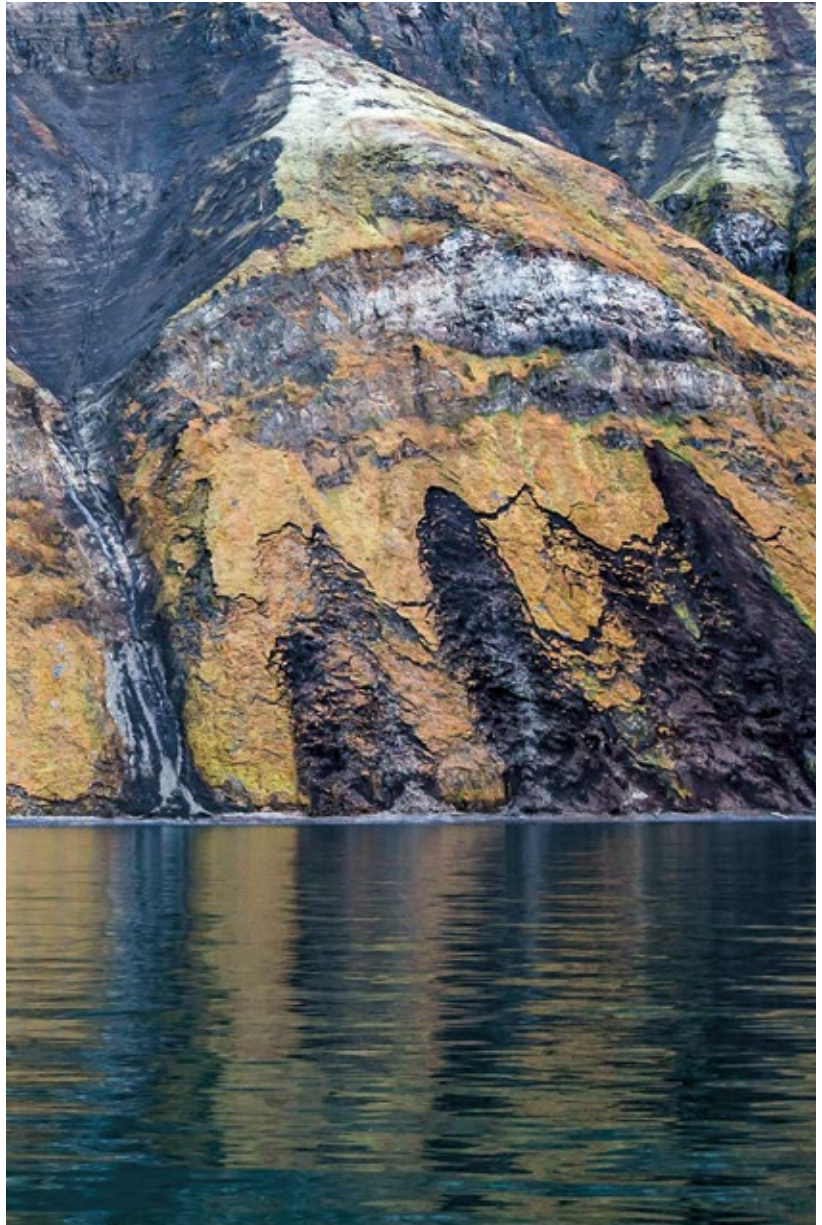




NEFCO 2016

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Highlights of the year 2016

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Representatives from all five Nordic countries signing the new NEFCO agreement in Helsinki, December 2016.

JANUARY

NEFCO becomes a shareholder in GreenStream Network Ltd to support the company's investments in energy-efficiency projects in China.

FEBRUARY

NEFCO and the Danish-Ukrainian company LLC DFU Agro sign a loan agreement to finance the upgrading of the company's production facilities and improvement of the manure treatment at the farm in Korosten.

–
NEFCO signs eight new grant agreements aimed at financing energy-efficiency measures in the cities of Berdychiv, Cherkasy, Chernivtsi, Kolomyia, Komsomol'sk, Kramatorsk, Pavlohrad and Sumy in Ukraine.

MARCH

The DemoUkrainaDH funding programme has selected new project partners in the Ukrainian cities of Dniprodzerzhynsk and Pavlohrad and approved a second project in Poltava for further preparation.

–
NEFCO's financial accounts for 2015 show that 165 new projects were approved by the corporation during the period.

APRIL

NEFCO celebrates its 25th anniversary with a seminar on green growth in Oslo, with keynote speakers and representatives from cleantech organisations, private enterprises and the public sector from all the Nordic countries.

NEFCO and the city of Chuhuiv sign a grant agreement aimed at investing in energy-efficiency measures in a school and a day-care centre.

MAY

NEFCO and the city of Ivano-Frankivsk in Western Ukraine sign a loan agreement aimed at financing energy-efficiency measures in 51 municipally owned public buildings, such as schools, day-care centres and medical clinics.

–
The Nordic Project Fund approves financing for 18 new projects to support the internationalisation of Nordic small and medium-sized enterprises. In total, 36 projects are approved during the two first quarters of the year.

JUNE

The wastewater treatment plant in Jõelähtme, north-east of the Estonian capital Tallinn, is inaugurated by the public utility company AS Viimsi Vesi. The plant was upgraded partly with financial backing from the Baltic Sea Action Plan Fund.

–
NEFCO and the Belarusian company FLLC BelDan sign a loan agreement to develop sustainable procedures and systems for the management of pig manure and slurry at the company's farms in Tolochin and Slonim in western Belarus.



PHOTO: PATRIK RASTENBERG



PHOTO: SHUTTERSTOCK/MIKHAIL POGOSOV



PHOTO: MARIA MALINIEMI

↑
The school children performing at the inauguration of the new school building in Antonivka, Kherson.

↑
NEFCO signed a framework agreement with Armenia in November 2016.

JULY

NEFCO and the city of Chernivtsi, south-western Ukraine, sign a loan agreement aimed at financing energy-efficiency measures in 33 public buildings in Chernivtsi.

AUGUST

The Board of the EU's Neighbourhood Investment Facility (NIF) recognises NEFCO as an eligible financial institution, which means that NEFCO can serve as an implementing agency of projects funded by the NIF.

SEPTEMBER

NEFCO hosts a seminar on municipal energy-efficiency investments on 21 September in Kiev.

–
The NEFCO-financed, newly built green school in the suburb of Antonivka in Kherson, Ukraine, is inaugurated by the Finnish Minister for Trade and Development, Kai Mykkänen.

–
NEFCO and the Belarusian JSC Belagroprombank sign a Memorandum of Understanding aimed at strengthening the co-operation between the two financial institutions and enhancing the implementation of a range of environmental projects in Belarus.

OCTOBER

The Baltic Marine Environment Protection Commission's Pressure Group calls for NEFCO to co-ordinate the clean-up of a toxic waste disposal site in Krasnyi Bor, Russia.

NOVEMBER

NEFCO and the Armenian Government sign a framework agreement acknowledging NEFCO's status as an international financial institution in Armenia.

–
The Nordic Ministers for the Environment have launched a new co-operation programme aimed at improving the state of the environment and addressing climate change in Northwest Russia administered by NEFCO.

DECEMBER

A new agreement on NEFCO's mandate was signed in Helsinki on 14 December by representatives from all five Nordic countries. The signing event was hosted by Kimmo Tiilikainen, Finnish Minister of Agriculture and the Environment.

–
NEFCO signs loan agreements with ten Ukrainian municipalities in order to promote investments in energy-efficiency measures in the cities of Chernihiv, Fastiv, Irpin, Khmelnytsky, Kremenchuk, Kuznetsovsk, Lubny, Lutsk, Odessa and Rivne.

01

NEFCO in brief

The Nordic Environment Finance Corporation (NEFCO) is an international financial institution established in 1990 by the five Nordic countries: Denmark, Finland, Iceland, Norway, and Sweden.

NEFCO's green financing is targeted at small and medium-sized projects (SMPs) with demonstration value. Many of the SMPs financed by NEFCO are characterised by a pioneering spirit and aimed at testing Nordic solutions with up-scaling possibilities. Based on experiences from the field, NEFCO has participated in the development of innovative financing instruments designed to improve the environment and combat climate change. NEFCO typically works in close partnerships with private and public investors. In relation to its financing of public investments, NEFCO, through the application of a flexible hands-on approach, has developed an ability to assist borrowers efficiently in the identification, development, implementation and administration of environmental projects and to make them attractive also to other financiers, including other government-financed financiers/facilities as well as larger International Financial Institutions, such as EBRD.

All projects to be financed by NEFCO need to demonstrate that they will benefit the environment in a cost-effective way. To ensure that these benefits will in fact materialise, financing is released in tranches against monitored milestone results, and environmental outcomes are monitored annually for as long as NEFCO is involved. This approach effectively mitigates the risk of corruption and increases the requirements for borrowers' capacity building, transparency and accountability. It also ensures improved predictability and sustainability of the projects.

The current main priorities for NEFCO are:

- To continue its successful activities targeting the reduction of pollutants affecting the Baltic Sea and the Arctic and Barents regions, and
- To enhance its existing activities and initiate new interventions related to the promotion of green growth and to further prevent climate change with a focus on interventions related to renewable energy, energy efficiency and the reduction of short-lived climate pollutants, having a positive effect on adaptation and mitigation, including the carbon markets.

Within these environmental priorities, focus is put on demonstration projects with potential catalytic, capacity-building or up-scaling effects. To achieve this, NEFCO will continue to work closely with its owners, the Nordic countries and in partnership with relevant Nordic business sectors, as well as other international financial institutions, the EU and other stakeholders relevant to the Nordic governments.

NEFCO'S MANAGING DIRECTOR

Interview with Magnus Rystedt



PHOTO: PATRIK MASTENBERGER

How would you sum up NEFCO's activities in 2016?

With regard to the project and investment activity, we yet again reached a record level in terms of number of projects and volume and succeeded in approving 144 new projects to a total value of EUR 131.3 million. NEFCO approved a large number of projects related to energy efficiency and we also started our first activities in Georgia. In July, NEFCO was recognised as an eligible financial institution by the EU's Neighbourhood Investment Facility, which will allow us to serve as an implementing agency for the facility. In November, we signed a framework agreement with the Armenian government. Once the agreement is ratified we will be able to roll out municipal projects in Armenia. The most important event for NEFCO during the year was the signing of an amendment to the NEFCO agreement in December, facilitating our new mandate.

Managing Director
Magnus Rystedt has worked
with Eastern Europe since
the start of his working life.

How will NEFCO's new mandate be reflected in the Corporation's activities?

The change will allow NEFCO to make investments from its own capital outside its main project countries, i.e. Eastern Europe. The environmental priorities of the Nordic governments have changed since NEFCO was established in 1990 and the amendment to the NEFCO agreement, which enters into force on 15 June 2017, will allow us to work with the global environment challenges identified and prioritised by the Nordic governments. We also see synergies with our trust fund activity that already includes projects outside Eastern Europe. In the long term, the change will enable NEFCO to increase its usefulness and relevance to its owners.

How do Nordic companies benefit from NEFCO's operations?

Nordic companies benefit from our financing activities in many ways: directly, in that we can invest in them and their activities, and indirectly, in that we finance public projects in which Nordic companies usually participate in tenders by supplying equipment. The Nordic Project Fund (Nopef) also provides funding for feasibility studies for Nordic SMEs linked to their internationalisation.

How does NEFCO contribute to Green growth both within and outside the Nordic region?

If you look at our two most significant areas of operation: public energy efficiency projects and internationalisation of Nordic companies, both generate a positive eco-

nomical return to the municipalities and the companies involved, enabling them to grow and to continue to invest. Our annual surveys of the effects of the support provided by Nopef show that the medium-term effects of internationalisation generate almost 500 jobs annually, of which 15% are in the Nordic countries. In other words, the internationalisation of green growth companies is currently benefiting both the Nordic countries and the countries in which the companies choose to invest.

What will be the main focus of NEFCO's operations in 2017?

The main task during the coming year, in addition to our normal project and investment work, will be to implement the new mandate. We are currently preparing an action plan on how we will address the new mandate and aim to start financing investment projects outside Eastern Europe this year.



The new NEFCO agreement will allow us to work with the global environment challenges identified and prioritised by the Nordic governments."

FOCUS AREA

The Arctic and Barents Region

NEFCO's environmental work in the Arctic

Region continued to make progress in 2016 through the Arctic Council Project Support Instrument (PSI), which provides financing for pollution prevention, hazardous waste management, climate change mitigation, cleaner production, energy efficiency, and decreasing and eliminating the release of hazardous substances, such as mercury, into the environment. Since the PSI became operational in July 2014, financial assistance from the Instrument to Arctic Council projects has resulted in the completion of eight projects addressing short-lived climate pollutants (SLCP), including a minor intervention on elimination of the use of mercury lamps.

The completed projects that benefited from PSI financing addressed primarily mitigation of black carbon by installing photovoltaic modules and ancillary equipment in the Republic of Karelia in a number of small off-grid communities: Justozero, Kimovaara, Lindozero, Voinitsa and Vozhmozero. In the village of Lovozero in the Murmansk Region, a hybrid wind-diesel generator and ancillary equipment were installed, and mercury lamps were replaced with LED lights to provide off-grid clean energy and reduce emissions of black carbon. Two feasibility studies, *Energy supply conversion from diesel in Dolgoshcheliye and Mapping substituting solutions for diesel power plants in Arctic and North-West Russia*, have also been completed.

At a Senior Arctic Officials meeting, held in October 2016, continued financing by the PSI at least until July 2019 was confirmed. At the same time it was noted that PSI funding is available to projects proposed by all of the Arctic Council's working groups, once they are approved by the Arctic Council. Since 2014 the PSI's governing body, the PSI Committee, has approved or expressed interest in 76 environmental Arctic Council project proposals.

NEFCO's environmental work in the Barents Region is closely interlinked with the Arctic cooperation and focused at exploiting synergies and avoid overlaps. Many Barents Hot Spot Facility- (BHSF) funded studies aim to develop projects for further PSI funding. For instance, consultants funded by BHSF have been working on a study on diesel power stations in the Dolgoshcheliye and Leshukonskoye communities in Archangelsk Oblast with the aim of producing a project for PSI funding in 2017. Similarly, studies funded by BHSF on a solid waste project in Syktyvkar in the Komi Republic related to an old landfill at Dyrnos and, to some extent, a new projected landfill at Munduch. Two studies addressing dioxins and other pollutants at the Vorkuta Cement Plant were also finalised in 2016.



The PSI Committee has approved or expressed interest in 76 Arctic Council project proposals."

In this work, there is also a close connection to the Nordic countries' bilateral environmental cooperation with Russia. One such example concerns Norway's programmes with Archangelsk Oblast within the areas of oil pollution and solid waste that BHSF supports to develop new project proposals. Sweden, in particular, supports the federal programme to introduce best available technique in Russia. Projects and initiatives are developed to promote a decrease of pollution in the Barents Region. A first 'support activity' event in Russia was organised in Archangelsk in September 2016.

The launch of the Programme for Environment and Climate Co-operation

(PECC) was approved by the Nordic Ministers of Environment in November 2016 in Copenhagen. A first Call for Proposals was launched in March 2017. PECC aims to support non-governmental cooperation between the Nordic countries and Northwest Russia. Grant financing can be awarded to partnerships between Nordic non-commercial institutions, organisations or authorities at regional and municipal levels and their corresponding qualified partners located in Northwest Russia. The first Call for Proposals will be closed for submissions in mid-May and it is expected that project proposals approved for PECC financing will be announced in June 2017.

NEFCO has been working in the Barents Region since 2004 to eliminate environmental hot spots.



PHOTO: JONAS HÄGGBLOM

The ecological state of the Baltic Sea remains a key priority and focus area for NEFCO's investment portfolio. In 2016, 20 per cent of the approved projects of our Investment Fund related to water. Most of the agriculture projects financed during the period had a beneficial ecological impact on the Baltic Sea thanks to reduced run-off of nutrients from the fields as a result of improved manure treatment or upgraded cultivation practices in the Baltic Sea catchment area.

According to NEFCO's environmental status report, the corporation succeeded in reducing discharges of phosphorus from wastewater treatment plants by 953 tonnes and from agriculture by 100 tonnes in 2016. The total phosphorous discharge reductions of 1,053 tonnes corresponds to untreated waste water from approx. 1.44 million people. The reductions of nitrogen during the same period totalled 4,194 tonnes.

As regards the Baltic Sea Action Plan Fund (BSAP), administered jointly by NEFCO and the Nordic Investment Bank, eight projects are currently under implementation and one project was finalised during the year. In total, 24 projects have been finalised since 2010 in the agricultural, wastewater or hazardous waste sectors. A key purpose of the fund is to facilitate and speed up the preparation of bankable projects in the Baltic Sea catchment area.

In June 2016, the wastewater treatment plant in Jõelähtme, northeast of the Estonian capital of Tallinn, was inaugurated by the public utility company AS Viimsi Vesi. The plant was upgraded, partly with financial backing from the BSAP fund.

In September 2016, the Northern Dimension Environmental Partnership (NDEP) and Gatchina Vodokanal signed a grant agreement for a second phase of a comprehensive wastewater treatment investment programme. The grant is intended to facilitate investments related to modernisation of the plant's biological treatment lines and the improvement of phosphorus and nitrogen removal. Thanks to this investment, the city will be able to reduce discharges of phosphorus by over 25 tonnes and nitrogen by 42 tonnes a year.

During the period, an investment project related to wastewater treatment in several cities in Belarus was also approved. The reductions of phosphorus discharges are estimated at 75.7 tonnes annually, once the upgrades have been implemented.

The Baltic Marine Environment Protection Commission's Pressure Group asked NEFCO in 2016 to co-ordinate the clean-up of a toxic waste disposal site in Krasnyi Bor. A road map to remediate the site by 2025 was presented in October in Warsaw at HELCOM's Pressure Group meeting. Krasnyi Bor is a hazardous waste disposal site that sorts approx. 2 million tonnes of hazardous waste, and it has long been known as a significant pollution Hot Spot in the region. The area has been built for the reception, disposal and burial of toxic industrial waste from St Petersburg and the Leningrad Region. The site was listed as a HELCOM Hot Spot in the early 1990s.

The work to reduce discharges into the Baltic Sea is one of NEFCO's key priorities.



05

FOCUS AREA

Climate change

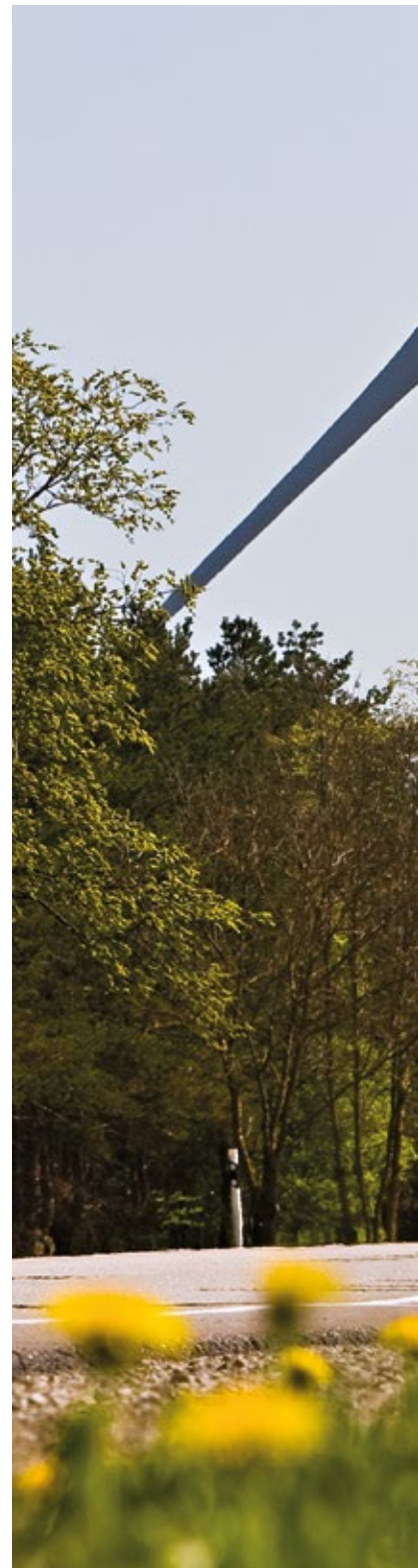
A large number of NEFCO's investment activities are focused on projects related to energy-efficiency measures and renewable energy. In 2016, over 50 per cent of all projects financed by NEFCO or through key Nordic funds administered by NEFCO were in the energy sector. According to NEFCO's annual environmental status report, these climate related investments in 2016 reduced carbon dioxide equivalent emissions by approx. 1 million tonnes. In terms of energy-efficiency measures, NEFCO managed to reduce energy consumption by 1.5 gigawatt-hours directly and promoted a fuel switch to renewables of 9,430 gigawatt-hours indirectly in projects financed by the corporation during the period under review. Electricity and heat have this year been separated in the environmental reporting, which explains the difference in reduced energy in the financed projects compared with previous years.

NEFCO's Board approved 12 new projects related to energy efficiency and renewable energy during the year for financing through NEFCO's Investment Fund. Under the NEFCO administered Nordic Environmental Development Fund 22 new projects related to climate were approved for investment. The majority of these projects focused on implementation of energy-efficiency measures in public buildings.

Within the framework of the DemoUkrainaDH programme, NEFCO managed during the period to sign loan and grant financing agreements for additionally three new municipal demonstration projects focusing on energy-efficiency measures in Ukrainian district heating systems. This means that financing agreements have now been signed for a total of nine projects under this programme, of which six projects have already been fully implemented. The DemoUkrainaDH programme aims to support the implementation of in total 20 demonstration projects in municipal district heating systems throughout



4.1 million certified emission reductions were generated from projects included in the portfolios of NEFCO-managed carbon funds."





CASE STUDY 1

Ukraine NEFCO's first wind energy project in the country

The Ukrainian company LLC Karpatenwind aims to establish a wind farm close to the city of Staryi Sambir in the Lviv Region in Western Ukraine. NEFCO has provided a loan of EUR 5 million for the investment. The local project owner, LLC Karpatenwind, already operates a smaller wind farm of three turbines in the same area. The upcoming wind farm will comprise six windmills with a total capacity of 20.7 megawatts. The windmills are expected to produce approx. 54.3 gigawatt-hours of electricity per year and reduce carbon dioxide emissions by up to 40,400 tonnes annually. The overall investment, worth EUR 34 million, will be a welcome contribution to the country's renewable energy sector.

The Arctic area

Protection of Arctic bird populations

In 2016, the Arctic Council Project Support Instrument, managed by NEFCO, approved a project aimed at improving the conservation status of declining Arctic migratory bird populations. The project strives to reduce stressors on migratory bird species in two flyways – the East Asian-Australasian Flyway and the African-Eurasian Flyway – related to the Arctic Migratory Birds Initiative. This will be done through mitigation of habitat disturbance and degradation from industrial and urban development, as well as of unsustainable hunting. In practice, the project will promote the establishment of a network of protected areas at important breeding, wintering and staging sites. Moreover, the project intends to map out the impact of climate change and human disturbance on bird populations in a wide range of different locations.



Ukraine. Project preparation and implementation activities are continuing for the completion of the remaining 11 demonstration projects in selected Ukrainian cities. Sweden and the Eastern Europe Energy Efficiency and Environment Partnership (E5P) are providing grant financing for, respectively, investments and technical assistance in relation to the DemoUkraineDH programme.

In addition to the above climate related activities, NEFCO manages two funds for the purchase of carbon credits: the NEFCO Carbon Fund (NeCF), active since 2008 and the NEFCO Norwegian Carbon Procurement Facility (NorCaP), which was established by Norway in 2013, both with NEFCO acting as the fund manager. The NeCF and NorCaP portfolios have, respectively, 15 and 16 ongoing projects. These projects cover the following sectors: energy industries 19%, energy demand 2%, waste handling and disposal 56%, metal production 5% and chemical industries 18%. In total, 4.1 million certified emission reductions were generated from existing projects and delivered during 2016, which equals total emission reductions of 4.1 million tonnes of carbon dioxide equivalent.

The second phase of the Nordic Partnership Initiative (NPI) related to a Nationally Appropriate Mitigation Action (NAMA) activity in Peru was started in 2016. Currently, additional three consulting assignments connected to solid waste management are ongoing. During May 2017, a recycling workshop is to be held in Lima.

In 2016, The Nordic Climate Facility (NCF) implemented and completed 12 projects under NEFCO's administration. The facility is financed by the Nordic Development Fund (NDF) and the first four calls are administered by NEFCO. Nine of these 12 completed projects include both mitiga-

tion and adaptation aspects. At the end of 2016, in total 36 out of 51 projects from the first calls were fully completed in developing countries. The total value of the project portfolio under NEFCO's administration is EUR 35.2 million, including the required own co-financing of these projects. Grant funding from NCF related to these projects amounts to EUR 19.5 million. The projects completed in 2016 reduced emissions via the production of sustainable charcoal, production and sales of energy-efficient cookstoves, and sales of water filters that reduce the need to boil water.

In November 2016, the International Center for Climate Governance awarded two projects in NEFCO's trust fund management portfolio as shared first price. The shared award was given to a Clean Development Mechanism project that provides cookstoves to families in Mozambique and a project that enables families' purchase of clean energy through microfinance schemes in Ethiopia. The project in Mozambique is financed by Norway through NeCF and the latter is co-financed by NCF. The jury's choice was motivated by the will to support ways of enabling micro-financing strategies that have proven their capacity to deliver concrete results in climate-vulnerable developing countries.

During the year, NEFCO also continued to take an active part in global climate initiatives, such as attending COP22 in Marrakech, and contributing to various new reports within the climate financing field.

Green growth

The Nordic countries are actively working, nationally and regionally, to implement sustainable solutions and systems to speed up green transformation in the region. The Nordic prime ministers' initiative to promote green growth in the Nordic countries started in 2011, and the outcome of the projects and programmes under the initiative was presented in autumn 2016 in connection with the Nordregio forum in Helsinki in November.

Green growth has been one of NEFCO's main focus areas since the new strategy was adopted in 2015, but the corporation has been financing projects connected to green technology and cleaner production since its inception in 1990. NEFCO celebrated its 25th anniversary with a seminar focusing on green growth in Oslo in April 2016. The report *A Nordic perspective on green growth*, which was published in connection with the anniversary seminar, states that green growth can be seen as a response to the requirements and demands set by global challenges such as population growth, water and resource scarcity and deforestation, to maintain the conditions for sustainable economic development and growth.

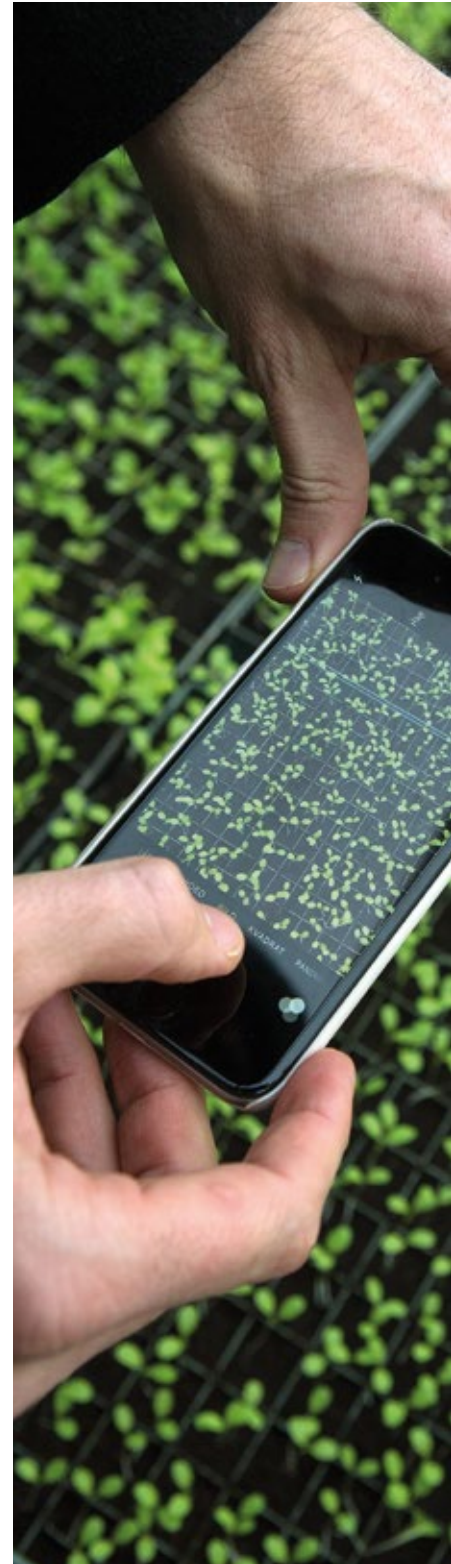




PHOTO: PATRIK RASTENBERGER

NEFCO's new mandate makes it possible to finance larger investments related to green growth also outside Eastern Europe. NEFCO has several financing schemes that support green technology but, except for the climate projects and feasibility studies financed by the Nordic Project Fund (Nopef), they have been concentrated mainly to the Baltic States, Belarus, Russia and Ukraine.

NEFCO has financed both municipal and private projects over the years, highlighting Nordic technology transfer. Through Nopef, NEFCO supports a range of Nordic SMEs aiming for internationalisation. In 2016, the facility approved financing for 76 Nordic SMEs. Foreign establishments enable growth for Nordic companies and also transfer of knowledge of Nordic green solutions to new markets. Nopef's annual customer survey shows, that on average each foreign business setups led to 13 new employments, of which 11 were in the host country. The majority of the supported projects also benefit Nordic subcontractors.

On the public side, NEFCO has financed, for example, a new green school building in Kherson, Ukraine. The green school in Kherson was inaugurated by the Finnish Minister for Trade and Development, Kai Mykkänen, in September 2016. The school's building elements were provided by the Finnish company Elemenco, which won a

tendering competition run in 2015. NEFCO has administered the project and handled the procurement of services and disbursement of funds. The new enlarged school has a capacity of over 410 pupils.

During 2016, NEFCO attended several events and seminars highlighting green solutions and financing. Besides our own anniversary seminar on green growth, NEFCO's Managing Director Magnus Rystedt held a presentation in connection with the Nordregio forum *From Fossil to Bio-based and Sustainable Economy*. NEFCO also participated at Cleantech Capital Day in Malmö, at the Business Conference for Internationalisation and Development in Oslo, arranged by the Norwegian public development and innovation institutions, at the Danish Industry's capital day in Copenhagen, at a seminar arranged by Icelandic Industries in Reykjavik, at the Nordic-African Business Summit in Oslo and at the start-up event SLUSH in Helsinki.

The Nordic Council of Ministers released a report *Green Financing – The Nordic Way*, which was presented at the G20 meeting in Shanghai in September 2016. The report stresses the fact that the Nordic Region has been a forerunner in many areas related to green investments. For example, a number of restrictions and regulations on emission permissions and standards for air and water were put in place in the beginning of the 1970s. The Nordic countries were also pioneering in implementing the 'polluter pays' principle around 1990. The report concludes that the key to green transformation globally is private sector engagement and market-oriented solutions, which NEFCO will focus on more in the years to come thanks to the new mandate.

NEFCO finances innovative green solutions and technology provided by Nordic companies.

Report from the Board of Directors 2016



Climate projects and internationalisation of small and medium-sized Nordic environmental engineering companies will be the focus of NEFCO's work outside Eastern Europe.

The year ended with an important event for the company, as an amendment to the NEFCO agreement was signed by the Nordic countries. The change confirms the strategy that the Board approved in 2015 and means that NEFCO will continue to focus its activities on Eastern Europe while also being able to invest in other parts of the world. In the future, the company will be better able to follow the environmental priorities of the surrounding world and the Nordic countries, utilise the synergies between the fund management and investment activities and broaden the activities to better manage the risk level.

NEFCO has worked outside Eastern Europe for many years through the different fund management assignments, and the change means that the investment side can help support this work. It is the link to NEFCO's fund management activities and its focus on climate projects and internationalisation of small and medium-sized Nordic environmental engineering companies that will be the focus of NEFCO's work outside Eastern Europe.

In Russia and Ukraine, where NEFCO has most of its investment activities, the situation continues to be problematic. The conflict in Eastern Ukraine is not considered to have moved any closer to a resolution in the past year, nor is there anything to suggest that the situation will change within the near future. Ukraine's economy continues to be weak though Ukraine has managed to stabilise it somewhat. In Russia, the increase in the oil price in 2016 has improved the economy, but the international sanctions are unlikely to change unless there is a clear positive change in the situation in Eastern Ukraine.

In 2016, NEFCO signed a status agreement with Armenia that allows the company to start activities in the country. In general, NEFCO has primarily worked in two areas during the year: projects with a direct link to purification of the Baltic Sea





CASE STUDY 3

Russia Increased financing for wastewater treatment in Gatchina

The second phase of a comprehensive wastewater treatment investment programme in Gatchina, Russia, took a major leap forward when a grant agreement worth EUR 500,000 was signed between the local waterworks Gatchina Vodokanal and the Northern Dimension Environmental Partnership (NDEP) in autumn 2016. The grant is intended to facilitate investments related to the modernisation of the plant's biological treatment lines and the improvement in phosphorus and nitrogen removal. With this investment, the city will be able to reduce discharges of phosphorus by over 25 tonnes and nitrogen by 42 tonnes a year. Gatchina Vodokanal has previously upgraded its main water pumping station and the sludge pumping station, and supplied new blowers at an overall cost of EUR 5.2 million.



In Ukraine, NEFCO is the international institution working with most municipal energy-efficiency projects."

and projects in energy efficiency in Ukraine. The work on the Baltic Sea included the company approving an investment in a programme to renovate wastewater treatment plants in five cities in Belarus within the Baltic drainage basin. At the request of HELCOM (Baltic Marine Environment Protection Commission – Helsinki Commission), NEFCO has become involved in the work to reduce the environmental impact of Krasnyi Bor, which is a landfill site for hazardous waste outside St Petersburg. In addition, agricultural projects were approved that will also lead to a reduction of the environmental impact on the Baltic Sea.

In Ukraine, energy-efficiency projects continue to be prioritised and, at the moment, NEFCO is the international institution working with most municipal energy-efficiency projects. The high level of interest in energy-saving measures and NEFCO's activities has been noticed, including when NEFCO arranged a seminar in Kiev during the year attended by 180 persons from 50 municipalities. NEFCO will continue working actively on developing municipal projects in the country also in the future, which is in line with several large-scale Nordic and international programmes in Ukraine with in energy efficiency and renewable energy.

The year 2016 was another active one for NEFCO's project activities. In all the funds managed by the company, 144 new projects were approved during the year to a total value of EUR 131.3 million. In the Investment Fund, NEFCO's paid-in capital, 16 new investments were approved to a total of EUR 87.3 million, and at the end of the year, the company had 64 active projects with commitments totalling EUR 218.7 million. Payments are made with a certain delay and thus a greater part of NEFCO's resources is allocated than is shown in the company's Report on Financial Position.

In addition to the projects financed with NEFCO's paid-in capital, the Investment Fund, NEFCO manages a number of other funds, not just for their owners but also for non-Nordic contributors and investors. NEFCO also functions as an Implementing Agency for a number of projects in large international funds, such as the Eastern Europe Energy Efficiency and Environment Partnership (E5P) and the Northern Dimension Environmental Partnership (NDEP). In July 2016, NEFCO was accepted as an Eligible Finance Institution for the EU's Neighbourhood Investment Facility (NIF), which finances technical support for projects in energy, environment, transport and the social sector in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

Two new funds have been established during the year. The new funds are a Swedish initiative for identification, preparation, implementation and monitoring of projects that are expected to result in an improved environment and reduce the climate impact on the countries in the Eastern partnership and one for funds from the Eastern Europe Energy Efficiency and Environment Partnership (E5P) to support the implementation of energy-efficiency measures in public buildings in the social sector and street lighting in cities in Ukraine. At the end of 2016, NEFCO's fund management included 36 funds with a total value of EUR 358 million.

Over the years, financing has been granted within NEFCO's activities to more than 830 small and medium-sized private and public projects spread across different sectors in over 60 countries.

The financial and environmental results of activities were both in line with expectations. The high risk in the Investment Fund activity countries and the low interest level mean that, as in recent years, the activities show a relatively modest result. Details of the environmental result are presented in the environmental status report.

EVALUATION OF THE ENVIRONMENTAL EFFECTS OF THE PROJECTS

In accordance with the procedure that has been gradually developed at NEFCO, each project is evaluated with regard to its environmental effects. The expected environmental effects are analysed before a decision is taken on participation in financing, and when the project has been completed, NEFCO follows up the real effects. The projects of both the Investment Fund and the Nordic Environmental Development Fund show on average positive environmental effects at the expected level. Of the 80 active projects that have been analysed, 31 are classified as projects that have exceeded the environmental expectations, 16 are at the expected level, 23 do not yet meet expectations, and in 10 cases no conclusions can yet be drawn or there is no reporting.

NEFCO also systematically assesses the environmental cost-efficiency of the projects in relation to the costs in the Nordic countries in order to achieve corresponding emission reductions. On average, the cost of emission reductions in NEFCO's projects is approximately one-eighth of the corresponding costs in the Nordic countries.

STAFF

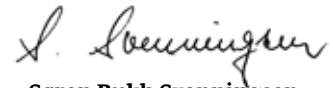
At the end of 2016, 32 persons worked directly for NEFCO, four of whom are employed at the representation office in Kiev,

Ukraine. There are also advisers who work for NEFCO on a consultancy basis.

RESULT

The annual accounts show a profit of EUR 542,286.97. In accordance with previous practice, the Board proposes that the profit be returned to the business as retained earnings.

Helsinki, 3 March 2016



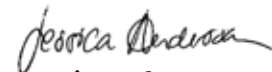
Søren Bukh Svenningsen
Chair



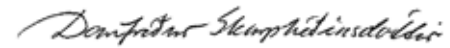
Ann-Britt Ylinen
Vice Chair



Harald Rensvik



Jessica Andersson



Danfríður Skarphéðinsdóttir



Magnus Rystedt
Director



This is a shortened version of the Report from the Board of Directors 2016. The full report is available at www.nefco.org/news-media/publications-reports/annual-reports

Environmental status report 2016

This report summarises the environmental results in NEFCO's funds and focus areas: the Arctic and Barents Region, the Baltic Sea, climate change and Green growth.

NEFCO's environmental reporting covers the Investment Fund (IF) and NMF credits (Energy Saving Credits [ESC], Cleaner Production [CPF] and Nordic Initiative Ukraine [NIU]). NEFCO administers several trust funds on behalf of different donors and investors to support environmental and climate projects. This report gives an overview of the environmental benefits achieved in Carbon Climate Funds, Nopef and specific trust funds, such as those addressing the Arctic and Barents regions.

The environmental benefits gained in Investment Fund and NMF Credit projects that have been completed or in which NEFCO's involvement has ceased are calculated as total emission reductions.

The assessment of the performance of the projects is calculated with the realised reductions and the expected annual reductions based on the project baseline prior to implementation, normally expressed in a mass unit (e.g. kg, tonnes). For the purposes of comparison, the data are shown as reductions or savings per annum.

NEFCO's environmental database also takes into account projects in which its involvement has ceased. In its environmental monitoring, NEFCO applies an annual depreciation rate of 5 % on all actual reductions as of the beginning of the year following final repayment. This method was first applied in 2011.

Table 1. Reductions in IF and NMF

Indicator	Units	2016	2015
Ptot	t/a	953	919
Prot (agri)	t/a	100	218
Ptot total	t/a	1,053	1,137
Ntot	t/a	4164	4123
Ntot (agri)	t/a	30	147
Ntot total	t/a	4,194	4,270
BOD	t/a	33,734	33,545
SS	t/a	28,588	29,073

Table 1.

BOD Biochemical oxygen demand
 CO2 Carbon dioxide
 MWh Megawatt hours
 Nox Nitrogen oxides
 Ntot Nitrogen total
 Ptot Phosphorus total
 SO2 Sulphur oxides
 SS Suspended solids
 t/y Tonnes per year



NEFCO-financed projects reduced phosphorus by 1053 tonnes and nitrogen by 4164 tonnes.

In total, 95 % of the projects reported in 2016. The performances of the projects in the investment Fund and NMF credits are presented in tables 1, 2 and 3.

THE BALTIC SEA

When assessing NEFCO's two main financial instruments, namely the Investment Fund and the Nordic Environmental Development Fund, approx. 16 % of the investments related to water projects in 2016.

According to NEFCO's environmental status report, the corporation succeeded in reducing discharges of phosphorus from wastewater treatment plants by 953 tonnes and from agriculture by 100 tonnes in 2016. The total phosphorous discharge reductions of 1053 tonnes translate into discharges of untreated waste-

water from approx. 1.44 million people. The corresponding figure for nitrogen was 4164 tonnes. About 8 % of the reductions originate from old projects and 59 % from Ekovod St. Petersburg WWTP.

CLIMATE CHANGE

The climate investments and carbon financing reduced carbon dioxide emissions by a total of 8.5 million tonnes. This is about 7 % more than in 2015.

The bulk of NEFCO's investment activities is related to renewable energy and energy efficiency measures. Moreover, most projects co-financed by NEFCO in the industrial sector included energy efficiency measures with tangible climate emission reductions.

According to NEFCO's environmental status report, the climate investments in 2016 reduced carbon dioxide emissions by 1 million tonnes directly and 3.4 million tonnes indirectly. In terms of energy efficiency measures, NEFCO managed to

Table 2. CO₂ emission reductions in NEFCO's portfolio

Indicator	Unit	2016	2015
Investment Fund and the Nordic Environmental fund			
CO ₂ (direct)	t/a	993,242	947,385
CO ₂ (indirect)	t/a	3,403,234	3,458,572
NEFCO Carbon funds			
CO ₂ (CER)	t/a	4,118,274	3,531,854
CO₂ total	t/a	8,514,750	7,937,811

reduce energy consumption by 1.5 gigawatt-hours directly and promoted a fuel switch to renewables of 9 430 gigawatt-hours indirectly in projects financed by the Corporation during the period under review. Until 2015, only energy MWh/a was reported regardless of whether it was electricity or heat. The new project management system was taken into use in 2016 allowing more flexibility, and electricity and heat are now separated in the reporting.

The energy-saving measures include wall insulation, replacement of doors and windows, reconstruction of ventilation systems as well as upgrading the heating systems in a range of schools and day care centres. In some cities the projects include the street lighting systems being upgraded by replacing outdated and inefficient street light fixtures with energy efficient light emitting diode lamps (LED).

The NEFCO Facility for Cleaner Production is a loan programme intended to promote the reduction of industrial pollution through efficient resource and energy utilisation.

The Nordic Energy Efficiency and Humanitarian Support Initiative fund (NIU) finances upgrades of the municipal infrastructure in areas that have been badly affected by the armed conflict in Eastern and Southern Ukraine.

Environmental benefits can be achieved as a direct consequence of investments and indirectly as NEFCO supports companies manufacturing environment-related products. The main indirect energy and CO₂ emission reductions originate from a project producing boilers. Biofuel boilers older than ten years are not included in the reporting. The projects also give air pollutant reductions as shown in Table 3.

Our activities related to green growth are presented on pages 14-15 and our operations in the Arctic and the Barents are presented on pages 6-7.

NEFCO 20 February 2017

Anja Nystén

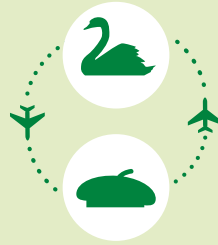
Table 3. Air pollution emission reductions in IF, ESC, CPF and NIU

Indicator	Unit	2016	2015
SO ₂	t/a	4,020	4,519
Nox	t/a	514	522
Dust	t/a	63	65

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NEFCO IN NUMBERS

Examples of emission reductions in 2016



CO2
direct + CER
5.1 million tonnes

=
10 million people
travelling from
Helsinki to Paris and
back by aircraft



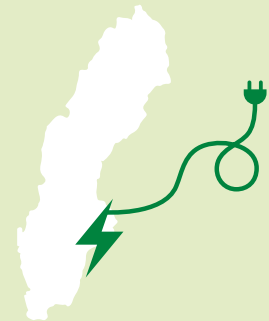
NOx
514 tonnes

=
90% of the emissions
from Finnish industrial
processes in 2014



P
1,053 tonnes

=
Untreated waste-
water from
1.44 million people
(equals Reykjavik
and Oslo)



Energy
(direct electricity
and heat reductions)
1,520 GWh

=
79% of Stockholm's
total electricity
consumption
in 2015

Symbols: 'Tap'
by Kenneth Von Alt,
'Lightning' by Ryan
Oksenhorn from
thenounproject.com
collection

* CER = certified
emissions reductions

Statement of comprehensive income

1 January - 31 December

(Amounts in EUR)	2016	2015
Income		
Interest income, placements with credit institutions	77931	350,670
Interest income, debt securities	83 638	82,510
Interest income, lending	2,864,083	2,694,771
Net result of financial operations	-134,986	-631,923
Other income	4,397,639	4,551,702
Total income	7,288,305	7,047,730
Operating expenses		
Administrative expenses	5,593,207	5,762,254
Depreciation and write-down in value of tangible and intangible assets	35,807	27,944
Foreign exchange gains and losses	-132,996	318,222
Impairment of loans / reversals	1,250,000	-111,094
Total operating expenses	6,746,018	5,997,326
RESULT FOR THE YEAR	542,287	1,050,403
TOTAL COMPREHENSIVE INCOME	542,287	1,050,403

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Statement of financial position

31 December

(Amounts in EUR)	31/12/2016	31/12/2015
ASSETS		
Cash and cash equivalents	9,300,424	2,748,672
Placements with credit institutions	68,251,944	82,572,702
Total, cash and cash equivalents and placements with credit institutions	77,552,368	85,321,374
Debt securities	10,289,601	10,206,336
Investment assets	16,289,044	14,786,544
Other placements	3,509,410	3,571,579
Loans outstanding	49,012,193	42,399,697
Other receivables	1,323,272	309,194
Accrued interest	784,285	772,252
Intangible assets	33	8,950
Tangible assets	23,834	50,725
TOTAL ASSETS	158,784,040	157,426,650
LIABILITIES AND EQUITY		
Liabilities		
Other liabilities	1,576,963	761,860
Equity		
Paid-in capital	113,406,560	113,406,560
Reserve for investment/credit losses	24,557,177	24,557,177
Operational fund	4,500,000	4,500,000
Retained earnings	14,201,053	13,150,650
Result for the year	542,287	1,050,403
Total equity	157,207,077	156,664,790
TOTAL LIABILITIES AND EQUITY	158,784,040	157,426,650

Changes in equity

(Amounts in EUR)

	Paid-in capital	Reserve for investment/credit losses	Operational fund	Retained earnings	Result for the year	Total
Equity as of 1 January 2015	113,406,560	24,557,177	4,500,000	13,150,650	-	155,614,387
Appropriation to the retained earnings				-	-	-
Appropriation to the reserve for investment/credit losses		-				-
Appropriation to the Operational fund			-			-
Paid-in capital	-					-
Result for the year					1,050,403	1,050,403
Equity as of 31 December 2015	113,406,560	24,557,177	4,500,000	13,150,650	1,050,403	156,664,790
Equity as of 1 January 2016	113,406,560	24,557,177	4,500,000	13,150,650	1,050,403	156,664,790
Appropriation to the retained earnings				1,050,403	-1,050,403	-
Appropriation to the reserve for investment/credit losses		-				-
Appropriation to the Operational fund			-			-
Paid-in capital	-					-
Result for the year					542,287	542,287
Equity as of 31 December 2016	113,406,560	24,557,177	4,500,000	14,201,053	542,287	157,207,077

Proposed allocation of the year's result:	2016	2015
Appropriation to the retained earnings	542,287	1,050,403
RESULT FOR THE YEAR	542,287	1,050,403

Cash flow statement

1 January - 31 December

The cash flow statement has been prepared using the indirect method, and cash flow items cannot be directly concluded from the statements of financial positions.

(Amounts in EUR)	2016	2015
Cash flows from operating activities		
Result for the year	542,287	1,050,403
Depreciation and write-down in value of tangible and intangible assets	35,807	27,944
Value adjustments, investment assets	209,000	675,780
Value adjustments, other placements	-	-1,020,651
Capital adjustments, other placements	62,169	55,644
Impairments, lending	1,250,000	-1,352,919
Change in accrued interests	-12,033	136,885
Lending		
Disbursements	-15,024,479	-11,936,823
Repayments	5,465,300	3,549,479
Premature repayments	3,000,000	-
Realised credit losses	-	1,241,826
Capitalisations	-435,645	-249,550
Exchange rate adjustments	-867,673	254,782
Change in investment assets	-1,711,500	-45,000
Cash flows from operating activities	-7,486,766	-7,612,200
Cash flows from investing activities		
Change in placements with credit institutions	14,320,757	4,376,514
Change in debt securities	-83,265	-82,367
Change in other placements	-	1,020,651
Change in other receivables and liabilities, net	-198,975	1,815,665
Change in tangible and intangible assets	-	-20,847
Net cash flows from investing activities	14,038,517	7,109,615
Change in cash and cash equivalents	6,551,751	-502,585
Opening balance for cash and cash equivalents	2,748,672	3,251,257
Closing balance for cash and cash equivalents	9,300,424	2,748,672
Additional information to the statement of cash flows		
Interest income received	3,013,620	3,263,952

Independent Auditor's Report

TO THE CONTROL COMMITTEE OF THE NORDIC ENVIRONMENT FINANCE CORPORATION

Independent Auditor's Report on the Audit of the Financial Statements

Opinion

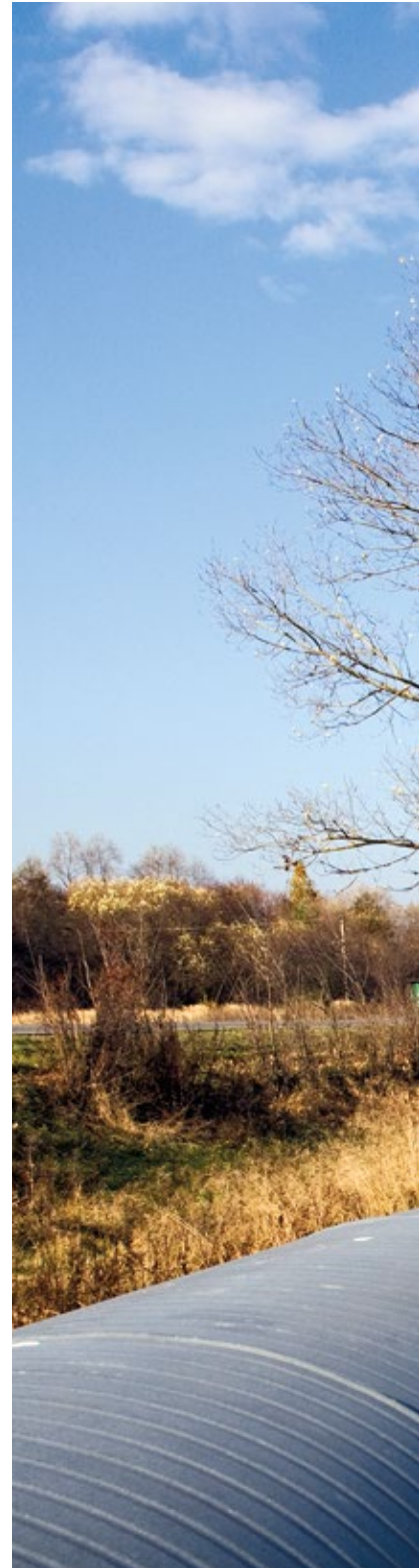
In our capacity as auditors appointed by the Control Committee of the Nordic Environment Finance Corporation we have audited the accompanying financial statements of the Corporation for the year ended 31 December, 2016. The financial statements comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows, a summary of significant accounting policies and other explanatory notes. In our opinion the financial statements give a true and fair view of the Corporation's financial performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Corporation in accordance with International Standards on Auditing, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





CASE STUDY 4

Ukraine New investments in district heating

The funding programme DemoUkrainaDH signed three new loan agreements in the Ukrainian cities of Myrgorod, Konotop and Ternopil during 2016. New project partners were selected in Kamyanske and Pavlohrad during the year, and a second project in Poltava was approved for further preparation in 2017. Apart from the projects listed above, the investment programme will provide financing for the implementation of projects in Kriyvvy Rig and Chernivtsi during 2017. Until end of 2016, the funding programme finalised six demonstration projects in Vinnytsia, Zhytomyr, Kamy-anets-Podilsky, Alexandria, Poltava and Ivano-Frankivsk. Each project is expected to reduce energy consumption by at least 30% and improve the quality of district heating services. DemoUkrainaDH is a funding initiative established by NEFCO and the Ukrainian Ministry of Regional Development, Construction and Municipal Economy. The programme is financed by NEFCO, the Swedish International Development Cooperation Agency (Sida) and the Eastern Europe Energy Efficiency and Environment Partnership (E5P).

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as issued by the International Standards Board. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the Corporation or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Report on the other requirements

In accordance with the Terms of Engagement our audit also included a review whether the Board of Directors' and the Managing Director's administration have complied with the Statutes of the Corporation. It is our opinion that the administration of the Board of Directors and the Managing Director complied with the Statutes of the Corporation.

Helsinki, 9 March 2017

Marcus Tötterman

Authorised Public Accountant
KPMG Oy Ab
Töölönlahdenkatu 3A
00100 Helsinki
Finland

Anders Tagde

Authorised Public Accountant
KPMG AB
Vasagatan 16
111 20 Stockholm
Sweden

Statement by the Control Committee

STATEMENT BY THE CONTROL COMMITTEE OF THE NORDIC ENVIRONMENT FINANCE CORPORATION ON THE AUDIT OF THE ADMINISTRATION AND ACCOUNTS OF THE CORPORATION

To the Nordic Council of Ministers

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 are conducted in accordance with the Statutes and to bear responsibility for the audit of the Corporation. Having completed our assignment for the year 2016, 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 9 March 2017, at which time we also received the Auditors' Report submitted on 9 March 2017 by the authorised public accountants appointed by the Control Committee.

Following the audit performed, we note that:

- the Corporation's operations during the financial year have been conducted in accordance with the Statutes, and that
- the financial statements as at 31 December 2016 provides a true and fair view of the financial position as at December 31st 2016, as well as on the result of the operations and cash flows during year 2016. In accordance with the statement of comprehensive income the profit for 2016 amounts to EUR 542,287.

We recommend to the Nordic Council of Ministers that:

- the result for year 2016 will be treated as proposed by the Board of Directors,
- statement of comprehensive income and statement of financial position will be adopted, and
- the Board of Directors and Managing Director will be discharged from liability for the administration of the Corporation's operations during the accounting period examined by us.

Helsinki, 9 March 2017

Bill Fransson
Penilla Gunther
Arto Pirttilahti
Sjúrður Skaale
Michael Tetzschner
Höskuldur Þórhallsson



CASE STUDY 5

Ukraine Investments at Lviv wastewater treatment plant

The Lviv wastewater treatment plant treats approx. 400,000 m³ of wastewater per day. The plant consists of two sites with four treatment lines. In 2016, NEFCO provided EUR 5 million in loan financing for the construction of a biogas unit for sludge digestion. Lviv Vodokanal will invest in two sludge digesters and a cogeneration unit for the production of electricity and heat. The installation of the digesters will reduce the sludge volume by 30%. The investments will also contribute to annual reductions of carbon dioxide by 155,00 tonnes, including methane reductions of 5,000 tonnes. The methane from the sludge digestion will be used to produce electricity and heat for operating both wastewater treatment sites. This will lead to decreased operational costs and result in annual savings of approx. EUR 2.1 million. The savings from these improvements will enable Lviv Vodokanal to make further investments in upgrading the wastewater treatment facilities to improve the overall operation of the plant.

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Approved projects 2016

NEFCO INVESTMENT FUND – IF (15) AND APPROVAL IN PRINCIPAL (9)

Modernisation of pig production in Belarus (Denmark)

Production of hydropower in Ukraine (Sweden)

Modernisation of a pig farm in Ukraine (Denmark)

Modernisation of machinery and equipment within agriculture in Russia (Denmark)

Energy efficiency in public buildings in Cherkassy in Ukraine (Sweden /E5P/ Nordic deliveries)

Loan facility for projects within renewable energy in Belarus (Nordic deliveries)

Production and sale of wind energy in Ukraine (Denmark)

Modernisation of the street lighting system in Barnovichi in Belarus (Finland/Sweden)

Energy efficiency in public buildings in Irpen in Ukraine (Sweden/E5P)

Facility for developing the market for electric vehicles in Belarus (Nordic deliveries)

Modernisation of machinery and equipment within agriculture in Georgia (Nordic deliveries)

Production of biogas from pig manure in Poland (Denmark)

Production of biomethane from biogas generated at a pulp mill in Estonia (Sweden)

Energy efficiency in universities in Ukraine (Sweden/NIF/E5P/EBRD)

Municipal wastewater treatment in five cities in Belarus (Sweden/NDEP)

ADDITIONAL INVESTMENTS (1)

Production of biogas and energy efficiency at a pig farm in Ukraine (Denmark)

NORDIC ENVIRONMENTAL DEVELOPMENT FUND – NMF (4) AND APPROVAL IN PRINCIPAL (1)

Support for evaluation of non-burning solutions in the agricultural sector

Support for preparation, implementation and monitoring of projects within the Energy Savings Credits (ESC) facility in Ukraine

Support to establish and develop the facility for electric vehicles in Belarus

Increase of the facility for Energy Savings Credits (ESC)

CLEANER PRODUCTION FACILITY – CPF (4)

Production of biofuel and modernisation of wood processing in Belarus

Production of biofuel and modernisation of production processes in Ukraine

Modernisation of the district heating network in Myrgorod, Ukraine (DemoUkrainaDH)

Modernisation of the district heating network in Baturynska, Ukraine (DemoUkrainaDH)

ENERGY SAVINGS CREDITS – ESC (11)

Energy efficiency measures in 8 school buildings in Lutsk, Ukraine

Energy efficiency measures in 5 school buildings in Khmelnytsky, Ukraine

Energy efficiency measures in school and public buildings and street lighting in Odessa, Ukraine

Energy efficiency measures in Mykolaiv, Ukraine

Energy efficiency measures in Fastiv, Ukraine

Energy efficiency measures in Irpin, Ukraine

Energy efficiency measures in Kuznetsovsk, Ukraine

Energy efficiency measures in Lubny, Ukraine

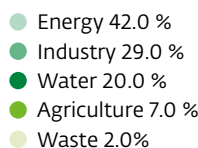
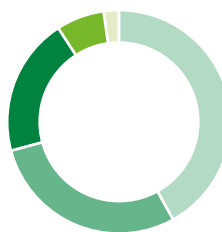
Energy efficiency measures in Chernigiv, Ukraine

Energy efficiency measures in two kindergartens in Kryvyj, Ukraine

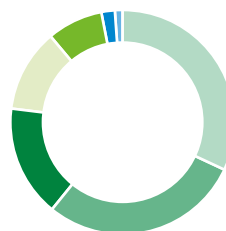
Energy efficiency measures in school buildings and street lighting in Pryluky, Ukraine

INVESTMENT FUND

Distribution by sector



Distribution by country



BARENTS HOT SPOTS FACILITY – BHSF (4)

Energy conversion in Dolgosjtjelje & Lesjukonskoie, phase II, Archangelsk

Waste treatment in Syktyvkar, phase II, Komi

Nordic-Russian regional and municipal environment & climate co-operation

Support to the Subgroup on Hot-Spot Exclusion (SHE) and the Barents Council (WGE)

NORDIC ENERGY EFFICIENCY AND HUMANITARIAN SUPPORT INITIATIVE FUND UKRAINE (9)

Energy efficiency measures in school buildings in Dobropillia, Donetsk

Energy efficiency measures in a hospital in Kurakhove, Donetsk

Energy efficiency measures in school buildings in Vugledar, Donetsk

Energy efficiency measures in health care centres and in street lighting in Slovyansk, Donetsk

Energy efficiency measures in health care centres and in street lighting in Myrnohrad, Donetsk

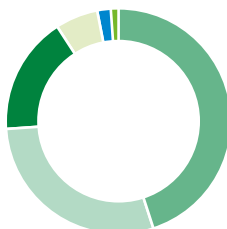
NORDIC ENVIRONMENTAL DEVELOPMENT FUND (NMF)

Distribution by sector



- Energy 41.0 %
- Industry 28.0 %
- Water 13.0 %
- Waste 11.0 %
- Agriculture 7.0 %

Distribution by country



- Russia 45.0 %
- Ukraine 29.0 %
- Baltic States 17.0 %
- Belarus 6.0 %
- Other 2.0 %
- Poland 1.0 %

Energy efficiency measures in school buildings in Kreminna, Luhansk

Energy efficiency measures in three school buildings and in street lighting in Svatove, Luhansk

Energy efficiency measures in two school buildings in Vugledar, Donetsk

Energy efficiency measures in buildings and in street lighting in Pershotravensk, Dnipropetrovsk

ARCTIC COUNCIL PROJECT SUPPORT INSTRUMENT - PSI (3)

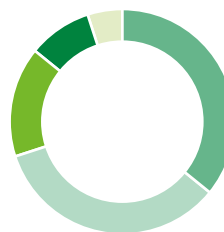
BALTIC SEA ACTION PLAN FUND - BSAP (2)

NORDIC PROJECT FUND - NOPEF (76)

OTHER FUNDS (4)

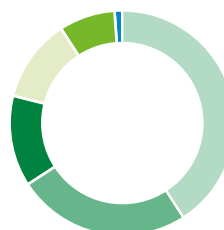
NORDIC PROJECT FUND

Distribution by sector



- Industry 36.0 %
- Energy 34.0 %
- Agriculture 16.0 %
- Water 9.0 %
- Waste 5.0 %

Distribution by region



- Asia 41.0 %
- North America 25.0 %
- Europe 13.0 %
- Africa 12.0 %
- South America 8.0 %
- Australia 1.0 %



CASE STUDY 6

West Africa Innovative weather forecasting

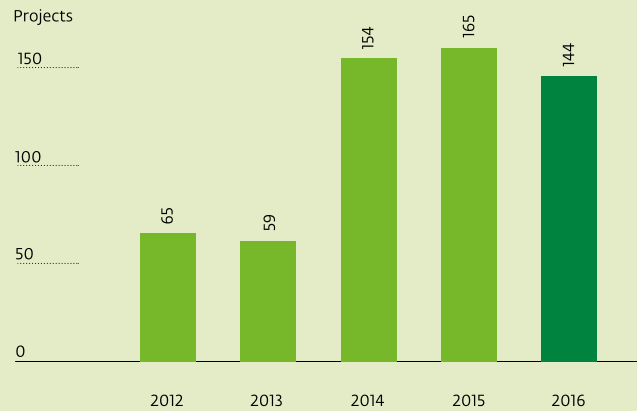
The Swedish company Ignitia AB has developed a unique tropical weather forecasting model for use by farmers in areas where climate change has affected the seasons and weather patterns. The GPS-specific forecasts are twice as accurate as existing models, with a certainty of 84%. Ignitia uses different algorithms from those of the global weather institutions to make the forecasts. The forecasts are sent daily via SMS to the farmers with 48-hour forecasts, monthly outlooks and six-month seasonal outlooks. It is a low-cost service paid for through a micro-payment scheme. Ghana was the first country in which the company started to promote the service, and after a feasibility study grant from the Nordic Project Fund the company established a local subsidiary in Nigeria. Today, Ignitia operates in six West African countries and will further expand its business activities to new countries in the coming years.

17

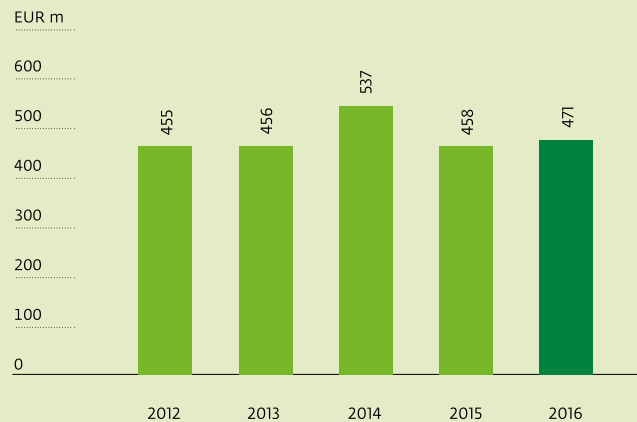
NEFCO IN NUMBERS

Five-year comparison

Approved projects by NEFCO



The total value of funds administered by NEFCO



In total, NEFCO managed 37 funds valued at EUR 471 million at the end of the year."

Personnel and Board members 2016

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Björn Fritjofsson

Senior Adviser, Nordic Council of Ministers (from March 2016)

Søren Kjær Mortensen

Senior Director, Head of Origination, Nordic Investment Bank



PHOTO: PATRIK RASTENBERGER

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Manager

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Environmental Affairs

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Administration Officer

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Climate Change and
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- Representative Office in
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(leave of absence)

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Editor: Lia Oker-Blom
Design: Werklig
(www.werklig.com)
Cover photos:
Jonas Häggblom
Printing house:
Lönnberg Print Oy,
Helsinki 2017



This NEFCO
publication
has been
printed on
FSC-certified
paper.



4041 0017
Printed matter



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