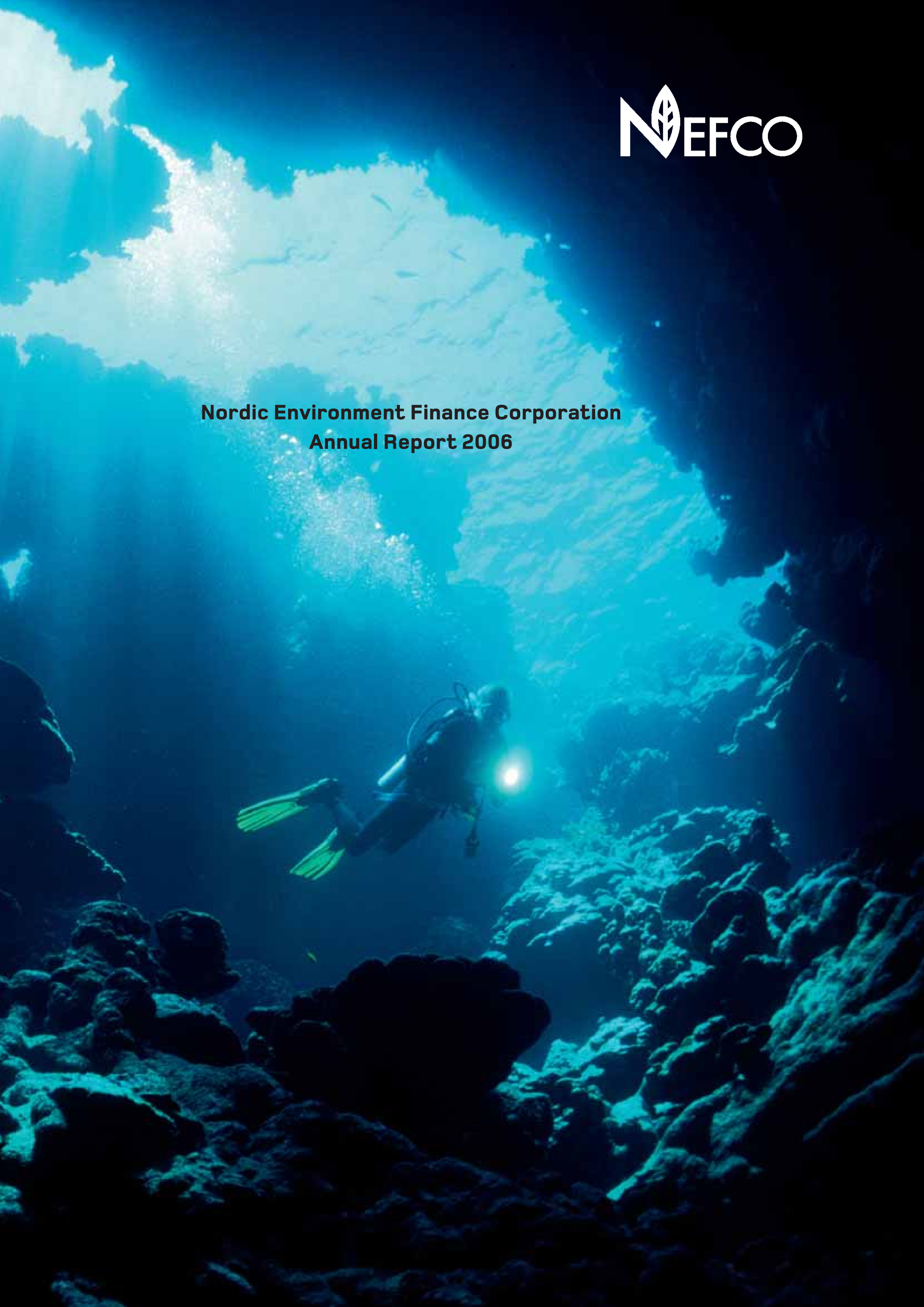


Nordic Environment Finance Corporation
Annual Report 2006

Contents

Photograph: Jukka Nurminen

NEFCO in Brief

The Nordic Environment Finance Corporation (NEFCO) is an international financial institution specialised in environmental financing. Established in 1990 by the five Nordic countries (Denmark, Finland, Iceland, Norway and Sweden), NEFCO promotes the implementation of cost-effective environmental projects in neighbouring countries in Eastern Europe, aimed at achieving environmental benefits for the Nordic region.

NEFCO is currently engaged in managing a number of funds, focussing on the environmental field in the region. The most important of these are as follows:

NEFCO Investment Fund – With capital of EUR 113.4 million, NEFCO is able to contribute as a partner, lender or guarantor in economically sound environmental projects.

- Finances projects in Russia, the Ukraine, Belarus and the Baltic countries.
- Involved in projects that have relevant environmental effects. Since priority is given to projects with environmental effects that are of environmental interest to the Nordic countries, the emphasis of most projects is based on reducing discharges into watercourses and the sea, as well as reducing transboundary air-borne emissions and greenhouse gas emissions.
- Requires the involvement of a Nordic partner in a long-term collaboration. This partnership can take a corporate form through various kinds of direct investments, but also other kinds of co-operation can be considered, for example as a long-term supplier.
- Involved in projects that have been analysed in terms of potential technical viability and financial profitability. NEFCO projects have to fulfil reasonable requirements in terms of profitability but - so long as this can be achieved - focus more on the environmental effects.

Nordic Environmental Development Fund (NMF) – This is a fund that provides soft loans (i.e. loans that are on terms that are more advantageous than market terms). The aim is as follows; to enhance the potential profitability of urgent environmental projects, to facilitate financing with higher levels of risk exposure, to bring forward the implementation of projects, or to attract additional environmental investments. A total of DKK 375 million has been provisionally allocated to the NMF.

- The NMF finances projects in Russia, the Ukraine and Belarus.
- The maximum contribution from the NMF for a single project is generally DKK 3 million or one third of the project costs. Moreover, the local share of the financing should be at least at a level of 50%.
- Currently, most contributions from the NMF are provided in the form of revolving financing mechanisms where the funds are to be repaid. These mechanisms include advantageous credit schemes for cleaner technology, energy saving and environmental investments in agriculture.
- The technical solutions should be based on the best available technology, although having regard for the economic and financial assumptions and being adapted to local conditions. The procurement of equipment and services, which is financed through the NMF, can be arranged by local, Nordic or international tendering procedure.

Baltic Sea Region Testing Ground Facility (TGF) – This is a regional carbon purchase fund that is based on the Public Private Partnership model. The capital of the fund amounts to EUR 35 million. The purpose of the fund is to purchase cost-effective emission reduction credits for its investors.

- The TGF finances 'Joint Implementation' projects by purchasing emission reduction credits.
- The focus is on energy-related projects.
- It finances projects in Estonia, Latvia, Lithuania, Poland, Russia and the Ukraine.

NEFCO is based in Helsinki in conjunction with the Nordic Investment Bank (NIB).

Report by the Board of Directors

2006 marked NEFCO's 16th year of operations and proceeded according to plan. The year began with new Managing Director Magnus Rystedt taking up his position on 1 February 2006. Mr Rystedt was able to successfully conclude the work on developing NEFCO's strategy, which had begun at the end of 2005. In total, 60 projects under the various funds managed by NEFCO were approved during 2006, compared with 44 projects in the previous year. For the first time in NEFCO's history, private investors were included in one of the funds that NEFCO manages, when the circle of investors in the Baltic Sea Region Testing Ground Facility (TGF) carbon fund was expanded. A total of nine investors from the private sector came in as new members alongside the Nordic countries and Germany. Therefore, the TGF is the first carbon fund, outside the World Bank Group, to work on a Public Private Partnership basis. The total capital of the fund now amounts to EUR 35 million.

NEFCO's new strategy was established during the year and approved by the Board of Directors. As NEFCO's operations have been successfully run to date and considerable cost-effective environmental benefits have been achieved, the strategy work was primarily focused on development with regard to the changes that have taken place globally within the environmental field. NEFCO will continue to focus on environmental projects in Russia, the Ukraine, the Baltic States and Belarus, with high priority being given to the Baltic Sea, the Barents Sea area and now also the environmentally hard-hit Arctic. The strategy also includes new initiatives; within public relations, NEFCO will endeavour to clarify and spread information regarding the unique aspects of NEFCO's investment philosophy (the NEFCO concept) and preparation of 'sector studies' as basis for identifying potential investments that can be replicated in addition to environmental benefits. The work of implementing the strategy will commence in 2007.

During the year, eight new investments were approved for the Investment Fund. Seven projects were signed off as closed through the sale of shares in a participating interest and through final repayment of six project loans. Therefore, NEFCO had 63 active ongoing projects under the Investment Fund at the end of 2006. The number of completed and closed projects was 28.

Under the Nordic Environmental Development Fund, 21 new projects were approved in 2006, including two additional investments for projects that were previously approved. This brings the number of projects which had been granted funding through the NMF to a grand total of 159 by the year end (including individual projects that are financed through a number of programmes set up with NMF funding).

Both Investment Fund projects and NMF projects have, on average, had the anticipated environmental benefits. Of the projects analysed, 55 exceeded environmental expectations, 36 matched expectations and 23 fell short. In 13 cases, no conclusions can yet be drawn. NEFCO systematically assesses the environmental cost-effectiveness of its projects in relation to the cost of bringing about equivalent emission reductions in the Nordic region itself. On average, the cost of NEFCO's projects is approximately 12.5% of the cost in the Nordic region.

Project activities under the Barents Hot Spots Facility (BHSF) also took place during the year. In all, 18 projects were approved and these included four additional investments in projects that were previously approved. A total of 26 projects have been granted funding from the BHSF.

In 2006, NEFCO was asked, as a representative of the international financial institutions, to act as an observer and adviser on economy and financing to the ad hoc group set up by the Baltic Sea environment ministers to draft a concrete plan of action to save the Baltic Sea (HELCOM Baltic Sea Action Plan).

In addition to the above-mentioned funds, NEFCO is currently managing 13 other funds for various principals, mainly the Nordic countries.

INVESTMENT FUND

The Board of Directors approved eight new projects in 2006. It also approved nine "indications of interest", i.e. initial clearance for a project to undergo further consideration.

NEFCO closed seven projects during 2006. A participating interest was wound up through the sale of the shares in the Lithuanian associated company concerned, while six project loans in Russia and Estonia were repaid. By the end of 2006, NEFCO had closed 28 projects where the total exposure was EUR 33.8 million.

A further two projects were abandoned during the year on the basis that they were no longer deemed to have the potential to be realised as intended. This means that there were a total of 63 active board-approved projects at the end of the year, of which 45 have been agreed. In the other 18 cases negotiations or investigations are still ongoing. NEFCO's exposure to these 63 projects totals EUR 96.3 million, while the total investment in these projects is approximately EUR 780 million. Therefore, a larger proportion of NEFCO's resources have been utilised than the balance sheet would suggest.

For the 45 agreed projects, NEFCO's exposure amounts to EUR 56.7 million, while the total investment in these projects is approximately EUR 640 million.

In 18 of these projects, NEFCO has invested equity and in many cases it has also issued loans. In the other 27 projects, exposure exclusively consists of loans. The performance of the 45 agreed associated companies was, on average, satisfactory during 2006; 19 made a profit, 16 broke even, and seven generated a loss, while three have yet to come into operation.

The new investments are spread over a number of sectors. In Russia, investments comprised enhancing energy efficiency in district heating systems, the introduction of chemical phosphorus precipitation, and a project related to the forestry industry. In the Ukraine, investments comprised the supply and financing of equipment for the agricultural sector and for projects in furniture manufacture. The Baltic projects comprise biofuel production, water and wastewater treatment and environmental advisory services.

The indications of interest related to five projects in Russia, one in the Ukraine and three in the Baltic States.

NORDIC ENVIRONMENTAL DEVELOPMENT FUND

NEFCO manages the Nordic Environmental Development Fund (NMF) on behalf of the Nordic member states. The NMF is funded through annual contributions from the Nordic countries and the Nordic Council of Ministers. The current programme period expires in 2007 and the member states will then consider as to whether further contributions to the NMF will be made for 2008-2010. The total amount available through the NMF until the end of 2007 is approximately DKK 375 million.

The NMF is jointly managed by NEFCO and the Nordic Investment Bank (NIB), the latter taking part in the evaluation of projects. NEFCO's Board of Directors decides on the award of funding from the NMF. In turn, NEFCO is involved in considering cases under the NIB's Environmental Investment Loan facility (MIL).

Final approval was given to 21 new projects in 2006 (including two additional investments in projects that were previously approved). Of these, five were in three separate energy-saving programmes set up in Northwest Russia, eight within the Cleaner Production programme and four within the agricultural programme. Additional funding was awarded for a project to collect and deal with PCB from transformers and other sources and for a project to improve safety and security at a hazardous waste landfill site in the St. Petersburg region. The first investments under the loan facility for the agricultural sector - the Agri Environ-mental Credit Facility - were approved in Russia (Kaliningrad and the Leningrad region). To improve wastewater treatment in Kaliningrad, the Board of Directors approved a project in which NEFCO, in partnership with the EU, is funding a study to develop a programme of investment to cover several of the region's smaller cities. The loan facility for Cleaner Production in Russia, the Baltic States and the Ukraine had granted loans to 41 companies for a total of 49 projects by the end of 2006.

The total number of projects implemented, agreed and approved at the end of the year amounted to 159 (of which one was an indication of interest), including individual projects under different programmes. Out of the today available funding of DKK 350.6 million, a total of DKK 315.4 million had been committed at the end of 2006.

TESTING GROUND FACILITY

Since 2003, NEFCO has managed the Baltic Sea Region Testing Ground Facility (TGF) carbon fund. This was established in conjunction with the Baltic Sea region's testing ground for 'Joint Implementation' (JI), one of the mechanisms under the Kyoto Protocol. The aim of the fund is to purchase cost-effective emission reduction credits from energy-related projects and other projects. The total capital of the fund is EUR 35 million.

Investors in the TGF are the Nordic countries, Germany and - since 2006 - the following private investors; DONG Naturgas A/S (DK), Fortum Power and Heat Oy (FI), Gasum Oy (FI), Keravan Energia (FI), Kymppivoima Tuotanto Oy (FI), Outokumpu Oy (FI), Vapo Oy (FI), Vattenfall Europe Berlin (DE/SE) and Vattenfall Mining and Generation (DE/SE).

By the end of 2006, the TGF had entered into emission reduction purchase agreements (ERPAs) for two projects in Estonia and preliminary ERPAs for 10 projects in Estonia Lithuania, Russia and the Ukraine. A further 13 potentially active projects have been approved by the TGF's investment committee. By the end of the year, approximately 50% of the fund's capital had been allocated to various projects through ERPAs or preliminary ERPAs.

EVALUATION OF THE ENVIRONMENTAL IMPACT OF THE PROJECTS

In line with the procedure that has been gradually developed at NEFCO, each project is also evaluated on the basis of its environmental impact. Anticipated environmental benefits are analysed prior to a decision being reached to offer financing, and NEFCO then follows up on analysing the actual benefits when the project is completed. Of the projects analysed, 55 exceeded environmental expectations, 36 matched expectations, and 23 fell short, while in 13 cases no conclusions can yet be drawn. A summary of these evaluations is appended.

OTHER ACTIVITIES

NEFCO has managed the Barents Hot Spots Facility (BHSF) since 2004. Total resources of DKK 22 million have been made available to the fund by Finland, Iceland, Norway and Sweden and these have been initially earmarked for project development. The objective is to work with the Russian authorities and project owners to continue the high-priority environmental projects – 'hot spots' – identified in Northwest Russia, as presented in 2003 by NEFCO in conjunction with AMAP.

During the year, 18 projects were approved, including four additional investments in projects that were previously approved. In total, 26 different studies and project preparation initiatives were approved to receive allocations from the fund. Specific sector studies have been carried out relating to the potential for JI projects, the pulp and paper sector, the mining and minerals industry, as well as a special study on the energy situation in the Arkhangelsk region from a practical environmental perspective. The proposed measures cover a broad field including, for example, overall regional management of waste with mercury content, a number of feasibility studies for various municipal projects in Karelia and investigations into the possibilities of dealing with sunken vessels and oily waste in the Murmansk region. A web-based database covering all of the Barents Environmental Hot Spots is currently under preparation.

Since 2005, NEFCO also administers the Project Support Instrument (PSI), which is a project preparation fund. NEFCO was part of the group of experts that were appointed by the Arctic Council to both develop and establish the fund. PSI has been set up with the purpose of project development, preparation and demonstration for projects identified within the Arctic Council Action Plan (ACAP). Negotiations with potential donors are still ongoing.

NEFCO is also involved in the NPA Arctic programme, which aims at developing environmental projects that are relevant to the Arctic in Russia. NEFCO is a partner agency in the project where the main financiers are the Global Environment Facility (GEF) and Russia. Project activities commenced in 2006 with various preliminary studies.

NEFCO's involvement in the BHSF, ACAP and NPA Arctic schemes enables positive synergy effects and efficient utilisation of resources. This is because many of the identified environmental projects are a priority for all three programmes.

In addition, NEFCO takes part in the Baltic Sea collaboration in various ways, the most tangible of which is NEFCO's role in the development of a new Baltic Sea Action Plan, which is headed up by HELCOM. NEFCO's role is to consider the financial possibilities and limitations of the plan, with the focus relating to improving the feasibility of important environmental projects.

HUMAN RESOURCES AND MANAGEMENT

At the end of 2006, a total of 17 people worked directly for NEFCO, two of them being experts who are employed on a part-time basis. Furthermore, various advisors are brought in on a consulting basis.

Besides the Nordic Environmental Development Fund, Baltic Sea Region Testing Ground Facility, Barents Hot Spots Facility and Arctic Council Project Support Instrument, NEFCO also manages a number of other external funds. These are trust funds i.e. funds where capital is injected for a specific purpose by the donor, but where NEFCO is responsible for the use of this capital. For the co-financing of the Lepse nuclear safety project in Murmansk, the Norwegian and Dutch governments have provided capital that NEFCO has been asked to manage in connection with its own involvement in the project. Two grants are available for the analysis and preparation of projects - one from the Finnish Ministry of the Environment (jointly with NIB) and one from the Swedish Ministry of the Environment. Furthermore, NEFCO manages funds for EU PHARE and Nordic national contributions to the Sillamäe project in Estonia (the EU's share was implemented in 2006), as well as Swedish funding for the hazardous waste project in St. Petersburg. On behalf of the Swedish Energy Agency (STEM), NEFCO administers some of the subsidies STEM makes available for carbon projects. There is also Norwegian and Swedish funding for project preparation and follow-up in Russia and for a project in partnership with HELCOM to reduce emissions from agriculture in the Baltic States and Russia. NEFCO renders separate accounts for all of these external funds.

In total, these external funds (including the NMF and TGF) have been allotted approximately EUR 118.4 million by the various donors (excluding EUR 28.8 million for funds that have already been closed), of which approximately EUR 89.6 million remains available.

FINANCIAL RESULTS

The financial statements show a total of EUR 2,417,591.70 after exposure-specific write-downs of investment assets and credit losses totalling EUR 815,690.00.

It is proposed that EUR 150,000.00 of the profit for the financial year be transferred to the Operational Fund to ensure adequate resources for the development of operations and for project preparation. Furthermore, it is proposed that EUR 2,267, 591.70 be transferred to the reserve for investment and credit losses.

Helsinki, 8 March 2007

Harald Rensvik
Chairman

Ann-Britt Ylinen
Deputy Chairman

Lars-Erik Liljelund

Magnús Jóhannesson

Karsten Skov

Magnus Rystedt
Managing Director

Environmental Status Report 2006

NEFCO works in part with resources from the Investment Fund and in part with resources from the Nordic Environmental Development Fund. The Investment Fund, which is the largest resource base, is divided from an environmental viewpoint into the following sectors: water and wastewater treatment, energy, industry and waste. The environmental benefits of the credit scheme for Cleaner Production under the Nordic Environmental Development Fund are reported separately.

The general objective of NEFCO's operations is to contribute towards ensuring a reduction in pollution originating from Russia, the Ukraine, Belarus and the Baltic States – therefore, being involved in projects that lead to the reduced environmental impact on the Baltic Sea, the Barents Sea and the Arctic, or reductions in transboundary air pollution and projects with global environmental effects. Since projects with major benefits for the Nordic environment are given priority, the emphasis is on the effects of air and water pollution.

The first step of the process is to evaluate the anticipated environmental impact of each project to ensure that projects with direct and clear benefits for the environment are given priority. In principle, any action which can help to reduce the burden on the environment is eligible – for example, improved treatment capacity or more modern industrial processes. As a basis for NEFCO's evaluation, the relationship between the investment and its anticipated quantitative effects is also analysed. This is to identify the most cost-effective projects in environmental terms.

Typical projects include:

- The modernisation of industrial and energy facilities that will provide environmental benefits for the Nordic region and the surrounding seas.
- Projects in partnership with municipal and other authorities to deliver environmental services such as water treatment.
- Companies that manufacture environmental equipment (such as emission control equipment, measuring instruments and water treatment equipment) and equipment for increased energy efficiency; or companies that provide services in the environmental and energy fields and therefore contribute to creating a better basis for the implementation of environmental initiatives.

The environmental benefits resulting from implemented or closed projects are shown in figure 1 in terms of total emission reductions. To ensure comparability, the data is shown as reductions/savings per year.

NEFCO's environmental database also takes into account completed projects. The reason for also reporting emission reductions from projects which are now completed from NEFCO's perspective is that the facilities have proven to match - or even significantly exceed - the anticipated emission reductions at post-evaluation. The life of the facilities is considerably longer than the term of the loans and therefore their positive environmental impacts will essentially continue in a linear way for a long time to come. When reporting on implemented projects, anticipated quantifiable emission reductions have been used, which can be seen as relatively conservative estimates.

The results for 2006 have proved to be better than the results for 2005 across all of the indicators examined (figure 1). The marked improvement with regard to carbon dioxide (CO_2) emissions is due to the fact that a new project involving the manufacturing of insulation materials is included in the 2006 figures, with attendant indirect CO_2 reductions from the use of mineral wool for insulating buildings. The energy savings - which doubled - are as a result of a considerable reduction in fossil energy usage in the energy sector.

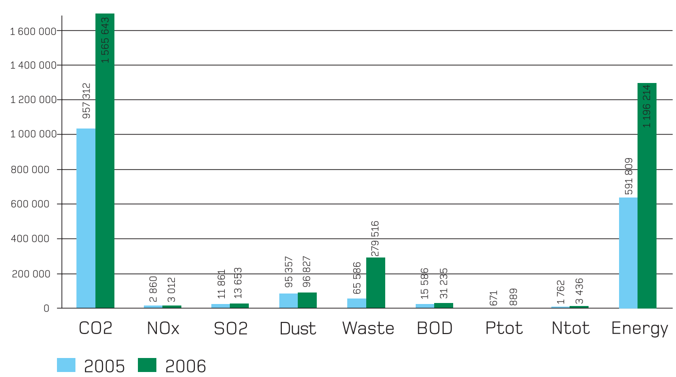
In addition to reductions in industry, the high reductions of CO_2 include those in the energy sector and Cleaner Production. Some of these reductions have arisen in the energy sector where wind energy production has come about through joint financing by NEFCO and TGF and external investors.

The noticeable reduction in biochemical oxygen demand (BOD), nitrogen (N) and phosphorus (P) results from the fact that new projects are now having an impact and ongoing projects in the water and industrial sectors have performed well.

The increase in the reduction in waste is due to larger amounts of waste being re-utilised or recycled, as opposed to being deposited in landfill sites.

The results for the water and wastewater management, energy, industry and waste sectors are reported separately in the following sections. The Nordic Environmental Development Fund and the Cleaner Production Facility are presented at the end of this environmental status report.

Figure 1: **Total reductions (t/a; MWh/a)**



WATER AND WASTEWATER MANAGEMENT

Most untreated municipal wastewater entering the Baltic Sea from the Baltic States comes from small and medium-sized municipalities. The water and wastewater sector in the Baltic States was a priority during the EU accession negotiations and has therefore been upgraded so that it can better meet EU environmental standards. This work remains ongoing in collaboration with, among others, small municipalities in Latvia and the Latvian Environmental Investment Fund (LEIF).

The benefits that have been prioritised are acceptable drinking water quality and higher connection rates, and the major priority is reduced BOD, phosphorus and nitrogen emissions to water - primarily the Baltic Sea.

Figure 2b shows that the results for 2006 are considerably better than those of 2005, with the exception of the smaller reduction in energy consumption. This is largely due to the fact that the large Southwest Wastewater Treatment Plant in St. Petersburg has now come into operation. A number of other water and wastewater treatment facilities have also been operating for some time and the treatment processes have been fine-tuned. Furthermore, more energy is now required to pump the larger volumes of wastewater resulting from higher connection rates and reduced leakage.

The results in figure 2a illustrate a new trend with regard to wastewater treatment. From it being previously possible to note a reduction in treated wastewater as a result of reduced leakage and charging for water consumption, the opposite trend was evident for 2006. Figure 2a displays a substantial increase in net production of wastewater totalling 54.5 million m3. Despite the fact that the trend towards the more economical use of resources has now been broken, the results should still be regarded as positive. This is because the aforementioned 54.5 million cubic metres of wastewater would otherwise have reached the Baltic Sea in untreated form and caused eutrophication.

The following should be taken into account with regard to treatment facilities other than the Southwest Wastewater Treatment Plant in St. Petersburg – out of a total of 24 wastewater treatment facilities, eleven increased their energy consumption, nine reduced their expected consumption, whilst the others operated at the expected level.

Furthermore, it should be noted that reductions in nitrogen emissions were much higher than those of 2005. In addition, there were considerable reductions in phosphorous emissions, BOD and suspended solids (SS), primarily as a result of the St. Petersburg Southwest Wastewater Treatment Plant having come into operation (figure 2b). Overall, the water sector performed very well in 2006.

Figure 2a: **Reductions in treated water (t/a)**

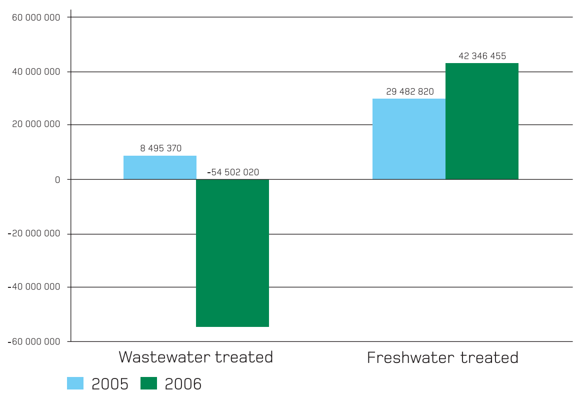
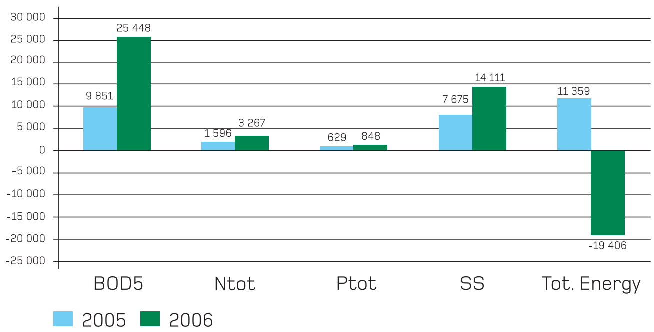


Figure 2b: **Emission reductions in the water sector (t/a)**



ENERGY

The combustion of fossil fuels results, among other things, in acidifying emissions, CO2 (which contributes to the green-house effect), emissions of hydrocarbons, dust and heavy metals. Appropriate technology and dimensioning can reduce emissions and substantially increase efficiency. More efficient energy production and conversion to less polluting fuels leads to reduced air emissions of sulphur dioxide (SO2), nitrogen oxides (NOx), CO2, heavy metals and dust from the combustion process.

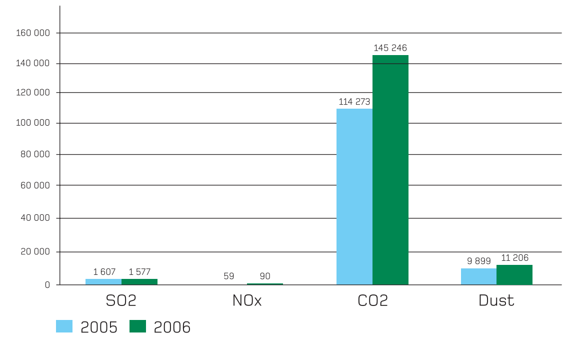
All of NEFCO's energy projects aim to improve energy efficiency and therefore provide positive effects to the environment. Typical goals of these projects include the general reduction in energy consumption, more efficient production and/or conversion to less polluting fuels.

Where quantitative targets have been set, reductions have been measured as shown in figure 3.

CO2 emissions in the energy sector were further reduced in 2006 – this was by a total of approximately

30,000 tonnes, as compared to 2005. This improvement was as a result of a transition from fossil fuels to wind energy and biofuels. This transition is also reflected in larger reductions of NOx. The dust reductions are primarily due to reduced consumption of oil shale facilitated by increased production of wind power. SO2 reductions were largely at the same level as those of 2005. The reduction in fossil fuels accounted for fully 281,000 MWh. This represents an improvement of a further 52,000 MWh over 2005.

Figure 3: **Emission reductions in the energy sector (t/a)**



INDUSTRY

Industrial activity impacts the environment in many different ways:

- The extraction of raw materials has a physical impact on nature.
- Emissions affect air, land and water.
- The production of goods, such as chemicals, can be environmentally hazardous.
- Landfill sites pollute groundwater through various leakages, and many end-products tend to burden landfill sites at the end of their lifecycle.
- Some industries cause odours and create noise.
- Industrial buildings and roads have an impact on the landscape and the habitats of both plants and animals.

NEFCO's industrial projects aim at improving resource efficiency and consequently thereby reduce emissions to the air, soil and water. Investments have both direct environmental benefits and indirect benefits. Indirect reductions can be achieved when NEFCO provides support to the manufacturers of products that help the environment, such as water cleaning agents and insulation. In these cases, the benefits may only be seen at consumer level.

2006 saw a considerably larger reduction in CO2 and SO2 than in 2005, as illustrated in figure 4a, while the reduction in NOx was slightly smaller. The reduction in CO2 emissions includes indirect reductions through the improved insulation of buildings. Each tonne of mineral wool produced is estimated to result in CO2 and SO2 reductions each year for each tonne of mineral wool that is deployed. Production volumes at the factories have increased and can therefore be assumed to result in further emission reductions in the longer term. The total reduction in energy consumption rose from 102,000 MWh per annum to 312,000 MWh per annum. This is due to the environmental data provided by industrial projects in Russia involving energy conversion from fossil fuels to biofuels. The reduction in wastewater shown in figure 4b was largely unchanged in 2006. The reduction in solid waste was noticeably larger than in 2005. This is because of improved waste treatment and re-utilisation and/or recycling in industrial production.

Figure 4a: **Emission reductions in the industrial sector (t/a; MWh/a)**

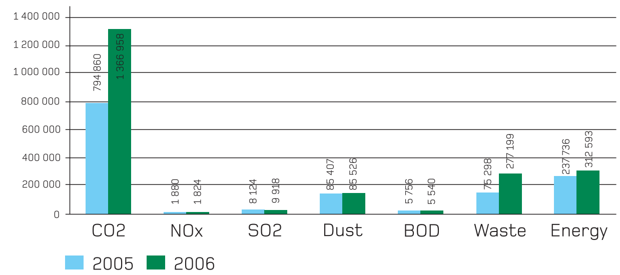
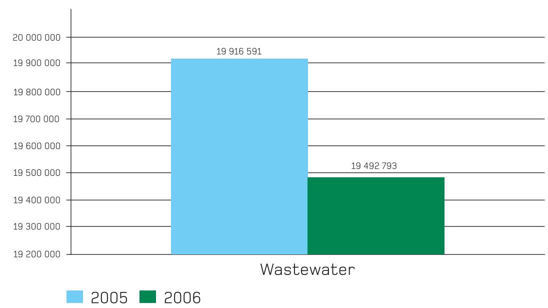


Figure 4b: **Reductions in wastewater in the industrial sector (t/a)**



WASTE

Waste proves to be an environmental problem in the following different ways:

- Toxins and other pollutants escape from landfill sites into air, soil and water.
- Waste incineration causes air pollution.
- Waste management involves extensive transportation.
- Non-recycled waste depletes natural resources.

The fundamental aim of NEFCO's participation in waste projects is to minimise the amount of waste and to deal with the ever increasing amount of waste in improved ways, e.g. through sorting, re-use and/or recycling. These projects cover both household and industrial waste, which can include paper, plastics, chemicals, heavy metals and more.

NEFCO's project in the waste sector was closed down in 2006.

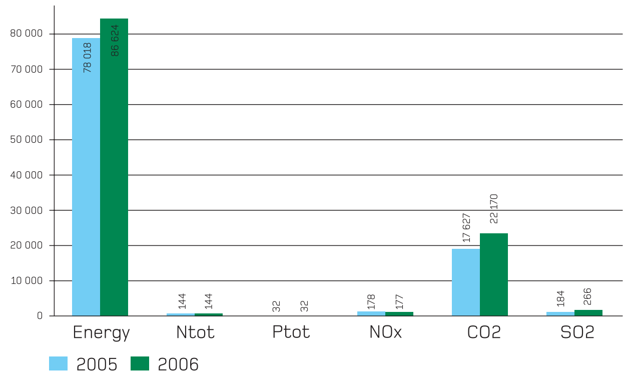
NORDIC ENVIRONMENTAL DEVELOPMENT FUND (NMF)

Grants from the Nordic Environmental Development Fund are made to support specific environmental projects in the neighbouring countries of the Nordic region. The aim is to achieve environmental benefits through enhancing the potential profitability of urgent environmental projects, facilitating financing with higher levels of risk exposure, bringing forward the implementation of projects or attracting additional environmental investments. This support is to complement bilateral initiatives and one element of NEFCO's participation has involved twinning activities or institutional development, primarily in connection with NEFCO's Latvian water and sewerage projects. This twinning also increases the likelihood of projects succeeding in the long term, e.g. through improved operation and maintenance.

Eight new projects commenced in 2006. In particular, these resulted in larger reductions in emissions in the air of CO2, and also the reduction of SO2 (figure 5). Furthermore, there were larger reductions in BOD from previously executed projects. Reductions in Ntot and Ptot were at about the same level as in 2005.

A total of 41 completed NMF projects can be presented for 2006 and when compared with 2005, there was a larger reduction in energy consumption.

Figure 5: **NMF emission reductions (t/a; MWh/a)**



CLEANER PRODUCTION FACILITY

Cleaner technology aims at reducing industrial pollution through improved resource and energy efficiency, process modifications and reduced wastage. The overriding objective of this financing scheme is to introduce a mindset that is compatible with sustainable development in industry and other forms of production. This is something that can be achieved by displaying a series of positive examples of win-win projects. The starting point for each project approved under the scheme is to bring about clear and measurable environmental benefits.

Investments in cleaner technology result in real reductions in emissions and/or waste. More environmentally friendly production and consumption will be achieved, for example by using less resource-intensive processes. Priority is given to projects that provide environmental benefits to the Nordic region, i.e. projects which will result in reduced emissions into the Baltic Sea or Barents Sea or in reduced transboundary and global air pollution. In particular, small and medium-sized private companies have helped to reduce emissions to air and water through making investments in cleaner production processes.

In regard to environmental benefits, the following charts show a selection of parameters where quantitative reductions have been reported (figures 6a-c). Further reductions have been experienced in, for example, volatile organic compounds (VOCs) and ozone depleting substances (ODSs). Some projects were unable to achieve the anticipated reductions, as reflected by the slightly smaller reduction in SO_2 emissions, water consumption and waste. CO_2 emission reductions have improved slightly. The increase in energy consumption and smaller reduction in SO_2 emissions is largely due to increased production by some companies.

Figure 6a: **Reductions in emissions to air under Cleaner Production (t/a; MWh/a)**

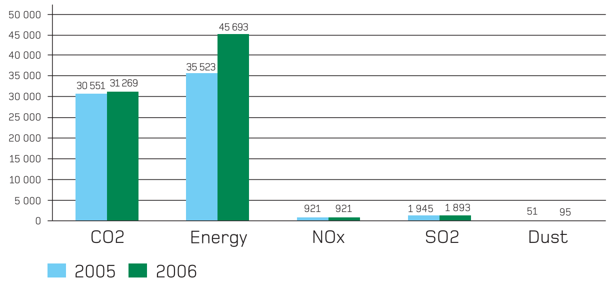


Figure 6b: **Reductions in emissions to water under Cleaner Production (t/a)**

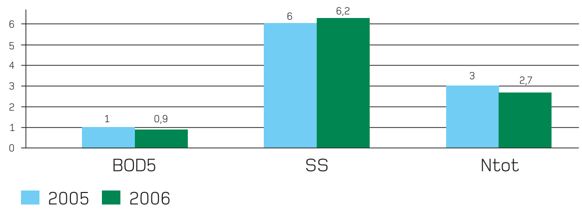
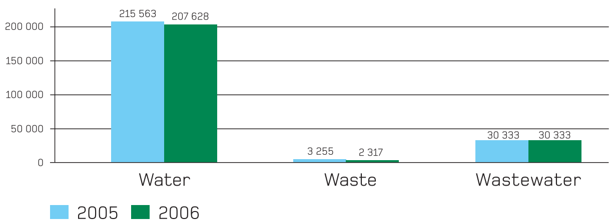
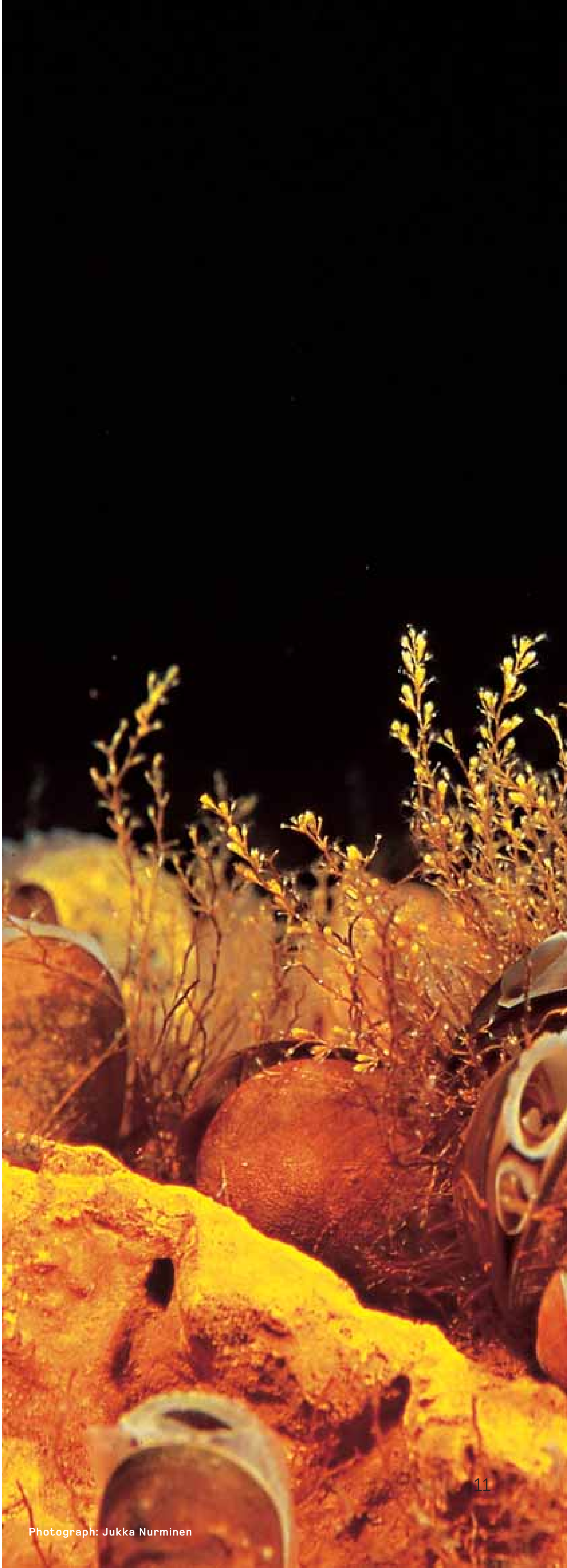


Figure 6c: **Reductions under Cleaner Production (t/a)**





Photograph: Jukka Nurminen

Income Statement

(Amounts in EUR)

	Note	01.01 – 31.12.06	01.01 – 31.12.05
Income			
Interest income, placements with credit institutions	(7)	2,381,997.45	1,919,566.48
Interest income, lending		1,807,003.30	1,389,052.37
Dividend income and capital gains		522,286.82	460,461.73
Other income		824,421.28	161,524.56
Total income		5,535,708.85	3,930,605.14
Operating expenses			
Bank charges		3,165.73	779.64
Administrative expenses	(5), (7)	2,297,481.90	1,590,685.76
Foreign exchange differences		1,779.52	169.16
Credit losses, lending		815,690.00	225,000.00
Total operating expenses		3,118,117.15	1,816,634.56
Result for the year		2,417,591.70	2,113,970.58

Balance Sheet

(Amounts in EUR)

	Note	31.12.2006	31.12.2005
Assets			
Cash and cash equivalents	(1)	3,555,438.98	1,080,895.11
Other long-term financial placements	(1), (7)	86,265,576.92	83,519,984.47
		89,821,015.90	84,600,879.58
Receivables, various		5,298,145.08	239,192.55
Accrued interest		1,822,633.47	1,166,510.51
Loans outstanding	(2)	22,344,071.47	25,551,196.02
Investment assets	(3)	10,084,967.77	10,444,474.30
Intangible assets		23,262.30	-
Tangible assets		10,300.00	-
Total assets		129,404,395.99	122,002,252.96
Liabilities and equity			
Liabilities			
Other liabilities	(7)	430,715.76	467,804.43
Funds allocated to project preparation fund		-	82,536.25
Equity	(4)		
Paid-in capital		108,384,920.00	103,363,280.00
Reserve for investment/credit losses		17,688,632.28	15,974,661.70
Operational Fund		482,536.25	-
Result for the year		2,417,591.70	2,113,970.58
Total equity		128,973,680.23	121,451,912.28
Total liabilities and equity		129,404,395.99	122,002,252.96
Guarantee commitments		1,279,039.42	1,269,430.05

Changes in Equity

(Amounts in EUR)

2005	Paid-in capital	Reserve for investment /credit losses	Appropriation to the Operational fund	Result for the year	Total
Equity at 31 December 2004	98,341,640	14,311,607		1,663,055	114,316,302
Appropriation to reserve for investment/credit losses		1,663,055		-1,663,055	0
Paid-in capital	5,021,640				5,021,640
Result for the year				2,113,971	2,113,971
Equity at 31 December 2005	103,363,280	15,974,662	-	2,113,971	121,451,912

2006	Paid-in capital	Reserve for investment /credit losses	Appropriation to the Operational fund	Result for the year	Total
Equity at 31 December 2005	103,363,280	15,974,662		2,113,971	121,451,912
Appropriation to reserve for investment/credit losses		1,713,971		-1,713,971	0
Appropriation to the Operational fund			482,536	-400,000	82,536
Paid-in capital	5,021,640				5,021,640
Result for the year				2,417,592	2,417,592
Equity at 31 December 2006	108,384,920	17,688,632	482,536	2,417,591	128,973,680

Proposed allocation of the year's result	**2006**	**2005**
Appropriation to reserve for investment/credit losses	2,267,592	1,713,971
Appropriation to the Operational fund	150,000	400,000
Result for the year	2,417,592	2,113,971

Cash Flow Statement

(Amounts in EUR 1,000)

	2006	2005
Cash flows from operating activities		
Result for the year	2,418	2,114
Write-downs and reversals of write-downs, investment assets	-199	-381
Credit losses, lending	816	225
Change in accrued interests	-656	-118
Operating activities, total	2,378	1,840
Cash flows from investing activities		
Change in investment assets	558	-5,425
Lending		
Disbursements	-5,648	-11,603
Repayments	8,040	2,115
Change in placements with a maturity of more than six months	-2,746	5,697
Change in other receivables and liabilities, net	-5,096	-56
Change in tangible and intangible assets	-34	-
Drawings on project preparation fund	-	-9
Investing activities, total	-4,926	-9,281
Cash flows from financing activities		
Paid-in capital	5,022	5,022
Change in cash and cash equivalents	2,475	-2,420
Breakdown of cash and cash equivalents		
Cash at bank and in hand	1,555	1,081
Placements with a maturity of less than six months	2,000	-
Total cash and cash equivalents	3,555	1,081

Notes to the Financial Statements

General operating principles

The operations of the Nordic Environment Finance Corporation (NEFCO), hereinafter called the Corporation or NEFCO, are governed by an agreement dated 6 November 1998 between the governments of Denmark, Finland, Iceland, Norway and Sweden, and related statutes, which replaced the previous agreement dated 2 March 1990 on the formation of the Corporation on 9 October 1999. This agreement strengthened the Corporation's status as a multilateral institution and its legal position.

NEFCO's role is to promote investments of Nordic environmental interest in Eastern Europe by helping to finance companies in these countries.

The corporation is an international legal person with full legal capacity and is exempt from payment restrictions and credit policy measures in the member countries. The 1998 agreement also contains immunity provisions and exempts the Corporation from all taxation. The Corporation operates from the Nordic Investment Bank's premises in Helsinki. The Corporation also manages trust funds on behalf of various clients.

Summary of significant accounting policies

Basis for preparing the financial statements

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). The Corporation's accounts are kept in EUR.

Judgements made when preparing the financial statements

The preparation of the financial statements requires management to make estimates which have an effect on the reported result, financial position and other information. These estimates are based on information available and the management's judgements. Actual outcomes may depart from the judgements made, and these departures may be significant.

Foreign currency translation

Monetary assets and liabilities in currencies other than EUR are translated at the exchange rates published by the European Central Bank (see Note 8). Realised and unrealised exchange gains/losses are reported separately under "Exchange differences" in the income statement. Non-monetary assets are translated at the exchange rate on the transaction date.

Cash and cash equivalents

Cash and cash equivalents comprise monetary assets and placements with an original maturity of up to six months.

Placements with credit institutions

NEFCO invests its short-term liquidity, primarily in EUR, with credit institutions. These placements have primarily been with the Nordic Investment Bank at the applicable market interest rates.

Placements with credit institutions are recognised at cost (normally nominal value) on the transfer of monies. These placements are also carried at cost in the annual financial statements. Accrued interest on these placements is recognised as "Accrued interest" in the balance sheet. Due to the short maturities of these placements, the difference between their fair value and book value including accrued interest is not significant.

Placements with a maturity of more than six months are classified as investing activities in the cash flow statement and recognised as "Other long-term financial placements" in the balance sheet.

Lending

The Corporation's loans have a term of between one and 12 years. All loans are denominated in EUR with the exception of one denominated in NOK. Of a total of 34 loans, 11 attract fixed rates of interest and the remainder variable rates, i.e. the three- or six-month EURIBOR or euro LIBOR plus margin. The variable-rate loans are in most cases repayable in equal six-monthly instalments, with the exception of a few where the size of the repayments is scaled down in the final years. Two of the fixed-rate loans are annuity loans.

Loans to public-sector borrowers are issued primarily against municipal guarantees, while loans to private-sector borrowers are generally secured by charges on the company's assets.

Loans are recognised on the transfer of monies to the borrower. Loans are recognised initially at cost including any transaction cost. Receivables arising in the normal course of operation are recognised at cost less any deductions for credit losses.

In the absence of a relevant market interest rate reflecting the loan terms, it has not been possible to calculate fair value reliably for disclosure in the notes. However, NEFCO is of the opinion that fair value does not exceed book value.

Credit losses

The treatment of credit losses is based on individual testing of outstanding loans. Credit losses are recognised on a separate line of the income statement.

Intangible assets

Intangible assets are primarily investments in software and licenses for the development of a Project Management System. The investments are carried at historical cost, and are amortised over the assessed useful life of the assets, which is estimated to be between 3 and 5 years. The amortisations are made on a straight-line basis.

Tangible assets

The assets are recognised at historical cost, less any accumulated depreciation based on their assessed useful life. The depreciation period for tangible assets is determined by assessing the individual item. The depreciation period is usually 3 to 5 years.

Write-downs

NEFCO's assets are reviewed annually for impairment. If there is any objective evidence of impairment, the impairment loss is determined based on the recoverable amount of the assets.

Investment assets

NEFCO's investments in associated companies are recognised in the balance sheet using the cost method. Any write-downs made are deducted from cost.

Other investment assets are carried at fair value, which is estimated to be cost less write-downs based on individual assessment for impairment.

NEFCO regularly assesses its investment assets using its own valuation model. Where an investment asset is carried at a value that exceeds the outcome of such an assessment, the asset is written down to the estimated value. Write-downs of investment assets are reported separately in the income statement.

Equity

Paid-in capital totalled EUR 108.4 million on 31 December 2006.

The Corporation has also built up a general reserve in equity to cover the risk of losses on outstanding loans and investment assets. This reserve is used to cover large investment or credit losses arising in the course of the Corporation's operations.

NEFCO's equity includes provision for an Operational Fund to secure resources for the Corporation's development and for preparation of projects.

Administrative expenses

The Corporation receives a host country reimbursement from the Finnish government equal to the tax withheld from salaries of its employees. The host country reimbursement in 2006 was EUR 350,231 (2005: EUR 343,660). This payment is reported as a deduction from administrative expenses.

Retirement benefit obligations

Under the host country agreement between the Corporation and the Finnish government, the Corporation is responsible for providing full pension protection for its employees. NEFCO uses the Finnish government employee pension scheme for its employees. Pension contributions, which are paid into the Finnish State Pension Fund, are set as a percentage of total remuneration. The Cabinet determines the basis for these contributions, and the treasury sets the actual size of the contributions.

The Corporation makes pension contributions to the State Pension Fund annually, and the Corporation's pension obligations were fully covered at the end of 2006. The standard retirement age in the Finnish pension system is currently 65 years.

NEFCO has also introduced a supplementary pension scheme for its permanent employees. This scheme enables employees to retire at the age of 63. This is a group pension insurance scheme based on a defined-contribution plan.

Over and above the compulsory social insurance system, NEFCO has also taken out extended accident cover, life cover, health cover and travel cover for its employees.

International Financial Reporting Standards adopted in 2006 and to be adopted in 2007

New standards and interpretations 2006

NEFCO has analysed the new IFRSs, amendments and interpretations. The Corporation has concluded that they will not entail changes to NEFCO's accounting policies.
The adjustment to IAS39 Financial Guarantee Contracts has been implemented.

The Corporation has analysed the relevance of the new standards and their amendments and interpretations and has determined that they will not result in any changes to either the Corporation's accounting policies or have any significant effect on the Corporation's financial statements for 2006.

- IAS 39 (Amendment) – The Fair Value Option. Not relevant for NEFCO.
- IAS 21 (Amendment) – The Effects of Changes in Foreign Exchange Rates. Not relevant for NEFCO.
- IFRIC 4 – Determining whether an Arrangement Contains a Lease. No such lease arrangements existed in 2006.

New standards and interpretations 2007

The effect and relevance of IFRS 7, IAS 1, IFRIC 10 and IFRS 8 for NEFCO's accounting policies will be assessed during 2007.

- IFRS 7 – Financial Instruments: Disclosures
- IAS 1 (Amendment) – Presentation of Financial Statements: Capital Disclosures
- IFRIC 10 – Interim Financial Reporting and Impairment
- IFRS 8 – Operating Segments

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

(1) Placements with credit institutions

The remaining maturity of placements, counted from the balance sheet date to maturity, is as follows:

(Amounts in EUR 1,000)

Maturity	2006	2005
0-3 months	19,681	17,344
3 – 6 months	29,113	25,823
6 – 12 months	38,522	39,430
Total placements with credit institutions	87,316	82,597

(2) Lending

The following tables show net lending after deductions for credit losses totalling EUR 2,402,294.

Lending by country:

(Amounts in EUR 1,000)

Country	2006	2005
Estonia	1,790	3,568
Latvia	7,141	6,474
Lithuania	1,017	1,312
Poland	2,513	2,697
Russia	8,091	10,718
Slovakia	118	782
Ukraine	1,674	-
Total outstanding	22,344	25,551

Lending by currency:

(Amounts in EUR 1,000)

Currency	2006	2005
EUR	22,297	25,527
NOK	47	25
Total outstanding	22,344	25,551

Loans agreed but not yet disbursed totalled EUR 3.43 million on 31 December 2006 (2005: EUR 7.02 million).

The maturity profile of lending on 31 December was as follows:

(Amounts in EUR 1,000)

Maturity	2006	2005
0 - 3 months	379	1,205
3 - 6 months	1,051	711
6 - 12 months	1,550	1,829
1 - 2 years	3,420	3,661
2 - 3 years	4,244	3,657
3 - 4 years	4,765	4,316
4 - 5 years	2,874	3,796
5 - 10 years	3,691	5,128
10 - 15 years	369	1,248
Total outstanding	22,344	25,551

(3) Investment assets

The Corporation's portfolio comprised the following holdings on 31 December 2006:

(Amounts in EUR 1,000)

Holding		Nominal value	Book value in EUR	% of total capital
ESTONIA				
AS Saare Bior	EEK	1,175	85.6	49.1
AS Eesti Veejou	EEK	245	16.6	38.9
AS Eesti Veevärk	EEK	200	34.1	11.2
Pakri Tuulepark	NOK	24,510	2,995	30.0
Viru Nigula	NOK	19,025	2,368	30.0
LITHUANIA				
Balticum Hydroenergi AS	NOK	1,426	444.3	13.0
UAB Paroc	LTL	9,240	2,262.5	14.6
POLAND				
Foster Wheeler Energy Fakop Ltd.	PLN	3,472	1,203.2	21.3
Grape Sp. z o.o.	PLN	60	23.2	8.7
Rindipol	PLN	5,040	1,245	35.0
RUSSIA				
Rodnik Ltd.	RUB	499	245.1	30.0
LLC Nordvod	RUB	6,450	207.1	18.0
LLC Ecovod	RUB	880	26.3	22.0
LTM	EUR	150	150.2	1.7
SLOVAKIA				
Slovgeoterm a.s.	SKK	4,580	16.7	20.4
UKRAINE				
AgroUkraine A/S	DKK	150	20.2	24.9
Cost			11,342.9	
Accumulated write-downs			-1,257.9	
Total investment assets			10,085.0	

The value of investment assets was as follows on 31 December 2005:

(Amounts in EUR 1,000)	
Cost	11,901.1
Accumulated write-downs	-1,456.6
Total investment assets	10,444.5

(4) Equity

NEFCO's authorised capital amounted to EUR 113,406,560 on 31 December 2006, of which a total of EUR 108,384,920 was paid in. The breakdown of the paid-in capital is as follows:

(Amounts in EUR)		%
Denmark	21,561,320	19.9
Finland	21,032,500	19.4
Iceland	1,246,300	1.1
Norway	22,753,000	21.0
Sweden	41,791,800	38.6
Total paid-in capital	108,384,920	100.0

The member countries share of paid-in capital was as follows on 31 December:

	31.12.2005	%	Paid-in in 2006	31.12.2006	%
Denmark	21,561,320	20.9	-	21,561,320	19.9
Finland	19,800,400	19.2	1,232,100	21,032,500	19.4
Iceland	1,173,040	1.1	73,260	1,246,300	1.1
Norway	21,314,440	20.6	1,438,560	22,753,000	21.0
Sweden	39,514,080	38.2	2,277,720	41,791,800	38.6
Total	103,363,280	100.0	5,021,640	108,384,920	100.0

(5) Administrative expenses

(Amounts in EUR 1,000)

	2006	2005
Staff costs	1,153	1,057
Pension premiums in accordance with the Finnish state pension system	207	207
Other pension premiums	68	57
Operating premises expenses	88	89
Other administrative expenses	1,160	867
Miscellaneous expenses, TGF [1]	350	n.a.
Remuneration to NIB, NDF	16	43
Absorption of costs, NMF	-392	-384
Miscellaneous administrative income	-2	-2
Total	2,647	1,934
Host country reimbursement according to agreement with Finnish government	-350	-344
Net	2,297	1,591

[1] As of 2006 inclusive, Miscellaneous expenses, TGF have been separated from other administrative expenses. These expenses comprise external costs. Income for administration of TGF amounting to EUR 670 thousand is included in the income statement.

NEFCO rents office premises from NIB.

(6) Compensation for the Board of Directors, the Control Committee and the Managing Director

The compensation for the Board of Directors and the Control Committee is determined by the Nordic Council of Ministers. The compensation for the Corporation's Managing Director is determined by the Board of Directors, and is a fixed amount per year.

The Managing Director may take out loans from the Nordic Investment Bank on interest terms which are the same for all employees of the Corporation and which follow the base rate set by the Finnish finance ministry.

The Managing Director's pension benefits are based on the terms of the Finnish state pension with various supplements.

The compensation for the Board of Directors, Control Committee and Managing Director was as follows:

(Amounts in EUR)	2006 Compensation/ Taxable income	2005 Compensation/ Taxable income
Board of Directors		
Chairman	3,364	3,364
Other Directors and Alternates	17,498	17,498
Managing Director (incl. pension contributions)	263,902	217,401
Control Committee	2,993	3,340

(7) Related party disclosures

NEFCO receives services from and enters into transactions with NIB. The table below shows the outstanding balance of NEFCO's receivables and debt to NIB and the amount of interest paid during the year. Interest received is equal to normal commercial rates.

(Amounts in EUR)

	Interest received	Amounts owed by NEFCO to NIB	Amounts owed to NEFCO by NIB
2006	2,356,044	169,543	87,316,470
2005	1,906,880	143,435	82,597,379

Rent paid to NIB	NIB
2006	88,116
2005	88,116

Photograph: Jukka Nurminen

(8) Exchange rates

The following exchange rates were used to translate monetary assets and liabilities in foreign currency on 31 December:

		EUR rate on 31.12.2006	EUR rate on 31.12.2005
DKK	Danish krone	7.45600	7.46050
NOK	Norwegian krone	8.23800	7.98500
SEK	Swedish krona	9.04040	9.38850
CZK	Czech koruna	27.48500	29.00000
EEK	Estonian kroon	15.64660	15.64660
LVL	Latvian lat	0.69720	0.69620
RUB	Russian rouble	34.68000	33.92000
PLN	Polish zloty	3.83100	3.86000
SKK	Slovakian koruna	34.43500	37.88000
LTL	Lithuanian litas	3.45280	3.45280
USD	US dollar	1.31700	1.179700

Auditors' Reports

To the Control Committee of the Nordic Environment Finance Corporation

In our capacity as auditors appointed by the Control Committee of the Nordic Environment Finance Corporation, we have audited the financial statements, the accounting records and the administration of the Corporation for the year 2006. The Board of Directors and the Managing Director are responsible for the accounting documents as well as the administration of the Corporation. Our responsibility is to express an opinion on the financial statements and the administration of the Corporation on the basis of our audit.

Our audit was conducted in accordance with International Standards on Auditing as issued by the International Federation of Accountants. Those standards require that we plan and perform the audit in order to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates as well as evaluation of the overall financial statement presentation. Our audit also included a review of whether the Board of Directors' and the Managing Director's administration have complied with the Statutes of the Corporation. We believe that our audit provides a reasonable basis for our opinions below.

In our opinion the financial statements give a true and fair view of the financial position of the Nordic Environment Finance Corporation on 31 December 2006 and of the results of its operations and its cash flows in 2006 in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board. It is also our opinion that the administration of the Corporation by the Board of Directors and the Managing Director has complied with the Statutes of the Corporation.

Helsinki, 8 March 2007

Per-Olof Johansson
Authorised Public Accountant
Ernst & Young, Helsinki

Erik Mamelund
State Authorised Public Accountant
Ernst & Young, Oslo

To the Nordic Council of Ministers

Statement by the Control Committee of the Nordic Environment Finance Corporation on the audit of the administration and accounts of the Corporation

In accordance with Section 9 of the Statutes of the Nordic Environment Finance Corporation, we have been appointed to ensure that the operations of the Corporation conform with the Statutes and to be responsible for the auditing of the Corporation's accounts. After having completed our assignment for the year 2006, we hereby submit the following report.

The Control Committee met during the financial year as well as after the Corporation's financial statements had been prepared, whereupon the necessary control and examination measures were performed. The Corporation's Annual Report was examined at a meeting in Helsinki on 8 March 2007, at which time we also received the Auditor's Report submitted on 8 March 2007 by the authorised public accountants appointed by the Control Committee.

Following our audit, we note that:

- the Corporation's operations during the financial year have been conducted in accordance with the Statutes, and that
- the financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2006 and of its results and financing in 2006. The financial statement show a result of EUR 2,417,591.70.

We recommend to the Nordic Council of Ministers that:

- the result for the financial year be treated as proposed by the Board of Directors,
- the income statement and balance sheet be adopted, and
- the Board of Directors and Managing Director be discharged from liability for the administration of the Corporation's operations during the accounting period examined by us.

Helsinki, 8 March 2007

Bill Fransson

Arja Alho   Trond Helleland   Per Kaalund

Johan Linander   Steingrímur J. Sigfússon

Control Committee

CHAIRMAN
Bill Fransson, Director

DENMARK
Per Kaalund, Member of Parliament

FINLAND
Arja Alho, Member of Parliament

ICELAND
Steingrímur J. Sigfússon, Member of Parliament

NORWAY
Trond Helleland, Member of Parliament

SWEDEN
Tuve Skånberg, Member of Parliament, until 31.05.2006
Johan Linander, Member of Parliament, from 01.06.2006

AUDITORS
Per-Olof Johansson, Authorised Public Accountant, Ernst & Young, Helsinki
Erik Mamelund, State Authorised Public Accountant, Ernst & Young, Oslo

SECRETARY TO THE CONTROL COMMITTEE
Marja Tikka, Authorised Public Accountant, Ernst & Young, Helsinki

Board Of Directors

DENMARK
Karsten Skov, Director, Environmental Protection Agency/Ministry of the Environment
Per Nylykke, Head of Department, Environmental Protection Agency/Ministry of the Environment, Alternate

FINLAND
Ann-Britt Ylinen, Director, Ministry of the Environment, Deputy Chairman of the Board
Kristiina Isokallio, Director, Ministry of the Environment, Alternate

ICELAND
Magnús Jóhannesson, Secretary General, Ministry of the Environment
Danfríður Skarphéðinsdóttir, Senior Adviser, Ministry of the Environment, Alternate

NORWAY
Harald Rensvik, Secretary General, Ministry of the Environment, Chairman of the Board
Inger Johanne Wiese, Senior Adviser, Ministry of the Environment, Alternate

SWEDEN
Lars-Erik Liljelund, Director-General, Swedish Environmental Protection Agency
Birger Karlsson, Deputy Director, Ministry for Foreign Affairs, Alternate

OBSERVERS
Nikolaj Bock, Adviser / Mats Ekenger, Adviser, Nordic Council of Ministers
Jacob Klingemann, Senior Regional Manager, Nordic Investment Bank

Personnel

Magnus Rystedt, Managing Director

Husamuddin Ahmadzai, Special Adviser, Environment and Technology
Fridrik Andersen, Manager, Project Administration
Tita Anttila, Senior Legal Counsel
Ulf Bojö, Senior Investment Manager
Anders Holmén, Investment Manager, until 14.05.2007
Raili Kajaste, Senior Adviser, Energy and Environment
Karl-Johan Lehtinen, Senior Manager, Environmental Affairs
Maria Maliniemi, Investment Manager
Solveig Nordström, Vice President
Elisabet Paulig-Tönnes, Senior Manager, Project Administration
Jannica Pitkänen-Brunnsberg, Assistant
Tua Skand, Assistant
Marina Valkonen, Secretary to the Managing Director
Torben Vindeløv, Senior Investment Manager
Maria Vodomirova, Assistant

Henrik Forsström, Senior Adviser - Barents Hot Spots Facility
Ash Sharma, Programme Manager - TGF Carbon Fund
Janika Blom, Legal Counsel - TGF Carbon Fund

NEFCO

Nordic Environment Finance Corporation

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Photograph: Jukka Nurminen