



BULLETIN

NORDIC INVESTMENT BANK

DECEMBER 2006

Competitiveness and the environment

NIB MARKS ITS 30th ANNIVERSARY

ICELAND: POWER UNDER GLACIERS

WHAT MAKES YOUR SME COMPETITIVE?

ENVIRONMENTAL THINKING IN MANUFACTURING



NIB supports competitiveness and the environment

When the Nordic Investment Bank was formed 30 years ago, the Nordic economies were closed and suffered from a shortage of capital. The project of a common Nordic market had been discussed in the late 1960s and early 1970s, since it was well understood that the Nordic countries had much to gain by working together. NIB was assigned the task to support cross-border activities and raise capital for large investments.

Today, everything is different. Financial markets are globally well integrated, there is an abundant supply of capital, and new instruments have helped to develop the management of risks. Six of NIB's eight member countries are part of the European Union, and those who are not are participating in the European Economic Area. As a result, integration has advanced and the private financial sector has taken over many of the tasks originally allocated to NIB. So, mission completed?

Not really. The Bank's member countries face many new challenges. As a result of globalisation, international competition has intensified, including the location of investments. The Nordic countries fare individually well in

international comparisons of competitiveness, but they do not attract much of the global investment flows. The Baltic countries have benefited from high investment activity early on in the catching-up period, but the real challenge is ahead, when these countries will have to develop activities which can carry higher costs.

It seems that the individual countries, while praised for their competitiveness, are globally too small to be attractive on a global scale. The challenge is to increase the attractiveness of the Baltic Sea region as a whole. Higher regional efficiency will help support the region and encourage investors to see the region as a whole.

NIB is well placed to facilitate this process; as we move into the future, our mission is to support competitiveness and the environment.

Being a highly rated international financial institution, we can engage in very long-term financing and go into markets in non-member countries that are not attractive enough to gain private sector financing. Our status as a multilateral financial institution is also useful in cross-border activities, and we can offer our expertise in putting

together financial packages where very different sources are involved.

These strengths are particularly useful in the financing of logistics, energy and environmental improvements. The latter two are increasingly linked by technological developments that are designed both to save energy and to support the environment. These areas need long-term finance, they do not recognise any national borders, and they are crucial elements in safeguarding and supporting the competitiveness of the region. In exercising its mission, NIB will maintain its flexibility in order to support a wide range of economic sectors and become more proactive particularly in these areas.

November 2006

Johnny Åkerholm

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BULLETIN

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Paul A. Souders/CORBIS

Geothermal steam pours from the Svartsengi Power Plant at Blue Lagoon in Iceland. Pollution free geothermal energy heats most of the homes in Iceland.



NIB calls for debate on competitiveness

The Nordic Investment Bank marked its 30th anniversary by initiating a debate on the competitiveness of the region around the Baltic Sea at a seminar held in Helsinki in June. The event attracted 330 participants, among them prominent politicians, diplomats, representatives of the business community and media from most of the countries of the region.



PHOTOS: MARJO KOIVUMÄKI

NIB's seminar "Competitiveness in the Baltic Sea Region" gathered 330 participants. Tarja Halonen, President of Finland, thanked NIB for the work done during the past 30 years.

GLOBALISATION SETS NEW PRIORITIES

NIB's President and CEO, Johnny Åkerholm, opened the seminar "Competitiveness in the Baltic Sea Region." He gave a short overview of the changes in the global economy during the last three decades, while NIB was on the market, and discussed what role NIB would assume in the constantly evolving economies of the member countries.

"Globalisation has affected the financial sector in the most pronounced way. The lack of investment capital which was common 30 years ago has been replaced by easy access to liquidity, and risk-taking which at times seems very excessive in the global markets. A number of instruments developed in recent years make it increasingly easy to transform savings into the financing of investments. The technological changes have led to

more intensive growth, in which the quality of human and technical capital determines the growth potential," said NIB's President.

"NIB's role is to support global competitiveness of the member countries."

"In these circumstances it is important to reflect upon how our members can continue to be successful in global competition, and in particular how NIB could support this process. This is why we have arranged this seminar on the Baltic Sea region, which, for us, also includes Norway and Iceland. We believe NIB has a special role to play as a Baltic Sea bank in order to promote the success of this region," Mr Åkerholm concluded.

Speaking to the seminar participants, Ulla-Maj Widenroos, Finland's Coordinate Minister for Finance, gave her vision of key elements for sustainable growth in the Baltic Sea region. Christian Ketels, Principal Associate, Institute for Strategy and Competitiveness at the Harvard Business School, presented a study on the state of the Baltic Sea region and his recommendations as to what needs to be done in order to remove obstacles to better competitiveness of the region. More detailed reports on the contributions made by Ms Widenroos and Mr Ketels can be found in subsequent articles in this issue of the Bulletin.

The seminar hosted a panel of experts who presented their views on what would increase the attractiveness and competitiveness of the region. The panel was chaired by the former First Vice President of the EBRD, Noreen Doyle. ►►



Ulla-Maj Widenroos: “NIB to enhance advantage of the region”

Excerpts from the speech delivered by the Coordinate Minister for Finance of Finland at NIB's seminar “Competitiveness in the Baltic Sea Region”

“The last 15 years can be described as a success story for the entire Baltic Sea region, which has evolved into one of the most dynamic economic regions in Europe. The challenges to continued growth and prosperity in the region are plentiful, including its remote location and infrastructure as well as remaining institutional weaknesses and an increased global competition in many skill-intensive and innovative industries.”

“We must promote free competition and remove remaining trade barriers which hamper an efficient use of the workforce, innovation and strategic networks. Trade and economic integration with Northwest Russia, with its

largely untapped markets, is a major opportunity for the region. The aim of the renewed Northern Dimension is to develop a common policy for the EU, Russia, Norway and Iceland.”

“Knowledge and competence in the region are key elements for sustainable growth. Innovation is the best driver of economic growth, productivity, job creation and rising standards of living. Therefore, attention must be given to improving the conditions for creating industrial clusters in the region.”

“Over the years NIB has demonstrated its success in fulfilling its mandate—to contribute to strengthening and developing the economies of its member countries. NIB plays a significant role in enhancing the attractiveness of the Baltic Sea Region.”

Siim Kallas:
***“If we fail to change,
we’ll lose our position.”***

FOR TAX HARMONISATION

Siim Kallas, Vice President of the European Commission, presented an EU perspective on the investment opportunities in the region and suggested the harmonisation of tax legislation in order for the EU to maintain its status as the world's largest investor and recipient of foreign direct investments.

“We’ll easily lose our position, if we do not introduce the necessary structural changes. We need to harmonise a common tax base for the EU and develop joint policies in indirect taxation,” he said.

Mr Kallas also criticised the insufficient openness of the European capital markets guaranteed by the European Community Treaty and the EEA Agreement. “The free movement of capital is considered as the most accomplished freedom. Yet some problems still exist: for instance, in state aid and state interest in cross-border mergers and acquisitions,” he said.

ACHIEVING NEW SUCCESS ON A SOLID BASIS

Lars Grönstedt, Chairman of Swedish Handelsbanken, called for appreciation of the recent history of the Baltic Sea region, which “in most respects is a history of great economic success.” He emphasised that economic growth in the Nordic countries in the last decade was far exceeding growth in other regions of the EU-15.

“We also have the advantage of strong institutions, a good business infrastructure, and the three Baltic countries are paragons among the new EU members, building up strong legal and administrative routines,” he said.

Mr Grönstedt stressed that the Nordic financial sector is in a stage of rapid integration and expansion to neighbouring countries. The sector is now also able to attract a significant amount of non-Nordic capital into the Nordic economies. He underscored the importance of a stable legal environment and a comfortable place to live for the region to be competitive. This is an



Tomas Dyrbye emphasised the importance of international trade.

important task for governments: to help create a favourable business and physical environment, good education, good communication, and an open society in order to increase the attractiveness of the region.

“None of these things is particularly difficult. If there are obstacles to another successful decade in our part of the world, they are more in our minds, in preconceived ideas, rather than anything that cannot be changed,” concluded Mr Grönstedt.

NORWEGIAN EXPERIENCE OF CLUSTER BUILDING

Inge K. Hansen, President and CEO of Norwegian Aker Kvaerner, chose an industrial focus on the topic of competitiveness from a perspective of a non-EU country. He pointed out that market competition should be based not only on prices, but also on innovation and technology.

Mr Hansen explained that Norway built up a strong off-shore cluster created on the backbone of the marine industry, drawing on the necessary factor conditions. The authorities facilitated the build-up of a local cluster for oil and gas by demanding local content for all companies operating in the shelf area during the 1970s and 1980s.

“Most of the oil and gas nations today are following exactly the same policy. The conditions for investments are now favourable enough for

international oil companies to be drawn to the cluster,” said Mr Hansen.

Mr Hansen pointed out several key elements of the Norwegian experience applicable to the Baltic Sea region, for example: increasing publicly and privately funded research and development; focusing on improving education to secure resources for the future; developing an effective venture capital market; and creating incentives for competence inflow, which would also involve harmonising incentives with other competing countries.

BOTTLENECKS, COST AND SECURITY

Tomas Dyrbye, CEO of Danish Maersk Nordic and Baltic, pointed out that the Baltic countries are developing as an important transport corridor for international trade. This provides a sound basis for prosperity. To facilitate trade, the region has to deal with infrastructure bottlenecks, be it in ports, on rails or roads. Mr Dyrbye also suggested that the integration of different transport modes in the region would help streamline total transportation costs.

“These two priorities and security of shipping are a global requirement and should be a focus area in the Baltic Sea region. Once these areas are dealt with, there will be more opportunities for

Tarja Halonen: “The Nordic countries are among the winners in globalisation.”

trade, more growth and more prosperity in the region,” said Mr Dyrbye.

MEASURING COMPETITIVENESS

The importance of the seminar was underscored by the presence of Tarja Halonen, President of Finland. She suggested measuring competitiveness by defining what the best part is of “being a member of your society, your region.”

“The Nordic countries are among the winners in globalisation. We share the same objectives on competitiveness and growth potential. But to be winners in the global competition in the future, we need to increase our investments in human resources, lifelong learning and in research and development,” said President Halonen.

The President of Finland thanked the Nordic Investment Bank for the work done during the past 30 years and highlighted the important role NIB as a financial institution will play in catalysing the development of the region’s competitiveness in the years to come. ■



Siim Kallas criticised the insufficient openness of the European capital markets.



Christian Ketels: Baltic Sea region's competitiveness at a crossroad

When NIB was created 30 years ago, few would have expected the Nordic countries to deliver such solid growth in the years to come. This success was driven by sound domestic macroeconomic policies, investments in skills and infrastructure, and a commitment to open markets. But the growth model is starting to hit its limits. Preparing for the transition is crucial, says Christian Ketels, Principal Associate, Institute for Strategy and Competitiveness at the Harvard Business School, Director of the Cluster and Competitiveness Foundation.

Mr Ketels presented findings from his “State of the Region Report”, an annual review of competitiveness and cooperation in the Baltic Sea region, at NIB’s Anniversary Seminar. Here are some key elements of his remarks:

IS THERE REALLY SOMETHING WRONG?

The good news is that currently the countries of the Baltic Sea region all report solid economic growth, despite the huge heterogeneity among them in terms of prosperity levels. Three of the countries in the region are in the world’s top ten economies, and six of the countries in the top twenty. The emerging economies of Estonia, Latvia, Lithuania and Russia are on a path of brisk economic development.

The Nordic model is built on sound domestic macro-economic policies that have grown much stronger than they were when NIB started 30 years ago. The worry concerns the future: the region is already losing its position on world export markets and as a magnet for foreign investment. Levels of business competitiveness, and the quality of the business environment in the region, are also slowly receding.

NEW OBJECTIVES FOR THE REGION

The Baltic Sea region is foremost a geographic region. To become an economic region, it needs an active choice by the region’s political and business leaders to work together and increase the level of linkages across the Baltic Sea. Again, the old model of motivating Baltic Sea cooperation as a way to integrate the Baltic countries no longer works—that goal has been achieved. The countries of the region now need to define new objectives for the region and new models that motivate people in both the Nordic and the Baltic countries to see the value of cooperation. With the EU as a competing arena, for decision-making, the countries of the region might not need the Council of the Baltic Sea, as they meet every week in Brussels.

Both the Nordic and the Baltic countries need to consider whether the drivers of growth in the past will still be effective in the future. It is important that everybody in the region understands that although prosperity is at a high level, we can’t afford to forget about the future. It will be too late to start changing policies when the figures have dropped. As some

other European economies have found out, it will take much more energy to turn the curve up again.

WHAT SHOULD THE REGION FOCUS ON NOW?

The Baltic Sea region needs a much more forceful voice in Europe. The region has to be visible to policy-makers and companies. The region has had a syndrome of being a good neighbour whom everybody likes but no one listens to. The region needs a strong agenda to state how we think Europe should change, for its own benefit and for the benefit of a wider Europe.

As to our identity and brand, we are struggling to explain what the Baltic Sea region is. Is it Nordic? If we are not able to communicate what this region is about, we will not be able to interest others in this region. Let's try to define what is unique about this region, define what value we deliver to business communities in other parts of the world that we want to influence.

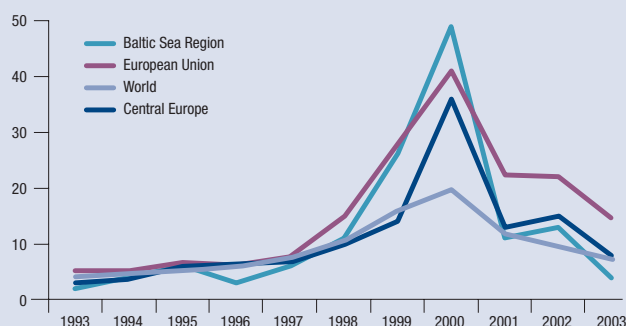
The Baltic Sea region needs to stay the course on open markets. Restrictions for people from the new EU member countries to move to the old member countries sends a wrong signal. The Nordic countries need to overcome their ideological blockade on taxes. The global economy is shifting from the dominance of capital-intensive companies to small innovation- and knowledge-based entrepreneurial companies. Therefore policies need to broaden the focus on entrepreneurs and clusters of small companies rather than being preoccupied with large multinationals alone. Human skills are more important and scarce in the modern economy than capital.

In the Baltic countries, the challenge will be to move from competing based on low wages and taxes to competing in an increasingly better business environment based on careful investments in skills and infrastructure.

Our heterogeneity is our biggest challenge and our biggest opportunity. Northern Europe is one of the world regions where rich, established economies and young, hungry, still not quite as prosperous economies are very close to each other. If we manage to combine this we can create an incredible powerhouse. Why shouldn't we try to be the first to manage this challenge? Then the new positive chapter will be just beginning. ■

POSITION IN THE GLOBAL ECONOMY

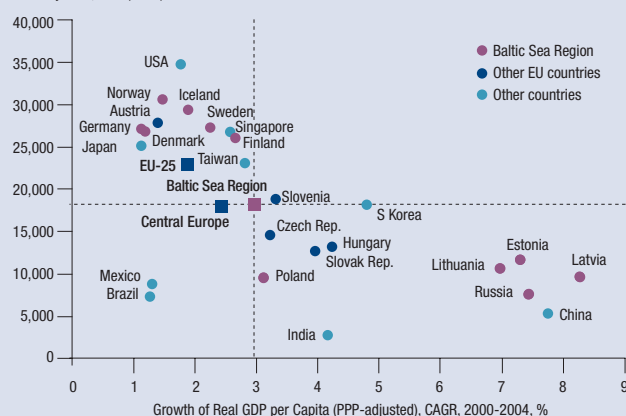
FDI inflows as % of Gross Domestic Investment



Source: UNCTAD (2005), Christian Ketels' analysis.

PROSPERITY SELECTED REGIONS AND COUNTRIES

Real GDP per Capita 2004, PPP-adjusted, USD (2002)



Source: EIU (2005), Christian Ketels' calculations

"TOP OF EUROPE"

In late August, NIB hosted a pre-launch of the State of the Region Report 2006 produced by Dr Christian Ketels for the Baltic Development Forum and sponsored by NIB and the Nordic Council of Ministers. The Forum's Chairman, Uffe Ellemann-Jensen, also presented a new brand identity for the Baltic Sea region—"Top of Europe." A strong identity would promote a leading position of the region both in Europe and worldwide.

At the meeting, the participants discussed issues such as, attractiveness of the Nordic economies for job seekers from the Baltic countries and Poland; the need

for harmonising tax policies in the Baltic Sea region; the future of the Northern Dimension initiative and the involvement of Russia in the regional integration process; the environmental component of the region's competitiveness; and awareness of the region in other parts of the world.

The State of the Region Report 2006 was launched at the Baltic Development Forum Summit on 29-30 October in Helsinki. The full text is available on the forum's website www.bdforum.org.

Long-term financing 1976–2006

NIB'S FIRST LOAN

The first loan application NIB received came from Icelandic Alloys (Íslenska Járnblendifélagið). The partly state-owned company was building a plant with an output capacity of 50,000 tonnes of ferruginous quartz, used in steel manufacturing. The project was organised on a project-financing basis. The Bank's participation was crucial to the realisation of the project.

AFRICAN ENERGY PROJECT

NIB's first project investment loan (PIL) was signed with the Botswana Power Corporation. It helped to finance a coal-fired power station at the Morupule coal mine near the town of Serowe. The project, a positive example of infrastructure investment in a developing country, was co-financed with the European Investment Bank and the World Bank.

ENVIRONMENT-FRIENDLY HYDROPOWER FOR INDIA

Towards the end of the 1980s, NIB signed an agreement with the National Hydro Power Corporation (NHPC), to help finance the Uri hydropower station in Kashmir in northwest India. This type of plant does not need dam construction, resulting in reduced environmental impact. Instead the water is led through an underground tunnel.

1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991

CEMENT PRODUCTION IN NORWAY

The first loan to Norwegian A/S Norcem was granted in 1982 and helped finance the modernisation of a cement plant in Norway. The company wanted to use Danish fly ash in the production process. A new loan was granted in 1984, this time for Norcem to purchase shares in its Swedish associate Euroc.



CROSS-BORDER TAKE-OVERS

During the mid-1980s, NIB's largest loan at that time went to Finnish Outokumpu Oy for the acquisition of the Swedish company Gränges Metallverken. The merger resulted in a successful Finnish-Swedish joint project to manufacture copper and copper alloy products. The project signalled an important structuring of Nordic enterprise in the international market.

VENEZUELAN POWER PLANT

In eastern Venezuela, NIB financed a traditional hydroelectric station with a concrete gravity dam at Caruachi. A consortium headed by Norwegian GE Energy (formerly Kværner A.S.) delivered the electro-mechanical equipment for the power station. In addition to the NIB loan, the financial package also included export credits. The Inter-American Development Bank (IDB) was also one of the financiers.

MILESTONES

1975

Agreement between Denmark, Finland, Iceland, Norway and Sweden to found NIB. Authorised capital SDR (Special Drawing Rights) 400 million.

1976

Operations begin.

1982

NIB awarded top credit rating AAA/Aaa. NIB's first Project Investment Loan (PIL).

1984

Authorised capital doubles, to SDR 800 million.

1987

Authorised capital doubles, to SDR 1,600 million.

1989

Environmental investments in the Nordic area.

1992

Inauguration of the Baltic Investment Programme (BIP).

1993

The ECU established as NIB's accounting currency. Authorised capital raised to ECU 2,809 million. Investments made in infrastructure.

1994

PIL facility raised to ECU 2,000 million. PIL loans paid to the private sector for the first time.



INFRASTRUCTURE PROJECT

The Arlanda Line, a direct rail link between Stockholm Central Station and Arlanda International Airport, was one of NIB's largest infrastructural projects of the 1990s. Among other things, the project involved building 16 kilometres of track to Arlanda, constructing new terminal buildings at the Arlanda airport, and purchasing rolling stock. The guaranteed travel time is less than 20 minutes.

POWER PRODUCTION IN LATVIA

The Bank became a key financier of the energy sector in the Baltic countries. With the help of NIB loans, the Latvian power utility Latvenergo invests in the rehabilitation of the power transmission and distribution network, and improves efficiency of its power plants.



WIND POWER IN DENMARK

NIB increases lending to financial intermediaries for financing small and medium-sized enterprises. The loans to Ringkjøbing Landbo-bank in Denmark provide a good example of NIB's cooperation with intermediaries. The onlending has primarily helped finance wind turbines and environmental investments in the agricultural sector. By financing wind power projects, NIB is helping to harness the Nordic area's own energy resources.

1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006

ENVIRONMENTAL LOANS TO ESTONIA

NIB subscribed its first loan under the environmental loan facility MIL in 1999. The loan helped the state-owned Eesti Energia power corporation finance important environmental investments in two oil-shale-fired power stations in Narva, eastern Estonia, and a gas and oil-fired power station at Iru, near Tallinn. These investments are expected to reduce sulphur dioxide emissions by 20,000 tonnes annually. NIB has granted two new credits for the project since 1999.



INCREASING PORT CAPACITY

In the transport sector, the Bank continues its operations in the new member countries. A loan to the port of Klaipeda for the construction of port infrastructure strengthens Lithuania's positions in the Baltic Sea transport system.

INTERNATIONAL ENVIRONMENTAL COOPERATION IN RUSSIA

Financing of environmental investments is one of the cornerstones in NIB's lending. The Southwest Wastewater Treatment Plant in St. Petersburg inaugurated in September 2005 was the first project completed within the framework of the Northern Dimension Environmental Partnership. As lead bank, NIB coordinated the structuring of the project's financing.

1996

The BIP is extended. NIB subscribes shares in Baltic investment banks.

1997

New loan facility introduced, Environmental Investment Loans (MIL).

1999

New agreement and new headquarters agreement acknowledge NIB's multilateral status. The euro established as NIB's accounting currency. Authorised capital raised to EUR 4,000 million.

2001

NIB joins the Northern Dimension Environmental Partnership, NDEP.

2004

New agreement on NIB and new statutes signed by representatives of the Nordic and Baltic governments.

2005

Estonia, Latvia and Lithuania become NIB members. Authorised capital EUR 4,142 million.

Overview of the Bank's history

Since the foundation of the Nordic Investment Bank 30 years ago, cooperation between the Nordic countries has been intensified and extended to become Nordic-Baltic cooperation. NIB is the member countries' common international financial institution. It operates both in the member countries and to an increasing extent also outside the membership region. The Bank has demonstrated that public interest and market orientation can go hand in hand.

The Nordic Investment Bank was founded in the aftermath of the oil crisis. On 4 December 1975, the Nordic Cooperation Ministers met in Copenhagen to sign the Agreement on the Nordic Investment Bank.

The idea to found a Nordic investment bank was discussed for over 15 years as part of the Nordek-plan to establish a Nordic customs union. In January 1975, the Nordic Prime Ministers decided to realise the idea of founding the Bank. After four months' work, a working group proposed draft statutes for the Bank. The working group's proposal was discussed by the Nordic

Council of Ministers and was adopted at the extraordinary session of the Nordic Council in Stockholm in November 1975. Finally the statutes were ratified by the five countries' parliaments. The statutes entered into force on 1 June 1976, and operations started two months later in Helsinki. At that time, the Bank had only three employees.

Mr Hermod Skånland, Director of the Bank of Norway, was appointed Chairman of the Bank's first Board of Directors. The Bank's first President and CEO was Mr Bert Lindström from Sweden.

NIB's mission was to intensify co-operation between Nordic businesses and institutions, as well as to assist in investment projects and exports that serve the Nordic countries' interests. The Bank was to grant long-term loans on banking terms for projects that contribute to economic growth. At the beginning, there was a lively debate and diverging views on the question whether such a bank was needed in the first place. The criticism faded as time went by and the Bank could start building up its organisation and operations.

During its first ten years of operations, the Bank granted loans for 333 cooperation projects both in and outside the Nordic region. The balance sheet totalled 1.8 billion euros and the stock of loans outstanding was 1.1 billion euros. Over time, there were more and more borrowing countries and particularly international operations increased strongly. Now that the Bank has operated for 30 years the number of granted loans and guarantees is approximately 2,500, the balance sheet totals 17.9 billion euros and loans outstanding amount to approximately 11.5 billion euros.

In 1982, the leading rating agencies gave the Bank the highest possible rating, i.e. AAA/Aaa, for its long-term debt obligations. Since then the Bank has held this rating without interruptions.

When the Bank reached 20 years of age, it had already built up a strong financial position. It had proved its value as an effective instrument for implementing the owners' priority projects. In the 20th anniversary history of the Bank, Mr Jan O. Karlsson concluded that the owner countries have at their disposal an excellent common resource. In the course of 20 years, the Bank had demonstrated its ability to grow and improve.

The Nordic Investment Bank is an institution capable of combining public interest and business orientation. The Bank has been involved in several projects of public interest by strengthening infrastructure and by financing transport and energy projects. Since the 1990s, the Bank has focused on environmental investments in the member countries, as well as in other countries. The Bank's profitability is good and it regularly pays dividends to its owners.

The year 2005 was a turning point in the Bank's history. The NIB membership was enlarged, when the three Baltic countries became full members of the Bank. On 11 February 2004, representatives of the Nordic and the Baltic countries' governments signed a new agreement on NIB. The Agreement was ratified by all eight member countries in the course of 2004. On 1 January 2005, Estonia, Latvia and Lithuania became members of the Bank on an equal footing with the original five members, Denmark, Finland, Iceland, Norway and Sweden. ■

HERMOD SKÅNLAND, NORWAY, CHAIRMAN OF NIB'S BOARD IN 1976-78:

"The timing for bringing NIB on the agenda in 1974-75 could not have been better. The threat of an energy shortage, balance of payment deficits and increasing unemployment was such that some visible initiative had to be taken. The choice of different roads in our relations to the outside world made a demonstration of continued Nordism even more urgent.

The fall of the iron curtain opened up a greater area for legitimate "Nordic interests". If the Bank had not already been there as a suitable instrument, it would have had to be invented for these new purposes."



Iceland taps powerful growth potential

NIB has been among the major contributors to the financing of investments in Iceland's power-intensive industries. The Bank's long-term loans to Icelandic hydro- and geothermal power producers and the aluminium smelter Norðurál, in the photo, amount to 400 million euros.



**Jón Sigurðsson, Iceland's
Minister of Industry and
Commerce:**

***"For over 40 years now,
it has been a continuous
policy of all governments
to promote the utilisation
of our country's energy
resources for sustainable
development."***

The Icelandic economy has taken off. The country's strong GDP growth by far exceeds the average pace of economic growth in other West European countries. The soaring export of aluminium is one of the principle engines behind the country's success. The total value of domestic and foreign direct investments in Icelandic power generation and metal production accounts for a quarter of Iceland's gross domestic product.

"NIB has been an instrumental player in the diversification of Icelandic export-oriented industries. Contributing to the stronger competitiveness of our clients is at the core of our mission," says Benedikt Árnason, Regional Manager for Iceland at NIB.

Iceland's power resources possess unique potential. Its geographic location in the middle of the northern Atlantic Ocean with large precipitation, glaciers and rivers provides an abundance of hydropower potential. Located on the crest of the tectonic Atlantic rift zone, Iceland also has access to geothermal energy sources.

"We have learned to harness this enormous potential. For over 40 years now it has been a continuous policy of all governments to promote the utilisation of the country's clean and

renewable hydro and geothermal energy resources for sustainable power development. In doing so, we are diversifying Iceland's industrial activity and economy and improving the living standard of the people," says Jón Sigurðsson, Iceland's Minister of Industry and Commerce.

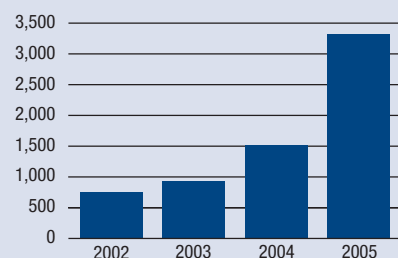
Aluminium plays a key role in reshaping the structure of Icelandic export. The share of aluminium in total merchandise exports is expected to rise from 20 per cent in 2005 to 40 per cent in 2009. To compare: fish and other marine products accounted for 57 per cent of merchandise exports in 2005, down from as much as 82 per cent in 1991.

TAPPING HYDROPOWER

The leap in metal production requires stepping up the country's power generation capacity by 130 per cent. The national power utility Landsvirkjun has been the main actor in making it possible to build the power-intensive industry in Iceland.

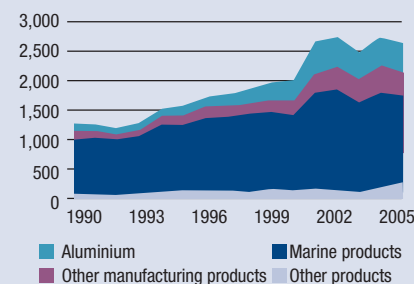
"This is our country's major competitive advantage and a unique opportunity for power intensive production to have guaranteed renewable and emission-free power resources at a competitive price on a

**FOREIGN DIRECT
INVESTMENTS IN ICELAND
IN MILLION EUROS**



Source: Central Bank of Iceland

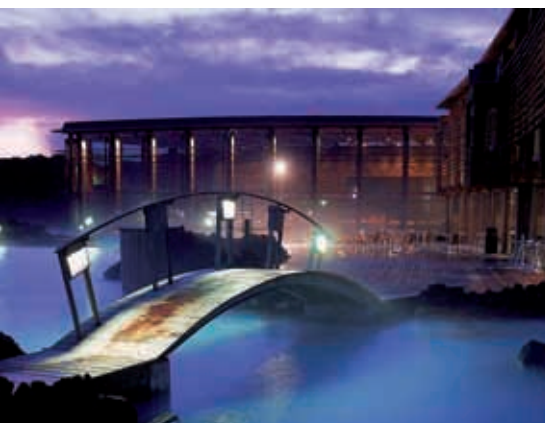
**ICELAND'S EXPORT
STRUCTURE
IN MILLION EUROS**



Source: Statistics Iceland



Sultartangi hydropower plant



Blue Lagoon

long-term basis,” says Thorsteinn Hilmarsson, Head of Corporate Communication at Landsvirkjun.

There are three large-scale hydropower stations under construction in Iceland. One of them is a plant at Kárahnjúkar, in the eastern part of the country. With a planned capacity of 690 MW, it will be by far the largest power plant in the country. Once in full production mode in October 2007, this plant will be serving the needs of the new US-owned Alcoa aluminium smelter at Reyðarfjörður.

This project went through a strict environmental impact assessment. The main environmental concern according to the findings is possible land erosion on the banks of the power plant’s main reservoir. Landsvirkjun has addressed this concern and is working on implementing twenty conditions set by the environmental authorities in order to minimise negative environmental impacts. The company has received 140 million euros in loans from NIB for financing this 1.2 billion euro hydropower plant and transmission lines.

HOT SPRING ENERGY

The companies Orkuveita Reykjavíkur and Hitaveita Suðurnesja tap Iceland’s geothermal power potential. In order ►►

Svartsengi geothermal power plant





The soaring export of aluminium is one of the engines behind the growth of the Icelandic economy.

to meet the increasing demand of the power-intensive industry, Hitaveita Suðurnesja has recently expanded its generating capacity by 100 MW in the new Reykjanes power plant and is building up the capacity of its Svartsengi power plant. In close vicinity to Iceland's capital Reykjavík, Orkuveita Reykjavíkur is currently expanding the capacity of a recently built 90 MW power plant. These projects totalling 400 million euros are set to provide

additional power capacity necessary for the expansion of the aluminium smelter Norðurál.

NIB is one of the largest financiers for both Orkuveita Reykjavíkur and Hitaveita Suðurnesja. Since the mid-1990s, NIB has granted nine loans to these companies totalling 200 million euros.

Svartsengi was the first power plant in the world to combine production of hot water and electricity. The company

has also harnessed the area surrounding the Svartsengi plant—the Blue Lagoon, a geothermal water pool that has become Iceland's major tourist attraction.

PROMOTING GROWTH

US-owned Norðurál, with an annual output capacity of 220,000 tonnes, is Iceland's largest aluminium smelter. NIB is one of the leading financiers of the ongoing 400 million euro investment programme, which enabled expansion of the plant's capacity from 90,000 tonnes to the current level in 2006 and a further increase to 260,000 tonnes by the end of 2007. It is expected that the planned expansion of the Norðurál plant will increase the value of export from Iceland by 4 per cent.

Commenting on his company's cooperation with NIB, Ragnar Gudmundsson, CFO of Norðurál, emphasises the Bank's strong environmental agenda, which requires that all NIB-financed projects comply with strict environmental requirements.

"NIB contributes to the competitiveness of the project and facilitates the involvement of other international financiers. The Bank's participation in the project is an important message to the international banking community about the quality of the project," says Ragnar Gudmundsson. ■

ICELAND'S ECONOMY IN BRIEF

The Icelandic economy grew 7.7 per cent in 2004 and 7.5 per cent (preliminary data) in 2005, mainly as a result of investments in the aluminium and power sectors. The stock of foreign direct investments in the country's economy more than doubled in 2005. To a large extent this reflects the Icelandic government's policies aimed at encouraging foreign direct investment in power-intensive industries.

The diversity of exports has increased significantly in recent years. Although the mainstay of merchandise exports is still fish

and other marine products, exports of manufactured products—mainly aluminium as well as medical and pharmaceutical products—have been growing rapidly in recent years.

Power production from hydro and geothermal sources now totals 10,000 GWh per year, double as much as in the mid-1990s. The currently harnessed capacity comprises only 20 per cent of the country's estimated electric power potential. It is expected that Iceland's power production will reach 16,000 GWh per year in 2008–2009.

What makes your SME competitive?

The success of small and medium-sized enterprises, SMEs, reflects the health and competitiveness of national economies. In most cases an SME is the closest employer that involves local community members, lets them be creative and innovative, be proud of their ideas and results, and take responsibility for the future of their region.

Financing SME projects is an essential component in NIB's lending. For this purpose, NIB builds up partnership with local banks that intermediate NIB funds to local entrepreneurs. The Bank has provided 2 billion euros in loans that have supported hundreds of small companies in the Nordic and Baltic countries as well as outside the membership area. The Bulletin presents four of them.

OLD TRADITION MEETS HIGH-TECH

Everything is special about Indslev Bryggeri, a brewery launched in Middelfart, central Denmark, in April 2006. It's hard to believe that all of Indslev Bryggeri's economy, including 6,000 litres of unique wheat beer brewed each week in gleaming new tanks, is managed by just four persons. The

brewery is the brainchild of its founder, Anders Busse Rasmussen, a young entrepreneur and still a student at the Royal Veterinary and Agricultural University in Copenhagen.

"We decided to concentrate on producing wheat beer because it is so different from mass beer production, and now Indslev is the first brewery in the country that produces only wheat beer," ►►

PHOTO: INDSLEV BRYGGERI



Traditions combine with high-tech innovation to make Indslev competitive.

says Mr Rasmussen. He adds that modern technologies go hand in hand with Indslev's old traditions.

For Anders, traditions are more than just slick PR jargon. He was born on the Indslev estate, where his great grandfather's brother started the family brewery back in 1897. In fact, Middelfart patriotism is one of the principal pillars of Indslev Bryggeri, as 22 per cent of the company's stock is now held by about 450 residents of the town.

The brewery is currently investing in water and energy saving as well as wastewater refining. For these investments, the brewery borrowed 2.5 million Danish kroner (340,000 euros) from Middelfart Sparekasse, a local savings bank and NIB's business partner in central Denmark. Recycled energy from the production is used to heat up Indslev's office and showroom. The brewery is also considering switching to

alternative energy sources, such as bio diesel or rapeseed oil.

"This is a good example of a competitive micro business that contributes to the competitiveness of a local community. It is also a practical outcome of the cooperation between our bank and NIB. Because the Indslev project gives earnest consideration to the environment and maintains local manufacturing traditions, we extended the loan to this enterprise and supported it by investing in its shares," says Hans Erik Brønserud, CEO of Middelfart Sparekasse.

The Middelfart savings bank just recently marked 153 years since it was founded by local craftsmen. Today, the bank runs nine branches and is a parent to a real estate development agency, a chain of real estate brokers, and an insurance company.

WINDMILLS ON THE FARMLAND

Hensberg Holding, a family farm enterprise in Øster Assels in north-western Denmark, has invested in the production of windmills. The investment was financed by borrowing from the local savings bank Morsø Sparekasse. The Hensberg family runs the windmill business alongside their 750-strong hog breeding and bio gas enterprise.

The farm enterprise assembles windmills, each 57 metres high with a capacity of 1 megawatt, and sets them up on its own land. The electricity produced by the power rigs is sold to the local power production company. Five of the windmills are located on the Hensbergs' land in Øster Assels. The income from the windmills is helping the entrepreneur family to revive a recently bought insolvent farm located 60 kilometres north of their home.

"Financing SME projects is an essential component in NIB's lending."

"We have been running the windmill business for eight years. My husband, Tommy, was the first farmer in our area who started setting up windmills on farmland. Thanks to the income from this business, we can afford not only to run two farms but also plan to expand and modernise our

"Thanks to the windmills, we can afford to expand our farm."

hog breeding" says Vibeke Hensberg, the farm's owner.

"Our bank has been financing investments in enterprises like this one for several years. The involvement in the development of small and medium-sized enterprises—also with the funds borrowed from NIB—is especially important for us, since this is the core of the local economy," says Jørn Balck, CEO of Morsø Sparekasse.

Morsø Sparekasse was established in 1852 and now operates a network of fifteen branches in its geographical area and in the country's major cities, Copenhagen and Aarhus.

MASTERS OF THE WIND

Agrowind, a start-up consultancy in the town of Skjern in Denmark, employs three persons, two of whom—Karl Gustav Nielsen and Anders Amby—are the founders of the company. It focuses on developing windmill park projects. Although the enterprise is new, the team members together boast 44 years of experience in the wind business.

"We have seen a growing interest in the wind business. Therefore our idea is to be a helpful partner for institutional

investors that wish to invest in the wind business, but have no experience in carrying out the ground work for a new windmill park: choosing a site, obtaining the necessary permits, making the calculations, and, finally, making sure that the project proceeds smoothly,” says Mr Nielsen.

The business development company is looking for wind business opportunities in the entire north European region, including the Nordic and Baltic countries, Poland, northern Germany and even France and the UK. Both founders of Agrowind are active investors in the windmill sector. Until Agrowind was established, both men were in executive positions in the Danish company Vestas Group, a leader in the global wind industry.

The company has received financial backing from Skjern Bank, a local partner of NIB in western Jutland in Denmark, which recently marked its

Agrowind is looking for wind business opportunities in the entire north European region.

100th anniversary. It runs a seven-branch network.

BIOTECH INCUBATOR

The Hamar region in central Norway has become home to the latest innovations in biotechnologies and animal genetics. The local municipality and private business joined forces for Biohuset, a business incubator for biotechnology. The project idea—to enhance interaction between industry and R&D—was developed in cooperation between Hamar-based companies with expertise in animal and plant breeding and the Hedmark University College.

“No wonder this initiative has come about in Hamar, as animal and plant breeding have deep cultural roots in our region. We expect Biohuset to make a strong impact on the development of biotechnologies in our area and put Hamar on the global map of the biotechnological industry,” says Harald Gjein, Chairman of Biohuset’s board.

Biohuset makes a big difference for business as it keeps a unique bank of biological information about various species in Norway, especially cattle and pigs as well as salmon and trout. This is a tool for the local companies to use in expanding their international business.

The project employs a 95-strong staff of researchers and support personnel.

Biohuset is constantly developing: its size, 5,300 square metres, will soon increase by another 2,700 square metres.

Of the 58 million Norwegian kroner (7.4 million euros) invested in the project, 42 million Norwegian kroner (5.4 million euros) was lent by the local savings bank Sparebanken Hedmark, which is one of NIB’s seven local financial intermediary partners in Norway. As an important contribution to the research basis of Biohuset, Sparebanken has also sponsored the purchase of tools and equipment for

Biohuset puts Hamar on the global map of the biotechnological industry.

Biohuset’s laboratory and one professorship in biotechnologies at the university college. The savings bank established in 1835 now runs a 31-strong branch network in 20 rural municipalities in central Norway.

“Partnership with NIB provides us with long-term funding on market conditions. We are looking forward to new deals with NIB in the future, to the benefit of Sparebanken Hedmark, NIB and our customers,” says Are Jansrud, Head of the Treasury & Finance Department at Sparebanken Hedmark. ■





Johan Ljungberg, Environmental Manager, and Harro Pitkänen, Senior Vice President

Clean environment adds value

A clean environment equals a better quality of life. Modern environmental technologies translate into better competitiveness. The environmental component will continue to be a priority for NIB.

The Annual Conference of the International Association for Impact Assessment (IAIA) held in May in Stavanger, Norway, was addressed by Johnny Åkerholm, President and CEO of NIB. The Bank's Senior Vice President Harro Pitkänen and Environmental Manager Johan Ljungberg presented NIB's environmental thinking.

In his analysis of environmental investments in the Baltic Sea area, Harro Pitkänen stressed that in spite of some positive trends, environmental degradation is continuing at an alarming pace.

"The reduction of the environmental load to non-critical levels will require substantial further investments by states, municipalities, enterprises and individuals. Cleaner production solutions provide win-win opportunities with improvements both in productivity and environmental performance," Mr Pitkänen said.

NIB is willing to share its knowledge of the ongoing environmental improvements and help to identify areas still needing improvement in the Baltic Sea and Barents regions. The Bank is actively involved in the Northern Dimension Environmental Partnership

(NDEP). It is one of the most important forums that concert the efforts of multilateral finance institutions, national governments and international organisations to remedy environmental problems in Northwest Russia.

Johan Ljungberg presented the environmental principles of the Bank's lending. All investment projects involve environmental risks and responsibilities, and the evaluation of these environmental aspects is a vital part of the processing of every single project which NIB examines for possible financing.

Like all the Bank's loans, environmental loans are competitive, priced on market terms, and do not include any form of subsidies. NIB has environmental loans outstanding in all the geographical areas where it is active. Of the Bank's total environmental loans outstanding, Sweden and Finland account for the largest shares, followed by Central and Eastern Europe, Norway and Denmark. Approximately one third of NIB lending to the Baltic countries and Poland and over 60 per cent of lending to Northwest Russia consists of environmental loans. ■

Refuse is energy

In the industrial area of Rakkestad, southern Norway, a number of companies get their energy from refuse. The waste-to-energy plant in the area converts local waste into energy for local businesses.

“Rakkestad is one of Norway’s largest agricultural municipalities and has a number of companies with agriculture-related operations as well as engineering industry and a large laundry. Several of the companies previously used heat produced from oil,” says Øivind Utne, Financial Manager of Østfold Energi, which owns the plant that has now been in operation for a year.

The waste-to-energy plant, which was partly financed with a NIB loan, has

the capacity to receive 12,000 tonnes of waste per year. According to Mr Utne, residual household and industrial waste is particularly suitable for incineration. The incineration process produces steam, which is then delivered as process steam to local industry. The plant can produce 25 GWh thermal energy per year in the form of steam, which is delivered to a laundry and food producers in the area. Norway’s largest laundry with 160 employees is located in Rakkestad.

The local aspect is important. Østfold Energi emphasises that Rakkestad is a favourable environment for this type of energy production. The distances are short and the area has a supply of waste and demand for energy produced through incineration.

Mr Utne says that both municipalities and companies have shown an interest in the Rakkestad waste-to-energy plant. In 2009, Norway will prohibit the dumping

of recyclable waste. Publicly owned Østfold Energi also owns a larger waste-to-energy plant in Sarpsborg near Rakkestad.

NEW TECHNOLOGY

Waste incineration has long been considered an inefficient method resulting in pollution, but thanks to modern technology, incineration has become an environmentally sustainable option. Johan Ljungberg, Head of NIB’s Environmental unit, says that today incineration is carried out at high temperatures in a controlled manner, which means that nearly all harmful substances are combusted.

“At the same time, flue gas cleaning technology has developed so that residual particles and residues of harmful substances are captured and not emitted to the surrounding environment.” ■

Østfold Energi’s waste-to-energy plant in Rakkestad, Norway, utilises residual household and industrial waste.

PHOTO: ØSTFOLD ENERGI



PHOTO: WÄRTSILÄ



Wärtsilä riding on the crest of a wave

The Finnish company Wärtsilä has built up a global service network for its marine engines.

It's full steam ahead for the Finnish engineering group Wärtsilä. Profits are record-high, and the orders are flooding in. So what are the keys to its success?

As a supplier of engines and other technical equipment for ships, Wärtsilä is benefiting greatly from the buoyant state of the world market. World trade is growing, which means that transport is also growing, and this has led to a shipbuilding boom. The shipbuilding industry is now mainly concentrated in Asia, where 80 per cent of the world's vessels are built. In 2004 Wärtsilä opened its first factory in Asia, in Shanghai.

"Our customers in the marine sector include both shipyards and shipowners," says Group Vice President Jaakko Eskola, who heads up the Ship Power business area.

Wärtsilä's operations, which include not only marine engines but also equipment for power stations, are divided into three business areas: Ship Power, Power Plants and the ever more prominent Services.

Wärtsilä has built up an extensive global network and now has more than 130 units with 13,000 employees in more than 70 countries. The company's head office is in Helsinki in Finland, and it has factories in Finland, Italy, the Netherlands, the United Kingdom, India, China and Norway. NIB has granted Wärtsilä loans for the internationalisation process.

"We have financed Wärtsilä's internationalisation and growth, which are boosting the company's competitiveness," says Asko Heilala, NIB's regional manager for Finland.

A global presence is vital for Services, which account for more than a third of Wärtsilä's sales. Mr Eskola says that the company's goal is to support customers' operations throughout the lifecycle of Wärtsilä's products:

"This applies right through from the design and supply of new products and solutions to service, spare parts and guaranteed operational support whenever and wherever in the world they are needed." ►►

FROM LOCAL SAWMILL TO GLOBAL PLAYER

Wärtsilä has its origins in a sawmill founded in 1834 in Wärtsilä in Karelia, now part of Russia. In the 1930s there began a process of growth and diversification through mergers and acquisitions which lasted until the 1980s. New owners were then gradually found for various parts of the industrial conglomerate, and the business was streamlined. The group gained its current form in 2000 when the listed parent company Metra changed its name to Wärtsilä.

Another goal is to offer maintenance of other suppliers' machinery on board customers' ships. Wärtsilä expects the number of large-scale maintenance contracts for ships and entire fleets to grow in the future.

In the battle for customers, Wärtsilä is focusing not only on service but also on the importance of product quality.

"We want to maintain our leading position in the Ship Power business and to grow further by providing our cus-

tomers products with the best lifetime efficiency and reliability in the market," says Mr Eskola.

Fuel-efficient marine engines give the customer a financial advantage and reduce the impact on the environment.

"Environmental issues have long played a central role in the company's business environment," says Mr Eskola.

"The results of Wärtsilä's systematic approach to environmental issues can be seen in both the improved efficiency and the lower emissions of our products."

As part of its work on more efficient products, Wärtsilä has developed multi-fuel engines which can run on either light fuel oil or natural gas. The switch between fuels can easily be done while the engine is running. This gives customers more flexibility, and means that the engine can run on the fuel which makes most sense financially and environmentally at any given time. ■



The signing ceremony. Sitting from the left: Dr Nguyen Thanh Do, Director General, Department of External Finance, Vietnam's Ministry of Finance; Mirja Koskimäki, Senior Legal Counsel at NIB; Søren Kjær Mortensen, NIB Vice President for Asia.

Vietnam values NIB financing

NIB and Vietnam's Ministry of Finance have signed a new general loan programme in the amount of 30 million US dollars and a loan programme for the Vietnam National Coal-Mineral Industries Group, VINACOMIN, in the amount of 50 million US dollars.

The new general loan programme is already the third of its kind in Vietnam. The two former ones have been utilised for projects in the energy sector, water supply and construction. VINACOMIN is also receiving its third loan from NIB. The earlier loans were used for the financing of drilling equipment, dump trucks and excavators.

"We are interested in the transfer of technologies from NIB's member countries as these technologies have proved competitive and much in demand in Vietnam. NIB's loan programmes give us access not only to financial resources but also to long-term and beneficial relationships with the Nordic equipment manufacturers," says Dr Nguyen Thanh Do, Director General, Department of External Finance, Vietnam's Ministry of Finance.

"We also appreciate NIB's efficient and speedy way of processing projects of mutual interest to our Nordic partners and ourselves," he adds.

"Indeed, the process of approving loan programmes at NIB normally takes just two or three weeks upon receipt of all relevant information," says Søren Kjær Mortensen, NIB Vice President for Asia. "The conditions under which we provide our foreign currency loans in Vietnam are softer, and the loans often have longer tenors compared to those quoted by local commercial banks."

Vietnam is a fast growth economy and one of NIB's largest borrowers outside the member countries. NIB's total capital committed to Vietnam now amounts to 350 million US dollars. Since 1996, the Bank has been granting long-term credits with a maturity of 15–17 years and up to a five-year grace period for a number of industrial projects, such as the Song Ninh hydro-electricity plant, the Bai Bang Paper Factory, and the cement plants Tam Diep and Ha Long. ■

From pulp mill to biorefinery

Domsjö Fabriker is abuzz with activity. Close to 25 million euros has been invested in the pulp mill in northern Sweden, the biggest investment in the mill's recent history. The aim is to create a complete biorefinery where all components of the timber are made use of and developed into commercial products.

This investment, financed partly through a loan of about 10 million euros from NIB, forms part of an efficiency programme which aims to increase operating profit by around 10 million euros by the end of 2006. The programme also aims to transform Domsjö Fabriker from a traditional pulp mill into a complete biorefinery.

"This investment has increased our output of special cellulose by 10 per cent, primarily by removing bottlenecks on the recovery side, and we have also invested in new technology so that we can develop more complementary products," says managing director Ola Hildingsson. He adds that this technology is being developed in close collaboration with the associated company MoRe Research.

"MoRe Research conducts research at a high level, which is important for our development. We are a small mill which cannot compete on capacity. Instead we must compete on quality, flexibility and high-added-value niche products. So research and development are crucial for us."

The mill produces special cellulose products, the main one

being dissolving cellulose. This is a particularly pure cellulose with many applications. For example, it is used in the textile industry in the production of viscose, in the pharmaceutical industry as a binding agent, and in the food industry to add consistency. Its unique properties also mean that NASA's space shuttles have it in their heat shields.

"The market for dissolving cellulose is growing," says Mr Hildingsson. "Above all, it is an interesting substitute for cotton, which is facing growing problems due to the use of toxins in production."

Domsjö Fabriker also produces ethanol, carbon dioxide and lignosulphonate. The last of these, which is produced from the lignin in the timber, is an old product that has been "rediscovered", and a subsidiary called Domsjö Specialities has been set up to develop and market it.

"We are also seeing a growing market for lignosulphonate," says Mr Hildingsson. "Besides the concrete industry, it is used in the production of feed pellets and ceramic products, among others, and as a dust abatement agent on roads." ■

PHOTO: PER ÅGREN MEDIA-BILD



DOMSJÖ FABRIKER AB

- Pulp mill founded in 1903 in Domsjö, just outside Örnsköldsvik in northern Sweden.
- The mill was threatened with closure in 1996, but was taken over by a consortium of six private investors at the end of 1999.
- Currently has around 340 employees.
- Annual turnover: around 100 million euros.
- Annual timber consumption is 1.3 million cubic metres of softwood. A third is imported from the Baltic Sea region through the Latvian subsidiary Domse Latvia and the newly opened subsidiary in Lithuania, Domse Miskas. The remainder comes mainly from the forests of northern Sweden.
- Annual production of cellulose is 220,000 tons. A third of this is sold to the Scandinavian market, a third elsewhere in Europe, and the remainder to the growing textile market in Asia.
- Domsjö Fabriker also produces ethanol, carbon dioxide and lignosulphonate.



PHOTO: OLAV THON GRUPPEN



Chairman Olav Thon and His Majesty King Carl Gustaf of Sweden open Töcksfors Shoppingcenter.

Project creates 400 new jobs

NIB has disbursed a loan of 21.5 million euros for the financing of Thon's shopping centre in Sweden. Töcksfors Shoppingcenter was opened by His Majesty King Carl Gustaf of Sweden and Olav Thon, Chairman of the Board of Olav Thon Gruppen, which owns the new shopping centre. This new 28,000 square metre shopping centre with 41 different shops is situated only seven kilometres from the Norwegian border on the main road between Oslo and Stockholm and has already generated increased traffic and trade. By creating 400 new jobs, the shopping centre will be an important addition to the Töcksfors community, which has 1,500 inhabitants. ■



NIB sponsors energy conference in Tallinn

NIB sponsored the World Energy Council (WEC) Executive Assembly 2006 that took place in Tallinn in September. The event gathered energy sector executives from around the world. Mr Gerald Doucet, the Secretary General of the WEC (in the picture), commended NIB for its contribution to developing the infrastructure of power production and distribution in the Baltic Sea region. ■



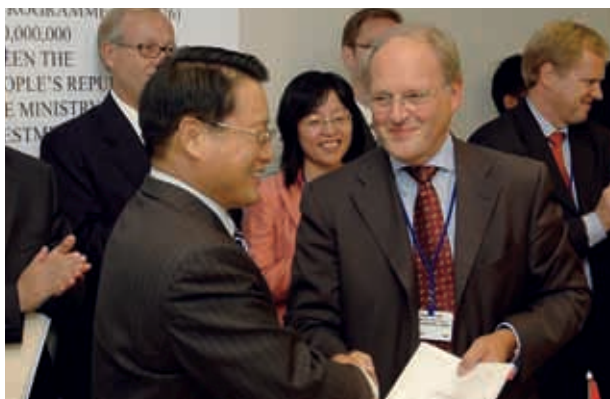
The spectacular new bridge over Fedafjorden is part of the new road section in southern Norway.

Allfarveg road now in operation

The Allfarveg road, a new 20 kilometre stretch between Lyngdal and Flekkefjord in southern Norway, has been opened. The new section is part of the E39 road and the regional transportation corridor Nordic Link connecting continental Europe and Denmark to Norway and Sweden.

Allfarveg is also contributing to the development of the region as a competitive residential area with an integrated labour market. The section includes seven new tunnels and eight bridges.

The section has been built as the second Public Private Partnership project in Norwegian road construction. NIB is participating in the financing of the project with a long-term loan of 37 million euros. The total costs of the project amount to 150 million euros. ■



The signing ceremony. Li Yong, Vice Minister of Finance of the People's Republic of China; Johnny Åkerholm, President and CEO of NIB.

Loan for rural upgrade in China

The People's Republic of China (PRC) and NIB has signed an agreement on a 20 million US dollar rural loan programme. The loan will be used for the modernisation of agricultural production in China's rural areas, which is an important priority in the country's economic policies. Nordic suppliers are expected to contribute with competitive technologies in this area.

Li Yong, Vice Minister of Finance of the PRC, underlined that NIB's loan is an important contribution to the upgrading of rural production in China and reflects the Bank's commitment to the cooperation with the PRC, which began over 20 years ago. ■

Loan to Brazilian telecom

NIB has entered into a loan agreement of 50 million US dollars with the Brazilian telecommunications company Embratel. The loan will be used for the expansion and upgrading of the company's network. Parts of equipment used in the project are provided by Nordic suppliers.

Embratel provides telecommunication solutions to the whole of the Brazilian market and offers its services in data transmission, telephony, TV and internet connections.

NIB has been lending to customers in Brazil since 1999. The total amount of loans agreed in this country exceeds 340 million euros.

"Our activities in Brazil have been developing positively. Brazil is a very attractive market for companies in NIB's member countries, and we are looking forward to financing more projects in Brazilian industries and infrastructure," says Lars-Åke Olsson, NIB's Senior Regional Manager for Latin America. ■



Funding transactions in nine currencies

During the first eight months of 2006, the NIB funding programme included issues totalling nearly 2 billion euros in nine different currencies.

The largest of them was the annual 1 billion US dollar issue, corresponding to 840 million euros. This five-year maturity bond was the fifth global benchmark issue carried out by the Bank since 2002. NIB's global issuance represents a rare opportunity on public markets for investors to make placements in one of the world's select AAA supranational institutions and, indeed, the only one representing the Nordic and Baltic region.

Two bond issues totalling 300 million Australian dollars (180 million euros) each, with three- and five-year maturities, were NIB's first transactions carried out on the Kangaroo capital market. The issues met with vivid interest in the Australian and the Asian markets.

A five-year maturity bond was also issued for the first time in the Mexican currency, totalling 1 billion pesos (76 million euros). The issue was mainly placed with local pension funds.

After a four-year break, NIB carried out a 3 billion Icelandic krónur (33 million euros) transaction with one-year maturity. The deal was targeted at the retail markets, especially in the Benelux countries and Italy.

NIB also carried out bond transactions in the Japanese yen, New Zealand dollar, Turkish lira, Hong Kong dollar and pound sterling. ■



New head of lending

Nils E. Emilsson from Sweden was appointed Executive Vice President and Head of Lending at NIB in spring 2006. Mr Emilsson is responsible for NIB's lending operations both in and outside the Bank's member countries.

"The objective of NIB's lending is to pursue the recently revised strategy of NIB, namely to improve competitiveness of our member countries and work for a positive environmental impact. We will do this by continuing to maintain our unique position as a provider of long-term financing in the member countries as well as internationally," says NIB's new Head of Lending.

Mr Emilsson has thirty years of experience in the financial area. He spent the first ten years of his career in the industrial sector, with the Swedish corporations Alfa Laval and Gambro. Thereafter he spent twenty years in banking, initially with Svenska Handelsbanken and most recently as General Manager of HSH Nordbank's Stockholm branch. ■

Organisational changes within NIB

NIB's activities have been reorganised, in order to further enhance effectiveness and further develop the credit process. NIB now has one lending department, separated from credit and analysis. In addition, different support services have been gathered within a department for planning and administration.

The development process is still ongoing and the Bank is carrying out job rotation and there have been recruitments for newly established positions. NIB had 158 employees at end-August compared with 150 in the end of the year 2005. ■

New managing directors in the Nordic Finance Group



HELGE SEMB JOINS THE NDF

Helge Semb from Norway has been appointed Managing Director of the Nordic Development

Fund (NDF) as of 1 November 2006. Mr Semb has previously worked at the Inter-American Development Bank (IDB), the Norwegian Ministry of Foreign Affairs and the United Nations Development Programme (UNDP).

"Since the fund was established in 1989, the NDF has made valuable contributions to social and economic development in poor countries," says Mr Semb.

The NDF, which is NIB's sister organisation, grants very long-term credit on soft terms for public sector projects in developing countries. The NDF's activities are financed by the Nordic countries' development cooperation budgets. In the autumn of 2005 the Nordic countries decided to wind up the fund's activities.

According to Mr Semb, the NDF now faces three challenges: securing sufficient and motivated staff for the fund's remaining tasks, ensuring that ongoing projects are successfully completed, and deciding on how to utilise the NDF's capital.

"I hope that my experience of development aid, banking and leadership will help ensure that the winding up of the NDF takes place as smoothly as possible."



MAGNUS RYSTEDT NEW MD AT NEFCO

The Board of Directors of the Nordic Environment Finance Corporation

(NEFCO) has appointed Magnus Rystedt from Sweden as the new Managing Director of NEFCO. He has been responsible for NEFCO's activities in Russia since August 2000. Mr Rystedt has extensive experience in project financing within the environmental field. From 1998 to 2000 Mr Rystedt served in St. Petersburg as Swedish

team leader for Stockholm Water, implementing institutional strengthening of the water company Vodokanal. In the years 1993–1998 he worked with developing infrastructure projects mainly in Russia and the Baltic countries.

IB SØNNERSTAD IN CHARGE AT NOPEF

The Nordic Council of Ministers in Copenhagen has appointed Ib Sønnestad Managing Director of the Nordic Project Fund (Nopef). Mr

Sønnestad, who is a Danish citizen, has been employed as Regional Manager at Nopef since October 2002. Previously Mr Sønnestad was Operational Director at the staffing company Manpower in Finland. ■



THIS IS NIB

The Nordic Investment Bank (NIB) offers its clients long-term loans and guarantees on competitive market terms. NIB finances private and public projects that strengthen competitiveness and enhance the environment.

NIB is a multilateral financial institution that operates on commercially sound banking principles. The Bank was founded in the mid-1970s by the five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden. In January 2005, Estonia, Latvia and Lithuania became members of the Bank.

In the member countries, NIB finances:

- projects in the manufacturing industry, including investments in industrial facilities;
- infrastructure investments within the energy, transport, telecommunications, water supply and waste management sectors;
- environmental investments;
- cross-border mergers and corporate acquisitions;
- research and development;
- foreign investments in the member countries;
- projects that improve the economic conditions for small and medium-sized enterprises.

Outside the membership area, NIB grants long-term loans—with maturities of up to 20 years—for projects of mutual interest to both the country of the borrower and the member countries. Currently, NIB has loans outstanding in approximately 30 emerging markets in Africa and the Middle East, Asia, Central and Eastern Europe, and Latin America.

NIB gives high priority to projects that improve the environment in the member countries and the areas adjacent to them. All projects considered for financing are analysed with regard to their sustainability and environmental consequences.

NIB acquires the funds for 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.

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