

BULLETIN

NORDIC INVESTMENT BANK • FEBRUARY 2003

Investing
in cleaner
energy



European energy supply demands investment

Matias Unskyla



»Eastward EU enlargement demands heavy investments.«

Secure energy supply is one of the basic prerequisites of economic efficiency, and Europe will now be facing great challenges in the energy sector. EU enlargement with the advent of ten new Member States, the introduction of a single energy market for the whole of the EU/EEA, climate change and Kyoto Protocol commitments to reducing emissions of greenhouse gases are new elements added to the already complex task of ensuring dependable energy supply for European economic growth.

European energy policy addresses both the demand and supply sides. Measures for greater energy conservation and efficiency should be given

priority, not least where energy consumption in buildings and motor traffic is concerned. Targeted energy taxation can play an important part in improving the logistical balance. On the supply side much depends on the development of a broad, diversified base for energy production, emphasising energy sources with the least possible impact on the environment and climate. Hopefully, the realisation of an open common European market for energy will eventually lead to more efficient use of available energy resources and infrastructure.

Even with a successful energy policy, Europe is going to be more and more dependent on imports for its energy supply. This is where geopolitical considerations come in. Good relations with energy exporting countries and an efficient infrastructure securely linking the European markets with them are of the utmost importance for future security and prosperity in Europe.

These future prospects imply big investment needs in the energy sector. The liberalisation of

European energy markets, for example, calls for extensive equipment and systems giving power consumers a free choice of power supplier. Eastward EU enlargement demands heavy investments in linking the applicant countries' power distribution systems with Western Europe's. Energy efficiency improvement and reduction of harmful emissions from power production and energy consumption also demand heavy investment. Gas pipelines from Norway and Russia to other parts of Europe are important instances of major infrastructure initiatives which will be needed within the near future. A gas pipeline on the Baltic seabed from Russia via Finland to Germany can serve as an outstanding example. A transmission network uniting the Baltic countries with the Nordic power network—Nordel—is another.

Nordic industry has a great deal of know-how, expertise and experience in all the above mentioned fields. In the years ahead this should mean good prospects for Nordic firms specialising in energy hardware and software solutions, both at home and abroad.

From its inception, the Nordic Investment Bank has focused heavily on the energy sector, and we look forward to supporting Nordic industry, which is certain to play an important part in meeting the great challenges which the European energy sector is now facing. There are exciting tasks ahead of us.

A handwritten signature in dark ink, appearing to read 'Jón Sigurðsson'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Jón Sigurðsson
January 2003

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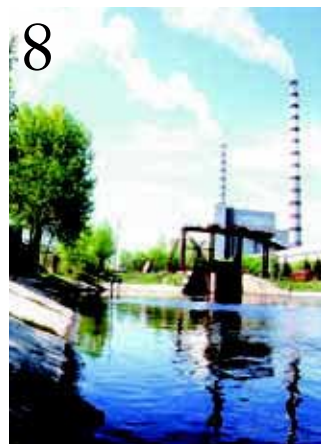
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Cover photo
Toomas Tuul

Communication and understanding

“The important thing is for us to understand and get to know one another. And so we must be able to communicate,” says Bjarne Mørk-Eidem, looking back on his many years in Nordic cooperation and his time on the Control Committee of the Nordic Investment Bank.

Speaking as a veteran of the Nordic scene with a broad experience from more than 30 years of active Nordic commitment, Bjarne Mørk-Eidem is convinced that Nordic cooperation is deeply rooted in the hearts and minds of the people, and not just a matter of fine speeches or purely the concern of politicians. He counts himself fortunate to have been a part of Nordic cooperation for such a long time and to have witnessed its development in various fields. Among other things he served as Norwegian Minister for Nordic cooperation and on the Nordic Council until 1990, when he was elected Auditor General of Norway.

For many years Bjarne Mørk-Eidem headed the activities of the Norden Associations, politically independent NGOs, promoting Nordic cooperation in all fields. He speaks with enthusiasm of the important role they have played in shaping the Nordic perspective. Mr. Mørk-Eidem makes special mention of the North Calotte cooperation, which has become an important meeting point for the Northern regions. The initiative came from the Norden Association, with the Nordic Council joining in later.

“In a manner of speaking,” says Bjarne Mørk-Eidem, “the Nordic Council has been the executive arm of the Norden Associations. The basis of Nordic cooperation emerged from the history of the Norden Associations. It would never have won such a degree of popular acceptance without the strong support received from the civic organisations. The foundations

of parliamentary cooperation were laid partly through cooperation in the sporting world and trade unionism.”

Bjarne Mørk-Eidem denies that EU membership has made Nordic cooperation less important. If anything the EU has made it both broader and deeper.

“Cooperation is easier when the frames are larger.”

Nordic cooperation has also had some big challenges to face over the years. The debates have been numerous and intensive, but fruitful. Bjarne Mørk-Eidem recalls a number of quite stormy meetings. “As a politician, all this cooperation and debate were a fantastic experience. I’ve had as much rough and tumble debating with politicians from other Nordic countries in the Nordic Council as with Norwegian politicians on my home ground.”

The usefulness of Nordic cooperation is a perpetual topic of discussion in various connections, not least in comparisons with EU cooperation, for example. In the mid-1990s an evaluation of the Nordic benefit of the Nordic institutions resulted in about ten of them being closed down. At that time the Nordic Council was looking towards Europe, following the accession of Finland and Sweden to the EU. Mr. Mørk-Eidem says that he was greatly surprised by the definition of “Nordic benefit” and disapproves of economic criteria having been made the starting point.

“For one thing, this means lower priority for the arts, which usually cost money.

BJARNE MØRK-EIDEM IS

- Auditor General of Norway since 1990,
- former Speaker of the Storting (parliament), Norwegian cabinet minister and MP,
- Chairman of the NIB Control Committee,
- longstanding Chairman of the League of Norden Associations and of the Norden Association in Norway.

Saying everything is as it should be because the economy is doing well can be unfair and lopsided.”

Nordic cooperation today is focusing more and more on the Baltic region. This is perfectly natural, and so too is NIB’s participation. The Bank was originally set up for the Nordic countries. Today we can see that the Nordic area has grown too small in a number of fields. The Baltic Sea is an important environmental theatre and exemplifies the shift of perspective following the obliteration of natural boundaries. Pollution in the Nordic area does not come from the Nordic countries alone.

“It is gratifying that NIB’s loans to the Baltic countries are no longer special loans with special guarantees but are registered as ordinary lending, like credits to the rest of the Nordic area. The initiative now in progress in the Arctic region, in northwest Russia and in the Barents region is hugely important. I’m glad that work has begun on modernising the Pechenga Nickel smelting plant in the Kola Peninsula. That is a feather in NIB’s hat, not least. The project is one of great consequence for the whole of the Arctic region and for Norway, Sweden and Finland.”

Mr. Mørk-Eidem is closely acquainted with NIB’s activities. He is currently Chairman of the Bank’s Control Committee and had a hand in starting the Bank itself.

“NIB has played a considerable role in the 25 years of its existence, and is also one of the most successful organisations the Nordic Council has helped to create dur-

ing its 50-year history," he says with a touch of pride.

Negotiations for a Nordic investment bank had been going on since the 1960s, but developments gathered speed in 1975 when the formation of the bank was the principal item on the agenda of an extraordinary session of the Nordic Council.

"There was disagreement as to whether a Nordic investment bank should be started or not," Mr. Mørk-Eidem recalls, "and hot words were exchanged. NIB is a political bank that was formed after a major political contest. For one thing, Norwegian and Danish conservatives and Finnish communists saw no need for any such bank at all."

But as Bjarne Mørk-Eidem sees it, the existence of the need has been clearly demonstrated by the Bank's activities. NIB came about as an experiment which has since proved highly successful.

"NIB today stands forth as perhaps the most successful project of Nordic cooperation, both economically speaking and in terms of the effects on the Nordic area as a whole. The Bank has also made an important difference to the individual countries and the development of their enterprise sectors. Having observed developments at close quarters, I can say that they have been quite fantastic."

The NIB Control Committee is a special controlling body tasked with ensuring that the Bank's operations are conducted in agreement with its Statutes. The Committee is also responsible for auditing, and presents an annual audit report to the Nordic Council of Ministers. It has ten members—two from each of the Nordic countries—five members being elected by the Nordic Council as parliamentary representatives and five being nominated, as governmental representatives, by the national governments. The chairmanship circulates between the Nordic countries.

After three stints as Chairman, Bjarne

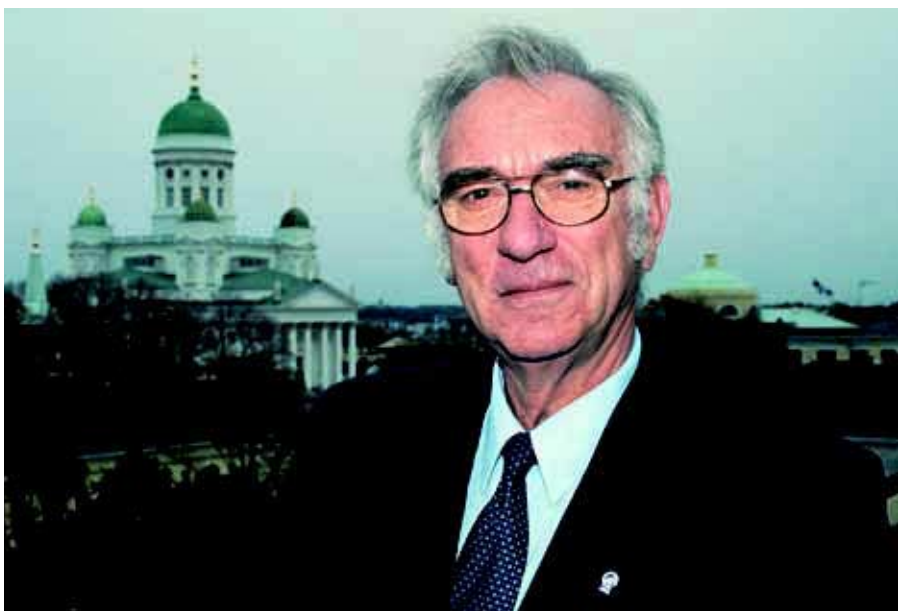
»NIB has made an important difference to the individual countries and the development of their enterprise sectors.«

Mørk-Eidem says the time has come to make way for new blood, and he recently announced his intention of standing down from the Control Committee after a total of twelve years' service.

Mr. Mørk-Eidem says that the independent committee, in itself a unique arrangement, has worked excellently. It is appointed by the Bank's owners and supervises compliance of the Bank's operations with their wishes. The Auditor General adds that it is the Control Committee that elects the Bank's professional auditor.

Bjarne Mørk-Eidem feels that more emphasis could have been laid

on the role of the Nordic Council and the Nordic Council of Ministers. The Nordic Council is above all important as a vital channel of communication for Nordic politicians, a meeting point where they have been able to exchange thoughts and ideas and learn from each other. The Nordic societies today are relatively similar, and in this respect the Nordic Council and Nordic cooperation generally have been a contributory factor.



Pamela Schimberg

Bjarne Mørk-Eidem steps down as chairman of NIB's Control Committee.

"Nordic cooperation has given me great fulfilment and made me a better politician. I count myself privileged to have been a part of this for such a long time and to have seen so much happen."

Understanding of languages and ability to communicate with each other, Bjarne Mørk-Eidem maintains, are among the most important things of all. Effective communication is needed so that trust and opportunities of cooperation can develop. The important thing is for us to understand and get to know one another.

Much has been accomplished but much remains to be done through the Bank, whose owners have been very cautious.

"I feel the owners could have given the Bank rather more latitude and opportunities. They will one day, but things always take a bit longer to happen than you first believed. NIB is a young bank but in many different fields has contributed towards real progress and understanding between the Nordic countries. Which of course was the whole point of founding it." ■

Baltic energy turning more efficient and environmentally friendly

Estonian Eesti Energia and Latvian Latvenergo are committed to efficiency and environmentally friendly solutions. Their extensive investments are being financed partly with long-term credits from NIB.

Great changes are in progress in the Baltic energy sector. Energy markets will be opened up as a result of impending EU membership, and the thing now is to ensure that operations are competitive.

Eesti Energia produces the greater part of Estonia's electricity and heat in two power plants fuelled with oil shale in the city of Narva, in the country's north-eastern corner. The mining and combustion of oil shale are causing severe negative environmental impact. The third phase of a comprehensive investment programme

»Great changes are being made in environmental legislation.«

aims mainly at reducing environmental impact, and was inaugurated in the summer of 2002. Eesti Energia is investing in two new boilers for the shale-fired Narva plants and in the moderni-

sation of other production facilities. These investments will help to achieve a heavy reduction of sulphur and dust emissions, for example. The company's transmission and distribution networks are also to be modernised and made more efficient. The new power production units will comply with EU emission requirements.

State-owned Latvenergo in Latvia is investing extensively in the transmission and distribution network by installing new, efficient and environmentally friendly technology. Plans also include repowering and extensive investments in the hydro

power plants on the Daugava River which provide roughly 70 per cent of the country's electricity output.

"In addition to the purely economic benefits," says Mara Kalnina, Latvenergo's Environmental Protection Manager, "the investments will also have positive environmental impact."

Environmental and quality standards based on ISO 14 001 and ISO 9 001 have been introduced at four of Latvenergo's facilities and other facilities will be certified as well.

"Our biggest CHP (combined heating and power plant)," Mara Kalnina continues, "fuelled mostly by gas but also with heavy fuel oil, now complies with the mandatory EU Directive for the integrated pollution prevention and control. The prospective refurbishment of our second, the oldest, CHP will also give significant environmental benefit thanks to the implementation of modern combined cycle gas turbine power production technology."

Great changes are being made to the environmental legislation of the Baltic states, in preparation for their accession to the EU in the spring of 2004. In a few years' time, all environmental legislation will have to comply with EU Directives. In addition, Estonia and Finland have an agreement on limitations of Estonian emissions. Sulphur emissions in Estonia are to be reduced by 80 per cent of their 1980 level not later than 2005. The investments in the utilities in Narva will help

Eesti Energia to comply with EU requirements and Estonia to honour the agreement with Finland.

For several years Eesti Energia negotiated with the American NRG Energy Power Corporation for a privatisation of the Narva power plants, but the negotiations were broken off at the beginning of 2002. The Estonian government decided that the company was to be financially strengthened and its activities developed first, and the question of possible privatisation was shelved for the time being. In the summer of 2002, both Standard & Poor's and Moody's assigned Eesti Energia the same credit rating as the Estonian government for long-term borrowing.

The Latvian government decided already at the end of 2000 to postpone plans for privatising Latvenergo, so as to strengthen the company's performance capacity in preparation for the opening up of the energy market. Through this decision the Latvian government wanted to ensure that Latvenergo's present operations would be internationally competitive when the market was opened up to free competition.

"Experience in the Nordic countries shows that energy operations can be developed efficiently under state ownership," says Lauri Johnson, NIB's Regional Manager of the Baltic countries. "In the Nordic countries, production and distribution have been privatised while transmission is operated by separate companies

with nationwide coverage. That, presumably, will also be the solution adopted in the Baltic countries.”

In both Estonia and Latvia, energy prices at present are fixed by the national energy inspectorates. The laws of both countries require energy tariffs to be pitched at a level where electricity production and long-term investments can be assured. The tariffs guarantee the companies’ operations for the time being. These terms of operation may change eventually as energy markets are opened up and companies have to fend for themselves in open competition, and so the energy companies are committed to streamlining their activities and, for example, reducing transmission and distribution losses.

The Baltic countries have a power production surplus, and power is exported by Estonia and Lithuania to Latvia and

northwest Russia through a common grid, supervised by a joint dispatch centre, DC Baltija in Riga. Latvia imports power from Russia as well as from the other two Baltic countries. When one of the two reactors of the Ignalina nuclear power station in Lithuania is shut down in 2005, by agreement with the EU, this will reduce the Baltic region’s capacity surplus. The plan is for the second Ignalina reactor to be shut down in 2009.

There is no power trading at present between the Baltic and Nordic countries. Eesti Energia and Latvenergo have been allotted an important part in the future power cooperation planned between the Baltic countries and the Nordic area. A high voltage cable linking Estonia and Finland is to be constructed on the seabed of the Gulf of Finland. Another cable link is planned between Lithuania and Poland. Poland and Sweden have a common high voltage cable already.

Lauri Johnson says that the loans granted to Latvenergo and Eesti Energia make NIB the Baltic energy sector’s largest individual external financier. NIB has also funded a large number of lesser municipal district heating investments in that sector. ►

The turbines of Eesti Energia’s production facilities in Narva will be made cleaner and more efficient by the company’s wide-ranging investments.



Estonian power production meets environmental requirements

Extensive investments will enable Eesti Energia to meet the requirements of EU's emission directives and help Estonia to achieve environmental targets agreed on with Finland.

State-owned Eesti Energia is a limited company which, directly or through subsidiaries, owns the country's power transmission network, a large part of its power distribution and most of its power production. The energy combine also includes an oil shale company which owns the greater part of the country's oil shale deposits and is responsible for oil shale extraction. Two of Eesti Energia's power plants run on oil shale. It is oil shale which, hitherto, has caused the biggest environmental problems, e.g. heavy emissions of sulphur and dust.

Eesti Energia's power production is about 7,100 GWh (gigawatt hours) annually, of which 5,200 GWh are sold on the local market and nearly 1,000 GWh exported to Latvia and Russia. The company's heat production totals some 2,500 GWh.

Eesti Energia is Estonia's biggest enterprise, with about 10,000 employees. Turnover at the end of financial year 2001/2002 was approximately 332 million euros.

NIB has previously granted Eesti Energia two long-term credits totalling 28 million euros for environmental investments. During the summer of 2002, Eesti Energia and NIB agreed on a loan of 60 million euros to finance two new boilers for the Narva power plants and continuing remediation of the company's other production facilities, as well as modernisation and efficiency improvements on the transmission and distribution network, and investments in mining operations. Parallel to NIB's loan, German KfW granted Eesti Energia a long-term loan in the size of NIB's exposure. This credit package was essential in order for Eesti Energia to

finance its extensive investments.

The investments themselves are designed to secure Eesti Energia's ability to compete in the Baltic energy market, added to which they are expected to have far-reaching positive environmental impact. Carbon dioxide emissions from the Narva plants are expected to decrease by 630,000 tonnes annually, and sulphur dioxide emissions by 26,000 tonnes annually. This equals half the sulphur emissions of Denmark, Finland and Sweden combined.

»... secure the ability to compete in the Baltic energy market...«

"We are determined to continue improving our cost efficiency and customer service, and intend to put a lot of effort in continuous reduction of the environmental impact of our operations" says Mr Gunnar Okk, CEO and Chairman of the Management Board of Eesti Energia. ■



The investments in the Narva facilities will greatly reduce sulphur and particle emissions.

Heavy Latvian investment in more efficient power transmission

Latvenergo is a limited company 100 per cent owned by the Latvian government. The company owns the country's transmission and distribution network and nearly half its power production. Latvenergo has three hydro power plants—two CHPs and one district heating plant. Power production for 2000 was just under 4,000 GWh, and heat production about 2,600 GWh. In addition, Latvia imports about 1,700 MWh of electricity from Estonia, Lithuania and Russia.

"Between 70 and 80 per cent of the electricity comes from hydro power plants, so a large part of our production is very environment-friendly," says Mara Kalnina, Latvenergo's Environmental Protection Manager.

"We also have two wind generators."

The company's three hydro power plants are on the Daugava River, which

flows through Riga, the Latvian capital.

In the summer of 2002 NIB and Latvenergo agreed on a loan of 40 million euros intended mainly for the company's extensive investments in the transmission and distribution network. Since then the EIB has awarded the company a long-term credit.

"In addition to rehabilitating the power network," says Ivars Liuziniks, Deputy Chairman of the Board, "we are also planning a number of other far-reaching investments for the next few years. Existing power production is to be streamlined and the existing hydro power dams reinforced."

Latvenergo, with a turnover in 2001 of some 310 million euros and about 6,800 employees, is one of the biggest companies in Latvia and the Baltic region. ■

Baiba Abelniece



Latvenergo is streamlining the whole country's power distribution network.

Danish power lines go underground

Heavy storms have led Danish power distributor SEAS Distribution to invest in cables below ground rather than above it.

Storms occurred more frequently in Europe during the 1990s than in previous decades. In addition to wrecking bridges and buildings, they tore down power lines, leaving households without electricity and heating and power companies with the task of reinstating poles and lines.

To secure power supply against storms, for instance, SEAS Distribution in Southern Zealand, Denmark, is transferring 2,000 km of overhead power lines underground.

"A big investment for us," says Lars Friis, in charge of operational development.

"Good cooperation with NIB and the long-term credit on favourable conditions

enabled us," he continues, "to construct a feasible financing package for the investment."

The total project cost is 375 million Danish kroner, roughly 48 million euros.

The actual business of burying the cables in the ground was put out to tender in the EU and the contract was awarded to the Danish MTH contracting company, which at times has had up to 150 people employed on the project. In addition, SEAS Distribution has about 25 employees working on the project full time.

The two-year project began in 2001 and is scheduled for completion in 2003. The investment will improve the security of

power distribution, as well as reducing the risk of losses from heavy storms. And the landscape will look nicer as the power lines disappear below ground.

"Improving the quality of the visual environment is an increasingly important consideration where cable laying is concerned," says Per Klaumann, NIB's Regional Manager for Denmark.

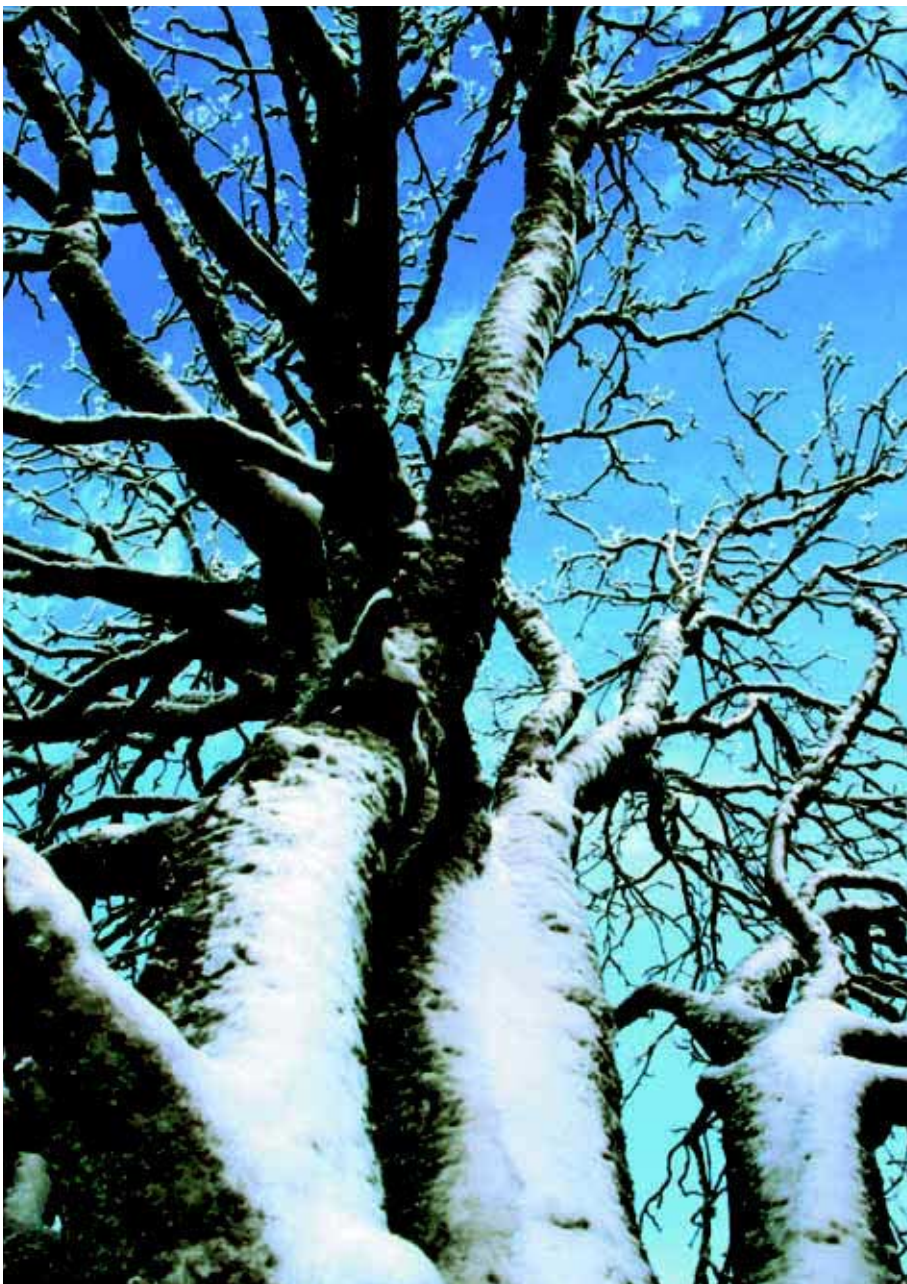
In January 2003 NIB signed another loan agreement for cable laying to replace overhead power lines. This loan went to NVE Net in northwest Zealand, which will be laying about 3,000 km of cable. ■



BEFORE THE WORLD'S AWAKENING

The pictures on these two pages are by Estonian nature photographer Mati Kose, whose favourite themes include golden light over a landscape struck by the morning's first sunbeams. His prize-winning photographs have attracted attention both in Estonia and further afield in Europe.





Spearheading food industry technology

Icelandic Marel is one of the world's biggest manufacturers of machinery and technology for food production, with more engineers and technicians on its payroll than any other Icelandic company. Its new building of nearly 16,000 square metres was inaugurated in September 2002.

Founded in 1983 as a spin-off from the University of Iceland, Marel's main purpose at that time was to explore the possibilities of using new technology and computers for fish processing. In the event, Marel raised the efficiency of Iceland's fish industry, and before long its attention also turned to other food products.

Over the past two decades, the Marel Group has developed close ties with leading international fish, meat and poultry processors, who today often turn to the company for solutions to their production problems. It is through such cooperation that new technology is continually being developed and new products born. Operating at the cutting edge of electronic engineering and software technology,

the Marel Group enables processors to produce anything from consumer-ready prawns and salmon fillets to poultry breasts, rib eye steaks or shish kebabs, to name but a few examples.

Marel's rapid expansion has called for ever-larger facilities, and its new building, in the Municipality of Garðabær near Reykjavik, Iceland, was opened in September 2002. The new building, partly financed with a loan from NIB, is among the largest industrial properties in Iceland. Equipped with the latest in production and research technology, the plant is designed to provide Marel Group employees—and through them the company's customers—with the best facilities possible. ■



The new Marel building is among the largest industrial facilities in Iceland. More engineers and technicians are employed here than in any other Icelandic enterprise.





NOPEF LEAVING THE BALTIC

Belief in Russia

There is no mistaking the interest among Nordic companies in operating in Russia. The country tops the list of credit awards by Nopef, the Nordic Project Fund. When Nopef leaves the Baltic countries in a few years' time, the Russian dominance will become more pronounced than ever.

"It's a huge market," says Nopef Managing Director Per-Olof Dahllöf. Many of the companies Nopef cooperates with are committed, not only to production in the east but also to getting a foothold in the market. One-fifth of the projects approved by Nopef in 2002 went to Russia. Nopef grants credits and support to Nordic enterprises for feasibility studies connected with project exports and foreign company establishments. Among enterprises in the Nordic countries, for geographic reasons it is above all the Finnish ones that are looking to Russia. Dahllöf says that companies starting up in the east must be prepared for rapid changes. He stresses the need for perseverance, and also the importance of personal relations—knowing the right people.

Nopef only supports projects outside the EU and EFTA. EU enlargement, accordingly, will exclude the Baltics, which until now have accounted for a big share of the projects. Dahllöf says that all Nopef project funding in Estonia, Latvia

and Lithuania will end in 2005 at the latest. Instead he expects Nopef to increase its exposure above all in Russia and Ukraine, but also in other countries of the neighbouring region. He adds that support for activities in Kaliningrad has been indicated as politically desirable, considering that before much longer the Russian enclave will be located in the midst of the EU.

Nopef celebrated its twentieth anniversary in 2002. The original initiative leading to the Fund's creation came from the Nordic Investment Bank, the reason being that an agency was needed to identify good projects which the Bank could finance later on. Nopef is a sister organisation of NIB and a member of the Nordic Finance Group. "Unlike the other members of the group," says Dahllöf, "we have no authorised capital." Nopef, in other words, is dependent on funding allocations. Its activities are financed by the Nordic Council of Ministers and the five Nordic countries.

www.nopef.com



2,500 SQUARE METRES FACTORY SPACE OUTSIDE MOSCOW

Advakom has been active since 2001 in the town of Dubna, just over 100 km north of Moscow. It manufactures IT and telecom components and is one of the Nordic enterprises whose feasibility studies Nopef has supported.

"This is a small Swedish entrepreneur project," says Advakom's Swedish Managing Director Per Strandqvist. The Dubna factory produces data network cable based on copper and various plastics. Advakom also makes metal cabinets for data installations, as well as assembling cables and connectors.

"We can very well go in for other production in future. As a subcontractor we can adapt our output to current demand."

About 90 per cent of sales go to the Russian market, and about 10 per cent to Sweden.

The first autumn in Russia was bureaucratic, but in December 2001 Advakom was able to bring equipment into the country. The choice of Dubna as location was due to a combination of several factors. Advakom did not want to be based in Moscow but wanted to be near the capital, which is where the customers are.

"A small firm in Moscow has neither value, strength nor power," says Strandqvist, added to which he points out that Moscow has a highly mobile workforce.

The start was slower than expected.

"It's all down to inexperience, over-optimistic planning and Russia being Russia, not Sweden or Denmark," Strandqvist explains.

On the other hand, the time lag is Advakom's only big problem at present. The company has developed about twenty new products and built up a customer platform equal to its sales plan.

The Swedish management and private investors own 62 per cent of the company, while the European Bank for Reconstruction and Development (EBRD) controls 38 per cent. Swedfund International has granted Advakom a five-year credit. ■

Fifty years of Nordic cooperation

The Nordic Council celebrated its fifty years jubilee in Helsinki in October 2002, with the 54th session attended by heads of state and government from all the Nordic countries.

The Nordic Council is a unique international body, serving as a joint forum in which ministers and MPs from different countries and political parties get together to discuss current issues and lay down guidelines of Nordic cooperation.

The Nordic Council's Rules of Procedure were approved 50 years ago, in 1952, by the parliaments of Sweden, Norway, Denmark and Iceland. The first topic for discussion was the Nordic passport union, which entered into force that very same year. Membership of the Council became complete in 1955 with the accession of Finland.

During its 50 years of activity, the Council has taken many important decisions. The idea of a Nordic investment bank was already launched



Martti Uusikylä

NIB's traditional reception during the session of the Nordic Council took place at the Kiasma Museum of Contemporary Art, Helsinki. Our picture shows NIB President Jón Sigurðsson chatting to President Ólafur Ragnar Grímsson of Iceland.

in the 1950s, in connection with the bid to form a Nordic customs union. The oil crisis at the beginning of the 1970s brought a resurgence of the idea, and NIB began operating in Helsinki in 1976. ■



Lehtikuvu

The jubilee session was attended by all the Nordic Prime Ministers.

Senior funding officer Samu Slotte, Head of funding Kari Kukka and Head of financial legal matters Sten Holmberg (seated) are proud of NIB's first global benchmark bond issue.



Pamela Schönborg

ACTIVE BORROWING

NIB's biggest issue ever

In December NIB floated, in the USA, its biggest bond issue ever, for 1 billion US-dollars. The transaction was registered with the Securities and Exchange Commission in the USA. This bond runs for just over 3 years, maturing in January 2006, and is NIB's first global benchmark bond issue. As such, the bonds could also be sold and registered with clearing systems both within and outside the USA. They are listed on the Luxembourg stock exchange. The size and global format of the transaction attracted many investors who had not invested in NIB bonds before.

The issue was preceded by an update

of the Bank's American MTN programme, established already in 1993. The borrowing ceiling was raised from USD 600 million to USD 3 billion, and the programme documentation altered to facilitate global benchmark bond issues. Under this programme the Bank can issue bonds in a variety of currencies.

In addition to the issue in the USA the year 2002 was busy for NIB, with many new issues. They included a bond loan of 3 billion Icelandic kronur, equalling about 35 million euros. This loan, with a maturity of 15 years, is listed on the Reykjavik stock exchange, making NIB the first supranational to have floated a loan on

the Icelandic capital market. Previously NIB had issued ISK bonds addressed to Central European investors.

Two issues in Norwegian kroner came at the end of the year. Addressed mainly to private persons in Central Europe, they totalled NOK 900 million, roughly 120 million euros.

The main borrowing currencies, apart from the US dollar, were Japanese yen, Taiwan dollars, Hong Kong dollars and euros. ■

Investor seminar in New York

Current economic issues in the Nordic area, the EU and the USA were discussed at an economics seminar on Transatlantic economic cooperation, arranged by NIB in November. The seminar, which took place at Scandinavia House in New York, attracted a large number of American investors and heads of corporations. Lecturers were American and Nordic economic experts.

The seminar was arranged in association with the American-Scandinavian Foundation, which received a jubilee donation as part of the Bank's 25 year celebrations.

Scandinavia House serves as the leading centre of Nordic culture in the USA and is maintained by the American-Scandinavian Foundation, which promotes cooperation between the five Nordic countries and the USA. Every year the Foundation awards grants to researchers and artists, for the encouragement of interchange between the Nordic countries and the USA.

The Scandinavian House cultural centre offers a manifold programme for the general public, including exhibitions, concerts and lectures. The new centre

opened in Manhattan in October 2000 and has so far attracted more than 100,000 visitors. ■



Tina Buckman

Panel members at the Scandinavia House seminar. From left: NIB President Jón Sigurðsson, Björn Wahlroos, CEO and Managing Director of Finnish Sampo, Professor Benjamin M. Friedman, Harvard, William J. McDonough, President of the Federal Reserve, New York, and Svein Gjedrem, Governor of the Norwegian Central Bank. Far right: Edward P. Gallagher, President of the American-Scandinavian Foundation.



Christer Holmström



Laurent Jorelle



Börje Lundvall



Eva Sandström



Roger Haaparinne



Linda Sundberg



Charlotta Tallqvist

NEW APPOINTMENTS

Christer Holmström (FIN) has been appointed systems specialist in the IT Department.

Laurent Jorelle (FRA) has joined the IT Department as IT specialist. He worked previously with Domasoft in Helsinki.

Börje Lundvall (S) has joined the Appraisal Department as Senior Project Analyst. He has worked previously for Swedish Ericsson and as a self-employed management consultant.

Eva Sandström (FIN) has been appointed Assistant Regional Manager in the Private Sector unit of the International Department. While on maternity leave, until the autumn of 2003, she will be covered for by **Roger Haaparinne** (FIN) who has been recruited as Senior Handling Officer. His most recent appointment was with Sampo Bank plc in Singapore.

Linda Sundberg (FIN) has joined the Personnel and Office Department as HR Secretary. Her last appointment was with Rederi AB Eckerö Linjen.

Charlotta Tallqvist (FIN) has taken up an appointment with the International Department, Central and Eastern Europe Region. She comes from the IT enterprise Quartal Oy. Previously she worked among other things on project finance with Deutsche Bank in Frankfurt and London.

This is NIB

The Nordic Investment Bank (NIB) finances private and public projects, which have high priority with the Nordic countries and the borrowers. NIB finances projects both within and outside the Nordic countries.

NIB is a multilateral financial institution owned by the five Nordic countries. The Bank operates in accordance with commercially sound banking principles.

The member countries appoint representatives to the Bank's Board of Directors and to its Control Committee.

The Bank's operations are controlled by an agreement between the Nordic countries as well as the Statutes connected with this agreement.

NIB offers its clients long-term loans and guarantees on competitive market terms. NIB acquires the funds to finance

its lending by borrowing on the international capital markets. NIB's bonds enjoy the highest possible credit rating, AAA/Aaa, with the leading rating agencies Standard & Poor's and Moody's.

NIB has its headquarters in Helsinki and offices in Copenhagen, Oslo, Reykjavik, Stockholm and Singapore. The Bank has approximately 140 employees, recruited from all the five Nordic countries. ■

NIB'S FINANCING POSSIBILITIES

NIB finances investment projects and project export which are of mutual interest for the Nordic countries, and for the borrower. High priority is given to investments which improve the economic cooperation in the Nordic countries. Loans and guarantees are granted to finance investments that assure energy supply, improve infrastructure or support research and development. High priority is also given to projects which improve the environment in the Nordic countries and their neighbouring areas. NIB participates in the financing of foreign investments which provide employment in the Nordic countries. NIB finances various international projects in emerging markets as well as within the OECD area. The Bank grants loans to projects that support economic development in the Nordic countries' neighbouring areas as well as to investments of mutual interest for the Nordic countries and the borrowing country in various parts of the world.

In addition to loans, NIB also issues guarantees for projects that meet the Bank's conditions.

NORDIC LOANS

Investment loans

NIB offers medium- and long-term investment loans with maturities of 5 to 15 years. The loans are granted in various currencies at fixed or floating market-based interest rates, for up to half of the

project's total cost.

NIB finances projects in:

- the manufacturing sector, including investments in facilities and machinery,
- infrastructure, including transportation, telecommunications, energy, water supply, sewerage and waste management,
- environmental improvement, both in the private and the public sector,
- research and development,
- cross-border investments, such as mergers and corporate acquisitions,
- foreign investments in the Nordic countries.

Regional loans

Regional loans are granted to national, regional credit institutions for the further development of business in priority regions.

INTERNATIONAL LOANS

The core of NIB's international lending operations consists of project investment loans. These are long-term loans—up to 20 years—for projects in emerging markets in Asia, the Middle East, Central and Eastern Europe, Latin America as well as Africa.

Project investment loans are usually granted on a sovereign basis but may also be granted without a government guarantee, particularly to private sector infrastructure investments. The loans are granted for up to half of the project's total cost. Project investment loans can be uti-

lised to finance all types of project costs, including local costs. The loans are granted at market-based interest rates in a currency preferred by the customer. Project investment loans have been granted for projects in more than 40 countries. NIB can also provide loans to Nordic companies' investments, including joint ventures and corporate acquisitions, within the OECD area and in the Baltic countries.

THE NEIGHBOURING AREAS

NIB gives priority to the financing of public and private infrastructure and industrial investments in the neighbouring areas to the Nordic region. Further, NIB participates in the financing of projects in the Baltic countries through investment loans to companies which are investing in the Baltic countries.

NIB is authorised to grant special environmental investment loans to public and private sector environmental projects in the neighbouring areas to the Nordic region, i.e. to Poland, the Kaliningrad area, Estonia, Latvia, Lithuania and north-west Russia (St. Petersburg, the Leningrad area, the Karelian Republic and the Barents region). The projects are to help in reducing environmental degradation, and thereby also in reducing cross-border pollution. The environmental investment loans are granted on the basis of commercial banking terms to governments, governmental authorities, institutions and companies. ■

Environment and energy investment financing

The Nordic Investment Bank posts good results for the first eight months of 2002. Net interest income came to EUR 100 million at period-end, compared with EUR 98 million for the same time period last year. NIB posted EUR 97 million in profits for the period (corresponding period in 2001: EUR 83 million). Total assets came to EUR 14.9 billion, compared with EUR 15 billion at year-end 2001. Net liquidity was EUR 2,287 million at the end of the period, compared with EUR 2,641 million at year-end 2001.

NIB made new borrowings in the international capital markets corresponding to EUR 1,679 million in the first eight months of 2002, as against EUR 1,889 million the same time last year. The Japanese yen, the US dollar, the new Taiwanese dollar, the Hong Kong dollar, and the euro have been the period's most important borrowing currencies.

Manufacturing is the largest sector in NIB's Nordic lending operations. In the pulp and paper industry, NIB has during the first eight months of the year participated in the financing of environmental investments and cross-border corporate acquisitions. NIB has financed several

investments in the energy sector in, for example, biofuelled power plants in Finland, in wind power in Denmark, and in expansion of power transmission networks in Denmark, Norway and Iceland.

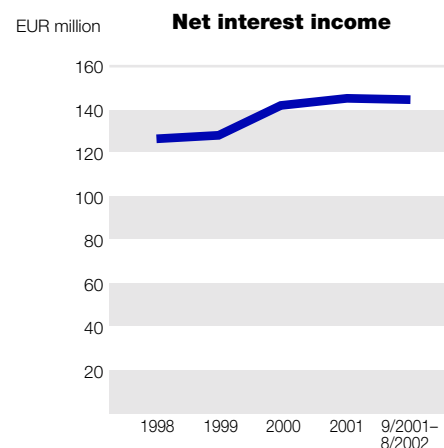
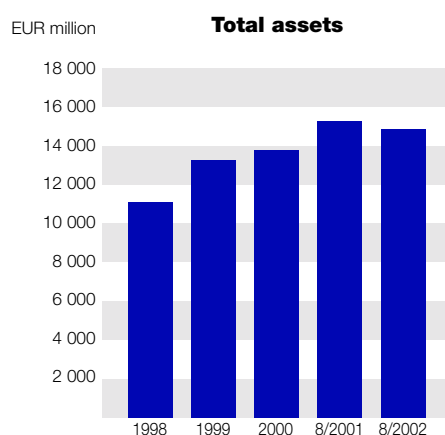
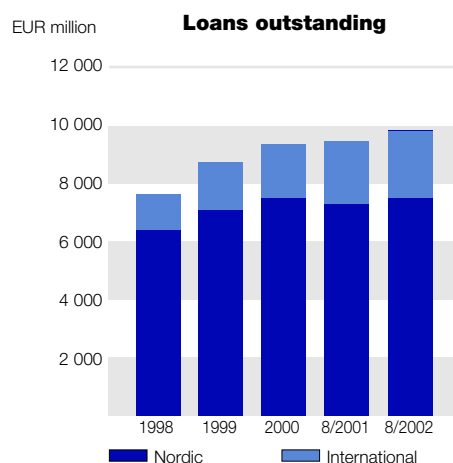
NIB's international lending operations were dominated by loans to infrastructure investments, most noteworthy in transportation and communication as well as the energy sector. NIB has been at the forefront in supporting significant investments of the Baltic power companies for wide-ranging modernisation of power production, transmission, and distribution. NIB signed loans with the state-owned Estonian and Latvian energy companies, and has thus become the largest individual external financier for the Baltic energy sector.

Environmental loans constitute one of the cornerstones in NIB's lending operations. In June, the Nordic Council of Ministers passed a resolution raising the lending ceiling for the Bank's special Environmental Investment Loan facility for the neighbouring regions from EUR 100 million to EUR 300 million. This increase is vital for enabling NIB to be an active participant in the NDEP, the

Northern Dimension Environmental Partnership. NIB held the Partnership's chairmanship during the first year of its operations, up until July 2002.

The credit quality of NIB's loan portfolio and its financial counterparties continues to be maintained at a high and stable level. During the first eight months of 2002, NIB posted EUR 1.2 million in identified loan loss provisions in respect of two separate transactions.

NIB expects the favourable results for 2002's first eight months to continue for the remainder of the year. ■





The Nordic Investment Bank (NIB) grants long-term loans and guarantees on competitive market terms for projects furthering Nordic business enterprise.

The projects themselves may concern infrastructure initiatives, e.g. energy and water supply, research and development, company acquisitions or environmental investments. All projects have to be environmentally acceptable.

NIB finances private and public projects, both in and outside the Nordic area. **NIB** is owned by the five Nordic countries and has its headquarters in Helsinki.



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