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ANNUAL REPORT

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# ANNUAL REPORT AND ACCOUNTS 2019

2019 was a good year for Norfund. We created substantial positive development effects and achieved a solid financial result. A large number of new investment agreements were signed, with a commitment level that will result in a historically high contribution to the development of sustainable enterprises in developing countries. We revised our strategy to provide a basis for Norfund as a forward-looking and vigorous development actor.

## 1. NORFUND AND ITS MANDATE

Norfund was established by the Storting (Norwegian parliament) in 1997 for the purpose of contributing to economic growth and development in poor countries by investing in viable enterprises. Norfund receives capital contributions from the Norwegian government amounting in 2019 to NOK 1 905 million. Norfund was additionally allocated NOK 105 million for a new project development and risk management facility and NOK 25 million for its grant scheme. As of 31 December 2019, Norfund's committed portfolio amounted to NOK 24.9 billion.

In June 2019, the Board of Directors adopted Norfund's investment strategy for 2019–2022. Norfund's objective is to create jobs and improve living conditions by strengthening sustainable enterprises in developing countries. We achieve this best by providing access to capital and clean energy through investment in enterprises in sectors that are drivers of growth, job creation and development.

We place great emphasis on the investment areas Clean Energy and Financial Institutions, which together account for more than three quarters of Norfund's portfolio. Investment in primary agriculture and SME funds has been combined to form a new investment area, Scalable Enterprises, where we will invest in agribusiness and manufacturing, and in private equity funds. We are establishing a new investment area, Green Infrastructure, through which we and our partners will invest in waste management, water supply and electricity networks. The new strategy is being expanded somewhat geographically to include Colombia, Sri Lanka and Indonesia. We shall endeavour to market some investments with a view to drawing in new, primarily private sector investors, and reinvest the capital in new companies. This will help us to achieve even stronger development effects.

Norfund's objectives and investment areas make a direct and quantifiable contribution to the achievement of the UN sustainable development goals – especially the goals of eradicating poverty, achieving sustainable economic growth, gender equality, access to energy, industry, innovation and infrastructure and climate action. We measure these annually, and the results are included in our Report on Operations for 2019.

In order to make the best possible use of investment capital, an increasing share of Norfund's investment takes the form of joint ventures with partners (investment platforms). The investment platforms ensure local expertise, so that the capital is distributed to robust investments, we understand risk and can focus our work on supporting the companies' growth and development. Norfund has three such platforms: Arise BV is a joint venture with the Dutch development bank FMO and Rabobank for investment in banking in Africa. Globeleq is co-owned with our British sister organisation CDC, and focuses on investment in energy in sub-Saharan Africa. The subsidiary SN Power is a hydropower investment platform. The solar energy company Scatec Solar is also an important strategic partner for Norfund in solar power investment, and Nordic Microfinance Initiative (NMI), in which Norfund owns 25%, is an important actor in microfinance.

A positive financial return is a prerequisite for Norfund being able to contribute to job creation and development. For companies to be able to create many secure jobs and increased tax income, they must be profitable. It is also crucial that we are additional, i.e. we supply capital and expertise to enterprises that would otherwise have difficulty in accessing these resources because of high risk. We shall also act as a catalyst, and mobilise capital from other investors, both in Norway and abroad.

There is risk associated with the majority of countries in which Norfund invests that reduces their attractiveness to many

international investors. Norfund and other development finance institutions therefore have an important part to play by supplying the business sector with capital. Investing in these countries is demanding, and a great deal is required of Norfund's expertise and ability to manage various kinds of risk.

## 2. ECONOMIC DEVELOPMENTS IN 2019

### 2.1. Developments in Norfund's markets

In 2019 the world economy underwent a fall in growth. Uncertainty regarding Brexit and the trade war between the USA and China impacted the economy in large sections of the world. Although growth in South-East Asia was still substantial, it was lower than expected in 2019. China's GDP rose by 6.1 per cent in 2019, the weakest economic growth in three decades. GDP in Cambodia rose by 7%, in Vietnam by 6.5% and in Myanmar by 4.5%.

However, developments in sub-Saharan Africa are still of greatest concern. Analyses in the World Bank's report show that 2019 was the fourth consecutive year with zero or negative per capita GDP growth. Population growth was higher than economic growth, which means increasing poverty. Studies show that 10–20 million new jobs must be created annually in this region to keep pace with population growth. Norfund's role and contribution to growth and job creation will be increasingly important.

### 2.2. Investments in 2019

Norfund's investment level in 2019 was historically high in terms of both amounts committed and number of investments. In 2019, Norfund entered into new investment commitments totalling NOK 4.015 billion. The new investment commitments were broadly distributed amongst Norfund's investment areas. Financial institutions accounted for the largest portion, with NOK 1.96 billion, and clean energy accounted for NOK 1.32 billion. In the investment area Scalable Enterprises, NOK 738 million was committed to new and existing portfolio companies.

The largest individual investment is still SN Power. Norfund has no ambition to be sole owner of SN Power over time, and we are now considering strategic options going forward.

In 2019, investments in the least developed countries (LDCs) accounted for 36% of new commitments, and sub-Saharan Africa for 61% of new investments. Norfund was therefore well within the key indicators stipulated by the Board that at least 33% of the portfolio must be in LDCs and 50% must be in sub-Saharan Africa.

### 2.3. Review of the financial statements, net asset value and return

In 2019 Norfund's portfolio delivered an estimated internal rate of return (IRR), of 6.3% measured in investment currencies

and 7.4% measured in NOK. Since its inception, the portfolio has had an IRR of 5.9% measured in investment currencies and 9.1% measured in NOK.

In 2019 Norfund changed the presentation of the accounts, and in terms of accounting is now fully defined as an investment company. The change affects Norfund's operating income, asset classification and equity alike. In previous years Norfund has recorded a share of profits from what have been classified as associated companies, but from 2019 onwards only operating income in the form of dividends and interest and gains on exiting will be taken to income. With effect from 2019, companies that were previously defined as associated companies and carried as non-current assets are classified as current assets in the balance sheet. They are now carried according to the same principle as the rest of Norfund's investment portfolio, at the lower of cost or market value. The same companies were previously carried according to the equity method. The change has thus led to a NOK 5 251 million reduction in the book value of these companies, and to a considerable reduction in Norfund's equity compared to that reported as of 31 December 2018. The reduction is not due to negative developments in the companies, but is merely a result of a change in accounting classification.

Norfund had a profit after tax of NOK 1 113 million. This, together with annual allocations from the Ministry of Foreign Affairs, will increase investment capacity going forward. Operating income, very largely stemming from Norfund's investment portfolio, was NOK 1 345 million. Total operating expenses before gain/loss on exchange and impairments came to NOK 187 million. The bulk of the expenses were payroll expenses and expenses for external assistance in connection with new and existing investment projects.

As of 31 December 2019, Norfund's total assets had a book value of NOK 23 200 million. The main items on the balance sheet consist of the investment portfolio distributed by loans and equity instruments. At the end of 2019, Norfund had a total of 163 direct investments, which are recorded at a combined amount of NOK 20 038 million on the company's balance sheet. The company had bank deposits of NOK 2 824 million, which will be used to fulfil existing investment commitments and to engage in new investments in keeping with Norfund's mandate. At the end of 2019, Norfund had NOK 4 552 million in undisbursed investment commitments.

In the opinion of the Board of Directors, the annual accounts for 2019 provide a true and fair view of Norfund's financial position. The Board regards liquidity as satisfactory, and confirms that the going concern assumption applies.

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**2.4. Exits**

In 2019 Norfund exited from equity investments in TPS Dar es Salam, TPS Rwanda and China Environmental Fund. Total realised gains amounted to NOK 78 million in 2019. In addition to the aforementioned exits, the earnings included gain on sale of some shares in Africado. Eleven loans were repaid in their entirety in 2019.

**3. ORGANISATION, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY**

**3.1. Corporate governance**

The General Meeting is Norfund's supreme body, Norfund's Board of Directors is elected by the General Meeting and consists of nine members, two of whom are elected by and from among the employees. After twelve years as Chair of Norfund's Board, Kristin Clemet stepped down in June 2019. Olaug Svarva took over as new Chair. Norfund enjoyed strong growth and solid returns under Clemet's leadership. The Board expresses its appreciation for her engagement and input.

There is no permanent Board committee. Norfund's corporate governance is exercised through Articles of Association adopted by the General Meeting and decisions made by the General Meeting. The Board held a total of eight Board meetings in 2019, including a tour to visit Norfund's investments in South Africa and Angola. An important task for the Board in 2019 was adopting Norfund's new strategy for the period 2019–2022.

Norfund has a framework of governing documents ranging from acts and regulations to procedures for follow-up of investment activities. The structure is geared to Norfund's activities. It is constantly developing, and makes measurement and verification possible. The Investment Committee considers investment proposals and contributes to quality assurance. The committee consists of eight persons, two of whom are external, and is authorised to approve individual investments in the range USD 4–15 million. The Investment Committee also makes recommendations about investments in excess of USD 15 million, but these have to be adopted by the Board. Investments of less than USD 4 million are considered and decided on by the administration.

In 2019 Norfund tightened its compliance with the regulatory framework, financial risk and documentation of development effects, among other things through new guidelines for responsible tax. Norfund invests in high risk markets. This risk is mitigated by thorough analyses and investigations in the investment phase with respect to commercial, financial, legal and environmental, social and governance (ESG) factors. During Norfund's

ownership period, assessments of the risk in each investment are carried out twice annually, and risk-reducing measures are implemented as needed.

In January 2019, Norfund's Nairobi office and employees were directly affected by a terrorist attack, but no Norfund employees were physically injured. After the incident, the office was moved to a new building and co-located with several of Norfund's sister funds. Norfund has subsequently developed its crisis management plans further and several crisis management exercises have been conducted.

**3.2. Personnel, organisation and gender equality**

Norfund has guidelines for recruitment, competencies and gender equality and procedures for employee follow-up and reward. Targeted recruitment takes place to enhance the organisation's ability to deliver on the new strategy and there is ongoing work to develop competencies internally. Norfund encourages diversity and gender equality, and urges under-represented genders and persons with minority backgrounds to apply for vacant positions.

The number of man-years in Norfund was 82.6 in 2019. As of 31 December 2019, Norfund had 87 employees, 34 of them with backgrounds from countries other than Norway. Norfund currently has five regional offices: in Accra, Cape Town and Nairobi in Africa, Bangkok in Asia, and San José in Central America. In 2019, 27 of the employees were working at regional offices. Norfund strives to recruit personnel for the regional offices from the countries in which we invest. The share of women on the Board of Directors is 55 per cent. Four of the eight members of Norfund's management team are women, as are two of five heads of regional offices, and the overall proportion of women employees is 43%. Eight of 18 persons who were appointed in 2019 are women.

Norfund's sickness absence in 2019 amounted to two per cent of total working hours, equivalent to 253 days. This is 0.2 percentage point lower than in 2018. The Board of Directors does not find it necessary to implement any special measures relating to the working environment or designed to promote the aims of the Norwegian Anti-Discrimination Act and the Anti-Discrimination and Accessibility Act.

**3.3. Corporate social responsibility**

Norfund's objective is to create jobs and improved living conditions by investing in enterprises that contribute to sustainable development. Social responsibility is therefore at the core of our activities. We systematically measure our contribution to development. The figures will be available in our Report on Operations, which is published in May.

We also exercise our social responsibility by setting requirements both for our own operations and for the enterprises in our portfolio, including the cross-cutting issues in development politics that cover human rights, gender equality, climate and environment, as well as anti-corruption.

Norfund works systematically with ESG issues throughout the investment process. We require enterprises to commit to complying with the environmental and social standards of the International Finance Corporation (IFC). Where necessary, we contribute to the building of competencies, structure and the enterprises' own action plans, so that enterprises are enabled to live up to the standards. The action plans are thoroughly reviewed before investment agreements are entered into, and are central to Norfund's active ownership.

Norfund has a special grant facility from the Ministry of Foreign Affairs that can be used for this, and which is intended to enhance the development effects of our investments, including boosting work on the four cross-cutting issues. It enables us to offer assistance to our investments through project development, local community development, building up of competencies, operational improvements and issues relating to human rights, gender equality, anti-corruption and health, safety and environment.

Good working conditions are a fundamental objective. Norfund monitors HSE in all its investments, with a particular focus on training and compliance with HSE procedures. The investment agreements contain a requirement that serious accidents and fatalities must be reported. Sadly, in 2019 we experienced four deaths that were related to Norfund's direct investments. Such events are reported directly to the Board of Directors and Norwegian Ministry of Foreign Affairs (the Owner). Information about any project-related fatalities in Norfund's indirect investments is compiled annually and reported collectively to the Board and in some cases to the Owner. Norfund follows up fatalities associated with operations in our direct investments to ensure that they are investigated, that safety procedures are modified if necessary, and that the next of kin receive the compensation to which they are entitled.

Norfund has zero tolerance for corruption, and requires that all companies follow established reporting procedures in order to identify suspicions of financial irregularities and corruption. Systems have also been established for dealing with irregularities in the portfolio. Particularly serious cases are reported to the Owner. No such cases were reported in 2019.

Norfund has a gender equality strategy that defines priorities, considerations and measures, both within the organisation and in work with portfolio companies. In the last quarter of 2019,

Norfund launched a process to boost work in relation to climate risk and climate adjustment.

In 2019 the Storting established a special arrangement that enables Norfund to make risk capital available in the most demanding markets, particularly in vulnerable states and in the least developed countries (LDCs), where access to risk capital is limited. The scheme has two objectives. It is to be used for early-phase project development in Norfund's priority investment areas. It is also to be used to mitigate the risk of commercial investors who invest in Norfund-financed projects throughout the project cycle. The scheme is to be used for projects with higher risk than investments in Norfund's ordinary portfolio, and is to be managed as a separate scheme. The Storting granted NOK 105 million for the scheme for 2019.

#### 4. EVENTS AFTER BALANCE SHEET DATE

The spread of the COVID-19 virus is impacting individuals, society and capital markets. It is still too early to know what the effects will be, but markets are and will continue to be characterised by great uncertainty in the time ahead. In the short term, Norfund has taken steps to protect the lives and health of employees, mainly by following the recommendations of the authorities in our markets. We have also established procedures for assuring the maintenance of critical functions and continued operations. We are surveying consequences and closely monitoring developments in our portfolio companies. We see already now that investment activity in 2020 will be affected by the pandemic. We will see an increased need for capital for existing operations, and a reduced cash flow to Norfund from investments. We may well also see delays in processes associated with new investments. A weakened krone per se will increase the value of the investment portfolio and to our lending measured in NOK. On the other hand, there is increased risk of lower dividends going forward, and potentially a higher share of loans that will not be serviced according to schedule. A weakened krone also means that the value in NOK of committed investments that have not yet been disbursed will increase. The Board's assessment is that Norfund has the liquidity to maintain its commitments, and to support existing portfolio companies and their need for capital. We will consider going forward whether we can play an active role in shoring up institutions in our markets that suffer, for example by extending loans that may help to prevent bankruptcies and thereby contribute to protecting jobs in our markets.

#### 5. OUTLOOK FOR THE FUTURE

Authorities, enterprises and civil society have a common road map in the form of the UN sustainable development goals and in the ambitions for combating climate change set out in the Paris Agreement. In the future we can expect greater activity and increased expectations about attaining these goals. »

In developing countries in particular, the financing gap to be bridged in order to attain the sustainable development goals is formidable, and increased private sector investment will be crucial. As the Norwegian government's most important tool for private sector investment in developing countries, Norfund therefore has a central part to play going forward.

Norfund has drawn up an ambitious strategy for 2019–2022 to enable it to deliver on this. It means that we must grow – in terms of both invested capital and number of employees.

However, there is considerable uncertainty surrounding both the short- and the long-term effects of COVID-19, which will also affect Norfund's operations and activities in the time ahead.

The Board regards Norfund as well equipped to deliver on the goals that have been set, and we thank the management and employees for their work in 2019. Norfund will accordingly continue to be an important key to succeeding in an ambitious development policy and contribute to creating jobs and improved living conditions in the developing countries of the world.

Oslo, 26 March 2020



Olaug Svarva  
Chair



Per Kristian Sbertoli



Brit K. S. Rugeand



Finn-Marum Jepsen



Tove Stühr Sjøblom



Martin Skancke



Vibecke Hammer Madsen



Marianne Halvorsen



Lasse David Nergaard



Tellef Thorleifsson  
Chief Executive Officer

## INCOME STATEMENT

(Figures in 1000s of NOK)	Note	2019	2018
<b>DRIFTSINNEKTER</b>			
Interest income loans - invested portfolio	2	269 183	195 194
Realised gain on shares	2	78 037	151 348
Dividends received	2	985 253	218 053
Other operating income	2	12 860	20 308
<b>Total operating income</b>		<b>1 345 333</b>	<b>584 903</b>
<b>OPERATING EXPENSES</b>			
Payroll expenses	3	114 046	113 600
Depreciation tangible fixed assets	6	1 362	1 439
Other operating expenses	3,4	71 822	57 553
<b>Total operating expenses prior to exchange rate adjustment of loans and write-downs, investment projects</b>		<b>187 231</b>	<b>172 592</b>
Adjustment for gain/loss (-) on FX, project loans	2	28 654	191 186
Write-down investment projects (-) / reversals (+)	2	-155 929	-195 847
<b>Profit/loss (-) on operations</b>		<b>1 030 828</b>	<b>407 650</b>
<b>Net financial items</b>		<b>86 838</b>	<b>14 440</b>
<b>Profit/loss before tax</b>		<b>1 117 665</b>	<b>422 091</b>
<b>Tax</b>	<b>11</b>	<b>-4 350</b>	<b>-1 444</b>
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>1 113 315</b>	<b>420 647</b>
<b>ALLOCATIONS</b>			
Transferred to surplus fund	13	1 113 315	420 647
<b>TOTAL ALLOCATIONS</b>		<b>1 113 315</b>	<b>420 647</b>

## BALANCE

(Figures in 1000s of NOK)	Note	2019	2018
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Intangible assets</b>			
Operating equipment, fittings and fixtures, tools etc.	6	8 128	5 969
<b>Total tangible fixed assets and intangible assets</b>		<b>8 128</b>	<b>5 969</b>
<b>Financial fixed assets</b>			
Pension plan assets	3	23 345	20 428
<b>Total financial fixed assets</b>		<b>23 345</b>	<b>20 428</b>
<b>TOTAL FIXED ASSETS</b>		<b>31 473</b>	<b>26 397</b>
<b>CURRENT ASSETS</b>			
<b>Receivables</b>			
Other receivables	7	306 795	125 238
<b>Total receivables</b>		<b>306 795</b>	<b>125 238</b>
<b>Investments</b>			
Capitalised project development costs		20 965	14 992
Loans to investment projects	2,8	3 964 228	3 074 825
Investments in equities and funds	2,9	15 169 104	13 991 684
Other current assets	12	883 533	0
<b>Total investments</b>		<b>20 037 831</b>	<b>17 081 501</b>
<b>Bank deposits, cash and cash equivalents</b>			
Bank deposits	12	2 824 044	2 869 021
<b>Total bank deposits, cash and cash equivalents</b>		<b>2 824 044</b>	<b>2 869 021</b>
<b>TOTAL CURRENT ASSETS</b>		<b>23 168 670</b>	<b>20 075 760</b>
<b>TOTAL ASSETS</b>		<b>23 200 143</b>	<b>20 102 157</b>

(Figures in 1000s of NOK)	Note	2019	2018
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Called and fully paid capital</b>			
Primary capital	13	13 209 125	11 780 375
Reserve capital	13	4 578 375	4 102 125
<b>Total called and fully paid capital</b>		<b>17 787 500</b>	<b>15 882 500</b>
<b>Retained earnings</b>			
Surplus fund	13	5 221 324	4 088 302
<b>Total retained earnings</b>		<b>5 221 324</b>	<b>4 088 302</b>
<b>TOTAL EQUITY</b>		<b>23 008 824</b>	<b>19 970 802</b>
<b>LIABILITIES</b>			
<b>Provision for liabilities and charges</b>			
Pension commitments	3	25 632	49 203
<b>Total provision for liabilities</b>		<b>25 632</b>	<b>49 203</b>
<b>Current liabilities</b>			
Accounts payable		5 520	7 460
Unpaid government charges and special taxes		8 313	7 031
Other current liabilities	14	151 855	67 661
<b>Total current liabilities</b>		<b>165 688</b>	<b>82 151</b>
<b>TOTAL LIABILITIES</b>		<b>191 320</b>	<b>131 354</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23 200 143</b>	<b>20 102 157</b>

## CASH FLOW STATEMENT

(Figures in 1000s of NOK)	Note	2019	2018
<b>CASH FLOWS FROM OPERATIONS</b>			
Profit before tax		1 117 665	422 090
Taxes paid		-4 350	-1 444
Ordinary depreciation	6	1 362	1 439
Reversal of write-down (-) / Write-down investment projects		82 328	213 984
Differences in pension costs and receipts/disbursements, pension plan		-571	2 300
Share of profit associated company		-64 211	-190 682
Effect of exchange rate changes		-3 521	-643
Change in other accruals		-233 995	-260 103
<b>Net cash flow from operations</b>		<b>894 708</b>	<b>186 941</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Proceeds of sales/repayment of shares/holdings recorded at cost price		270 234	237 834
Disbursements in connection with purchase of shares/interests in other enterprises		-1 495 007	-918 345
Disbursements of investment loans		-1 358 887	-1 813 195
Repayment of principal, investment loans		492 507	805 397
<b>Netto kontantstrøm fra investeringene</b>		<b>-2 091 152</b>	<b>-1 688 309</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt of grant resources carried as current liabilities	14	130 000	20 000
Increase in/repayment of equity	13	1 905 000	1 687 500
<b>Net cash flow from financing activities</b>		<b>2 035 000</b>	<b>1 707 500</b>
<b>Exchange rate changes, cash and cash equivalents</b>			
Net change in cash and cash equivalents		838 556	206 132
Bank deposits, cash and cash equivalents at 01.01		2 869 021	2 662 888
<b>Bank deposits, cash and cash equivalents at 31.12</b>	<b>12</b>	<b>3 707 577</b>	<b>2 869 020</b>

# ACCOUNTING POLICIES

## The financial statements for NORFUND consist of:

- Income statement
- Balance sheet
- Cash flow statement
- Notes

The financial statements, which are prepared by the Board of Directors and the executive management of Norfund, must be read in conjunction with the directors' report and the auditor's report.

## BASIC PRINCIPLES – ASSESSMENT AND CLASSIFICATION

The financial statements are presented in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2019. The financial statements provide a true and fair view of assets and liabilities, financial standing and profit.

The financial statements have been prepared on the basis of fundamental principles governing historical cost accounting, comparability, the going concern assumption, congruence and prudence. Transactions are recorded at their value at the time of the transaction. Revenue is recognised when it accrues and expenses are matched with the related revenue. A more detailed account of the accounting principles is provided below. When actual figures are not available at the time the accounts are closed, generally accepted accounting principles require management to make the best possible estimate for use in the profit and loss account and the balance sheet. Actual results could differ from these estimates.

Current assets/liabilities are recognised at the lower/higher of acquisition cost and fair value. The definition of fair value is estimated future sales price reduced by expected sales costs. Other assets are classified as non-current assets. Non-current assets are carried in the accounts at acquisition cost, with deductions for depreciation. In a portfolio such as Norfund's, with a large share of both listed and unlisted equities in markets of variable liquidity, there will always be substantial uncertainty associated with valuation. Investments are valued on the basis of available information, in accordance with IPEV guidelines. In the event of a change in value where the estimated market value is lower than the cost of acquisition, the investment will be subject to a write-down.

Some exceptions are made to the general valuation rules, and these are commented upon in the relevant notes. When applying the basic accounting principles and disclosure of transactions and other items, the "substance over form" rule is

applied. Contingent losses that are probable and quantifiable are expensed. The segmentation is based on Norfund's internal management and reporting requirements as well as on risk and earnings. Figures are presented for geographical markets, since the geographical division of activities is of material importance to the users of the financial statements. Figures are reconciled with the institution's income statement and balance sheet.

## THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED BY NORFUND ARE DESCRIBED BELOW.

### Principles for revenue recognition

Operating income includes dividends, gain on sale of shares/ownership interests in other companies, interest on loans made to other companies, directors' fees, other project income.

Gains on sales of shares/ownership interests in other companies are recognised in the year in which the sale takes place. Value changes for funds are calculated as they occur for the individual fund. Receipts are recorded as dividend or repayment of capital according to individual assessments. Other proceeds from shares/ownership interests are deducted from the book value, and are accordingly not recorded as income.

Interest is taken to income as and when it is estimated to be earned.

When loans to development projects are classified as problem loans, interest is recorded as income on the basis of the written-down value or, if an evaluation indicates that interest cannot be expected, interest is not recorded. In the event of known losses, recorded interest is reversed.

### Financial income and expenses

Interest on Norfund's liquid reserve in Norges Bank and other banks is recorded as financial income.

### Project development expenses

Development expenses are carried on the balance sheet when they are likely to lead to future investment and a positive return on the investment. Determining such probabilities entails using judgement based on experience and best estimate of future developments. Given Norfund's investment strategy and geographical investment areas, there is a high degree of uncertainty associated with expectations of future developments. In an early phase of project development, some of the costs will be expensed as they accrue. »

**Equity investments**

Norfund treats its investments in other companies as current assets. In other words, the equity method is not used, even though Norfund's shareholdings provide it with considerable influence. This is because the purpose of the institution's investments is to dispose of all or part of each investment, normally after three to 10 years. This is in accordance with Norfund's objects and with the provisions of the Norwegian Accounting Act and generally accepted accounting practice. According to generally accepted accounting practice, such investments are temporary by their very nature and should therefore be included under current assets.

Pursuant to Norfund's Statute 12, Norfund's injection of capital into a portfolio company shall not exceed 35 per cent of the company's total equity. Norfund's share of the equity may be higher in special cases, but nonetheless such that the Fund's total equity holding does not exceed 49 per cent of the portfolio company's total equity.

Equity investments in companies are valued at the lower of cost price and market value on the basis of a concrete evaluation of each investment. Individual investments are written down where this is seen to be required according to the lowest value principle, the lower of acquisition cost or assumed fair value. Norfund conducts individual valuation of all its investments. Because of the nature and volume of the investment portfolio, the management calculates estimates, makes discretionary assessments and makes assumptions that affect the amount of the book values of investments. Estimates of fair value are evaluated continuously and are based on historical experience, known information and other factors that are regarded as probable and relevant on the balance sheet date.

No group impairments are made for either the company's equity investments or its loan investments. See also the section below relating to the treatment of currency items.

When investments are exited wholly or in part, the gain/loss is calculated on the basis of the historical cost in NOK. This means that realisations are a function of changes in exchange rates and the change in the value of the investment expressed in foreign currency.

"Committed investments" implies an external future commitment for a specified amount.

Norfund often utilises various instruments – such as options, conversion options and so forth – in investment agreements in order to reduce risk. These are taken into account when valuing the individual investment.

**Loans**

Norfund manages two types of loans:

- loans relating to Norfund's investments and disbursed by Norfund (project loans)
- loans to enterprises in developing countries, taken over from NORAD (loan portfolio).

Project loans are treated as current assets.

Loans are carried at amortised cost in accordance with the straight-line allocation method.

In accordance with Norfund's strategy, the loan portfolio taken over from NORAD is classified as a current asset and carried in the accounts at historical cost, which is NOK 0. Receipts from the loan scheme are therefore treated on a cash basis and recorded as income when they are paid.

When estimating impairment of loans, both the current and the anticipated future financial position of the client in question are considered. Key considerations when assessing whether the client will be able to repay the loan are for example the general market situation, company-specific factors, the risk of bankruptcy and associated collateral.

Individual assessments are made, and any impairment of the individual loans. Group impairments are not made for the company's loan portfolio.

There will be uncertainty regarding valuation of the loan portfolio and associated collateral.

**Guarantees**

In some cases, Norfund issues guarantees in connection with investments. Accounting provisions are made when the likelihood of the guarantee being invoked is 50% or higher. On the balance sheet, the guarantee provision is entered under other current liabilities.

**Known losses**

Losses as result of insolvency, the winding-up of a company and the like, and losses on the sale of shares, are recorded as known losses.

**Currency items**

Monetary items are carried at the exchange rate prevailing on 31 December. Unrealised foreign exchange gains/losses on loans are included in the operating profit. Unrealised gains/losses on other monetary items are recorded as financial income/expenses respectively. The assessment of changes in the value of investments (see above) also includes an assessment of changes caused by exchange rate movements.

Norfund has not hedged its invested portfolio by means of hedging instruments.

#### **Bank deposits, cash and cash equivalents**

Liquid assets consist of bank deposits.

#### **Current receivables/Accounts receivable**

Current receivables, including accounts receivable, are recorded at their estimated value and adjusted for irrecoverable items.

#### **Fixed assets**

Fixed assets are recorded at cost price reduced by commercial depreciation on the basis of the estimated economic life of the asset in question.

#### **Leases**

Rent paid under leases that are not recorded in the balance sheet is treated as an operating cost and allocated systematically over the whole term of the lease.

#### **Equity**

Norfund's equity is divided into primary, reserve and surplus capital. This breakdown is made on the basis of the framework conditions for Norfund's activities, which specify that the Ministry of Foreign Affairs (the Owner) must be notified if the institution's losses are so great that its primary capital is affected. Any net profit is added to surplus capital, while any net losses are deducted from the surplus capital or from reserve capital if the former fund is insufficient to cover the net loss.

#### **Government grants**

Norfund receives government grants that are treated in accordance with Norwegian Accounting Standard (NRS) 4. In Norfund's view, net recording of government grants received by the institution provides the best picture of the accounts.

#### **Related parties**

Two parties are related if one party can influence the other's decisions. Relations with related parties are regarded as normal in business.

Norfund's related parties are mainly subsidiaries and associated companies, with Norfund buying or selling services from/to these companies. Norfund's investments are presented in a separate note in the accounts.

The company has direct transactions with a limited number of companies in its investment portfolio. There are some transactions of an administrative nature with Norwegian subsidiaries and associated companies including SN Power AS, Norfinance AS, KLP Norfund Investments AS. All transactions are according to separate agreements and pricing based on the arm's length principle.

#### **Deferred tax and tax expense**

Norfund is exempt from tax pursuant to a separate section in the Taxation Act. In certain countries, Norfund is obliged to pay withholding tax on interest and dividends.

#### **Cash flow statement**

The cash flow statement is compiled using the indirect method.

#### **Pension liabilities and costs**

Norfund has pension plans known as defined benefit plans which entitle employees in Norway to defined future benefits. Pension liabilities are calculated on a straight-line earnings basis, taking into account assumptions regarding the number of years of employment, discount rate, future return on plan assets, future changes in pay, pensions and National Insurance benefits, and actuarial assumptions regarding mortality, voluntary retirement etc. The chosen principle is the IAS 19R option of NRS 6, with unamortised actuarial losses over equity. Plan assets are stated at fair market value. Net pension liability comprises the gross pension liability less the fair value of plan assets. Net pension liabilities from underfunded pension plans are included in the balance sheet as a provision, while net plan assets in overfunded plans are included as long-term interest-free receivables if it is likely that the overfunding can be utilised. Employer's social insurance contribution is made on the basis of net plan assets.

The effect of changes in pension plans with retroactive effect not conditional on future earnings is defined as an actuarial gain or loss and charged directly to the company's equity.

Net pension costs, which consist of gross pension costs less estimated return on plan assets, are classified as an ordinary operating cost and presented as part of the payroll expenses item. All actuarial gains or losses are charged directly to the company's equity. Employer's social insurance contribution is calculated on contributions paid to the pension plans.

In 2018 the company closed its defined benefit plan and introduced defined contribution plans for new employees. At the end of 2019 the company therefore had two different pension plans. In addition the company has pension plans for employees at regional offices outside Norway, mainly defined contribution plans.

#### **Estimates and uncertainties**

Determining such estimates and probabilities entails using judgement based on experience and best estimate of future developments. Given Norfund's investment strategy and geographical investment areas, there is a high degree of uncertainty associated with expectations of future developments. Specific areas that include extensive estimates and judgement are net asset value / valuation of equity investments, impairment of equity investments including currency adjustment and provision for losses on loans to investment projects.

## NOTES NORFUND

## NOTE 1 – FINANSIELL RISIKOSTYRING OG KAPITALFORVALTNING

Norfund har et mandat som innebærer at investeringene selskapet foretar skal være addisjonelle ved at de gir tilgang til kapital og kompetanse til virksomheter som ellers ikke ville få slik finansiering som følge av høy risiko.

Norfunds investeringer vurderes gjennom en omfattende seleksjonsprosess som omfatter avklaring mot Norfunds mandat, grundige vurderinger og analyser av legale, finansielle, kommersielle og ESG-relaterte forhold. Investeringskomiteen og/eller styret fatter den endelige investeringsbeslutningen.

Risikodiversifisering av porteføljen søkes oppnådd gjennom å oppnå en bredde i porteføljen med hensyn til land, bransjer, samarbeidspartnere, instrumenter og tidspunkt for investeringene. For de største investeringene i porteføljen utøver Norfund en aktiv eierrolle gjennom styrerepresentasjon, investeringskomiteer eller andre organer. Norfund har etablerte systemer for monitorering og oppfølging av porteføljen.

Norfund er eksponert for flere typer risiko herunder likviditetsrisiko, kredittisiko, valutarisiko, renterisiko og annen markedsrisiko.

Likviditetsrisiko knyttet til om selskapet har midler til å oppfylle sine inngåtte investeringsforpliktelser anses som lav. Norfund har ingen langsiktig gjeld og hadde ved utgangen av 2019 samlede investeringsforpliktelser som ikke er utbetalt på 4,6 milliarder kroner, og konsernet hadde en kontantbeholdning på 2,8 milliarder kroner.

Kredittisiko knyttet til lån til prosjekter er vurdert til antatt virkelig verdi. For øvrig er lånenes risiko delvis avspeilet i betingelsene for det enkelte lån. Generelt betraktes risikoen forbundet med lån som relativt høy, og er i karakter mer å betrakte som egenkapitalrisiko enn som tradisjonell lånerisiko.

Valutarisikoen i Norfund kommer fra Norfunds investeringer som i stor utstrekning gjennomføres i USD, men vil i enkelte tilfeller også være i annen valuta. Siden Norfund har NOK som basisvaluta betyr dette at verdivurderingen av selskapets investeringer og Norfunds fremtidige avkastning i stor grad vil bli påvirket av forholdet mellom NOK og USD (ev. annen valuta hvor det er aktuelt). De ulike investeringene Norfund investerer i kan også være utsatt for svingninger mellom lokal valuta og USD. Norfunds investeringsavtaler er i stor utstrekning i USD. En stor andel av Norfunds likvider er plassert som kontolån i Norges Bank i NOK, men selskapet har også plasseringer i USD i flere internasjonale banker, samt en beholdning EUR og ZAR.

Renterisiko knytter seg både til rente på selskapets kontantbeholdning, men også til renter på selskapets utlån. Renterisiko på utlån til prosjekter er avhengig av rentefastsettelsen på de ulike lånene. Utlån til prosjekter er som regel knyttet til variabel LIBOR-rente pluss en margin.

Annen markedsrisiko for Norfund vil være politisk risiko, herunder regulering av pengemarkedet og andre rammebetingelser for næringslivet, risiko for intern uro i Norfunds markeder og uventede markedsbevegelser som vil påvirke verdsettelsen av Norfunds eiendeler.

## NOTE 2 – SEGMENT INFORMATION

## SEGMENT INFORMATION:

Norfund's operations fall into four investment areas: SME Funds, Financial Institutions, Clean Energy, and Scalable Enterprises. The table below provides an overview of results

in Norfund's investment areas. The costs of shared functions have largely been allocated according to the number of employees in each area, and are recorded as part of other operating expenses.

(Figures in 1000s of NOK)	2019					
	NORFUND total	SME Funds	Financial Institutions	Clean Energy	Scalable Enterprises	Shared functions and other activities
<b>OPERATING INCOME</b>						
Interest - invested portfolio	269 183	0	181 722	24 644	62 817	0
Realised gains	78 037	0	-1 992	0	80 030	0
Dividends received	985 253	66 336	112 230	806 687	0	0
Other project revenues	12 860	182	6 577	4 752	638	711
<b>Total operating income</b>	<b>1 345 333</b>	<b>66 518</b>	<b>298 537</b>	<b>836 083</b>	<b>143 485</b>	<b>711</b>
<b>OPERATING EXPENSES</b>						
Payroll expenses	-114 046	-6 377	-22 390	-24 652	-21 400	-39 229
Depreciation tangible fixed assets	-1 362	0	0	0	-25	-1 338
Other operating expenses	-71 822	-2 889	-8 865	-1 313	-11 365	-47 390
Allocation of shared expenses	0	-10 064	-22 293	-22 960	-31 442	86 760
<b>Total operating expenses</b>	<b>-187 231</b>	<b>-19 330</b>	<b>-53 548</b>	<b>-48 925</b>	<b>-64 231</b>	<b>-1 196</b>
Gain/loss (-) on FX, project loans	28 654	2 514	15 701	3 759	6 680	0
Provision for (-)/reversal of (+) loss on projects	-155 929	-64 309	-12 391	-35 480	-43 749	0
Profit/loss (-) on operations	1 030 828	-14 606	248 299	755 437	42 184	-485
Net financial items**	86 838	-11	-405	500	21 322	65 431
Profit/loss before tax	1 117 665	-14 617	247 894	755 937	63 506	64 947
Tax	-4 350	0	-3 390	-937	-23	0
<b>Profit/loss for the year</b>	<b>1 113 315</b>	<b>-14 617</b>	<b>244 504</b>	<b>755 000</b>	<b>63 483</b>	<b>64 947</b>

\* Inntekter er direkte henførbare. Kostnader er tildels direkte henførbare og tildels felleskostnader som er fordelt ved hjelp av fordelingsnøkler fastsatt på grunnlag av antall personer i arbeid.

\*\* Finansresultatet inkluderer agio og disagio på bankbeholdning og kortsiktig gjeld i utenlandsk valuta.

## BALANCE SHEET (INVESTMENTS AND LOANS) NET CARRYING VALUES

2019					
	Norfund total	SME Funds	Financial Institutions	Clelean energy	Scalable Enterprises
<b>BALANCE SHEET</b>					
Investments	20 014 602	1 739 474	6 865 709	10 012 923	1 396 496
Impairments	-881 269	-386 004	-133 186	-153 872	-208 207
<b>Total investments business area</b>	<b>19 133 333</b>	<b>1 353 470</b>	<b>6 732 523</b>	<b>9 859 051</b>	<b>1 188 289</b>

\*Income is directly attributable. Expenses are partly directly attributable and partly shared costs allocated in accordance with distribution formulae based on employee numbers.

\*\*Financial items include gain/loss (-) on FX bank deposits and current liabilities.

## SEGMENTINFORMASJON I FORM AV GEOGRAFISK INNDELING:

2019							
	Africa	Asia	America	Europee/ central Asia	Global	Accumulated impairments	Total
<b>BALANCE SHEET</b>							
Equity investments	10 670 609	4 635 098	607 558	9 526	0	-753 687	15 169 104
Loans to investments	1 397 013	1 294 960	1 391 221	8 618	0	-127 584	3 964 228
<b>Total balance sheet</b>	<b>12 067 622</b>	<b>5 930 057</b>	<b>1 998 779</b>	<b>18 144</b>	<b>0</b>	<b>-881 271</b>	<b>19 133 333</b>
Interest income loans	105 277	69 177	94 285	445	0	0	269 183
Realised gain on shares	78 037	0	0	0	0	0	78 037
Dividends received	475 595	481 005	28 652	0	0	0	985 253
Other project revenues	4 079	4 069	3 621	62	1 029	0	12 860
<b>Total operating income</b>	<b>662 988</b>	<b>554 251</b>	<b>126 558</b>	<b>507</b>	<b>1 029</b>	<b>0</b>	<b>1 345 333</b>
Gain/loss (-) on FX, project loans	-12 626	-8 800	-7 290	62	0	0	-28 654
Realised losses	-165 111	-5 958	0	0	-30	0	-171 099

### NOTE 3 – PAYROLL EXPENSES

#### STATEMENT ON THE SETTING OF SALARIES AND OTHER REMUNERATION TO SENIOR EMPLOYEES

Norfund complies with the government guidelines laid down on 13 February 2015 with respect to the setting of salaries and other remuneration for senior employees. These are based on changes published in Storting Report no. 27 (2013-2014) A diverse and value-creating ownership.

#### GUIDELINES FOR NORFUND ON THE SETTING OF SALARIES AND OTHER REMUNERATION IN 2020

The following guidelines apply to the setting of salaries for senior Norfund employees up until the Ordinary General Meeting in 2021.

The salary system is designed to attract and retain competent personnel. In setting salaries, emphasis is placed on the individual's contribution to fulfilling Norfund's mandate.

Norfund wishes to promote moderation in executive salaries. The aim in setting salaries is that senior Norfund employees should have pay conditions that are competitive, but not at the top end of the scale.

Norfund considers that a relevant benchline is other government funds such as the National Insurance Scheme Fund, Export Credit Norway and Investinor.

The Board sets the salary of the managing director. The managing director sets the salaries of the corporate heads of department who report to him. This group consists of senior company employees. Norfund's pay conditions for senior employees consist of fixed salary, pension and insurance schemes and other benefits (newspapers, electronic communications). Norfund has a moderate bonus scheme that covers all company employees except the managing director. Bonuses are awarded twice a year, and individual bonuses vary from NOK 10 000 to NOK 100 000. The highest total bonus allocation in 2019 was NOK 75 000. All members of the management team, with the exception of the managing director, received a bonus of NOK 75 000 at the end of 2019. The grounds for this bonus were work on the new strategy and its implementation in the organisation. The bonus scheme is in line with the guidelines' requirement of variable pay. Bonuses awarded are fixed by the managing director.

The fixed pay is subject to regulation in line with the point of departure for wage developments in the financial sector, represented by reference figures from Finance Norway, the results of the main settlement and for companies Norfund has defined as its peers, and an assessment of the individual's performance and goal achievement in the 2019 accounting

year. Annual goals for the individual senior employee are fixed by the managing director in the case of management, and by the Board in the case of the managing director.

Norfund will have the following pension and insurance conditions for the 2020 accounting year.

In 2018 Norfund closed the defined benefit pension scheme to new employees, and now offers a defined contribution scheme to all company employees, including managers. As the transition to the new scheme was voluntary for existing employees, this means that in a transitional phase Norfund will have both a defined benefit and a defined contribution scheme. The defined benefit scheme gives the right to defined future benefits and depends primarily on the number of qualifying years, pay level on reaching retirement age and the size of National Insurance benefits. For historic reasons, the earlier scheme is being continued for the present, where the full qualifying period is 30 years and pension amounts to 70% of salaries up to 12 G. This scheme satisfies the requirements of the Act on Mandatory Occupational Pensions. At present 38 employees are covered by the defined contribution scheme while the defined benefit scheme covers 30 employees. Norfund also has a scheme which entitles employees to pension rights for pay in excess of 12 G. This scheme was closed to new members in 2012. This scheme, which is funded from operations, consists of 66% of pay in excess of 12 G with a retirement age of 67 and a full qualification period of 30 years in the calculation base. If the service period is calculated as being less than 30 years, the pension is reduced proportionately. On termination of employment or on reaching retirement age, employees receive a settlement for the value of the amount saved. This scheme currently covers 4 employees. In the defined contribution scheme, 7% of salary is set aside from pay from 0–7.0 G, and 20% from salaries of 7.1–12 G. The costs of both schemes are included in the calculation of pension expenses.

Senior Norfund employees are covered by insurance schemes that apply to all Norfund employees. Senior employees have a 3-month notice period. The CEO has an agreement for pay after termination of employment equivalent to 6 months' salary. This arrangement is in line with the guidelines for salary and other remuneration.

Salary policy in the 2019 accounting year has adhered to the principles of the Management Salary Statement as adopted by the General Meeting on 18 June 2018. Salary adjustment for the CEO and other members of management in 2019 was 3.58% on average. In 2019 the management team was increased by one member. In 2019, an assessment was carried out

## NOTES

of the pay level for men and women in the management team. The review resulted in an increase in the pay level for woman managers. On 1 January 2020 a revision of the Equality and Anti-Discrimination Act entered into force. The change means

that every two years companies must survey pay distribution by gender. The total pay adjustment in 2019 for the management team, including the CEO, amounts to NOK 512 193.

### WAGES, SALARIES AND OTHER PAYROLL EXPENSES

[Figures in 1000s of NOK]	Norfund	
	2019	2018
Wages and salaries	82 055	75 652
Employer's social security contribution	15 038	14 544
Pension expenses	6 956	14 465
Other benefits	9 997	8 940
<b>Total wages, salaries and other payroll expenses</b>	<b>114 046</b>	<b>113 600</b>

### PAY FOR SENIOR EMPLOYEES

Norfund	Title	Salary	Bonus	Taxable portion of benefits	Pensions	Total
Jan Tellef Thorleifsson	CEO	2 671 294		19 446	156 274	2 847 014
Hege E. Seel	EVP Org & HR	1 562 386	75 000	33 724	700 096	2 371 206
Ola Nafstad up to 01.05.19	EVP Strategy & Analysis	1 470 821	25 000	36 565	156 197	1 688 583
Ylva Lindberg from 01.05.19	EVP Strategy & Analysis	925 157	75 000	14 317	101 320	1 115 794
Cathrine Kaasen Conradi	EVP CFRO	1 588 477	75 000	20 675	151 445	1 835 597
Tomas Fjeld Heltne from 01.04.19	General Council	1 023 932	75 000	13 747	114 392	1 227 071
Finn Ivar Marum up to 30.09.19	EVP Scalable Enterprises	1 660 184	0	14 489	143 036	1 817 709
Erik Sandersen	EVP Financial Institutions	1 995 063	75 000	18 329	377 263	2 465 655
Mark Davis	EVP Clean Energy	2 012 410	75 000	71 532	927 174	3 086 116
Kristin Clemet up to 18.06.19	Chair	125 000	0	0	0	125 000
Olaug Svarva from 18.06.19	Chair	130 000	0	0	0	130 000

The Chair has annual remuneration of NOK 260 000 (NOK 232 750) for boardroom work for Norfund. The Board members each received remuneration of NOK 127 500 (NOK 121 000).

The company has no share or option schemes for its employees, and there are no plans for such schemes.

Norfund has a variable bonus scheme for all employees excluding the managing director. In all, the scheme accounted for

1.81% of Norfund's payroll expenses in 2019. Bonuses are paid for extraordinary performance, and the average payment in 2019 to bonus recipients was NOK 42 141. The highest bonus payment represented 11% of salary and is thus far lower than the requirement in Eierskapsmeldingen [Ownership Report] that bonuses be a maximum of 50% of the employee's salary.

**AUDITOR'S FEE**

(Figures in 1000s of NOK)	Norfund	
	2019	2018
Statutory audit	686	861
Accounting assistance	31	0
Other attestation services	49	75
Other services	207	718
<b>Total</b>	<b>973</b>	<b>1 655</b>

Auditor's fee is inclusive of VAT. In addition, business partners of Deloitte AS in other countries delivered other services expensed in the amount of NOK 473 000.

**NUMBER OF EMPLOYEES**

The company had 87 employees at the end of 2019, accounting for 82.6 full-time equivalents.

regional offices in Ghana, Thailand, Kenya, Mozambique and Costa Rica have defined contribution pension plans, and Norfund has no obligations other than what has been paid through the year. In 2019, NOK 1 522 524 (NOK 1 270 347) was expensed in connection with this scheme.

**PENSIONS**

In addition to the employee pension plans described in the Executive Pay Statement, local employees at Norfund's

The managing director has a retirement age of 67.

**FINANCIAL ASSUMPTIONS**

	Norfund	
	2019	2018
Discount rate	2,3 %	2,6 %
Expected return on plan assets	2,3 %	2,6 %
Salary adjustment	2,25%	2,75%
Pension adjustment	2,00%	2,50%
Adjustment of the basic amount (G) in the National Insurance System	2,00%	2,50%
Turnover	9,0 %	9,0 %
Employer's social security contribution	19,1 %	19,1 %

(Figures in 1000s of NOK)	Norfund	
	2019	2018
Net present value of pension earned in the period	9 529	11 735
Capital cost of previously earned pensions	2 630	2 555
Expected return on plan assets	-1 785	-1 593
Administrative costs	1 024	1 092
Accrued employer's social insurance contribution*	1 366	1 798
<b>Net pension liabilities for the year incl. employer's contribution</b>	<b>12 763</b>	<b>15 587</b>

\* Employer's social security contribution is calculated on the amount paid in.

## NOTES

Estimated pension commitments (Figures in NOK 1 000)	Sikrede	Ikke forsikrede	2019
Estimated pension liabilities	82 091	8 476	90 567
Estimated plan assets*	69 046	0	69 046
Net pension liabilities 31.12.	13 045	8 476	21 521
Accrued employer's social insurance contribution2**	2 492	1 619	4 111
<b>Net pension liabilities 31.12.</b>	<b>15 537</b>	<b>10 095</b>	<b>25 632</b>

\*Estimated plan assets consist of paid premiums invested in Nordea Life.

\*\*Accrued employer's social security contribution is based on net pension liability.

### RECONCILIATION OPENING/CLOSING BALANCE

(Figures in 1000s of NOK)	Norfund	
	2019	2018
Carrying amount net pension liabilities 01.01. incl. employer's social security contribution	49 203	25 588
Net pension expenses for the year incl. employers social security contribution	11 409	15 587
Actuarial gain/loss charged directly to equity	-19 706	21 006
Pensions paid, Early retirement / unfunded, incl. employer's social security contribution	-8 123	-970
Investment in plan assets, etc., incl. employer's social security contribution	-7 152	-12 009
<b>Carrying amount net pension liabilities 31.12 incl. employer's social security contribution</b>	<b>25 632</b>	<b>49 203</b>

Nordea Life's asset mix*	30/09/19	30/09/18
Property	14,0 %	12,2 %
Equities	10,4 %	10,0 %
Bonds at amortised cost	12,5 %	61,0 %
Short-term bonds/certificates	61,7 %	15,9 %
Other	1,4 %	0,9 %
<b>Total financial assets</b>	<b>100%</b>	<b>100%</b>

\* Known values at calculation date

Norfund has paid for a funded solution that will cover future liabilities related to a non-funded scheme, with a book value as of 31.12 of NOK 23.3 million.

## NOTE 4 – OTHER OPERATING EXPENSES

(Figures in 1000s of NOK)	Norfund	
	2019	2018
Seminars, conferences, upgrading of competencies	4 345	3 501
Travel expenses	13 385	9 744
External assistance, projects	10 311	6 938
External assistance, other	12 884	11 571
Rent, including shared costs	9 853	9 205
Other expenses	21 044	16 595
<b>Total operating expenses</b>	<b>71 822</b>	<b>57 553</b>

	Lease duration	Annual rental costs
Premises at Fridtjof Nansens Plass 4, Oslo	15.11.16 - 31.12.2026	6 066 309

## NOTE 5 – NET FINANCIAL INCOME/EXPENSE

(Figures in 1000s of NOK)	Norfund	
	2019	2018
Other interest income	48 803	22 364
Other financial income	79 180	46 673
Other financial expenses	-41 145	-54 596
<b>Total financial income/expenses</b>	<b>86 838</b>	<b>14 440</b>

## NOTE 6 – FIXED ASSETS

(Figures in 1000s of NOK)	Driftsløsøre, inventar, og lignende	Kunst	Sum
Cost of acquisition, ordinary depreciation and impairments			
Cost of acquisition at 01.01	15 937	1 463	17 400
+ acquisitions during the period	3 521	0	3 521
- disposals during the period		0	0
Cost of acquisition at end of period	19 458	1 463	20 922
Accumulated ordinary depreciation at 01.01.	11 431	0	11 431
+ ordinary depreciation for the period	1 362	0	1 362
- acc. ord. depreciation, operating assets disposed of		0	0
Accumulated ordinary depreciation at 31.12.	12 793	0	12 793
<b>Carrying value for accounting purposes at end of period</b>	<b>6 664</b>	<b>1 463</b>	<b>8 128</b>
Depreciation period	3-4 years	Non-depreciable	

## NOTE 7 – RECEIVABLES

## OTHER RECEIVABLES

(Figures in 1000s of NOK)	Norfund	
	31.12.19	31.12.18
Accrued interest	147 588	100 646
Accounts receivable from customers	0	0
Other receivables	159 207	24 592
<b>Total receivables</b>	<b>306 795</b>	<b>125 238</b>

NOK 125 million of 'Other receivables' relates to agreed settlement of a sale of equities during the period. The settlement sum is to be paid in several instalments, with NOK 65 million falling due more than one year ahead.

## NOTE 8 – LOANS TO COMPANIES IN THE INVESTMENT PORTFOLIO

(Figures in 1000s)	Currency	Carrying value* (in FX)	Carrying value* (NOK)
Latin American Agribusiness Development Corporation, S.A.	USD	22 500	197 557
European Financing Partners SA	EUR	745	7 345
European Financing Partners SA	USD	16 376	143 786
Green Resources AS	USD	32 180	282 550
Sathapana Bank PLC.	USD	8 000	70 242
Persistent Energy Capital LLC	USD	989	8 681
TPS (D) Limited	USD	564	4 949
Interact Climate Change Facility SA	USD	7 318	64 254
Amret Plc.	USD	5 000	43 902
Alios Finance Tanzania Ltd	USD	325	2 852
Agrica Ltd.	USD	2 596	22 790
Afrinord Hotel Investments A/S	USD	1 060	9 307
Prasac Microfinance Institution	USD	35 000	307 310
First Finance Plc.	USD	3 625	31 829
Financiera Fondo de Desarrollo Local, SA	USD	6 938	60 913
UAP Properties South Sudan Limited	USD	2 333	20 487
NMBZ Holdings Limited	USD	1 400	12 292
Interact Climate Change Facility SA	EUR	3 194	31 502
Housing Finance	KES	375 000	32 288
Focus Financial Services Limited	ZMW	25 000	15 761
ACLEDA Bank Lao Ltd.	USD	10 267	90 150
African Century Infrastructure Services Ltd	USD	1 911	16 779
Vertical Agro	USD	5 876	51 594
Cape Dairy Biogas Plant Pty Ltd	ZAR	10 284	6 430
BANCO LAFISE Bancentro SA	USD	4 000	35 121
Across Forest AS	NOK	1 219	1 219
Nam Sim Power Company Ltd	USD	3 491	30 687
ARREND Central America	USD	8 500	74 633
Scatec Rumuruti PDF	USD	52	460
Banco Promerica El Salvador	USD	4 000	35 121
African Century Foods Ltd.	USD	3 500	30 731
AMRET Co. Ltd. USD	USD	10 000	87 803
Rwimi EP Company Ltd	USD	2 181	19 150
Associated Foods Zimbabwe (Pvt) Ltd	USD	2 000	17 561
Banco Promerica Guatemala	USD	10 000	87 803
Federación de Cajas de Crédito y de Bancos de los Trabajadores	USD	6 667	58 535
African Spirit Group Limited	USD	2 300	20 195
Kinyeti Capital Ltd	USD	2 000	17 561

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**NOTES**

» CONTINUES **NOTE 8 – LOANS TO COMPANIES IN THE INVESTMENT PORTFOLIO**

(Tall i 1 000)	Valuta	Bokført verdi* (i valuta)	Bokført verdi* (kr)
Fanisi Capital Managers LLC	USD	783	6 875
M-Kopa Kenya Ltd, M-Kopa Uganda Ltd	KES	955 428	82 262
Freight In Time Limited	USD	1 748	15 348
Neofresh	USD	350	3 073
Nyama World Malawi Ltd	USD	3 295	28 929
Losko S.A.	USD	1 425	12 512
M-Kopa Kenya Ltd, M-Kopa Uganda Ltd	UGS	2 307 411	5 515
Real People Investment Holdings (Pty) Limited	ZAR	44 915	28 081
City Bank Limited	USD	10 000	87 803
Banco de Finanzas	USD	11 250	98 778
Access Bank Plc.	USD	13 125	115 241
Scatec Solar South Africa B.V.	ZAR	4 343	2 715
Myanmar Finance International Limited	USD	2 000	17 561
ONE Bank Limited	USD	13 125	115 241
An Binh Commercial Joint Stock Bank	USD	20 000	175 606
CAL Bank Limited	USD	8 000	70 242
Mutual Trust Bank Limited	USD	20 000	175 606
Banco Promerica Costa Rica S.A.	USD	15 000	131 705
PRODERSSA	USD	7 744	67 996
Banco Financiera Comercial Hondurena, S.A.	USD	20 000	175 606
African Century Real Estates Ltd.	USD	202	1 769
Equity Bank Limited	USD	15 000	131 705
Ventus Energy Ltd	USD	120	1 054
SPUL SUB 2 Ltd	USD	1 950	17 122
Credicomer	USD	7 000	61 462
WeLight Ltd	EUR	1 800	17 755
Advans MFI Myanmar Company Limited	USD	2 000	17 561
Afrinord Hotel Investments A/S	EUR	2 153	21 235
Desyfin	USD	600	5 268
Gigawatt Global Rwanda Ltd	USD	2 291	20 118
Renewable Energy Holdings Pty Ltd	ZAR	54 089	33 817
Verde Beef Processing	USD	4 900	43 023
BANCO LAFISE Bancentro SA	USD	20 000	175 606
Neofresh	USD	1 000	8 780
Banco Promerica El Salvador	USD	10 000	87 803
<b>Accrual start-up fee loans</b>			-21 088
<b>Total loans to projects*</b>			<b>4 091 812</b>
Provision for bad debts at 31.12.2019			-127 584
<b>BOOK VALUE LOANS</b>			<b>3 964 228</b>

\* Figures at 31.12.2019 and before impairments.

In addition to the loans specified above, Norfund made three loans that are charged to unused resources Balkans, and which are recorded at NOK 0 in accordance with the requirements of NRS 4 concerning net recording of government grants received; see note 15.

Norfund makes a semi-annual assessment of each of the loans in the loan portfolio, including provisions for losses. If the review shows an expected loss, it is written down. At 31.12.2019 a provision for losses of NOK 127 584 was recorded.

A loan is regarded as non-performing when borrower has not made due payments within 60 days of the due date. On

balance sheet date Norfund had 10 non-performing loans with total interest and repayments due of NOK 103 million and a total outstanding amount of NOK 235 million. Examples of default or losses are significant financial problems on the part of debtor, restrictions on foreign exchange transfers in countries in which debtor operates, debt negotiations or winding up of a business. These loans are written down by up to 100% of the outstanding principal and accumulated interest, depending on the probability of reflow.

Eight guarantees totalling some NOK 171 million have also been given, and two of these have a >50% probability of being called. The provision in the accounts is for a total of NOK 27 million.

## NOTE 10 – EQUITY INVESTMENTS

### EQUITY INVESTMENTS IN FUNDS

(Figures in 1000s)	Currency	Ownership interest	Committed investment (in FX)	Historical cost* (in FX)	Committed investment (in NOK)	Historical cost* (in NOK)
SEAF Sichuan SME Investment Fund LLC	USD	13,3 %	679	675	4 164	4 125
Aureos East Africa Fund LLC	USD	20,0 %	710	638	4 477	3 851
Aureos West Africa Fund LLC	USD	26,0 %	1 520	356	15 281	2 186
Aureos Southern Africa Fund LLC	USD	25,1 %	2 611	1 294	21 856	7 475
Aureos South-East Asia	USD	28,6 %	1 946	327	15 925	1 858
Biotechnology Venture Fund	USD	7,7 %	2 643	2 643	15 994	15 996
China Environmental Fund 2004 (CEF)	USD	10,0 %	758	650	4 497	3 562
Aureos South Asia Fund (ASAsiaF-II)	USD	23,5 %	11 491	9 816	87 034	56 915
Aureos Central America Growth Fund	USD	14,3 %	1 324	1 151	10 606	7 145
CASEIF Corporation II Ltd	USD	13,8 %	1 344	922	11 457	5 327
Adenia Capital (II) LTD	EUR	13,4 %	714	475	11 158	4 365
Horizon Equity Partners (Proprietary) Limited	ZAR	9,0 %	15 712	14 478	10 490	9 256
AfriCap Microfinance Investment Company Ltd.	USD	7,4 %	2 712	1 679	20 857	9 383
Colony Latin America Fund I-B L.P.	USD	13,6 %	9 398	9 377	55 234	55 051
SEAF Blue Water Growth Fund	USD	20,0 %	2 833	1 453	20 875	8 243
NMI Global Fund KS	NOK	45,0 %	53 815	49 655	80 535	49 655
NMI Frontier Fund KS	NOK	45,0 %	71 900	71 900	108 000	71 900
GroFin Africa Fund	USD	9,4 %	9 195	7 434	61 826	44 518
Neoma Africa Fund L.L.C.	USD	10,5 %	19 520	14 872	130 753	90 369
Fundo de Investimento Privado - Angola S.C.A., SICAV-SIF	USD	9,4 %	9 195	7 434	61 826	44 518
Fanisi Venture Capital S.C.A., SICAV	USD	10,5 %	19 520	14 872	130 753	90 369
Cambodia-Laos Development Fund S.C.A., SICAV-SIF	USD	9,4 %	9 195	7 434	61 826	44 518
Evolution One Fund LP	ZAR	6,7 %	12 090	1 411	7 507	830

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**NOTES**

» CONTINUES **NOTE 9 – EQUITY INVESTMENTS** IN FUNDS

(Figures in 1000s)	Currency	Ownership interest	Committed investment (in FX)	Historical cost* (in FX)	Committed investment (in NOK)	Historical cost* (in NOK)
Agri-Vie Fund PCC	ZAR	9,4 %	62 099	42 426	38 797	26 497
Frontier PE (Cayman) Ltd.	USD	11,3 %	10 053	7 578	78 144	56 412
Próspero Microfinanzas Fund B, LP	USD	21,7 %	3 250	2 274	24 047	15 477
Neoma South-East Asia Fund II LP	USD	2,2 %	4 726	3 162	37 805	24 072
Vantage Mezzanine Fund II (Proprietary) Ltd.	ZAR	5,4 %	88 581	46 730	55 297	29 132
Voxtra East Africa Agricultural Business Fund	NOK	30,0 %	31 656	31 656	31 656	31 656
The Africa Health Fund SA En Commandite Partnership	USD	9,5 %	6 555	4 376	48 846	29 712
Higher Education Finance Fund L.P.	USD	33,0 %	4 309	4 309	34 673	34 673
CoreCo Central America Fund I, L.P.	USD	22,0 %	10 000	9 188	74 919	67 789
Nordic Microfinance Initiative Fund III KS	NOK	26,3 %	183 971	141 657	183 971	141 657
Locfund II L.P.	USD	26,0 %	8 000	8 000	53 835	53 835
Ascent Rift Valley Fund Ltd	USD	12,8 %	9 451	7 378	80 884	62 683
Novastar Ventures East Africa Fund I LP	USD	12,5 %	9 427	8 328	77 296	67 651
CASEIF III L.P.	USD	24,0 %	9 595	6 520	82 770	55 776
GroFin SGB Fund Limited Partnership	USD	19,0 %	15 000	15 000	125 553	125 553
Cambodia-Laos-Myanmar Development Fund II, L.P.	USD	15,5 %	9 915	7 951	84 341	67 097
Business Partners International East Africa LLC	USD	16,8 %	6 000	4 766	51 069	40 236
Frontier Bangladesh II, L.P.	USD	9,8 %	7 991	2 517	68 407	20 347
Agri-Vie Fund II (Pty) Ltd	USD	14,9 %	14 392	4 958	123 860	41 024
FIPA II S.C.A., SICAV-SIF	USD	37,9 %	18 000	6 050	156 196	51 270
Fanisi Capital Fund II LLC	USD	35,0 %	15 000	1 463	131 484	12 626
Cepheus Growth Capital Fund L.P.	USD	30,0 %	15 000	2 885	131 913	25 537
Oasis Africa VC Fund Limited	USD	9,9 %	5 000	1 850	43 151	15 489
Myanmar Opportunities Fund II, L.P.	USD	15,0 %	10 000	3 795	85 114	30 630
Nordic Horn of Africa Opportunities Fund	USD	10,7 %	843	843	6 832	6 832
ECP Africa Fund IV LLC	USD	7,8 %	29 992	14 920	256 055	123 711
AfricInvest Financial Inclusion Vehicle LLC	EUR	29,8 %	20 000	8 648	197 290	85 312
NMI GP IV AS	NOK	28,6 %	24 000	24 000	24 000	24 000
EcoEnterprises Partners III, LP	USD	7,8%	6 000	1 117	52 686	9 812
NMI Fund IV KS	NOK	25,4%	216 000	43 200	216 000	43 200
African Development Partners III L.P.	USD	9,1%	40 000	6 032	352 530	54 280
Frontiir Co. Ltd.	USD	2,6%	3 000	3 000	27 482	27 482
Accion Quona Inclusion Fund LP	USD	6,0 %	10 000	2 716	88 508	24 548
responsAbility Renewable Energy Holding Ltd.	USD	25,6%	30 000	10 000	266 934	91 328
Schneider Electric Energy Access Asia SAS	EUR	30,1%	6 300	63	62 149	629
<b>Total invested in funds*</b>					<b>4 254 353</b>	<b>2 168 994</b>

By 'committed investment' is meant that there is an external commitment for a specific amount. For conversions to NOK, the exchange rate on the date of disbursement is used for the part of the amount that is disbursed. The exchange rate at 31.12.2019 is used for the part that has not been disbursed.

\* Figures at 31.12.2019 and before any impairments.

#### EQUITY INVESTMENTS IN MANAGEMENT COMPANIES

(Figures in 1000s)	Currency	Ownership interest	Committed investment (in FX)	Historical cost* (in FX)	Committed investment (in NOK)	Historical cost* (in NOK)
Lafise Investment Management	USD	20,0 %	2	2	17	17
Nordic Microfinance Initiative AS	NOK	33,3 %	24 192	24 192	24 192	24 192
European Financing Partners SA	EUR	7,6 %	25	25	194	195
Angola Capital Partners LLC	USD	47,5 %	250	250	1 417	1 417
Interact Climate Change Facility SA	EUR	7,7 %	6	6	47	47
Fanisi GP I	USD	50,0 %	275	124	2 240	913
Norwegian Microfinance Initiative AS	NOK	50,0 %	30 000	30 000	30 000	30 000
Fanisi Capital Managers LLC	USD	25,0 %	75	15	649	122
<b>Total invested in management companies</b>					<b>58 758</b>	<b>56 905</b>

\* Tall pr 31.12.19 og før eventuelle nedskrivinger.

#### EQUITY INVESTMENTS IN COMPANIES

(Figures in 1000s)	Currency	Ownership interest	Committed investment (in FX)	Historical cost* (in FX)	Committed investment (in NOK)	Historical cost* (in NOK)
Arise BV	USD	33,1	306860	279 073	2 603 160	2 359 310
KLP Norfund Investment	NOK	51%	612 000	478 634	478 634	478 634
Norfinance AS	NOK	49,8	483 061	436 307	436 307	436 307
SN Power	NOK	100%	7 444 538		7 444 538	6 984 168
CIFI	USD	34,3 %	16 500	16 500	116 182	116 182
Afrinord Hotel Investments A/S	EUR	20,0 %	50	50	392	392
Banco Terra	MZN	6,5 %	424 524	456 700	92 005	96 568
Tanzania Orchards and Plantations Holdings Limited	EUR	33,4 %	2 000	1 670	16 029	12 774
Basecamp Explorer Kenya Ltd	NOK	38,9 %	9 000	1 561	16 439	9 000
Chayton Atlas Investments	USD	22,7 %	24 257	24 257	161 599	161 597
Kinyeti Capital Ltd	USD	49,7 %	3 750	3 750	22 121	22 121
Norsad Finance Limited	USD	14,6 %	9 297	9 297	56 844	56 847
African Spirit Group Limited	USD	30,1 %	5 000	9 500	28 928	68 439
Kinangop Wind Park Ltd	USD	18,8 %	1 240	13 240	-11 057	94 306
Gigawatt Global Rwanda Ltd	USD	16,0 %	648	648	4 409	4 409
Desyfin	USD	23,2 %	6 000	6 000	36 772	36 772
African Century Foods Ltd.	USD	35,0 %	9 600	9 601	82 907	82 913

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NOTES

» CONTINUES NOTE 9 – EGENKAPITALINVESTERINGER IN COMPANIES

(Figures in 1000s)	Currency	Ownership interest	Committed investment (in FX)	Historical cost* (in FX)	Committed investment (in NOK)	Historical cost* (in NOK)
African Century Infrastructure Services Ltd	USD	16,7 %	2 550	2 550	16 260	16 260
ARREND Central America	USD	22,0 %	4 000	4 000	29 904	29 904
Globeleq Ltd	USD	30,0 %	184 657	221 821	1 507 150	1 833 462
African Century Real Estates Ltd.	USD	20,5 %	3 840	3 276	33 392	28 435
Advans MFI Myanmar Company Limited	USD	40,0 %	4 595	4 595	37 745	37 745
Myanmar Finance International Limited	USD	25,0 %	2 181	1 931	18 845	16 650
Freight In Time Limited	USD	24,0 %	6 000	6 000	53 115	53 115
First Finance Plc.	USD	15,1 %	1 000	1 000	8 479	8 479
Basecamp Explorer Kenya Ltd	USD	38,9 %	850	170	7 396	1 425
BRAC Bank Limited	BDT	0,2 %	112 945	112 945	11 617	11 617
Basecamp Explorer Kenya Ltd	USD	38,9 %	5 598	650	49 043	5 598
Financiera Fondo de Desarrollo Local, SA	USD	10,7 %	2 821	3 521	23 643	29 789
African Century Nampula Limited	USD	34,0 %	600	474	4 923	3 815
Real People Investment Holdings (Pty) Limited	ZAR	11,7 %	43 488	48 180	26 630	29 563
Real People Investment Holdings (Pty) Limited	ZAR	11,7 %	81 512	90 307	49 914	55 413
Real People Investment Holdings (Pty) Limited	ZAR	11,7 %	13 500	13 500	8 283	8 283
Neofresh	USD	34,0 %	5 000	5 000	40 566	40 566
Spear Africa Holding II LTD	USD	20,8 %	7 500	1 279	65 579	10 954
Green Resources AS	NOK	41,8 %	2 500	442	2 500	442
Slik Trust Private Equity Cooperatie U.A	NOK	13,45%	7 500	6 000	48 397	51 897
WeLight Ltd	EUR	30,0 %	1 500	900	220	9 097
Bronkhorstspuit Biogas Plant Pty Ltd	ZAR	11,4%	38 757	38 757	23 297	23 297
Star Bright Holdings Ltd.	USD	17,5 %	8 500	8 500	68 500	68 500
Scatec Solar South Africa B.V.	ZAR	30,0 %	8 129	29 077	5 107	18 203
PACT Myanmar	USD	18,0 %	32 000	2 156	280 822	18 778
PRODERSSA	USD	30,0 %	6 256	6 256	53 315	53 315
Mutual Trust Bank Limited	USD	9,5 %	21 000	21 000	185 060	185 060
Optima Servicios Financieros SA de CV	USD	36,3 %	6 000	2 918	53 551	26 488
responsAbility Renewable Energy Holding Ltd	USD	13,6 %	10 000	0	87 803	0
<b>Total invested in companies</b>					<b>14 387 264</b>	<b>13 696 891</b>
<b>Total invested in companies*</b>					<b>3 264 106</b>	<b>15 922 790</b>
Provision for losses at 31.12.2019						-753 687
<b>Carrying value investments</b>						<b>15 169 104</b>

\* Figures at 31.12.2019 and before any impairments.

**NOTE 10 – EXITED INVESTMENTS**

The note shows estimated gain/loss and annual IRR during the period of Norfund's ownership for investments exited in 2019. Total reflow from investments includes all cash flows, for example dividends, sales sums and other returns, during

the period of Norfund's ownership. Investment in and exiting from projects may take place over a period of years, and the estimated realised gain/loss may thus be entered in the accounts in different periods.

(Figures in 1000s of NOK)	TPS Dar es Salam	TPS Rwanda	Agrica	China Environment Fund
Cost price, called and fully paid capital	39 089	12 510	119 505	16 229
Total reflow investment	125 815	19 317	0	27 782
Gain/loss (-) on exited investments	86 726	6 807	-119 505	11 553
Realised gain / loss (-)	66 109	0	0	
Realised FX gain/loss (-)	20 617	6 807	0	
Year of first disbursement	2011	2010	2010	2004
Investment currency	USD	RWF	USD	USD
IRR NOK	15%	6%	Neg	30%

*Eleven (12) loans were repaid during the year.*

**NOTE 11 – TAX**

Tax expenses are attributable in their entirety to withholding tax on dividends and interest on foreign investments. Norfund is tax-exempt in Norway pursuant to a special section in the Norwegian Taxation Act.

**NOTE 12 – BANK DEPOSITS, CASH AND CASH EQUIVALENTS**

	2019	2018
Deposits in Norges Bank	2 157 103	2 293 649
Tax deductions	189 284	3 751
Unused resources, note 14	118 539	11 042
Ordinary bank deposits	359 117	560 577
<b>Total bank deposits</b>	<b>2 824 044</b>	<b>2 869 021</b>

**OTHER CURRENT ASSETS**

Other current assets are bank deposits in FX and with agreed short-term interest due dates of 3–6 months.

## NOTE 13 – CAPITAL MOVEMENTS

(Figures in 1000s of NOK)	Primary capital	Capital in legal reserves	Surplus fund	Total equity
Capital at 31.12.2018	11 780 375	4 102 125	10 051 578	25 934 078
Other changes			-5 963 276	-5 963 276
Capital 31.12.2018 (after change)	11 780 375	4 102 125	4 088 302	19 970 802
Capital supplied in 2019	1 428 750	476 250	0	1 905 000
Actuarial gains/losses, pensions	0	0	19 706	19 706
Net surplus	0	0	1 113 315	1 113 315
<b>Capital at 31.12.2019</b>	<b>13 209 125</b>	<b>4 578 375</b>	<b>5 221 324</b>	<b>23 008 824</b>

Capital in legal reserves can only be used to meet losses that cannot be covered from other reserves apart from primary capital.

Of the capital received in 2019, 75% was allocated to primary capital and 25% to legal reserves.

## OTHER CHANGES

Other changes in equity are mainly related to changes in the accounting treatment of investments in the companies SN Power AS, Arise B.V., KLP Norfund Investments AS and Norfinance AS. In earlier periods, investments in these subsidiaries and associated companies were recognised according to the equity method in Norfund's company accounts.

In the course of 2019, Norfund reviewed the accounting of its investment portfolio. It was concluded that Norfund's mandate and governance model indicate that the company acts as an investment company for all its investments, and the appurtenant true and fair view indicates disclosure of the company's investments as part of an overall investment portfolio. The accounting change affects the company's operating income, asset classification and equity alike. For future periods, the investments in question, previously recorded according to the equity method, will hereafter be carried according to ordinary rules for short-term shareholdings and units in an investment portfolio at the lower of historical cost and estimated market value. For future

periods Norfund will only recognise operations-related income in the form of dividends and interest, and any gains on exiting investments. Reference is also made to the policies note for a further description of accounting policies.

The basis for change concerns accumulated shares of results from previous periods, forex effects, the effect of the previous step-wise acquisition of SN Power and other items related to the investments in question. It is stressed that the changes do not emerge as a consequence of a particularly negative development in the underlying investments, and that the change is solely a result of changed accounting classification and valuation of the investments to provide a better, more true and fair picture of Norfund's overall activities.

Figures for purposes of comparison related to the accounting change have been recast for 2018. For the annual accounts for 2018, the accounting change means recasting of last year's figures related to the share of earnings of previous years from subsidiaries and associated companies, dividends, investments in subsidiaries and associated companies and equity.

## NOTE 14 – UNUSED RESOURCES (NORFUND'S GRANT FACILITIES)

In 2019 the Storting established a special arrangement that enables Norfund to make risk capital available in the most demanding markets, particularly in vulnerable states and in the least developed markets (LDCs), where access to risk capital is limited. The scheme is to be used for projects with higher risk than investments in Norfund's ordinary portfolio, and it is to be managed as a separate scheme. The Storting allocated NOK 105 million to the scheme for 2019 at the end

of the year, and of this amount NOK 14 million was disbursed for projects in 2019.

In 2019 Norfund received NOK 25 million in grant resources in the previously established scheme which are to be used to increase the development effect of Norfund's investments through operational improvements and local community development, and to develop new projects in sectors and countries with particularly

high risk levels. Support may, for example, be provided for training and transfer of expertise, health and equal opportunity programmes, workers' rights, improvement of internal control, corporate governance and energy efficiency. The resources are treated as current liabilities, and undisbursed amounts are included in Norfund's liquid assets. When costs are met from the resources, the liability is reduced by an equivalent amount. A total of NOK 14 million was charged to the scheme in 2019.

In Report no. 23 S to the Storting for 2017, resources are granted to Nordic Horn of Africa Opportunities Fund. The resources

are to be used to enable the establishment of an investment fund for small and medium-sized enterprises in Somalia. This type of investment is highly risky, and the grant resources are used as buffer capital to protect other investors against losses. The buffer capital is a crucial instrument for attracting investors. The fund is the first of its kind in Somalia, and is expected to have significant development effects.

Norfund has also received grant resources earmarked for projects in the Balkans, most of which have been granted as loans to finance companies.

	Unused resources Norfund		Unused resources Nordic Horn of Africa Opportunities		Unused resources Balkans	
	31.12.19	31.12.18	31.12.19	31.12.18	31.12.19	31.12.18
<b>RECEIPTS</b>						
Carried over from previous year	5 485	-440	0	24 057	5 557	155
Received during the year	130 000	20 000				0
Reflow grant resources	0	0	0	0	0	0
<b>Total receipts</b>	<b>135 485</b>	<b>19 560</b>	<b>0</b>	<b>24 057</b>	<b>5 557</b>	<b>155</b>
<b>Inntekter</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>376</b>	<b>959</b>
<b>INCOME</b>						
<b>General follow-up</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-360</b>	<b>-246</b>
<b>Intervention</b>						
Project development:	-2 976	-850	0	0	0	0
Boost and support project development effects	-10 215	-10 352	0	0	0	0
Promote social responsibility	-1 047	-2 873	0	0	0	0
<b>Local investment funds</b>						
Follow-up costs	0	0	0	0	484	802
Loans / investment projects	-14 349	0	0	-24 057	5 583	3 887
<b>Total disbursements</b>	<b>-28 587</b>	<b>-14 075</b>	<b>0</b>	<b>-24 057</b>	<b>5 707</b>	<b>4 444</b>
Allocated interest income	0	0		0	0	0
<b>Non-disbursed resources</b>	<b>106 898</b>	<b>5 485</b>	<b>0</b>	<b>0</b>	<b>11 639</b>	<b>5 557</b>
Total non-disbursed resources at 31.12.2019		118 539				

At the end of 2019, Balkan's unused resources consisted of three outstanding loans totalling EUR 2.6 million, and one equity investment of EUR 0.1 million.

**NOTE 15 – INFORMATION ON FINANCIAL MARKET RISK AND THE USE OF FINANCIAL INSTRUMENTS****MARKET AND CURRENCY RISK**

Norfund's investments are made in developing countries in which the country itself, markets and companies are characterised by high risk. Future returns depend on the ability to manage opportunities and risk during the investment period.

Norfund's investments are largely made in USD, but in some cases in other currencies. Since Norfund's base currency is NOK, its future returns are strongly influenced by the

exchange rate between NOK and USD (or other currency where relevant). The various objects in which Norfund invests may also be subject to fluctuations between local currencies and USD.

Norfund's investment agreements are mainly denominated in USD, while its liquid assets are to a large extent placed in NOK-denominated interest-bearing accounts in Norges Bank.

FX rates used in conversion		31.12.19	31.12.18	Change during the year
US dollar	USD	8,780	8,689	1,1 %
South African rand	ZAR	0,625	0,604	3,4 %
Rwandan franc	RWF	0,009	0,010	-5,5 %
Kenyan shilling	KES	0,086	0,085	1,5 %
Ugandan shilling	UGS	0,002	0,002	2,6 %
Mozambican metical	MZN	0,142	0,140	1,1 %
Bangladeshi taka	BDT	0,102	0,103	-1,1 %
Cambodian riel	KHR	0,002	0,002	-0,9 %
Swaziland lilangeni	SZL	0,626	0,602	4,1 %
Euros	EUR	9,864	9,948	-0,8 %

**NOTE 16 – EVENTS AFTER BALANCE-SHEET DATE**

The spread of the COVID-19 virus is impacting individuals, society and capital markets. It is still too early to know what the effects will be, but markets are and will continue to be characterised by great uncertainty in the near term. In the short term, Norfund has taken steps to protect the lives and health of employees, mainly by following the recommendations of the authorities in our markets. We have also established procedures for assuring the maintenance of critical functions and continued operations. We are mapping consequences and closely monitoring developments in our portfolio companies. We see already now that investment activity in 2020 will be affected by the pandemic. We will see an increased need for capital for existing operations, and a reduced cash flow to Norfund from investments. We may well also see delays

in processes associated with new investments. A weakened krone per se will increase the value of the investment portfolio and our lending measured in NOK. On the other hand, there is increased risk of lower dividends going forward, and potentially a higher share of loans that will not be serviced according to plan. A weakened krone also means that the value in NOK of committed but not yet disbursed investments will increase. The Board's assessment is that Norfund has the liquidity to maintain its commitments, and to support existing portfolio companies and their need for capital. We will consider going forward whether we can play an active role in shoring up institutions in our markets that suffer, for example by extending loans that may help to prevent bankruptcies and thereby contribute to protecting jobs in our markets.



Deloitte AS  
 Dronning Eufemias gate 14  
 Postboks 221 Sentrum  
 NO-0103 Oslo  
 Norway

Tel: +47 23 27 90 00  
[www.deloitte.no](http://www.deloitte.no)

To the General Meeting of Norfund

INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Norfund showing a profit of NOK 1 113 315 000. The financial statements comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable



the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on Other Legal and Regulatory Requirements**

##### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.



*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 24 March 2020  
Deloitte AS

**Grete Elgåen**  
State Authorised Public Accountant (Norway)

*Note: This translation from Norwegian has been prepared for information purposes only.*



**NORFUND'S HEAD OFFICE  
OSLO, NORWAY**

Fridtjof Nansens plass 4  
0160 Oslo, Norway  
Phone: +47 22 01 93 93  
E-mail: post@norfund.no

**NORFUND'S OFFICE IN  
BANGKOK, THAILAND**

399 Unit 2308-9 23rd Floor  
Interchange21, Sukhumvit Rd  
North Klongtoey Bangkok  
10110, Thailand  
Phone: +66 2 663 5112

**NORFUND'S OFFICE IN  
SAN JOSÉ, COSTA RICA**

Escazu Corporate Center  
Costado Sur, Multiplaza Escazu  
San José, Costa Rica  
Phone: +506 2201 9292

**NORFUND'S OFFICE IN  
ACCRA, GHANA**

6th Floor, One Airport Square,  
Airport City, Airport  
Redevelopment Scheme,  
Accra, Ghana  
Phone: + 233 (0) 302 906 774

**NORFUND'S OFFICE IN  
NAIROBI, KENYA**

Muthangari Drive,  
Nairobi, Kenya  
Phone: +254 20 427 6000

**NORFUND'S OFFICE IN  
CAPE TOWN, SOUTH AFRICA**

Ground Floor, South Wing  
Great Westerford Building  
240 Main Road, Newlands,  
Cape Town, South Africa  
Mob: +27 82 413 4061

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