

# BULLETIN

NORDIC INVESTMENT BANK

OCTOBER 2007

## New horizons in Asia

Cost-efficient  
carbon financing



# Investments in the environment are economically viable



Investments in the environment have traditionally been considered to be a nuisance by business—causing additional costs but no benefits. The economic costs were also the main argument for countries like the United States and Australia to remain outside the Kyoto Protocol, which aims to reduce CO<sub>2</sub> emissions on a global scale.

This argumentation can be questioned both at a macro- and a microeconomic level. The extensive work conducted by the British economist Sir Nicholas Stern and his research group shows that if the negative human influence on the environment is not quickly reduced, the costs to the world economy will be very substantial indeed over the longer term. This is because the changes to the climate will in significant ways affect the economic conditions for many activities, which will in turn give rise to a costly transformation process. In fact, much of the existing capital stock might become obsolete and have to be rebuilt, which will crowd out consumption possibilities for a long time.

As with everything that concerns the future, these threats are intangible and might not be enough to convince voters and investors, who assess the impacts from their own narrow and short-term perspectives. This is so despite the recent changes in weather conditions and the serious pollution of the Baltic Sea, the consequences of which can be observed by everybody.

The micro-economic effects are more easily understood. First, the rapid increase in energy and raw material prices has helped in this respect. There is a close relationship between the waste of energy and raw materials on the one

hand and pollution on the other. The substantial increases in prices have added to the economic incentives to save on energy and raw materials. Any activities to this end will also help save the environment, and there is a clear upswing in these kinds of investments.

Second, increased demand for energy and raw material savings has added to the efforts to develop related technology, and Nordic companies are in the forefront in this activity. This has helped create new economic activities and job opportunities in sectors with a high added value, which is necessary in order to support the high living standards in NIB's member area.

Third, while the system is still not functioning perfectly, trading in emission rights has in a useful way increased the possibilities to reduce the costs of environmental investments and enhanced the incentives to undertake these.

Even if progress is being achieved, particularly in the Nordic area, it is obvious that much remains to be done on both a Nordic and a global level. It is also obvious that developing such economic incentives will provide the most effective way forward.

These instruments are in the hands of the economic policy-makers and the development will require a lot of international cooperation. NIB intends to actively contribute to this process, not least by offering long-term finance and acting as a manager of future joint initiatives by the member countries if so requested.

September 2007  
Johnny Åkerholm



## BULLETIN OCTOBER 2007

4 Carbon reduction calls for new financing solutions

5 Open dialogue on environmental policy

### THEME: NEW HORIZONS IN ASIA PP. 6–13

7 China Eximbank: NIB supports technology transfer

9 Outotec delivers copper plant to China

9 Modern equipment to hospitals in Tianjin

11 Go India! Interview with NIB's Asia team

13 Loan for cement plant expansion in Vietnam

14 Panorama

16 More engagement in Russian telecom sector

18 Brazilian pulp mill equipped for global leadership

19 Bahia Pulp expands capacity

20 Seminar on forest industry

20 Loan to pulp mill project in Uruguay

21 New subsea link a sustainability showcase

22 Copenhagen gets heating tunnel

23 More waste treatment capacity in southern Sweden

24 NEFCO invests in oil spill service centres

25 NIB in brief

### BULLETIN

NIB's Bulletin is published in English and Swedish.

### EDITORS

Jamima Löfström, Editor-in-chief  
Dimitrijs Alehins, Pamela  
Schönberg, Pelagia Wolff

**Layout** McCann Worldgroup,  
Helsinki

**Printed by** Lönnberg Painot Oy

### PUBLISHER

NORDIC INVESTMENT BANK  
Fabianinkatu 34  
P.O. Box 249  
FI-00171 Helsinki, Finland  
Telephone +358 10 618 001  
Fax +358 10 618 0725  
Internet [www.nib.int](http://www.nib.int)  
E-mail [info@nib.int](mailto:info@nib.int)

### CHANGE OF ADDRESS

Fax +358 10 618 0723

### COVER PHOTO

Aaron Johnston/f-Stop  
Illuminated temple  
at night.







# Carbon reduction calls for new financing solutions

**By establishing a system for the trading of reduction quotas, the Kyoto Protocol has opened up new horizons for limiting the devastating impact of greenhouse gas emissions. NIB plays an important role in the financing of cost-efficient emission reductions.**

International focus on climate change has intensified dramatically in the last few years. The latest assessment by the Intergovernmental Panel on Climate Change, released during 2007, paints a gloomy picture of possible consequences, such as changed weather patterns, rising sea levels and the ensuing deterioration of the preconditions for life in various parts of the planet.

**The Kyoto Protocol** to the UN Framework Convention on Climate Change is considered one of the first concrete steps toward preventing the worst-case scenarios of climate change. The Protocol, in force since 2005, obligates a number of industrialised countries to reach on average a 5% reduction of greenhouse gas emissions compared to the base year of 1990. The

reductions are to be reached during the so-called Commitment Period 2008–2012. All of NIB's member countries are parties to the Kyoto Protocol.

The Kyoto Protocol permits the contracting parties to reach their reduction targets by engaging in the trading of emission reductions. The basic idea is that trading will lead to overall cost-efficiency by allowing emission reductions to be carried out where the cost is lowest. In practice emission reductions—"carbon credits"—have become the subject of sale-purchase transactions. A range of intermediating actors has also emerged; for example, the so-called carbon funds are particularly visible.

**In a carbon fund**, buyers can obtain better risk diversification through a larger number of transactions than what a single buyer could engage in. Furthermore, participants in carbon funds benefit from the services of a fund manager, who identifies, develops, negotiates and administers a portfolio of transactions. Both governments and enterprises can participate in carbon funds.

Many international financial institutions have taken an active part in the establishment of carbon funds for several of their member countries and to some extent also private investors. The World Bank was a forerunner and provided a role model by establishing the Prototype Carbon Fund in 2000. The extent of the demand for carbon credits is evident in a recent estimate showing that the total value of commitments to different carbon funds around the globe exceeds 9 billion euros.

**With the environment** as one of the cornerstones of its mandate, NIB provides valuable input in efforts to limit climate change; these efforts are of vital importance to the Bank's member countries. NIB finances a large number of projects that contribute to reducing greenhouse gas emissions, such as the modernisation of power plants and industrial production units, energy efficiency projects and renewable energy investments. More than 25% of NIB's loan portfolio is in the energy sector and a sizable part of these projects have a positive climate impact. Many projects in other sectors such as industry and

transport also generate a significant reduction of greenhouse gas emissions.

**NIB has close links to a carbon fund** through the Testing Ground Facility (TGF), set up in the context of the Baltic Sea Region Testing Ground for the Joint Implementation Mechanism and managed by the Nordic Environmental Finance Corporation—NEFCO. The TGF, in which both states and private enterprises invest, purchases carbon credits from projects in Estonia, Latvia, Lithuania, Poland, Russia and Ukraine.

NIB is also evaluating possible participation in an initiative to set up a new carbon fund that would target emission reductions in the period after 2012. ■

## Open dialogue on environmental policy

**During summer 2007, everyone interested, including NGOs and other interest groups, had an opportunity to review and comment on NIB's revised environmental policy. Through an active dialogue with its stakeholders, the Bank is improving its environmental framework and harmonising it with similar documents of other IFIs.**

In 2007, NIB has been revisiting its environmental policy, which has been in force since 2001. The revised document will be better suited to the Bank's operations and help NIB respond to the increased expectations of its stakeholders and the society at large concerning the environmental effect of the Bank's operations.

"Respect for environmental concerns—including both their ecological and social aspects—is a prerequisite of good business practices. We believe that economic growth and a healthy environ-

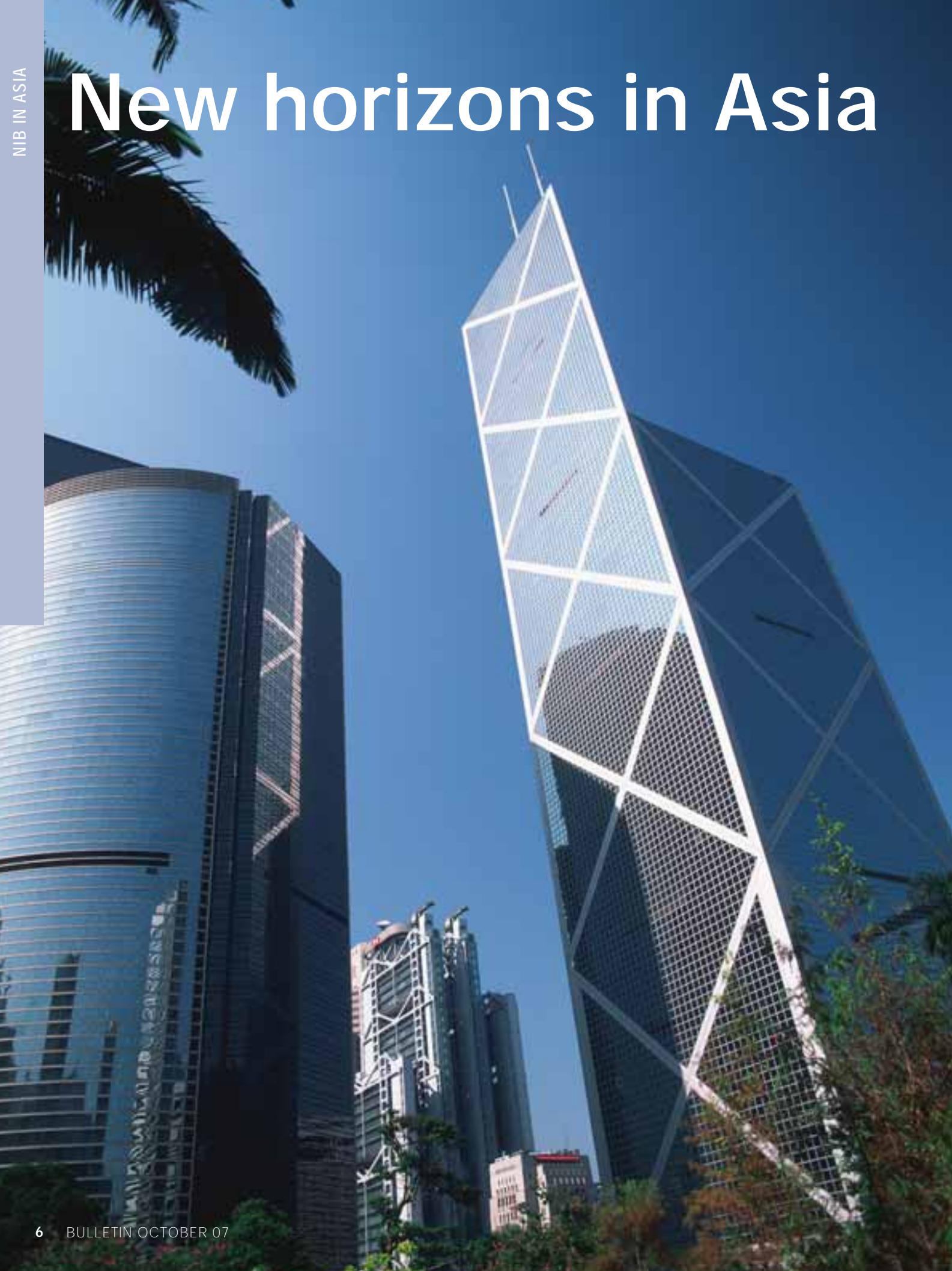
ment go hand in hand," says Johnny Åkerholm, President and CEO of the Bank.

"The renewed policy will also better communicate our stand on environmental issues in relation to the Bank's mission and strategy adopted in 2006," Mr Åkerholm adds.

In drafting the new version of its environmental policy, NIB has also been in active cooperation with a number of international financial institutions in order to harmonise the framework with similar documents of the World Bank,

the European Bank for Reconstruction and Development, the European Investment Bank and other IFIs.

During sixty days in July–August 2007, everyone interested had the opportunity to review and comment on the draft text of the revised environmental policy and guidelines on NIB's corporate website. The Bank is assessing the comments and suggestions for improvements and amendments during the autumn. The revised policy is to come into force in 2008. ■



# New horizons in Asia



A study done by the Goldman Sachs investment bank projects that China and India will become, respectively, the world's No. 1 and No. 3 economic superpowers over the next thirty years. Large and dynamic Asian markets are attractive to a growing number of businesses in the Nordic and Baltic region. NIB's operations in Asia have, therefore, a special importance in achieving the Bank's objective of strengthening competitiveness. The Bank supports its customers' striving for internationalisation and new business opportunities on global markets. NIB Bulletin is also sharpening its focus on this continent and offering some insights into how a major Chinese financial institution evaluates its partnership with NIB, what advantages Nordic and Baltic investors and suppliers have in India, and which projects in the region receive the Bank's long-term loans.

## China Eximbank: NIB supports technology transfer

China is NIB's largest market outside the membership area. For more than two decades, China Eximbank has been NIB's No. 1 onlending partner in this country. By summer 2007, the number of cooperation projects between Eximbank and NIB had reached over 120, with the overall onlending volume totalling about 500 million US dollars. The Bulletin invited Mr Zhao Xiaoyu, Vice President of China Eximbank, to discuss the latest developments in the cooperation between the two financial institutions.

**Mr Zhao, how do you assess our cooperation and what do you see as NIB's most important contribution to China's advancement?**

I think the cooperation between China Eximbank and NIB has been very successful and we appreciate NIB's support to China over the past years. Close cooperation with the Nordic countries helps China improve the environment, optimise its economic structure and promote social progress. Access to the resources provided by international financial institutions plays an important role in China's reform and opening-up policy. NIB's loans to China have helped to solve the problem of capital shortage faced by China in its economic development. Through



Mr Zhao Xiaoyu, Vice President of China Eximbank, and Johnny Åkerholm, President and CEO of NIB.



## CHINA EXIMBANK

The state-owned Export-Import Bank (Eximbank) of China was founded in 1994. The Government of China employs the bank as a tool for the implementation of state policies in the national economy. The bank's international credit ratings are the same as the sovereignty ratings of China: A2, A, and A from Moody's, Standard & Poor's and Fitch respectively. For the years 2006–2007, the international Trade Finance magazine awarded the China Eximbank as Asia's Best Export Credit Agency.

technology transfer and staff training programmes, these loans have catalysed development in many areas of the economy.

The world economy today is integrated into an organic whole. Like all emerging markets in the world, China has maintained a sound development momentum. However, China is also faced with severe challenges. In order to adapt to the new situation, it is necessary for China to participate in international economic and technological cooperation in wider areas and at a higher level. We are aware that investors all over the world are taking a great interest in the dynamic, open and massive Chinese market, regarding China as a top priority in their global strategies. Hence active bilateral cooperation is key for development and mutual benefits, and the creation of a win-win situation for all.

### **In which areas is the cooperation most fruitful?**

The projects financed with NIB's loans have played a positive role in promoting China's economic development, technological upgrading and environmental improvements. Among all the projects supported by NIB, sound economic returns and social benefits

### ***"China is NIB's largest market outside the membership area."***

have been achieved especially in the fields of public health, environmental protection, energy, and IT infrastructure. These projects have promoted the sustainable development of the local economy, improved local people's living standards as well as boosted employment in certain areas. What's more, these projects have helped to narrow the technological gap between China and the developed countries.

### **Could you give some examples?**

One of the best examples of this cooperation is the Tianjin TEDA hospital project: advanced medical equipment has greatly improved the capacity of this local hospital. Other successful examples are the Tianjin Tanggu geothermal project, Guangxi energy telemetring, the Wuhan sewage discharge project, and the



Guangxi radio communication project. All these projects have played a positive role in promoting economic and social development as well as in improving the environment in the areas where the projects have been implemented.

### **What is your vision of how this cooperation shall develop in the future?**

The success of the past decade makes us feel confident of closer cooperation in the fields of energy, public health, environmental protection, electricity generation, water supply and transportation. I'd also like to see concrete results

***"We feel confident of closer cooperation in the fields of energy, public health, environmental protection, electricity generation, water supply and transportation."***

in co-financing in the future. We could also explore the possibility of co-financing in a third country.

### **What are the focal points in China Eximbank's future strategy?**

Since its founding in 1994, China Eximbank has made its due contribution to promoting Chinese export and enhancing international economic and trade cooperation. In my opinion, China has currently entered a crucial stage in its economic development with the international economic environment undergoing great changes. In future, China Eximbank shall continue supporting Chinese intellectual property rights, as well as the overseas investments of Chinese enterprises. Moreover, Eximbank shall speed up its efforts in supporting the import of high-tech products and strategic resources. Being a policy-based financial institution, we aim to make our due contribution to Sino-foreign trade and economic cooperation and to the world's peace and development. ■



## **Outotec delivers copper plant to China**

The mining and metallurgical industries are booming in China and other East Asian countries. The region has also acquired critical importance for Finnish Outotec, a leading global provider of process solutions, technologies and services for the mining and metallurgical industries.

NIB has provided a loan to China's Ministry of Finance for the construction of a copper production plant in China's Shangdong province. The plant will use technology supplied by Outokumpu technology. The contract value exceeds 37 million euros.

"The Yanggu project is very important for Outotec. Firstly, because having such a significant order in the demanding Chinese market proves

that our technologies have a clear competitive advantage in cost-effectiveness, energy-efficiency and environmental soundness. And secondly, the scope of supply is exceptionally large," says Jussi Penttilä, Vice President Finance at Outotec.

Outotec's scope of supply includes licenses, equipment, and engineering. In the first phase, the new plant will have a capacity of 200,000 tonnes of copper cathodes per year, and it is planned to expand the capacity up to 400,000 tonnes. The advanced sulphuric acid plant in Yanggu, equipped with a high sulphur dioxide processing system, will be the first of its kind in China. ■

## **Modern equipment to hospitals in Tianjin**

Under a loan programme with China's Ministry of Finance for projects in the country's health sector, NIB has been financing the modernisation of health care institutions in the Tianjin Economic Development Area (TEDA) in northern China since 2001.

A newly established TEDA hospital has received a 10 million US dollar loan. The loan has been used for the purchase of modern equipment from a number of Nordic suppliers. This equipment is necessary for setting up clinical services. The hospital has a 500-bed capacity and can accommodate 2,000 outpatients a day. It also

hosts a centre for education, research and disease prevention activities.

With a 5 million US dollar loan, NIB has financed the purchase of modern medical equipment for the Tianjin Medical University No. 2 Hospital.

Tianjin is the fourth largest city in China with a population of 10.4 million people. Located 120 kilometres southeast of Beijing on the Yellow Sea, Tianjin is the gateway to the Chinese capital and an important communications hub for northern China. ■



# Go India!

All observers agree that India has a tremendous growth potential—in terms of its economy as well as its weight in global affairs. India will be among the nations shaping tomorrow's world. NIB is here to help companies in the member countries to map their way to the country of growth. The Bulletin invited Søren Kjær Mortensen, Head of Asia at NIB, and Dr Anand Sethi, the Bank's advisor based in New Delhi, to discuss opportunities for Nordic and Baltic companies on the Indian market.

## What opportunities can India offer NIB's member countries?

**Dr Anand Sethi:** Since 1991, India has been gradually opening up its markets and carrying out economic reforms reducing government controls on foreign trade and investment. The Indian economy has grown steadily over the last two decades. This has led our country to

## *"India is advancing through the rankings."*

become the twelfth largest economy in the world. Global economy analysts expect India to be the world's third largest economy within thirty years. With its economic growth above 9% on the back of foreign investment and an extended programme of economic

liberalisation, India is advancing through the rankings, and in fact, is the fastest growing democracy among the top twelve.

India has capitalised on its large pool of educated, English-speaking people and has become an important outsourcing destination for multinational corporations. India has also become a major exporter of software as well as financial, research, and technological services.

We are seeing something extraordinary and I hope it will last. What is important is that this growth is achieved in a free and democratic society. If we compare India's economy to that of China, we have to keep in mind that India started the liberalisation of its economy some twelve years later than China. All in all, India is a very signifi-

cant economy that represents a huge potential for NIB's member countries.

## What is of particular interest to India in the technologies and sectors where Nordic and Baltic companies are strong?

**Dr Anand Sethi:** The No. 1 area is infrastructure, including the power sector, telecommunications, seaports, airports, and roads. There are many Nordic companies involved in these sectors. India will also need to tap its renewable sources of energy to withstand global warming, which will make our country the largest market for wind and solar energy.

Secondly, what India enjoys that no other major country in the world has, is a growing working age population. The Indian labour force today amounts to ►►

## OUR MAN IN NEW DELHI

"We warmly welcome Dr Anand Sethi, our new advisor, to NIB. The fact that he is joining our team demonstrates how important we view the Indian market. This importance is also manifested by the fact that the Bank's Board of Directors has scheduled its meeting in November 2007 to take place in New Delhi," says Nils E. Emilsson, Executive Vice President of NIB, Head of Lending.

Dr Sethi has four decades of active involvement in international joint ventures and business, particularly inbound ventures, technology transfers, as well as projects and investments into India. He has also worked closely with many international companies from the Nordic and Baltic countries, USA, UK, and Switzerland. Dr Sethi has acted as advisor to Finnfund, Norad, Danida, the Danish Industrialisation Fund and other Nordic organisations and companies.



Dr Anand Sethi, NIB's new advisor in New Delhi, and Nils E. Emilsson, Executive Vice President of NIB, Head of Lending.

He is also a frequent contributor to international business publications and a co-author of the highly acclaimed "Doing Business in India—A Guide for Western Managers" (2005). The book includes many references to Nordic corporations working in India, reflecting their important role in the region.





The Prime Minister of India, Dr Manmohan Singh to the left, and Dr Anand Sethi in the middle.

an area in which companies from NIB's member countries can offer advanced technologies.

When we tell customers that NIB is an attractive lender, we also draw their attention in particular to the longer-term maturities we offer for projects in both the public and private sectors. We seek to lend directly to eligible projects. NIB's financing supplements loans from other financial institutions and commercial banks.

**Dr Anand Sethi:** Small and medium-sized enterprises (SMEs) also comprise an important segment in which NIB could play a significant role. SMEs, especially in specialised technology areas, such as hi-tech and software, bio technologies, art and design, have a very good potential and will develop at the same pace as the economy in general, or even faster due to their natural dynamism.

In terms of the advantages NIB has in India, I would like to highlight the

***"NIB is ahead of many financial institutions in speed of response and flexibility in making financing decisions."***

Bank's speed of response and its flexibility in making financing decisions. NIB is significantly less bureaucratic than other major bilateral and multilateral institutions. NIB addresses the needs and requirements of the public sector, which many commercial credit institutions are not always able to do. In my opinion, this is a major advantage in India. NIB is a supportive financial institution that stays away from resorting to the petty control of its borrowers.

**What is the current status of NIB's operations in India?**

**Søren Kjær Mortensen:** NIB finances a number of Indian enterprises and their Nordic-related projects through intermediaries, such as the Industrial Development Bank of India, and SREI

more than 500 million. A plentiful supply of Indian workers will help the country maintain its growth rates. This is a young population with growing demands and spending power.

We are witnessing the growth of income and savings. With a growing middle class, internal consumption will

***"India will experience a great revolution in the retail sector."***

most definitely continue booming for many years ahead, and India will experience a great revolution in the retail sector. This will open up immense opportunities for grocery and consumables supermarkets, home furnishings, DIY-type stores, etc.

India is in need of Nordic and Baltic investments and technology deliveries in health care, including hospitals and spas, and in the pharmaceutical business. The training and education sector, which is related to the growing young population, also provides opportunities for NIB's members.

It is also worth mentioning India's growing taste for engineering, IT, design and modern agricultural techniques, the areas in which companies from Nordic and Baltic countries would have their say in the Indian economy.

The telecommunications sector, in which Finnish and Swedish companies are major suppliers in India, has been a Nordic domain for at least a decade. In the port sector, companies from Finland and Sweden enjoy a very substantial and growing market share. Norwegian companies are strong in the aluminium industry and in equipment supplies for sea shelf oil extraction. Besides large investments in harbour infrastructure and the container business, many Danish companies are involved in engineering, the food industry, pharmaceutical manufacturing, finance and consulting.

**How do you see NIB's role in financing projects in India?**

**Søren Kjær Mortensen:** NIB signed its first Memorandum of Understanding with the Indian government in 1986. Since then, this country has become a significant market for the Bank outside the member countries.

Initially, NIB provided financing for projects backed by an Indian sovereign guarantee. In recent years, NIB started extending financing to corporations and financial institutions in the private sector. With more focus on project or structured finance transactions in this country, the Bank is now pursuing various opportunities within infrastructure, especially the energy sector. India needs new power generation capacities. This is

Infrastructure Finance. Loans provided through other intermediaries have been approved and are currently going through the final negotiation stages. Projects financed through NIB's cooperation partners have focused on a wide range of sectors, including manufacturing and infrastructure in general. The Indian government has approved a master plan for the infrastructure sector. This is resulting in increasing demand for supplies of modern equipment and advanced technologies.

The 2006 results show that India hosted 113 million euros of NIB's loans outstanding, which is modest, but this will undoubtedly increase significantly in the next few years. Apart from the energy sector, we are also pursuing other opportunities in infrastructure, including onlending through and co-financing with Indian financial institutions focusing primarily on infrastructure. For the infrastructure sector alone, it has

***"We have a good team dedicated to expanding our activities in India."***

been estimated that India has the potential to absorb 150 billion US dollars in the next five years.

We have a good team dedicated to expanding our activities in India. Anand offers inspiration to us all with his in-depth knowledge of not only Indian capabilities but also those of NIB's member countries, and a fantastic network. We would be very pleased to play even a modest role in helping to strengthen the competitiveness of NIB's member countries in obtaining contracts in India. ■



## Loan for cement plant expansion in Vietnam

NIB has signed a new loan agreement with the Ministry of Finance of Vietnam. A 25 million euro loan has been provided through onlending by the state-owned Bank for Investment and Development of Vietnam for the financing of a second expansion of the Hoang Thach cement plant.

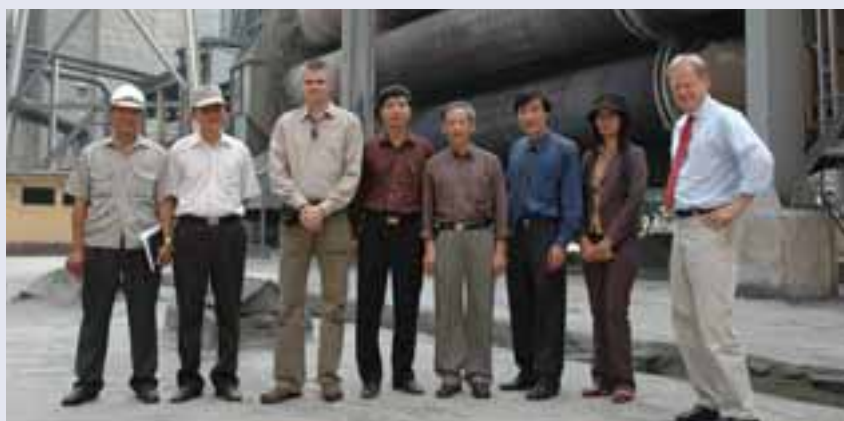
The cement plant expansion provides for setting up a cement clinker production line at Hoang Thach with a capacity of 3,300 tonnes per day. All machinery and auxiliary equipment, as well as a complete quality and process control system, will be supplied by the Danish engineering group FLSmidth. This company will also provide building design, supervision and commissioning.

The production line, which is expected to be operational by the end of December 2008, will be the third supplied by the Danish company for

this plant. Originally supplied in the late 1970s, the cement plant was expanded in 1993 by adding another FLSmidth production line.

Vietnam is currently experiencing a boom in its construction sector, primarily due to rapidly growing urbanisation and the development of the country's infrastructure. A marked increase in cement consumption is expected to occur.

"We are pleased with the positive cooperation over many years between the industrial sector and NIB, which has been to the benefit of both customers and exporters," says Tine Bremholm Kokfelt, General Manager for Project and Export Finance at FLSmidth. ■



Representatives of NIB and the Hoang Thach cement plant on the site.









## Baltic Region looks into the future

“We drive through cities and towns with their charming cafés, restaurants and trendy hotels, which are popping up like mushrooms, as are golf courses. The signs of rapidly growing prosperity are many.

Everyone is so young. That is the first thing that hits us on our tour of the three Baltic countries and Poland. At travel agencies, restaurants and hotels and on the ferries we meet nothing but young and helpful staff, who also have good language skills. The other thing we notice is pride. Pride over their own nations, but also over their membership in the EU.

Faith in the future is irrepressible.”

Text: Stefan Lundberg  
Photo: Leif Weckström





provider to manage devices from over 40 different manufacturers using a one-device management solution. This configuration improves the user experience and enhances customer loyalty," says Jyrki Holmala, Vice President of Networks at Nokia.

**Innovative market promotion** with a focus on the end-user is another success factor in the MegaFon way of doing business. Being a strong brand on the Russian market—awarded a national "Super Brand" prize in 2006—helps the operator not only to gain customers but also to maintain the highest monthly average revenue (ARPU) per user in Russia.

"We give our full attention to detail in addressing our customers," says Mr Ho, referring to the company's mission statement, which emphasises customer care as the cornerstone of MegaFon's

*"We give our full attention to detail in addressing our customers."*

corporate philosophy. In response to care, the operator's subscribers actively use value-added services. "A simple explanation for the higher ARPU is the fact that our subscribers talk more, plus we have fewer inactive SIM cards compared to our competitors."

After years of rapid growth, the overall SIM card penetration rate in Russia has topped 108% of the country's population—albeit not without some "air" in the subscription base and, in fact, a very uneven distribution among the regions. Market development is also expected to remain strong. Yet industry analysts predict the pace will eventually slow to just above GDP growth levels.

**As growth slows**, operators are shifting their focus from pure, unfettered growth to improving service quality, offering innovative products and increasing efficiency. Mr Ho expects business efficiency to be challenged by the fact that earnings per customer on the Russian mobile market remains relatively low compared to Western markets, while capital cost intensity remains relatively high and comparable to Western levels.

## Racing faster than the market

The subscription base and revenues of the Russian telecom market continue to race ahead. In keeping with this development, NIB is increasing its engagement in this sector of Russia's economy. In the past five years, the Bank has signed loan agreements with all of Russia's three largest mobile operators: MTS, Vimpelcom and MegaFon. Although it is the smallest of the three main operators in Russia, MegaFon, with Nordic TeliaSonera as its biggest individual shareholder, sports the fastest growth rate on this highly vibrant market.

MegaFon's numbers are skyrocketing. In 2006, the number of the carrier's subscribers jumped 30%, revenues swelled by 56% and net profits more than doubled. During summer 2007, MegaFon became the first mobile operator with a network covering all of Russia's 86 regions. Operating throughout the world's vastest country with 11 time zones sets priorities: the company needs modern telecom equipment supplies for rolling out networks even in the remotest areas of the Federation as far as eastern Siberia or Kamchatka.

"In covering a license area limited only by national borders, MegaFon follows a successful and consistent development strategy tailored for the Russian market," says Raymond Ho, MegaFon's Deputy CFO.

**Investing in state-of-the-art** technological solutions is one of MegaFon's winning strategy pillars. The operator's technological platform has been built from scratch. During the last five years, MegaFon's investments in network development and upgrading exceeded 4 billion US dollars.

Finnish-German Nokia Siemens Networks is one of the key suppliers of GSM/GPRS/EDGE equipment to MegaFon, ensuring that the operator delivers advanced mobile solutions to its subscribers. Nokia Siemens' multi-technology platform may also support MegaFon's roll-out of the next generation, 3G, network.

"Nokia's solution now serves MegaFon's entire multivendor network in Russia and enables the service





MegaFon's Deputy CFO, Raymond Ho, and NIB's Senior Regional Manager, Tore Emanuelsson, are pictured above.

"This is why we are now focusing more on increasing customer loyalty and decreasing churn, alongside filling in the coverage gaps as well as centralising functions and internal processes, to capture greater economies of scale and scope," Mr Ho explains.

Although the company attributes its success partly to staying focused on Russia, MegaFon is currently exploring an opportunity to leverage its expertise and replicate its success in other CIS markets. Besides its core market, the operator runs a subsidiary in Tajikistan, whereas its two competitors' expansion geography is much broader.

**The smart combination** of offering the latest technological solutions, finding a way to the customer's heart and prudent financial management results in rewarding economic performance and a continuing positive impact on MegaFon's corporate rating. The major rating agencies, Fitch, Moody's and

Standard&Poor's, raised the carrier's corporate credit rating in early 2007.

"We fully approve and support MegaFon's organic growth strategy and meticulous branding policies," says Per-Olof Sjöstedt, Senior Vice President of TeliaSonera Russia.

**Nordic telecoms** have historically been the most important foreign players in the Russian telecommunications sector. Mr Sjöstedt explains this dominance by pointing to the highly fragmented and complicated procedure for licensing in Russia.

"Initially, there was no single GSM license covering the whole of the country. Licenses were issued by regions, and licensing rules and cellular technologies varied from one region to another. There has never been a clear-cut opportunity for a foreign investor to make a large-scale entry. We did not give up during the hardships of the 1990s, when we acquired a stake in the St. Petersburg-based telecom North-West GSM, which later became the backbone of today's MegaFon. No international telecom giant had the guts to take the risks of those times—we did!" he says proudly.

With 44% of MegaFon's stock, TeliaSonera is now the largest individual shareholder in the Russian operator. The holdings in MegaFon contribute about 10% of Telia Sonera's consolidated net profits. Mr Sjöstedt does not deny that his company is interested in acquiring a controlling interest in the successful Russia venture. This is the strategy the Nordic company is employing on the Russian and CIS markets, while MegaFon itself is targeting leadership on

the market, both in terms of its subscriber base as well as its revenue, within the coming two years.

"MegaFon is still a growth company, as it has not yet exhausted its potential for organic growth. The Russian mobile telecom market's growth potential has been underestimated. This is why we believe the market leadership target is realistic," Mr Sjöstedt concludes.

**NIB, together with** Nordea Bank and Bayern LB, has signed a revolving loan facility agreement with MegaFon totalling 100 million US dollars. By financing MegaFon's investment

***"NIB helps its member countries' companies to gain muscle on foreign markets."***

programme, NIB supports the development of telecommunications infrastructure in Russia, and helps Nordic Telia Sonera and Nokia Siemens to gain muscle on key foreign markets.

Both Mr Sjöstedt and Mr Ho acknowledge that having NIB on board implies a quality seal for MegaFon.

"Financing from a triple-A international bank is an important benchmark and a further reaffirmation of our quality and credibility. It facilitates our access to high-quality funds and sets standards for more flexible terms and conditions," says MegaFon's Deputy CFO.

Mr Ho names quality sources of financing among the most critical factors of success for his company's business. He acknowledges that the lower interest rates which stem from the high credit ratings of the Nordic countries, combined with MegaFon's value-for-money strategic product and market positioning, strong track record and modern management, enable MegaFon's business to race ahead faster than the market. ■

## MEGAFON

MegaFon is the first GSM 900/1800 mobile operator to cover the entire territory of the Russian Federation with its population of over 143 million people. The company was established in May 2002 from the merger of the St. Petersburg-based operator North-West GSM and mobile operators in nine other regions of the country.

- Net profits 2006: 813 million US dollars (in 2005: 394)
- Revenue 2006: 3.7 billion US dollars (2.4)
- Number of subscribers in summer 2007: over 32 million
- Earnings per customer in Q1 2007: 12.3 US dollars
- Ratings: S&P BB (positive), Moody's Ba3 (stable), Fitch BB+ (stable)





Suzano owns more than 180,000 hectares of eucalyptus plantations in southern Brazil. The favourable climate and advanced forestry techniques allow the maturation of forests within seven years, with trees up to 30 metres tall.

# Brazilian pulp mill equipped for global leadership

**NIB is stepping up its presence in Brazil, one the world's key growth markets. The Bank has supported the ambitions of the country's major pulp and paper producer Suzano Papel e Celulose to double its pulp output capacity in order to become one of the world's top-10 producers in its sector. By creating several thousand new jobs, the project will also benefit the economic and social development of the South Bahia region in Brazil.**

Suzano Papel e Celulose's new eucalyptus pulp mill in Mucuri, southern Brazil, was launched in late August 2007, 35 days ahead of schedule. The construction works were completed within 22 months. This is already Suzano's second pulp production line in Mucuri. The capacity of the new line is 1 million tonnes of pulp a year, which will be entirely dedicated to export markets.



## DEAL OF THE YEAR 2006

An innovative transaction for the Suzano Papel e Celulose expansion project has been chosen the Deal of the Year 2006 by the international Trade Finance magazine—Euromoney Group. NIB played an active part in centralising the documentation on the project financing negotiations in order to harmonise the terms and conditions of all the facilities.

Trade Finance writes: "What makes this deal stand out is the tailor-made structure, combining a framework

agreement enabling the financing of several commercial contracts under one single credit agreement, and the tied commercial loan and multilateral facility."

The magazine quotes Isabelle Roux-Sharpe, vice president for export finance at Société Générale CIB: "For this landmark transaction, Finnvera and NIB played an active and constructive part in the setting-up of the financing, allowing the banks to structure an attractive, tailor-made financing package."

The additional capacity will bring the company's total annual output to 2.8 million tonnes of pulp and paper. This will make Suzano the No. 2 pulp manufacturer in the country and one of the world's top-10 pulp producers on the market. Equipment for the new factory is being supplied by Finnish, Swedish and German producers.

"Equipped with very competitive state-of-the-art production machinery and tools, having comparably low production costs and a fully integrated wood supply, Suzano is now armed to vie for global leadership in the industry," says Tarja Kylänpää, Head of Project & Structured Finance at NIB.

The total project costs stand at 1.3 billion US dollars. NIB has participated in the financing of the project along with a number of other international banks and the Finnish export credit agency Finnvera. NIB's facility with Suzano Papel e Celulose amounts to 50 million US dollars.

The expansion project is expected to have positive environmental and social impacts. In particular, the South Bahia region in Brazil will greatly benefit from the project. The construction works will directly and indirectly create more than 8,000 new jobs, while the new production line in Mucuri and the forestry operations are expected to employ nearly 5,000 people.

"We were impressed by Suzano's social approach, including the practice of regular meetings with members of the local community. It is our strong belief that the Mucuri expansion project will greatly contribute to the development of local community services," says Ms Kylänpää.

The expansion at Mucuri would also involve partnership with small rural owners, who may become timber suppliers for the factory. Suzano will also set up a training centre for local labour. The planned expansion of pulp production will contribute to improvements in

hospitals, schools and highway infrastructure in the region.

NIB has been active in Brazil for over five years. The Bank has participated in financing projects in telecommunications, energy and infrastructure development.

"All of these projects, including the Mucuri expansion, have been important both for Brazil and for the economies of NIB's eight member countries. Promoting economic growth and competitiveness is an essential part of our mandate as a multilateral financial institution," says Ms Kylänpää. ■

## Bahia Pulp expands capacity

NIB has provided two loans totalling 50 million US dollars to Brazilian Bahia Pulp for financing the expansion of the company's production capacity. The project will triple the capacity of the pulp mill to 365,000 tonnes of standard grade dissolving pulp per year.

The plant will be equipped with the latest automated process control technology. The new production line will allow for more diversification in the company's

production and, hence, better adaptability to changing market conditions. The expansion project is to be completed in summer 2008.

Bahia's affiliate, Copener Forestry, oversees 67,000 hectares of eucalyptus plantations. The plantations, located an average of 100 kilometres from the factory, are intermingled with 32,000 hectares of preserved natural areas, which ensures the continual supply of the high

quality wood required for its productive process.

Bahia Pulp, with almost thirty years of experience, is one of the world's leading producers of dissolving pulp. The company is part of the Sateri International Group, an integrated manufacturer of viscose and dissolving pulp, which also runs manufacturing facilities in Finland and China. ■

# Seminar on the forest industry at NIB



Anders Portin



Rainer Häggblom



Paula Lehtomäki

## “Sustainable development is our trumpcard”

This is how Anders Portin described the Nordic forest industry at a seminar on the future economic significance of the Nordic forests. The seminar, held in May, was arranged by the association Pohjola-Norden in cooperation with NIB. Mr Portin is Senior Vice President of the Finnish Forest Industries Federation Metsäteollisuus ry. According to Mr Portin, the forest industry has managed well thanks to increasingly large players on the market, internationalisation and specialisation in highly processed products. Furthermore, the Nordic countries have played their cards well when it comes to the quality of the forest, environmental considerations and infrastructure.

“At the moment we need to continue developing these fields

as well as focus our energies on research,” says Mr Portin.

Rainer Häggblom, Chairman of Pöyry Forest Industry Consulting, shared these views and talked about investments in technology, cooperation regarding innovations and education.

“We need to have competitive electricity and competitive timber,” Mr Häggblom remarked, pointing to the supply of energy, wood and fibre as challenges in the sector.

Questions concerning energy supply, the Kyoto Protocol and biofuels were raised at several points during the seminar. Russian export duties were also a topic of discussion.

Other speakers at the seminar, which had over one hundred par-

ticipants, were Jan-Henrik Sandberg from the Swedish Paper Workers Union and Knut Øistad, Norway’s Agricultural Counsellor in Brussels. The Swedish Minister for Agriculture, Eskil Erlandsson, and the Finnish Minister of the Environment, Paula Lehtomäki, commented on the forest industry from a public finance perspective.

Summarising the discussion at the seminar, NIB’s President and CEO, Johnny Åkerholm, noted that even though the speakers viewed the future with confidence, the forest industry is likely going to face an upheaval. Added value through products that are adapted to environment, energy and transport requirements seems to be the key to success, Mr Åkerholm added. ■

## Loan to pulp mill project in Uruguay

NIB has signed a loan agreement with Botnia S.A. for the financing of Metsä-Botnia’s pulp mill project in Fray Bentos in Western Uruguay. NIB is participating in the financing with a project investment loan in the amount of 70 million US dollars.

The pulp mill will, upon completion, produce bleached eucalyptus kraft pulp

with a yearly capacity of 1 million tonnes. To minimize the effects on the environment, the mill will apply best available techniques (BAT) as defined by the European Union.

Metsä-Botnia’s pulp mill project is the largest industrial investment in Uruguay’s history and will create thousands of new jobs in the region.



The investment will also be the largest private Finnish industrial investment abroad. ■



# New subsea link a sustainability showcase

The Norwegian energy utility Statnett and its Dutch cooperation partner Tennet are building the world's longest subsea power cable between Norway and the Netherlands. The new link is seen as a sustainability showcase in efforts to create an integrated European energy market.

The 580-kilometre high-voltage direct current (HVDC) power link, NorNed, laid in the North Sea, will ensure that power is delivered from a lower-cost area to a higher-cost area. The link enables Norway, which is dependent on hydro-power, to secure its energy supply with imported thermal power when water levels are below normal.

"NorNed, which will be the longest subsea HVDC power transmission link in the world, will contribute to a more secure power supply in Norway. The cable will help improve the energy balance in the Norwegian system. This is especially important in years when Norway needs to import a considerable amount of power. The cable will also help stabilise power prices," says Jan Caspersen, Statnett's finance manager.

During years with more precipitation than normal, the NorNed cable will transport power to the Netherlands. In years with normal precipitation, Norway will export power during the daytime and import power at night.

NorNed is seen as a sustainability showcase in the European Union's efforts to create an integrated and sustainable energy market. The EU's energy objectives include establishing power exchange interconnections, integrating renewable energy sources into the European grid, optimising the use of fossil fuel power plants, and significantly reducing carbon dioxide emissions. NorNed meets these goals on all counts.

The cable will help integrate renewable "green" hydropower from

Norway with the Dutch and European transmission grids and enable the Netherlands to run fossil-fuelled power plants efficiently with an optimal and constant base load. The cable is expected to yield a reduction in carbon dioxide emissions of almost 1.7 million tonnes a year. The reduction is worth 49 million euros a year, according to the EU's Emissions Trading Scheme.

Trade between the two power markets will be a major source of revenue, benefiting customers of both Statnett and Tennet. As a temporary system, the trade will take place using an explicit auction until 2009. Thereafter, the Nordic and Dutch power markets will be coupled via Nord Pool Spot (the spot market for the Nordic countries) and the Amsterdam Power Exchange.

The 47,000-tonne cable laid between Fedra in Norway and Eemshaven in the Netherlands is a 50/50 joint venture of the two power utility companies. The cable's co-owners will also benefit from the very low transmission losses thanks to technological solutions provided by Swedish ABB, a global leader in power and automation technologies. ABB's scope of supply for this project includes state-of-the-art converter stations and HVDC cables.



The project budget totals 4.6 billion Norwegian kroner (580 million euros), shared equally between the cable's co-owners. A loan from NIB to Statnett covers one third of the company's expenses in the project. The utility company's finance manager believes the cooperation between his company and NIB has provided added value to the project.

"Apart from the competitive terms NIB offered, the loan has helped diversify Statnett's financing portfolio. We are looking forward to further cooperation with the Bank," says Mr Caspersen. ■



The NorNed high-voltage power cable is being laid in the North Sea.

PHOTO: STATNETT

# Copenhagen gets heating tunnel

The municipal heating utility Københavns Energi (Copenhagen Energy) is building a tunnel that will secure economical and environment-friendly heating for the inhabitants of the Danish capital. NIB's financing covers half of the 100 million euro project.

A four-kilometre tunnel is being constructed 35 metres underground in central Copenhagen. The tunnel pipes will carry 300-degree hot steam and water to the city's district heating network. The works commenced during summer 2005. According to Carsten Bankel, Københavns Energi's Cash Manager, the drilling of the tunnel was completed as planned in April 2007 and within the budget. The tunnel is set to be completed by 2009.

"We are in the process of modernising the heating supply network in Copenhagen. When ready, the operation costs of the upgraded network will be much lower," says Astrid Birnbaum, head of the heating network at Københavns Energi. The company expects a cost reduction of about 50 million Danish kroner per year.

The heating supply provided by the utility will be more environment-friendly, because heat will be produced at a new thermo plant on the island of Amager in eastern Copenhagen. The new tunnel will also help reduce the city's annual carbon dioxide emissions by 200,000 tonnes. It corresponds to the gas exhaust of 53,000 cars.

The heating mains will be connected to the network through three shafts: one

is being constructed on Amager; the second in the vicinity of Amalienborg, the royal palace, in the very heart of the city; and the third one is located two kilometres further westward. Since the diameter of the tunnel is more than four metres, people can freely move about and operate in it when carrying out inspections or repairs.

"This is rather important for the maintenance of communications in a large city. We don't have to dig up the streets and disturb the traffic, if we need to get down to our mains," Ms Birnbaum comments on the innovative approach.

The project is estimated to cost 750 million Danish kroner, which corresponds to 100 million euros. Despite such a large investment, the heating bills from the utility will not grow in the foreseeable future. The modernisation of the heating supply network will help prevent heating tariffs from swelling by reducing loss of heat.

Construction of the tunnel was necessary because the heating supply company Energi E2 is currently upgrading its heat production facilities. District heating services are provided to 98% of the inhabitants and organisations of Copenhagen, of whom two thirds receive heating as hot water. A number



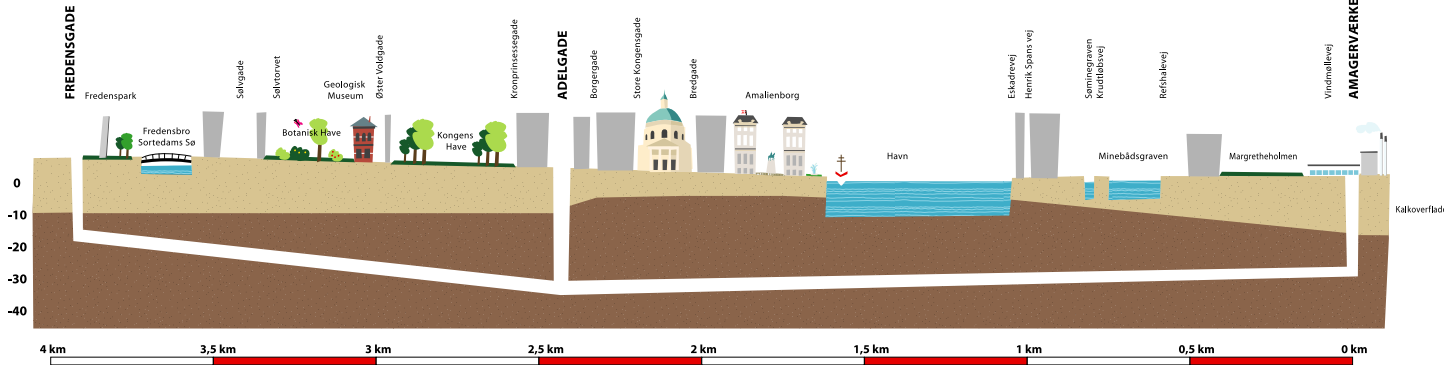
PHOTO: HENRIK PYNDT

The new tunnel's diameter is more than four metres, and people can freely move about and operate in it when carrying out inspections or repairs.

of large consumers, for instance, hospitals and hotels, in the central part of the city are provided heating with the help of hot steam.

"We plan to switch all of our heating consumers to hot water, including those in central Copenhagen. The new tunnel will allow us to upgrade the heating supply shortly after the construction is finished. This modernisation will secure a reliable heating supply for years into the future," Ms Birnbaum concludes. ■

DRAWING: KØBENHAVNS ENERGI



Copenhagen's four-kilometre heating tunnel built 35 metres under the ground connects three shafts: one on the island of Amager, one in the vicinity of the royal palace, and one two kilometres further westward.

# More waste treatment capacity in southern Sweden

Swedish Sydskaånes avfalls-aktiebolag, Sysav, processes—recycles, treats and combusts—723,000 tonnes of waste a year. This is more than a tonne per inhabitant of the 14 municipalities that together own the waste treatment and recycling factory. Growing needs and environmental legislation are spurring the company to increase its processing capacity. A loan from NIB is contributing to the financing of Sysav's investments.



PHOTO: BO STRANDH

Sysav is set to invest 1.2 billion Swedish kronor (132 million euros) in its waste combustion plant Sjölanda in Malmö in southern Sweden. The investments will increase the present capacity of 400,000 tonnes of waste to 550,000 tonnes per year. The company expects Sjölanda's annual energy output to increase by 33% to 150,000 MWh of electricity and 1,400,000 MWh of heating.

"The amount of nearly all kinds of waste, including burnable waste, is constantly growing. In order to achieve the best possible results applying appropriate waste treatment technologies, Sysav needs more combustion capacity for burnable waste. This is why Sysav is making this big investment," says Frank Holmström, CFO at Sysav.

Sysav runs a heating plant and a combined power and heating plant, as well as plants for separation, recycling and recovery. From the entire amount of waste, Sysav separates material for recovery.

"If recovery is not possible, waste is used as raw material. And if this is not possible, then we use it in the production of energy," Mr Holmström explains.

Municipalities are responsible for collecting the waste and currently all inhabitants can sort their waste into recyclable and other types of waste. Investments will also be made to increase the biological treatment of food waste in order to produce biogas for motor

vehicles and biological fertilisers for agricultural use.

The new processing plant is expected to be launched in summer 2008. While it is under construction, food waste collected by Sysav is recycled in a neighbouring region. Once the company's own facility is in operation, the amount of food waste collected annually is expected to reach 25,000 tonnes within the next few years.

This is in line with a national target of biologically treating at least 35% of food waste in Sweden by 2010. This project has also received state-funded support because it contributes to reducing greenhouse gas emissions in Sweden.

Today, Sysav takes care of 723,000 tonnes of household and industrial waste

every year. Sysav also holds a long-term agreement with the power company E.ON, whereby Sysav can sell its total heat energy production to municipal district heating networks in southern Sweden. ■

## SYSAV

Sysav was founded in 1974 by nine municipalities in southern Sweden: Burlöv, Kävlinge, Lomma, Lund, Malmö, Staffanstorps, Svedala, Trelleborg and Vellinge. In 2004, the municipalities of Simrishamn, Sjöbo, Skurup, Tomelilla and Ystad joined as owners. The inhabitants of the municipalities total 630,000, but this is expected to increase to 700,000 by 2013.

Sysav's turnover in 2006 amounted to 714 million Swedish kronor, about 60% of which came from fees paid by the municipalities and income from the treatment of industrial waste, 27% from the sale of energy and 13% from other sources.





PHOTO: LAMOR CORPORATION AB

Clean Globe International combines high technology with local resources for cost-effective management of oil spills.

# Oil spill service centres in Russia

More oil transport leads to more oil spills. When an environmental disaster occurs, rapid and professional measures are needed. The Nordic Environment Finance Corporation, NEFCO, is financing oil spill service centres in Russia and the neighbouring regions.

NEFCO is making an equity investment of 3 million euros in Clean Globe International, CGI, a company that has developed a local concept for oil spill recovery service centres. In total, CGI is investing 107 million euros in new oil spill service centres and the further development of existing facilities.

"NEFCO is investing in CGI because their business is well in line with

our mission. CGI's service concept combines environmentally beneficial activities with financial returns," says Magnus Rystedt, Managing Director of NEFCO.

CGI belongs to the Finnish Lamor Group, which is the market leader for oil spill prevention. The European Bank for Reconstruction and Development (EBRD) and the Finnish Fund for

Industrial Cooperation (Finnfund) are participating in the financing.

The oil spill service centres provide services related to environmental technology, the prevention of accidents, response to oil or chemical spills, oil spill clean-up and land remediation, environmental auditing as well as the management of oil-containing water ballast and bilge water from vessels. Increasingly stringent environmental requirements call for companies to have the capability to manage, for example, oil spills. This contributes to the economic profitability of the project.

"This type of business concept demonstrates that environmental projects, if structured properly, can be seen as profitable investments and not only as added costs," Mr Rystedt concludes. ■

## NEFCO

- is a risk capital institution that finances projects with a positive impact on the environment in Russia, Ukraine, the Baltic countries and Belarus;
- was established in 1990 and is owned by the five Nordic countries;
- has financed approximately 300 projects;
- is active in both the private and public sectors;
- is situated in Helsinki, Finland together with NIB; and
- is part of the Nordic Finance Group.

[www.nefco.org](http://www.nefco.org)

## Governors emphasise regional cooperation to enhance competitiveness

NIB's Board of Governors held its third annual meeting on 30 May in Oslo, Norway. At the meeting, the Board of Governors approved NIB's Annual Accounts for 2006 and annual dividends in the amount of 50 million euros.

The Governors emphasised the critical role of regional cooperation between the Nordic and Baltic countries in enhancing competitiveness and supporting the environment in the Nordic and Baltic Sea region. The Board identified energy, transport and logistics, as well as the financing of innovations, as key areas of cooperation.

The Governors underscored that NIB's knowledge and experience make it uniquely well placed to become the international financial institution for the Nordic and Baltic Sea region. NIB is expected to play a more prominent role in bringing economic, ecological and social benefits to its member countries and to the entire region. The Bank is also to revise its set of financing instruments, and to seek closer cooperation with other major international financiers in the region. ■



At the meeting of NIB's Board of Governors in Oslo, 30 May 2007. From left: Rimantas Sadzius (Lithuania), Ivari Padar (Estonia), Johnny Åkerholm (NIB), Mari Kiviniemi (Finland), Kristin Halvorsen (Norway), Betina Hagerup (Denmark), Arni M. Mathiesen (Iceland), Anders Borg (Sweden), Oskars Spurdzins (Latvia).

## NIB funding

### All-time largest deal in US dollars

NIB launched its all-time largest, 1.5 billion US dollar (1.1 billion euro) global benchmark issue in the beginning of September. The deal has a maturity of three years. Due to the high quality order book, the transaction was upsized from 1 billion US dollars to 1.5 billion.

"The order book represents the strongest central bank participation seen in any NIB benchmark issue to date," says Kari Kukka, Head of Funding at NIB.

Central banks and official institutions were allocated over 90 per cent of the transaction. Asia accounted for the bulk of the demand with more than half of the order book.

"NIB's global issuance in US dollars provides a rare public market occasion for global investors to invest in one of the world's select, high quality AAA supranational institutions and the only one representing the Nordic and Baltic region," comments Mr Kukka.

NIB's previous global benchmarks denominated in US dollars have been in the amount of 1 billion. In January, NIB issued its sixth annual 1 billion US dollar deal.



During 2007 NIB has also issued its first global bond transaction in Japanese yen. The issue, launched in April, totals 50 billion Japanese yen (307 million euros) and has a ten-year maturity.

"The purpose was to expand the investor base and create a liquid Japanese yen issue," comments Mr Kukka.

NIB meets important investors annually by carrying out road shows globally, informing about

NIB and its development and funding plans. This year NIB has succeeded in issuing in several new markets. NIB has issued its first Russian rouble-denominated transaction and has carried out its first transactions in the Maple and Kauri markets.

"In the recent volatile markets NIB has noticed increased investor interest in diversifying to high quality issuers," Mr Kukka adds. ■



Visualisation of the new high-tech diagnostic and treatment centre in Tallinn to be completed in 2009.

## Support for health care reforms in Estonia and Latvia

NIB has signed agreements on long-term loans to the North Estonian Medical Centre (NEMC) in the city of Tallinn, Estonia, and to four hospitals and the Riga Stradina University in Latvia. The total amount of the loans is 50 million euros.

The loan to NEMC provides 50% of the financing necessary for the construction of a high-tech diagnostic and treatment centre. The new complex will be completed in 2009. NEMC is Estonia's largest regional hospital. It serves an area with 800,000 inhabitants, or half of the country's population.

"As our hospital is going through a major infrastructure development process in the coming 5 years, NIB is a perfect match for our needs. We see the Bank as a strong and competitive

financing partner with an international reputation, and experience working with governmental institutions and in infrastructure projects," says Tõnis Allik, chairman of NEMC's board.

In Latvia, the hospitals that received NIB loans are situated in the towns of Ainaži, Aknīste, Ludza and Strenči in the eastern and northern parts of the country. The financing will be used for the construction of new sections of the hospitals and the reconstruction of existing buildings, as well as the purchase of modern medical equipment. The investment projects are part of large-scale health care sector reform programmes in Estonia and Latvia.

"NIB supports the modernisation of the social infrastructure necessary for the Baltic countries' further sustainable and balanced economic development. A strong social infrastructure is one of the key prerequisites for better living standards and the competitiveness of these countries' economies," says Johnny Åkerholm, NIB President and CEO.

The health care sector is prioritised in the Baltic countries, which became NIB members in 2005. The governments of the new member countries are committed to restructuring their health care sectors. ■

## New loan for SME onlending in Latvia

A loan agreement totalling 42 million euros has been signed with Latvijas Hipotēku un Zemes Banka (the Latvian Mortgage and Land Bank, LHZB). The loan will be used to finance the development of Latvia's small and medium-sized enterprises. NIB was chosen as the lender in LHZB's tender for a government-guaranteed loan with a ten-year maturity.

"NIB won because it offered not only a good price but also the most streamlined procedure for loan approval and reporting," says Juris Cebulis, Head of the Promotional Programme Office ALTUM at LHZB.

The ALTUM programme run by the Latvian bank is geared at recently established SMEs, which, due to their very short credit history, might not enjoy the same access as older companies to loans from commercial credit institutions. LHZB is a fully state-owned bank, and the Latvian government employs it for development programmes such as ALTUM. LHZB ranks eighth among Latvia's 23 banks by assets.

Besides this direct engagement, the Bank has participated in a syndicated loan to LHZB, in which NIB's share was 25 million euros. ■

## NIB loans give recognition

NIB's new lending to financial intermediaries in various countries in the first half of 2007 amounted to 135 million euros. This financing is used for further onlending to small and medium-sized enterprises (SMEs), the sector securing the sustainability and competitiveness of national economies.

Denmark is one of the major markets for the onlending of NIB financing to SMEs. The Bank currently cooperates with 20 local credit institutions all over the country. Sparekassen Faaborg on the island of Funen in central Denmark is among the new financial intermediary customers that have signed loan agreements with NIB during 2007.

"NIB is a new cooperation partner for us. We clearly benefit from NIB's strengths as a multilateral financier with a high credit rating. Having NIB among our financiers gives us recognition as a high-quality and reliable partner," says Karsten Rossen Jakobsen, Finance Director of Sparekassen Faaborg, in the picture to the right.

The onlending of the NIB financing concentrates on environmentally friendly projects in agriculture and SME investments. Sparekassen Faaborg is a



regional savings bank with roots going back 161 years. The bank runs 24 branches on Funen. ■





# 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.

## NORDIC INVESTMENT BANK

### HEADQUARTERS

Fabianinkatu 34  
P.O. Box 249  
FI-00171 Helsinki  
Finland  
Telephone +358 10 618 001  
Fax +358 10 618 0725

### OTHER CONTACTS

**Copenhagen**  
Grønningen 17  
DK-1270 København K  
Denmark  
Telephone +45 3314 4242  
Fax +45 3332 2676

**Oslo**  
Dronning Mauds gate 15  
(at Eksportfinans)  
NO-0119 Oslo  
Norway  
Telephone +47 2201 2201  
Fax +47 2201 2202

**Reykjavík**  
Kalkofnsvegur 1  
(in the building of Seðlabanki Islands)  
IS-150 Reykjavík  
Iceland  
Telephone +354 569 9996  
Fax +354 562 9982

**Stockholm**  
Kungsträdgårdsgatan 10  
(in the building of Jernkontoret)  
P.O. Box 1721  
SE-111 87 Stockholm  
Sweden  
Telephone +46 8 5662 6590  
Fax +46 8 5662 6591

**Singapore**  
Regional Representative Office  
78 Shenton Way # 16-03  
Singapore 079120  
Telephone +65 6227 6355  
Fax +65 6227 6455

**Internet**  
<http://www.nib.int>  
<http://annual.nib.int>