Central and Eastern Europe is low production costs – cheap labour and an escape from Danish legislation on environmental protection. The reality is different.

Looking at IØ's 119 investments in Poland, re-export to Denmark is the major activity in just a handful of the project companies.

In all the other companies, the motive for establishing a new company or acquiring a stake in an existing one is the market potential.

That the potential is there is clear enough now. Several companies established in co-operation with Danish companies and IØ have already expanded beyond the most optimistic of expectations:

- Unicon Beton Sp.z o.o. in Poland is an example. The company was established in 1995, and its first ready-mix concrete production plant opened in Warsaw in 1996. By the end of 1999, Unicon had opened two additional plants in Warsaw, two in the Gdansk-Gdynia area and one in Silesia. Additional production plants are scheduled for opening in 2000.

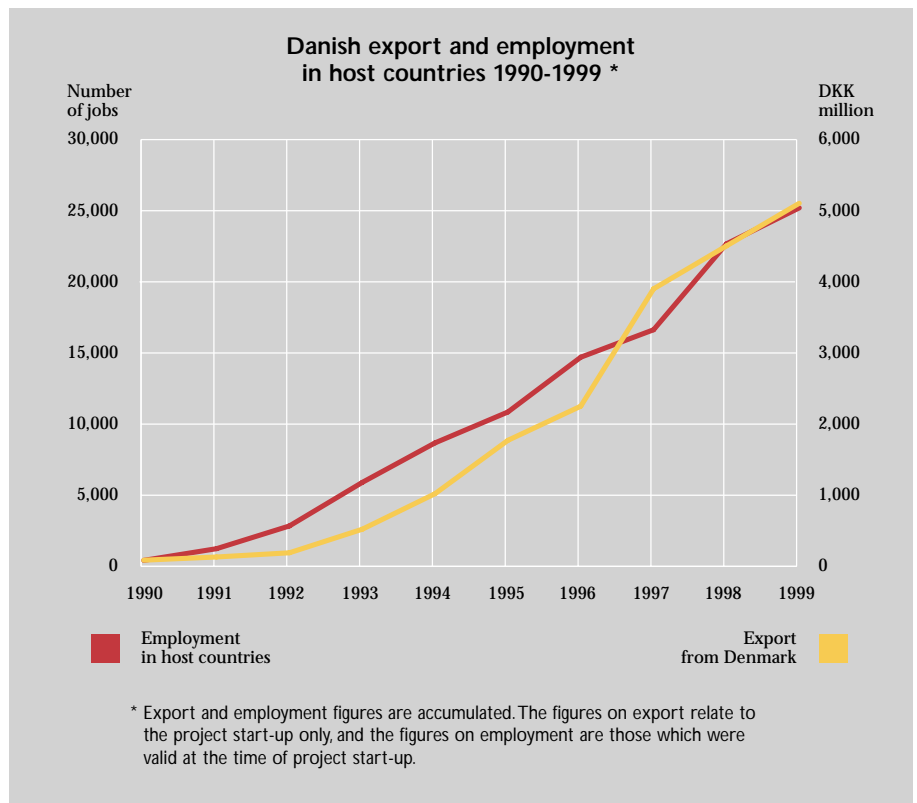


Even for companies originally established with purely re-export in mind, the dynamic development of the local markets has offered such good opportunities that they could not be ignored. In many cases this has created a need for expansion and/or the securing of a much broader foundation for these companies and their mother companies in Denmark.

Problems?

Problems may arise in almost any project, irrespective of the country chosen. However, most of the problems encountered in Central and Eastern Europe have been manageable and have now been overcome.

- Language problems have led to many misunderstandings and in some cases have caused friction.
- Qualified managers were difficult to find during the early period, especially those with a relevant background in sales, marketing and finance. Today, an increasing number of candidates possess the necessary qualifications.
- Employees from Central and Eastern Europe found it difficult, especially in the early years, to adapt to an organisational structure where initiative is encouraged and expected at all levels.



- Funding of any kind was in short supply in the beginning, but a healthy financial sector is emerging in most countries.
- Infrastructure – legal, financial and physical – was poor at first, but gradually new democratically elected governments have achieved great success by relying on the dynamics of the private sector.

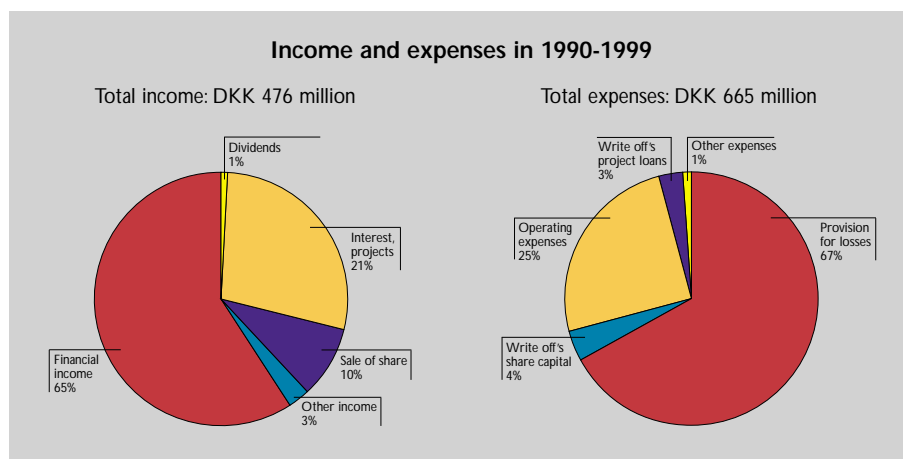
IØ and the next ten years

Today the Czech Republic, Hungary and Poland are full members of NATO. Together with Estonia, Latvia, Lithuania, Slovakia and Slovenia they are starting membership negotiations with the European Union.

However, there is still a role for IØ. The economic gap with Western Europe is still wide, and investment opportunities abound.

What happens in the next ten years is difficult to predict. Without any doubt, it will remain a challenge for quite some time for Russia to demonstrate sound economic and democratic development and thus win the confidence of foreign investors.

However, the most important lesson from the 1990s is that it is rewarding to take initiatives and to remain active.



Auditor's Report

We have audited the financial statements (pages 10 to 14) prepared by the management of The Investment Fund for Central and Eastern Europe (IØ) for the year ended December 31, 1999.

The audit

The audit was planned and performed in accordance with Danish governmental auditing practices and generally accepted auditing standards to obtain reasonable assurance about whether the financial statements are free of material misstatements. During our audit we have, based on an evaluation of materiality and risk, examined the support and documentation for the amounts and other disclosures in the financial statements, and have furthermore evaluated whether the

administration of IØ's means has taken place with due care. We have also assessed the accounting principles used and significant estimates made by management, as well as evaluated the overall financial statements presentation.

Our audit has not resulted in any qualification.

Additional information

As a selfgoverning fund established by Act of parliament, IØ is not subject to the provisions of the Danish Annual Accounts Act for limited liability companies.

The accounting principles for IØ have been established with the aim at reflecting the activities of IØ in the most clear and comprehensive

manner and are shown in the section "accounting principles applied" (pages 10 to 11).

Opinion

In our opinion, the financial statements are presented in accordance with the accounting principles established for IØ and the relevant legal requirements and present fairly the assets and liabilities, the financial position, the results of operations and the cash flows for the year.

The audit was completed on February 24, 2000

ARTHUR ANDERSEN

By:

Torgny Pahle Morten S. Renge
State Authorized Public Accountants

Accounting Principles Applied

As a selfgoverning fund established by Act of parliament, The Investment Fund for Central and Eastern Europe (IØ) is not subject to the provisions of the Danish Annual Accounts Act for limited liability companies.

The accounting principles for IØ have been established with the aim at reflecting the activities of IØ in the most clear and comprehensive manner.

The main accounting principles applied in the financial statements for the year ended December 31, 1999 for IØ are described below. The accounting principles are the same as for the previous year.

Income from projects

Dividends are recorded at the rate of exchange prevailing at the date of declaration. Interest received on loans to projects is recorded at the rates of exchange prevailing at the day of payment. Interest due for

payment, but not collected at the balance sheet date, is included directly in the balance sheet as interest receivables and reserves against losses. Interest receivables converted into loan principals are classified as collected.

Share capital investments

Share capital investments in project companies are stated at the acquisition cost expressed in DKK.

Loans

Loans in foreign currency to project companies are stated in DKK at the rate of exchange prevailing at the date of disbursement. Outstanding principal related to disbursements made prior to January 1, 1996 are translated into DKK at the rate of exchange prevailing as of December 31, 1995.

Reserves against losses

Specific reserves against losses are provided as a debit to the profit and loss statement based on an individual evaluation of IØ's own risk for losses on each and every project investment. For projects established within three years before the balance sheet date, and where no specific reserve is provided, general reserves against losses are provided at a rate of 15, 20 or 30 per cent for loans and 20, 30 or 35 per cent for share capital of the invested amount depending on the host country risk. Finally there is provision for commitments to reimburse the cost of feasibility studies etc. Realised losses on investments and reimbursed feasibility study costs are continuously debited against the reserves for losses as and when they materialise, and the resulting difference between the amount actually lost or reimbursed and the corresponding reserve against losses is recorded in the profit and loss statement under provision for losses.



Syndicated capital

Syndicated capital is investment capital received from third parties and invested in projects on their account and risk. Syndicated capital only becomes due to the extent that IØ receives payments from these projects. Syndicated capital in foreign currency is translated into DKK similar to share capital investments and loans.

Receivables and debt in foreign currency

Receivables and debt in foreign currency are translated into DKK at the rates of exchange prevailing at the balance sheet date. Realised and unrealised gains and losses on foreign exchange are recorded in the profit and loss statement.

Bonds

Bonds are stated at the official prices quoted on the balance sheet date except for called bonds stated

at par value. Realised and unrealised gains and losses on bonds are recorded in the profit and loss statement. Bond investments only consist of publicly traded bonds issued in DKK.

Cash and bonds allocated to projects

Cash and bonds which on the balance sheet date are allocated for investments are shown as a part of the project assets and not as cash and bonds at disposal.

Operating expenses

The administration and accounting of all together four funds/facilities are managed by The Industrialization Fund for Developing countries (IFU). At present this includes IFU, IØ, The Environmental Investment Facility for Central and Eastern Europe (MIØ) and The Investment Fund for Emerging Markets (IFV). The total operating expenses incurred by IFU are divided at year end

between IFU, IØ, MIØ and IFV according to an activity dependent ratio.

The Environmental Investment Facility for Central and Eastern Europe (MIØ)

MIØ is established as an independent revolving facility under Agreement of January 13, 1995 between IØ and The Danish Environmental Protection Agency, and as such forms a separate accounting unit. The proceeds from environmental project companies, which are financed with facility capital, can be utilized to finance new environmental projects. The financial statements for MIØ are included in the financial statements for IØ by combining items of a similar nature and eliminating transactions between MIØ and IØ, except that MIØ's net result is deducted before the net result for the year and MIØ's equity capital is shown as facility capital.

Financial Statements

Profit and Loss Statement

Note

	1999 DKK 1,000	1998 DKK 1,000
Dividends, net	0	29
Interest income related to projects	29,061	21,370
Income from sale of shares in projects	2,247	23,180
Other income related to projects	1,840	2,343
Project income	33,148	46,922
Provision for losses	(136,075)	(68,188)
Other expenses related to projects	(1,226)	(1,611)
GROSS CONTRIBUTION FROM PROJECTS	(104,153)	(22,877)
Operating expenses	(29,205)	(28,338)
OPERATING INCOME (LOSS)	(133,358)	(51,215)
<i>1</i> Financial income, net	26,086	49,238
TOTAL NET INCOME (LOSS)	(107,272)	(1,977)
<i>4</i> NET INCOME (LOSS) ENV. INV. FACILITY (MIØ)	(22,018)	3,921
NET INCOME (LOSS) FOR THE YEAR	(85,254)	(5,898)

The net income (loss) for the year has been transferred to the equity capital.



**Balance Sheet
December 31, 1999**

<i>Note</i>	1999 DKK 1,000	1998 DKK 1,000
ASSETS		
PROJECT ASSETS		
	727,918	487,301
	568,784	453,521
	974	422
2	359,620	393,703
	1,657,296	1,334,947
OTHER ASSETS		
	18,569	13,329
	7,166	6,144
3	360,280	544,769
	386,015	564,242
	2,043,311	1,899,189
LIABILITIES AND EQUITY CAPITAL		
EQUITY CAPITAL		
	1,323,800	1,242,300
	40,000	81,500
	(72,674)	(66,776)
	(85,254)	(5,898)
	1,205,872	1,251,126
4	367,702	319,720
	1,573,574	1,570,846
5	448,112	306,020
6	21,596	22,312
CURRENT LIABILITIES		
	13	6
	16	5
	29	11
	469,737	328,343
	2,043,311	1,899,189
7	AVAILABLE EQUITY AND FACILITY CAPITAL AND CLEARANCES IN PRINCIPLE	

Approved at the Board Meeting February 24, 2000.

Management:

Sven Riskær
(Managing Director)

J. Dan Jensen
(Deputy Managing Director)

Frank Norman Larsen
(Deputy Managing Director)

Board of Directors:

Johannes Poulsen
(Chairman)

Kirsten Fjord
(Deputy Chairman)

Lars Andersen

Niels Chr. Knudsen

Lars Kolte

Eva Parum

Friis Arne Petersen

Kjeld Ranum

Birger Riis-Jørgensen

Ingelise Saunders



Cash Flow Statement

<i>Note</i>	1999 DKK 1,000	1998 DKK 1,000
CASH FLOW FROM OPERATING ACTIVITIES		
Dividends from projects	0	34
Interest from projects	29,061	21,370
Other project related payments	(32)	(417)
Operating expenses	(29,805)	(25,321)
Financial income, net	26,086	49,238
Net cash from operating activities	25,310	44,904
CASH FLOW TO INVESTING ACTIVITIES		
Received from sale of shares	8,430	67,922
Received from project loans and feasibility study loans	78,191	65,347
Paid-in share capital in projects	(248,878)	(104,502)
Disbursement of project loans and feasibility study loans	(190,803)	(153,317)
Net cash to investing activities	(353,060)	(124,550)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from syndications related to projects	775	6,884
Repayment of syndications related to projects	(1,597)	(160)
Paid-in capital received during the year	40,000	81,500
Paid-in Facility capital received during the year	70,000	70,000
Net cash from financing activities	109,178	158,224
NET CHANGE IN CASH AND BONDS	(218,572)	78,578
CASH AND BONDS BEGINNING OF YEAR	938,472	859,894
3 CASH AND BONDS END OF YEAR	719,900	938,472
3 Of these cash and bonds at disposal	360,280	544,769

An overall view

The Last Five Years	1995	1996	1997	1998	1999
Operations:					
New projects (no.)	35	30	29	29	27
Portfolio of projects (no.)	117	123	140	160	168
Total project participations (DKK million)	1,045.7	1,059.8	1,435.5	1,348.2	1,675.9
Finances (DKK million)					
Income from projects, net	11.3	30.5	27.8	45.3	31.9
Provision for losses	(60.5)	(59.4)	(60.1)	(68.2)	(136.1)
Operating expenses	(19.0)	(19.4)	(25.1)	(28.3)	(29.2)
Financial income, net	50.0	37.8	39.6	49.2	26.1
Net income (loss) for the year	(18.2)	(10.5)	(17.8)	(2.0)	(107.3)
– of which MIØ	2.1	(0.8)	(14.5)	3.9	(22.0)
– of which IØ	(20.3)	(9.7)	(3.3)	(5.9)	(85.3)
Equity capital (IØ)	928.5	1,068.9	1,175.5	1,251.1	1,205.9
Facility capital (MIØ)	61.1	160.3	245.8	319.7	367.7



Notes on Financial Statements

	1999 DKK 1,000	1998 DKK 1,000
1 Financial income, net		
The financial income, net is composed of the following items:		
Interest income, cash and bonds	41,809	46,942
Gain (loss) on bonds	(16,095)	2,779
Interest expenses, bank charges and exchange rate adjustments	372	(483)
Financial income, net	<u>26,086</u>	<u>49,238</u>

2 Cash and bonds allocated to projects

Cash and bonds which on the balance sheet date are allocated for investments are shown as a part of the project assets and not as cash and bonds at disposal.

Amounts payable on project agreements	164,228	197,630
Guarantees	7,508	6,517
Binding commitments	187,884	189,556
Cash and bonds allocated to projects	<u>359,620</u>	<u>393,703</u>

3 Cash and bonds at disposal

Bonds	293,753	330,950
Interest receivables	5,269	7,326
Cash	420,878	600,196
Cash and bonds end of year	<u>719,900</u>	<u>938,472</u>

Transferred to cash and bonds allocated to projects	(359,620)	(393,703)
Cash and bonds at disposal	<u>360,280</u>	<u>544,769</u>

4 Facility capital (MIØ)

MIØ forms a separate accounting unit. The proceeds from the projects which are financed with facility capital, can be utilised to financing of new environmental projects.

Paid-in capital beginning of year	329,000	259,000
Paid-in capital received during the year	70,000	70,000
Accumulated reserves (losses) beginning of year	(9,280)	(13,201)
Net income (loss) of the year	(22,018)	3,921
Facility capital	<u>367,702</u>	<u>319,720</u>

	1999 DKK 1,000	1998 DKK 1,000
5 Reserves against losses		
Reserves against losses made by IØ	392,614	276,408
Reserves against losses made by MIØ	55,498	29,612
Reserves against losses	<u>448,112</u>	<u>306,020</u>

6 Syndicated capital

Syndicated capital is investment capital received from third parties and invested in projects on their account and risk. Syndicated capital only becomes due to the extent that IØ receives payments from these projects.

Joint Venture Programme (JOP)	16,563	15,841
Others	5,033	6,471
Syndicated capital in total	<u>21,596</u>	<u>22,312</u>

7 Available equity and facility capital and clearances in principle

The available equity and facility capital is arrived at as follows (DKK millions) :

Total equity capital	1,205.9	1,251.1
Facility capital (MIØ)	367.7	319.7
Reserves against losses	448.1	306.0
Syndicated capital	21.6	22.3
Project participation	(1,675.8)	(1,348.2)
Available equity and facility capital	<u>367.4</u>	<u>550.9</u>
Of this available facility capital	<u>87.2</u>	<u>111.6</u>
Clearances in principle for new projects amount to	<u>268.9</u>	<u>376.6</u>



RECRUITMENT AT LEARNING CENTRE



The learning centre – a gateway...

A critical phase of any new project is the recruitment of staff. A team of employees with the right attitude and abilities can eventually make the difference between failure and success. This is no less true, when a new factory is set up in foreign surroundings with different labour market traditions and mentality. It is crucial to handle recruitment in the right way. And the right one need not be the traditional way, as experience from Novgorod in Russia shows.

Here, ZAO Dirol, a factory worth DKK 665 million was opened in August 1999 by the Danish chewing gum producer Dandy Holding A/S. It is designed to produce 466 million packets or 7,000 tonnes of chewing gum per year with a workforce of 300 people.

Nine months before the start buttons were pushed, ZAO Dirol opened the doors

to what they call the Dirol Learning Centre.

The aim of the centre is to assess and select future Dirol employees, and to train and educate them, both before they actually start working and getting paid, and later as regular in-service training.

The performance of the invited applicants is evaluated at the end of two days, where



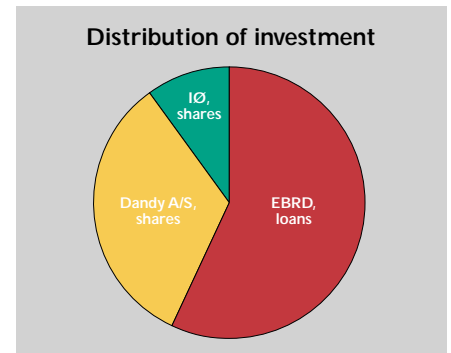
... to a job at ZAO Dirol.

they are presented with a number of tasks and participate in discussions. Some applicants are invited to continue. Most of them will undergo a five-day programme, before they know for certain whether they will be offered a job.

This method has been effective in that the

factory has obtained a well-qualified and motivated staff. In addition, it has turned out to be efficient, as it is possible to take in 15 applicants at a time for the first day's programme, which substitutes traditional interviews and tests.

It is obligatory for all new employees, with the exception of a few specialists, to go through the Learning Centre. They are given a thorough introduction to the company, combined with tailor-made courses in information technology, language, quality control, administrative procedures etc. All activities of the Learning Centre take place in premises belonging to the University of Novgorod, and this adds to the prestige of being invited to the combined test and training programme. Even those whom ZAO Dirol has had to disappoint, as they invite more people for the introduction than they recruit, have subsequently reported that they appreciated what they had learned from the process.



SMOKELESS ASPHALT PRODUCTION

After the start-up of a joint venture with a Danish company to produce asphalt in Vilnius in Lithuania, the rumour went that it was a failure. Everyone could see there was no column of black smoke rising from the chimney as there was from other asphalt production plants. The fact was that production capacity was fully utilised, and the lack of smoke was due to filters that hold back 95 per cent of the air pollutants.

Based on an elaborate strategy, Superfos Construction A/S Europe decided in 1995 to extend its business area through a direct

investment in Lithuania in collaboration with a local partner. The choice fell on Fegda UAB. This company was founded in 1993 and was the first privately owned construction company in Lithuania. The partners decided to set up a new production plant in which they both had shares. IØ was invited to participate, and the partners profited from IØ's experience from other investments and its network of contacts in Lithuania. Furthermore, IØ provided a loan from its own funds and acted as mediator of a loan from IFC, part of the World Bank Group. Both loans were obtained against collateral in the project company only.

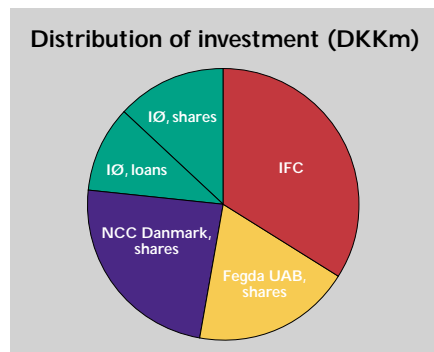
The joint venture was established in December 1997, before the Danish Superfos Construction Europe A/S was merged with the Nordic Construction Company NCC. However, though it belongs to an international group, NCC Danmark is a Danish company and IØ's condition of having a Danish partner in every project is met. And as NCC defines the Nordic countries and the Baltic Sea countries as the home market, the investment in Lithuania falls within the strategy of the new mother company.

Superfos Fegda is situated in Vilnius, the capital of Lithuania. It supplies asphalt to third party constructors and to the company's own construction works in a radius of 100 km from the plant. On an annual basis the capacity is 200,000 tonnes of asphalt. The joint venture has established a certified laboratory, which can guarantee that the supplied products are of primary quality, living up to what in Lithuania are called western standards. Opportunities are many and an extension is being considered.

The asphalt production plant is prepared for the recycling of up to 20 per cent old asphalt. The production with recycled material is quite new in Lithuania and at present asphalt for recycling is being stockpiled until a sufficient quantity is obtained.



Old asphalt can be recycled.



MEAT FOR MODERN CONSUMERS

On the ruins of two Polish state agricultural farms, a group of over 50 Danish farmers (associated in Polen Invest A/S) has joined with IØ and created a pig breeding business, which is a demonstration of efficiency combined with environmental consciousness.

Since Poldanor S.A. was established in 1994 in the region of Pomerania in northern Poland, it has grown to be one of the largest pig breeding farms not only in Poland but in Europe. Its sties number 10,000 sows and deliver 200,000 slaughter pigs per year, equivalent to 1 per cent of total Polish pork production. In addition, the farm sells young pigs for breeding purposes, whereby it contributes to a renewal of the genetic material in other farms.

Poldanor has a higher yield of 24 piglets a year per sow as compared to 12 at previous Polish State farms. It is also noteworthy that the input of feed is only 2.7 kilograms per kilogram of produced meat. The proportion was previously 5.5/1.



24 piglets a year per sow.

The farm maintains a state of health in the stock which is on par with the best in Denmark, even without the use of strategic medication. This, in combination with its high genetic standard, allows Poldanor to demand a price for the slaughter hogs which is 25 per cent above the average price in Poland.

Demand for quality

Poldanor's market constitutes the growing segment of Polish consumers who demand quality lean meat. Several meat processors in the big cities, including Warsaw are willing to pay the extra price.

Poldanor's high quality raw material adds to Poland's potential as an exporter to the European Union. In the long run, Poland is expected to have a competitive advantage due to the comparatively low production costs.

In Poland itself, the market potential is promising. Due to increasing incomes, the consumption of meat is on the rise. And because ever more households are acquiring refrigerators, the consumption pattern is changing towards a larger share of lean fresh meat.

Development impact

Poldanor is also welcome in the local community, where the unemployment rate is above 25 per cent. Apart from 380 new jobs, the company has provided business opportunities for many local companies and farmers, thus injecting new life into a community which had been stagnating for many years. The impact is visible in the form of houses being painted and modernised, new businesses springing up and the increasing number of cars.

IØ has invested DKK 5.4 million in share capital and provided loans amounting to DKK 28.5 million, while MIØ has provided a loan of DKK 11.6 million in Poldanor.



A farewell at the departure for slaughtering.



In order to meet environmental standards, Poldanor cultivates 11,000 hectares of land, on which the manure is distributed.

Environment is of concern

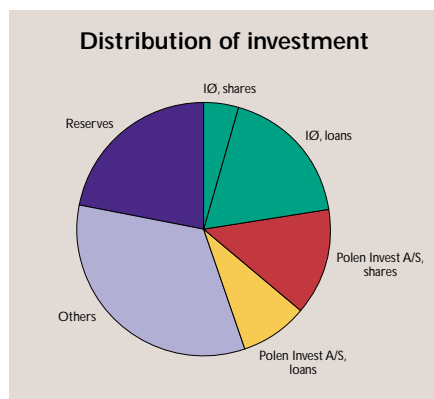
The company demonstrates how it is possible to produce high quality meat in an environmentally friendly way, and provides its 380 employees with wages according to results. It is a contrast to previous conditions when working morale was low, as performance and income did not correlate, and when the environmental issue was not of great concern. At the pig breeding state farms manure was disposed of on small areas of idle land. As a

result, nitrogen and other matters went into the subsoil water and into the streams.

In order to meet environmental standards within the European Union, Poldanor cultivates 11,000 hectares of agricultural land. The farm is situated in an area where land is plenty and population density is low due to little economic activity. This is perfect for the purpose, as the manure has to be distributed over a large area in order to avoid environmental problems. The land is utilised primarily for the production of animal feed, and the nitrogen and organic material in the manure are distributed by a modern tube system – funded by MIØ – to be utilised by the plants. Water pollution is thus prevented.

Animal health

There is also another benefit from having the large area at disposal. When pig breeding is done on a large scale, there is a risk of the spread of infectious diseases. This risk is even higher if there are neighbouring farms, as some diseases are airborne. Poldanor avoids the risk by dispersing the production to 11 units spread over the area.



Investment Portfolio

As of December 31, 1999 IØ has contracted investments in 256 projects in 16 countries:

Belarus	3	Czech Republic	24	Latvia	19	Russia	25
Bosnia & Herzegovina	2	Estonia	12	Lithuania	19	Slovakia	6
Bulgaria	4	Georgia	1	Poland	119	Slovenia	2
Croatia	2	Hungary	11	Romania	6	Ukraine	1

	Activity/product	Danish Partner(s)	IØ Participation		Total Investment	Employment	Period
			Shares	Loans			
			----- (DKK million) -----				(persons)
Belarus							
Beldandor	Consulting	Kampsax	0.1		0.6	2	1996-1997
Maersk Medical Belarus	Medical/precision instruments	Maersk Medical	0.0	2.5	7.8	25	1992-
Technology Science	Chemical industry	Three Stones Company	0.0	0.3	3.0	3	1995-1997
Total for: Belarus			0.1	2.8	11.4	30	
Bosnia & Herzegovina							
Horizonte BH Enterprise ❖	Financial institution	No Danish partner	6.9		125.0	6	1997-
Panonska pivovara Sarajevo	Beer distribution	Tuborg International			3.8	2	1998-
Total for: Bosnia & Herzegovina			6.9		128.8	8	
Bulgaria							
Brunata	Energy consulting	Brunata Holding	0.1		0.4	4	1992-1995
Porsaco	Fabricated metal products	Porsaco	0.1		0.3	2	1994-1996
Toptex	Textiles	B&C Textiles	0.3		2.0	50	1998-
UMS Tervel	Sunflower extraction	United Milling Systems	7.8		93.0	125	1995-1996
Total for: Bulgaria			8.3		95.7	181	
Croatia							
Panonska Pivovara I	Brewery	Tuborg International	20.2		55.0	210	1994-
Panonska Pivovara II	Brewery	Tuborg International	37.8		320.0	130	1995-
Total for: Croatia			58.0		375.0	340	
Czech Republic							
Bohemian Waste	Sewage and refuse disposal	Marius Pedersen		0.9	4.0	5	1992-
Brno Shopping Center	Shopping center	TK Development			0.0	5	1999-
Cembrit (CZ)	Roofing material	Dansk Eternit Holding		6.2	28.1	20	1996-
Cembrit Bohemia	Fibre cement products	Dansk Eternit Holding	22.8	24.2	201.0	259	1992-
Cembrit Moravia	Fibre cement products	Dansk Eternit Holding	20.1	5.5	1.1	230	1993-
Central Sticks	Wood products	Norwood	2.2	12.0	10.0	15	1995-
CRI (CZ)	Software / consultancy	Computer Resources Int.	2.0		12.0	40	1993-1999
CTT	Research and development	Dansk Eternit Holding		2.5	5.0	6	1992-1997
Danco Praha	PVC pipes	Naturgas Syd	12.9		60.0	115	1990-1992
Danflax	Textiles	Dansk Stålservice	0.6	1.2	4.5	6	1992- *
Dan-Moravia Agrar	Agricultural production	Erik Jantzen		9.3	24.5	20	1998-
EKO-Chlebicev	Sewage and refuse disposal	Marius Pedersen		3.6	18.5	8	1994-
Elio Slezsko	Sewage and refuse disposal	Marius Pedersen		1.8	7.0	5	1995-
Georg Fischer Disa	Machinery and equipment	DISA		9.4	50.0	7	1997-
Ivesko	Ventilation equipment	IVS	0.1	0.7	2.9	6	1992- *
Lousa & Christensen	Auditing firm	Erik Nielsen & N.H Christensen		0.2	0.9	6	1993-1997
Merfin Europe	Pulp and paper products	Niro	24.6		255.4	60	1995-
Moravska Skladkova	Sewage and refuse disposal	Marius Pedersen		2.0	6.7	10	1993-
Nowaco	Food trading and cold stores	Nowaco		7.0	28.5	40	1994-
Regios	Sewage and refuse disposal	Danwaste		7.3	24.0	20	1994-
Sedba Baking	Food and beverages	Havnemøllerne	0.4		1.2	15	1992-1995
SSHL	Sewage and refuse disposal	Marius Pedersen		5.1	5.9	3	1993-
TK Development Czech Hold. ❖	Real estate	TK Byggehølding	11.3	20.0	200.0	9	1997-
Zivotice	Agriculture and farming	DLF-Trifolium	1.6		4.0	20	1995-
Total for: Czech Republic			98.7	118.8	955.2	930	
Estonia							
Baltfalt	Construction	Colas Danmark	2.9		18.6	7	1997-
Bunim Welding	Production of metal components	Jern Holding	2.4		20.0	120	1998-
ESS	Safety services	Falck Holding	22.6		122.0	3,000	1998-
Flexa Eesti	Wood products	Flexa Møbler	3.6	3.1	23.7	125	1994-1997
Flex-Heat	Energy production/distribution	Justsen Energi./Flexa Holding	0.5		1.5	2	1996-
Holsteinborg	Wood products	Holsteinborg	0.3		2.5	2	1994-1995
Nycomed SEFA	Chemical industry	Nycomed Dak		5.0	21.5	32	1993-1999
OÜ Notio Puit	Furniture	Notio Møbler	1.1	0.6	4.7	31	1997-
Radisson Hotel Tallinn	Hotels	SAS Hotels	13.4		241.9	100	1999-
Rak-Wood	Production of doors/furniture	Vest Wood		4.5	30.0	150	1999-
Rationel Eesti	Wooden windows	Rationel Vinduer	2.3	2.0	12.0	60	1995-
Treilor	Road pavement	Colas Danmark			7.6	60	1999-
Total for: Estonia			49.0	15.2	506.0	3,689	
Georgia							
Vennndt Hazelnuts	Production of hazel nuts	Huset Venndt	1.6		3.8	140	1999-
Total for: Georgia			1.6		3.8	140	



	Activity/product	Danish Partner(s)	IØ Participation		Total Investment	Employment	Period
			Shares	Loans			
			(DKK million)		(persons)		
Hungary							
Capella	Food and beverages	Niels Buchholst		0.4	1.7	5	1993-1994
Hungarian Tel. and Cable	Telecommunications	Tele Danmark	62.4		1,285.9	380	1999-
Inreco Hungary	Road construction	Inreco	0.5	0.5	1.8	10	1995-
Intermag	Agriculture and farming	Frøkompagniet	1.2		14.6	9	1990-1992
Kelet-Nógrád-Com	Post and telecommunications	Tele Danmark	4.9	27.6	419.0	200	1994-1997
Kolos	Food and beverages	Kolos	16.3	13.2	95.5	29	1993-
Mentor Informatika	Computer and rel. activities	Mentor Informatik	0.1		2.2	13	1992-1994
Pannon GSM	Post and telecommunications	Tele Danmark		23.7	1,200.0	200	1994-1996
Raba-Com	Post and telecommunications	Tele Danmark	4.1	20.2	175.0	66	1994-1997
TOPP Group	Cold goods distribution	TOPP Group Denmark		3.5	20.0	20	1996-
Wavin Pemü	Rubber and plastic products	Nordisk Wavin	15.0		62.6	83	1992-
Total for: Hungary			104.5	89.1	3,278.3	1,015	
Latvia							
Air Baltic Corporation	Air transport	SAS	15.9	11.1	130.0	300	1995-
Ballegaard	Wood products	Ballegaard		0.5	2.3	15	1994-1996
Balta Insurance	Insurance and pension funds	Baltica		2.9	7.4	12	1992-1993
Baltic Candles	Production of candles	P. Brøste/Langeland Design		0.5	5.0	200	1997-
Danlat Agro	Agriculture	Danlat Agro		1.2	5.2	8	1999-
Danlat Group Latvija SIA	Hotel activity	Danlat Group	0.8	0.8	6.0	30	1998-
Danlat Inform Whole Sale	Computer and rel. activities	Mikrocentret Bornholm	0.2	0.6	2.4	15	1991-1999
DLT-AUCE	Clothing	Godske Kjoler/Spectre/Power K.		0.6	1.2	125	1996-1997
DLT-Saiva	Clothing	Godske Kjoler/Spectre/Power K.		2.5	47.0	500	1993-1997
East Wood	Building materials	East Wood Trade		1.8	7.0	85	1998-
Godske Latvian Textile	Textiles	Godske Kjoler		1.6	6.5	30	1997-
HoP Riga	Tobacco	House of Prince	6.4		117.6	360	1992-
Incentive	Research and development	Incentive	0.1	0.4	1.2	5	1993-1995
Kakenieki	Agriculture and farming	Dansk-Lettisk Kartoffelavl		0.2	1.5	12	1994-
Labiba Un Kvalitate	Agriculture	P. Andresen Nygaard	1.3	0.5	5.0	6	1999-
Lanell Int.	Clothing	Kinell/Kirsten Lyngsø		0.2	0.5	21	1993-1996
Latvall SIA	Wood pellets	Spanvall		1.9	3.5	13	1997-
Latvia Timber Int.	Wood products	Vejen Trælasthandel	5.3	3.4	16.5	30	1992-1996
Let-Line	Water transport	DanTransport	1.6	2.5	14.0	8	1994-1996
Total for: Latvia			33.8	34.4	395.3	1,775	
Lithuania							
ABB ELGA	Fabricated metal products	ABB Energi	0.7		3.0	5	1993-1995
ABB Tekhnika	Construction	ABB Electric	0.4		2.5	3	1994-1995
Baltijos Kopia	Publishing and printing	K.T. Damgaard/Århus Neokopi	0.4		1.5	20	1994-
Bio Ekra	Waste water engineering	BioBalance	0.2		0.4	5	1996-
Bité GSM	Post and telecommunications	Tele Danmark		29.4	165.0	300	1996-
Comliet	Post and telecommunications	Tele Danmark		10.3	30.7	33	1992-
DanBaltTrans	Land transport	Andreas Andresen	0.8	0.3	3.1	15	1994-
Dara Food	Agriculture and farming	IME	0.0	0.4	1.2	40	1992-1999
Engel-Dali	Clothing	F.Engel	0.4		1.4	60	1995-1999
Gelezies Lauzas	Recycling	H.J. Hansen Genvindingsind.	1.4		8.0	40	1996-1999
Gitolita	Textiles	Gito		0.3	1.8	105	1995-1996
LA-NIKA Baltic	Clothing	United Textile Group		1.4	4.6	100	1994-
Modematic	Electrical machinery/equipment	Relæmatic/Løsekraut	1.0		3.5	15	1995-
Superfos Fegda UAB	Construction	NCC Danmark	5.3	3.4	35.0	50	1997-
Svyturus Brewery	Brewery	Carlsberg International	70.6		352.9	292	1999-
UAB Minijos Nafta	Extraction of oil and gas	DONG	0.1	22.9	30.0	8	1995-1999
UAB Wood Team Production	Furniture	Wood Team Denmark	3.4	0.2	21.6	170	1997-
Vilniaus Margarino Gamykla	Food and beverages	Dragsbæk Margarinefabrik	2.5	3.8	14.9	26	1997-
Wavin Baltic	Rubber and plastic products	Nordisk Wavin	3.9		18.0	100	1995-
Total for: Lithuania			91.0	72.3	699.1	1,387	
Poland							
Agrocorm	Machinery and equipment	Cormall Holding	1.1		8.3	18	1990-1995
Alsytbet	Concrete pipes	Sydbeton	1.4	1.1	6.8	18	1992-
Anonymous	Production of cables	Anonymous	7.5		118.8	426	1998-
Bank Wlasnosci Procowniczej	Banking	Unibank	12.0		268.0	20	1999-
Bauma Unicon	Paving stones	Unicon Beton	2.2	1.9	37.9	37	1994-
Baxi Radan	Production of boilers	HS Kedler-Tarm	4.9	8.8	36.5	140	1999-
BDO Polska	Auditing firm	RIR Revision	0.5		1.1	15	1991-1995
BelTiCa-Poland	Textiles	Belika Strikvarefabrik		1.2	5.6	275	1997-
Berendsen Poland ❖	Laundry	Sophus Berendsen	11.1		82.1	390	1993-
BL-Invest	Real estate activities	ABC Hansen/Skiold Holding		2.2	8.4	1	1998-
BL-Kutno	Agricultural machinery	Maskinfabrikken BL		0.6	2.8	40	1998-
Bording Polska	Production of envelopes	F.E.Bording	1.0	0.4	1.9	5	1996-
Budodana	Energy production/distribution	Smedana	0.1		0.7	20	1995-1996
BAAC	Auditing firm	Alsø & Breinholt/Christiansen	0.5	0.1	1.8	11	1990-1998
C. H. Reduta ❖	Shopping center	TK Byggehølding			0.0	5	1997-
C. H. Targówek ❖	Shopping center	TK Byggehølding			0.0	5	1997-
C.J. International	Land transport	C.J. International	0.3		3.5	120	1991-1996
Centrum Handl. Chorzow ❖	Shopping center	TK Byggehølding			0.0	5	1998-
Centrum Handlowe Bytom	Shopping center	TK Byggehølding			0.0	5	1998-
Centrum Handlowe Sosnowiec	Shopping center	Euro Mall (TKF) Holding			0.0	5	1999-
CET	Electrical machinery/equipment	NKT Cables	0.3		5.5	25	1993-1998
Chlodnice Nissens Polska	Radiators for vehicles	Nissens Kølerfabrik	0.0	0.5	3.1	5	1998-
Credin Polska	Food and beverages	Palsgaard Industries	5.8		6.0	9	1994-
Danagri Invest	Real estate activities	Cormall Holding		0.4	1.2	1	1998-
Danipol	Textiles	Danish Partners	2.0		15.3	500	1992-
Danish Farm. Consultants	Agriculture and farming	Pol-Dan	2.3	4.0	20.1	30	1995-
Danlux	Wood products	Dan-Imex		0.9	1.7	35	1993-



Activity/product	Danish Partner(s)	IØ Participation		Total Investment	Employment	Period	
		Shares	Loans				
		----- (DKK million) -----		(persons)			
Danselbud	Real estate activities	Noratel Lübcke		0.0	4.0	1	1996-1998
DLH Finér	Wood products	Dalhoff Larsen & Hornemann		3.5	14.3	30	1995-1999
DLH Nordisk	Wood products	Dalhoff Larsen & Hornemann		27.6	28.9	16	1994-1999
DP Batteries	Batteries	Alkaline Batteries	2.0	7.7	17.3	72	1991-1995
Druk X-Press	Publishing and printing	Power Print Polen	0.1	0.5	2.3	10	1991-1994
Dyrup Polska	Chemical industry	Dyrup		4.8	18.3	30	1994-
EIEE	Education	Eur. Inst. of Environ. Energy	0.3		0.7	4	1994-1996
Elda ❖	Electrical machinery/equipment	LK	33.0		154.4	1,200	1994-1999
Elopak	Pulp and paper products	Schouw Packing	15.9		40.0	11	1993-
Elopak Finance	Financial institution	Schouw Packing	7.8		28.8	1	1995-1996
Elsamprojekt Polska	Consultancy	Elsamprojekt	0.4		1.6	6	1990-1998
Elserv *	Marketing & financial services	LK			24.1	1	1998-1999
Energo-Asekuracja	Non-life insurance	Tryg-Baltica	5.4		335.6	320	1999-
ESCO International A/S	Energy production/distribution	LR Energi	4.0		53.7	2	1997-1998
ESCO International S.A. ❖	Energy production/distribution	LR Energi/DIFKO Energi	8.4	8.7	336.4	15	1997-
Espersen Polska	Food and beverages	Espersen	3.9	11.5	14.2	75	1994-
Euro Mall Holding	Real estate activities	TK Development/Steen & Strøm	6.0	60.6	761.0	2	1997-
Exbud-Nova	Road material	Novejfa	1.0	2.7	23.0	185	1995-
Expol	Building products	Dras		3.0	12.0	60	1993-1996
Fabryka Wafli MIRAN	Food and beverages	Frima Vafler	1.7	0.0	4.0	10	1994-
Famacorm	Real estate activities	Kongskilde Industries	0.1		3.7	1	1994-1999
FishinSea	Processing of fish products	FishinSea	0.8	1.6	5.7	56	1992-
Fiskars Slupsk	Fabricated metal products	Fiskars Danmark	3.0	0.4	9.5	44	1991-1999
Fiskars Rousaw	Trade company	Fiskars Danmark	0.0		0.1	5	1996-1996
Fomar Roulunds S.A.	Friction materials	Roulunds Fabriker	24.5		131.1	750	1996-
Gedsted Auto	Vehicle spare parts	Gedsted Autoophug	1.3		5.7	10	1994- *
GMT-Poland	Food and beverages	Globe Meat		12.4	44.6	450	1996-
GP Batteries	Whole sale of batteries	Alkaline Batteries		1.0	4.0	11	1993-1995
Greensam	Consulting engineers	Samfundsteknik	0.3		0.8	0	1992-1995
Grene	Agricultural machinery	P. Grene	13.3		89.2	250	1998-
Hercules Poland	Fabricated metal products	Hercules	1.5		7.3	15	1994-1996
HTH Polska	Kitchen furniture	HTH Køkkener	0.9		14.5	25	1999-
Inreco Polska	Road renovation	Inreco	0.2	1.9	5.0	20	1994-
Inreco-RDM Emulsja	Asphalt emulsion	Inreco		1.4	5.2	1	1999-
ISOWent	Machinery and equipment	JKF Industri	0.9		4.9	9	1996-
Karwice	Farming	Karsten Birkedal Jensen		2.1	26.8	10	1998-
Kongskilde Polska I	Machinery and equipment	Kongskilde Industries	0.0	0.7	3.3	73	1994-
Kongskilde Polska II	Machinery & equipment	Kongskilde Industries		6.0	12.0	150	1998-
KVF Poland	Clothing	K. Vestergaard Frandsen	0.4	0.3	1.9	90	1995-
Legajne Energy Gen.	Extraction of oil and gas	Miljø-Sam Holding	2.7	0.2	11.7	2	1997-
Logstor-Pol	Heating pipes	Logstor Rør	0.1		0.2	0	1991-1996
Maersk Polska	Warehousing and distribution	Maersk Holding Poland		34.5	103.1	100	1999-
Malarska Hørberg	Sale of paints	Malerfirmaet Hørberg	0.3	0.3	2.0	3	1992-
Marburg	Fast food	Slagteriregion SYD		1.3	2.5	70	1991-1993
Max Derby	Refrigeration	Derby	7.9		67.7	260	1993- *
ME-FA International	Fabricated metal products	ME-FA dan Trading		1.0	3.6	10	1995-1998
Microtronic Poland	Medical/precision instruments	Microtronic	3.0	2.0	18.0	50	1997-
Mira Polska	Non-metallic mineral products	Mira Byggeprodukter	1.2		8.5	50	1998-
Multiram	Fabricated metal products	Melstrup & Lomholt		0.3	0.7	5	1995-
Noratel	Electrical machinery/equipment	Noratel Lübcke	1.3	1.9	4.5	95	1992
Nowe Slaskie Kable	Production of wires and cables	NKT Cables		19.3	275.6	25	1999-
Okocim	Brewery	Carlsberg	77.0		830.3	1,173	1996-
OSM Krotoszyn	Food and beverages	Niro		3.8	51.0	210	1995-
P. Nielsen & Partners	Firm of lawyers	P. Nielsen & Partners	0.2		0.7	7	1990-1997
Pantom Poland	Food and beverages	Pantom	0.3	0.5	1.9	5	1993-
Podan-Pfeiffer	Slaughterhouse machinery	Pfeiffer	0.9		2.2	5	1992-1996
Polconsul	Construction	ISC Holding	0.3		1.3	3	1990-1994
Poldanor	Agriculture and farming	Polen Invest	7.9	28.6	82.0	135	1994-
Polline	Fishing equipment	Hvalpsund Fishfarm. Equipment		1.3	3.9	10	1997-
Polrubber	Rubber products	Danrubber	0.5		1.8	0	1991-1995
Pomrol Agro	Agriculture and farming	Polen Invest	2.4	0.4	14.3	75	1996-
Prime Food	Food and beverages	Globe Meat	19.0	6.3	206.0	150	1993-
Print Partner	Manufacture of plastic packing	J & R Frydenberg		0.4	1.6	3	1999-
Radiowo Energy Gen.	Extraction of oil and gas	Miljø-Sam Holding	3.7		12.0	2	1997-
Rockwool Malkinia	Insulating material	Rockwool International		35.0	140.0	150	1995-1996
Rockwool Polska	Insulating material	Rockwool International	21.1	34.7	98.0	554	1993-
Rol-Dan	Growing of crops	Dangro Invest		3.6	10.7	20	1999-
Rosti (Polska)	Production of plastic components	Rosti		25.0	91.3	150	1999-
Scandic Food	Food and beverages	Scandic Food		4.8	17.2	50	1997-
SFK	Electrical machinery/equipment	NKT Cables	7.5		118.8	470	1993-1997
SGS Poland	Distribution & transportation	Scandinavian Garment Service	1.0		8.0	11	1997-
Siltec	Electrical equipment	Silcon		9.5	37.8	70	1998-
Sopot Bank	Bank	Næstved Diskontobank	1.0	5.4	7.4	40	1993-1996
Stok Emballering	Pulp and paper products	Stok Emballering		1.5	5.0	28	1995-
Tarco Vej	Construction	Tarco Vej	0.1		0.3	0	1992-1996
TK Development Polska	Real estate	TK Byggeholding	5.0	20.0	158.0	16	1996-
TopWasa	Insurance	TopWasa	8.4		30.0	2	1992-1995
Unicon Beton	Ready-mix concrete	Unicon Beton	22.1	8.5	172.4	38	1995-
Unicon Beton Gdansk	Ready-mix concrete	Unicon Beton			21.6	20	1997-
Unicon Beton Gdynia	Ready-mix concrete	Unicon Beton			6.2	16	1998-
Unicon Beton Myslowice	Ready-mix concrete	Unicon Beton			13.6	18	1998-
Unicon Beton Warsaw II	Ready-mix concrete	Unicon Beton			22.5	20	1997-
Unicon Beton Warsaw III	Ready-mix concrete	Unicon Beton			9.5	14	1998-
Vallo Holding	Food and beverages	Vallø Saft	4.7	8.0	22.0	25	1996-



Activity/product	Danish Partner(s)	IØ Participation		Total Investment	Employment	Period	
		Shares	Loans				
		----- (DKK million) -----		(persons)			
Wavin Metalplast-Buk	PVC pipes	Nordisk Wavin	9.9		93.5	425	1991-1997
Westerberg Polska	Computer and rel. activities	Erik Westerberg		3.0	8.0	11	1996-
Woody	Sale of building material	Dalhoff Larsen & Hornemann		8.5	17.4	40	1996-1999
X-Press Bikers	Courier services	ViaBaltic/Source	0.3	0.5	1.5	40	1996-
Zelmech	Electric domestic appliances	Metro Term	3.6		17.8	105	1999-
Zylber König	Food and beverages	Danpol Copenhagen		2.0	9.8	22	1996-1998
Aalborg Polska	Trade company	Aalborg Portland	0.0		0.2	4	1996-
Aalborg Portland	Cement	Aalborg Portland	7.5		20.0	7	1995-1996
Total for: Poland			410.4	452.4	5,752.7	11,001	
Romania							
Agraria Majeco	Agriculture and farming	Manfred Johannesen	0.0		0.1	1	1992-1994
BlueTel	Telecommunication equipment	BlueTel		1.1	2.7	10	1999-
Carlsrom Beverage ❖	Beer distribution	Carlsberg International			0.1	10	1995-
HITROM	Insulating material	Anonymous	12.0		14.5	800	1998-
Kuma	Marble zink production	Kuma Produkter		0.4	1.8	27	1999-
United Romanian Breweries	Brewery	Carlsberg International	9.5	9.8	260.0	160	1995-
Total for: Romania			21.5	11.3	279.2	1,008	
Russia							
Danfoss	Machinery and equipment	Danfoss	7.5		70.0	50	1993-
DRTG	Telecommunication	GN Store Nord/Tele Danmark		20.0	80.0	60	1993-1996
DRTG R-J-K	Telecommunication	GN Store Nord/Tele Danmark		20.0	370.0	1	1995-1998
EBI Suppliers	Machinery and equipment	EBI Suppliers	6.2	1.2	21.2	40	1992-1995
Iceberg	Ice cream	Scan System Group	0.3	1.0	4.8	35	1994-
KAR-KO RUS	Agriculture and farming	Kar-Ko	0.5		1.7	5	1993-1995
Neda Paging	Telecommunication	GN Store Nord		2.0	7.5	48	1993-1998
PEH/PBCM ❖	Metal packaging products	PLM Holding	51.6		947.2	229	1997-
Roulunds Rus	Production of V-belts etc.	Roulunds Fabriker	2.5		20.7	50	1998-
Sabroe Russ	Machinery and equipment	York Refrigeration	0.9	0.0	10.0	10	1992-1999
Sadolin Garments	Production of garments	Sadolin Trade		0.5	2.4	300	1998-
Sadolin Properties	Renting of real estate	Kalinka Trade	0.2	1.2	3.5	1	1999-
Sadolin Sestoretorsk	Production of garments	Kalinka Trade	0.9		3.5	300	1999-
Scanbech	Rubber and plastic products	Scanbech	2.8		6.0	16	1996-
Shawood	Wood products	Velux International		8.0	32.0	50	1991-
SISL ❖	Fishing	Ørskov Værft/Royal Greenland	30.0		530.0	180	1997-
St. Petersburg Taxophones	Payphone operators	GN Store Nord/Ascom Nordic	5.9	11.5	50.0	90	1994-
Stimorol Chewing Gum	Chewing gum (packaging)	Dandy	20.8		57.8	58	1995-1999
Sunny Cake ❖	Food products	Dan Cake	0.0		91.8	200	1997-1999
Sunny Hills Property ❖	Renting of real estate	Dan Cake	14.4	10.1	40.6	3	1998-
TK Development Pushkin	Construction	TK Development	0.1	15.0	65.0	1	1995-
Vladimir of Scandinavia	Textiles retail trade	Danko Trade		2.6	10.3	15	1998-1999
ZAO Dirol	Chewing gum	Dandy	3.1	62.2	665.0	304	1997-
ZAO Mineral Wool	Insulating material	Rockwool International	87.0		273.8	500	1998-
ZMI St.Petersborg	Machinery and equipment	EBI Suppliers	0.2		1.0	80	1995-1996
Total for: Russia			234.8	155.2	3,365.8	2,626	
Slovakia							
CRI (SK)	Computer and rel. activities	Computer Resources Int.	0.0		0.4	5	1996-1999
Lifeline	Textiles retail trade	René Møller	1.0		3.0	40	1995-1996
Pohronie	Sewage and refuse disposal	Marius Pedersen		1.8	6.8	30	1996-
Povazie	Sewage and refuse disposal	Marius Pedersen		1.6	6.3	30	1996-
Radisson-SAS	Hotel complex	Tractebel		35.1	352.0	130	1999-
Saris	Sewage and refuse disposal	Marius Pedersen		1.5	5.7	30	1996-
Total for: Slovakia			1.0	39.9	374.2	265	
Slovenia							
Danfoss Compressors	Compressors	Danfoss		54.0	342.5	600	1996-
Wilhelm Slovenia	Drying of wood	Wilhelm	1.1		6.1	6	1999-
Total for: Slovenia			1.1	54.0	348.6	606	
Ukraine							
Dronningborg Ukraine	Machinery and equipment	Dronningborg Industries	0.6		82.4	2	1996-
Total for: Ukraine			0.6		82.4	2	
Grand total:			1,121.4	1,045.4	16,651.3	25,003	

IØ participation is the sum of IØ's contracted investment in the project company until the balance sheet date.

Investment in shares includes overrun commitments and investment in loans includes issued guarantees.

Total investment is the total investment in the project company as foreseen in the project agreements.

The number of employees is the number expected to be employed according to the budget of the investment agreement.

IØ's participation in a project ends when either IØ has disposed of its assets in the project company or IØ's contracted obligation towards the project company is legally liquidated.

IØ investment through a holding company: ❖ Operation discontinued: *



IN POSITION FOR EU EXPANSION



Not only the weather is beyond the farmer's control...

The agricultural sector in Latvia has not yet recovered after the break-up of the collectives and the redistribution of land to private owners. Furthermore, the Russian market, at which it was directed, contracted as a result of the financial crisis in 1998. One can therefore ask if it is the right time to invest in farming in Latvia.

The answer is a resounding "yes" from a group of Danish investors, supported by IØ.

However, they do admit that they do not expect to reap any reward before Latvia becomes a member of the European Union. Meanwhile, they intend to increase their acreage while prices are low, prepare the soil for ecological production and develop the farming and business routines.

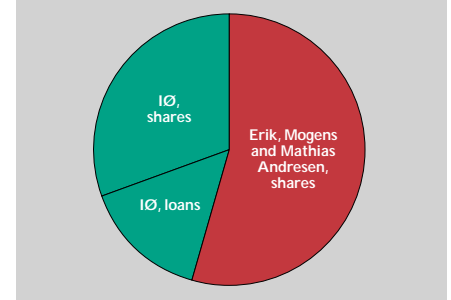
Farming is a risky business that depends on timely rain and sun. Other factors too may lie beyond the farmer's control. In spring 1999, when the investors were looking forward to their first production season, tractors, tilling machinery and seeds were sent from Denmark. In good time, as it was thought. However, in Latvia it was blocked at customs. By the time it was released, the ideal sowing time had been missed.

Hardly surprisingly, the result was a low yield. However, in the longer term, the investors see it as a lesson, rather than a disappointment. They are three brothers: Erik, Mogens and Mathias Andresen. They grew up in the country, but are professionals in banking, public accounting and trading in feed stuff respectively. Now in their thirties, they have decided to pool their expertise and participate in what they regard as a pioneering adventure. In order to increase the size of their Latvian farm from the present 1,000 hectares, they are considering further investments.

They are motivated by the less costly production possibilities in Latvia as compared to Denmark. When Latvia enters the European Union, they expect to have a competitive advantage as the first to introduce modern farming methods to the region.

They readily demonstrate their methods and pass on their know-how to Latvian farmers, who already flock in droves. In order to speed up this development aspect of the project, the Andresen brothers have gone into co-operation with a nearby agricultural university and agricultural schools in Denmark. The intention is to point out promising young people and offer them an agricultural education in Denmark, while they can obtain practical training on the farm in Latvia.

Distribution of investment (DKKm)



TRADING COMPANY GOES INTO PRODUCTION

IØ began its first project in Georgia in 1999. The Danish partner is a trading company, which has located a stable source of supply of high quality hazelnuts for European chocolate producers in this Black Sea country.

In 1998, the Danish trading company Huset Venndt A/S introduced Georgian hazelnuts as an alternative to the Turkish, which dominate the market. However, the Georgian quality control and calibration according to size did not satisfy the chocolate producers.

This gave the incentive to the trading company itself to go into production. With IØ as an experienced investment partner and a local trading partner at its side in Georgia, Huset Venndt established its own cracking

factory in October 1999, in good time to take advantage of the harvest.

The investors have already planned for the next step by acquiring 2,500 hectares of land close to the factory, where a plantation of hazelnut trees is now being established. The plantation will gradually reach an annual harvest of 7,000 tonnes of nuts, de-shelled weight. This corresponds to the capacity of the factory.

As the present export of Georgian hazelnuts amounts to only 5,000 tons, the project is deemed to have a considerable impact on the development of this export production. The acquired land was lying fallow before the investment, so the project will visibly increase the economic activity in the area.

The investors have found that the climate is almost similar to that of the hazelnut producing areas in Turkey. Rainfall is slightly more plentiful in Georgia and the productivity level of the land may therefore be higher. Experts judge the risk of hazelnut tree diseases to be less than in other parts of the world. No regular spraying programmes are in use on small-scale farms, and it is not expected to be necessary at the plantation either.

The factory offers a place of work for 20 people on a yearly average, and once harvest-



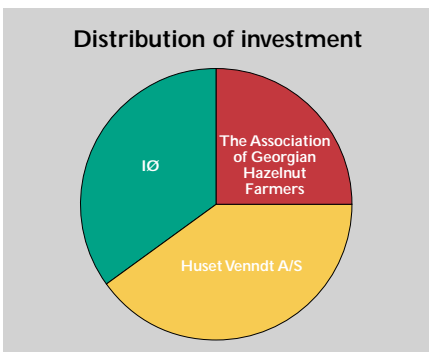
A new place of work – and a new source of nuts.

ing at the plantation begins in three years, it will provide employment for 50 workers. This number will gradually increase to over 100.

Investments like this are important to Georgia. Previously Georgia was known as the food chamber of the Soviet Union, but the sales of food products to the former customers have slumped to almost nothing after the fall of the Soviet Union. Therefore the country must restructure its economy and build on its natural advantages for agricultural production and exports to new markets.

The total investment in the hazelnut production and processing plant amounts to DKK 3.6 million.

Distribution of investment





The Environmental Investment Facility for Central and Eastern Europe

Report from the Board and the Management

In 1999, MIØ participated in the financing of 8 projects to a total of DKK 79.8 million against 6 projects in 1998 to a total of DKK 108.5 million.

6 of these were new projects with a total MIØ investment of DKK 50.8 million and 2 were re-financing projects.

Since its establishment in 1995, MIØ has co-financed a total of 30 projects with MIØ investments amounting to DKK 384.6 million.

The net result for MIØ in 1999 was a deficit of DKK 22.0 million against a surplus of DKK 3.9 million in 1998. The deficit in 1999 was mainly due to an increase in disbursements combined with a conservative level of general provisions against losses.

In 1999 MIØ received an additional injection of DKK 70 million from the Danish Government. Since its inception, MIØ has received a total of DKK 399 million as capital contribution from the government, and as the environment has a high priority in Denmark's international co-operation activities, it is expected that the capital build-up of MIØ will continue for a number of years to come.

The principles for eligibility for MIØ co-financing were reviewed in 1999. The original five criteria for eligibility were supplemented with an additional one. This gives project promoters an additional opportunity to apply for MIØ co-financing, namely when the standard of the project's environmental performance is sufficiently high. If, for instance, the project were to implement an environmental management system like the ISO 14000, this would in most cases facilitate the chances of MIØ financing.

When allocating MIØ co-financing the following environmental criteria will henceforth be considered:

- The direct positive effects of a new project (for instance water purification or hazardous waste treatment plants).
- The indirect positive effects of establishing the production of environmental protection equipment (for instance emission filters or equipment for water treatment plants).
- The positive effects of the rehabilitation of an industrial plant that hitherto has had considerable negative environmental consequences, but whose industrial process now becomes significantly "cleaner".
- The effects of transferring environmental expertise, e.g. by establishing a consulting company, or by investing in an existing one.
- The effects of a more efficient use of energy resources, energy saving methods or the use of less polluting energy.
- A high standard of environmental performance.

In 2000 and the coming years, it is expected that MIØ will continue to expand its investment activity. Demand in Central and Eastern Europe for environmental protection is on the increase and Danish companies are well prepared and continuously striving to "globalise" their competitive position with respect to "green" production technology and products for improving the environment.

Copenhagen, February 24, 2000

Johannes Poulsen
Chairman

Sven Riskær
Managing Director

MIØ A FUND WITH SPECIFIC ENVIRONMENTAL AIMS

MIØ is a special facility with the purpose of contributing to the improvement of the environment and the occupational health and safety. To achieve this, MIØ co-finances viable private sector projects with Danish partners. Legally, MIØ is an integrated part of IØ and administrated by IFU under the umbrella of Danish International Investment Funds, but in close co-operation with the Danish Environmental Protection Agency.

Geographically MIØ covers the same area

as IØ. The countries bordering the Baltic Sea have the highest priority.

MIØ can contribute to project financing with share capital and loans. The financing of a project can include financing by both MIØ and IØ, with MIØ covering equipment or services specifically improving the environment or occupational health and safety conditions, and IØ covering other investments.

Projects are eligible for MIØ financing if they include investment in installations which

will contribute to protection of the environment. This can, for instance, involve investment in the modernisation of waste water treatment, air emission filtering or the treatment of solid waste. Investment in environmental engineering, production of environmental protection equipment and consulting services are also eligible.

Final approval concerning environmental aspects of projects is given by the Danish Environmental Protection Agency.



DEMAND FOR WOOL



Insulation has a recognised impact on the environment.

Crisis or not, in Russia it is increasingly recognised as a good investment to insulate one's house with wool and thus cut down on heating consumption during the cold winters.

In 1999, the Danish producer of mineral wool for insulation purposes, Rockwool International A/S, in co-operation with MIØ bought an existing production plant in Zheleznodorozhny in the Moscow region. Production on one of the two lines at the plant started the day after take-over in February, and sales have surpassed all expectations. Customers, though paying in advance, must accept a waiting time of a month for their supplies. Hardly surprisingly, Rockwool is working hard to get the other production line at the plant rehabilitated and thereby double production.

The production of mineral wool itself is energy consuming. It is produced through the melting of stone in an oven. The melted stone goes through a spinning machine, which trans-

forms the material into wool by adding impregnation oil and binding liquid, and the wool is compressed into the desired shape.

But the energy consumption during the production process is low compared to what it saves afterwards. In the course of a 50-year lifetime, the products will typically save more than 1,000 times the amount of energy used to make them.

It is the environmental effect of the use of the product, which led to MIØ's participation in the investment. Every time another house is insulated with mineral wool, the use of energy for heating that house is reduced considerably. The single reduction is not recognised in the accounts of a country, but when the operation is undertaken again and again, it has an important impact. It is one of the ways of reducing the emission of CO₂ and other pollutants, thus moderating the green house effect and slowing down the depletion of natural resources such as oil.

After the company took over the production plant, the polluted soil at the site was cleaned. The production process was optimised with regards to energy consumption, and this again has reduced the emission of CO₂.

In the Moscow region, the public authorities are well aware of the positive effects, and in their construction projects they use mineral wool from Rockwool for two reasons. First because it is a good investment, and secondly because they want to demonstrate the importance of insulation to private builders.

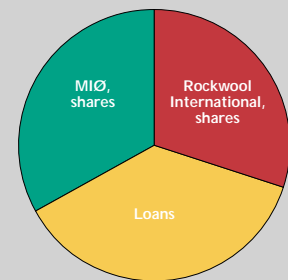
Among the buildings renovated with mineral facing are the concrete apartment blocks,

which were built from the 1950's onwards. The addition of insulation not only contributes to a reduction of heating consumption, but also results in a better indoor climate and often a beautification of the residential areas.

Other Rockwool customers in the Moscow area are local and foreign investors. In spite of the crisis, construction activity is at a high level. It can partly be explained by the fact that the devaluation of the Russian currency in combination of the introduction of a 30 per cent import tax favours local production. If a company wants a share of the market, incentives to start up production in Russia instead of importing the products are greater than ever.

Rockwool International A/S is the parent company of 22 production plants in 12 European countries. Rockwool could have established itself in Russia without MIØ and IØ. However, the company appreciates the Fund's representation on the board of the project company, as it brings in experience from other investments in the same country.

Distribution of investment (DKK m)



RECYCLING OF WASTE AND ENERGY

The production of cables can be a very polluting industrial process. However, the partly Danish-owned Nowe Slaskie Kable Sp. z.o.o. in Katowice in Poland is an exception to the rule. In 1999 MIØ made a financial commitment to it with a loan of DKK 20 million.

Nowe Slaskie Kable is a fully owned subsidiary of one of IØ's older projects in Poland, Slaska Fabryka Kabli S.A, in Czechowice.

Nowe Slaskie Kable was established as a modern factory with state of the art technology for the production of installation cables.

The production process is constructed in a way that minimises the use of water and thereby protects the limited resource of ground water. Water is only used in the cooling and heating system, which is a closed circuit.

The energy in the cooling water is utilised for heating the production hall. When the factory works at full capacity, no additional energy is used to heat the production hall.

However, it is not only the waste of energy that is avoided. By contracting a specialised company, Nowe Slaskie Kable has ensured that cable waste is also recycled.

Furthermore, the factory owners have taken into consideration the demand for PVC-free plastic cables. The extruders and twist-



State of the art technology.

are designed to process PVC halogen-free material, which is more environmental friendly.

The production workers also benefit from the use of the best available technologies. Compared to the old plant in Czechowice, the occupational health and safety standards are considerably better.

The Danish investor in the parent company Slaska Fabryka Kabli is NKT Cables A/S, a company in the NKT Cables Group. NKT is the leading Danish cable producer and was established more than 100 years ago. Through an acquisition of the German cable company Felten & Guillaume Kabelwerke GmbH in January 1999, it is today a transnational company group with independently registered companies in not only Denmark, Germany and Poland, but also in Austria, the Czech Republic and China.

NKT holds the majority of shares in Slaska Fabryka Kabli, which was one of the first five companies in Poland to be privatised. The company is listed on the Warsaw Stock Exchange, and the insurance company PZU holds 5 per cent of the shares, while the rest is distributed among approximately 9000 minor shareholders.



Financial Statements for 1999

Profit and Loss Statement

	1999 DKK 1,000	1998 DKK 1,000
Interest income related to projects	2,898	3,145
Income from sale of shares in projects	114	0
Other income related to projects	298	254
Income related to projects	3,310	3,399
Provision for losses	(26,874)	(3,483)
Other expenses related to projects	(136)	(7)
GROSS CONTRIBUTION FROM PROJECTS	(23,700)	(91)
Operating expenses	(5,441)	(3,841)
OPERATING INCOME (LOSS)	(29,141)	(3,932)
Financial income, net	7,123	7,853
NET INCOME (LOSS) FOR THE YEAR	(22,018)	3,921

The net income (loss) for the year has been transferred to the facility capital.

Balance Sheet December 31, 1999

PROJECT ASSETS		
Share capital investments in projects	149,929	84,834
Project loans	80,242	43,049
Cash and bonds allocated to projects	105,415	109,298
Total project assets	335,586	237,181
OTHER ASSETS		
Interest receivable related to projects	414	559
Other receivables	3,054	3,720
Cash and bonds at disposal	84,147	107,872
Total other assets	87,615	112,151
TOTAL ASSETS	423,201	349,332
FACILITY CAPITAL		
Paid-in capital beginning of year	329,000	259,000
Paid-in capital received during the year	70,000	70,000
Accumulated reserves (losses) beginning of year	(9,280)	(13,201)
Net income (loss) for the year	(22,018)	3,921
Total facility capital	367,702	319,720
RESERVES AGAINST LOSSES	55,498	29,612
Other debt	1	0
TOTAL LIABILITIES AND FACILITY CAPITAL	423,201	349,332

AVAILABLE FACILITY CAPITAL AND CLEARANCES IN PRINCIPLE

Approved at the Board Meeting February 24, 2000.

Management:

Sven Riskær
(Managing Director)

J. Dan Jensen
(Deputy Managing Director)

Frank Norman Larsen
(Deputy Managing Director)

Board of Directors:

Johannes Poulsen
(Chairman)

Kirsten Fjord
(Deputy Chairman)

Lars Andersen

Niels Chr. Knudsen

Lars Kolte

Eva Parum

Fris Arne Petersen

Kjeld Ranum

Birger Riis-Jørgensen

Ingelise Saunders





Investment Portfolio

as at December 31, 1999

Activity/product	Danish Partner(s)	IØ Participation		Total Investment	Employment	Period	
		Shares	Loans				
		————— (DKK million) —————		(persons)			
Czech Republic							
Cembrit (CZ)	Roofing material	Dansk Eternit Holding		6.2	28.1	20	1997-
Cembrit Bohemia	Fibre cement products	Dansk Eternit Holding	22.8	24.2	201.0	259	1997-
Cembrit Moravia	Fibre cement products	Dansk Eternit Holding	20.1	5.5	1.1	230	1997-
Elio Slezsko	Sewage and refuse disposal	Marius Pedersen		1.8	7.0	5	1995-
Regios	Sewage and refuse disposal	Danwaste		7.3	24.0	20	1995-
Total for: Czech Republic			42.9	44.9	261.2	534	
Estonia							
Bunim Welding	Production of metal components	Jern Holding	2.4		20.0	120	1998-
Flex-Heat	Energy production/distribution	Justsen Energi./Flexa Holding	0.5		1.5	2	1996-
Total for: Estonia			2.9		21.5	122	
Hungary							
Inreco Hungary	Road construction	Inreco	0.2	0.5	1.8	10	1999-
Total for: Hungary			0.2	0.5	1.8	10	
Latvia							
Latvall SIA	Wood pellets	Spanvall	1.9	3.5	19.0	13	1997-
Total for: Latvia			1.9	3.5	19.0	13	
Lithuania							
Bio Ekra	Waste water engineering	BioBalance	0.2		0.4	5	1997-
Gelezies Lauzas	Recycling	H.J. Hansen Genvindingsind.	1.4		8.0	40	1996-1999
Total for: Lithuania			1.6		8.4	45	
Poland							
Baxi Radan	Production of boilers	HS Kedler-Tarm	4.9	8.8	36.5	140	1999-
Danish Farm. Consultants	Agriculture and farming	Pol-Dan		1.5	20.1	30	1999-
ESCO International A/S	Energy production/distribution	LR Energi	4.0		53.7	2	1997-1998
ESCO International S.A. ✕	Energy production/distribution	LR Energi/DIFKO Energi	8.4	8.7	336.4	15	1997-
Fomar Roulunds S.A.	Friction materials	Roulunds Fabriker	24.5		131.1	750	1996-
ISOwent	Machinery and equipment	JKF Industri	0.9		4.9	9	1996-
Legajne Energy Gen.	Extraction of oil and gas	Miljø-Sam Holding	2.7	0.2	11.7	2	1997-
Nowe Slaskie Kable	Production of wires and cables	NKT Cables		19.3	275.6	25	1999-
Poldanor	Agriculture and farming	Polen Invest		11.6	82.0	135	1997-
Radiowo Energy Gen.	Extraction of oil and gas	Miljø-Sam Holding	3.7		12.0	2	1997-
Rockwool Malkinia	Insulating material	Rockwool International		35.0	140.0	150	1995-1996
Rockwool Polska	Insulating material	Rockwool International		34.7	98.0	554	1996-
Zelmech	Electric domestic appliances	Metro Term	3.6		17.8	105	1999-
Total for: Poland			52.7	119.8	1,219.8	1,919	
Romania							
HITROM	Insulating material	Anonymous	12.0		14.5	800	1999-
Total for: Romania			12.0		14.5	800	
Russia							
SISL	Fishing	Ørskov Værft/Royal Greenland	10.0		530.0	180	1998-
ZAO Mineral Wool	Insulating material	Rockwool International	87.0		273.8	500	1998-
Total for: Russia			97.0		803.8	680	
Slovakia							
Pohronie	Sewage and refuse disposal	Marius Pedersen		1.8	6.8	30	1996-
Povazie	Sewage and refuse disposal	Marius Pedersen		1.6	6.3	30	1996-
Saris	Sewage and refuse disposal	Marius Pedersen		1.5	5.7	30	1996-
Total for: Slovakia				4.8	18.8	90	
Grand total:			211.1	173.5	2,368.7	4,213	

MIØ participation is the sum of MIØ's contracted investment in the project company until the balance sheet date.

Investment in shares includes overrun commitments and investment in loans includes issued guarantees.

Total investment is the total investment in the project company as foreseen in the project agreements.

The number of employees is the number expected to be employed according to the budget of the investment agreement.

MIØ's participation in a project ends when either MIØ has disposed of its assets in the project company or MIØ's contracted obligation towards the project company is legally liquidated.

MIØ investment through a holding company: ✧ Operation discontinued: *



A Pre-launch Check-up

In order to improve the quality and profitability of investment projects, IFU, IØ and IFV (the Danish International Investment Funds) have established a new service for its partners. The initiative is mainly directed at small and medium-sized partners.

Background

World-wide experience shows that joint ventures by small and medium sized enterprises often have disappointing results. Statistics from IFU and IØ confirm this finding: Returns from small companies are lower than returns from larger investments.

This is often due to a lack of managerial experience in working in foreign markets, under-capitalisation and overestimation of sales potential. Among other factors are different expectations between partners and a lack of shared strategy.

Action Up-front

The Danish International Investment Funds have decided to tackle the problems up-front by proposing that all potential partners review their business plans prior to committing capital to their projects. This is done at a so-called Pre-Investment Meeting (PIM).

A PIM is a workshop, where all stakeholders have the opportunity to discuss all the conditions and air any concerns openly.

The Agenda

An independent facilitator draws up the agenda in consultation with the partners. He or she would ensure that the various partners bring up any outstanding issues of importance to the project's implementation. The facilitator also leads the PIM. By choosing an independent person for this task, all partners are assured of an equal opportunity to



Pre-Investment Meeting in relation to an IFU-project in China, January 1999.

discuss and debate the issues and no single partner is allowed to dominate the discussion.

The facilitator would also present the conclusions of the workshop, often including the drafting of an action plan. It would however be the partners' task to take care of the follow-up.

Efficient

By the end of 1999 about 20 PIMs had been conducted. An independent evaluation carried out at the request of the Danish International Investment Funds found that a PIM, according to the partners, increases the chances for a project's success.

The evaluation report even suggested that PIMs should be conducted in projects with stronger partners, if it is felt that the partners have not dealt adequately with all key issues.

The PIMs were found to be efficient in exposing "hidden and burning" issues and resolving them in an amicable manner. The evaluation report further described the PIM as a "last call" for a "reality check" for all partners prior to final commitment.

Board of Directors

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Managing Director
Vestas Wind Systems A/S

Deputy Chairman



Kirsten Fjord
Deputy Managing Director
Tele Danmark A/S



Lars Andersen
Managing Director
The Economic Council of
the Labour Movement



Niels Chr. Knudsen
Chairman
Albani Bryggerierne A/S



Lars Kolte
Deputy Director General
Danish Agency for
Trade and Industry



Eva Parum
Managing Director
Service Udvikling A/S



Friis Arne Petersen
Permanent Secretary,
Ambassador
Ministry of Foreign Affairs



Kjeld Ranum
Managing Director
Århus Oliefabrik A/S



Birger Riis-Jørgensen
Under Secretary,
Ambassador
Ministry of Foreign Affairs



Ingelise Saunders
Managing Director
Novo Nordisk
Pharmaceuticals Ltd. (UK)

Department for projects in Central Europe



Torben Huss
Department Director



Jens Bayer
Investment Officer



Lisbeth Erlands
Investment Officer



Natalia Svejgaard
Economist

Regional office in Warsaw



Max Kruse
Regional Representative



Zbigniew Gluchowski
Investment Officer



Agnieszka Grzelewska
Investment Officer



Robert Lech
Investment Officer

Department for projects in CIS, the Baltics, Bulgaria and Romania



Hanne Arildsen
Department Director



Tine B. Kokfelt
Investment Officer



Tatiana M. Manzon
Investment Officer



Peer Munkholt
Investment Officer

Board of Management



Sven Riskær
Managing Director



Jørgen Dan Jensen
Deputy Managing Director



Frank Norman Larsen
Deputy Managing Director

IØ Advisers



Vytenis Aleskaitis
Vilnius, Lithuania



Alina Dudele
Riga, Latvia



Bogdan Gutkowski
Koszalin, Poland



Christina Helweg-Larsen
Bucharest, Romania



Hemming Jørgensen
Luxembourg



Ivana Kocotova
Prague, Czech Republic



Endre Kovacs
Tata, Hungary



Vladimir Krakhmalev
Moscow, Russia



Jørgen Melchior
Denmark



Indrek Orav
Tallinn, Estonia



José M. Ruisánchez
Washington D.C., USA

Finance Department



Niels Gravgaard Laursen
Department Director



Peter Hove
Chief Accountant



Birthe Mikkelsen
Chief Cashier



Martin Rømer
Finance Officer

Corporate Affairs Department



Bjørn Jakobsen
Department Director



Jens Rixen
Legal Adviser

IT Department



Niels Eventt
Department Director



Søren Heilmann
IT Officer (Systems)



Henning Wong
IT Officer

Environmental Unit



Anders Bjørnshave
Environmental Adviser



Clea H. Gebara
Environmental Officer

Service Unit



Bente Larsen
Librarian

IØ as a partner

On terms with its partners

IØ prefers to consider each project proposal on its merits in direct dialogue with the potential partner companies.

IØ strives to work on the terms of its private partners.

In its recruitment of staff, preference has been given to people with working experience in private companies.

Flexible and unbureaucratic are adjectives which IØ tries its best to live up to.

Experience

During the preparatory work, IØ's partners can benefit from IØ's investment experience. More often than not, IØ has prior experience and liaison with the authorities and the financial and private sectors of the host country.

Project financing

Due to IØ's close contacts with Nordic, European, international and local financing institutions, IØ will often suggest supplementary financing proposals which will help securing the best possible financing of the project.

Terms of investment

IØ's aim is to invest in financially viable projects in co-operation with Danish companies and partners in the host countries.

IØ can finance by share capital and/or by granting loans up to 25 per cent of the total investment including working capital.

IØ can finance up to 30 per cent of the share capital. As a general rule, IØ's part of the share capital will not exceed that of the Danish partner.

Loans are typically granted for a period of up to 5 years often with a certain grace period depending on e.g. the projected cash flow requirement. The loans are offered on commercial terms.

Equity loans and guarantees for loans from other sources can also be offered.

Continued support

IØ takes a seat of the board in the project company.

Termination

The shares are normally offered for sale to the partners, when IØ withdraws from the project after 5-7 years, when the project company is consolidated.

*Hladke Zivotice s.r.o.
Plant Breeding Station,
Czech Republic.*



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