Norfund

2014

ANNUAL REPORT

NORWEGIAN INVESTMENT FUND FOR DEVELOPING COUNTRIES

DIRECTORS' REPORT

ANNUAL REPORT 2014

Norfund – The Norwegian Investment Fund for Developing Countries – was established by the Storting (Norwegian Parliament) in 1997 as a state-owned and funded investment company. Norfund is an instrument in Norwegian development policy. Norfund contributes to economic development and profitability, sustainable jobs in poor countries through the development of profitable enterprises, particularly within the fields of clean energy, the financial sector and agriculture, and transfer of knowledge and technology. At the end of 2014, the total investment portfolio amounted to NOK 12.8 billion.

1. SUMMARY OF THE YEAR

Norfund entered into investment agreements for NOK 3.6 billion in 2014. Approximately NOK 2.69 billion was invested in clean energy, while NOK 880 million was invested in financial institutions and NOK 100 million in agriculture and related industry.

The primary features of Norfund's strategy since 2007 have been geographic concentration on eastern and southern Africa, Central America and selected countries in Southeast Asia, with the sector focus on renewable energy, financial institutions, agriculture and related industry. The strategy implies selective choice of projects, all with a strong expected development effect and assumed viability.

Approximately 55 per cent of Norfund's investment portfolio is within renewable energy, whilst 23 per cent of the portfolio is within financial institutions, including microfinance, and 10 per cent is within agribusiness. The remainder of the portfolio is held largely in small and medium-sized enterprises, through private equity funds.

Shortage of energy is one of the greatest challenges faced by many developing countries. The development of clean energy sources is essential for ensuring environmentally sustainable development, and this is Norfund's largest investment area. Norfund's concentration on energy continued in 2014. After previously investing predominantly in hydropower, in recent years Norfund has increased its investment in solar and windpower, and from 2014 also in gas power. There was also extensive activity in in 2014 in the other strategically prioritised areas, financial institutions, agriculture and agriculture-based industry. Investments were made in 2014 through the new strategic joint-venture companies Norfinance AS and KLP Norfund Investments AS, which have been established with private-sector Norwegian partners.

Geographically, sub-Saharan Africa and the least developed countries (LDCs) featured most prominently in investments. A full 72 per cent of new investments was made in sub-Saharan Africa, whilst 37 per cent was made in LDCs. Excluding investments through SN Power AS and Statkraft IH Invest AS, 85 per cent is invested in Africa and 28 per cent in LDCs.

Norfund operates in difficult markets, and has effected write-downs on some projects, which has led to reduced return in 2014. Norfund has continued to focus on investing in fragile states. The difficult situation in South Sudan has brought the construction of the hydropower plant Fula Rapids to a halt, and there is uncertainty concerning further progress. Developments in Norfund's other investments in South Sudan are satisfactory, however. The focus in Myanmar continues to be on microfinance.

Norfund has five regional offices: in Maputo, Nairobi and Johannesburg in Africa, Bangkok in Asia and San Jose in Central America. Norfund's policy is to recruit personnel with local expertise. In 2014, manpower in the regional offices was boosted further.

2. NORFUND'S ACTIVITY

2.1. Activity and areas of activity

Norfund's objective is to contribute to development by investing in viable, profitable enterprises. In this way, Norfund helps to create jobs and income for employees and owners, as well as tax revenues for the authorities. Investments are intended to be additional, by boosting the supply of capital and expertise in poor countries. Norfund is also intended to act as a catalyst by mobilising capital from other investors, both in Norway and abroad. Norfund always invests jointly with other investors, and does not normally contribute more than 35 per cent of a company's equity. In the majority of projects, Norfund's contribution is a combination of capital (equity and/or loans) and the exercise of corporate governance. The exercise of good corporate governance demands considerable knowledge of countries and sectors, investment skills and, not least, identifying and choosing the right partner(s), as well as hands-on follow-up of investments. Norfund receives capital contributions from the Norwegian government. In 2014, total capital contributions from the government amounted to NOK 1.23 billion.

Norfund's operations are divided into the following four investment areas:

Clean energy: Investment in clean energy is intended to improve and increase electricity production from clean energy sources, thereby helping to provide a sound basis for economic development. Projects are characterised by large capital requirements and high risk associated with the development itself and, for example, hydrological conditions. Norfund's investments in clean energy have been highly profitable over time and had significant development effects. Norway entered into investments agreements in the field of energy for a total of NOK 2 556 million in 2014, with clean energy accounting for approximately 1 370 million.

The most important single event in 2014 was the signing of the agreement with Statkraft on the restructuring and extension of cooperation on hydropower. Norfund now owns 50 per cent of SN Power AS, which covers Africa, Central America and Southeast Asia, a geographical focus which is consistent with Norfund's priority regions. Norfund also owns 33 per cent of Statkraft IH Invest AS, which has power plants in South America and southern Asia. In 2014, SN Power AS took over 20 per cent of the THPC power plant in Laos.

Funding of the 310 MW Lake Turkana wind farm in Kenya was completed in 2014, and construction started towards the end of the year. The project is Norfund's second windpower investment in Kenya. When it is completed, it will be the biggest wind farm in Africa.

Norfund's collaboration with life insurance company KLP was expanded further in 2014, with investments in both the Lake Turkana wind farm in Kenya and a Scatec Solar project in Rwanda.

In 2014 Norfund signed an agreement to acquire 30 per cent of the shares in Globeleq Africa Ltd, a leading energy company in East, West and South Africa that develops, owns and operates gas, solar and wind power plants. The company is owned jointly with Norfund's British sister fund CDC, and will be a strategic platform for Norfund, enabling increased investment in power production, including gas power, in sub-Saharan Africa.

In 2014, Norfund and the Norwegian company Scatec Solar AS signed a strategic joint venture agreement on investment in solar energy. Norfund has already entered into several investment agreements with Scatec Solar, and the agreement will enable more intensive investment in solar energy in developing countries. As at the end of 2014, Norfund had invested in four solar power plants with Scatec Solar, all of which had started operating by the end of the year.

Financial institutions: Norfund invests in or provides loans to banks, microfinance institutions and other financial institutions. The main aim is to extend the range of financial services to small and medium-sized enterprises (SMEs) and to individuals who would not otherwise have access to such services. Norfund entered into investment agreements in financial institutions totalling approximately NOK 878 million in 2014.

In 2013, Norfund and Norwegian private partners established Norfinance AS, which invests in banks and financial institutions in Africa. The company became operational in 2014. Norfund and Norfinance worked through 2014 on preparations for a major investment in the Kenyan Equity Bank, a strategically important investment that was effected just after the end of 2014.

Norfund increased its ownership share in infrastructure bank CIFI (Corporación Interamericana para el Financiamiento de Infraestructura) in Central America, thereby becoming the organisation's largest shareholder. This is a stragically important step, because CIFI funds a number of small and medium-sized infrastructure projects (including renewable energy), in the region.

Norfund also increased its ownership share in HKL (Hattha Kaksekar Limited) in Cambodia, which is a leading microfinance provider targeting small entrepreneurs. HKL's goal is to expand its product range and become a full-service commercial bank that serves micro-, small and medium-sized enterprises.

In 2014, Norfund increased its investment in the Norwegian Microfinance Initiative (NMI) by committing a further NOK 96 million to NMI Fund III.

SME funds: SME funds are useful instruments for reaching small and medium-sized enterprises (SME). »

» These enterprises play a key role in building up a well functioning business sector and local jobs. Because of the shortage of capital in the SME sector, Norfund's role is to be additional by investing in these funds. The investments are concentrated on markets in which the needs are particularly great, particularly in LDCs and where the supply of capital is particularly weak. Norfund entered into investment agreements worth NOK 84 million with SME funds in 2014.

A new fund investment and a follow-up investment in an existing fund were made last year. In 2014, our funds invested in 48 new SMEs, and 32 per cent of the investments were in LDCs. Since 1997, Norfund has invested in 55 SME funds, 40 of which were active at the end of 2014. The two funds in which Norfund invested in 2013 have both had a good start and made their first investments.

Industrial partnerships: Norfund's industrial partnership investments are equity investments in greenfield start-ups and and in growth enterprises that carry a high risk but yield considerable development effects in Africa. In this kind of investment, Norfund's expertise and role as an active owner are just as important as the actual funding. Norfund faced considerable challenges in its agricultural portfolio also in 2014. This was not unexpected, however, given the high proportion of newly established companies in difficult markets and demanding forms of production. A banana plantation in Mozambique in which Norfund has an ownership share of 33.3 per cent had major problems with a plant disease. In 2014, Norfund entered into investment agreements for a total of NOK 192 million in the investment area industrial partnerships.

New investments in 2014 were Vertical Agro, an agricultural company that produces fruit and vegetables in Kenya, Tanzania and Ethiopia. The company is also involved in packaging, wholesaling and promotion to European markets. Vertical Agro produces 6 500 tonnes of fruit and vegetables annually, and is Kenya's chief exporter of organic vegetables.

In 2014 Norfund also invested in the company Africa Century Infrastructure Services (ACIS), a fast growing leasing operation that specialises in heavy lifting equipment for the new oil and gas sector in East Africa. The company operates in Tanzania and Mozambique.

THE GRANT FACILITY

Norfund has a grant facility that is designed to strengthen the development effects of our investments. The facility provides professional and technical assistance for projects through operational improvements (such as training, improving internal control systems or HSE procedures), local community development and project development.

In 2014, Norfund allocated NOK 20.7 million through its grant facility. NOK 2 million of this represented unused resources transferred from 2013 and NOK 0.2 million unused resources repaid by recipients.

Norfund approved new grant projects for a total of NOK 29.6 million, distributed among 29 projects, in 2014. Of these projects, 10 per cent were in project development (5 per cent of the resources), 79 per cent were in operational improvement (80 per cent of the resources) and 10 per cent were in local community development (15 per cent of the resources). 48 per cent of the resources went to projects in Africa (distributed among 22 projects) while 33.4 per cent went to a single large new project in Myanmar. In addition to 29 new projects, 34 projects from previous years continued in 2014.

Norfund also administers resources from the Norwegian Ministry of Foreign Affairs/embassies earmarked for the development of a hydropower plant at Fula Rapids, South Sudan, and risk-reduction measures for our investments in South Sudan and Myanmar.

On behalf of the Ministry, Norfund also administers a grant fund earmarked for projects in the Balkans. Most of the resourcess have been granted as loans to two finance companies.

INFORMATION OFFICE

The Information Office for Private Sector Development in Developing Countries is operated in conjunction with the Norwegian Agency for Development Cooperation (NORAD) and offers first-line support for inquiries from Norwegian operators interested in making commercial investments in developing countries. In particular, the office provides advice and guidance on financial grant and funding schemes to companies. The office received approximately 220 inquiries in 2014, mostly from SMEs. Over 60 per cent of the enquiries in 2014 concerned Africa, particularly East Africa. Most of the enquiries were for Norad's pre-investment phase support schemes, but the office has also received a number of enquiries about Norfund's equity and loan instruments.

2.2 Exits

In 2014, Norfund exited seven equity investments: Aureos Central America Fund (ACAF), Aureos South Asia Fund I, CASEIF, DFCU Ltd, ECP Africa Fund, Socremo, The Currency Exchange (TCX).

Aureos Central America Fund was the first fund established by Aureos Worldwide, with start-up in 2001. Norfund has invested USD 10 million, and because the fund was severely impacted by the financial crisis, USD 5.7 million has been repaid.

In May 2004, Norfund entered into an agreement on the investment of USD 5 million in Aureos South Asia Fund I. The size of the fund was USD 10 million, with Norfund and CDC as the only investors. The fund made two investments, both in companies in Sri Lanka, and yielded a return of 1 per cent. The fund was set up as a temporary solution while Aureos prepared the launch of Aureos South Asia Fund (Holdings), in which Norfund also invested.

At the time of its establishment in 2000, CASEIF was a pioneer fund, in that it developed local talents for the management team of the fund in Central America. This team is still active, and in the course of 2014 they established a third fund, CASEIF III. Norfund has invested USD 5 million, with a negative return of -3 per cent.

In 2014, Norfund's 27.5 per cent holding in DFCU Ltd was transferred to Norfinance AS, of which Norfund owns 48.8 per cent. DFCU is a commercial bank in Uganda. Norfund's first investment in the bank took place in 2004.

In 1999, Norfund invested USD 5 million in ECP Africa Fund, which constituted 1.2 per cent of the fund's capital. The purpose of the fund was to invest in infrastructure projects in Africa. As a result of a solid return on the fund, Norfund has received USD 7.9 million, which translates into a positive return of 24 per cent.

In 2014, Norfund's 35.6 per cent holding in Socremo was transferred to Norfinance AS, of which Norfund owns 48.8 per cent. Socremo is a financial institution in Mozambique that offers microfinance loans to SMEs in Mozambique. The first investment in Socremo was made in 2009.

In 2007, Norfund invested USD 10 million in The Currency Exchange (TCX), which was a new and innovative enterprise. TCX offers foreign exchange and interest rate derivatives for currencies from less liquid emerging markets.

In February, Norfund's shareholding was sold for USD 12.4 million, which gave Norfund a return of 3.8 per cent, including dividend received.

2.3. Financial risk

In keeping with Norfund's development policy goals, we invest in countries where the framework conditions, markets and companies are characterised by high risk. The future is thus surrounded by a great deal of uncertainty. There is also considerable counterparty risk associated with many of Norfund's investments. Significant credit risk is associated with the loans. Norfund has procedures for assessing risk prior to making investment decisions, and for risk management during the investment period. The risk profile of our portfolio is in accordance with Norfund's mandate.

Norfund's investments are largely made in foreign currency: mainly US dollars, but also in Euro, South African rand and other local currencies. Norfund's results are reported in Norwegian kroner. There is also currency risk associated with individual investments, between Norfund's investment currency and the enterprises' cash flows in the local currency. According to our mandate, Norfund should not spend resources on hedging the value of the portfolio in Norwegian kroner, since the resources are to be reinvested outside Norway. Norfund's investment commitments are thus in foreign currency. Disbursements from our reserves in Norwegian kroner often take place long after a contract has been signed, and at an unknown exchange rate. A portion of the investment resources is retained as a buffer in Norges Bank in order to manage this risk.

In Norfund's committed portfolio, direct equity investment accounts for 68 per cent, indirect equity investment through funds 16 per cent and loans 16 per cent. A total of 47 per cent is invested in sub-Saharan Africa and 24 per cent in LDCs. Excluding investments in SN Power, the LDC share is 34 per cent, and 72 per cent is invested in Africa.

Market conditions also constitute an important risk factor. Norfund has high exposure to the energy market, and falling energy prices impact profitability, particularly in parts of the portfolio that are exposed to short-term markets. Political and regulatory risk are also important risk factors.

Other risk factors are discussed in note 16 to the Company's financial statements.

2.4. Social responsibility

Norfund has a systematic approach to social responsibility. The Owner expects Norfund to comply with the requirements set out in the Storting Report 2013-2014: Diverse and value-creating ownership. Norfund assumes social responsibility by setting high requirements for its own operations and for the »

» operation of enterprises in its portfolio. Norfund has zero tolerance for corruption, and requires that account be taken of human rights, gender equality and local communities as well as the environment and biological diversity. All these factors are prominent in Norfund's investment agreements and active ownership engagement, and in reporting from companies in which Norfund has invested.

In many of the countries in which Norfund invests, laws and rules to protect employees and the rights of fragile groups are poorly implemented. In its investment agreements, Norfund therefore stipulates compliance requirements over and above those that are often general practice and commits the enterprises to compliance with the environmental and social standards of the World Bank's International Finance Corporation (IFC). These standards cover indigenous peoples' rights, biodiversity, the interests of local communities and the core conventions of the International Labour Organisation (ILO). Compliance with these standards is an integral part of the work of entering into investment agreements and monitoring the investments as owner and lender. Norfund has established a 'Business Integrity Policy' and reporting procedures to be used if financial irregularities or corruption is suspected, and these must be applied continually in all parts of the organisation. If financial irregularities or corruption is suspected, there is a separate procedure for reporting to Norway's Ministry of Foreign Affairs.

An important result of the work to promote human rights and anti-corruption in its investments is that Norfund has gained a reputation as an investor that does not tolerate breaches of important principles and, for that reason, has become an attractive investment partner. The number of whistleblower cases and incidents connected to corruption/business ethics is limited. In 2014, there were five reports of cases where financial irregularities were suspected.

Norfund has adopted corporate governance principles. Norfund is operated in accordance with current rules and regulations for public sector financial management, and prevention of financial irregularities forms an integral part of its mandate and operations.

Good working conditions for employees are a fundamental goal for Norfund. Ensuring that the enterprises focus on health, safety and the environment (HSE) is a considerable challenge, particularly in major construction projects and in connection with overland transport. Our aim is to ensure that the necessary safety equipment is used and that procedures are followed by all those involved, including subcontractors. Norfund spends considerable amounts on following up HSE requirements in all of our investments.

Reporting of serious accidents and deaths is a mandatory contractual requirement. Regrettably, 38 project-related deaths were reported by enterprises in Norfund's portfolio in 2014. Fourteen of these were associated with terrorist attacks in Afghanistan and Kenya. Seven were due to shooting episodes/hold-ups. Two fatalities resulted from occupational accidents and the remainder occurred on the roads. Deaths associated with Norfund's direct investments are reported immediately to the Board and Owner. Norfund follows up all deaths to ensure that the accidents are investigated, that safety procedures are modified if necessary, and that the next of kin receive the compensation to which they are entitled. Norfund will continue to work to reduce accidents associated with its investments. An external assessment is being made of traffic safety in connection with a project in Tanzania, and funding is being given to a training programme that places great emphasis on health, safety and the environment in one of Norfund's forestry companies which operates in Mozambique, Tanzania, Uganda and Rwanda.

Norfund always invests jointly with other investors, and often through structures or funds that have been set up by others. In countries with weak legal systems and/or where there is a risk of corruption in the legal system, the administration and enforcement of laws and rules are often neither effective nor predictable. In countries like these, it may be difficult for Norfund and our partners to ensure that appropriate legal steps can be taken in the event of financial irregularities or disputes. This represents a risk that is too high for many investors and lenders. The jurisdiction of a third-party country is therefore often employed for investments in weakly developed countries. The use of such offshore financial centres (OFCs) gives Norfund a special responsibility to ensure that we have full insight into the transactions that take place and that we in no way contribute to tax evasion or unlawful flows of capital. In accordance with guidelines issued by the Norwegian Ministry of Foreign Affairs in 2014, Norfund is now subject to the same guidelines as other state-owned companies and funds with international activities. Norfund exercises great caution in its use of OFCs. Norfund follows OECD guidelines on tax-related matters, including attempting to avoid using tax havens that do not comply with Global Forum standards on transparency and effective information exchange, and countries that have not entered into tax information agreements with Norway.

Norfund integrates consideration for the external environment into its operations, and endeavours to follow the guidelines for a 'green government'. The guidelines require that environmental interests form an integral part of its activities, and that a system of ecological management be developed. A few years ago, a survey was therefore made of Norfund's impact on the external environment. As a small, knowledge-based enterprise, Norfund has limited environmental impact. The greatest burden on the environment caused by Norfund's own business activities is due to air travel. In 2014, travel by Norfund's Norway-based employees entailed the emission of some 327 tonnes of CO_2. Since 2012, most flights departing from or arriving in the European Economic Area (EEA) have been subject to a mandatory quota through the European quota system. The airlines are thus responsible for emission quotas for this business travel.

2.5. Development effects

Norfund's objective is to contribute to sustainable development through profitable investments in commercial activities in developing countries. Profitable enterprises are the cornerstone of economic growth and development. They create employment, produce goods and services, and pay taxes and levies to the governments of the countries in which they operate.

Norfund's investment is contingent on stringent environmental and social requirements for enterprises and for projects that would not otherwise be realised. Norfund gives priority to investment in countries and sectors with a particular lack of capital, for example, greenfield companies, agriculture and development of clean energy sources. This is challenging, but given a responsible approach, Norfund's activities can yield permanent development effects, and at the same time pave the way for other investors. Active ownership is required to ensure that the enterprises are operating in accordance with our requirements and expectations. Transfer of expertise is an important part of this work. By maintaining a presence on boards of directors and following projects up closely, Norfund promotes improved management of enterprises, financial procedures, and health, safety and environment systems. This increases the viability of the enterprises and thereby amplifies development effects. Norfund also uses its grant facility to augment development effects.

Each year, Norfund publishes a report on its activities, which provides a detailed account of Norfund's investments and the development effects they have. At the end of 2014, 277 000 people were employed in enterprises in which Norfund had invested. Women accounted for 35 per cent of overall employment. NOK 9.1 billion was paid to the governments in our investment countries in the form of corporate tax, levies, licences etc.

In 2014, the portfolio companies of SN Power AS and Statkraft IH Invest AS produced a total of 10.1 TWh of electricity. This is equivalent to the consumption of 17.3 million people in the countries in question. In 2014, the portfolio companies had total value added of NOK 3.9 billion. Salaries and other employee benefits amounted to about 9 per cent of the value added. In all, the companies paid NOK 830 million in tax and levies to national authorities. The companies' activities helped to avert 3.7 million tons of CO_2 emissions in 2014.

3. ORGANISATION AND OPERATIONS

3.1. Corporate governance

The General Meeting is Norfund's supreme body. Norfund's Board of Directors is elected by the General Meeting. The Board consists of Kristin Clemet (chair), Stein Tønnesson, Borghild Holen, Finn Jebsen, Martin Skancke, Margareth Aske, Petter Vilsted and Marianne Halvorsen. The latter two persons have been elected by and from amongst Norfund's employees.

Norfund's internal control system is based on a structure in which documents are allocated to different levels, ranging from governing documents such as the Norfund act and regulations, to specific follow-up procedures. The structure is operationalised and makes inspections, measurement and verification possible.

3.2. Personnel, organisation and gender equality

Norfund is an expertise-based organisation, which has established guidelines for recruitment, expertise and equal opportunities. There are established procedures for employee follow-up and rewards. Targeted recruitment takes place to enhance the organisation's ability to deliver on the strategy that has been adopted.

In 2014, Norfund had 56.8 full-time positions. At 31 December, there were 61 employees, 26 of whom came from countries other than Norway. Nineteen of the staff were employed at the regional offices in South Africa, Kenya, Mozambique, Costa Rica and Bangkok. The proportion of women who were permanent members of the Board was 50 per cent. Two out of six members of Norfund's management team were women, and the proportion of women among the employees overall was 45 per cent. Ten of the 15 persons who were engaged in 2014 were women. »

» Norfund focuses on gender equality in its human resources policy, and urges women and persons of non-Norwegian origin to apply for positions.

Sickness absence in 2014 amounted to 1.7 per cent of total working hours, equivalent to 234 days. This is approximately 3.4 per cent lower than in 2013. There were no personal injuries or damage to Norfund's property.

The Board of Directors does not find it necessary to implement any special measures in connection with the working environment or designed to promote the aims of the Anti-Discrimination Act and the Anti-Discrimination and Accessibility Act.

4. THE FINANCIAL STATEMENTS

Norfund is an investment company, so its operating income consists of interest, dividends and gains on sales. For traditional production enterprises, these are classified as financial items. Similarly, investment in associated companies is a part of operations, and Norfund's share of the profits of associated companies is therefore recorded as operating income.

Norfund had a profit in 2014 of NOK 598 million (NOK 318 million in 2013). Norfund's income amounted to NOK 462 million (NOK 435 million in 2013). Interest income of NOK 146 million represented an increase of NOK 51 million compared with 2013. At NOK 85 million, dividends from funds and equity investments were NOK 22 million higher than in 2013, as a result of higher dividends from some fund investments. The profit from associated companies includes the profit from Norfund's 40 per cent share in SN Power Invest AS up to the end of May 2014, and the 50 per cent share relating to SN Power AS from 1 June. In June 2014, a restructuring of the former SN Power Invest AS entailed transferring the operations in the Philippines, Africa and Central America (Agua Imara) to SN Power AS. Following the restructuring, Norfund owns 50 per cent of SN Power AS, and has reduced its holding in Statkraft IH Invest AS (formerly SN Power Invest AS) to 33 per cent. SN Power Invest AS/SN Power AS reported a decline in earnings in 2014 compared with 2013, and Norfund's share was NOK 182 million. The reduction is largely due to lower earnings on activities in the Philippines.

Norfund's operating costs prior to exchange rate adjustment on loans and write-downs increased by NOK 4 million, to NOK 140 million, in 2014. This was attributable to personnel expenses increasing by NOK 10 million as a result of an increase in the number of employees. The principles for recording of pension expenses were changed in 2014, in that from and including 2014, actuarial gains or losses are charged directly to equity. For 2014, this amounts to NOK 15 million, which is charged to equity. The figures for 2013 have been revised accordingly, and pension expenses have increased by NOK 10 million. A strengthening of the investment currencies relative to the Norwegian krone has resulted in a positive currency adjustment on our loans of NOK 315 million, compared with a gain of NOK 77 million in 2013. Large write-downs were made on five investments in 2014, and funds and equity investments were written down by a total of NOK 188 million in 2014.

Other interest income amounted to NOK 32 million, approximately the same level as in 2013. Norfund's profit of NOK 588 million has been transferred to Norfund's surplus fund in accordance with the regulations governing Norfund. Norfund's internal valuations indicate that there is still considerable excess value in the portfolio over and above the carrying values. Norfund's balance sheet at the end of 2014 was NOK 12 693 million (compared with NOK 10 277 million for the previous year), an increase of NOK 2,416 million. The change in the balance sheet is essentially due to the transfer of NOK 1,243 from Norfund's owner, a surplus generated by operations and an increase of NOK 584 million as a result of an equity adjustment for Norfund's ownership share in SN Power due to the US dollar appreciating relative to the Norwegian krone. At year end, Norfund's equity amounted to NOK 12 597 million (compared with NOK 10,200 million in 2013) and NOK 8,506 million had been disbursed for investments (compared with NOK 7,476 million in 2013). Norfund has no interest-bearing debt. Norfund disbursed a total of NOK 1,852 million to its investments, and received NOK 1,191 million from its investments in 2014. The Board regards the company's liquidity as satisfactory. Write-downs were made on 10 out of 64 loans as at 31 December 2014. The write-downs represented 4 per cent of the committed amount.

Norfund has no special research or development activities of significance for the accounts. There have been no significant events since balance sheet date with an actual or potential effect on the results or financial standing.

In the opinion of the Board, the annual accounts at 31 December 2014 provide a true and fair view of the company's financial position. The Board confirms that the going concern assumption applies.

5. NET ASSET VALUE AND RETURN

The net asset value is an estimate of Norfund's total market value. As Norfund's investments are mainly non-liquid positions in demanding markets with high risk, there is substantial uncertainty associated with estimates of net asset value. The estimates are based on the carrying values of the individual investments, and are adjusted for increase or decrease in value on the basis of the valuation principles of the European Venture Capital Association (EVCA). Where there are relevant transaction values, these should as a general rule form the basis, but in most cases the estimated value is based on discounted future cash flows. Such valuations are subjective, and the fair values will only emerge on exiting from the investment.

The net asset value at 31 December 2014 was NOK 15,530 million, compared with NOK 12,580 million at the end of the 2013.

Norfund's objective is to create profitable enterprises in poor countries. Whereas most other Norwegian investors invest with a view to later repatriating the returns to Norway, our money is to be reinvested in poor countries. Consequently, we measure the return on investments in the investment currency, not in NOK. This is also the approach employed by co-investors for whom the investment currency is their functional currency. For our Norwegian co-investors, the return in Norwegian kroner will be more relevant.

Of Norfund's total investments, around 80 per cent are denominated in USD, the remainder in other currencies. The Norwegian krone depreciated substantially against the US dollar through 2014. This has a strong impact on the accounting results, the portfolio evaluations and the return calculated in NOK versus USD.

The return on the investment portfolio, expressed in the investment currencies, is calculated to be six per cent. The return is calculated from the time of making the investments. The return calculated in Norwegian kroner is nine per cent. In 2014, the return in investment currencies was a negative six per cent, and in Norwegian kroner 14 per cent. The explanation for the weak 2014 figures calculated in investment currency is attributable to a limited number of projects, falling energy prices, not least in the Philippines, and a challenging agribusiness investment. The financial crisis in South Africa also had a negative impact in 2014.

6. OUTLOOK FOR THE FUTURE

The business sector is the most important contributor to income, jobs and tax revenue in the majority of developing countries. Investing in businesses is one of the most important ways in which we can help these countries succeed in long-term, sustainable combating of poverty. Profitability is essential to the creation of sustainable enterprises. To increase commercial investors' interest in investing in poor countries, it is also important to be able to demonstrate solid financial results.

Many countries in Norfund's priority regions are enjoying positive development, not least in sub-Saharan Africa. One of the major challenges of these countries, however, is a shortage of capital. An expensive, limited and unstable supply of electricity is a factor that places major constraints on business sector development.

The supply of good projects with a high expected development effect is now so large that demand for investment and Norfund's investment capacity exceeds the available capital. We see a growing interest on the part of private investors to invest in our regions, and Norfund will continue its work to mobilise more capital in collaboration with other partners.

Norfund has established several platforms, which in the years ahead will be an important foundation for increased investment with key partners. Important platforms include the restructured SN Power for hydropower investments, the strategic collaboration with Scatec Solar for investment in solar power, and the partnership with British CDC through Globeleq Africa Ltd. Norfinance AS is also an important foundation for investment in financial institutions in Africa, Norwegian Microfinance Initiative for investment in microfinance. In addition to the platforms, the co-investment mechanism KLP Norfund Investments AS wil contribute to increased investment in clean energy and financial institutions.

Expertise is the key to success in establishing and following up good investment projects that yield substantial development effects. Norfund has worked systematically over time to build up an organisation with expertise in investment in poor countries. Today Norfund is an attractive employer and an attractive investment partner for Norwegian and international investors. Norfund distinguishes itself from similar funds in Europe by its more focused strategy and very strong position in clean energy.

Norfund will continue to prioritise investments that yield substantial development effects. This requires giving priority to investment in energy production, agriculture and related industries, as well as financial institutions (especially financial institutions that finance small and medium-sized enterprises and low income groups, including microfinance). The primary »

» investment instruments will be equity and similar instruments.

Half of the annual capital allocations are intended to be invested in renewable energy. Norfund will continue its extensive investment in renewable energy. Energy challenges, particularly in sub-Saharan Africa, are enormous, and cannot be met exclusively with renewable energy. In addition to its investment in renewable energy, Norfund has therefore established a platform that also lays a foundation for increased investment in gas power in regions rich in natural gas. The real alternatives to developing gas power are more oil and coal-fired power plants. Investing in gas power in sub-Saharan Africa will contribute to more climate-friendly developments.

By investing in financial institutions, Norfund aims to increase the range and effectiveness of the supply of financial services in poor countries, and will focus more on expanding and increasing the effectiveness of existing financial institutions, and on developing financial institutions that can be upscaled regionally, rather than on establishing new ones. Norfund will continue to invest in agribusiness, but will focus on projects with somewhat lower risk than previously. Norfund will also continue to invest through private equity funds in order to reach small and medium-sized enterprises, but will concentrate its activity on funds that invest in markets in which the level of risk is particularly high and there is limited access to alternative sources of capital.

Norfund will maintain its high level of ambition with regard to environmental and social standards, as well as sound management of enterprises. This includes the requirement in all our investments that the IFC Performance Standards be met. Norfund will assist our companies in the work of satisfying these requirements. Our grant facilities enable us to assist in strengthening internal control systems or improved HSE procedures.

Our ambitions with regard to maximising, measuring and documenting the development effects of investments will be raised further. In particular, we will place emphasis on achieving Norfund's strategic goals: to prioritise the least developed countries (LDCs), sub-Saharan Africa, greenfield start-ups, and to ensure additionality and mobilise private capital. Norfund has already completed investment projects in fragile states such as Myanmar and South Sudan, and will continue its efforts to develop new instruments and working methods appropriate to the conditions in these countries.

In accordance with Norfund's strategy, we are currently investing in four regions: Central America, selected countries in Southeast Asia, southern Africa and East Africa. The geographic scope of Norfund's activities is primarily contingent on resources. During the course of 2015, Norfund will consider making adjustments to the geographical regions to which it gives priority.

Oslo, 24 March 2015

Kristin Clemet
Chair

Stein Tønnesson | Borghild Holen | Margareth Aske | Martin Skancke | Finn Jebsen

Petter Vilsted | Marianne Halvorsen

Kjell Roland
Managing Director

PROFIT AND LOSS ACCOUNT

(Figures in 1000s of NOK)	Note	2014	2013
Interest income loans - invested portfolio	1	145 861	97 577
Realised gain on shares	1	39 634	0
Dividends received	1	85 092	63 591
Other operating income	1	6 379	3 754
Share of profit/(loss) associated company	5	185 444	270 332
Total operating income		**462 410**	**435 253**
OPERATING EXPENSES			
Payroll expenses	2	78 065	68 874
Depreciation tangible fixed assets	4	2 185	2 094
Other operating expenses	2,3	60 186	65 348
Total operating expenses prior to exchange rate adjustment of loans and write-downs, investment projects		**140 435**	**136 315**
Adjustment for gain/loss on FX, project loans	1	314 917	77 448
Write-down investment projects (-) / reversals (+)	1	-187 936	-110 991
Operating profit/loss		**448 956**	**265 395**
Other interest income		32 157	31 281
Other financial income		123 231	23 795
Other financial expenses		6 254	1 725
Net financial items		**149 134**	**53 351**
Profit/loss before tax		**598 091**	**318 746**
Tax	11	**–311**	**–116**
Profit/loss for the year		**597 779**	**318 630**
TRANSFERS			
Transferred to surplus fund	13	**597 779**	**318 630**
Total allocations		**597 779**	**318 630**

BALANCE SHEET

(Figures in 1000s of NOK)	Note	2014	2013
ASSETS			
Fixed assets			
Tangible fixed assets			
Operating equipment, fittings and fixtures, tools etc.	4	4 665	5 413
Total tangible fixed assets		**4 665**	**5 413**
Financial fixed assets			
Investments in associated companies	5	2 849 437	4 504 515
Total financial fixed assets		2 849 437	4 504 515
Total fixed assets		**2 854 102**	**4 509 928**
Current assets			
Receivables			
Other receivables	6	136 889	85 602
Total receivables		**136 889**	**85 602**
Investments			
Capitalised project development costs	7	27 190	48 513
Loans to investment projects	1,8	1 829 870	1 334 472
Equity investments	1,9	5 340 198	2 246 806
Total investments		**7 197 258**	**3 629 791**
Bank deposits, cash and cash equivalents			
Bank deposits	12	2 504 651	2 051 484
Total bank deposits, cash and cash equivalents		**2 504 651**	**2 051 484**
Total current assets		**9 838 798**	**5 766 877**
Total assets		**12 692 900**	**10 276 805**

BALANCE SHEET

(Figures in 1000s of NOK)	Note	2014	2013
EQUITY AND LIABILITIES			
Equity			
Called and fully paid capital			
Primary capital	13	7 171 250	6 248 750
Reserve capital	13	2 565 750	2 258 250
Total called and fully paid capital		**9 737 000**	**8 507 000**
Retained earnings			
Surplus fund	13	2 860 095	1 693 550
Total retained earnings		**2 860 095**	**1 693 550**
Total equity		**12 597 095**	**10 200 550**
Liabilities			
Provision for liabilities and charges			
Pension commitments	2	25 913	12 037
Total provisions for liabilities		**25 913**	**12 037**
Current liabilities			
Accounts payable		12 709	10 050
Unpaid government charges and special taxes		6 032	5 026
Unused fundss (grant facility)	14	16 437	37 339
Other current liabilities		34 713	11 803
Total current liabilities		**69 891**	**64 218**
Total liabilities		**95 804**	**76 255**
Total equity and liabilities		**12 692 900**	**10 276 805**

Oslo, 24 March 2015

Kristin Clemet
Chair

Stein Tønnesson   Borghild Holen   Margareth Aske   Martin Skancke   Finn Jebsen

Petter Vilsted   Marianne Halvorsen

Kjell Roland
Managing Director

CASH FLOW STATEMENT

(Figures in 1000s of NOK)	Note	2014	2013
CASH FLOWS FROM OPERATIONS			
Profit before tax		597 779	328 319
Ordinary depreciation	4	2 185	2 094
Reversal of write-down (-) / Write-down (+), investment projects		161 309	50 706
Differences in pension costs and receipts/disbursements, pension scheme		-1 340	-8 155
Share of profit/(loss) associated company	5	-185 444	-270 332
Effect of exchange rate changes		-437 950	-96 758
Change in other accruals		-3 389	-15 769
Net cash flow from operations		**133 150**	**-9 895**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investments in tangible fixed assets	4	-1 436	-3 016
Proceeds of sales/repayment of shares/ownership interests recorded at cost price		581 530	259 462
Disbursements in connection with purchase of shares/interests in other enterprises		-1 559 082	-779 689
Disbursements of investment loans		-482 449	-487 260
Repayment of principal, investment loans		552 694	262 406
Repayment other investments		0	0
Net cash flow from investment activities		**-908 742**	**-748 097**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new short-term debt	14	18 500	**37 840**
Disbursements - repayment of long-term debt		0	0
Disbursements - repayment of short-term debt	14	-19 741	-35 920
Increase in/repayment of equity	13	1 230 000	1 198 000
Net cash flow from financing activities		**1 228 759**	**1 199 920**
EXCHANGE RATE CHANGES, CASH AND CASH EQUIVALENTS			
Net change in cash and cash equivalents		453 167	441 927
Bank deposits, cash and cash equivalents at 1 January		**2 051 484**	**1 609 557**
Bank deposits, cash and cash equivalents at 31 December	**12**	**2 504 651**	**2 051 484**

ACCOUNTING PRINCIPLES

The financial statements for NORFUND consist of the following:

- Profit and loss account
- Balance sheet
- Cash flow statement
- Notes

The financial statements, which are prepared by the Board of Directors and the executive management of the institution, 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 2014. The financial statements provide a true and fair view of assets and liabilities, financial position 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 recorded at the lower/higher of acquisition cost and fair value. The definition of fair value is the estimated future sales price reduced by expected sales costs. Other assets are classified as fixed assets. Fixed assets are entered in the accounts at historical cost, with deductions for depreciation. In the event of a decline in value which is not temporary, the fixed asset will be subject to a write-down. Investments are valued in accordance with IPEV's valuation guidelines.

Some exceptions are made from the general valuation rules in accordance with generally accepted accounting principles. Comments to these exceptions can be found in the notes to the accounts. 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 profit and loss account and balance sheet.

THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED BY NORFUND ARE DESCRIBED BELOW

Principles for revenue recognition

Operating income includes dividends, gain on the sale of shares/ownership interests in other companies, interest on loans made to other companies, directors' fees, other project income, gain on the sale of fixed assets, and payments of interest and principal on the loan portfolio.

Gains on the sale of shares/ownership interests in other companies are recorded in the year in which the sale takes place. Gains from funds are recorded as dividend. Interest is recorded as and when it is earned. Other proceeds from shares/ownership interests are deducted from the book value, and are accordingly not recorded as income.

Payments from the investment portfolio are recorded when received (the cash principle).

When loans to development projects are classified as problem loans, interest is recorded to income on the basis of the written-down value. Interest recorded but not paid owing to default is reversed.

Financial income and expenses

Interest on Norfund's liquidity reserve in Norges Bank and other Norwegian banks is recorded as financial income. The profit or loss on matured forward contracts for portfolio hedging purposes is recorded in its entirety against other financial income or other financial expenses.

Associated companies

Associated companies are enterprises in which »

ACCOUNTING PRINCIPLES

» Norfund has substantial influence, but which are not subsidiaries or joint ventures. Associated companies are incorporated in the accounts according to the equity method. Norfund's share of income from associated companies is incorporated as a separate item in the profit and loss account. Similarly, equity investments are presented as a separate item on the asset side of the balance sheet. Investments in SN Power AS, Norfinance AS and KLP Norfund Investments AS are recorded as associated companies in accordance with generally accepted accounting practice. Where final figures are unavailable, estimates of the expected result are used.

Equity investments

Norfund normally treats its investments in other companies as current assets. In other words, the equity method is not used, even though Norfund's equity interests 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.

Equity investments in companies are valued at the lower of cost and market value, on the basis of a specific assessment of each investment, such that each investment is written down where this is considered necessary because of a fall in value regarded as permanent (individually assessed write-downs). No group write-downs are made. 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 makes realisations 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 obligation 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 a straight-line allocation method.

In accordance with the institution's strategy, the loan portfolio acquired from NORAD is classified as a current asset and recorded 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

Known losses

Losses as result of insolvency, the winding-up of a company along with others, and losses on the sale of shares, are recorded as recognised losses.

Currency items

Monetary items are recorded 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. However, it has accepted that SN Power AS makes use of hedge accounting for its portfolio. For further details, see the annual report for SN Power.

Bank deposits, cash and cash equivalents

Liquid assets consist of bank deposits.

Current receivables

Current receivables are recorded at their estimated value and adjusted for irrecoverable items..

Tangible fixed assets

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

Leases

Rent paid for leases which 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 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, whilst any net losses are deducted from this or from reserve capital if the former fund is insufficient to cover the net loss.

Government grants

Norfund receives government grants, which 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

Norfund defines SN Power AS, Norfinance AS, Norfininvest AS and KLP Norfund Investments AS as related parties.

Deferred tax and tax expense

Norfund is exempt from tax pursuant to a separate section in the Norwegian 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 liability 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 the size of National Insurance benefits, and actuarial assumptions regarding mortality, voluntary retirement etc. 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 schemes are included in the balance sheet as a provision, while net plan assets in overfunded schemes 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.

The company has pension plans for employees at regional offices outside Norway, mainly defined contribution plans.

NOTES

NOTE

NOTE 1 – SEGMENT INFORMATION

SEGMENT INFORMATION BY BUSINESS AREA:
The table below presents an overview of the results of Norfund's investment departments, the loan portfolio taken over from Norad (see note 6), shared functions and other activities. The costs of shared functions have largely been allocated in accordance with the number of employees in each area, and are recorded as part of other operating expenses.

	2014								2013							
(Figures in 1000s of NOK)	NORFUND total	SME Funds	Financial institutions	Clean energy	Industrial partnerships	Shared functions	Other activity	Loan portfolio*	NORFUND total	SME Funds	Financial institutions	Clean energy	Industrial partnerships	Shared functions	Other activity	Loan portfolio*
OPERATING INCOME																
Interest - invested portfolio	145 861	0	98 934	15 456	31 471	0	0	0	97 577	0	76 390	5 456	15 731	0	0	0
Realised gains	39 634	47	43 821	-4 260	27	0	0	0	0	0	0	0	0	0	0	0
Dividends received	85 092	66 120	3 691	0	15 281	0	0	0	63 591	43 004	20 169	0	419	0	0	0
Other project revenues	6 379	6	3 939	1 892	542	0	0	0	3 754	8	2 038	1 100	405	203	0	0
Profit from associated companies	185 444	0	3 326	182 118	0	0	0	0	270 332	0	0	270 332	0	0	0	0
Total operating income	**462 410**	**66 173**	**153 711**	**195 205**	**47 321**	**0**	**0**	**0**	**435 253**	**43 011**	**98 597**	**276 887**	**16 555**	**203**	**0**	**0**
OPERATING EXPENSES																
Payroll expenses	-78 065	-4 800	-17 366	-11 345	-17 595	-25 850	-1 045	-64	-59 185	-3 459	-10 747	-8 202	-17 104	-18 715	-855	-102
Depreciation tangible fixed assets	-2 185	0	0	-42	-39	-2 104	0	0	-2 094	0	0	-5	0	-2 089	0	0
Loss on sale of operating assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other operating expenses	-60 186	-1 709	-3 453	-19 228	-7 275	-27 690	-830	-1	-65 348	-1 415	-5 417	-25 955	-6 851	-23 946	-1 761	-2
Allocation of shared expenses	0	-5 856	-18 239	-12 610	-17 573	55 657	-1 380	0	0	-3 466	-13 014	-9 594	-17 245	44 750	-1 319	-111
Total operating expenses	**-140 436**	**-12 365**	**-39 059**	**-43 225**	**-42 481**	**13**	**-3 255**	**-65**	**-126 626**	**-8 341**	**-29 178**	**-43 756**	**-41 201**	**0**	**-3 936**	**-215**
Gain/loss on FX, project loans	314 917	-88	203 403	27 711	83 892	0	0	0	77 448	0	51 952	5 104	20 393	0	0	0
Provision for (-)/reversal of (+) loss on projects	-188 069	14 896	-60 433	-19 633	-122 900	0	0	0	-110 984	1 674	-43 152	-7 943	-61 563	0	0	0
Profit/loss on operations	448 823	68 616	257 622	160 059	-34 168	14	-3 255	-65	275 091	36 344	78 218	230 292	-65 816	203	-3 936	-215
Net financial items**	149 268	6 348	2 342	10 710	3 796	126 072	0	0	53 344	4 900	5 100	5 705	3 311	34 329	0	0
Profit/loss before tax	598 090	74 964	259 964	170 768	-30 372	126 086	-3 255	-65	328 435	41 244	83 318	235 996	-62 505	34 533	-3 936	-215
Tax	-311	0	-311	0	0	0	0	0	-116	0	-116	0	0	0	0	0
Total profit/(loss)	**597 779**	**74 964**	**259 653**	**170 768**	**-30 372**	**126 086**	**-3 255**	**-65**	**328 319**	**41 244**	**83 202**	**235 996**	**-62 505**	**34 533**	**-3 936**	**-215**

** Income is directly attributable. Expenses are partly directly attributable and partly shared costs allocated in accordance with distribution formulae based on the number of people employed.*
*** Financial items include considerable gain/loss on FX bank deposits.*

Other activities include the Information Office for Private Sector Development in Developing Countries and the tender guarantee scheme.

NOTES

SEGMENT INFORMATION BY GEOGRAPHICAL REGION:

	2014					
(Figures in 1000s of NOK)	Africa	Asia	Latin America	Global	Write-downs	Total
BALANCE SHEET						
Equity investments	1 559 998	310 580	407 244	243 660	-434 435	2 087 047
Loans to investments	1 026 071	393 489	544 921	-225	-134 387	1 829 870
Total balance sheet	**2 586 070**	**704 069**	**952 166**	**243 435**	**-568 821**	**3 916 917**
Interest income loans	96 894	32 728	16 239	0		145 861
Realised gain on shares	29 060	0	-4 214	14 788		39 634
Dividends received	38 409	31 349	13 089	2 245		85 092
Directors' fees received	258	0	0	0		258
Fees	4 032	948	553	588		6 121
Repayments of principal, loan portfolio	0	0	0	0		0
Interest paid on loan portfolio	0	0	0	0		0
Profit from associated company	2 358	93 157	89 929	0		185 444
Total operating income	**171 011**	**158 182**	**115 597**	**17 620**	**0**	**462 410**
Gain/loss on FX, project loans	162 132	81 579	69 214	1 994		314 917

NOTE 2 – PAYROLL EXPENSES

WAGES, SALARIES AND OTHER PAYROLL EXPENSES

(Figures in 1000s of NOK)	2014	2013
Wages and salaries	54 690	46 623
Directors' fees	699	659
Employer's social insurance contribution	6 948	6 492
Personnel insurance	1 265	1 089
Pension expenses	8 344	8 558
Other benefits	6 196	5 502
Payroll expenses reimbursed	-77	-48
Total wages, salaries and other payroll expenses	**78 065**	**68 874**

REMUNERATION OF SENIOR PERSONNEL

(Figures in 1000s of NOK)	Managing Director	Chairman	Directors
Wages and salaries/fees	2 291 784	189 000	510 000
Pension contributions	704 674		
Other remuneration	90 804	1 259	
Total	**3 087 262**	**190 259**	**510 000**

The managing director is not covered by any agreement for pay after termination of employment beyond the ordinary three-month period of notice. The chairman does not have an agreement for pay after termination of employment. Neither the managing director nor the chairman has a bonus agreement.

The chairman received NOK 189 000 (NOK 177 500 in 2013) for boardroom work for Norfund in 2014. The board members each received remuneration of NOK 102 000 (NOK 97 500 in 2013).

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. The schemes account for a total of 2.5% of Norfund's payroll expenses. Bonuses are paid for extraordinary performance, and average payment in 2014 was NOK 26 000. Highest bonus payment represented 6% of salary and is significantly lower than the requirement in the Eierskapmelding of a maximum bonus of 50% of the employee's salary.

Fees of NOK 1 119 202 (NOK 673 556 in 2013) were paid to the auditor, of which NOK 325 155 (NOK 451 493 in 2013) related to statutory audit, NOK 0 for other attestation services and NOK 794 046 (NOK 222 063 in 2013) for non-audit services. No fees were paid to the auditor for tax advice. All figures include VAT.

EMPLOYEES

The company had 61 (54 in 2013) employees at 31 December 2014. The number of person-years was 56,75 (53,7 in 2013).

PENSIONS

Pursuant to the Norwegian Act on Mandatory Occupational Pensions, Norfund is required to have an occupational pension scheme. Norfund has a defined-benefit scheme for all employees in Norway. The scheme entitles employees to defined future benefits. The size of the benefits depends primarily on the number of qualifying years, pay level on achieving retirement age and the size of National Insurance benefits. The full pension entitlement is based on 30 qualifying years, and is equivalent to 70 per cent of pay up to a maximum of 12 times the National Insurance base rate (G). This scheme satisfies the requirements of the Act on Mandatory Occupational Pensions. Norfund also has a general scheme which entitles employees to pension rights for pay above 12 G. This scheme was closed to new members in 2012. This scheme, which is funded from operations, consists of 66 per cent of pay above 12 G and uses a retirement of age of 67 in the calculation base. On termination of employment or on reaching retirement age, employees receive a settlement for the value of the amount saved. The cost of this scheme is included in the calculation of pension expenses.

Local employees at Norfund's regional offices in South Africa, Kenya, Mozambique and Costa Rica have defined contribution pension schemes and Norfund has no obligations beyond the annual contributions. In 2014, NOK 399 514 was expensed in connection with this scheme.

The managing director has a retirement age of 65.

Pension expenses, resources and commitments have been calculated by the insurance company's actuary. The principles for recording of pension expenses were changed in 2014, in that from and including 2014, actuarial gains or losses are charged directly to equity. For 2014, this amounts to NOK 15 628 740, which is charged directly to equity. The figures for 2013 have been revised accordingly, and pension expenses have increased by NOK 9 689 143. At 31.12.14, 42 persons were covered by the scheme.

NOTES

FINANCIAL ASSUMPTIONS

	2014	2013
Discount rate	2,3 %	4,1 %
Expected return on pension assets	3,2 %	4,4 %
Salary adjustment	2,8 %	3,8 %
Pension adjustment	2,5 %	3,5 %
Adjustment of the basic amount (G) in the National Insurance System	2,5 %	3,5 %
Turnover	9,0 %	9,0 %
Employer's social insurance contribution	14,1 %	14,1 %

(Figures in 1000s of NOK)	2014	2013
Net present value of pension earnings in the period	6 834	7 019
Capital cost of previously earned pensions	2 193	1 226
Expected return on pension assets	-1 920	-1 442
Administrative costs	216	195
Recorded actuarial gain/loss	-11	573
Accrued employer's social insurance contribution[1]	1 033	987
Net pension liabilities for the year incl. payroll tax	8 344	8 558

[1] *Employer's social insurance contribution is calculated on the amount paid in.*

Calculated pension liabilities (Figures in 1000s of NOK)	Insured	Uninsured	2014
Estimated pension liabilities	61 154	14 257	75 411
Estimated plan assets	52 700	-	52 700
Net pension liabilities 31 December	**8 454**	**14 257**	**22 711**
Unrecorded actuarial gain/loss	0	0	0
Accrued employer's social insurance contribution[1]	1 192	2 010	3 202
Net pension liabilities 31 December	**9 646**	**16 267**	**25 913**

[1] *Accrued employer's social security contribution is calculated on net pension liability.*

Reconciliation opening/closing balance (Figures in 1000s of NOK)	2014	2013
Capitalised net pension liabilities 1 January incl. payroll tax	12 037	20 489
Net pension expenses for the year incl. payroll tax	8 344	-1 132
Actuarial gain/loss charged directly to equity	15 629	9 689
Pensions paid, early retirement / unfunded, incl. payroll tax	-386	0
Investment in pension assets, etc., incl. payroll tax	-9 711	-7 320
Capitalised net pension liabilities 31 December incl. payroll tax	**25 913**	**12 037**

Nordea Livs Asset Mix*	30.09.14	30.09.13
Property	15,0 %	15,6 %
Shares	9,9 %	11,0 %
Bonds at amortised costs	35,6 %	40,5 %
Short-term bonds/certificates	37,4 %	30,6 %
Other	2,1 %	2,3 %
Total financial assets	**100,0 %**	**100,0 %**

* *Known values at calculation date*

NOTE 3 – OTHER OPERATING EXPENSES

(Figures in 1000s of NOK)	2014	2013
Seminars, conferences, upgrading of competencies	3 540	2 205
Travel costs	7 700	9 016
External assistance, projects	31 908	38 310
Costs, tender guarantee scheme	437	1 307
Rent, incl. shared costs	6 506	6 014
Advertising/printing	539	784
Other expenses	9 556	7 711
Total operating expenses	**60 186**	**65 348**

NOTE 4 – TANGIBLE FIXED ASSETS

(Figures in 1000s of NOK)	Operating equipment, fixtures, etc.	Permanent building fittings and fixtures	Vehicles	Artworks	Total
Cost price, ordinary depreciation and write-downs					
Cost price at 1 January	9 441	837	1 038	69	11 385
+ acquisitions during the period	1 101	0	335		1 436
- disposals during the period	0	0	-401	0	-401
Cost price at 31 December	10 542	837	971	69	12 420
Accumulated ordinary depreciation at 1 January	4 760	732	480	0	5 971
+ ordinary depreciation for the period	1 914	105	166		2 185
- accum. ordinary depreciation, operating assets disposed of	0	0	-401	0	-401
Accumulated ordinary depreciation at 31 December	6 673	837	245	0	7 755
Write-down of operating assets at 1 January	0	0	0	0	0
+ write-downs for the period	0	0	0	0	0
- accum depreciation, operating assets disposed of	0	0	0	0	0
Accum. write-downs at 31 December	0	0	0	0	0
Book value for accounting purposes at 31 December	**3 869**	**0**	**727**	**69**	**4 665**

Operating assets, fixtures and fittings etc. are depreciated on a straight-line basis. The expected life of operating assets is 3-4 years. Office fixtures and fittings are depreciated over the life of the lease. Works of art are not depreciated. Vehicles are depreciated on a straight-line basis over 8 years.

NOTES

NOTE 5 – INVESTMENT IN ASSOCIATED COMPANY

(Figures in 1000s of NOK)	SN Power AS	KLP Norfund Investments AS	Norfinance AS	NorFininvest AS[2]
Formal information				
Date of acquisition	02.06.14	01.01.13	27.06.13	03.12.14
Registered office	Oslo	Oslo	Oslo	Oslo
Shareholding	50 %	50 %	48,8 %	75 %
Voting share	50 %	50 %	48,8 %	75 %
	(Associated company)	(Associated company)	(Associated company)	
Information relating to the date of acquisition				
Acquisition cost	1 684 585	35 789	30	23
Information relating to the figures for the year:				
Opening balance 1 January 2014	0	32 355	30	
Acquisitions during the year	1 812 530	73 415	283 304	23
Disposals during the year	0	0	0	
Value added share issue	0	0	-28 802	
Share of annual profit/(loss (+/-) [1]	93 157	-968	3 326	
Share of adjustments for the year charged directly against equity	553 827	3 135	24 104	
Closing balance, 31 December 2014	**2 459 515**	**107 937**	**281 963**	**23**

Until parts of Statkraft Norfund Power Invest AS were spun off in June 2014 into SN Power AS, and Norfund's holding reduced from 40% to 33%, Norfund's 40% holding was reported as associated company. NOK 89.9 million has been entered as the share of profit for the period January to May 2014, NOK 3.3 million has been charged directly to equity and a loss of NOK 4.3 million was realised in connection with the reduction of the shareholding. The Company has not been treated as an associated company because Norfund has handed over control of this investment, and there is a plan for further reduction of the ownership interest. A 33% interest in Statkraft IH Invest AS has been entered as equity investment (Note 9) with effect from June 2014, and the values of ownership interests in the same company have been continued subsequent to the transaction through continuity of interest.

[1)] Share of results for the year is based on final figures from the associated company.

[2)] NorFininvest AS was incorporated in December 2014. The share of profits from the company has not been included. There are project development costs of the order of NOK 10 million associated with the company.

COMMITTED INVESTMENTS IN ASSOCIATED COMPANY

In 2014 a reorganisation of the former SN Power Invest AS, in which Norfund had a 40% holding, was carried out. The reorganisation consisted of the transfer of activities in the Philippines, Africa and Central America (Agua Imara) to SN Power AS. Following the reorganisation, Norfund owns 50% of SN Power AS, and has reduced its holding in Statkraft IH Invest AS (former SN Power Invest AS) to 33%.

KLP Norfund Investments AS is a joint investment company with Norfund and KLP. The purpose of the collaboration is to invest in projects in developing countries with a view to promoting sustainable development for a period of over five years for an amount of up to NOK 1 billion.

In 2013, Norfund established the company Norfinance AS together with KLP, Perestrokia, Skagen Kon-Tiki Fund and Solbakken AS for the purpose of investing in African banks and financial institutions, initially for an amount of USD 136 million. Capital deposits and investor holdings were made in 2014 and are planned for 2015.

Key figures from SN Power AS's consolidated accounts

Key figures from SN Power Invest's consolidated accounts are presented below.

PROFIT AND LOSS ACCOUNT

(Figures in 1000s of NOK)	SN Power AS 2014
Operating income	36 402
Operating expenses	167 846
Profit/loss on operations	**–131 444**
Net financial items	287 084
Ordinary profit/loss before tax	155 640
Tax on ordinary profit	-26 306
Ordinary profit/loss	129 335
Total profit(loss)	**129 335**
Minority interest	-37 252
Majority interest	166 587

BALANCE SHEET

Assets	2014
Intangible assets	67 672
Tangible fixed assets	2 820 327
Financial fixed assets	5 492 964
Total fixed assets	**8 380 963**
Inventories	0
Receivables	154 328
Investments	0
Cash and cash equivalents	513 969
Total current assets	**668 297**
Total assets	**9 049 259**

Equity and liabilities	2014
Paid-in capital	6 337 866
Retained earnings	113 156
Total equity	**6 451 022**
Minority interest	**870 636**
Provisions for liabilities and charges	359 648
Other long-term liabilities	1 216 324
Current liabilities	151 630
Total liabilities	**1 727 602**
Total equity and liabilities	**9 049 259**

SN Power AS reports in accordance with International Financial Reporting Standards (IFRS), and has been using the US dollar (USD) as its functional currency.

The profit/loss is converted to NOK at the average exchange rate for the year of USD 6.488 and the balance sheet at the rate of USD 7.433 prevailing at 31 December 2014.

The profit/loss is converted to NOK at the average exchange rate for the year of USD 6.488 and the balance sheet at the rate of USD 7.433 prevailing at 31 December 2014.

The annual accounts for the associated company can be obtained from Norfund on request.

NOTES

NOTE 6 – RECEIVABLES

The loan portfolio is recorded under receivables. When acquired from NORAD, it was valued at zero in the Norfund accounts pursuant to Proposition no. 1 to the Norwegian Parliament (2000-2001), which transferred the loan portfolio to Norfund without an appropriation decision. Pursuant to the Norwegian Accounting Act, receipts (interest and principal repayments) from this portfolio are recorded as income in Norfund's accounts.

(Figures in 1000s of NOK)	Opening loan balance 01.01.14	Repayments received 01.01– 31.12	Repayments interest 01.01– 31.12	Depreciation during the year	Gain/loss on exchange during the year	Closing loan balance 31.12.14
TOTAL	**5 616**		**0**	**0**	**0**	**5 616**
Depreciation	5 616					-5 616
Book value	**0**					**0**

Norfund has valued the loan portfolio at 31 December 2014 at NOK 0.

OTHER RECEIVABLES

(Figures in 1000s of NOK)	31.12.14	31.12.13
Receivable/Right [1]	3 568	8 517
Accrued interest	72 423	66 078
Other receivables	60 898	11 006
Total receivables	**136 889**	**85 602**

[1] In connection with the sale of Aureos Capital, Norfund received a cash settlement and a right to a share of future carried interests in the first-generation funds. The right is valued in relation to the value of the first-generation funds at 31 December 2014.

Other receivables: All receivables fall due within one year.

NOTE 7 – CAPITALISED PROJECT DEVELOPMENT COSTS

(Figures in 1000s of NOK)	2014	2013
Lake Turkana Wind Project	0	13 574
Kinangop Wind Park	0	10 763
Other projects	27 190	24 176
Total capitalised project development costs	**27 190**	**48 513**

Project development costs are costs accrued in developing projects to a stage where an investment decision can be made. If a positive investment decision is made, the capitalised costs will be converted into investment. If the investment is not carried out, it will be written down as a loss over the profit and loss account. Capitalisation of costs require a probability of at least 50% that the project will materialise.

Increased project development is part of Norfund's increased efforts on Clean Energy and is Norfund's Project development facility.

NOTES

NOTE 8 – LOANS TO COMPANIES IN THE INVESTMENT PORTFOLIO

(Figures in 1000s of NOK)	Currency	Book value[1] (in FX)	Book value[1] (in NOK)
Safa Marine Industries Ltd	EUR	56	507
LAAD	USD	13 751	102 211
Trønderpower Limited (Bugoye HPP)	USD	2 247	16 702
EXIM Bank (Tanzania) Ltd.	USD	134	996
Euro TechBridge AS	NOK	2 250	2 250
Casquip Starch (Pty) Ltd	ZAR	30 703	19 656
CIFI	USD	12 500	92 915
Scandinavian Water Technology	NOK	2 500	2 500
European Financing Partners EUR [2]	EUR	1 395	12 602
European Financing Partners USD [2]	USD	9 144	67 969
Green Resources	USD	17 604	130 855
Sathapana Ltd	USD	7 000	52 032
Pride Architects AS	NOK	2 000	2 000
Africado	EUR	670	6 054
E+CO	USD	1 482	11 013
Real People Investment PTY	ZAR	220 000	141 460
DFCU Limited	UGS	12 300 000	32 472
Sacom Bank Leasing Ltd	USD	3 000	22 300
TPS (Dar) Ltd.	USD	3 100	23 043
Hidro Santa Cruz	USD	487	3 619
African Banking Corporation Zambia Limited	USD	2 000	14 866
Tecombank	USD	12 500	92 915
Great Lakes Agricultural Development Ltd	USD	150	1 115
Interact Climate Change Facility	USD	4 428	32 916
Basecamp Explorer Kenya Ltd	USD	454	3 375
Amret Co Ltd	USD	3 000	22 300
Alios Finance Tanzania Ltd	USD	3 500	26 016
Banco Ficosha	USD	9 070	67 422
Agrica Limited	USD	1 750	13 008
Afrinord Hotels Investment	USD	1 800	13 380
Yara Tanzania Ltd	USD	5 400	40 139
Prasac	USD	10 000	74 332
First Finance Plc	USD	3 000	22 300
Fondo de Desarrollo Local FDL	USD	2 500	18 583
UAP Properties Limited	USD	2 500	18 583
NMBZ Holdings Limited	USD	1 400	10 406
Alios Finance Zambia Ltd.	USD	4 500	33 449

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

(Figures in 1000s of NOK)	Currency	Book value[1] (in FX)	Book value[1] (in NOK)
Proximity Designs	USD	2 000	14 866
Trustco	ZAR	100 000	64 300
Interact Climate Change Facility	EUR	236	2 140
Housing Finance Company of Kenya Ltd	KES	1 000 000	80 570
Ficohsa Guatemala	USD	2 700	20 070
Focus Financial Services	ZMW	50 000	57 828
ACLEDA Bank Lao Ltd	USD	3 000	22 300
San Antonio	USD	3 841	28 549
African Century Infrastructure Services Ltd	USD	750	5 575
Sunripe (1976) Limited	USD	2 500	18 583
AMC/Confianza	USD	2 500	18 583
Cape Dairy Biogas Plant (Pty) Ltd	ZAR	4 800	3 086
Banco Terra S.A.	EUR	490	4 431
Banco Lafise Bancetro S.A.	USD	10 000	74 332
Across Forest AS	NOK	1 800	1 800
Banco Industrial El Salvador	USD	10 000	74 332
Matanuska - New Shareholder Loan 1	USD	3 688	27 415
Matanuska - New Shareholder Loan 2	USD	4 016	29 852
Matanuska - RVC loan note	USD	2 930	21 782
Matanuska - S.t. restruct loan to BFCTL	USD	294	2 186
Mezzanine loans			
EXIM Bank (Tanzania) Ltd	USD	1 116	8 296
Afrinor Hotel Investments A/S	EUR	3 173	28 672
BRAC Bank Limited	BDT	490 000	45 800
Hidro Santa Cruz	USD	1 218	9 057
Financiera Desyfin S.A.	USD	4 500	33 449
Bio2Watt	USD	12 392	7 968
Renewable Energy Holdings	ZAR	33 300	21 412
Accrual start-up fee loans			-11 239
Total loans to projects			1 964 257
Provision for bad debts at 31 December 2014			-134 387
Book value loans			**1 829 870**

In addition to the loans specified above, Norfund made two loans charged to unused resources Balkans which are recorded at NOK 0 in accordance with the requirements of NRS 4 concerning net recording of government grants received; see note 14.

Some of the loans carry a risk comparable with that of equity investments. In addition, there are 5 guarantees of approximately NOK 43 millions.

[1] Figures at 31 December 2014 and before any write-downs.

[2] Loans syndicated by members of European Financing Partners are co-invested. Norfund's holding varies from 1-5 per cent. Loans have been granted to Olkaria III, Cement du Sahel, CareWorks, Precision Air, Equity Bank, Maputo Private Hospital, Millicom Tanzania, Rabai Power Ltd., Zambeef, PTA Bank, AFL, Jamaica Public Services, Co-operative Bank, Indorama Eleme Fertilizer, ETG, AFC, Bharti Airtel, NMB Tanzania, Fidelity Bank, Skye Bank and Chase Bank (Sodecoton and Stanbic Bank are committed loans, but were not disburseed as at 31 December 2014).

NOTE 9 – EQUITY INVESTMENTS

Equity investments in funds (Figures in 1000s of NOK)	Currency	Shareholding	Committed investment (in FX)	Historical cost price[1] (in FX)	Committed investment (in NOK)	Historical cost price[1] (in NOK)
SEAF Sichuan SME Investment Fund	USD	13,3 %	1 232	1 227	7 669	7 634
Aureos East Africa Fund	USD	20,0 %	710	638	7 384	3 851
Aureos West Africa Fund	USD	26,0 %	3 251	2 088	20 548	12 197
Aureos Southern Africa Fund	USD	25,1 %	5 704	4 388	33 410	23 626
Aureos South East Asia Fund	USD	28,6 %	4 472	2 853	29 193	17 157
APIDC Biotech Fund	USD	7,7 %	2 710	2 711	16 433	16 437
China Environment Fund	USD	10,0 %	878	708	4 656	3 854
Aureos South Asia Fund (Holdings)	USD	23,5 %	16 060	14 176	97 070	83 058
Business Partners Madagascar SME Fund	EUR	14,1 %	1 200	738	10 254	6 082
Solidus Investment Fund	USD	6,3 %	450	450	2 478	2 478
Aureos Central America Growth Fund (EMERGE)	USD	14,3 %	2 331	1 573	15 103	9 469
CASEIF II	USD	13,8 %	2 695	2 273	16 483	13 349
Locfund	USD	10,0 %	521	521	3 312	3 312
Adenia Capital Ltd II (I&P Capital)	EUR	13,4 %	1 514	904	12 442	6 928
Horizon Equity Partners Fund III	ZAR	9,0 %	26 972	22 554	18 700	15 858
Africap Microfinance Investment Company	USD	7,4 %	3 000	2 123	18 160	11 643
Aureos Latin America Fund (ALAF)	USD	13,6 %	21 950	21 950	130 484	130 484
Seaf Blue Water Growth Fund	USD	20,0 %	4 413	3 034	28 357	18 100
NMI Global Fund [2]	NOK	45,0 %	162 000	132 640	162 000	132 640
NMI Frontier Fund [2]	NOK	45,0 %	108 000	71 900	108 000	71 900
GroFin Africa Fund	USD	9,4 %	11 915	10 155	73 164	60 076
Aureos Africa Fund L.L.C	USD	10,5 %	25 455	19 539	158 259	114 287
Fundo de Investimento Priv. Angola	USD	25,6 %	10 000	8 239	63 743	50 657
Fanisi Venture Capital Fund SCA	USD	30,9 %	14 250	8 351	93 042	49 197
Cambodia-Laos Development Fund	USD	20,3 %	4 000	3 181	25 280	19 195
Evolution One Fund	ZAR	7,2 %	44 692	31 607	31 287	22 874
AgriVie Fund	ZAR	9,4 %	75 786	63 344	54 574	46 573
Frontier Fund	USD	11,3 %	9 602	8 221	59 099	48 835
Prospero Microfinanzas Fund B.L.P.	USD	21,7 %	4 812	4 250	29 769	25 593
Aureos South East Asia Fund II	USD	2,2 %	4 956	1 770	34 093	10 413
Vantage Mezzanine Fund II (Partnership)	ZAR	5,4 %	90 651	80 181	54 299	47 572
Voxtra East Africa Agribusiness Ini	NOK	30,0 %	33 091	14 774	33 091	14 774
Africa Health Fund SA En Commandite	USD	9,5 %	9 606	6 118	62 279	36 350
Higher Education Financing Fund	USD	33,0 %	5 000	1 052	35 648	6 301
Coreco Central America Fund I LP	USD	18,9 %	10 000	3 220	69 741	19 345
NMI Fund III [2]	NOK	26,3 %	124 880	20 076	124 880	20 076

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» CONTINUES NOTE 9 – EQUITY INVESTMENTS

Equity investments in funds (Figures in 1000s)	Currency	Shareholding	Committed investment (in FX)	Historical cost price[1] (in FX)	Committed investment (in NOK)	Historical cost price[1] (in NOK)
Locfund II	USD	27,0 %	8 000	8 000	53 212	42 784
Ascent Rift Valley Fund Ltd	USD	21,3 %	10 000	361	73 833	2 186
Novastar Ventures East Africa Fund	USD	22,4 %	10 000	1 353	72 529	8 257
Caseif III	USD	34,9 %	10 000	177	74 177	1 157
Total invested in funds [1]					**2 018 134**	**1 236 558**

"Committed" means that an external commitment exists for the specified amount. For conversions to NOK, the exchange rate at the time of disbursement is used for the part of the amount that has been paid. The exchange rate at 31 December 2014 is used for the part that has not been disbursed.

[1] Figures at 31 December 2014 and before any write-downs
[2] Joint ventures with 50% ownership share

NMI Global Fund, NMI Frontier Fund and NMI Fund III are Norfund's most important microfinance investments. Norwegian private commercial investors have contributed considerable equity to all three funds.betydelige eierandeler i alle 3 fondene

EQUITY INVESTMENTS IN MANAGEMENT COMPANIES

(Figures in 1000s of NOK)	Currency	Shareholding	Committed investment (in FX)	Historical cost price[1] (in FX)	Committed investment (in NOK)	Historical cost price[1] (in NOK)
AMSCO	EUR	4,8 %	240	240	1 837	1 837
LAFISE Investment Management	USD	20,0 %	2	2	17	17
NMI Portfolio Manager AS [2]	NOK	50,0 %	58 370	39 120	58 370	39 120
European Financing Partners Management	EUR	7,6 %	25	25	195	195
Angola Capital Partners LLC	USD	47,5 %	250	250	1 417	1 417
Interact Climate Change Facility S.A.	EUR	7,7 %	6	6	47	47
Fanisi Venture Capital Management [2]	USD	50,0 %	275	25	2 001	143
Total invested in management companies					**63 884**	**42 777**

[1] Figures at 31 December 2014 and before any write-downs
[2] Fund investments with more than 35% ownership share

Angola Capital Partners LLC is a management company for which Norfund was one of the promoters. Norfund owns the management company jointly with Banco Africano de Investimento (BAI). This is a joint venture project established to develop the local capital market. The company was the first of its kind in Angola, and would not have been realised without Norfund's participation.

Fanisi Venture Management Company is a management company for which Norfund was one of the promoters. It is a joint venture with Armani Capital. Through this investment, Norfund wishes to contribute to realising its own objectives by further developing the financial market in East Africa and raising capital for investment in small and medium-sized enterprises. The company is one of the first venture capital fund managers in East Africa, and would not have been realised without Norfund's participation.

In 2008, Norfund established NMI (Norwegian microfinance initiative) in collaboration with KLP, the DNB group, Ferd and Storebrand. This joint project was contingent on Norfund contributing as much capital as the private investors combined. Norfund owns 50 per cent of management company NMI AS and 45 per cent of each of the NMI Global and NMI Frontier investment funds. In 2013 a new fund was established: NMI III. Norfund does not own more than 26.3 per cent of this fund directly. Indirectly, through NMI AS, Norfund owns 5 per cent of each of these three funds. Norfund's ownership power in both the management company and the funds is smaller than its holding would indicate, and the investments have the same expected life as the institution's other investments classified as current assets. Investments in NMI are accordingly classified as current assets in Norfund's accounts.

EQUITY INVESTMENTS IN COMPANIES

(Figures in 1000s of NOK)	Currency	Shareholding	Committed investment (in FX)	Historical cost price[1] (in FX)	Committed investment (in NOK)	Historical cost price[1] (in NOK)
CIFI	USD	32,0 %	41 500	16 500	209 097	116 182
TPS Afghanistan (Kabul Serena Hotel) Ltd	USD	17,1 %	5 000	5 000	33 785	33 785
Afrinord Hotels Africa	EUR	20,0 %	50	50	392	392
Banco Terra	MZN	8,4 %	456 700	456 700	96 568	96 568
TPS Pakistan	USD	4,7 %	3 967	3 967	21 161	21 161
Trønderpower Limited (Bugoye HPP)	USD	27,5 %	2 368	2 368	12 551	12 551
Matanuska Africa Limited	USD	33,3 %	18 671	18 671	110 901	110 901
Hattha Kaksekar Ltd	USD	17,6 %	3 789	3 789	21 885	21 885
Casquip Starch (Pty) Ltd	SZL	28,7 %	26 000	26 000	18 593	18 593
Africado[2]	EUR	40,0 %	2 000	2 000	15 359	15 359
Real People Investment PTY	ZAR	16,8 %	224 374	224 374	167 511	167 511
Agrica Limited	USD	28,6 %	14 435	14 435	87 674	87 674
Tourism Promotion Services TPS	RWF	11,4 %	1 287 434	1 287 434	12 510	12 510
Basecamp Explorer Kenya Ltd[2]	NOK	40,0 %	9 000	9 000	9 000	9 000
TPS (Dar) Ltd	USD	28,5 %	6 800	6 800	39 089	39 089
Chayton Atlas Investments	USD	22,7 %	16 257	16 257	95 811	95 811
Kinyeti Venture Capital Limited[2]	USD	49,0 %	3 750	3 750	22 121	22 121
Scatec Solar SA	ZAR	35,0 %	49 323	49 323	31 715	31 715
Scatec Solar SA 165 (Pty) Ltd	ZAR	35,0 %	68 160	68 160	42 579	42 579
NMBZ Holdings Limited	USD	9,0 %	4 944	4 944	28 800	28 800
Norsad	USD	11,0 %	9 297	9 297	86 847	56 847
African Spirit Group Limited	NOK	19,4 %	5 000	5 000	30 694	30 694
Statkraft IH Invest AS	NOK	33,0 %	3 253 151	3 253 151	3 253 151	3 253 151
Kinangop Wind Park	USD	18,8 %	12 000	8 303	82 675	55 197
Gigawatt Global Rwanda Ltd	USD	12,8 %	2 873	2 873	17 702	17 702
Financiera Desyfin S.A.	USD	23,2 %	6 000	6 000	36 772	36 772
African Century Food Ltd	USD	20,0 %	8 000	7 280	52 199	46 845
African Century Infrastructure Services Ltd.	USD	20,0 %	3 000	2 250	19 477	13 903
Total invested in companies						**4 495 298**
Total invested in companies[1]						**5 774 633**
Provision for bad debts at 31 December 2014						**-434 435**
Book value investments						**5 340 198**

[1] Figures at 31 December 2014 and before any write-downs.
[2] Fund investments with more than 35% ownership share.
Norfund's investment in Africado Ltd constitutes a 40% ownership share. Africado Ltd is a start-up agriculture project, and the partners had a limited supply of capital. Norfund considers investment in Africado to be a special case where, owing to the shortage of capital, it was necessary to invest over 35% in order for the project to be realised at all.
Norfund has a 40% ownership share in Basecamp Explorer Kenya Ltd. The high share was necessary to provide sufficient equity to assure a solid base for this company's further growth.
Kinyeti Venture Capital Ltd is the first investment company established in South Sudan. Norfund's ownership share is now 49%. Norfund has assumed an active role in Kinyeti in order to be able to offer small enterprises risk capital in an extremely difficult area. The aim is to attract further capital from other partners, with a view to reducing Norfund's holding over time.

NOTE 10 – REALISED INVESTMENTS

(Figures in 1000s of NOK)	ACAF	Aureos South Asia Fund 1	CASEIF	DFCU Limited	ECP Africa Fund (Afr Infr Fnd)	Socremo	The Currency Exchange (TCX)
Cost price, paid-in capital	65 801	24 734	24 497	115 724	30 535	24 530	55 000
Total repayment on investment	35 424	24 048	15 557	185 143	49 008	32 404	77 557
Gain/(loss) on sale of investments	**-30 377**	**-686**	**-8 940**	**69 418**	**18 473**	**7 874**	**22 557**
Realised gain	-29 414	886	-4 753	67 112	22 380	-869	14 788
Realised FX gain	-963	-1 572	-4 187	2 306	-3 908	8 743	7 769
Year of first disbursement	2002	2004	2001	2004	2001	2010	2007
Investment currency	USD	USD	USD	UGX	USD	MZN	USD
Calculated IRR in investment currency (annual)	-24 %	1 %	-3 %	22 %	24 %	9 %	4 %

Eleven loans were repaid during the year.

NOTE 11 – TAX

Tax costs are attributable in their entirety to withholding tax on dividends and interest on foreign investments. Norfund is tax exempt in Norway as specified in the relevant clause of the Norwegian Taxation Act.

NOTE 12 – BANK DEPOSITS, CASH AND CASH EQUIVALENTS

Bank deposits of NOK 2 504 650 969 include NOK 2 480 885 in a blocked tax withholding account. In addition, NOK 16 374 952 of the Company's liquid assets are tied up in unused resources. These assets can only be used in accordance with the guidelines established for the application of unused resources (see note 14).

NOK 1 030 314 849 of the company's total bank deposits are placed in Norges Bank.

NOTE 13 – CAPITAL MOVEMENTS

(Figures in 1000s of NOK)	Primary capital	Capital in reserves	Surplus fund	Total equity
Capital at 1.1.2014	6 248 750	2 258 250	1 693 550	10 200 550
Capital supplied in 2014	922 500	307 500		1 230 000
Equity adjustment in associated company recorded directly against equity (see note 5)			584 394	584 394
Actuarial gain/loss on pension			-15 629	-15 629
Net profit for the year			597 779	597 779
Capital at 31.12.2014	**7 171 250**	**2 565 750**	**2 860 095**	**12 597 095**

Capital in legal reserves can only be used to meet losses that cannot be covered from other reserves, excluding primary capital.
Of the capital received in 2014, 75 per cent was allocated to primary capital and 25 per cent to legal reserves in accordance with Article 9 of the regulations governing Norfund.

Norfund has received NOK 9 737 million in capital from the Norwegian government, of which NOK 1 230 million in 2014.
The equity adjustment is a result of the exchange rate adjustment of Norfund's share i SN Power AS, owing to the changes in the USD/NOK exchange rate. SN Power AS presents its financial statements in USD.

In 2014, the principles for entry of pension expenses were changed, in that from and including 2014, actuarial gains or losses are charged directly to equity. For 2014, this amounts to NOK 15 628 740, which is charged directly to equity.

NOTES

NOTE 14 – UNUSED RESOURCES (NORFUND'S GRANT SCHEME)

Proposition no. 1 to the Norwegian Parliament (2009-2010) provided for the allocation of resources to a grant scheme to strengthen the development effects of Norfund's investment activities. The resources are intended to be used primarily during the budget year, but unused resources may be carried over. As specified in NRS 4, loans made are recorded net in the accounts.

In 2014 Norfund received NOK 18.5 million in capital for the grant facility. The resources are used to increase the development effect of Norfund's investments through operational improvements and local community development, and by developing 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 15 million in costs was charged to the fund in 2014.

In 2013, Norfund received NOK 27.8 million from the Embassy in Juba for preparation of the Fula Rapids hydropower project in South Sudan until the project was ready for investment. NOK 5.1 million was used to fund the project in 2014. The remaining funding is expected to be disbursed during the course of 2015.

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

On behalf of Norad, Norfund administers a mixed credit facility of NOK 38 million for the Nam Sim hydropower project in Laos. The resources were disbursed to Norfund by Norad in December 2011, and were used in their entirety in the course of 2013 and 2014.

(Figures in 1000s of NOK)	Unused resources Norfund		Unused resources Fula Rapids		Unused resources Balkans		Unused resources Norad	
	31.12.14	31.12.13	31.12.14	31.12.13	31.12.14	31.12.13	31.12.14	31.12.13
INCOMING PAYMENTS								
Carried over from prior year	2 028	4 639	9 233	5 125	6 417	5 995	19 661	38 000
Received during the current year	18 500	10 000		27 840	0	0	0	0
Repaid grant resources		258	0	0	0	0	0	0
Total receipts	**20 527**	**14 896**	**9 233**	**32 965**	**6 417**	**5 995**	**19 661**	**38 000**
Revenues			**0**	**0**	**602**	**583**	**0**	**0**
DISBURSEMENTS								
General costs								
Fund management	0	0	0	0	0	0	0	0
General follow-up	0	0	0	0	-237	-211	0	0
Intervention								
Project development:	-2 124	-1 643	-5 149	-23 732	0	0	-19 661	-18 339
Boost and support development effects of projects	-10 270	-6 007	0	0	0	0	0	0
Boost social responsibility	-2 523	-5 220	0	0	0	0	0	0
NMI start-up support	-87	0	0	0	0	0	0	0
Local investment funds								
Follow-up costs	0	0	0	0	-6	0	0	0
Loans to projects	0	0	0	0	-33	-16	0	0
Total disbursements	**-15 004**	**-12 870**	**-5 149**	**-23 732**	**-277**	**-227**	**-19 661**	**-18 339**
Allocated interest income			0	0	87	67	0	0
Undisbursed resources	**5 524**	**2 028**	**4 083**	**9 233**	**6 830**	**6 417**	**0**	**19 661**
Total undisbursed resources at 31 December 2014		**16 437**						

At the end of 2014, unused resources relating to the Balkans consisted of two outstanding loans of EUR 1.6 million each.

NOTE 15 – DESCRIPTION OF NORFUND RISK

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, are also made in other currencies. Since Norfund's base currency is NOK, its future returns are heavily 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 largely denominated in USD, while its liquid assets are placed in NOK-denominated interest-bearing accounts in Norges Bank.

FX rates used in conversion		31.12.14	31.12.13	Change during the year
US dollar	USD	7,433	6,084	22,2 %
South African Rand	ZAR	0,643	0,581	10,7 %
Rwandan Franc	RWF	0,011	0,009	20,4 %
Kenyan shilling	KES	0,081	0,069	16,7 %
Ugandan shilling	UGS	0,003	0,002	11,9 %
Mozambican Metical	MZN	0,223	0,202	10,6 %
Bangladeshi Taka	BDT	0,093	0,077	22,1 %
Cambodian Riel	KHR	0,002	0,002	20,0 %
Swaziland Lilangeni	SZL	0,641	0,575	11,4 %
Euro	EUR	9,037	8,383	7,8 %

Interest rate risk

Norfund's interest rate risk is primarily affected through liquid assets placed in Norwegian banks. Interest rates on loans to projects may also be affected by interest rate risk, depending on the rate of interest charged on the various loans. Loans to projects are usually based on the variable LIBOR rate plus a margin.

Credit risk

Project loans are assessed at their estimated fair value. The risk associated with these loans is also partly reflected in the terms for the individual loan. What Norfund defines as its "Loan portfolio" entails no credit risk in accounting terms, since its value on the balance sheet is zero. As a rule the risk associated with loans is regarded as relatively high, and to be considered more as equity risk than traditional loan risk.

Liquidity risk

Norfund has no interest-bearing debt. An attempt has been made to show Norfund's liquidity risk by quantifying the committed investments.

NOTE 16 – CONTRACTUAL OBLIGATIONS

	Lease duration	Annual rental costs
Premises at Søperigata 2, Oslo	1 July 2009-30 June 2016	4 551 775

In 2004 Norfund decided to establish a tender guarantee scheme to encourage increased financial cooperation and investment in developing countries. The scheme is administered by The Norwegian Export Credit Guarantee Agency (GIEK). In 2014, NOK 2 692 544 was charged to Norfund's accounts under this scheme. The tender guarantee scheme was initially a three-year trial that ran to the end of 2007. The scheme has since been extended.

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norfund

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Norfund, which comprise the balance sheet as at 31 December 2014, and the income statement, showing a profit of NOK 597.779.000 and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norfund as at 31 December 2014, and of 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.

Registrert i Foretaksregisteret
Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

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, the going concern assumption and the proposal for the allocation of the profit 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 2015
Deloitte AS

Grete Elgåen
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

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