

Annual accounts 2004

Balance sheet

as at December 31, 2004 before profit appropriation

	<u>2004</u>	<u>2003*</u>
Assets		
Banks and cash ¹	167,998	444,084
Loans to the private sector ^{2,5}	893,192	819,974
Equity investments ^{3,5}	76,364	74,428
Loans and equity investments guaranteed by the State ^{4,5}	204,476	171,178
Interest-bearing securities ⁶	592,074	275,613
Participating interests ⁷	6,419	5,687
Other equipment ⁸	9,348	8,154
Other receivables ⁹	36,763	47,561
Accrued income ¹⁰	<u>38,330</u>	<u>40,255</u>
Total assets	<u>2,024,964</u>	<u>1,886,934</u>
Liabilities		
Banks ¹¹	64,522	11,897
Debt securities ¹²	170,462	293,701
Debentures and notes ¹³	724,781	620,029
Liabilities to the State in connection with funds ¹⁴	198,787	189,624
Other liabilities ¹⁵	36,666	17,900
Current accounts with State programs ¹⁶	3,450	766
Accrued liabilities ¹⁷	18,165	17,452
Provisions ¹⁸	<u>4,198</u>	<u>3,844</u>
	1,221,031	1,155,213
Share capital ¹⁹	9,076	9,076
Share premium reserve ²⁰	29,272	29,272
Development fund ²¹	620,721	583,461
Contractual reserve ²²	134,457	101,074
Other reserves ²³	8,157	7,491
Undistributed profit ²⁴	<u>2,250</u>	<u>1,347</u>
Shareholders' equity	<u>803,933</u>	<u>731,721</u>
Total liabilities	<u>2,024,964</u>	<u>1,886,934</u>
Contingent liabilities ²⁵	122,779	118,618
Irrevocable facilities ²⁶	428,274	411,803

1 through 26 refer to the notes to these accounts.

* Adapted for comparison purposes.

Profit and loss account

2004

	<u>2004</u>	<u>2003*</u>
Income		
Interest income ²⁹	121,771	110,953
Interest expense ³⁰	<u>31,674</u>	<u>26,485</u>
Interest	90,097	84,468
Income from participating interests and equity investments ³¹	16,731	9,836
Results from financial transactions ³²	1,163	-13,914
Remuneration for services rendered ³³	19,159	18,659
Other income ³⁴	<u>5,047</u>	<u>10,180</u>
Total income	<u>132,197</u>	<u>109,229</u>
Expenses		
Administrative expenses		
• Staff costs ³⁵	25,836	23,917
• Other administrative expenses ³⁶	<u>8,585</u>	<u>7,241</u>
	<u>34,421</u>	<u>31,158</u>
Depreciation ⁸	2,064	1,594
Other operating expenses ³⁷	<u>231</u>	<u>611</u>
Operating expenses	36,716	33,363
Value adjustments to loans and guarantees ⁵	34,125	41,195
Value adjustments to equity investments ⁵	<u>7,014</u>	<u>6,211</u>
	<u>41,139</u>	<u>47,406</u>
Total expenses	<u>77,855</u>	<u>80,769</u>
Result before taxation	54,342	28,460
Taxation on operating result ³⁸	<u>18,709</u>	<u>8,744</u>
Net profit	<u>35,633</u>	<u>19,716</u>
Summary Total result:		
Translation differences	<u>-453</u>	<u>-301</u>
Total result	<u>35,180</u>	<u>19,415</u>

1 through 38 refer to the notes to these accounts.

* Adapted for comparison purposes.

Cash flow statement

2004

	<u>2004</u>	<u>2003*</u>
Operations		
Net profit	35,633	19,716
Adjusted for:		
• result from sale of equity investments	-14,791	-6,115
• depreciation	2,064	1,594
• value adjustments	41,139	47,406
• increase in provisions	354	437
• results from participating interest	1,697	-110
• movement in liability due to compensation from the State	-10,085	-16,516
• movement in working capital (excluding State programs)	<u>32,202</u>	<u>-3,478</u>
Net operating cash flow	88,213	42,934
Operational activities		
Loan disbursements	-436,541	-329,746
Disbursements on loans guaranteed by the State	-37,403	-84,769
Loan repayments	292,570	192,531
Repayments of loans guaranteed by the State	21,948	22,212
Purchase of equity investments	-21,350	-21,320
Purchase of equity investments guaranteed by the State	-32,264	-32,776
Sale of equity investments	26,886	16,678
Sale of equity investments guaranteed by the State	2,260	3,415
Movement in banks	52,625	-37,317
Movement in working capital State programs	<u>3,466</u>	<u>12,614</u>
Net cash flow from operational activities ³⁹	-127,803	-258,478

³⁹ refers to the notes to the cash flow statement.

* Adapted for comparison purposes.

	<u>2004</u>	<u>2003*</u>
Investment activities		
Purchase of interest-bearing securities	-377,127	-291,371
Redemption/sale of interest-bearing securities	60,666	131,228
Dividend received from participating interests	51	123
Investments in other equipment	<u>-3,258</u>	<u>-6,956</u>
Net cash flow from investment activities ⁴⁰	-319,668	-166,976
Financing activities		
Development Fund contribution received	37,261	37,261
Contributions by the State in connection with funds	19,248	53,265
Disbursements of debt securities	1,417	28,811
Disbursements of debentures and notes	323,193	578,267
Redemptions of debt securities	-122,022	-76,851
Redemptions of debentures and notes	-181,069	-154,088
Dividend paid	<u>-228</u>	<u>-228</u>
Cash flow from financing activities ⁴¹	<u>77,800</u>	<u>466,437</u>
Net cash flow	<u>-281,458</u>	<u>83,917</u>
Exchange differences	<u>5,372</u>	<u>10,791</u>
Net movement	<u>-276,086</u>	<u>94,708</u>
Banks and cash		
Banks and cash as at January 1	444,084	349,376
Banks and cash as at December 31	<u>167,998</u>	<u>444,084</u>
Movement in banks and cash	<u>-276,086</u>	<u>94,708</u>

⁴⁰ and ⁴¹ refer to the notes to the cash flow statement.

* Adapted for comparison purposes.

Notes

to the balance sheet and profit and loss account

General

The annual accounts have been drawn up in accordance with the provisions for the annual accounts as included in Part 9 Book 2 of the Netherlands Civil Code. As a result of the banking nature of its activities, the company abides wherever possible in drawing up the annual accounts with the models used by banks in the Netherlands (i.e. the models recommended by De Nederlandsche Bank N.V. as referred to in Article 417 of Book 2 of the Netherlands Civil Code). Where deemed necessary for a better understanding of the company's financial position and results, the prescribed models for the annual accounts may be departed from in certain respects.

FMO's activities

The activities of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (hereafter referred to as FMO) consist of financing activities at own risk and financing activities under government guarantee. Apart from these activities, FMO also provides services for government programs.

Financing activities at own risk and under government guarantee

The financing activities consist of the providing of loans, guarantees and equity capital in developing countries, either at own risk or under government guarantee. With respect to the latter category, FMO has concluded agreements with the State on the Seed Capital Fund (13% FMO participating interest) and the Small-scale Enterprise Fund, and manages FMO resources that have been deposited in the LDC Infrastructure Fund, NIMF (15% FMO participating interest), the Investment Facility Emerging Markets (IFOM) and the Balkan Fund.

Services for government programs

Supplementary funds provided by the State enable FMO to offer additional services. FMO implements the Development Related Export Transactions (ORET), Technical Assistance Emerging Markets (TAEM) and Investment Promotion and Technical Assistance (IPTA) subsidy schemes. Since these are grant/subsidy schemes, the IPTA Developing Countries and TAEM government programs are not incorporated in the annual accounts. FMO receives an agreed remuneration for these services.

Tax entity

A tax entity for corporation tax purposes was set up for FMO and its wholly-owned subsidiary NIO as from 1 January 2002.

Important contracts

FMO and the State of the Netherlands

The State of the Netherlands has undertaken to make an annual contribution towards the Development Fund up to and including 2005. In addition, the State has agreed to act as guarantor for the commitments entered into by FMO under loans raised in the capital market and various contracts it has concluded. A detailed description of the guarantee provisions under the State-FMO Agreement may be found under Other Information.

FMO and the government funds

Apart from making disbursements from its own resources, FMO provides loan finance from special government funds, within the conditions and objectives of those facilities. The funds consist of private-law agreements between the government and FMO (mainly the Small-scale Enterprise Fund and Seed Capital), as well as subsidies/grants provided under the Netherlands General Administrative Law Act (the LDC Infrastructure Fund, Netherlands Investment Matching Fund (NIMF), and the Balkan Fund).

Depending on the individual agreements reached with respect to each fund, FMO incurs a certain risk. In the case of the Seed Capital and NIMF funds, FMO has an equity stake of 13% and 15% respectively. With respect to the remaining interest in Seed Capital and NIMF, and the full risk in the remaining government funds, FMO has a contractual right to charge to the 'State results arising from the funds' activities. In the annual accounts the fund assets are included under 'Loans and equity investments guaranteed by the State' and fund liabilities are included under 'Liabilities to the State in connection with funds'. The individual results on the funds are shown in the profit and loss account with respect to the related area.

IFOM

FMO has been administering the Investment Facility Emerging Markets (IFOM) program on behalf of the Dutch Ministry of Economic Affairs since 1 April 2003. IFOM is an investment facility for emerging markets in which the State of the Netherlands acts as guarantor for 90% or 95% of the outstanding loans. These loans are included in the annual accounts under 'Loans guaranteed by the State'. In the case of losses with respect to the guarantee elements, FMO recognizes a receivable under 'Other receivables' defined as 'Receivable in connection with State guarantees'.

NIO and the State of the Netherlands

As an agent of the State of the Netherlands, FMO's subsidiary NIO acts on behalf of the Ministry of Foreign

Affairs as manager of part of the funding provided by the Dutch government. Apart from this bilateral financial development assistance, which has been almost entirely in grant form since 1991, NIO also administers a sizeable portfolio of concessional loans. The State of the Netherlands acts as guarantor for the repayment of interest and redemption of bond loans and private loans taken up by NIO. These loans are included in the consolidated annual accounts under 'Loans guaranteed by the State'. The State of the Netherlands also provides a contractual reimbursement to NIO consisting of a settlement for operating expenses and an interest subsidy, being the difference between the interest income on loans provided by NIO to developing countries under government guarantee and the interest charges on the funds raised by NIO in order to finance those loans.

Since 25 March 2002, NIO has been administering the ORET/MILIEV program on behalf of the Dutch government. ORET/MILIEV is a subsidy scheme operated by Development Cooperation (part of the Ministry of Foreign Affairs). NIO's tasks consist of decision-making, making disbursements and monitoring, as well as post-implementation evaluation of the projects. NIO's mandate runs for three years.

Change in accounting policies and other adjustments

Presentation of Total Result

In accordance with the amended RJ 270 reporting regulations, the company's 'Total result' statement has been added to the profit and loss account 2004. This statement shows the items that produce a change in the equity capital without passing through the profit and loss account. The translation difference on a subsidiary's equity capital is included in the total results statement.

Inclusion of government funds in the annual accounts

Up to and including the financial year 2003, the activities of the government funds, with the exception of IFOM, were not included in full in the annual accounts. Only the interests held directly by FMO in the Seed Capital (13%) and NIMF (15%) funds were included under 'Equity Investments.' The increased size of the funds and their close links with the FMO organization has encouraged the integral recognition of FMO's overall Finance activities so as to provide a full picture of FMO's operations.

The financial information on the IFOM, LDC Infrastructure, NIMF, Seed Capital, Balkan and Small-scale Enterprise funds have been included in the FMO annual accounts as from the financial year 2004, since FMO has the main decisionmaking powers. The comparative figures have been adjusted where necessary.

The amended system mainly affects the balance sheet ratios. FMO's results are less affected by the change in the system since fund losses are offset almost in their entirety with the principal.

Recognition of financial instruments in the balance sheet

A financial asset or financial liability is shown in the balance sheet from the point at which the company has a right to the benefits or is obliged to meet the obligations arising from the contractual provisions of the financial instrument. From the point at which these conditions are no longer fulfilled, a financial instrument is no longer included in the balance sheet. Financial assets and liabilities are included in the balance sheet on a net basis if the company has control over those assets and liabilities under the statutory or contractual provisions and has the intention to settle them on either a net basis or simultaneously.

General

Assets and liabilities are carried at nominal value, unless stated otherwise. The fair value (where necessary estimated) is stated in the notes to each balance sheet item. Where this is not stated, the balance sheet value does not differ materially from the fair value. The fair value is the amount at which the assets and liabilities can be exchanged between two parties. The stated fair values for each individual balance sheet item relate to opposing developments in currencies and the market values of derivatives and, from this viewpoint, will therefore cancel each other out.

Translation of foreign currencies

FMO's annual accounts have been drawn up in euros. The assets and liabilities in foreign currencies have been translated at the last known exchange rate during the reporting period, unless swap contracts have been included in order to hedge the currency risk, in which case valuation is based on the swap rates in question. In the case of dollar loans, swap contracts have been concluded with banking institutions. In so far as payments still need to be made on loans and equity investments in foreign currencies, the contractual obligation is calculated on the basis of the last known exchange rate during the reporting period. Currency differences are recognized separately under the 'Results from financial transactions'.

The translation differences on foreign subsidiaries form part of the 'Total Result' and are shown as an extension of the profit and loss account. In addition, these translation differences are shown as a direct movement in the 'Other Reserves'.

Funds received and loss compensation in respect of the government funds

The funds receivable under the subsidy/grant scheme are determined by the government at the end of the subsidy/grant period. Until that point, FMO carries a related obligation. Once the amount has been determined, FMO treats it as a payment by the shareholder, by way of analogy with the Development Fund.

The compensation arising from the contractual rights to charge development fund results to the State is recognized under 'Other Income'. To this end, the 'Liabilities to the State in connection with Funds' in the balance sheet is amended by the same amount. With respect to losses incurred under IFOM, a receivable is carried in order to represent the guaranteed element of the value adjustments to loans.

Derivatives

Derivatives are taken out for risk management purposes. These are used to cover currency and interest rate positions and are recognized in accordance with the accounting policies applying to those positions. Swap results are assigned to the period to which they relate.

Loans

Loans to the private sector and under government guaranteed by the State are stated at nominal value less value adjustments with respect to uncollectability.

Equity investments

Equity investments are stated at acquisition cost less value adjustments where there has been a reduction in value. Results of companies in which FMO has a participating interest are not taken into consideration except as regards distributed dividends and as noted above in relation to reductions in value. Dividends, cost reimbursements as well as results on the sale of participating interests are recognized on a cash basis, given the circumstances concerning the settlement of these transactions.

Value adjustments

Value adjustments are deducted in the balance sheet from the outstanding loans for the account and risk of FMO. A change is made to the outstanding obligation towards the government or a short-term receivable on the government is carried for the hidden element (in the case of IFOM), equal in size to the element of the loan guaranteed by the government. The size of the value adjustments is tested against the level of the risk-bearing assets and expectations concerning the debtor's future creditworthiness.

Value adjustments relate to individual loans. In determining these adjustments, payment arrears, future cash flows and indications concerning the market value of the financed enterprise are taken into account. If no data on the market value are available, the development of the financial position, results on the basis of recent financial reports, and dividend flows are taken into account. Additions to or releases from value adjustments to loans to the account and risk of FMO are carried in the profit and loss account as value adjustments to loans.

Added to identified risks and associated value adjustments, FMO maintains an Incurred But Not Reported provision. This provision is based on the non-infected part of the portfolio and takes two main factors into consideration: country risks and information arrears. This is done by estimating the risk of bankruptcy and the percentage of likely losses, taking account of information arrears, for each homogeneous group of loans and guarantees. The changed structure of the Incurred But Not Reported provision involves a change in the method of estimating incurred losses in relation to the preceding years. Had this not been done, the net after-tax profit for 2004 and the shareholders' equity as at 31 December 2004 would have been approximately EUR 3.2 million lower.

Interest-bearing securities

Interest-bearing securities are bonds and private loans forming part of the fixed assets. The securities recognized under this category are the ones that have been classified as an investment and are carried at redemption value. The difference from the acquisition cost (i.e. premium or discount) is recognized in the balance sheet under 'Accrued income or liabilities' and is shown under 'Interest income' in proportion to the remaining duration of the securities. In so far as these interest-bearing securities are sold, the result is assigned under interest income to the year under review and future financial years on the basis of the weighted average remaining duration of the portfolio, unless this results on balance in the capitalization of losses.

Participating interests

Participating interests in which a significant influence is exercised over the commercial and financial policy are valued at net asset value on the basis of the most recent information. The share in the results of the participating interests is included separately in the profit and loss account under 'Income from participating interests and equity investments'.

Other equipment

Equipment and furnishings are valued at acquisition cost less straight-line depreciation over the expected economic life. The depreciation period for equipment, hardware and software, office automation and furnishings is five, three, five and eight years respectively.

Other receivables and accrued income

These are carried at nominal value less any provisions deemed necessary for uncollectability.

Premium and discount on short-term credit

The premium and discount on short-term credit are amortized over the term of the credit and are shown as accrued income or accrued liabilities.

Costs associated with short-term credit

Costs associated with short-term credit are taken directly to the result.

Deferred tax

In the case of temporary differences between the valuation of assets and liabilities for taxation and commercial purposes respectively, deferred tax liabilities are formed. These are stated at nominal value and are calculated at the likely tax rate. Tax credits are carried in so far as it may be assumed that these will be realized in the future. The deferred tax is related to the Incurred But Not Reported provision and temporary value adjustments to equity investments (S. 13 ca of the Corporation Tax Act) and swap results on the investment portfolio.

Pensions

FMO has placed a defined benefit plan with an insurance company. The pensions are funded by means of annual annuities under which both the annual premium and any past service obligations are purchased. The actuarial rate of interest is 4%. The calculation of the annual pension entitlements charge is based on the past service those entitlements are based on (i.e. the so-called 'static method'). The adequacy test/cover ratio is guaranteed by the insurance company.

Provisions

In relation to the specification and valuation of provisions, reference is made to the notes on the relevant balance sheet item.

Taxation

The Corporate income tax payable is calculated on the basis of the pre-tax profit, taking account of the tax regulations. The tax burden shown in the annual accounts may differ from the normal statutory percentage on account of the tax treatment of results from equity investments (participation exemption), withholding tax arrangements and non-deductible costs.

Determination of results

Income and expenses are assigned to the period they relate to, unless stated otherwise. Interest income on loans and commitment fees are included under interest income according to the amount assignable to the year under review. In this regard, it may be noted that interest that is payable but not considered collectable is not presented as income. Penalty interest is recognized upon receipt under interest income.

Risk management

The main risks FMO faces in its operations include:

- credit risk
- market risk (interest rate and currency risk)
- liquidity risk
- operational risk

FMO has defined the above risks explicitly in accordance with the Organization and Control Regulations (ROB) of the Dutch central bank (DNB) and geared its risk management accordingly.

Credit risk

The policies employed to control the credit risk are to a significant extent determined by the agreement that FMO has concluded with the State, which excludes a number of activities, sectors and countries from FMO involvement. These are laid down in a strictly applied exclusion list. The risk policy has been unequivocally worked out with the aid of internal procedures, and the organizational and administrative procedures, investment criteria, and country, sector, debtor and group limits have been laid down. These limits are designed to avoid risk concentrations.

The lending process works on the basis of a formalized and strict system of procedures and decision-making competencies. These competencies have been differentiated according to both the size of the facility sought and the risk profile of the financing instrument in question. In this regard, FMO has decided not to assign individual approval competencies so that decisions can be taken solely by committee. In addition, (local) securities are generally insisted upon when concluding a loan. The

credit risk arising from the treasury activities (i.e. the investment portfolio and time deposits) are limited by the choice of reputable counterparties and issuers. FMO has set limits on the composition of the investment portfolio and the outstanding amounts held in treasury instruments. These depend in particular on the independent rating of the counterparty; this must be at least a minimum Standard & Poor's and Moody's rating (long-dated loans AA-/AA3 rating; short-term loans A2/P2 rating).

Market risk

FMO's policy is aimed at minimizing market risks (i.e. interest rate and currency risks). FMO does not have a trading portfolio. The treasury policy is split into three major components: interest-rate policy, currency policy, and investment policy. From this a defined set of treasury products has been defined, approved by the Supervisory Board. Limit frameworks have been determined under the policy, and the derived limits are clear-cut. Derivatives are also used to minimize the market risk. The Asset & Liability Committee (ALCO) assesses the risk reports and advises on limits. As such, the ALCO is concerned with balance sheet policy and management in the broad sense. Key features are management of interest rate, currency, liquidity and duration risks, and the solvency requirement.

Liquidity risk

The present treasury policy on investment provides for the need to maintain cash holdings, e.g. to cover the liquidity risk. FMO's AAA rating provides it with assured access to the market for funding, thereby greatly moderating the liquidity risk. The retention of a sizeable portfolio of liquid investments is consistent with the agreement between the State and FMO. An important aspect of this agreement is Article 8 (see Other information), under which the State guarantees that FMO will be able to discharge all its obligations arising from money and capital market transactions fully and on time.

Operational risk

FMO is concerned with the proper management of the operational risks. These risks can arise from inadequate procedures, information systems and/or actions by staff. Apart from the personnel policy and IT policy, an important control measure employed by FMO to limit the operational risks is an adequate system of administrative organization and internal control (AO/IC). Identified shortcomings are systematically followed up. The Internal Audit Department periodically tests whether critical operating processes are working effectively.

Notes to the balance sheet

	<u>2004</u>	<u>2003</u>
1 Banks and cash		
Cash	-	1
Short-term deposits	147,179	397,583
Bank balances funds managed on behalf of the State	19,472	44,966
Other bank balances	1,347	1,534
	<u>167,998</u>	<u>444,084</u>

Banks and cash are denominated in USD for EUR 1,853 (2003: EUR 8,655).

The company cannot freely dispose of the bank balances of funds.

Remaining terms of bank and cash:

Immediately due	1,347	1,535
3 months or shorter	166,651	360,049
Longer than 3 months, but shorter than 1 year	-	82,500
Longer than 1 year, but shorter than 5 years	-	-
Longer than 5 years	-	-
	<u>167,998</u>	<u>444,084</u>

2 Loans to the private sector

These loans to the private sector in developing countries are completely for the account and risk of FMO. As from 2004, the loans under the IFOM program are recorded as 'Loans guaranteed by the State'. The comparative figures have been amended accordingly.

Movements:

Nominal value of loans as at January 1	1,016,836	1,113,145
Disbursements	436,541	329,746
Repayments	-292,570	-192,531
Write offs	-38,004	-36,530
Exchange rate differences (closing rate)	-46,530	-196,994
Nominal value loans as at December 31 (closing rate)	1,076,273	1,016,836

Exchange rate differences from derivatives	97	6,999
Balance	1,076,370	1,023,835
Value adjustments	-183,178	-203,861
Net value of loans	<u>893,192</u>	<u>819,974</u>

The appendices of these annual accounts contain a specification of the portfolio per country and per sector.

Specific components of the loans portfolio

Loans denominated in USD	830,156	882,549
Loans denominated in EUR	236,569	116,998
Loans denominated in other currencies	9,548	17,289
	<u>1,076,273</u>	<u>1,016,836</u>

	<u>2004</u>	<u>2003</u>
· Loans to companies in which FMO has equity investments	72,611	50,300
· Amount of subordinated loans	101,992	85,506
· Amount of non-performing loans	83,089	136,573

Loans mainly carry floating interest, with rates of 1% to 8% above the basic rate.
The weighted average rate of interest as at December 31, 2004 was 6.0% (2003: 5.1%).

The remaining term of the loans is:

Immediately due	-	-
3 months or shorter	18,718	35,582
Longer than 3 months, but shorter than 1 year	68,063	39,374
Longer than 1 year, but shorter than 5 years	410,821	490,647
Longer than 5 years	578,671	451,233
	<u>1,076,273</u>	<u>1,016,836</u>

3 Equity investments

The equity investments have been made in companies in developing countries for the account and risk of FMO.

Movements:

Historical cost of equity investments as at January 1	125,091	124,660
Purchases	18,417	19,011
Sales	-13,170	-11,301
Write offs	-16,289	-7,279
Historical cost of equity investments as at December 31	114,049	125,091
Value adjustments	-37,685	-50,663
Balance as at December 31	<u>76,364</u>	<u>74,428</u>

A complete list of equity investments as defined in paragraph 5 of article 379 of Title 9, Book 2 of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague.

The appendices of these annual accounts contain a specification of the portfolio per country and per sector.

4 Loans and equity investments guaranteed by the State

These loans and participations are provided by FMO and are to a certain level guaranteed by the State. The risks, and therefore the associated losses, will be compensated by the State. The guaranteed percentage is indicated per fund. The compensation in connection with these loans has been recorded under Other Income (note 34).

Loans guaranteed by the State	112,946	107,024
Equity investments guaranteed by the State	91,530	64,154
	<u>204,476</u>	<u>171,178</u>

2004 2003

4a. Loans guaranteed by the State

The loans portfolio guaranteed by the State comprise the loans issued by the following funds:

IFOM	90-95%	17,330	20,352
Small-scale Enterprise Fund	100%	65,219	63,182
Seed Capital	87%	5,324	6,362
Balkan Fund	100%	5,060	2,559
NIMF	85%	7,030	6,000
LDC Fund	100%	12,373	7,959
European Investment Bank	100%	610	610
Balance value loans guaranteed by the State		<u>112,946</u>	<u>107,024</u>

Movements:

Nominal value of loans as at January 1		119,036	68,512
Disbursements		37,403	84,769
Repayments		-21,948	-22,212
Write offs		-6,048	-498
Exchange rate differences (closing rate)		-5,293	-11,535
Nominal value loans as at December 31 (closing rate)		<u>123,150</u>	<u>119,036</u>
Value adjustments		-10,204	-12,012
Net value of loans guaranteed by the State		<u>112,946</u>	<u>107,024</u>

The appendices of these annual accounts contain a specification of the portfolio per country and per sector.

Specific components of the loans portfolio guaranteed by the State

Loans denominated in USD	18,560	16,825
Loans denominated in EUR	43,851	39,435
Loans denominated in other currencies	60,739	62,776
	<u>123,150</u>	<u>119,036</u>

• Loans to companies in which FMO has equity investments	27,174	16,912
• Amount of subordinated loans	45,983	48,299
• Amount of non-performing loans	4,084	7,759

Loans mainly carry floating interest, with rates of 1% to 8% above the basic rate.

The weighted average rate of interest as at December 31, 2004 was 7.3% (2003: 7.5%).

The remaining term of the loans is:

Immediately due	-	-
3 months or shorter	2,347	777
Longer than 3 months, but shorter than 1 year	3,742	3,403
Longer than 1 year, but shorter than 5 years	68,349	72,913
Longer than 5 years	48,712	41,943
	<u>123,150</u>	<u>119,036</u>

		<u>2004</u>	<u>2003</u>
4b Equity investments guaranteed by the State			
The equity investments have been made in companies in developing countries by the following funds:			
Small-scale Enterprise Fund	100%	13,768	12,059
Seed Capital	87%	24,729	24,491
Balkan Fund	100%	5,633	4,633
NIMF	85%	5,855	5,893
LDC Infrastructure Fund	100%	36,163	13,256
European Investment Bank	100%	5,382	3,822
Balance of loan portfolio guaranteed by the State as at December 31		<u>91,530</u>	<u>64,154</u>
Movements:			
Historical cost of equity investments as at January 1		71,785	42,057
Purchases		32,264	32,776
Sales		-1,185	-2,677
Write offs		-930	-371
Historical cost of equity investments as at December 31		<u>101,934</u>	<u>71,785</u>
Value adjustments		-10,404	-7,631
Balance of loan portfolio guaranteed by the State as at December 31		<u>91,530</u>	<u>64,154</u>

The appendices of these annual accounts contain a specification of the portfolio per country and per sector.

5 Value adjustments

5a. Movement in value adjustments FMO portfolio

	Incurring but not reported	Guarantees	Loans	Equity investments	Total	Total
Book value as at January 1	64,836	9,368	139,025	50,663	263,892	302,722
Additions (net)	36,714	-604	-6,225	3,311	33,196	42,250
Exchange rate differences	-5,669	-885	-7,499	-	-14,053	-37,271
Write offs	-	-	-38,004	-16,289	-54,293	-43,809
Balance as at December 31	<u>95,881</u>	<u>7,879</u>	<u>87,297</u>	<u>37,685</u>	<u>228,742</u>	<u>263,892</u>
In % of gross portfolio	8.9%	6.1%	8.1%	33.0%	17.3%	20.7%

As from the year 2004 the Incurred But Not Reported provision (IBNR) has been determined as part of the value adjustments. Until the year 2003 FMO applied the General value adjustment. The balance at January 1, 2004 of the 'General Value Adjustment' (EUR 64,836) has been considered the starting balance of the IBNR.

			<u>2004</u>	<u>2003</u>
5b. Movement in value adjustments on portfolio guaranteed by the State				
	Loans	Equity investments	Totaal	Totaal
Book value as at January 1	12,012	7,631	19,643	8,492
Additions (net)	4,240	3,703	7,943	5,156
Take-over	-	-	-	6,866
Write offs	-6,048	-930	-6,978	-871
Balance as at December 31	<u>10,204</u>	<u>10,404</u>	<u>20,608</u>	<u>19,643</u>
In % of gross portfolio	8.3%	10.2%	9.2%	10.3%
FMO's risk participation:				
Net addition during the year	497	407	904	441
Balance as at December 31	871	1,282	2,153	1,711

FMO's own risk in this portfolio relates to the risk participation in the funds Seed Capital (13%), NIMF (15%) and that part of the IFOM loans (5-10%) which has not been guaranteed.

6 Interest-bearing securities

This portfolio contains marketable bonds and private loans with fixed interest rates, mainly issued by financial institutions.

Bonds (listed)	569,385	147,815
Private loans	22,689	127,798
	<u>592,074</u>	<u>275,613</u>

The interest-bearing securities have been issued by:

Private parties		
• Credit institutions	301,024	232,685
• Other	291,050	42,928
Public bodies	-	-
	<u>592,074</u>	<u>275,613</u>

Movements:

Balance as at January 1	275,613	115,470
Purchases	377,127	291,371
Sales/Repayments	-60,666	-131,228
Balance as at December 31	<u>592,074</u>	<u>275,613</u>

The remaining term of the interest-bearing securities which belong to the investment portfolio is:

Immediately due	-	-
3 months or shorter	32,689	25,000
Longer than 3 months, but shorter than 1 year	4,538	17,833
Longer than 1 year, but shorter than 5 years	255,847	86,494
Longer than 5 years	299,000	146,286
	<u>592,074</u>	<u>275,613</u>

	<u>2004</u>	<u>2003</u>
The market value (fair value) of the interest-bearing securities is EUR 607,646 (2003 EUR 281,352). Interest rates vary from 2.08% to 7.20%. The weighted average interest rate is 3.61% (2003: 3.93%).		
The premium reserve on interest-bearing securities is EUR 6,167 (2003: EUR 3,544) and has been recorded under accrued income.		

7 Participating interests

This refers to the 100% participating interest in the Netherlands Investment Bank for Developing Countries N.V. (NIO), FMO Participaties B.V. and FMO Antillen N.V.

	6,419	5,687
Movements:		
Net asset value as at January 1	5,687	3,692
Contribution	2,933	2,309
Translation difference	-453	-301
Share in result	-1,697	110
Declared dividend	-51	-123
Net asset value as at December 31	<u>6,419</u>	<u>5,687</u>

In 2004 FMO additionally contributed EUR 2,933 to FMO Antillen N.V.

8 Other equipment

This refers to the furniture, IT equipment and leasehold improvement.

Movements:		
Historical cost price as at January 1	11,626	7,766
Accumulated depreciation as at January 1	<u>-3,472</u>	<u>-4,974</u>
Balance as at January 1	<u>8,154</u>	<u>2,792</u>
Changes during the year:		
Investments	3,260	7,878
Depreciation	-2,064	-1,594
Accumulated depreciation on disinvestments	239	3,096
Disinvestments historical cost price	<u>-241</u>	<u>-4,018</u>
	1,194	5,362
Historical cost price as at December 31	14,645	11,626
Accumulated depreciation as at December 31	<u>-5,297</u>	<u>-3,472</u>
Balance as at December 31	<u>9,348</u>	<u>8,154</u>

	<u>2004</u>	<u>2003</u>
9 Other receivables		
Current account NIO	-	13,731
Taxes and social premiums	178	664
Deferred taxes	30,201	22,367
Current account FMO Antillen N.V.	16	16
Receivable in connection with State guarantees	5,251	7,554
Sundry receivables	1,117	3,229
	<u>36,763</u>	<u>47,561</u>

Temporary differences between commercial and fiscal results are related to the Incurred But Not Reported provision (IBNR) and temporary depreciation of investments as well as gains on reinvested interest-bearing securities. Deferred taxes have been established in respect of these differences.

The receivable in connection with State guarantees relate to the guaranteed IFOM loans which do have value adjustments, but which have not been claimed at December 31.

Sundry receivables mainly consist of loan-related receivables.

10 Accrued income

Accrued interest loans	9,641	10,588
Accrued income and interest on swaps and other assets	28,123	28,420
Other accrued income	566	1,247
	<u>38,330</u>	<u>40,255</u>

11 Banks

Short-term credit from banks and current account credits	<u>64,522</u>	<u>11,897</u>
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The liabilities under this item are short-term.
EUR 1,488 (2003: EUR 8,731) of the credit is denominated in USD.

The short-term credit from banks have been raised at interest rates varying from 0.5% to 2.52%. The weighted average interest rate of the short term credits in EUR and USD as at December 31, 2004 are 2.16% and 2.52% respectively (2003: 1.8% and 1.5%).

The remaining terms of short term credits and current accounts credits from banks are:

Immediately due	-	-
3 months or shorter	64,522	11,897
Longer than 3 months, but shorter than 1 year	-	-
Longer than 1 year, but shorter than 5 years	-	-
Longer than 5 years	-	-
	<u>64,522</u>	<u>11,897</u>

	<u>2004</u>	<u>2003</u>
12 Debt securities		
This item includes all non-subordinated debt, which has not been identified as debentures and notes payable to banks. Debt securities do not include save deposits		
Debt securities consist of private loans and deposits raised in Dutch and foreign capital markets. from professional counterparties		
Movements:		
Balance as at January 1	293,701	367,877
Disbursements	1,417	28,811
Redemptions	-122,022	-76,851
Exchange rate differences	-2,634	-26,136
Balance as at December 31	<u>170,462</u>	<u>293,701</u>
The remaining term of debt securities is:		
Immediate due	-	-
3 months or less	21,555	64,991
Longer than 3 months but no longer than 1 year	20,511	42,510
Longer than 1 year but no longer than 5 years	80,135	109,050
Longer than 5 years	48,261	77,150
	<u>170,462</u>	<u>293,701</u>
Debt securities denominated in EUR	149,340	271,486
Debt securities denominated in JPY	21,122	22,215
	<u>170,462</u>	<u>293,701</u>

The loans have been raised at interest rates varying from 1.85% to 8.07%. The weighted average rate of interest of debt securities in EUR and JPY as at December 31, 2004 are 5.48% and 1.85% (2003: 5.2% and 1.9%)

The fair value of the debt securities is EUR 180,691 (2003: EUR 317,187)

13 Debentures and notes

Debentures and notes consist of medium term notes under the FMO EMTN Program.

Movements:		
Balance as at January 1	620,029	280,045
Disbursements during book year	323,193	578,267
Redemptions	-181,069	-154,088
Exchange rate differences	-37,372	-84,195
Balance as at December 31	<u>724,781</u>	<u>620,029</u>
The remaining term of debentures and notes is:		
Immediately due	-	-
3 months or shorter	-	-
Longer than 3 months, but shorter than 1 year	-	-
Longer than 1 year, but shorter than 5 years	179,633	100,079
Longer than 5 years	545,148	519,950
	<u>724,781</u>	<u>620,029</u>

	<u>2004</u>	<u>2003</u>
Debentures and notes in AUD	43,064	-
Debentures and notes in USD	355,390	358,342
Debentures and notes in JPY	326,327	261,687
	<u>724,781</u>	<u>620,029</u>

The loans have been raised at interest rates varying from 0.00% to 13.5%. The weighted average rate of interest of debentures and notes in USD, JPY and AUD as at December 31, 2004 are 4.43%, 1.55% and 13.25% respectively (2003: 3.9% and 2.7%, no AUD).

The fair value of the debt securities is EUR 753,172 (2003: EUR 626,917).

14 Liabilities to the State in connection with funds

The loans and participations guaranteed by the State originate from individual agreements between FMO and the State as well as from supplementary funds. The amounts received are considered to be liabilities until the State issues its final assessment.

FMO has the right to compensate for the net results from the funds with the associated liability to the State in connection with the funds. The compensation relates mainly to value adjustments of the portfolio and exchange differences.

Movement:

Balance as at January 1	189,624	152,875
Contributions by the State in connection with funds	19,248	53,265
Compensation of results from funds	309	-6,402
Compensation for services provided by FMO	-10,394	-10,114
Balance as at December 31	<u>198,787</u>	<u>189,624</u>

15 Other liabilities

Taxes and social security contributions	22,730	1,233
Deferred taxes	928	1,342
Current account NIO	658	-
Current account FMO Participaties B.V.	511	511
Liabilities for guarantees	7,879	9,367
Pension premiums	1,807	4,320
Other liabilities	2,153	1,127
	<u>36,666</u>	<u>17,900</u>

16 Current accounts with funds and the State

Current account ECIP	594	304
Current account IPTA	2,856	462
	<u>3,450</u>	<u>766</u>

This refers to the current account between FMO and programs managed on behalf of the State.

	<u>2004</u>	<u>2003</u>	
17 Accrued liabilities			
Accrued interest banks, debt securities and debentures and notes	10,418	11,532	
Accrued liabilities	<u>7,747</u>	<u>5,920</u>	
	<u>18,165</u>	<u>17,452</u>	
18 Provisions			
Provision for early retirement	3,794	3,346	
Provision for severance arrangements	<u>404</u>	<u>498</u>	
	<u>4,198</u>	<u>3,844</u>	
Movement of provisions			
	Total	Early Retirement	Severance
Balance as at January 1	3,844	3,346	498
Addition	722	706	16
Paid out	<u>-368</u>	<u>-258</u>	<u>-110</u>
Balance as at December 31	<u>4,198</u>	<u>3,794</u>	<u>404</u>

The provision for early retirement is made for early retirement obligations some of which have not yet commenced. This provision is determined using present value calculations (interest rate 3% (2002: 3%)), taking into account probabilities regarding continuation in employment with the Company and participation in the scheme by eligible personnel. The provision for severance arrangements is determined using present value calculations.

The provisions relate mainly to long-term obligations.

19 Share capital

The authorized capital amounts to EUR 45.38 million, consisting of 51% A shares of EUR 22.69, each of which may only be held by the State of the Netherlands, and 49 % B shares, also of EUR 22.69 each, which may be held by private investors.

Authorized share capital		
1,020,000 A shares x EUR 22.69	23,144	23,144
980,000 B shares x EUR 22.69	<u>22,236</u>	<u>22,236</u>
	<u>45,380</u>	<u>45,380</u>
Issued and paid-up share capital		
204,000 A shares x EUR 22.69	4,629	4,629
196,000 B shares x EUR 22.69	<u>4,447</u>	<u>4,447</u>
	<u>9,076</u>	<u>9,076</u>

Shareholders' statutory rights

The equity of the company comprises three reserves which result from agreements with the State. These are the Share Premium Reserve, the Development Fund and the Contractual Reserve. As long as the company continues its activities, these reserves are not available to the shareholders. Upon liquidation of FMO these reserves fall due to the State, after settlement of the contractual return to the shareholders. Except for rights concerning distribution of seats on the Supervisory Board of the Company, shareholders A and B have the same statutory rights.

	<u>2004</u>	<u>2003</u>
20 Share premium reserve		
Share Premium Reserve shareholder A, contributed on the transfer to the Company of investments administered on behalf of the State on the financial restructuring.	8,061	8,061
Share Premium Reserve, contributed by shareholder A in relation to the financial restructuring and appropriated to compensate for possible losses from activities financed from the Development Fund.	<u>21,211</u>	<u>21,211</u>
	<u>29,272</u>	<u>29,272</u>
21 Development fund		
This special purpose reserve contains the annual budgetary allocations made by the State to finance the portfolio of loans and equity investments. In 2004 an amount of EUR 37,261 was received.	<u>620,721</u>	<u>583,461</u>
Present balance of the Development Fund	620,721	
Contribution to be received in 2005	<u>37,261</u>	
Contractual size of the Development Fund	<u>657,982</u>	
In 2005 FMO will receive the final contribution to the Development fund under the current agreement.		
22 Contractual reserve		
Balance as at January 1	101,074	82,706
Addition	<u>33,383</u>	<u>18,368</u>
Balance as at December 31	<u>134,457</u>	<u>101,074</u>
The addition relates to that part of the annual profit which FMO is obliged to reserve under the Agreement with the State.		
23 Other reserves		
Balance as at January 1	7,491	7,688
Translation differences on participating interests	-453	-301
Addition	<u>1,119</u>	<u>104</u>
Balance as at December 31	<u>8,157</u>	<u>7,491</u>
24 Undistributed profit		
Balance as at January 1	1,347	331
Add profit 2004	35,633	19,716
Appropriation to contractual reserve	-33,383	-18,368
Appropriation to other reserves	-1,119	-104
Paid out dividend	<u>-228</u>	<u>-228</u>
Balance as at December 31	<u>2,250</u>	<u>1,347</u>

	<u>2004</u>	<u>2003</u>
25 Contingent liabilities		
The company issued guarantees regarding repayments and interest payment for a number of projects. The nominal amount of the guarantees is valued at the last known exchange rate in 2004.		
Effective guarantees	127,986	130,361
Issued	36,975	58,710
Redemptions	-26,303	-44,021
Rate of exchange adjustments	-8,000	-17,064
	<u>130,658</u>	<u>127,986</u>
Less: presented under other liabilities	-7,879	-9,368
	<u>122,779</u>	<u>118,618</u>

The above balance included issued guarantees which are guaranteed by the State for EUR 2,529 (2003: nil).

26 Irrevocable facilities

Contractual commitments for disbursements on account of:

• Loans	236,539	255,718
• Equity investments	78,996	76,945
• Put-option related to syndicated loan	10,776	11,680
• Contractual commitments for guarantees	101,963	67,460
	<u>428,274</u>	<u>411,803</u>

27 Derivatives

The company has entered into OTC Swap contracts and FRA with reputable banks to hedge exchange rate and interest risks. These contracts mature up to and including the year 2015.

The statement below presents the notional amounts of the derivatives, the remaining terms and the positive fair values.

The notional amounts are the principal amounts represented by derivatives in absolute value and give an indication of the volume of activities.

	positive fair value	notional amount			Total	Total
		< 1 year	1 to 5 years	> 5 years		
OTC						
Interest rate (currency) swaps	84,486	176,529	362,193	869,911	1,408,633	1,808,108
Currency swaps	3,864	144,921	-	22,950	167,871	185,881
FRA	-	36,889	-	-	36,889	79,397
	<u>88,350</u>	<u>358,339</u>	<u>362,193</u>	<u>892,861</u>	<u>1,613,393</u>	<u>2,073,386</u>

	2004	2003
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28 Other commitments not included in the balance sheet

Office rent and lease cars

As at January 31, 2003 a rental agreement has been made in connection with the office premises at the Anna van Saksenlaan. FMO committed for a ten year rental period.

Annual office rent commitments	1,948	1,891
Annual lease commitments	710	670
	2,658	2,561

The remaining term, of the indexed commitments is as follows:

Shorter than 1 year	2,716	2,618
Longer than 1 year, but shorter than 5 years	9,369	9,123
Longer than 5 years	7,188	9,446
	19,273	21,187

Notes to the profit and loss account

29 Interest income

Interest on loans	89,138	85,367
Interest on cash and banks	6,814	10,454
Interest on interest-bearing securities	14,505	7,439
Commitment fees	11,314	7,693
	121,771	110,953

The interest risk on loans carrying floating interest has been covered by interest rate swaps. Interest on loans includes the results of these swaps.

Interest income includes EUR 7,250 (2003: EUR 7,345) that relate to the loans guaranteed by the State.

The relative share of interest on loans per region is as follows:

Africa	13%	14%
Asia	21%	28%
(Eastern)Europe & Central Asia	15%	15%
Latin America & The Caribbean	51%	43%
	100%	100%

30 Interest expense

Interest on debt securities and banks	13,170	14,389
Interest on debentures and notes	16,844	10,559
Interest on other borrowings	1,608	1,280
Brokerage charges for attracting borrowings and charges for the early repayment of debt securities	52	257
	31,674	26,485

The interest on debt securities and banks mainly relate to debt securities issued in Europe. The interest on debentures and notes originates from debentures/notes issued in Asia (approximately 60%) and Europe (approximately 40%).

31 Income from participating interests and equity investments

	<u>2004</u>	<u>2003</u>
Dividends	3,637	3,611
Result from the sale of equity investments	14,791	6,115
Result from participating interests	-1,697	110
	<u>16,731</u>	<u>9,836</u>

Result from the sale of equity investments consists of the proceeds realized from the sale of equity investments less historical costs. The result from participating interests relate to FMO's share in the results of FMO Participaties B.V., FMO Antillen N.V. en NIO.

The income from equity investments include income from equity investments guaranteed by the State in the amount of EUR 2,542 (2003: EUR 3,107)

The relative share of interest on loans per region is as follows:

Africa	7%	12%
Asia	84%	44%
(Eastern)Europe & Central Asia	15%	18%
Western Europe	0%	1%
Latin America & The Caribbean	-6%	25%
	<u>100%</u>	<u>100%</u>

32 Results from financial transactions

Exchange results related to activities guaranteed by the State	-5,575	-13,800
Exchange results related to FMO activities	311	-1,505
	-5,264	-15,305
Result on sale of derivatives	6,427	1,391
	<u>1,163</u>	<u>-13,914</u>

The exchange differences related to activities guaranteed by the State mainly originate from the Small-scale Enterprise fund. This fund provides local currency loans which in the nature of the fund no hedges are in place. The compensation for these exchange results has been included in Other Income.

The result sale derivatives consists of the proceeds realized from the sale of derived financial instruments (swaps) and the sale of warrants out of the portfolio.

33 Remuneration for services rendered

These include the following remuneration:

Funds and programs managed on behalf of third parties		
• For the State (excluding NIO)	11,729	11,288
• NIO (including ORET)	4,458	4,847
Syndication fees and emoluments from directorships	2,972	2,524
	<u>19,159</u>	<u>18,659</u>

Remuneration for managing funds and programs on behalf of third parties is expressed in gross amounts. Management expenses are included in operating expenses.

	<u>2004</u>	<u>2003</u>
34 Other income		
Compensation for net results from fund activities	-309	6,402
Compensation in connection with IFOM loans	2,663	1,284
Other income	2,693	2,494
	<u>5,047</u>	<u>10,180</u>

Other income includes revenues from claims that have been written off and the realization of certain rights. This heading also includes the compensation of results from funds with the State, as described in note 14. The compensation mainly arises as a result of exchange differences and value adjustments on the guaranteed portfolio.

35 Staff costs

Salaries	13,863	13,653
Social security contributions	1,081	967
Pension charges and transfers to the provision for early retirement	4,898	3,536
Temporaries	984	858
Travel and subsistence allowances	1,590	1,299
Other personnel expenses	3,420	3,604
	<u>25,836</u>	<u>23,917</u>

The average number of employees in 2004 was 197 FTE (2003: 196 FTE).

The remuneration paid to two executive officers in 2004 is EUR 703 (2003: EUR 705) and is specified as follows:

	Periodic remuneration	Performance- related pay	Regular pension charges	Other	Total	Total
R.M. Barth	261	60	67 *	18	406	410
N.D. Kleiterp	188	34	59	16	297	295
	<u>449</u>	<u>94</u>	<u>126</u>	<u>34</u>	<u>703</u>	<u>705</u>

*Additionally, FMO recorded a one-off pension charge of EUR 190 in connection with the (early)retirement rights Mr. Barth acquired during the last four years of service.

36 Other administrative expenses

These expenses consist of accommodation expenses, services from third parties and sundry operational expenses. The remuneration paid to the Supervisory Board is included in these expenses.

<u>8,585</u>	<u>7,241</u>
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As at December 31, 2004 the Supervisory Board consisted of 10 members (2003: 10).

The members of the Supervisory Board were paid a total remuneration of EUR 127 in 2004 (2003: EUR 127).

	<u>2004</u>	<u>2003</u>
37 Other operating expenses		
This consists mainly of capital transfer tax.	231	611
38 Taxation on operating result		
Corporate tax for the year	18,709	7,867
Corporate tax on previous years	-	877
	<u>18,709</u>	<u>8,744</u>
The tax for the book year can be specified as follows:		
Taxation on operating result	18,748	10,124
Adjusted for permanent differences:		
• Participation exemption	-2,257	-1,596
• Local withholding tax	345	348
	<u>16,836</u>	<u>8,876</u>
Adjustment of the deferred tax asset due to decreased corporate tax rates	2,876	-
Settlement of local withholding taxes	-1,003	-1,009
	<u>18,709</u>	<u>7,867</u>

Notes to the cash flow statement

The cash flow statement shows the sources of the liquidity that became available during the book year and the application of this liquidity.

The cash flows are split according to operational activities, investment and financing activities.

The cash flow statement is prepared in accordance with the direct method.

39 Net cash flow from operational activities

This item refers to movements in liquidity caused by the loans and equity investments.

The movement in the item 'banks' is also reflected.

40 Net cash flow from investment activities

This item reflects the purchase and redemption/ sale of interest-bearing securities and investments in equipment.

41 Net cash flow from financing activities

This item reflects the equity contribution received from the State and the dividend paid and debentures and notes as well as disbursements and redemptions of debt securities.

Consolidated

Annual accounts 2004

Consolidated

Balance sheet

as at December 31, 2004, before profit appropriation

	<u>2004</u>	<u>2003*</u>
Assets		
Banks and cash ¹	168,372	444,093
Loans to the private sector	893,192	819,974
Equity investments ^{2,4}	81,171	78,501
Loans and equity investments guaranteed by the State ^{3,4}	1,061,717	1,498,399
Interest-bearing securities	592,074	275,613
Other equipment	9,348	8,154
Other receivables ⁵	36,752	33,819
Current accounts with State programs and the State ⁶	207,083	14,951
Accrued income ⁷	<u>54,578</u>	<u>63,155</u>
Total assets	<u>3,104,287</u>	<u>3,236,659</u>
Liabilities		
Banks ⁸	582,839	544,677
Debt securities ⁹	221,681	430,808
Debentures and notes ¹⁰	1,214,857	1,223,809
Liabilities to the State in connection with funds	198,787	189,624
Current accounts with State programs and the State ¹¹	3,450	50,291
Other liabilities ¹²	35,577	17,418
Accrued liabilities ¹³	38,965	44,467
Provisions	<u>4,198</u>	<u>3,844</u>
	2,300,354	2,504,938
Shareholders' equity	<u>803,933</u>	<u>731,721</u>
Total liabilities	<u>3,104,287</u>	<u>3,236,659</u>
Contingent liabilities ¹⁴	128,286	128,567
Irrevocable facilities ¹⁵	430,804	414,333

1 through 15 refer to the notes to these consolidated accounts.

** Adapted for comparison purposes.*

Consolidated

Profit and loss account

2004

	<u>2004</u>	<u>2003*</u>
Income		
Interest income ¹⁶	154,337	150,261
Interest expense ¹⁷	<u>85,848</u>	<u>98,804</u>
Interest	68,489	51,457
Income from participating interests and equity investments	18,428	9,726
Results from financial transactions	1,163	-13,914
Remuneration for services rendered	19,159	18,608
Other income ¹⁸	<u>26,745</u>	<u>43,361</u>
Total income	<u>133,984</u>	<u>109,238</u>
Expenses		
Administrative expenses		
• Staff costs	25,836	23,917
• Other administrative expenses	<u>8,602</u>	<u>7,280</u>
	34,438	31,197
Depreciation	2,064	1,594
Other operating expenses	<u>237</u>	<u>618</u>
Operating expenses	36,739	33,409
Value adjustments to loans and guarantees ⁴	34,125	41,195
Value adjustments to equity investments ⁴	<u>8,755</u>	<u>6,148</u>
	<u>42,880</u>	<u>47,343</u>
Total expenses	<u>79,619</u>	<u>80,752</u>
Result before taxation	54,365	28,486
Taxation on operating result	<u>18,732</u>	<u>8,770</u>
Net profit	<u>35,633</u>	<u>19,716</u>
Summary Total Result:		
Translation differences	<u>-453</u>	<u>-301</u>
Total result	<u>35,180</u>	<u>19,415</u>

1 through 18 refer to the notes to these consolidated accounts.

* Adapted for comparison purposes.

Consolidated

Cash flow statement

2004

	<u>2004</u>	<u>2003</u>
Operations		
Net profit	35,633	19,716
Adjusted for:		
• result from sale of equity investments	-14,791	-6,115
• depreciation	2,064	1,594
• value adjustments	42,880	47,343
• increase in provisions	354	437
• movement in liability due to compensation with State	-10,085	-16,516
• movement in working capital (excluding State programs)	<u>18,301</u>	<u>11,153</u>
Net operating cash flow	74,356	57,612
Operational activities		
Loan disbursements	-436,541	-329,746
Disbursements on loans guaranteed by the State	-37,403	-84,769
Loan repayments	292,570	192,531
Repayments of loans guaranteed by the State	461,320	112,181
Movement balance received from guarantee by the State	30,608	69,058
Purchase of equity investments	-21,350	-21,320
Purchase of equity investments guaranteed by the State	-32,264	-32,776
Sale of equity investments	26,886	16,877
Sale of equity investments guaranteed by the State	2,260	3,415
Movement in banks	38,162	39,460
Movement in working capital State programs	<u>-238,187</u>	<u>39,070</u>
Net cash flow from operational activities	86,061	3,981

	<u>2004</u>	<u>2003</u>
Investment activities		
Purchase of interest-bearing securities	-377,127	-291,371
Redemption/sale of interest-bearing securities	60,666	131,228
Investments in other equipment	<u>-3,258</u>	<u>-6,956</u>
Net cash flow from investment activities	-319,719	-167,099
Financing activities		
Received contribution Development Fund	37,261	37,261
Contributions by the State in connection with funds	19,248	53,265
Disbursements of debt securities	1,417	28,811
Disbursements of debentures and notes	323,193	578,267
Redemptions of debt securities	-122,022	-76,851
Redemptions of debentures and notes	-181,069	-154,088
Disbursements of debt securities guaranteed by the State	1,594	87,525
Redemptions of debt securities guaranteed by the State	-87,482	-24,642
Redemptions of debentures and notes guaranteed by the State	-113,704	-340,335
Dividend paid	<u>-228</u>	<u>-228</u>
Cash flow from financing activities	<u>-121,792</u>	<u>188,985</u>
Net cash flow	<u>-281,094</u>	<u>83,479</u>
Exchange differences	<u>5,373</u>	<u>10,792</u>
Net movement	<u>-275,721</u>	<u>94,271</u>
Bank and cash		
Banks and cash as at January 1	444,093	349,822
Banks and cash as at December 31	<u>168,372</u>	<u>444,093</u>
Movement in banks and cash	<u>-275,721</u>	<u>94,271</u>

Notes

to the consolidated balance sheet and profit and loss account

General

The consolidated annual accounts of the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (hereafter referred to as 'the company' or 'FMO') have been drawn up in accordance with the provisions for the annual accounts as included in Part 9 Book 2 of the Netherlands Civil Code. As a result of the banking nature of its activities, FMO abides wherever possible in drawing up the consolidated annual accounts with the models used by banks in the Netherlands (i.e. the models recommended by De Nederlandsche Bank N.V. as referred to in Article 417 of Book 2 of the Netherlands Civil Code). Where deemed necessary for a better understanding of the company's financial position and results, the prescribed models for the annual accounts may be departed from in certain respects.

Scope of the consolidation

FMO's consolidated annual accounts comprise the financial information of the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), the Nederlandse Investeringsbank voor Ontwikkelingslanden N.V. (NIO), FMO Participaties B.V. and FMO Antillen N.V.

The list of participating interests as referred to in Articles 379 and 414, Book 2 of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague, where it is available for inspection.

Consolidation principles

The consolidated annual accounts include the financial statements for FMO and the group companies in which FMO has effective control with respect to the management and financial policy. The financial statements of the group companies is consolidated in full. The balances and the results from transactions among the various entities have been eliminated in the consolidation of the balance sheet and the profit and loss account.

Accounting policies

General

The accounting policies for the consolidated annual accounts, as well as the notes to the balance sheet and the profit and loss account, generally correspond with the information provided for the company's annual accounts. In these cases, reference is made to the information provided in the company's annual accounts. In the remaining cases, supplementary information is provided in the notes to the consolidated annual accounts.

Costs associated with short-term credit

Costs associated with short-term credit are charged directly to the result. In the past, the costs of bonds issued in particular by NIO (included under debt securities) have been capitalized and included under prepayments and accrued income.

Notes to the consolidated balance sheet

	<u>2004</u>	<u>2003</u>
1 Banks and cash		
Cash	374	10
Short-term deposits	147,179	397,583
Bank balances funds managed on behalf of the State	19,472	44,966
Other bank balances	1,347	1,534
	<u>168,372</u>	<u>444,093</u>

Banks and cash are denominated in USD for EUR 1,853 (2003: EUR 8,655).

The company cannot freely dispose of the bank balances of funds and can only be used to realize objectives of the funds.

Remaining terms of bank and cash:

Immediately due	1,721	1,544
3 months or shorter	166,651	360,049
Longer than 3 months, but shorter than 1 year	-	82,500
Longer than 1 year, but shorter than 5 years	-	-
Longer than 5 years	-	-
	<u>168,372</u>	<u>444,093</u>

2 Equity investments

The equity investments have been made in companies in developing countries for the account and risk of FMO.

Movements:

Historical cost of equity investments as at January 1	129,669	127,429
Purchases	21,350	21,320
Sales	-13,170	-11,500
Translation difference	-458	-301
Write offs	-16,289	-7,279
Historical cost of equity investments as at December 31	<u>121,102</u>	<u>129,669</u>
Value adjustments	-39,931	-51,168
Balance as at December 31	<u>81,171</u>	<u>78,501</u>

The appendices of these annual accounts contain a specification of the portfolio per country and per sector.

3 Loans and equity investments guaranteed by the State

These loans and participations are provided by FMO and are to a certain level guaranteed by the State. The risks, and therefore the associated losses, will be compensated for by the State. The guaranteed percentage is indicated per fund. The compensation in connection with these loans has been recorded under Other Income (note 18).

Loans guaranteed by the State	970,187	1,434,245
Equity investments guaranteed by the State (see note 4. of the notes to the balance sheet)	91,530	64,154
	<u>1,061,717</u>	<u>1,498,399</u>

		<u>2004</u>	<u>2003</u>
The loans portfolio guaranteed by the State comprise the loans issued by the following funds:			
Nederlandse Investeringsbank voor Ontwikkelingslanden	100%	857,241	1,327,221
IFOM	90-95%	17,330	20,352
Small-scale Enterprise Fund	100%	65,219	63,182
Seed Capital	87%	5,324	6,362
Balkan Fund	100%	5,060	2,559
NIMF	85%	7,030	6,000
LDC Fund	100%	12,373	7,959
European Investment Bank	100%	610	610
Net value of loans guaranteed by the State		<u>970,187</u>	<u>1,434,245</u>
Movements:			
Nominal value of loans as at January 1		1,446,257	1,554,760
Disbursements		37,403	84,769
Repayments		-461,320	-112,181
Movement of guaranteed amounts by the State of the Netherlands in connection with guarantees		-30,608	-69,058
Write offs		-6,048	-498
Exchange rate differences (closing rate)		-5,293	-11,535
Nominal value of loans as at December 31 (closing rate)		<u>980,391</u>	<u>1,446,257</u>
Value adjustments		-10,204	-12,012
Net value of loans guaranteed by the State		<u>970,187</u>	<u>1,434,245</u>
Specific components of the loans portfolio guaranteed by the State			
Loans denominated in USD		18,560	16,825
Loans denominated in EUR		901,092	1,366,656
Loans denominated in other currencies		60,739	62,776
		<u>980,391</u>	<u>1,446,257</u>
• Loans to companies in which FMO has equity investments		27,174	16,912
• Amount of subordinated loans		45,983	48,299
• Amount of non-performing loans		4,084	7,759
The remaining term of the loans is:			
Immediately due		12,878	13,086
3 months or shorter		30,553	43,519
Longer than 3 months, but shorter than 1 year		79,870	113,065
Longer than 1 year, but shorter than 5 years		412,888	585,879
Longer than 5 years		444,202	690,708
		<u>980,391</u>	<u>1,446,257</u>

The weighted average rate of interest on NIO loans is 2.83% (2003: 2.74%). The weighted average rate of interest on loans issued by the funds is 7.3% (2003: 7.5%).

Payments by the State on guaranteed NIO loans are deducted from the reported loan balance. The company has the obligation to disburse amounts only in that case its debtors fail to pay back their loans.

					<u>2004</u>	<u>2003</u>
	Incurring but not reported	Guarantees	Loans	Equity investments	Total	Total
Book value as at January 1	64,836	9,368	139,025	51,168	264,397	303,289
Additions (net)	36,714	-604	-6,225	5,052	34,937	42,188
Exchange rate differences	-5,669	-885	-7,499	-	-14,053	-37,271
Write offs	-	-	-38,004	-16,289	-54,293	-43,809
Balance as at December 31	<u>95,881</u>	<u>7,879</u>	<u>87,297</u>	<u>39,931</u>	<u>230,988</u>	<u>264,397</u>
In % of gross portfolio	8.9%	6.1%	8.1%	33.0%	17.4%	20.6%

As from the year 2004 the Incurred But Not Reported provision (IBNR) has been determined as part of the value adjustments. Until the year 2003 FMO applied the 'General Value Adjustment'. The balance at January 1, 2004 of the 'General Value Adjustment' (EUR 64,836) has been considered the starting balance of the IBNR.

Note 5 of the notes to the balance sheet includes the movement of value adjustments on loans and equity investments guaranteed by the State.

No value adjustments have been recorded regarding loans originated by NIO, and fully guaranteed by the State.

5 Other receivables

Taxes and social premiums	178	664
Deferred taxes	30,201	22,367
Receivable in connection with State guarantees	5,251	7,554
Sundry receivables	<u>1,122</u>	<u>3,234</u>
	<u>36,752</u>	<u>33,819</u>

Temporary differences between commercial and fiscal results are related to the Incurred But Not Reported provision (IBNR) and temporary depreciation of investments as well as gains on reinvested interest-bearing securities. Deferred taxes have been established in respect of these differences.

The receivable in connection with State guarantees relates to the guaranteed IFOM loans which do have value adjustments, but which have not been claimed at December 31.

Sundry receivables mainly consist of loan-related receivables.

6 Current accounts with State programs and the State

Deposit at 'State Accounting Services' ('Rijkshoofdboekhouding')	110,000	-
Current account with the State of the Netherlands	83,378	-
Interest free loan NIO to the State	<u>13,705</u>	<u>14,951</u>
	<u>207,083</u>	<u>14,951</u>

2004 2003

This relates to the current account NIO and the State Accounting Services and the interest-free loan from NIO to the State. The deposit at the State Accounting Services (EUR 110,000) bears an average interest rate of 2.15%. NIO receives an average interest rate of 3.93% on the current account balance with the State Accounting Services.

7 Accrued income

Accrued interest loans	20,114	25,763
Accrued income and interest on swaps and other assets	30,249	30,675
Other accrued income	4,215	6,717
	54,578	63,155

The accrued income includes an amount of EUR 2,893 (2003: EUR 5,402) to be claimed from the State of the Netherlands.

8 Banks

Short-term credit from banks and current account credits	582,839	544,677
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EUR 1,488 (2003: EUR 8,731) of the credit is denominated in USD.

The short-term credit from banks have been raised at interest rates varying from 0.5% to 5.73%. The weighted average interest rate of the short term credits in EUR and USD as at December 31, 2004 are 2.16% and 2.52% respectively (2003: 1.8% and 1.5%).

The weighted average interest rate of the private loans (NIO) as at December 31, 2004 is 4.67% (2003: 4.69%) NIO loans guaranteed by the State of the Netherlands amount to EUR 521,000 (2003: EUR 536,000)

The remaining terms of short term credits and current accounts credits from banks are:

Immediately due	-	-
3 months or shorter	67,839	8,677
Longer than 3 months, but shorter than 1 year	15,000	15,000
Longer than 1 year, but shorter than 5 years	470,000	396,000
Longer than 5 years	30,000	125,000
	582,839	544,677

9 Debt securities

This item includes all non-subordinated debt, which has not been identified as debentures and notes payable to banks. Debt securities do not include savings deposits.

Debt securities consist of private loans and deposits raised in Dutch and foreign capital markets from professional counterparties.

	<u>2004</u>	<u>2003</u>
Movements:		
Balance as at January 1	430,808	442,101
Disbursements	3,011	116,336
Redemptions	-209,504	-101,493
Exchange rate differences	-2,634	-26,136
Balance as at December 31	<u>221,681</u>	<u>430,808</u>
The remaining term of debt securities is:		
Immediate due	2,994	3,707
3 months or less	21,555	64,991
Longer than 3 months but no longer than 1 year	20,686	67,685
Longer than 1 year but no longer than 5 years	102,835	191,750
Longer than 5 years	73,611	102,675
	<u>221,681</u>	<u>430,808</u>
Debt securities denominated in EUR	200,559	408,593
Debt securities denominated in JPY	21,122	22,215
	<u>221,681</u>	<u>430,808</u>
NIO debt securities guaranteed explicitly by the State of the Netherlands	<u>48,225</u>	<u>133,400</u>

The FMO debt securities (EUR 170,462) have been raised at interest rates varying from 1.85% to 8.07%. The weighted average rate of interest of debt securities in EUR and JPY as at December 31, 2004 are 5.48% and 1.85% (2003: 5.2% and 1.9%)

The private loans of NIO (EUR 48,225) have a weighted average rate of interest of 5.03% (2003: 3.46%) As at December 31, 2004 the average rate of interest on deposits is 1.75% (2003: 1.62%).

The fair value of debt securities at December 31, 2004 amounts to EUR 232,998.

10 Debentures and notes

Debentures and notes consist of medium term notes under the FMO EMTN Program and NIO bonds quoted on the stock exchange.

Movements:		
Balance as at January 1	1,223,809	1,224,160
Disbursements	323,193	578,267
Redemptions	-294,773	-494,423
Exchange rate differences	-37,372	-84,195
Balance as at December 31	<u>1,214,857</u>	<u>1,223,809</u>
The remaining term of debentures and notes is:		
Immediately due	-	-
3 months or shorter	-	113,445
Longer than 3 months, but shorter than 1 year	150,000	-
Longer than 1 year, but shorter than 5 years	179,633	250,079
Longer than 5 years	885,224	860,285
	<u>1,214,857</u>	<u>1,223,809</u>

	<u>2004</u>	<u>2003</u>
Debentures and notes in AUD	43,064	-
Debentures and notes in EUR (NIO)	490,076	603,780
Debentures and notes in USD	355,390	358,342
Debentures and notes in JPY	326,327	261,687
	<u>1,214,857</u>	<u>1,223,809</u>

The FMO medium-term notes have been raised in Dutch and foreign capital markets at interest rates varying from 0.00% to 13.5%. The weighted average interest rate of the debentures and notes in USD, JPY and AUD as at December 31, 2004 are 4.43%, 1.55% and 13.25% respectively (2003: 3.9% and 2.7%, no AUD).

The discount and costs of the bonds are EUR 1,761 (2003: 2,255) and are included in the accrued income.

EUR 490,076 (2003: EUR 603,780) of the debentures and notes (NIO-bonds) are guaranteed by the State. The weighted average interest of these bonds as at December 31, 2004 is 5.00% (2003: 5.12%)

The fair value of the debentures and notes at December 31, 2004 is EUR 1,300,126.

11 Current accounts with State programs and the State

Current account ECIP	594	304
Current account IPTA	2,856	462
Current account with 'State Accounting Services'	-	49,525
	<u>3,450</u>	<u>50,291</u>

This refers to the current account between FMO and the funds and programs managed on behalf of the State and the current account of NIO with the 'State Accounting Services'.

12 Other liabilities

Taxes and social security contributions	22,730	1,233
Deferred taxes	928	1,342
Liabilities for guarantees	7,879	9,367
Pension premiums	1,807	4,320
Other liabilities	2,233	1,156
	<u>35,577</u>	<u>17,418</u>

13 Accrued liabilities

Accrued interest banks, debt securities and debentures and notes	31,073	38,396
Accrued liabilities	7,892	6,071
	<u>38,965</u>	<u>44,467</u>

	2004	2003
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14 Contingent liabilities

The company has issued guarantees regarding repayments and interest payment for a number of projects. The nominal amount of the guarantees is valued at the last known exchange rate in 2004.

Effective guarantees	136,165	137,935
Less: presented under other liabilities	-7,879	-9,368
	128,286	128,567

Of the liabilities for guarantees EUR 5,507 (2003: 9,949) is covered by a counter guarantee of the State.

15 Irrevocable facilities

Contractual commitments for disbursements on account of:

• Loans	236,539	255,718
• Equity investments	78,996	76,945
• Credit facility of 'Loans Guaranteed by the State'	2,530	2,530
• Put-option related to syndicated loan	10,776	11,680
• Contractual commitments for guarantees	101,963	67,460
	430,804	414,333

Notes to the consolidated profit and loss account

16 Interest income

Interest on loans	116,757	124,571
Interest on cash and banks	6,851	10,518
Interest on current accounts/deposit with State	4,847	-
Interest on interest-bearing securities	14,505	7,439
Commitment fees	11,377	7,733
	154,337	150,261

The interest risk on loans carrying floating interest has been covered by interest rate swaps. Interest on loans includes the results of these swaps.

Interest income includes EUR 39,816 (2003: EUR 47,110) that relate to the loans guaranteed by the State.

The relative share of interest on loans per region is as follows:

Africa	14%	14%
Asia	28%	37%
(Eastern)Europe & Central Asia	11%	10%
Latin America & the Caribbean	47%	39%
	100%	100%

	<u>2004</u>	<u>2003</u>
17 Interest expense		
Interest on debt securities and banks	41,444	42,082
Interest on debentures and notes	42,083	53,808
Interest on other borrowings	1,608	1,280
Interest on current accounts/deposit with State	-	343
Brokerage charges for attracting borrowings and charges for the early repayment of debt securities	713	1,291
	<u>85,848</u>	<u>98,804</u>

An early repayment by NIO resulted in 2004 in an additional interest expense of EUR 135 (2003: 64)

18 Other income

Compensation for net results from fund-activities	-309	6,402
Compensation in connection with IFOM loans	2,663	1,284
General interest compensation NIO	13,999	24,422
Various other income	10,392	11,253
	<u>26,745</u>	<u>43,361</u>

This item includes revenues from claims that have been written off and the realization of certain rights. The amount of the general interest compensation NIO amounts to EUR 13,999 (2003: EUR 24,422).

The interest compensation by the State of the Netherlands represents the agreed remuneration which is composed of the difference between interest earnings and interest expenses of NIO.

The Hague, March 17, 2005

Supervisory board

W.C.J. Angenent

Chairman

J.B. Hoekman

Deputy Chairman

P. Bukman

C.H.A. Collee

J.J.C.M. van Dooremalen

L.C.F.A.J.S. de Leur

C. Maas

W. Meijer

D. Terpstra

L.J. de Waal

Executive board

R.A. Arnold (as from Januari 1, 2005)

R.M. Barth (untill December 31, 2004)

N.D. Kleiterp

Other information

Provisions in the Articles of Association concerning the appropriation of profit

The Articles of Association of the company state that a net profit in any year shall in the first place be used to cover any net losses from previous years. The appropriation of the remaining profit shall, taking account of the relevant provisions in the agreement with the State, be determined by the General Meeting of Shareholders.

Proposal for appropriation of profit

A net profit of EUR 35,633 was recorded in 2004. Of this amount, EUR 33,383 is being added to the contractual reserve, required under the Agreement with the State. The distributable element of the net profit amounts to EUR 2,250. The Executive Board and the Supervisory Board propose distributing a sum of EUR 228 (EUR 0.57 per share of EUR 22.69 par value or 2.5%) as cash dividend and to add the remaining amount of EUR 2,022 to the other reserves.

Guarantee provisions in the State–FMO Agreement of 16 November 1998

Article 7

Maintenance obligations after exhaustion of General Risks Reserve (RAR) Fund and in the event of inadequate cover for special operating risks.

7.1 With a view to determining whether FMO may appeal to the State under the maintenance obligation referred to in Article 7.2.1. (the 'State maintenance obligation'), the losses incurred by FMO as defined in Article 7.2.2, as evidenced by the annual accounts drawn up in accordance with generally accepted standards and Part 9 of Book 2 of the Netherlands Civil Code, shall first be charged to the RAR Fund.

7.2.1 The State undertakes vis-à-vis FMO to make good any operational losses the latter may incur under Article 3.1 and 3.2 of this Agreement as determined in Article 7.2.2 – in so far as these risks are not or will not be covered by specific value adjustments and/or indemnification received and/or payments under insurance policies – to the extent that:

- A** the amount of these losses exceeds the size of the RAR fund as at 31 December of the year in which these losses were incurred; and
- B** inadequate cover of the general value adjustments forming part of the RAR Fund is due to abnormal operating risks, such as unforeseen political and transfer problems in

or with certain countries or the collapse of the world economy or the economy in a particular continent.

7.2.2 The parties will consult with one another on the size of the losses. If they are unable to reach agreement, the figure will be calculated on the basis of reasonableness and fairness, and in accordance with generally accepted standards, by FMO's auditor and an auditor to be appointed by the State.

7.3 If the circumstances as described in Article 7.2.1. under a) and b) should arise and FMO appeals to the State to comply with its obligation laid down in Article 7.2, such appeal shall create a claim against and recognized by the State on the first working day of the first financial year following the day on which such appeal was made. The appeal must be made in writing.

Article 8

Other financial security obligations.

8.1 Without prejudice to the other provisions in this Agreement, the State shall prevent FMO from being unable to comply in good time with the following limitative list of obligations to which FMO is subject:

- 1** loans raised on the capital market;
- 2** short-term funds raised in the capital market with a term of two years or less;
- 3** swap agreements involving the exchange of principal and payment of interest;
- 4** swap agreements without the exchange of principal but with payment of interest;
- 5** forward exchange contracts and Future Rate Agreements (FRAs);
- 6** option and futures contracts;
- 7** combinations of the products referred to in 1-6 above;
- 8** guarantees provided by FMO to third parties for the financing of private companies in developing countries and which arise from the need to maintain adequate plant and equipment.

Notes to the guarantee provision

The RAR Fund referred to in Article 7 is defined in Article 6 of the Agreement and consists of the share premium reserve of EUR 21,211 plus the Incurred But Not Reported provision (formerly the general value adjustments) and the contractually required reserve. As at 31 December 2004, the Fund amounted (rounded off) to EUR 251,549 (2003: EUR 187,121).

Auditor's report

Introduction

We have audited the 2004 annual accounts of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., The Hague. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of the company as of 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands, and comply with the financial reporting requirements included in Part 9, Book 2, of the Netherlands Civil Code.

The Hague, 17 March 2005

KPMG Accountants N.V.

Appendices

Sectoral distribution of finance portfolio

This summary covers all outstanding loans, guarantees and equity investments by sector and region, including contractual commitments as at December 31, 2004. The outstanding balances in foreign currencies have been converted at the last known exchange rate applying on the balance sheet date.

	Africa	Asia	Europe & Central Asia	Latin America & the Caribbean	Total
Amounts per sector					
Financial sector					
Banks	70,068	61,327	165,177	224,728	521,300
Non-banking financial institutions	40,035	84,222	61,074	13,361	198,692
Home finance	2,778	2,974	7,567	20,160	33,479
	<u>112,881</u>	<u>148,523</u>	<u>233,818</u>	<u>258,249</u>	<u>753,471</u>
Infrastructure					
Roadbuilding and hydraulic engineering	40,593	7,965	28,624	41,345	118,527
Electricity and water	61,711	33,636	9,731	84,597	189,675
Telecommunications	71,424	54,298	42,367	23,479	191,568
	<u>173,728</u>	<u>95,899</u>	<u>80,722</u>	<u>149,421</u>	<u>499,770</u>
Other sectors					
Industry	19,609	119,763	98,682	106,147	344,201
Other sectors	149,982	49,696	99,803	84,917	384,398
	<u>169,591</u>	<u>169,459</u>	<u>198,485</u>	<u>191,064</u>	<u>728,599</u>
Total	<u>456,200</u>	<u>413,881</u>	<u>513,025</u>	<u>598,734</u>	<u>1,981,840</u>

Percentage breakdown by sector

Financial sector					
Banks	15%	15%	32%	38%	26%
Non-banking financial institutions	9%	20%	12%	2%	10%
Home finance	1%	1%	1%	3%	2%
	<u>25%</u>	<u>36%</u>	<u>45%</u>	<u>43%</u>	<u>38%</u>
Infrastructure					
Roadbuilding and hydraulic engineering	8%	2%	6%	7%	6%
Electricity and water	14%	8%	2%	14%	10%
Telecommunications	16%	13%	8%	4%	10%
	<u>38%</u>	<u>23%</u>	<u>16%</u>	<u>25%</u>	<u>26%</u>
Other sectors					
Industry	4%	29%	19%	18%	17%
Other sectors	33%	12%	20%	14%	19%
	<u>37%</u>	<u>41%</u>	<u>39%</u>	<u>32%</u>	<u>36%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Financing per country

Region	Country	Loans	Equity investments	Guarantees	Total
Africa	Benin	2,566	381	-	2,947
	Botswana	-	7,532	-	7,532
	Burkina Faso	3,277	812	-	4,089
	Cameroon	27,544	1,525	12,964	42,033
	Cape Verde Islands	106	48	-	154
	Congo	2,038	-	-	2,038
	Congo D,R,C,	2,937	-	-	2,937
	Equatorial Guinea	-	866	-	866
	Ghana	2,087	5,031	-	7,118
	Ivory Coast	5,012	280	-	5,292
	Kenya	19,899	1,240	8,507	29,646
	Madagascar	588	599	-	1,187
	Malawi	3,225	785	-	4,010
	Mali	-	2,000	-	2,000
	Mauritania	1,229	446	-	1,675
	Morocco	-	2,909	-	2,909
	Mozambique	41,226	10,462	-	51,688
	Niger	-	502	-	502
	Nigeria	57,511	2,377	11,015	70,903
	Senegal	8,240	534	229	9,003
	South Africa	2,195	8,157	-	10,352
	Swaziland	-	612	-	612
	Tanzania	10,838	14,736	-	25,574
	Togo	1,567	-	-	1,567
	Tunisia	18,751	2,819	-	21,570
	Uganda	21,148	5,228	4,068	30,444
Zambia	8,328	102	-	8,430	
Regional Africa	51,188	51,577	6,357	109,122	
Total Africa		<u>291,500</u>	<u>121,560</u>	<u>43,140</u>	<u>456,200</u>
Asia	Bangladesh	47,428	823	16,008	64,259
	Cambodia	2,937	1,466	-	4,403
	China	52,128	12,089	2,300	66,517
	India	63,562	14,805	11,154	89,521
	Indonesia	39,063	743	4,883	44,689
	Lebanon	11,339	-	-	11,339
	Nepal	5,527	-	-	5,527
	Pakistan	4,879	-	-	4,879
	Philippines	29,856	5,694	24,494	60,044
	Singapore	-	74	-	74
	South Korea	11,430	-	-	11,430
	Sri Lanka	21,087	392	-	21,479
	Thailand	-	3,179	18,872	22,051
	Vietnam	4,556	-	-	4,556
	Regional Asia	-	3,113	-	3,113
Total Asia		<u>293,792</u>	<u>42,378</u>	<u>77,711</u>	<u>413,881</u>

Region	Country	Loans	Equity investments	Guarantees	Total
Europe & Central Asia	Bosnia and Herzegovina	12,060	1,362	-	13,422
	Bulgaria	44,242	13,000	-	57,242
	Czech Republic	3,529	427	-	3,956
	Estonia	1,745	-	-	1,745
	Georgia	808	-	5,000	5,808
	Hungary	11,911	-	-	11,911
	Kazakhstan	26,698	5,316	20,194	52,208
	Kosovo	-	500	-	500
	Lithuania	2,556	-	-	2,556
	Macedonia	3,000	1,000	-	4,000
	Poland	6,627	9,544	-	16,171
	Romania	96,394	3,415	-	99,809
	Russian Federation	72,213	8,669	16,515	97,397
	Slovakia	2,473	-	-	2,473
	Turkey	60,602	4,836	19,125	84,563
	Ukraine	16,274	1,362	7,344	24,980
	White Russia	2,000	-	-	2,000
	Yugoslavia	-	4,133	-	4,133
	Regional Europe	-	28,151	-	28,151
Total Europe & Central Asia		<u>363,132</u>	<u>81,715</u>	<u>68,178</u>	<u>513,025</u>
Latin America & the Caribbean	Argentina	100,638	10,502	-	111,140
	Belize	2,304	-	-	2,304
	Bolivia	27,193	-	-	27,193
	Brazil	45,870	4,149	7,343	57,362
	Chile	-	3,960	-	3,960
	Colombia	7,343	-	-	7,343
	Costa Rica	41,417	348	-	41,765
	Dominican Republic	11,202	-	7,567	18,769
	El Salvador	39,055	1,465	-	40,520
	Guatemala	11,288	-	-	11,288
	Honduras	22,628	-	-	22,628
	Jamaica	5,966	-	-	5,966
	Mexico	37,429	11,937	22,073	71,439
	Nicaragua	8,033	-	-	8,033
	Panama	25,767	-	-	25,767
	Peru	67,478	5,458	6,609	79,545
	Uruguay	447	1,954	-	2,401
Venezuela	2,032	-	-	2,032	
Regional Latin America	42,224	17,055	-	59,279	
Total Latin America & the Caribbean		<u>498,314</u>	<u>56,828</u>	<u>43,592</u>	<u>598,734</u>
Total		1,446,738	302,481	232,621	1,981,840
Less: Contracted but not yet disbursed		<u>247,315</u>	<u>78,996</u>	<u>101,963</u>	<u>428,274</u>
Outstanding portfolio		<u>1,199,423</u>	<u>223,485</u>	<u>130,658</u>	<u>1,553,566</u>

Funds per country

This summary covers all outstanding loans, guarantees and equity investments by sector and region, including contractual commitments as at December 31, 2004 for the account of the Funds. The outstanding balances in foreign currencies have been converted at the last known exchange rate applying on the balance sheet date.

	FMO-A	Small-scale Enterprise	Seed Capital	Balkan	EIB	IFOM	NIMF	LDC	Total
Africa									
Benin	2,566	-	381	-	-	-	-	-	2,947
Botswana	1,735	-	3,052	-	2,745	-	-	-	7,532
Burkina Faso	-	1,778	1,625	-	686	-	-	-	4,089
Cameroon	32,291	5,892	3,850	-	-	-	-	-	42,033
Cape Verde Islands	-	-	154	-	-	-	-	-	154
Congo	2,038	-	-	-	-	-	-	-	2,038
Congo D,R,C,	2,937	-	-	-	-	-	-	-	2,937
Equatorial Guinea	-	-	866	-	-	-	-	-	866
Ghana	367	820	5,216	-	-	715	-	-	7,118
Ivory Coast	5,109	-	183	-	-	-	-	-	5,292
Kenya	28,406	-	1,240	-	-	-	-	-	29,646
Madagascar	-	288	899	-	-	-	-	-	1,187
Malawi	4,010	-	-	-	-	-	-	-	4,010
Mali	-	-	-	-	-	-	-	2,000	2,000
Mauritania	-	1,229	446	-	-	-	-	-	1,675
Morocco	-	-	2,909	-	-	-	-	-	2,909
Mozambique	29,092	1,134	2,603	-	-	-	-	18,859	51,688
Niger	-	-	502	-	-	-	-	-	502
Nigeria	68,526	-	2,377	-	-	-	-	-	70,903
Senegal	8,240	-	763	-	-	-	-	-	9,003
South Africa	8,324	-	-	-	-	228	1,800	-	10,352
Swaziland	612	-	-	-	-	-	-	-	612
Tanzania	10,838	-	689	-	-	-	-	14,047	25,574
Togo	-	1,567	-	-	-	-	-	-	1,567
Tunisia	17,624	3,751	195	-	-	-	-	-	21,570
Uganda	24,362	5,466	616	-	-	-	-	-	30,444
Zambia	7,343	-	1,087	-	-	-	-	-	8,430
Regional Africa	66,237	6,746	8,859	-	7,000	-	8,024	12,256	109,122
	<u>320,657</u>	<u>28,671</u>	<u>38,512</u>	<u>-</u>	<u>10,431</u>	<u>943</u>	<u>9,824</u>	<u>47,162</u>	<u>456,200</u>
Asia									
Bangladesh	49,916	6,530	690	-	-	-	-	7,123	64,259
Cambodia	-	3,882	521	-	-	-	-	-	4,403
China	58,334	-	1,559	-	-	4,746	1,878	-	66,517
India	77,625	9,941	1,955	-	-	-	-	-	89,521
Indonesia	43,268	1,421	-	-	-	-	-	-	44,689
Lebanon	11,339	-	-	-	-	-	-	-	11,339
Nepal	5,527	-	-	-	-	-	-	-	5,527
Pakistan	4,879	-	-	-	-	-	-	-	4,879
Philippines	59,528	354	162	-	-	-	-	-	60,044
Singapore	74	-	-	-	-	-	-	-	74
South Korea	11,430	-	-	-	-	-	-	-	11,430
Sri Lanka	14,187	6,900	392	-	-	-	-	-	21,479
Thailand	22,051	-	-	-	-	-	-	-	22,051
Vietnam	-	4,556	-	-	-	-	-	-	4,556
Regional Asia	-	3,113	-	-	-	-	-	-	3,113
	<u>358,158</u>	<u>36,697</u>	<u>5,279</u>	<u>-</u>	<u>-</u>	<u>4,746</u>	<u>1,878</u>	<u>7,123</u>	<u>413,881</u>

	FMO-A	Small-scale Enterprise	Seed Capital	Balkan	EIB	IFOM	NIMF	LDC	Total
Europe & Central Asia									
Bosnia and Herzegovina	10,000	-	1,362	2,060	-	-	-	-	13,422
Bulgaria	54,882	-	-	-	-	2,360	-	-	57,242
Czech Republic	427	-	-	-	-	3,529	-	-	3,956
Estonia	1,200	-	-	-	-	545	-	-	1,745
Georgia	5,000	808	-	-	-	-	-	-	5,808
Hongary	11,000	-	-	-	-	911	-	-	11,911
Kazakhstan	41,235	7,708	-	-	-	-	3,265	-	52,208
Kosovo	-	-	-	500	-	-	-	-	500
Lithuania	2,556	-	-	-	-	-	-	-	2,556
Macedonia	-	-	-	4,000	-	-	-	-	4,000
Poland	10,344	-	-	-	-	5,827	-	-	16,171
Romania	93,985	-	762	-	-	5,062	-	-	99,809
Russian Federation	94,097	-	-	-	-	3,300	-	-	97,397
Slovakia	-	-	-	-	-	2,473	-	-	2,473
Turkey	84,563	-	-	-	-	-	-	-	84,563
Ukraine	23,181	-	-	-	-	1,799	-	-	24,980
White Russia	-	-	-	-	-	2,000	-	-	2,000
Yugoslavia	-	-	-	4,133	-	-	-	-	4,133
Regional Europe	25,676	2,475	-	-	-	-	-	-	28,151
	<u>458,146</u>	<u>10,991</u>	<u>2,124</u>	<u>10,693</u>	<u>-</u>	<u>27,806</u>	<u>3,265</u>	<u>-</u>	<u>513,025</u>
Latin America & the Caribbean									
Argentina	111,140	-	-	-	-	-	-	-	111,140
Belize	2,304	-	-	-	-	-	-	-	2,304
Bolivia	22,453	4,740	-	-	-	-	-	-	27,193
Brazil	57,362	-	-	-	-	-	-	-	57,362
Chile	3,960	-	-	-	-	-	-	-	3,960
Colombia	7,343	-	-	-	-	-	-	-	7,343
Costa Rica	35,635	6,130	-	-	-	-	-	-	41,765
Dominican Republik	18,613	156	-	-	-	-	-	-	18,769
El Salvador	34,614	1,906	-	-	-	-	4,000	-	40,520
Guatemala	11,288	-	-	-	-	-	-	-	11,288
Honduras	19,386	3,242	-	-	-	-	-	-	22,628
Jamaica	5,966	-	-	-	-	-	-	-	5,966
Mexico	70,424	1,015	-	-	-	-	-	-	71,439
Nicaragua	7,299	734	-	-	-	-	-	-	8,033
Panama	23,417	2,350	-	-	-	-	-	-	25,767
Peru	75,009	3,484	1,052	-	-	-	-	-	79,545
Uruguay	2,401	-	-	-	-	-	-	-	2,401
Venezuela	2,032	-	-	-	-	-	-	-	2,032
Regional Latin America	53,856	2,706	2,717	-	-	-	-	-	59,279
	<u>564,502</u>	<u>26,463</u>	<u>3,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>598,734</u>
Total	1,701,463	102,822	49,684	10,693	10,431	33,495	18,967	54,285	1,981,840
Contracted but not yet disbursed	375,513	21,709	8,690	-	4,440	7,860	4,312	5,750	428,274
Outstanding portfolio	<u>1,325,950</u>	<u>81,113</u>	<u>40,994</u>	<u>10,693</u>	<u>5,991</u>	<u>25,635</u>	<u>14,655</u>	<u>48,535</u>	<u>1,553,566</u>

Abbreviation list

CAFTA	Central America Free Trade Agreement
CSR	Corporate Social Responsibility
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH
DFI	Development Finance Institution
EDFI	European Development Finance Institutions
EFP	European Financing Partners
EIB	European Investment Bank
EMTN	Euro Medium Term Note program
FDI	Foreign Direct Investment
FMO	Netherlands Development Finance Company
IBNR	Incurred But Not Reported
IFC	International Finance Corporation
IFOM	Investment Facility Emerging Markets
IFRS	International Financial Reporting Standards
IPTA	Investment Promotion and Technical Assistance program
LDC Fund	Least Developed Countries Infrastructure Fund
NIMF	Netherlands Investment Matching Fund
NID	The Netherlands Investmentbank for Development countries
ODA	Official Development Assistance
ORET	Development Related Export Transactions
PESP	Program for Economic Co-operation in Projects
TAEM	Technical Assistance Emerging Markets

Translation

This is a translation of the Dutch FMO Annual Report 2004 (FMO Jaarverslag 2004). In the event of any conflict in interpretation, the Dutch original is leading.

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