Norfund

NORWEGIAN INVESTMENT FUND FOR DEVELOPING COUNTRIES

REPORT ON OPERATIONS **2011**

15 years

CREATES VALUE | COMBATS POVERTY

CONTENT

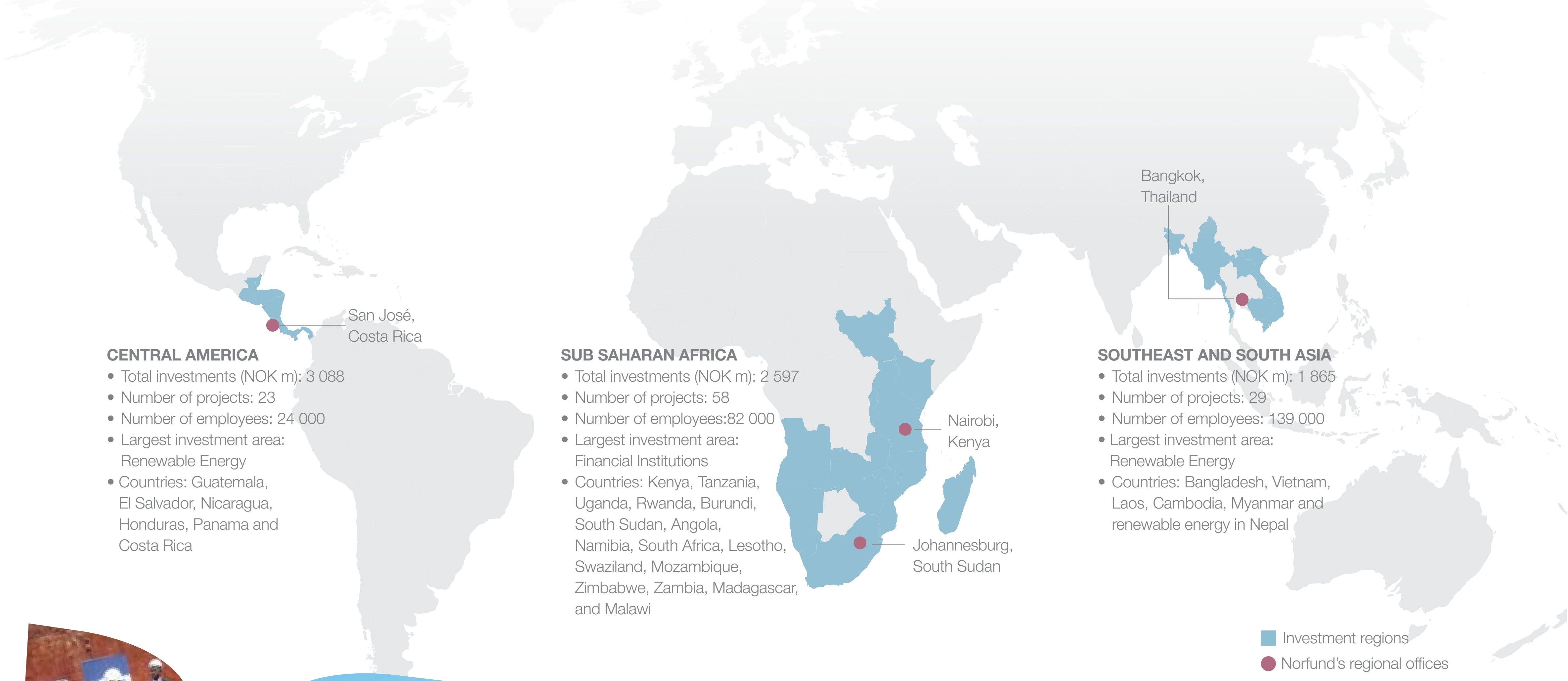
This is Norfund

Norfund – the Norwegian Investment Fund for Developing Countries – was established by the Norwegian Storting (parliament) in 1997. Norfund's objectives are to contribute equity and other risk capital, extend loans and provide guarantees for the development of sustainable commercial activities in developing countries. Norfund aims to establish viable, profitable activities that would not otherwise be initiated due to the high risk involved. Norfund contributes to economic development and poverty reduction in poor countries through investments in profitable enterprises and the transfer of knowledge and technology. Norfund always invests with partners, Norwegian or non-Norwegian.

Norfund is a hybrid state-owned company with limited liability established by a special act of the Storting. Norfund is magaged by the Ministry of Foreign Affairs, and the Minister of International Development has the constitutional responsibility. The activities are to be conducted in accordance with the fundamental principles of Norwegian development cooperation policy. The board of directors is appointed by the King in Council.

Norfund and our international sister organisations are often referred to as development finance institutions (DFIs). Norfund is supplied with capital from the official development assistance budget, and is the most important Norwegian instrument for combating poverty by promoting sustainable economic development. A well functi-oning private sector and access to risk capital are important preconditions for enabling developing countries to expand their economies and achieve effective integration into the global economy.

Geographically, Southern and East Africa are Norfund's main investment areas, and the Fund has offices in Nairobi and Johannesburg. In 2012 Norfund will also open an office in Maputo. Norfund also targets selected countries in South-East Asia and Central America and has regional offices in San José and Bangkok.

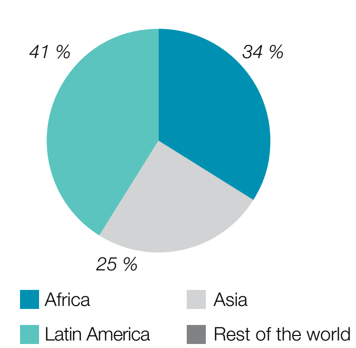


CENTRAL AMERICA
- Total investments (NOK m): 3 088
- Number of projects: 23
- Number of employees: 24 000
- Largest investment area: Renewable Energy
- Countries: Guatemala, El Salvador, Nicaragua, Honduras, Panama and Costa Rica

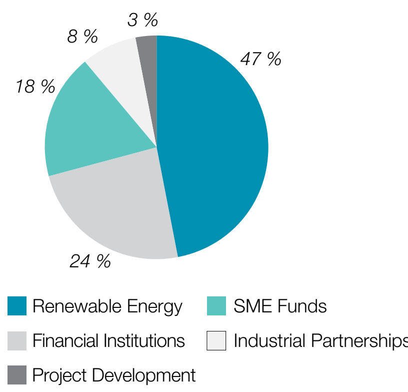
SUB SAHARAN AFRICA
- Total investments (NOK m): 2 597
- Number of projects: 58
- Number of employees:82 000
- Largest investment area: Financial Institutions
- Countries: Kenya, Tanzania, Uganda, Rwanda, Burundi, South Sudan, Angola, Namibia, South Africa, Lesotho, Swaziland, Mozambique, Zimbabwe, Zambia, Madagascar, and Malawi

SOUTHEAST AND SOUTH ASIA
- Total investments (NOK m): 1 865
- Number of projects: 29
- Number of employees: 139 000
- Largest investment area: Renewable Energy
- Countries: Bangladesh, Vietnam, Laos, Cambodia, Myanmar and renewable energy in Nepal

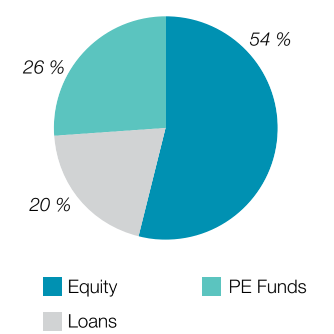
GEOGRAPHIES



INVESTMENT AREAS



FINANCIAL INSTRUMENTS



KEY FIGURES NORFUND

	2011	2010	2009	2008	2007
Committed investments (NOK m)	7 581	5 844	5 264	4798	3669
Number of investments	99	85	81	69	60
New investments in 2011 (NOK m)	2 198	844	944	1376	1177
Share of new investments in least developed countries	14 %	45 %	36 %	43 %	12 %
Return on invested capital	9 %	10 %	4 %	21 %	17 %
Profit in investment currency (NOK m)	0	153	262	238	264
Capital supplied by owner (NOK m)	1 000	629	585	485	485
Recorded equity (NOK m)	7 735	6 747	5 871	5302	3919
Number of employees in Norfund	49	45	41	40	35
Number of employees in Norfund investments	265 000	167 000	148 000	158 000	147 000

The Norfund History

Norfund 15 Years:
Capital and Competencies
for Continued Growth

Highlights from 15 Years

Between Washington and
Beijing Consensus
– a Nordic Approach?

Norfund
– the Little Sister of
the DFI-Family

15 years

99 projects in portfolio

7.6 billion invested

5 offices

Norfund 15 Years: Capital and competencies for continued growth

Norfund's Board of directors and management team at a geothermal plant in Nicaragua

With the establishment of Norfund in 1997, a new chapter was added to the Norwegian development assistance policy. Aid and development assistance must contribute to value creation, not only value distribution. Profitable industry and commerce is the backbone of sustainable poverty alleviation. Norfund was established to invest in countries where the need for capital is vast, and in industry sectors particularly important to development.

In addition to supplying much needed risk capital, investment funds such as Norfund (so called Development Finance Institutions, DFIs) function as catalysts. By demonstrating profitability in our portfolio, and always partner with other investors, DFIs are able to attract additional private capital. The Norfund mandate is unchanged since inception: To be additional – providing additional capital to poor countries beyond what would happen in the market place, and to be catalytic – attract additional capital from private sources.

2012 marks our 15th anniversary. Through annual capital allocations and good returns, the fund has grown to be a significant investor in our markets. The Norfund organization has become a professional and recognized player. The current strategy is based on the experiences gained from our 15 years of investing in the poorest countries of the world and from our 14 European DFI partners. We have learned that knowledge about local markets and selected industries are vital, and we have experienced that the key to success is close, long term collaborations with industrial partners. We are proud to be an active owner who adds knowledge and expertise in addition to capital.

Important strategic milestones have been to be the initiating partner in establishing the fund managing company Aureos Capital together with our British sister fund CDC in 2001, and the joint venture SN Power with Statkraft in 2002. Aureos has grown to become the world's largest manager of capital targeting small and medium sized enterprises in emerging and developing countries. SN Power

A feasible target should be that Norfund in a few years time has grown to one per cent of SPU and SPN.

KJELL ROLAND, MANAGING DIRECTOR

builds and runs hydropower plants in 8 developing countries, and produces electricity equivalent to the consumption of 12 million people.

2011 added to a series of very good years for Norfund. Important measures were taken to develop the fund further, and financial and developmental results in the projects were good. We launched a new strategic priority, namely agribusiness in Africa, opened a new office in Bangkok and recruited several new employees to the South Africa and Kenya offices to strengthen local presence and skills. In total, Norfund invested in 27 projects, and committed investments adding to a record high NOK 2.2 billion. A survey from January 2012 demonstrates that Norfund over the last years has succeeded in explaining to the larger public what we do and why that is so important, and to become a well known and attractive partner in the financial community. In particular, our business partners seem to appreciate the work we do and the way we act as a partner.

In international development policy, 2011 became an important year. The understanding of what constitutes effective development assistance is changing. Not at least in the developing countries, that now see an increasingly vocal demand for more investments and the request for broader economic engagement with donor countries in addition to traditional aid. At the end of the year, the OECD hosted the Busan summit. The conference marked a shift in the international understanding of private sector contribution in development policy. Today, the recognition of the importance of business to development is stronger than ever.

Norfund will in the coming years continue to systematically build competencies and capacity for doing difficult investments in the poorest countries in the world, particularly in Sub Saharan Africa. We are convinced that local presence and good partners are keys to success. We are ready to do our best in contributing to substantially increased activity towards development of business in poor countries. This is more than anything what the countries in the South are asking for!

It is particularly important to establish businesses in fragile states. Jobs and economic growth mean opportunities and hope, and are very important to create and maintain stability. Through establishing the investment company Kinyeti Capital in South Sudan, Norfund has taken early steps to develop new instruments to support micro and small enterprises. We are similarly considering the the possibilities to enter Myanmar.

Norway should, however, contribute *more* to investments and growth in poor countries. With Norway's access to capital and investment management capabilities, we are in an exceptional position. Both Norway and developing countries would gain from increased investments of Norwegian pension funds in emerging markets. Norfund has proven that it is feasible to invest directly in poor countries. We believe there is a need for a clearer political ambition for the long term role of Norfund. Norfund can deliver towards many of the expectations on social and environmental standards that the Norwegian government will have to live up to as a large portfolio investor in global markets.Norfund is in fact the third pillar next to The Government Pension Fund Global (SPU) and the Government Pension Fund Norway (SPN). A feasible target should be that Norfund in a few years time has grown to one per cent of SPU and SPN. Most likely, these investments would yield higher returns compared to what the pension funds have achieved over the recent years.

In this years Report on Operations, we have chosen to highlight important milestones from our 15 year investor history, and to tell our story in connection to trends in development assistance policy. We also wish to raise awareness about Norfund's active engagement in the development of new projects and instruments, far exceeding that of traditional investors. The investment activity of 2011 is of course also presented, in addition to our total investment portfolio by year end.

Enjoy the reading,

Kjell Roland
Managing Director

Norfund 15 years 1997–2011

1997

Norfund is established. In 1995, the North-South/ Development Assistance Commission proposed that Norway should create an instrument to strengthen business development in poor countries. Norad had been granting loans for some years to Norwegian enterprises that established business in developing countries, but did not have a mandate to invest equity in companies.

At that time Norway was one of the few countries in Western Europe that did not have a Development finance institution (DFI). The proposal to establish Norfund was submitted to the Storting as a separate matter in Proposition no. 13, and the Norfund Act was adopted on May 9th 1997. Arve Johnsen was appointed chairman of the board, and Per Emil Lindøe was employed as the Fund's first managing director.

1998

The Fund's first full operating year, and the first disbursement is made in December. By the end of the year, Norfund has committed investments in three PE-funds and made a direct equity investment in the palm oil company Palnorec in Ecuador. Norfund exited Palnorec in with a loss in 2006, but the project has added valuable learning to Norfund about the demanding nature of direct investments.

1999

Norfund invests NOK 4 million in the leasing company Finarca in Nicaragua. This was a highly successful investment. When Norfund exited from the company in 2008 it was with a return of 8 per cent.

Norfund enters into several international co-operations: IFC (the private sector arm of the World Bank) and European Development Finance Institutions (EDFI) are important partners.

EDFI EUROPEAN DEVELOPMENT FINANCE INSTITUTIONS

2000

Norfund is one of the initiators for the establishment of the CASEIF fund in Central America. Setting up investment funds in markets where risk capital is scarce, is a good way to fulfill Norfund's mandate to be additional and catalytic. CASEIF was a success, and in 2007 a successor, CASEIF II, is established. By the end of 2011, Norfund had invested a total of NOK 35 million in these two funds.

The Norwegian Ministry of Foreign Affairs establishes a grant facility for Norfund. Its objective is to strengthen the developmental impacts of Norfund's investments. Since inception, the facility has grown from an annual allocation of NOK 5 million in 2000 to NOK 36 million in 2011.

2001

In January 2001, Norfund and its British sister fund CDC, agree to establish a vehicle for investments in small and medium-sized enterprises (SME). The fund manager Aureos Capital was a success for Norfund, and in 2001 it was the world's largest manager of SME-funds in developing countries. In line with Norfund's additionally-mandate, the Fund exited the management company in 2008. The company was then viable on it's own.

Norfund appoints its first full-time resource to handle development issues related to the Fund's investments.

2002

Norfund and Statkraft jointly establish the company SN Power Invest AS, which is to invest in renewable energy projects in developing countries. The company combines Statkraft's technical expertise with Norfund's investment and development expertise. The two parties invested a total of one billion kroner in 2002. At the end of 2011, the total capital in the company was more than NOK 11 billion, and SN Power had 18 power plants in production in eight developing countries. SN Power is possibly Norfund's greatest success, and its production of over 5000 GWh of electricity in developing countries is very important for creating development.

Norfund establishes an office for Central America in Costa Rica.

2003

In 2003, Norfund makes two successful exits: the Fund sold its stakes in the cement company Scancement in Bangladesh, and the shares in the power plant Nividuh in Sri Lanka, both with solid returns.

Norfund appoints the first local investment director in South Africa to identify and follow up projects in southern Africa.




2004

The year 2004 is the first year of activity for the Financial Institutions Department. This reflects increased investment in local banks and financial institutions, which are crucial to the development of local business. The DFCU Bank in Uganda is Norfund's first equity investment in this area. The department is headed by Christopher Christensen-Røed, who is still employed with the company in 2012 at the age of 70.

Norfund introduces a system for measuring developmental effects.

2005

Norfund is further professionalized and introduces principles for corporate governance.

Norfund makes two hotel investments: it joins forces with its Nordic sister funds Finnfund, Swedfund and IFU in Denmark and Rezidor SAS to establish Afrinord Hotel Investment, which will offer loan financing to Radisson hotels in Africa. In Afghanistan, Norfund joins forces with the Aga Khan Fund for Economic Development and others to build the Kabul Serena Hotel.

2006

European Financing Partners (EFP) is established as a joint venture between the European DFIs in EDFI. EFP is a fund intended to make it easier for EDFI members to invest jointly.

Norfund's total capital exceeds NOK 3 billion

2007

A new strategy is adopted for Norfund; the main changes are a geographical concentration of the portfolio, with investments in a smaller number of countries – particularly in Africa and a narrower sector focus. Kristin Clemet is appointed chair of the board of Norfund, following Einar Steensnæs.

Norfund establishes an office in Nairobi with responsibility for East Africa. At the end of 2011, there are four local employees at the office, and Norfund is a well known player in the East African financial community.

The Information Office for Private Sector Development in Developing Countries is established in collaboration with Norad. Its purpose is to improve Norwegian companies' access to information and advice about financial support for, and financing of, business activities in developing countries. The office has been a success, and in 2011 it received almost 300 inquiries from Norwegian enterprises.

2008

Norfund makes its first direct investments in agricultural projects in Africa: the Casquip cassava plantation and plant in Swaziland, and the Matanuska banana plantation in northern Mozambique. This marks the start of the agri-business activities in Africa, which was established in 2011 as the third focal industry, together with renewable energy and financial institutions.

Crown Prince Haakon lays the foundation stone for SN Power's La Confluencia power plant in Chile.

Norsk Mikrofinans Initiative (NMI) is established by Norfund, Storebrand, Vital, KLP and Ferd jointly. NMI is to invest in microfinance institutions in developing countries. Norfund provides 50 per cent of the capital. NMI's two funds are expected to be fully invested in 2012, and it now considers to set up a third fund.

2009

Norfund plays a key part in the establishment of the funds Fanisi and FIPA in Kenya and Angola, respectively. FIPA is the first private equity fund in Angola, and Fanisi the first venture capital fund in East Africa. As an additional and catalytic investor, Norfund finds it important to take a leading role in setting up such funds.

SN Power AfriCA is established as a subsidiary of SN Power to boost investment in renewable energy in Africa and Central America. In 2011, the company changes its name to Agua Imara, and the first two investments are made the same year in Panama and Zambia.

The Bugoye hydropower plant opens in Uganda. The project is a joint venture between Trønder Energi and Norfund.

2010

Norfund invests in the Norwegian-owned company Basecamp Explorers' three safari camps in Masai Mara in Kenya. The project demonstrates how good cooperation with the local people can result in a win-win situation with both sustainable use of natural resources and creation of jobs and revenue.

Norfund and the International Finance Corporation (IFC) jointly issue a loan to Green Resources AS to further develop the company's forestry plantations and industrial activities in Tanzania.

Norfund invests in the rice plantation Agrica in Tanzania. The company has become a strategic partner for the country's government in its efforts to increase national food production.

2011

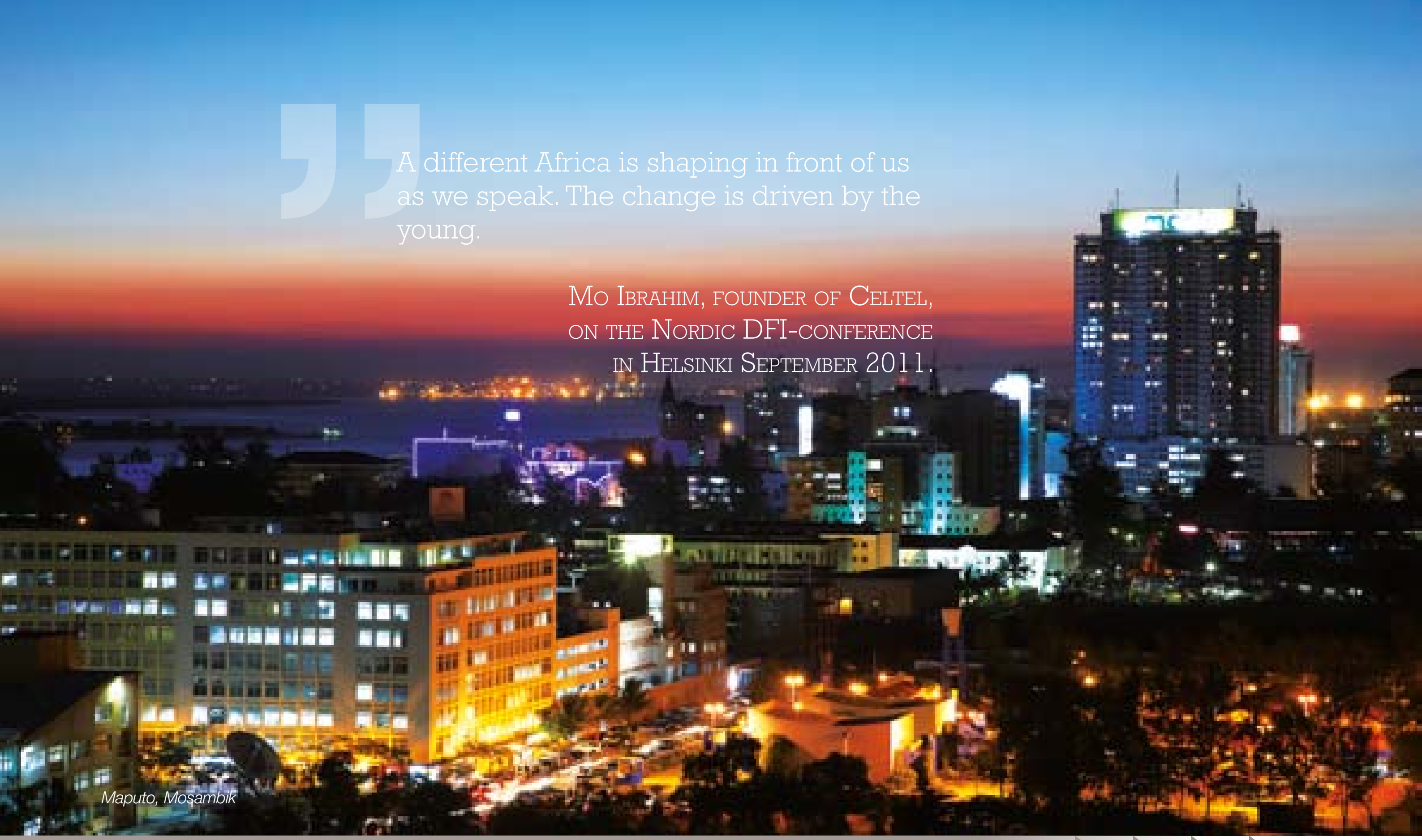
Norfund invest in Sacombank and Sacombank Leasing in Vietnam. Through these investments Norfund contributes to the financing of local SMEs.

Norfund opens its fourth regional office in Bangkok to manage its activities in South East Asia.

Agribusiness in Africa becomes a new strategic investment sector for Norfund.

Grants are used to develop two projects in the world's youngest country, South-Sudan. This is part of Norfund's efforts towards project development and establishment of new instruments.

> A different Africa is shaping in front of us as we speak. The change is driven by the young.
>
> Mo Ibrahim, founder of Celtel, on the Nordic DFI-conference in Helsinki September 2011.


Maputo, Mosambik

2012 – and plans for the coming years

RENEWABLE ENERGY STILL THE PRIMARY INVESTMENT AREA

The need for energy in poor countries is enormous, and renewable energy will continue to be Norfund's primary investment area. The development and operation of hydropower plants will hold a dominant position, but in the short term the number and scope of wind-power projects are also expected to increase. More energy investments will take place in Africa and Central America through Agua Imara.

AGRIBUSINESS IN AFRICA

The development effects of agriculture and related industries are substantial, but there is a severe lack of start-up capital for projects. Norfund defined this as a strategic focal area in 2011, and has been working actively to build expertise in this field. The aim is to make far more direct investments in this sector.

MYANMAR AND SOUTH SUDAN

Norfund's mandate is to be an additional investor. Countries and regions that are suffering as a result of conflicts or previous exclusion from international investment are in extra need of capital. These markets are therefore important to Norfund. In 2011, the state of South Sudan was established, and the authorities in Myanmar carried out a number of reforms. Both these countries are in Norfund's investment regions, and we shall therefore work actively to contribute to business development in these very poor countries.

MORE INTERNATIONAL COOPERATION

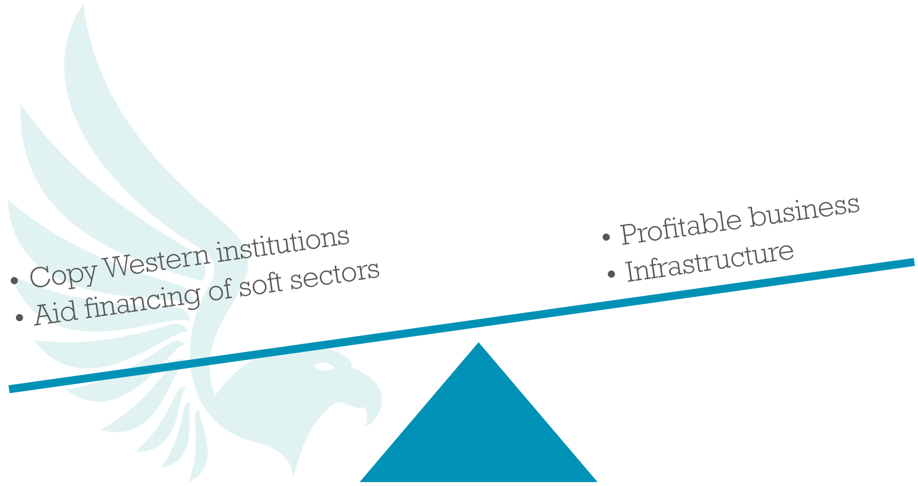
Initiatives to develop and involve the private sector in international development assistance are increasingly important. Norfund and our sister funds, in the EDFI, for example, are in possession of a great deal of experience that can be put to better use. Norfund aims to be a driving force for more international cooperation.

FUNDS IN NEW MARKETS

Access to capital has improved in a number of Norfund's markets, also in private equity funds. If Norfund is to continue to be additional, it is important to shift fund investment towards markets where there is a shortage of this type of capital.

Between Washington and Beijing Consensus – a Nordic Approach?

International development assistance policy is changing. The OECD-DAC summit in Busan in November 2011 showed clearly that we are moving towards a more balanced understanding of challenges and solutions – not unlike the basis for "the Nordic model". Development aid must to a far greater extent contribute to long-term sustainable growth, and a profitable business sector plays a central role in this respect.



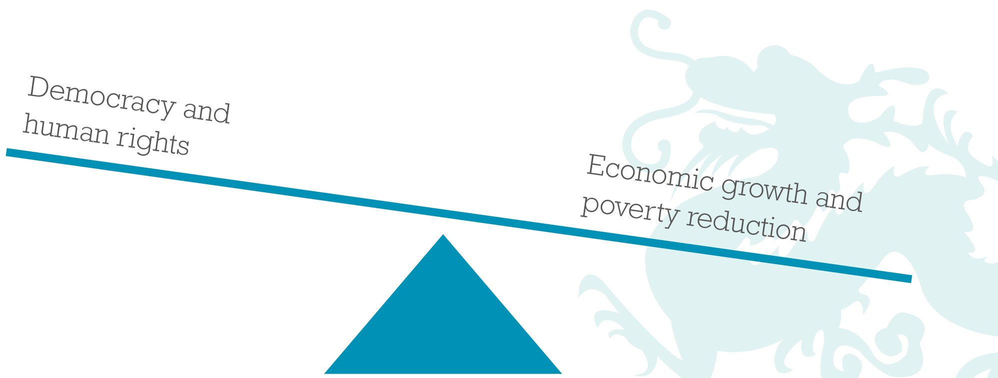
THE WASHINGTON CONSENSUS

In the 1980s, international economic policy strongly reflected the US and British neoliberalism. With time, this also influenced development aid policy strongly. Deregulated markets were expected to result in infrastructure development and economic growth. Industrial policy was strongly advised against. Development aid was oriented towards copying Western institutions in developing countries, and "soft" sectors, not least NGOs, became the primary recipients of support. The policies stemmed largely from Washington-based institutions such as the World Bank and the IMF, and therefore became known as "the Washington Consensus". The policies did not yield the desired economic results in poor countries in the 1990s, and this was a lost decade for many countries.

China's economic influence, particularly in Africa, has increased substantially in recent years. China has developed a highly flexible set of instruments, from straightforward grants to various intermediate forms of cheap loans to Chinese companies in developing countries. However, China has no ambitions to export Chinese social systems or to engage in the building of institutions. Each country has to find its own way out of poverty. This approach, in contrast to the Western model, is often called "the Beijing Consensus".

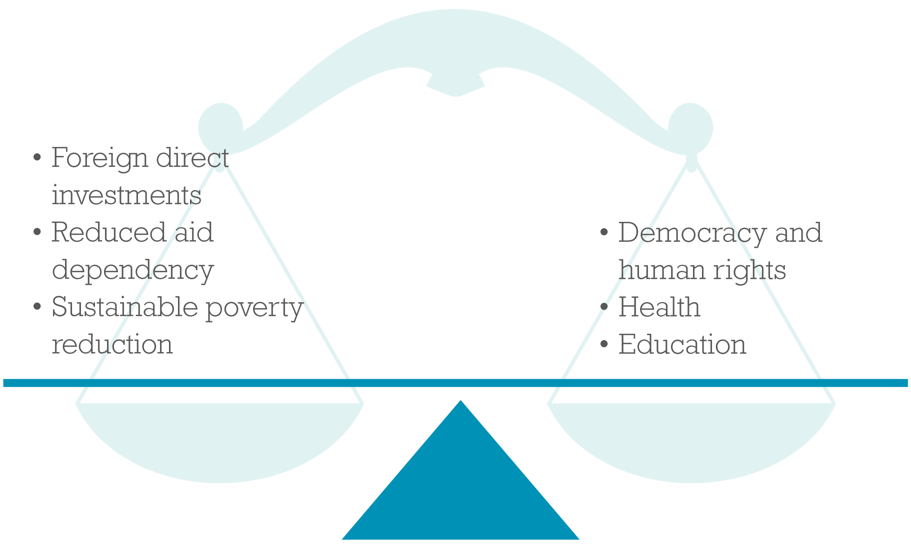
There is tangible evidence of Chinese activity in Africa: new terminal buildings at airports; roads and railways that function after standing still for decades. China's entry onto the scene as an important partner has given recipient countries a choice they did not have before – they can choose who they want to work with – and thus be masters in their own house to a greater degree. If the West is to avoid being marginalised, we must be more useful and show greater respect for the choices made in the South. This means first and foremost that we must find a better balance between contributing to growth and development on the one hand, and strengthening human rights and democracy on the other. The last century was dominated by struggles between 'isms' and attempts to export social models. The Washington Consensus was an expression of Western hubris: We have the answers!

The OECD-DAC summit meeting in Busan in 2011 revealed in a number of ways that Western approaches are undergoing change. There were more parties present than at previous meetings, and new topics, such as private sector development, were



THE BEIJING CONSENSUS

> But our collaboration with poor countries should build on the same balanced understanding of the roles of the state and the markets as we have at home.



A NEW PLATFORM FOR COOPERATION WITH POOR COUNTRIES

on the agenda. The discussions showed a balanced understanding of development, which entails combining competition and open economies with good governance and democratic institutions. The consequences of this development policy are an increased focus on the business sector, more respect for the fact that different countries must find their own way out of poverty – while at the same time the state, based on the rule of law and democratic institutions, must be supported.

This should not be anything new to us in Northern Europe. Norway's high and well distributed economic growth is based on an open economy and a strong state. In the 1900s we tackled the practical problems associated with roads, railways, education and a profitable business sector in order to build a modern society. This is the key to growth and to combating poverty in Africa today. Nor should we attempt to export the Nordic model. But our collaboration with poor countries should build on the same balanced understanding of the roles of the state and the market as we have at home.

Developing countries want to learn from both our Western democracies and the Chinese growth model. They want to continue the positive developments within health and education, for which traditional Western and Chinese development aid will be important (China provides a large number of university places for African students). If the West is to have a normative influence in important areas such as human rights and democracy, where China will not engage in the near term, we must make ourselves more relevant. Of greatest importance will be the delivery of results in spheres that are in demand by developing countries.

Western development assistance still bears the hallmark of the thinking in the Washington model. We need a new development aid paradigm. We must contribute to wealth creation, not merely wealth distribution. And not least, we must listen more and be less donor-driven. One major challenge will be to entrench this type of attitude in the development aid industry. Western business and industry must be involved on a broad scale. Investment has proved to be most effective for developing the business sector and for building infrastructure. In this, private and public sector players must work together to develop customised solutions – such as the ones which we have found effective in Northern Europe.

Over the past 30 years, China has experienced economic growth that is unparalleled in history. Reforms and restructuring of the Chinese economy have enabled markets and a business sector to co-exist with a very strong state. The recipe is very different from the recommendations in the Washington Consensus. China's international involvement, based on domestic growth, has increased strongly in the last 10-15 years, also in Africa. China started providing development assistance in the form of grants to Africa in the 1950s. In the mid-90s, however, it was concluded that the sustainability of the projects was too low; roads and enterprises often fell apart shortly after the Chinese had left. The conclusion was that the countries should rather work with Chinese enterprises and put together projects whose success was in the interests of both parties; investments involving Chinese and local partners in place of a donor logic.

Norfund – little sister in a large family

The most important aid contribution to business development is through bi- and multilateral DFIs (Development Finance Institutions). Norfund cooperates closely with these international sister funds.

International (western) development aid can be divided into three categories: 1) Traditional aid in the form of donations to the public sector and non-governmental organisations, 2) loans and grants, largely from development banks, to governments and large projects and 3) investments in the private sector through international financial institutions. The three complement one another, as they support development in the different parts of society that have to interact. But measures directed at the private sector play very little part in the development assistance debate, and aid to the public sector and NGOs also predominates when it comes to grant size. Whereas a total of USD 150-200 billion is granted annually to aid in categories one and two, category three accounts for only about USD 40 billion.

The biggest player in development assistance directly targeting business development is the International Finance Corporation (IFC), the private sector arm of the World Bank. The IFC was established in 1956 to make greater use of private sector forces compared to direct World Bank initiatives (established ten years earlier). Today the IFC has invested a total of USD 12 billion in about 520 projects. Other important players are local development banks such as the African Development Bank (AfDB) and the European Investment Bank (EIB). In addition come the Development Finance Institutions (DFIs) which are bilateral development investors. Norfund belongs to this last category, along with 14 similar European funds and banks.

The European DFIs in collaborate through European Development Finance Institutions (EDFIs). Developing standards and measuring development effects are important aspects of EDFIs' work. Members of EDFI have also established European Financing Partners (EFP) and the Interact Climate Change Facility (ICCF) to facilitate joint investments. EDFI was established in 1992, and by the end of 2011 the members had invested in more than 4 400 projects. Norfund, only 15 years old, is one of the youngest in the family, in contrast to the CDC, which was established as early as in 1948.

There are also major differences between the strategies of the various funds. Some DFIs, like the Danish IFU and Spanish COFIDES, are required to invest jointly with national companies, but this is not the case for Norfund. Norfund also has one of the strictest geographical strategies of the EDFIs and focuses exclusively on the least developed countries. Other DFIs invest in countries like China and Turkey.

DFI investments have increased significantly over the last 10 years. Like Norfund, several funds have received increased capital allocations from their owners driven by increased business focus in the development policies. Good returns also increase the investment capacity – when funds sell project shares the capital and return can be reinvested. The total effect is however only seen when the catalytic effect is also accounted for: all the funds invest together with other private capital. Every krone invested by Norfund in renewable energy trigger another 10 from other investors. Another example is the Dutch DFI FMO, which in 2011 invested 1.3 billion Euro, and mobilized another 823 million from other investors.

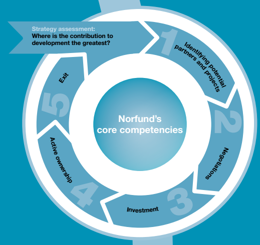
The report International Finance Institutions and Development Through the Private Sector, published by the IFC in 2011 is recommended for further reading.

EDFI EUROPEAN DEVELOPMENT FINANCE INSTITUTIONS

Strategy for Sustainable Development

Investment Areas

Norfund – A Development Finance Institution



A Responsible Investor

Organization, Management and the Board of Directors

1 difficult strategy

5 investment areas

49 employees

5 offices

Norfund – a Development Finance Institution

No country has alleviated poverty without economic growth. There is therefore no contradiction between working for financial return and for development: profitable local businesses are capable of paying back capital with interest, and constitute the foundation for development of a local industry and commerce. Norfund was established in 1997 to make capital available for good projects that would not otherwise have been initiated due to high risk. To ensure that the invested capital contributes to the fight against poverty, Norfund invests in selected, poor regions, and in sectors with high development effects.

OBJECTIVE

Poor countries need investments in profitable enterprises that can create employment, generate tax revenues, attract expertise and technology and thereby contribute to economic and social development.

Norfund's objective is to create sustainable commercial activities in developing countries by establishing and developing viable, profitable businesses which would not otherwise have been initiated because of the high risk involved.

This means that Norfund makes investments that are additional to those that would otherwise have been made in the market. In other words, we invest where there is a shortage of capital and expertise. The objective of being additional has two dimensions:

1. We contribute to *more* investments in poor countries and projects because Norfund is willing to assume more risk and costs than most private investors.
2. We contribute to *better* investments, because Norfund gives priority to projects with strong development effects and enhances these effects through active ownership, high requirements for social and environmental standards for and support to the development of the enterprises.

In addition, Norfund acts as a catalyst by mobilising private capital and expertise that would not otherwise have been available in poor countries.

STRATEGY

Norfund's strategy is designed to enable us to fulfil the objective in the Norfund Act, and reflects the overarching priorities in Norwegian development assistance policy.

Establishing profitable and sustainable enterprises in some of the world's poorest and least developed countries is difficult and risky. It requires expertise and knowledge in a number of areas. The cornerstone of our strategy is therefore to develop expertise.

FIGURE 1 – INVESTMENTS IN BUSINESS AND INFRASTRUCTURE CONTRIBUTE TO POVERTY ALLEVIATION

Investments in businesses and necessary infrastructure

↓

Growth in industry and commerce and increased economic activity: jobs, tax revenues, increased competencies

↓

Economic development: more and better common goods, increased availability of goods and services

↓

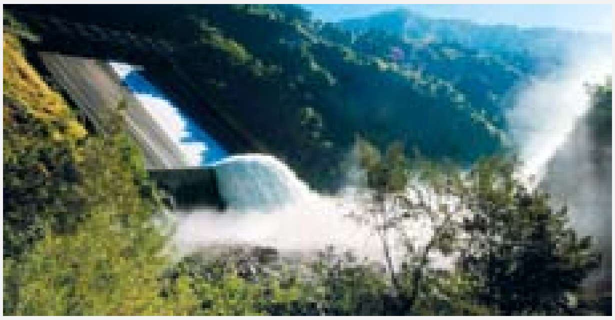
Poverty reduction and increased standard of living

As a financial investor, Norfund must above all possess expertise in investment and risk management. We must be familiar with the framework conditions in the countries and sectors in which we invest, the enterprises and their management, and the partners with whom we invest. In order to have the most thorough knowledge possible of framework conditions and politics, Norfund has concentrated its investment on a limited number of countries. Important criteria for the choice of these countries have been prioritising Africa, ensuring a high share of investment in countries classified as least developed countries (LDCs) and including as many countries as possible that are important in Norwegian development cooperation. These are countries with a particular shortage of capital and expertise (for an overview of countries in which Norfund invests, see fold out in page 2).

In addition Norfund has chosen to focus on renewable energy, finance, agriculture and agri-related industry. These are sectors where our activities yield particularly high development effects. Access to electricity and a functioning banking and financial system are crucial infrastructure for development. These are also sectors where expertise of international quality can be mobilised among Norwegian and foreign partners. Agriculture is under-developed and can create high number of jobs in very poor areas.

> I think it is always smart to look at how we did it in Norway. We used hydropower to develop industry and create jobs for many people, and to generate export income to develop the country

Heikki Holmås, Minister of International Development, to Development Today



RENEWABLE ENERGY
– BASIC INFRASTRUCTURE

Important for development: Economic growth is closely linked to higher consumption of energy, particularly electricity. An unreliable electricity supply is often cited as an important obstacle to economic growth, particularly among small and medium-sized enterprises. Without a reliable source of electricity, enterprises are dependent on private diesel or petrol generators, which are very expensive. A power cut can also mean a substantial loss of income for these companies.

Need for investments: Investment in electricity production capacity in developing countries has been too low to meet the growth in demand. Many countries therefore have to resort to emergency solutions, in many cases in the form of a large number of generators based on diesel or heavy fuel. The operating costs normally exceed the income from electricity sales, which exacerbates the already difficult financial situation of the power companies. The only way to break this vicious circle is to increase investment in more long-term solutions. Although they are capital-intensive, the costs associated with both hydropower and wind power technologies have been substantially reduced in recent years. In many developing countries there is a high potential for making better use of water and wind in electricity production. With cheaper technology this is an increasingly better alternative to coal power (often the only alternative).

Norfund's strategy: Renewable energy is Norfund's most important sector. We wish to attract sound technical partners to co-invest with us in our preferred countries, while diversifying our portfolio at the same time. SN Power has shown that with the right combination of capital and expertise it is possible to deal with the many risks associated with making renewable energy investments commercially sustainable. The restructuring of SN Power, the establishment of Agua Imara and the contributions from Statkraft, TrønderEnergi and BKK are major steps towards realising our strategy.

FINANCIAL INSTITUTIONS
– CENTRAL TO BUSINESS DEVELOPMENT

Important for development: In order for the private sector to develop, enterprises need access to capital. Banks are the most important source of loans, and local banks are best positioned to assess credit capacity. The possibility of raising loans and saving money is also important for private individuals. A very large number of enterprises and individuals do not have access to what we regard as basic financial services, such as bank accounts.

Need for investments: Financial institutions also need capital to develop products and increase market reach. Banks are especially dependent on loan financing, in order to fund lending to their customers. Investment in local banks and microfinance institutions is therefore important for the development of this sector.

Norfund's strategy: Norfund regards financial institutions as an attractive investment option with high financial returns and strong development effects. Through the investment area Financial Institutions, Norfund invests in banks, microfinance institutions and other financial institutions as well as funds that invest in the financial sector. It is particularly important for Norfund to facilitate access to financing for small and medium-sized enterprises (SMEs). The investment area works primarily with financial institutions that are owned locally and have promising growth potential. Our investments are either direct, in the form of loans or equity, or indirect, through investment funds.

Our strategic alliance with our partners Ferd, DnB/Vital, Storebrand and KLP in Norwegian Microfinance Initiative (NMI) is our most important tool for investing in microfinance. Norfund also invests directly in microfinance in our high priority regions where NMI is not active. Norfund has a higher risk investment profile than NMI in its direct investment in microfinance institutions.

SME-FUNDS
- STRENGTHENS SMALL AND MEDIUM-SIZED ENTERPRISES

Important for development: Small and medium-sized enterprises (SMEs) are crucial to a well functioning economy. The enterprises contribute to local employment, diversification of the economy and economic growth. Investing in funds is an appropriate strategy for reaching out to SMEs. Investing in the SME sector of Norfund's markets is very demanding, and the enterprises require close follow-up. Experience has shown that selected local funds managers can do this job well, and that they contribute considerably to value creation.

Need for investments: In many developing countries there are few if any SME funds that can supply risk capital. This is therefore a sector that should be developed so that more small businesses can obtain necessary financing. Investment in SME funds and fund managers helps to boost the formal economy and strengthen the local capital market.

Norfund's strategy: Norfund invests equity in private equity funds, including venture capital funds, that target SMEs in need of growth capital and expertise. We select funds with a clear development profile. Norfund has built up expertise in selecting fund managers and setting up appropriate fund structures. The Fund cooperates with other investors to bring about greater transparency in its investment funds, with respect to both legal agreements and fee structures.

The funds in which we invest often do not have access to commercial private capital because of their size, a narrow investment area or a lack of results to use as a reference. But we also invest in larger, more experienced funds to which Norfund can attract other private investors.

INDUSTRIAL PARTNERSHIPS
– INVESTMENTS WITH ESPECIALLY STRONG DEVELOPMENT EFFECTS

Important for development: Some sectors have a particularly high potential for development effects in the form of providing employment for the poor, revenue from trade and value creation. Agribusiness and tourism are examples of sectors that can fruitfully exploit natural resources outside the cities.

Need for investments: Many good investment concepts are not realised because the risk is perceived as too high, and banks and other investors will not provide capital. Equity investment gives Norfund the opportunity to choose partners and projects, but this form of investment is resource-intensive and highly demanding with regard to project and partner evaluation, and depend on deep understanding of sectors and countries. Owners, management, authorities and often also customers are involved in the work of making the companies viable. If they are successful, there may be substantial profitability and development effects for both the local community and the country.

Norfund's strategy: Through the investment area Industrial Partnerships, Norfund grants loans to and invests equity in individual companies in sectors other than energy and finance in southern and eastern Africa. Industrial Partnerships' remit is to make investments that have especially strong development effects. Agriculture and related industry are most important, but we also invest in other sectors, such as tourism and industry. Norfund does not normally own more than 35 per cent of the shares in a company, but in Industrial Partnerships we normally seek equity positions that confer influence. In special cases we have an up to 49 per cent stake.

Project development and new instruments

Norfund should contribute to the development of well-functioning industry and commerce in poor countries. The shortage of local players with the desire or opportunity to establish new enterprises is a major challenge: there is a limited supply of potential projects. What poor countries lack most of all are the unborn businesses – those that do not exist today. In order to contribute to the creation of new enterprises, Norfund spends substantial resources on developing instruments, early-phase project development and investments with especially high-risk. It is primarily through our active involvement in these projects that Norfund differs from private investment funds. Compared to our sister funds (DFIs), Norfund also engage more actively in developing projects and new investment instruments.

There are four particular areas in which Norfund works actively with project development and new instruments. These are: early stage development of renewable energy projects, establishing new private equity funds, the development of new instruments adapted to conditions in vulnerable countries and loans to projects initiated by small, Norwegian companies. To a large extent, Norfund utilizes the Grant Facility (see page 20) to support these projects.

The initiatives in this investment area are managed by the departments to which they belong based on sectors. In previous reports, Norfund has not reported on this investment area separately. However, since the projects differ significantly from the other investments of the four investment areas described on the previous pages, we have decided introduce a separate reporting.

PROJECT DEVELOPMENT FACILITY

Before Norfund can invest in projects, comprehensive business plans must be in place. The project development phase before investment deals are finalized is often long and capital-intensive. This applies in particular to renewable energy projects, as these are broad-based and involve many players (developers, distributors, local authorities etc.). As a large proportion of Norfund's investment capital is earmarked for projects in this challenging sector, it is necessary for Norfund to have a good supply of projects. Norfund has established a Project Development Facility (PDF), which can be used before ordinary investment of equity is applicable. The PDF-capital is normally in the form of convertible loans, which are converted into equity when the project reaches a phase where ordinary investment can take place.

ESTABLISHING PRIVATE EQUITY FUNDS

Since its inception, Norfund has invested in local funds in order to reach out to small and medium-sized enterprises (SMEs). The markets for this type of funds are developed to a very limited extent, particularly in the world's least developed countries. And if they exist, they will only invest in established companies with solid earnings. In several cases, Norfund has worked actively to establish fund managers in markets where there are none. This type of fund is dependent on persons with expertise in three areas: local markets, fund investment and active ownership in companies. Norfund has established managers of local SME funds in East Africa (Fanisi) and Angola (FIPA), partly funded with grant capital. Norfund was also the initiative-taker for the foundation of Aureos Capital, which is currently the world's leading fund investor in developing countries. In addition to making capital available to SMEs through funds, the establishment of such funds contributes to the development of local financial markets.

EARLY INVOLVEMENT IN FRAGILE STATES

Some countries have a particularly poor investment climate because of conflicts and internal political conditions. The need for investment capital is particularly high in these fragile states but, naturally enough, so is the risk. The framework conditions often have to be developed in dialogue with the authorities in the project development phase, which is both challenging and time-consuming. When countries of this kind lie within Norfund's defined focal geographical areas, we are interested in taking a greater risk than normal and embark on projects adapted to the difficult starting point. Two fragile states in which Norfund is now working actively to establish projects are South Sudan and Myanmar. We have founded an investment company to invest in small and medium-sized enterprises in South Sudan, and we are engaged in pioneering renewable energy and finance projects. In Myanmar, Norfund is in dialogue with potential partners concerning the set-up of a microfinance institution.

LOANS TO PROJECTS INITIATED BY NORWEGIAN SMES

Where Norfund's owners have special development policy wishes, the Fund engages actively in supplying customised financing. One such area is loan financing of projects initiated by Norwegian SMEs. Based on an initiative from Stortinget (the Norwegian Parliament) and the Ministry of Foreign Affairs, a facility for this was established in 2007.

Norfund is not obliged to invest together with Norwegian partners. However, it is natural to draw on Norfund's expertise in the financing of Norwegian SMEs wanting to establish business in developing countries. The small enterprise loans of Norfund are invested in small projects with Norwegian companies, preferential also in a joint venture with local partners. The instrument is adapted to provide simplified case processing commensurate with the size of the loans.

LEARNING POINTS

This part of Norfund's work is demanding. It often takes a long time to develop instruments and projects in the poorest countries of the world, and there are many pitfalls. But the ripple effects when we succeed are wide-reaching, and when we do not succeed we gain valuable experience for the future. Important lessons from some of the projects mentioned above include:

- *The power of example in Angola*: Based on the Norfund-initiated FIPA fund, the local authorities have seen how SME-funds can contribute to broader economic development in the oil-rich country. The Angolan Government is now developing similar financing schemes based largely on the FIPA-model developed by Norfund.
- *Private equity funds require specialist expertise.* The fund Fanisi was established in Kenya as the first of its kind. There was a strong desire to base the fund on local resources. The fund is now engaged in investment activities following a period during which it received substantial support and expertise from abroad. Familiarity with local markets must be combined with expertise in fund management.
- *Microfinance in Myanmar:* Early in 2011 when the country was still very closed, Norfund started a dialogue with the authorities. This provided the leaders insight into how commercial projects can help a very poor and underdeveloped country. The authorities are now looking for players who can establish sound microfinance institutions in the country.

Bakery in South Sudan, which needs financing

A responsible investor

The main goal of all Norfund's activities is to fulfil the mandate in the best possible way. That the investments must be sustainable is a key element of this. Financial sustainability is important because only profitable enterprises can survive in the long term. To Norfund, good financial returns is a prerequisite to contribute to development effects: profitable business create jobs, tax revenues and a number of positive local spillover effects. Social and environmental sustainability are of equal importance for safeguarding people and natural resources. In the long term, there is no contradictions in this. It is important to Norfund that we contribute where the need is the greatest, while at the same time ensuring efficient use of development assistance funding. We therefore work to:

1)*Doing the right things.* Follow a strategy which aims at contributing to high development effects by investing in the countries where the needs are the greatest, in sectors important to development and where the conditions for contributions from Norfund and Norway are particularly good.

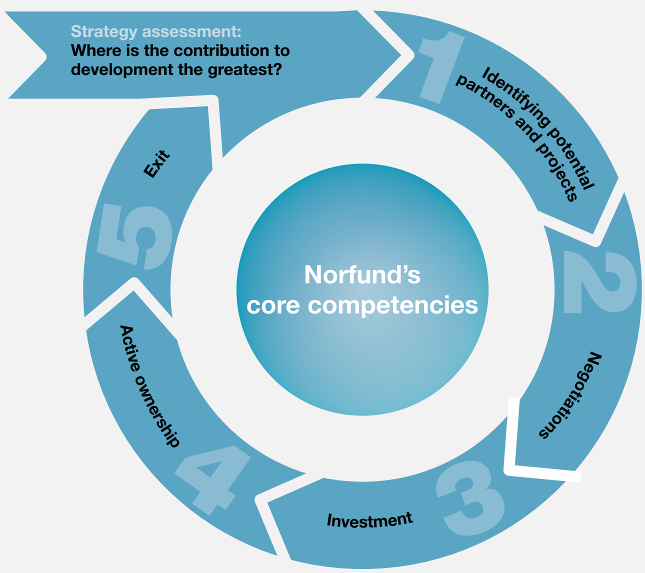
2)*Doing the things right.* Hold the necessary competencies about countries, sectors and investment instruments we use, as well as focus on sustainability, ensure good governance in the investments and secure responsible handling of issues related to environment and social aspects, rising the standards where this is necessary

THE INVESTMENT PROCESS

In each of the phases of the investment process (see figure 2) different considerations are made to ensure that we do the things right. The project cycle starts with identifying potential projects and partners. Norfund is proactive in searching for investment possibilities, but is also approached with many project ideas. Through the negotiating process, we ensure that requirements and considerations which are important to Norfund will be fulfilled. For example is compliance to standards for environmental considerations and working conditions made legally binding. We make high demands to our partners, and only invest in a small number of the projects that are assessed. To ensure that good investment decisions are made, Norfund has established an investment committee which considers all the projects. The committee is chaired by an external person to ensure that assessments are made independently of the Norfund team. The committee serves as an advisory body to the Managing Director.

After investment decision is made, in the ownership phase, Norfund actively follows up all the investments. This is demanding, but important to deliver good governance. If the invested companies develop in the expected direction, they will eventually be able to continue operations and growth without the support of Norfund. Where Norfund has invested equity, we might sell the shares back to the company. If the company has become attractive enough, it

FIGURE 2 – THE PROJECT CYCLE



Participants at fund manager training in Nairobi

should be able to receive further financing from regular investors. The phasing out of Norfund's engagement is called an exit. The capital which is returned in an exit will be reinvested in new projects.

NORFUND'S GRANT FACILITY

Norfund has the option of using grant resources in addition to commercial investment capital to boost its capacity as development investor.

The grant resources are used in three areas:

1. *Project development*: Some of the projects Norfund considers are related to very high risk and/or are not sufficiently developed for investments on commercial terms. In some of these cases the grants are used to relieve the risk during project development and early operations. This enables the start-up of projects which would otherwise not have existed. Norfund may also use the grants to develop new instruments and initiatives.

2. *Enterprise improvements and ESG*[1]. An important development effect of Norfund ownership is the contribution to competency development and a culture of good governance in the investee companies, as well as increased responsibility regarding social and environmental issues. Training, improvements to reporting systems, work environment and safety improvements are examples of initiatives which can apply for grants.

3. *Local community development*: Many of the companies in which Norfund has invested wish to contribute to the local community through a broader corporate engagement. Norfund can use the grant facility to support such initiatives.

OTHER ACTIVITIES

Loan portfolio
In 2001 Norfund took over a loan portfolio consisting of 48 loans from Norad. Fourteen were in Africa, eleven in South-East Asia including China, 18 in southern Asia, four in Latin America and one in Eastern Europe. 44 per cent of the loans were for less than NOK 5 million, and the interest conditions for all of them were soft (lower than normal market rates).

The loan balance at the end of 2011 was NOK 18 million, and the estimated value NOK 0.7 million. Norfund received NOK 0.1 in interest payments.

Tender Guarantee Scheme
The Tender Guarantee Scheme is administered by GIEK on behalf of Norfund, and is intended to encourage Norwegian companies to invest in poor countries. The least developed countries and Norway's partners have the highest priority. Priority is also given to participation by SMEs. In 2011, four applications were processed and NOK 0.2 was paid in compensation. The Tender Guarantee Scheme charged NOK 1.26 million to Norfund's account in 2011.

Information Office
The Information Office for Private Sector Development in Developing Countries facilitates access for Norwegian companies to information and guidance about financial support and funding of commercial activities in poor countries. The office belongs administratively to Norfund and is co- located with Norad. The office received 265 inquiries in 2011 compared with 270 in 2010. More than 60 per cent of the country-specific inquiries concern countries in Africa, with Uganda, Kenya and Tanzania at the fore. Sri Lanka, India and Vietnam dominated among the Asian countries. There are relatively few inquiries about Latin American countries.

[1] ESG (Environment, Social and Governance) is a collective term for good governance, considerations of health, work environment and safety, as well as the relationship with local communities and effects on the natural environment.

Norway's leading development investor

Norfund has the largest specialised team in Norway for investment in developing countries. Of a total of 49 employees, 35 work directly with the investments and follow up the projects through all phases of the investment process. Several of the investment staff has board positions in investee companies, but we also utilise our extensive external network to recruit to such board positions.

Norfund is organised in three sector-based investment departments in order best to preserve and build up expertise: Financial Institutions and SME Funds, Industrial Partnerships and Renewable Energy. The employees at our four regional offices (Johannesburg, Nairobi, Costa Rica and Bangkok) ensure local proximity and knowledge. In the course of 2012 we will also open an office in Maputo (Mozambique), which will mainly deal with projects within Industrial Partnerships.

We have three dedicated expert positions to follow up work with development effects and environmental, social and governance aspects.

We established a Strategy and Analysis Department in 2010 to strengthen our competencies and enable more targeted work with stakeholders and partners in Norway and the Nordic countries. By virtue of its experience and expertise, Norfund has a prominent part to play as disseminator of information and participant in the Norwegian discourse on investment and business development in developing countries.

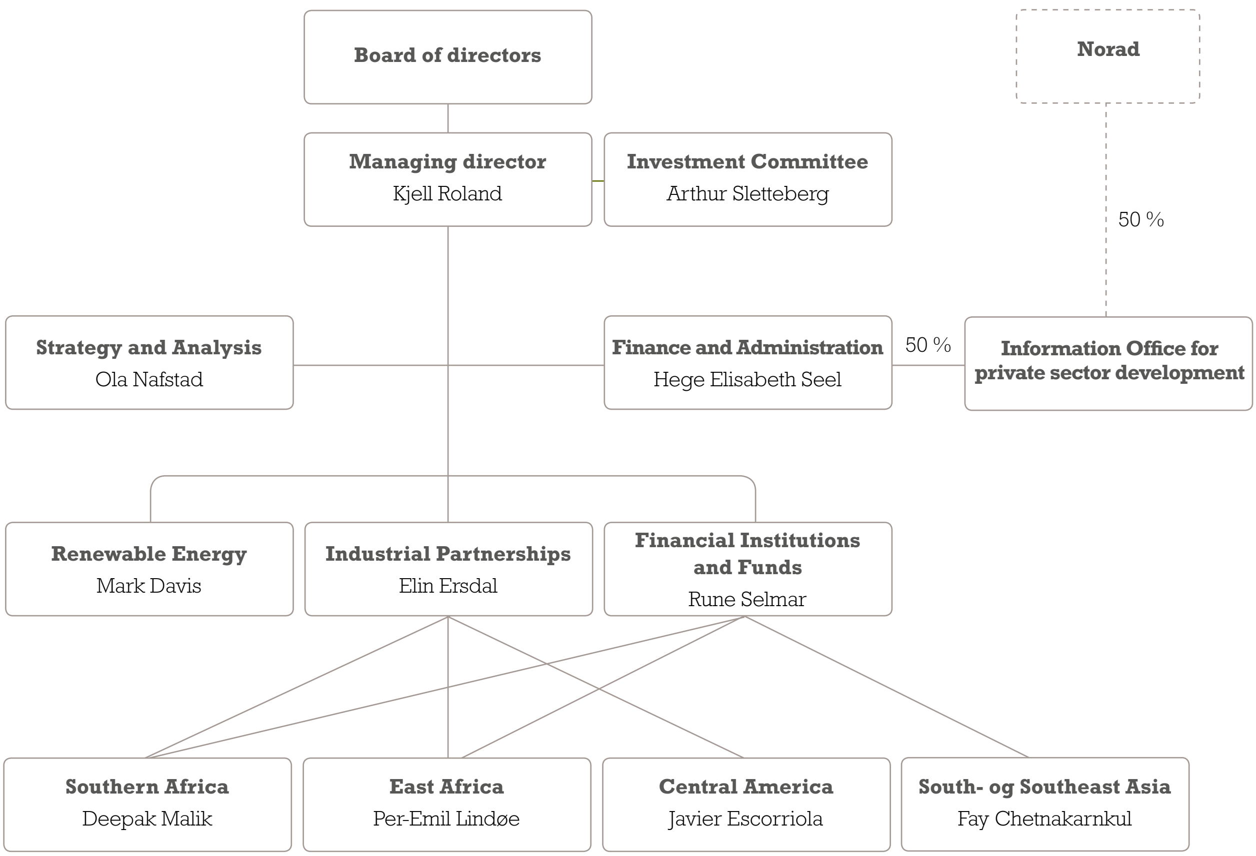
> Norfund has developed greatly over the last years. The organization is just as dynamic as private companies.
>
> Chairman of the Board of Directors, Kristin Clemet

Organisation and management

THE BOARD OF DIRECTORS
Norfund's Board of Directors ensures that the Fund is operated in accordance with the Norfund Act and owner instructions. The Board appoints the strategy based on this. The Board further approves individual investments that exceed certain amounts, and projects that are considered to be high-risk. The Board has delegated investment decisions for other projects to the Managing Director.

INVESTMENT COMMITTEE
The Investment Committee is an advisory body for the Managing Director, and is chaired by an external person. The Investment Committee deals with all investments at least twice: First the project is approved in principle, then final approval is given based on a thorough assessment of risks and development effects.

INVESTMENT DEPARTMENTS AND REGIONAL OFFICES
Norfund is organised into three investment departments as different expertise and networks are necessary to make investments in the focal areas of the strategy. Local expertise is also important, and Norfund therefore has four regional offices with a total of 16 employees. They report directly to the heads of department in Oslo, and hence integration and cooperation with the main office in Oslo is secured.



Norfund's Board of Directors

KRISTIN CLEMET, CHAIR, OSLO:
Born in 1957, Master's degree in Business and Economics (siviløkonom). Heads the think tank Civita. Ms Clemet has extensive political experience and was Minister of Education and Research from 2001 – 2005, deputy director of the Confederation of Business Enterprise (NHO) from 1998-2001, Minister of Labour and Administration from 1989 -1990 and a member of Stortinget (parliament) from 1989 - 1993. Ms Clemet also has a number of other directorships.

BORGHILD HOLEN, DIRECTOR, OSLO
Born in 1955, Master's degree in Business and Economics (siviløkonom). Head of the international section of the International Corporates and Institutions Division of DnB bank. Ms Holen has a background from the Norwegian credit finance institution Eksportfinans, was a member of the North-South/Development Assistance Commission (1993-1995) and is a former director of the Norwegian Guarantee Institute for Export Credits (GIEK).

FINN JEBSEN, DIRECTOR, OSLO
Born in 1950, Master's degree in Business and Economics (siviløkonom). Jebsen is self employed. He has 25 years of experience from the Orkla Group where he was on the management team from 1984, and Group Head from 2001-2005. He has extensive board experience from among other Kavli Holding AS, KLP Insurance, The Kongsberg Group and Norsk Hydro ASA.

STEIN TØNNESSON, DIRECTOR, OSLO
Born in 1953, PhD in history. Senior researcher at the International Peace Research Institute, Oslo (PRIO) and director of the research programme East Asian Peace at Uppsala University. Dr Tønnesson has extensive research experience, with a particular focus on Asia. He is a former chair of the board of the programme "Development Paths in the Global South", under the auspices of the Research Council of Norway. His boardroom experience includes CARE Norway.

SVEIN TVEITDAL, ALTERNATE DIRECTOR, FROLAND
Born in 1947, civil engineer. Director of Klima 2020 AS and ambassador for the environment of Arendal Municipality. Mr Tveitdal is a former director of GRID Arendal and divisional director of the UN Environmental Programme (UNEP), at its head office in Nairobi, Kenya. He is currently chairman of the boards of the Asplan Foundation, Sørlandets Europakontor AS, Frameworks AS and Purity AS and is a board member of the University of Agder, Earthprint Ltd and the environmental foundation ZERO.

ANNE KRISITN SYDNES, OSLO, ALTERNATE DIRECTOR
Born in 1956, political scientist. Sydnes has been head of International Programs in the Norwegian Church Aid. She worked at the Fridtjof Nansen Institute as a scientists and assisting director, and from 1998 to 2000 she was director in Statoil with the responsibility for human rights issues and country analyses. Sydnes was Minister for International Development in the Stoltenberg-I government (2000-2001). She is also director of the board in Energigården AS.

REPORTING

Portfolio and Results

Portfolio

Development Effects

Financial Results

Accounting Results

2.2 billion invested in 2011

27 projects in 2011

9 % return on investments

265 000 jobs

Norfund's investment portfolio

By year end 2011, Norfund had committed investments totalling NOK 7.6 billion in 99 projects. More than half of the projects that received funding in 2011 were in Sub-Saharan Africa, and the majority of new projects were in the least developed countries in the world (LDCs). Measured in capital, the largest investments were done in SN Power renewable energy projects.

EQUITY BASE

Norfund's total equity was NOK 7 735 million at the end of 2011. NOK 6 279 million has been allocated from the Norwegian aid budget since Norfund's inception 15 years ago, while investment returns added NOK 1 456 million (see figure 3). Good returns over time have enabled Norfund to invest considerably more than its annual capital allocation. In 2011, NOK 1 billion of new capital was allocated, while NOK 2.2 billion was invested. Over the last few years, Norfund's supply of good projects and its capacity to invest has increased substantially. This has led to constraints on Norfund's liquidity. By year end 2011, the difference between committed and available capital was only NOK 154 million; only 4 per cent of its equity. Since dialogues and negotiations with project partners can be lengthy, it is difficult to predict when deals will be formalized and disbursements made. As a consequence, It is necessary for Norfund to have access to buffer capital, enabling the engagement in parallel negotiation processes without the risk of having to withdraw due to liquidity constraints.

AFRICA

Norfund's long term strategy is to increase its share of total investments in Sub-Saharan Africa. In 2011, a total of NOK 572 million was invested in 16 projects in Africa (out of a total of 27). This amounts to 26 per cent of the total invested capital throughout the year. Norfund's African projects tend to be, on average, smaller (in NOK) than projects in Norfund's two other regions. This can be attributed to Norfund's agri-investments being smaller than those in financial institutions, funds and renewable energy in the other regions. Excluding investments in SN Power, the share increases to 46 per cent.

Figure 4 shows the geographical composition of Norfund's committed portfolio at the end of 2011. 34 per cent of the investments were in Africa, while 41 per cent were in Latin-America and 25 per cent were in Asia. The large shares in Latin America and Asia are mainly due to SN Power's investments in renewable energy. Excluding SN Power's investments, 58 per cent of Norfund's portfolio was in Africa.

OECD/DAC CLASSIFICATION OF COUNTRIES

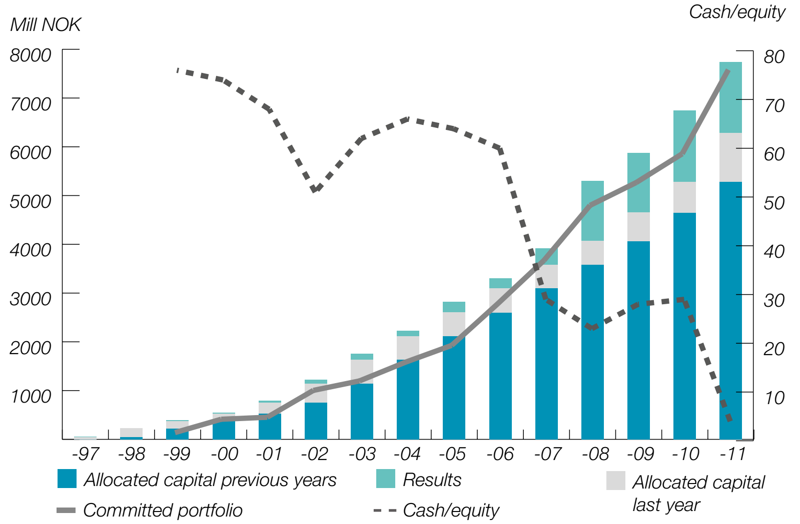
Least developed countries are defined by the UN as countries with very low gross domestic income, underdeveloped use of human capital (quantified by means of a Human Assets Index) and which are assessed as economically vulnerable.

Low income countries have an annual per capita GDI of less than USD 1 005.

Lower-middle income countries have an annual per capita GDI of between USD 1 006 and USD 3 975.

Higher-middle income countries have an annual per capita GDI of between USD 3 976 and USD 12 275.

FIGUR 3 – DEVELOPMENT IN EQUITY AND COMMITTED PORTFOLIO



Norfund has a goal to make 50 per cent of it's investments in Sub-Saharan Africa. Another objective is to invest 50 per cent in renewable energy. So far, the majority of energy investments have been made outside of Africa. To reach both targets, Norfund works actively to develop more large energy projects in Africa. The project development facility (PDF) is an important tool used to achieve that goal (see pages 18-19).

LEAST DEVELOPED COUNTRIES (LDCS)

In general, the poorer the country, the greater the need for Norfund's investments. In 2011, 13 out of the 27 projects in which Norfund invested were in countries defined as LDCs (see text box). The capital invested in these projects totalled NOK 287 million or 13 per cent of total investments made in 2011 (see figure 5). While it is understandable that Norfund's in projects in LDC's are smaller than its projects in more developed countries (because the LDCs tend to have smaller markets, weaker infrastructures and higher risks than developed countries), Norfund's share of investments in LDCs was far below its 33 percent target level in 2011. When investments in SN Power are excluded, the investment share is only 22 per cent. Norfund is actively taking steps to increase its LDC investment share by developing new instruments and increasing local African resources.

START-UP ENTERPRISES

Starting new enterprise entails high risk. New projects often face challenges in attracting private capital, despite their great profitability potentials and positive development effects. New businesses are necessary to develop local economies. Start-up enterprises are, therefore, an important and significant part of Norfund's activities. These types of investment are also the most demanding for an active owner like Norufnd. As a consequence, Norfund depends on having good industrial partners in those projects. Of Norfund's new commitments

FIGURE 4 – PORTFOLIO AND NEW INVESTMENTS PER REGION

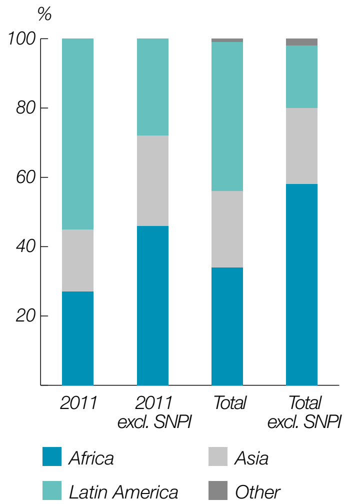


FIGURE 5 – PORTFOLIO AND NEW INVESTMENTS BY OECD/DAC-CLASSIFICATION

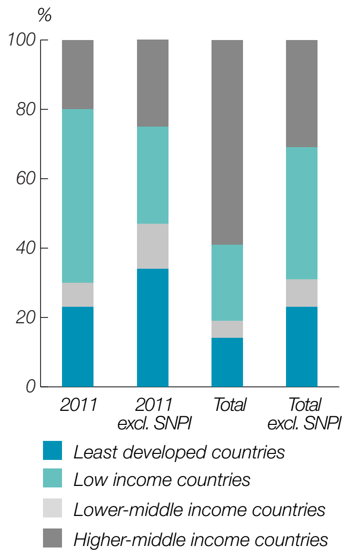


TABLE 1 – KEY FIGURES: ACTIVITIES IN 2011 AND PORTFOLIO AT 31.12.2011

Investment activity 2011	
New investment agreements (MNOK)	2 197
Share of least developed countries (LDCs)	14 %
Share in Africa	26 %
Share of start-up enterprises	21 %
Share of equity	57 %
Share of loans	33 %
Share of funds	11 %
Disbursed to investments (MNOK)	2 170
Paid in from investments (MNOK)	211
Portfolio at 31.12.2011	
Investment agreements (MNOK)	7 580
Share in LDCs (excl. SN Power)	24 %
Share in Africa (excl. SN Power)	58 %
Share of start-up enterprises	31 %
Share of equity	54 %
Share of loans	26 %
Share of private equity fund investments	19 %
Number of investments	99
Investment agreements renewable energy (MNOK)	3 582
Investment agreements microfinance (MNOK)	860
Net disbursed investments (MNOK)	6239
Employment	265 000
Norfund's weigthed share of employment	9 200
Share of female employees	33 %
Payments to local authorities* (NOK bn)	3 641 mill kr
Norfund's weighted share of corporate tax (MNOK)	77 mill kr
Norfund's overall balance (MNOK)	7 821

**Payment to local authorities include corporate tax, charges, licences etc. for all Norfund's investments. The figure is not weighted according to Norfund's share.*

PRESENTATION OF THE GEOGRAPHICAL DISTRIBUTION OF NORFUND'S PORTFOLIO EXCLUDING SN POWER

Norfund's investment in SN Power accounts for slightly less than half of Norfund's total investments. SN Power invests in different geographical areas from Norfund. To provide a correct view of Norfund's own geographical focus, we therefore present the portfolio excluding SN Power's investments.

A Norfund goal is to increase its African energy investments. This was the primary motivation behind Norfund and SN Power's establishment of Agua Imara.

FIGURE 6 – SHARE OF NEW INVESTMENTS IN AFRICA

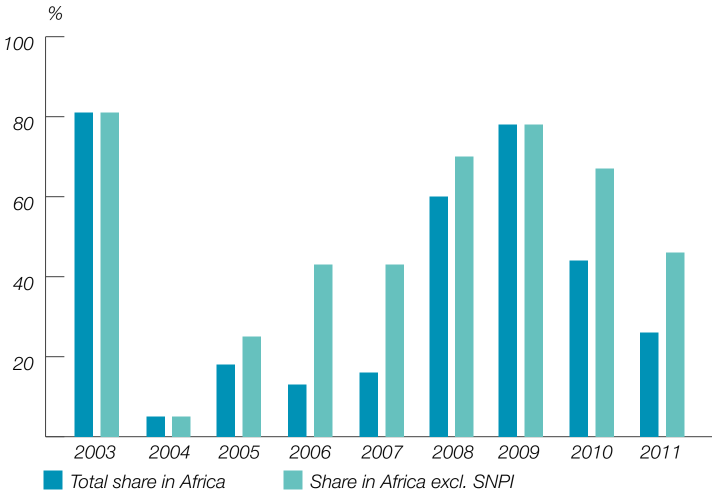
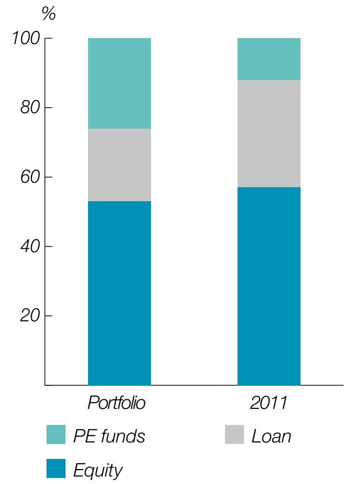


FIGURE 7 – PORTFOLIO AND NEW INVESTMENTS BY INSTRUMENT



in 2011, 21 per cent were in start-up projects. Like at year end 2010, 31 per cent of Norfund's total committed capital in it's portfolio was in start-up companies.

APPROPRIATE FINANCIAL INSTRUMENTS

In poor countries, there is a particular lack of risk capital. Investing equity involves higher risk compared to providing loans to projects. In general, the additionally of Norfund's investments are, therefore, stronger when Norfund makes equity investments. Norfund also has a goal to attract additional capital from other investors. When Norfund takes an ownership position through equity, it is easier for the company to obtain loans with security from banks. Through this, the equity investments are also highly catalytic. Direct equity investments[2] in Norfund's portfolio account for 54 per cent of its total portfolio, while indirect equity investments through private equity funds and loans account for 26 and 20 per cent respectively. Indirect equity investment means that Norfund invests in private equity funds, which in turn invest equity in companies. For small and medium sized enterprises that are financed by the private equity funds, that capital is just as additional and catalytic as Norfund's direct equity investments. With respect to Norfund's new investment commitments in 2011, 57 per cent was in direct equity, while indirect equity and loans accounted for 11 and 33 per cent, respectively.

PARTNERSHIPS

Norfund can not invest without partners, and it normally can not have an ownership share of more than 35 per cent in a company. While Norfund is not required to invest together with Norwegian partners, it elects this option when there are sound industrial motivations. At year end 2011, 19 of 99 projects in the portfolio were in partnership with Norwegian companies. Norfund also often invest jointly with other DFIs, particularly when investing in SME-funds and financial institutions. DFIs are good partners for Norfund because it has developed close relations and cooperation with them, and they share the focus on development effects. Norfund has invested with other DFIs in 59 of our projects.

PAYMENTS FROM, AND DISBURSEMENTS TO INVESTMENTS

During 2011, Norfund disbursed NOK 2.17 billion to its investments. This is significantly above the 2010 level; NOK 635 million was disbursed. The large increase in 2011 can, first and foremost, be attributed to a large disbursement made to SN Power.

Norfund received NOK 211 million from its investments in 2011. Four of the six largest payments were from realisation of investments in various Aureos-Funds (totalling NOK 33 million), while the ordinary repayment of loans was NOK 26 million.

Norfund had disbursed a total of NOK 6 239 million by year end 2011, while its total investment commitments amounted to NOK 7 580 million. The difference between the committed portfolio and actual disbursements stems from investments deals that are signed, but where the disbursements have not been made. This is particularly common in investments in PE funds (see page 39).

[2] Equity includes pure equity investments and mezzanine loans.

Results

The most important result from Norfund's activities is its contribution to development of viable business communities in developing countries. Financial returns show whether the companies are financially sustainable, while development effects, such as employment and tax revenues reflect some of the contributions to development of the local communities. Norfund's financial return was 9 per cent in 2011. Norfund's portfolio companies employed 265 000 persons and paid NOK 4.2 billion in taxes.

EMPLOYMENT

At the end of 2011, 265 000[3] people were employed in companies in Norfund's investment portfolio, compared to 165 000 in 2010. The increase was mainly due to the general growth in the portfolio (from 84 to 99 projects) and better reporting from the companies. An important part of Norfund's active ownership is working to improve reporting routines. In 2011 this resulted in higher quality reporting, particularly from the financial institutions and SME-funds. These companies must collect data from a large number of underlying entities. As a consequence, good routines are very important to ensure high quality reporting.

In total, 165 000 were employed in companies in which Norfund has

FIGURE 8 – JOBS IN NORFUND'S INVESTMENTS

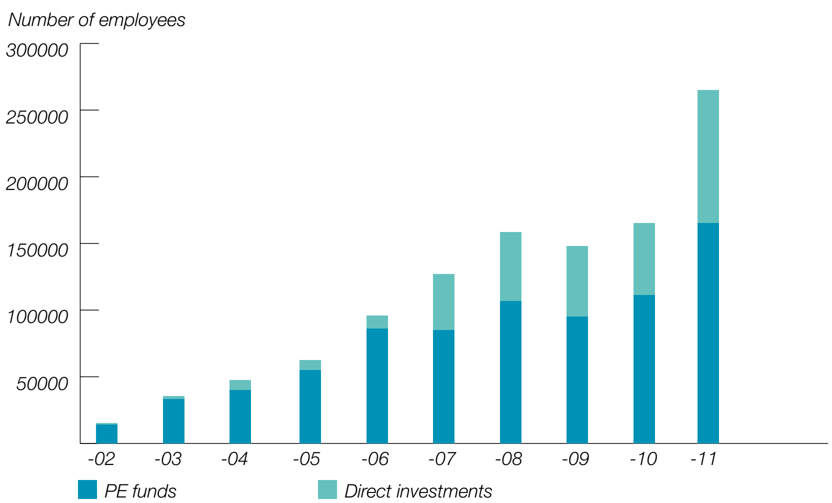


TABLE 2 – TAX CONTRIBUTIONS FROM NORFUND'S INVESTMENT PORTFOLIO

	Numbers in thousands (NOK)	Financial Institutions	SME-Funds	Renewable Energy	Industrial Partnerships	Project Development and New Instruments	Total
Total Portfolio	Corporate Tax	1 078 000	442 400	103 600	357 000	1 600	1 982 600
Total Portfolio	Total Taxes / Government Contribution (corporate tax, fees, lisences, etc.)	1 600 000	1 500 000	200 000	900 000	3 000	4 200 000
Equity Investments	Weighted Total Taxes - Norfund's ownership share	21 200	16 900	36 100	2 700	200	77 100
Equity Investments	Weighted Corporate Tax - Norfund's ownership share	31 200	57 400	61 300	5 200	300	155 400

[3] *Number of employees is measured in man-labor years. For example, a seasonal worker employed only for six months has been calculated as 0.5 of a worker.*

invested through its SME-funds, while 100 000 persons worked in direct investee companies. Nearly 60 000 of these worked in microfinance investments. This illustrates the importance of investments in SMEs for creating jobs, as well as the employment effect of investments in financial institutions that have extensive distribution networks.

TAX REVENUES

Companies in Norfund's investment portfolio paid NOK 4.2 billion in taxes and other fees and licences to local authorities in 2011. In poor countries, personal income taxes are either low or non existent, and hence corporate taxes and other fees are a good measure for the revenue effect to local authorities from companies' activities. In 2010, the equivalent total contribution was NOK 2.7 billion. The increase from 2010 to 2011 was driven by both the general growth in Norfund's portfolio and better reporting routines.

When only including companies in which Norfund has invested direct equity, Norfund's weighted share of corporate taxes and fees from the investments was NOK 155 million. This is significantly lower than the total amount. There are three reasons for this difference. The first and main reason for this is that many of the largest tax payers in Norfund's portfolio are financial institutions, and these institutions primary capital need are loans (to enable increased lending). As mentioned, loans are not included in the in the weighted data.

Second, Norfund's equity investments are in mainly in new or young companies that need this type of risk capital in the start-up phase. Like in Norway, profits in start-up companies are typically low the first years of operations, and there are little taxable returns. This results in low total tax contributions from Norfund's equity investments.

Third, in many developing countries, authorities have introduced tax windows or low tax levels for foreign investors to attract capital. These incentives typically have 6-8 years duration, similar to Norfund's investment horizon. As a consequence, the tax contributions from investments in which tax windows or low tax levels are in place will be low.

POSITIVE RETURN ON THE PORTFOLIO

A positive return on our investments indicates that Norfund is succeeding in creating profitable enterprises. We estimate each investment's return and the total portfolio twice a year (see text box). However, Norfund only knows the actual return on an investment when it exits that investment (i.e. when it sells its shares or when a final payment of a loan has been received).

The return in 2011 was nine per cent. Like in 2010, renewable energy made the greatest contribution to the positive result, but the variations within the other investment areas were anticipated. The very low returns from project development and new instruments are also in line with Norfund's expectations. These are start-up projects with particularly high risks, which have, in turn, large implications for the valuations.

Due to large variations among projects and over time, it is necessary to look at the returns over an extended period to assess the long-term contribution of Norfund's investments to create profitable businesses. Since Norfund was established, it's average annual return has been 10 per cent. Renewable energy has made a particularly important contribution to this long-term return, and thus confirms SN Power's success.

Since Norfund's objective is to contribute to value creation in the country of investment, it focuses on returns in local

RESULTS AND RETURN IN RELEVANT INVESTMENT CURRENCY

Exchange rate fluctuations between the Norwegian krone and the investment currencies affect Norfund's results in Norwegian kroner substantially from year to year. Norfund reinvests repayments from investments immediately in new investment projects in developing countries and does not invest capital in Norway. The results and return on the portfolio in Norwegian kroner say little about Norfund's achievement of the objective of its mandate – to contribute to profitable enterprises in developing countries. Norfund therefore reports its results before the exchange rate effects on the portfolio, and measures the return (IRR) on the portfolio in the investment currency.

TABEL 3 – RETURN (IRR) PER INVESTMENT AREA OVER TIME (IN INVESTMENT CURRENCY)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Since inception (1997)
SME-Funds	-5 %	-15 %	-4 %	17 %	1 %	32 %	4 %	5 %	11 %	5 %	6 %
Financial Institutions	19 %	4 %	18 %	10 %	9 %	27 %	9 %	6 %	8 %	5 %	7 %
Renewable Energy	0 %	17 %	1 %	-3 %	44 %	14 %	25 %	3 %	11 %	11 %	13 %
Industrial Partnerships	-9 %	-22 %	-28 %	2 %	-19 %	16 %	10 %	12 %	5 %	0 %	-2 %
Project development*	-	-	-	-	-	-	-	-	-41 %	-72 %	-67 %
Total	**-4 %**	**7 %**	**-1 %**	**4 %**	**24 %**	**17 %**	**21 %**	**4 %**	**10 %**	**9 %**	**10 %**

The table shows Norfund's returns on investments, excluding operating costs
*See page 18 for explanation

currencies. Exchange rate fluctuations against the Norwegian crown are therefore excluded from Norfund's return calculations. Unlike most Norwegian investors who measure returns in NOK, Norfund is directed to take country and currency risks. Thus returns in Norwegian crown is not an appropriate measure.

As Table 3 illustrates, Norfund's returns have varied considerably from year to year. Given Norfund's risk profile, the return will also fluctuate substantially in the future as well. By investing in some of the poorest countries in the world, Norfund assumes higher country risks compared with traditional investors. There are, for example, particularly high risks related to projects in fragile states such as South Sudan and Myanmar. Many unexpected costs are associated with projects in countries with underdeveloped frameworks for investments and business, and the project can loose considerable value if instability increases.

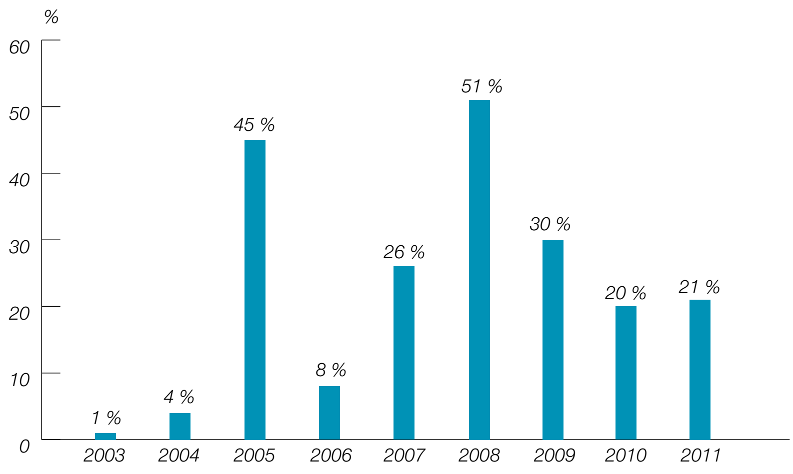
Norfund has not set a target expected return level on the investments. Expected returns depend on the project, partners and a variety of local conditions.

Neither has Norfund set a return target for the portfolio. Setting such a target would make it difficult to make many high risk investments. That is, it would create an incentive to alter the mix of projects in the portfolio away from the most difficult countries and high risk projects, to increase the total returns. This sets Norfund apart form traditional investors whose primary motivation is to maximize profitability. Norfund's portfolio mix targets maximum development effects. Within this strategy, we seek the best and most profitable projects.

RETURN CALCULATIONS

Return calculations have been based on an investments' cash flow, including the assumed value of the investment at year end. These calculations have been made in investment currencies to exclude exchange rate effects of the Norwegian crown.

FIGURE 9 – SHARE OF START-UP INVESTMENTS IN NEW COMMITMENTS



Norfund makes annual valuations of all investments in its portfolio. Valuations are made according to the best estimate of the fair value of the investments at year end, and are made pursuant to "International Private Equity and Venture Capital Valuation Guidelines".

The actual profitability of Norfund's investments will only be seen when the value of the assets are realised at exit. Norfund's valuations have often proven to be somewhat conservative, and are therefore often lower than the value obtained through the final realisation of investments.

RETURN CALCULATIONS

The investment returns are calculated as the internal rate of return based on the cash flow of the investment, including the assumed value at year end. The calculations are done in investment currency to exclude exchange rate effects.

Norfund annually valuates all its investments. The value assessment is done using the "International Private Equity and Venture Capital Valuations Guidelines".

The final return from the investments is only known when Norfund exits the projects. Our value assessments often turn out to be conservative, that is, below the value at realization.

EXITS

Norfund is a growing investment fund. As a consequence, it invests in far more projects compared to the number of exits each year. In 2011, Norfund exited four projects, and three of these had positive returns.

- FEDHA Fund in Tanzania was one of Norfund's first projects. In local currency, the gross return was 16 per cent, and the fund has contributed important start up capital to a range of SMEs in Tanzania
- Horizon Tech Ventures was a technology fund in South Africa. Norfund invested in the fund in 2001, and this fund has contributed to the development of many companies which are now market leaders in the country. Norfund invested NOK 19.6 million and received NOK 43.8 million, yielding an annual return of 25 per cent.
- Siam Investment Fund invested equity in Thai companies where the capital shortage was severe following the Asian financial crisis in the 1990s. The annual return on the investment was -3 per cent.
- In 2008, the Kenyan Equity Bank bought Norfund's share in Uganda Microfinance Ltd. Norfund was paid in Equity Bank shares. These were sold in 2011, and Norfund earned a return of 9 per cent from that.

Norfund's financial results in 2011

Income from operations represent interest payments, realised gains and dividends. In 2011, this amounted to NOK 144 million compared with NOK 221 million in 2010. The reduction in income can be attributed to an accounting technicality related to a planned acquisition by SN Power[1]. This resulted in a booked loss for Norfund of NOK 96 million. This effect will be reversed in 2012 when the transaction is completed. The positive development in interest income (from NOK 49 to 66 million) can be attributed to robust repayments of the growing financial institutions loan portfolio.

Received dividends of NOK 28 million indicate positive developments in several of the companies in which we have invested equity. Other project income is mainly comprise of repayments to the Norad loan portfolio. In line with Norfund's strategy, the majority of the portfolio is invested as equity (81 per cent). Operational incomes from these projects are mainly realised gains, which are booked only upon exit.

The main operational costs are personnel related. Other costs are office rent, travel costs and fees for hired services (accounting, legal etc.). The total operating expenses were NOK 114 million in 2011, which is 1 million more than in 2010. The higher costs were mostly related to higher personnel costs and increased use of consultants in the investment projects. The changed calculation basis for pension obligations increased payroll costs, effects being booked consecutively. An increased number of employees further increased personnel costs.

Since Norfund has a mandate to assume high risk, large write downs must be expected. This occurs when projects are not able achieve proper development. The write downs in 2011 were particularly linked to Central American and Eastern African investments.

Norfund had a negative operational result in 2011. However, if the SN Power investment had been booked in 2011, the result would have been about NOK 50 million.

Norfund segregates interest income from liquid capital in Norway and interest income from the investments. Since Norfund is 100 per cent equity financed and does not have access to loan financing, it is dependent on having liquid capital as a buffer to make disbursements that are difficult to plan. The interest income from these deposits is a pure financial item not related to the operations of the fund. Lower liquidity in 2011 compared to 2010 slightly reduced the interest income. Other financial items are agio returns not related to the investment portfolio.

In total, the result in investment currency was NOK -0.1 million in 2011. Since Norfund's purpose is not to earn money to be spent domestically, the results are calculated in investment currency. But currency exchange effects will affect the cash flow. A large share of Norfund's portfolio is invested in USD. During 2011, the dollar appreciated 2.3 per cent against the NOK, resulting in a total currency effect of NOK 27 million. Thus, Norfund's results including currency effects was NOK 26.9 million.

TABLE 4 – PROFITS/LOSS IN 2011

(NOK mill)	2011	2010
Interest (investment portfolio)	66	49
Realised gains	1	9
Dividends received	28	25
Other project income	4	12
Share of profit SN Power (40%)	45	125
Total operating income	144	221
Payroll expenses	-63	-45
Other operating expenses	-51	-33
Total operating expenses	-114	-78
Write-downs (-) on investments	-71	-29
Operating profit in investment currency	-41	113
Interest income liquid assets	39	40
Other financial items	3	1
Net financial items	41	41
Tax	-1	-1
Net profit in investment currency	0	153
Exchange rate effects portfolio	27	29
Profit in NOK	27	182

[1] *Due to SN Power following IFRS accounting standards*

REPORTING

Activities of the Investment Areas in 2011

Renewable Energy

Financial Institutions

SME-Funds

Industrial Partnerships

Project Development and New Instruments

1.1
billion NOK invested in renewables

12
financial institutions invested in

2
new SME-Funds

1
new sector: Agribusiness

Renewable Energy

New direct investment and favorable developments in portfolio projects

Renewable energy was lifted higher up on the international development agenda in 2011. At the conference 'Energy for All' held in Oslo, the UN Secretary General, Ban Ki-Moon, stressed the importance of private actors in this work. Norfund made three new direct investments in 2011 in addition to regular capital injections into SN Power and Agua Imara (formerly SN Power AfriCA).

The first investment of the year was made in the company ToughStuff, which sells small, reasonably priced solar cell panels in East Africa. Norfund's investment of NOK 32 million will boost distribution in East, Southern and West Africa. In December 2011, ToughStuff had sold about 950 000 solar panels, and reached more than 1.2 million people.

The two other direct investments were made in small-scale hydropower plants. One loan of NOK 23 million was granted for the development of a 9 MW hydropower plant in Laos (Nam Sim). Norfund is cooperating with the Finnish sister fund, Finnfund, and Norad on this project.

Totoral wind park, Chile

The third new project of the year was Norfund's first direct investment in a hydropower plant in Central America (Guatemala), Hidro Santa Cruz. This plant has a planned capacity of 5 MW. Norfund signed the deal in December 2011, and will contribute with loans and mezzanine financing totalling NOK 32 million kroner. The developer and main sponsor for the project is the Spanish company Ecoener, and the plant is expected to be operational in the middle of 2013.

In 2011, SN Power received two capital injections from Norfund as contributions to current investment activities (see box on SN Power). Norfund also made two capital injections in Agua Imara, mainly for two new investments in Zambia and Panama.

The Zambian investment is in an existing power plant, Lunsemfwa HPC, with a total capacity of 46.5 MW. The work in 2011 raised the capacity to 52.5 MW. In addition, Agua Imara and its Zambian partner performed studies to determine further development potential.

The Bajo Frio project in Panama is an investment in the development of a 58 MW run of river plant. Construction has started and completion is planned in 2014. Agua Imara has a 50.1 per cent stake in the project, while the Panama-based Credicorp owns the remaining 49.9 per cent.

TABLE 5 – KEY FIGURES RENEWABLE ENERGY

Committed investments (MNOK)	3582
Net disbursed investments (MNOK)	3377
New investment commitments in 2011 (MNOK)	1225
Number of investments	8
Share in least developed countries	15 %
Share of start-up enterprises	41 %
Share of equity investments	94 %
Employed	6 700
Norfund weighted share of employees	1 600
Share of women	3 %
Payments to local authorities (MNOK)	200 mill kr
Norfund's weighted share of corporate tax (MNOK)	36.1 mill kr
Production capacity	1 665 MW
Equivalent to power consumption for 14.6 million people	
CO2 reduction	3.4 mill tonn

FIGURE 10 – INVESTMENTS WITH NORWEGIAN PARTNERS

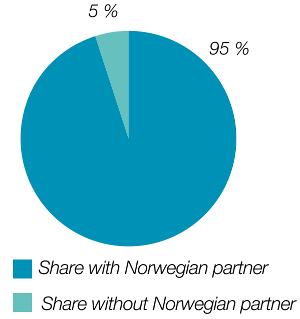
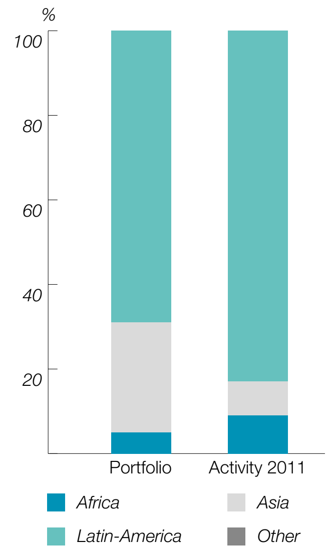


FIGURE 11 – INVESTMENTS PER REGION



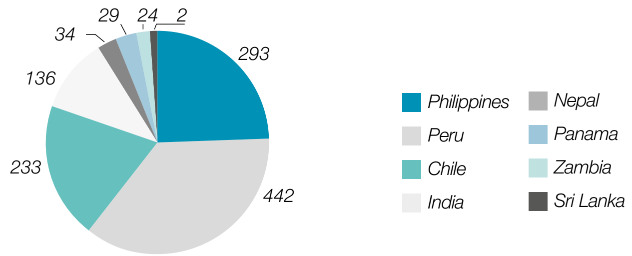
SN POWER: NORFUND'S MOST IMPORTANT INVESTMENT

Activities in 2011
SN power received two contributions of capital for current investment activities in the course of the year. In Peru, SN power started the Cheves development, a 168 MW hydropower plant with completion planned for the end of 2013. In the Philippines, Ambuklao, a 105 MW hydropower plant, was completed after complete refurbishment. In India, SN Power and Tata Power jointly received a promise of a development licence for a 250 MW hydropower plant, and the pilot study has now started.

In 2011, SN Power increased its business investment in Brazil by purchasing the power trading company Enerpar and entering into a purchase agreement for Desenvix. Enerpar was previously a wholly owned subsidiary of Norske Skog, and was intended to provide energy for their operations in Brazil. Desenvix has a large portfolio of renewable energy projects. Its portfolio consists largely of hydropower companies, but it also has two wind farms and a biomass plant under development. The acquisition of Desenvix is the largest SN Power has made up to the present. The agreement was signed in May 2011, and the investment was made in the first quarter of 2012.

In Chile, SN Power entered into an agreement concerning the sale of 80 per cent of its ownership in the company Trayenko. In the same transaction SN Power increased its ownership of NorWind to 100 per cent (from 80 per cent previously). Chile has had a generally challenging operating year in 2011. La Confluencia, a 158 MW hydropower plant, started operations, but with only one of two headrace tunnels. La Higuera, another 155 MW hydropower plant, has experienced start-up problems, with a roof-fall in a headrace tunnel. The two facilities are expected to be repaired, completed and in full operation in the course of 2012.

Installed capacity including projects under development (MW)



Financial Institutions

Important investments in South-East Asia – favourable portfolio developments in general

Financial Institutions was the investment area in which Norfund made the highest number of deals in 2011. Banks in developing countries remained buoyant through the financial crisis and, given high economic growth, the basis for further development in the markets is favourable.

Investments in 2011 totaled NOK 696 million, distributed among twelve financial institutions. Seven of these were new projects to Norfund, while five were capital injections to companies already in the investment portfolio.

The largest new investments are loans to the Vietnamese banks Sacombank (NOK 167 million) and Techcombank (NOK 90 million). Both banks target small and medium-sized enterprises, as well as the growing retail markets. The invested capital is to be used for further investment in these segments. Other new projects are located in Latin America and in Zambia.

One of the projects to which Norfund has chosen to supply additional capital is CIFI in Latin America. The institution, which offers long-term financing of medium-sized infrastructure projects in the region, was granted a loan of NOK 136 million in 2011. The largest follow-up investment in Africa was in the South African bank RealPeople, which received equity and a loan amounting to a total of NOK 148 million. Whereas CIFI focuses on the SME market, RealPeople focuses on microfinance. In addition, Norfund has increased its involvement in three existing microfinance institutions targeting Cambodia, Kenya and Uganda.

Norfund did not exit from any projects in the investment area. Loans to companies still in the portfolio have been repaid according to schedule.

NORFUND IN SOUTH-EAST ASIA

Norfund opened an office in Bangkok in 2011 to follow up investments in South-East Asia. Fay Chetnakarnkul, originally from Thailand, has worked at the Norfund office in Oslo for six years and is the new director of the new Bangkok office. So far financial institutions constitute the main investment area in the region. In a period of four years Norfund has built a portfolio of nine projects, and has invested NOK 380 million in financial institutions in the region. In addition a number of SME-fund investments have been committed.

In 2011 Norfund invested in two of the most important financial institutions in Vietnam. Both banks mainly target small and medium sized enterprises, in addition to the retail market. Currently only 25 per cent of SMEs in the country have access to formal financial services.

Sai Gon Thuong Tin Joint Stock Commercial Bank (Sacombank) is a leading commercial bank in Vietnam whose customers are mainly small and medium sized enterprises and the retail market. With the country's biggest branch network, the bank is well positioned to facilitate access to financial services throughout Vietnam. The bank is listed on the Ho Chi Minh Stock Exchange, and Norfund has granted loans to both the parent company and the subsidiary Sacombank Leasing. Leasing is a good source of working capital for small and medium sized enterprises.

Vietnam Technological and Commercial Joint Stock Bank (Techombank) has since it was established in 1993 grown to become the second largest private owned bank in the country. With high operational efficiency the bank delivers very good results, and a loan supplied by Norfund will support increased distribution of financial services to small and medium sized enterprises.

FRAMEWORK FOR GOOD GOVERNANCE

In 2011, Norfund signed the Corporate Governance Development Framework, together with 28 other financial institutions, including its other European sister organizations. The Framework acknowledges the importance of Corporate Governance, especially to companies in emerging markets, and it builds upon an earlier Corporate Governance Statement signed by Norfund in 2007.

The Corporate Governance Framework supports a more systematic approach to corporate governance. Each signatory undertakes to: (1) Integrate Corporate Governance in its investments operations; (2) Ensure Internal Responsibility; (3) Provide or procure training; (4) Collaborate with other signatories; and (5) Report annually to other signatories on the internal implementation of the Framework.

Norfund has assigned a person to be responsible for corporate governance within the organization. It identified five pilot investments to gain experience with the Framework. These pilots will be completed and evaluated, and then the Framework will be implemented into Norfund's investment operations. In addition, Norfund's Grant Facility issupporting several corporate governance improvement-related interventions, three of which are together with other DFIs (points 1 and 4). Training will be provided to Norfund's staff during 2012. Norfund will report to the other signatories on its work in September 2012, on the first anniversary of the signing of the Statement.

BANKS IN AFRICA

The African financial services sector is among the least developed in the world, and particularly the poorest countries suffer from inefficient financial systems. While each country has its unique challenges, we observe that the main problems are related to regulatory and political framework, low supply of liquidity, defaulted loans and under-capitalized banks.

Lending is in many countries characterized by a bad credit culture, difficult conditions for enforcement of contracts and a lack of creditor protection. There is also often a lack of good information. The savings rate in Africa has been far below that of other developing countries, and only a small fraction of the population in the region has access to formal financial services. The inefficiency leads to high operational costs, also driven by low population density and high energy costs. In 2011 several countries in East Africa, such as Kenya and Uganda, suffered from high inflation adding further challenges to running banks and decreasing values for the shareholders.

Despite limitations related to the African banking sector, African banks have in 2011 continued to grow, typically at twice the rate of GDP growth. The African financial markets have gained from high commodity prices, increased levels of FDIs (Foreign Direct Investments), other transfers from abroad and increased domestic consumption. For some banks and countries, unique success stories have also led to fantastic growth.

One of the most successful stories related to economic inclusion is a concept for mobile banking in Kenya (M-Pesa), which has greatly contributed to the access of financial services. Partnerships with Chinese banks further increase African-Chinese cooperation. We also observe that the financial services sector in some countries, like Nigeria and Zimbabwe, have benefited greatly from reforms and liberalization.

TABLE 6 – FINANCIAL INSTITUTIONS

Committed investments (MNOK)	1802
Net disbursed investments (MNOK)	1588
New investment commitments in 2011 (MNOK)	696
Number of investments	32
Share in least developed countries	27 %
Share of start-up enterprises	23 %
Share of equity investments	23 %
Employed in the funds' investments	108 000
Norfund's weighted share of employment	900
Share of women	28 %
Payments to local authorities (MNOK)	1 600 mill kr
Norfund's weighted share of corporate tax (MNOK)	21.2 mill kr
Total loans from financial institutions	85 mrd kr

FIGURE 12 – INVESTMENT INSTRUMENTS

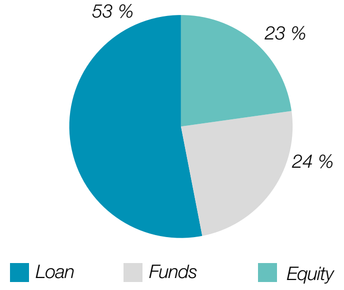
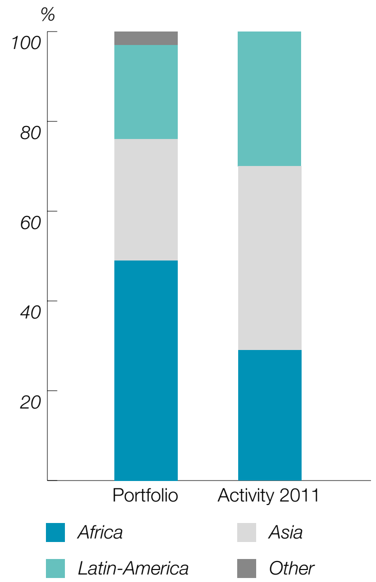


FIGURE 13 – INVESTMENTS PER REGION



SME Funds

New sectors and new partners

Developments in both the number and size of SME-funds in Norfund's markets are generally favorable, but there is still a strong need to improve access to this type of capital in a number of countries. Norfund finds the increased interest in funds that target sectors where investment can have a significant development effects, such as health and agriculture, very encouraging.

In 2011, Norfund invested a total of NOK 137 million in three different SME-funds. The two largest investments were in Vantage Mezzanine Fund II, which makes risk capital investments in South Africa and elsewhere on the continent, and Africa Health Fund, which is managed by Aureos Capital and targets small and medium-sized health enterprises with a particularly measurable poverty profile (see box). Norfund invested NOK 75 million and NOK 60 million, respectively, in these two funds.

All the funds are managed by experienced fund management teams. In the light of experience gained from developing other funds, the managers are broadening their involvement and applying their expertise and experience to new areas. In 2011 Norfund enjoyed good and fruitful cooperation with the management companies and finds the development of funds in relation to new industries and the involvement of new investors highly positive. The Africa Health Fund, which is part of an important, underinvested industry in Africa, and the Norwegian Voxtra Foundation's agricultural fund are good examples of this.

Three funds were wound up in 2011, i.e. all investments made by the fund were realized (the companies were sold) and the capital distributed between investors and manager. Ten years after Norfund entered the South African fund Horizon TechVentures, it was finalized in 2011.

GREAT POTENTIALS IN AN UNDERINVESTED SECTOR – AFRICA HEALTH FUND

The African health sector is underdeveloped, and large investments are necessary. The Aureos-managed fund Africa Health Fund invests in companies that produce, distribute or sell health related products, delivers health services or that are engaged in life sciences or medical education. The objective of the investments is to help the poorest in Africa access necessary health services and products. Examples of companies in which the fund has invested in are the Nairobi Women's Hospital and a local producer of single use syringes. IFC, the African Development Bank and the Bill and Melinda Gates Foundation are among the co-investors in the fund.

THE DIFFERENCE BETWEEN COMMITTED AND DISBURSED INVESTMENT

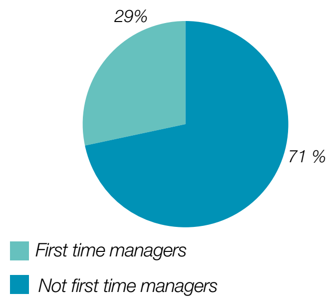
When Norfund signs an investment deal, the Fund commits to disburse the money when conditions defined in the contract are met. For most investments, the disbursement takes place relatively shortly after the contracts are signed. But it might also take a long time before transfer of money actually takes place. This is particularly the case for the investments in SME-funds, due to the nature of fund investments. Fund managers can only start dialogues with potential projects for investment when they know they will have the necessary finances available. Hence, they first need investors like Norfund to commit to investing in the fund. The agreement with the fund investors specify how the fund will be managed, the objectives of the fund – and size of the investment. When the fund manager finds projects which fit this and agrees to buy stakes in these companies, Norfund will disburse money to the fund to finance this acquisition. For the SME-funds, this explains the difference between committed capital of NOK 1 366 million and disbursed capital of NOK 813 million.

The investment of NOK 20 million yielded a return of over 25 per cent. The other two funds that were liquidated resulted in losses for Norfund, unfortunately. The winding up of the SIAM Investment Fund II in Thailand, dating from 2000, in which Norfund invested just under NOK 41 million, had a realized loss of 3 per cent. The oldest investment in Norfund's portfolio at the beginning of 2011 was a fund investment of about NOK 10 million in Tanzania dating back to 1998. This fund was also wound up in 2011 with a realized loss of 15 per cent. This type of experience has been educational for Norfund, and we hope a higher success rate in projects of more recent date is an indication of a positive trend in the organization's expertise.

TABLE 7 – KEY FIGURES SME-FUNDS

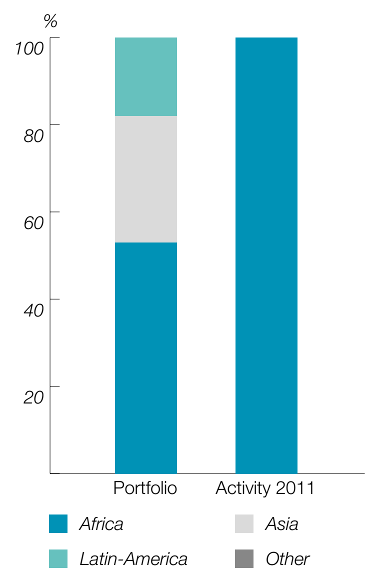
Committed investments (MNOK)	1366
Net disbursed investments (MNOK)	813
New investment commitments in 2011 (MNOK)	137
Number of investments	32
Share in least developed countries	19 %
Share of start-up enterprises	6 %
Employed in the funds' investments	135 000
Norfund's weighted share of employment	5 400
Share of women	40 %
Payments to local authorities (MNOK)	1 500 mill kr
Norfund's weighted share of corporate tax (MNOK)	16.9 mill kr
Number of first-generation funds	25 (78 %)

FIGURE 14 – SHARE FIRST GENERATION FUNDS



First time managers have not managed such funds before

FIGUR 15 – INVESTMENTS PER REGION



Industrial Partnerships

Agribusiness new sectoral priority

The year 2011 marked an important milestone in the investment area Industrial Partnerships: Agribusiness was defined as a strategic area for the fund. The Industrial Partnership department's capacity was increased, and three investments totaling NOK 81 million were made in the course of the year.

One of Industrial Partnerships' new investments was entirely new to Norfund's portfolio. This investment was in a new hotel in the Serena chain in Dar es Salaam, through the tourism company TPS East Africa. Norfund contributed equity and loans totaling NOK 56 million. The Aga Khan Fund for Economic Development is the principal owner of the Travel Promotion Services companies (TPS), and Norfund has collaborated with the Aga Khan on hotel investments since 2005 when the first investment was made in the Kabul Serena Hotel in Afghanistan.

Both the follow up investments to projects already in the portfolio at the beginning of the year, were in agribusiness. Casquip Starch, in Swaziland, which produces cassava and starch, received equity and loans totalling NOK 8 million to continue developing the plantation and associated starch factory. The Matanuska banana plantation also received further equity and a mezzanine loan of NOK 17 million.

In order to increase activity in agricultural investment, the department was strenghthened by new appointments at the South African and Kenyan offices. A junior analyst and an investment director joined the team in Johannesburg and an investment director in Nairobi. Norfund has additionally hired an agricultural investment consultant in a 30 per cent temporary position. The agricultural venture is confined to southern and eastern Africa.

With the stronger strategic focus and higher capacity in the department, a substantial amount of work was put into identifying potential new projects in agriculture and related industry in 2011. The investment area Industrial Partnerships therefore entered 2012 with a long list of potential projects that are being followed up. Norfund did not exit from any Industrial Partnerships projects in 2011.

Industrial Partnerships is to continue to build a portfolio of projects with a high development effect and high additionality. Agriculture and industry related to agriculture have highest priority, and we will build up expertise in this field in our own organization and through a network of specialists on the crops in question. As this is a broad and demanding field, it is crucial to build up an organization that can handle demanding projects in difficult markets.

There are many challenges associated with investing in agriculture in Africa, and this type of project rightly attracts a great deal of attention in different circles. To ensure the best possible execution of the projects and a good dialogue with other interest groups, Norfund has prepared a number of reports on important aspects of agricultural projects, and taken the initiative for active dialogue with Norwegian NGOs (see box).

LAND ISSUES

The interest of international investors in arable and irrigable land in Africa has risen substantially over the past decade. This is good news for Africa, which has a large, unexploited agricultural potential and an underinvested agricultural sector. The increased investor interest has sharpened the focus of the civil sector on investment in land. Interest organisations are increasingly concerned with exposing the problems associated with exporting food from countries with poverty problems, the production of biofuel rather than food, land speculation, and poorer living conditions as a result of the conversion of the land of small farmers into large-scale agriculture, often summed up in the collective designation “land grab”.

The civil sector’s increased interest in agribusiness investments is welcomed. The land situation in developing countries is often unclear, with overlapping land rights, limited government planning and zoning capability, and small farmers with a limited ability to follow the procedural requirements for claiming their time-honoured right to land. Development effort is needed in relation to government at both central and local level and the civilian population must be assisted to enable them to take part in land processes. Investors like Norfund also bear a considerable responsibility in connection with the financing of agricultural projects.

There is a need for greater effort and investment, both in activities that strengthen the position of small farmers and in large-scale industrial agricultural projects that contribute to realising the developing countries’ own development strategies for achieving higher economic growth through the agricultural sector. Norfund’s mandate and role primarily involve financing larger scale agricultural projects, but Norfund does not make investments that entail converting large areas of land cultivated by small farmers into large-scale industrial agriculture. Norfund invests more typically in agricultural activities that make use of land that has been lying fallow, or newly cleared land. Clarity with respect to the land situation and land rights is a fundamental consideration in Norfund’s own project evaluation and in commissioned social and environmental impact analyses. In cases where projects have acquired a legal right to land, but it proves nonetheless that there are people whose living conditions are bound up with use of the land, Norfund makes it a condition for financing that these people receive compensation and are assisted in finding a new livelihood, irrespective of whether they have a legal right to the land or not.

TABLE 8 – KEY FIGURES INDUSTRIAL PARTNERSHIPS

Committed investments (MNOK)	622
Net disbursed investments (MNOK)	398
New investment commitments in 2011 (MNOK)	81
Number of investments	16
Share in least developed countries	63 %
Share of start-up enterprises	29 %
Share of equity investments	53 %
Employed	16 400
Norfund’s weighted share of employment	1 300
Share of women	18 %
Payments to local authorities (MNOK)	900 mill kr
Norfund’s weighted share of corporate tax (MNOK)	2.7 mill kr
Domestic purchases (MNOK)	159 mill kr
Amounts to an average of 62 % of total procurement	

FIGURE 16 – INVESTMENT INSTRUMENTS

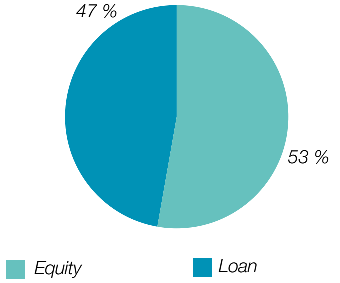
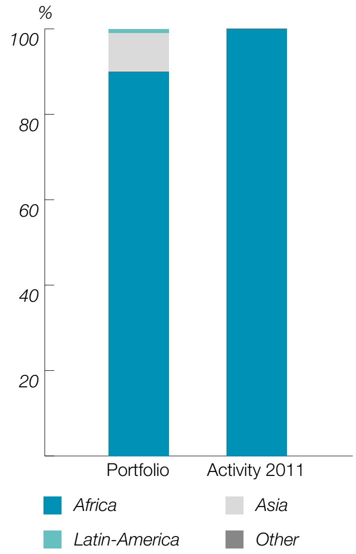


FIGURE 17 – INVESTMENTS PER REGION



Project development and new instruments

To contribute to the creation of new businesses, Norfund employ significant resources on early stage project development, investments with particularly high risks and the general development of new instruments adapted to very difficult investment frameworks. These initiatives are managed across the investment departments, but to highlight this important work Norfund for the first time reports separately on this part of the portfolio (for more see page 18-19).

PROJECT DEVELOPMENT FACILITY FOR RENEWABLE ENERGY

To increase the number of viable projects within renewable energy, Norfund has established a Project Development Facility (PDF). This is described in detail on page 18.

The renewable energy department used the PDF to invest in two projects based in Kenya in the course of 2011: a hydropower project and a wind power project. Lake Turkana aims at producing 300 MW from a wind park with 365 turbines. This is equivalent to about 20 per cent of the total production capacity in Kenya, and the project is an important part of the country's efforts to increase the access to reliable, renewable energy. A number of international and local partners have invested in the projects, and in 2011 Norfund invested NOK 12.5 million through the PDF. Hydel Hydropower is developing three 5 MW hydropower plants in Kenya. In 2011, Norfund invested NOK 8.4 million in the projects, and construction is expected to start during the summer in 2012.

ESTABLISHING NEW PE-FUNDS

In many markets where Norfund wish to reach small and medium sized enterprises using SME-funds, no such structures exist. Norfund has therefore taken an active role in establishing fund managers to set up such funds. The first time this was done, was with Aureos Capital in 2001, and at year end 2011 there were three such funds in Norfund's portfolio.

In 2011, Norfund increased its investment in Fundo de Investimento Privado Angola (FIPA) in Angola by NOK 15 million. At year end Norfund had committed to investing a total of NOK 59 million. Since this is the first fund of its kind in Angola, it has been time demanding waiting for the necessary regulatory frameworks. The fund has signed investment deals, but due to bureaucratic processes none of the projects have yet received capital. Thus, Norfund has only disbursed a small proportion of the committed capital. Two projects in the FIPA organization was supported by the Norfund Grant Facility in 2011: Training of the management and development and implementation of routines and systems for internal control.

No additional capital was invested in the East-African fund Fanisi during 2011. In total, Norfund has invested NOK 91 million in the fund and the management company. Fanisi made it's fourth investment in 2011, in the school Hillcrest in Nairobi. Education is important for the development of the country, and private schools are an important part of the Kenyan schooling system. Fanisi received support from the Norfund Grant Facility to engage a new senior resource in the fund to strengthen the investment team, in addition to support to a grant facility managed by the fund to support its investments.

Norfund invested NOK 23 million in the new, Norwegian based fund Voxtra East Africa Agribusiness Initiative in 2011. The Voxtra Foundation is a Norwegian impact investor with the objective to help people out of poverty through commercial investments. The first Voxtra fund was established in 2011, Norfund being one of the key partners. Voxtra East Africa Agribusiness Initiative will invest NOK 65 million in agribusinesses in East Africa. The fund measures success at two levels: First a traditional growth and results assessment, and secondly the increase of income and purchasing power in the families in the local communities.

FRAGILE STATES

The need for capital is particularly great in countries which have suffered from conflicts or have been excluded from international markets for other reasons. Industry and commerce must be established to get the wheels rolling in such fragile states. Norfund is willing to take the high risk associated with entering these countries because of the desperate need for investment (for more on this, see page 18).

In 2011, Norfund supported two projects in South Sudan through the Grant Facility. The authorities in the country wish to have Norfund as a partner in the development of the Fula Rapids hydro power plant, and grants have been used to cover costs of consultants and legal support in developing the first plans and legal framework for this project. The need for financing of SMEs in South Sudan is also great. Grants have been used to

Representatives from Norfund and Fanisi at the Hillcrest School, a Fanisi investment.

set up the investment company Kinyeti Capital together with Norfund's Swedish sister fund Swedfund. The company was established in 2012, and Norfund has committed to make a regular investment.

Myanmar is another country where Norfund believes that it can have a particular additional role. We have started assessing possibilities and the search for potential partners. Nordfund's CEO and the director of the Bangkok office visited the country in 2011, and met representatives from the local business community. Based on this we are now developing plans for a micro finance project in Myanmar.

SMALL ENTERPRISE LOANS

This simplified scheme was introduced to help small Norwegian companies who wish to establish in developing countries. For more about the loan facility, see page 18.

Since the scheme was introduced only a small number of projects have received funding through these loans. A continuous inflow of requests from potential projects indicates that there is still a need for such a financing facility in Norway. In the projects which receive support, Norfund works in close cooperation with The Information Office for Private Sector Development in Developing Countries, which have had a stable and high number of requests over the last years (see page 21).

In 2011, no new loan agreements within the facility were signed, and like at year end 2010 the total commitments amounted to NOK 7.25 million. During 2011, several of the companies have faced challenges at the local level, and Norfund has had to make changes to enable sustainable continuation of the projects.

The high risk threshold which has been set for the small enterprise loan facility enables Norfund to contribute to Norwegian businesses' initiatives in developing countries. At the same time, the risk of losses are reduced. Going forward, finding the right balance in this is necessary.

TABLE 9 – KEY FIGURES PROJECT DEVELOPMENT AND NEW INSTRUMENTS

Committed investments (MNOK)	207
Net disbursed investments (MNOK)	65
New investment commitments in 2011 (MNOK)	59
Number of investments	8
Share in least developed countries	63 %
Share of start-up enterprises	99 %
Share of equity investments	1 %
Employed	400
Norfund's weighted share of employment	4
Share of women	34 %
Payments to local authorities (MNOK)	3 mill kr
Norfund's weighted share of corporate tax (MNOK)	0.2 mill kr

FIGURE 18 – INVESTMENT INSTRUMENTS

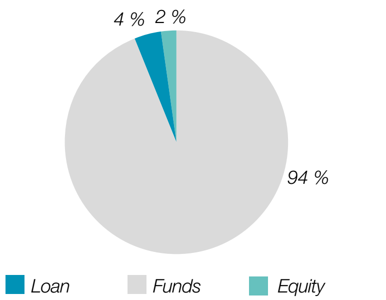
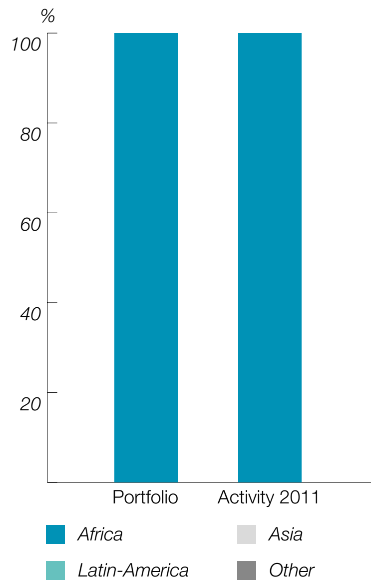


FIGURE 19 – INVESTMENTS PER REGION



Overview of all Norfund's investments

TABLE 10 - NORFUNDS INVESTMENTS AS OF 31.12.2011*

Project	Country / Region	Vintage	Investment area
Abacus	Eastern Africa	2007	Financial Institutions
ACAF	Latin America	2002	SME Funds
Africa Health Fund (Aureos)	Africa	2011	SME Funds
Africado Ltd.	Tanzania	2009	Industrial Partnerships
African Banking Corporation Zambia	Zambia	2011	Financial Institutions
AfriCap Microfinance Investment C	Regional	2007	Financial Institutions
Afrinord Hotel Investments	Regional	2005	Industrial Partnerships
Agrica	Tanzania	2010	Industrial Partnerships
Agri-Vie	Africa	2010	SME Funds
Agua Imara	Global	2008	Renewable Energy
AMRET	Cambodia	2008	Financial Institutions
AMSCO	Regional	2001	Industrial Partnerships
Angola Capital Partners LLC	Africa	2009	Project development
APIDC Biotech Fund	Asia	2005	SME Funds
Aureos Africa Fund	Africa	2008	SME Funds
Aureos CA Growth Fund (EMERGE)	Latin America	2006	SME Funds
Aureos East Africa Fund	Africa	2003	SME Funds
Aureos Latin America Fund (ALAF)	Latin America	2007	SME Funds
Aureos South Asia Fund (Holdings)	Asia	2006	SME Funds
Aureos South Asia Fund 1	Asia	2004	SME Funds
Aureos South-East Asia Fund	Asia	2004	SME Funds
Aureos South-East Asia Fund II	Asia	2010	SME Funds
Aureos Southern Africa Fund	Africa	2003	SME Funds
Aureos West Africa Fund	Africa	2003	SME Funds
Banco Terra	Mozambique	2006	Financial Institutions
Basecamp Explorer Kenya Ltd	Kenya	2010	Industrial Partnerships
Batian Management Company	Africa	2011	SME Funds
BRAC	Bangladesh	2007	Financial Institutions
Brac Africa Microfinance Ltd	Africa	2008	Financial Institutions
Brac Bank	Bangladesh	2010	Financial Institutions
Bugoye HPP	Uganda	2008	Renewable Energy
Business Partners Madagascar SME Fu	Africa	2006	SME Funds
CAIF	Latin America	1999	SME Funds
Cambodia-Laos Development Fund	Asia	2009	SME Funds
Capitec Bank	South Africa	2009	Financial Institutions
CASEIF	Latin America	2000	SME Funds
CASEIF II	Latin America	2007	SME Funds
Casquip Starch	Swaziland	2008	Industrial Partnerships
China Environment Fund 2004	Asia	2005	SME Funds
CIFI	Regional	2004	Financial Institutions
Desyfin	Costa Rica	2011	Financial Institutions
DFCU Limited	Uganda	2004	Financial Institutions
E+Co	Global	2009	Renewable Energy
ECP Africa Fund (Afr Infr Fnd)	Africa	1999	SME Funds
Euro TechBridge	Kenya	2008	Project development

* Norfund has granted loans through the EFP co-financing scheme to 11 enterprices (domicile in brackets):Olkaria III (Caymen Island), Cement du Sahel(Senegal), Care Works (Mauritius), Precision Air (Tanzania), Equity Bank (Kenya), Maputo Hospital (Mosabique), Milicom, Rabai Power (Kenya), Zambeef (Zambia), African Foundries Limited (Nigeria) og PTA Bank (Kenya). EFP is subject to the jursidiction of Luxemburg.

Sector	Investment instrument	Inv. Currency	Norfund owner share	Domicile	Committed amount (MNOK)
Other Financial Services	Loan	UGS		Uganda	11.9
Investment Funds	Fund	USD	27.5 %	Mauritius	30.7
Investment Funds	Fund	USD	9.5 %	South Africa	59.8
Agriculture	Equity and Loan	EUR	40.0 %	Mauritius	20.9
Other Financial Services	Loan	USD		Zambia	29.3
Micro-credit	Fund	USD	7.1 %	Mauritius	16.5
Tourism	Equity and Mezzanine	EUR	20.0 %	Denmark	48.7
Agriculture	Equity	USD	23.8 %	Guernsey	60.8
Agriculture	Fund	ZAR	9.4 %	South Africa	58.5
Energy	Equity and Guarantee	USD	9.0 %	Norway	179.2
Micro-credit	Loan	KHR		Cambodia	4.3
Services and Consulting	Equity	EUR	4.8 %	Netherlands	1.8
Investment Funds	Equity	USD	50.0 %	Delaware	1.4
Investment Funds	Fund	USD	7.7 %	Mauritius	16.7
Investment Funds	Fund	USD	10.5 %	Mauritius	234.5
Investment Funds	Fund	USD	14.3 %	Mauritius	18.4
Investment Funds	Fund	USD	20.0 %	Mauritius	23.6
Investment Funds	Fund	USD	13.6 %	Canada, Onatario	145.6
Investment Funds	Fund	USD	23.5 %	Mauritius	102.4
Investment Funds	Fund	USD	50.0 %	Mauritius	9.9
Investment Funds	Fund	USD	28.6 %	Mauritius	108.3
Investment Funds	Fund	USD	7.3 %	Canada, Onatario	29.5
Investment Funds	Fund	USD	25.1 %	Mauritius	56.3
Investment Funds	Fund	USD	26.0 %	Mauritius	35.2
Other Financial Services	Equity	MZN	41.7 %	Mozambique	61.5
Tourism	Equity	NOK	40.0 %	Kenya	9.0
Investment Funds	Equity and Loan	USD	25.0 %	Cayman Islands	2.7
Micro-credit	Loan	BDT		Bangladesh	21.4
Micro-credit	Loan	USD		Cayman Islands	13.2
Other Financial Services	Mezzanine	BDT	43.7 %	Bangladesh	43.1
Energy	Equity, Loan and Guarantee	USD	27.5 %	Uganda	69.8
Investment Funds	Fund	EUR	14.1 %	Mauritius	9.7
Investment Funds	Fund	USD	4.0 %	British Virgin Islands	5.9
Investment Funds	Fund	USD	40.0 %	Luxembourg	23.7
Other Financial Services	Loan	ZAR		South Africa	121.0
Investment Funds	Fund	USD	31.8 %	Panama	11.4
Investment Funds	Fund	USD	13.8 %	Panama	24.0
Agriculture	Equity and loan	SZL	17.2 %	Swaziland	43.1
Investment Funds	Fund	USD	10.0 %	Cayman Islands	10.7
Other Financial Services	Equity and Loan	USD	9.3 %	Panama	167.5
Other Financial Services	Mezzanine	USD	16.9 %	Costa Rica	11.5
Other Financial Services	Equity and Loan	UGS & USD	10.0 %	Uganda	84.3
Energy	Loan	USD		Delaware	44.1
Investment Funds	Fund	USD	1.2 %	Mauritius	0.2
Information Technology	Loan	NOK		Norway	2.3

Project	Country / Region	Vintage	Investment area
European Financing Partners SA	Regional	2006	Industrial Partnerships
Evolution One Fund	Africa	2009	SME Funds
EXIM Bank (Tanzania) Ltd.	Tanzania	2007	Financial Institutions
Family Bank Limited Kenya	Kenya	2010	Financial Institutions
Fanisi Venture Capital Fund	Africa	2009	Project development
Fanisi Venture Management Company	Africa	2009	Project development
Frontier Fund	Asia	2010	SME Funds
Fundo de Investimento Privado-Angol	Africa	2009	Project development
Green Resources USD	Tanzania	2009	Industrial Partnerships
GroFin Africa Fund	Africa	2008	SME Funds
Hattha Kaksekar Ltd (HKL)	Cambodia	2008	Financial Institutions
HEFF	Latin America	2011	Financial Institutions
Hidro Santa Cruz	Guatemala	2011	Renewable Energy
Horizon Equity Partners Fund III	Africa	2007	SME Funds
Hydel Hydropower	Kenya	2011	Project development
I&P Capital II	Africa	2007	SME Funds
Interact Climate Change Facility	Regional	2010	Renewable Energy
Kabul Serena Hotel	Afghanistan	2005	Industrial Partnerships
LAAD	Regional	2004	Financial Institutions
Lafise Investment Management	Latin America	1999	SME Funds
Lake Turkana Wind Project	Kenya	2011	Project development
LOCFUND	Regional	2007	Financial Institutions
Matanuska Africa	Mozambique	2008	Industrial Partnerships
Micro Africa Ltd.	Kenya & Uganda	2006	Financial Institutions
Nam Sim	Laos	2011	Renewable Energy
Nicafish	Nicaragua	2005	Industrial Partnerships
NMI Frontier Fund	Regional	2008	Financial Institutions
NMI Global Fund	Global	2008	Financial Institutions
NMI Portfolio Manager AS	Global	2008	Financial Institutions
Pride Architects	Uganda	2010	Project development
Prospero	Regional	2011	Financial Institutions
Real People Investment PTY	South Africa	2009	Financial Institutions
Sacombank	Vietnam	2011	Financial Institutions
Sacombank Leasing Limited	Vietnam	2011	Financial Institutions
Safa Marine Industries Ltd	India	2003	Industrial Partnerships
SAMIC Ltd (CHC)	Cambodia	2008	Financial Institutions
Sathapana	Cambodia	2009	Financial Institutions
Scanwater AS	Uganda	2009	Project development
SEAF Blue Waters Growth Fund	Asia	2008	SME Funds
SEAF Sichuan Small Investment Fund	Asia	2000	SME Funds
SEAF Trans-Balkan Fund	Europe/central Asia	2000	SME Funds
SNPI	Global	2011	Renewable Energy
Socremo	Mozambique	2009	Financial Institutions
Solidus Investment Fund S.A.	Regional	2005	Financial Institutions
Techcombank	Vietnam	2011	Financial Institutions
The Currency Exchange (TCX)	Global	2007	Financial Institutions
TMP (Telecom Management Partner)	Namibia	2008	Industrial Partnerships
ToughStuff	Regional	2011	Renewable Energy
TPS Dar es Salaam	Tanzania	2011	Industrial Partnerships
TPS Pakistan	Pakistan	2007	Industrial Partnerships
TPS Rwanda	Rwanda	2010	Industrial Partnerships
Vantage Mezzanine Fund II	Africa	2011	SME Funds
Voxtra East Africa Agribusiness Ini	Africa	2011	Project development
Total			

Sector	Investment instrument	Inv. Currency	Norfund owner share	Domicile	Committed amount (MNOK)
Investment Funds	Equity and Loan	EUR	7.6 %	Various*	168.6
Energy	Fund	ZAR	7.2 %	South Africa	37.9
Other Financial Services	Loan and mezzanine	USD		Tanzania	36.1
Micro-credit	Equity	KES	5.6 %	Kenya	18.0
Investment Funds	Fund	USD	30.0 %	Luxembourg	89.3
Investment Funds	Equity	USD	50.0 %	Luxembourg	1.6
Investment Funds	Fund	USD	11.3 %	Cayman Islands	59.2
Investment Funds	Fund	USD	26.8 %	Luxembourg	63.9
Forestry	Loan	USD		Norway	42.3
Investment Funds	Fund	USD	9.4 %	Mauritius	86.7
Micro-credit	Equity & Loan	KHR & USD	17.6 %	Cambodia	23.0
Micro-credit	Fund	USD		Delaware, USA	30.0
Energy	Loan and mezzanine	USD		Guatemala	31.8
Investment Funds	Fund	ZAR	9.0 %	South Africa	19.6
Energy	Loan	USD		Kenya	8.4
Investment Funds	Fund	EUR	13.4 %	Mauritius	27.9
Energy	Loan and equity	EUR	7.7 %	Luxembourg	38.8
Tourism	Equity	USD	17.1 %	Afghanistan	33.8
Other Financial Services	Loan	USD		Panama	64.7
Investment Funds	Equity	USD	20.0 %	Bahamas	0.0
Energy	Loan	EUR		Kenya	12.5
Micro-credit	Fund	USD	10.0 %	Delaware, USA	17.7
Agriculture	Equity, mezzanine and loan	USD	33.3 %	Mauritius	55.2
Micro-credit	Equity & Loan	KES, UGS & USD	15.3 %	Kenya	21.2
Energy	Loan	USD		Laos	23.1
Fishing & Aquaculture	Loan	USD		Nicaragua	5.6
Micro-credit	Fund	NOK	45.0 %	Norway	108.0
Micro-credit	Fund	NOK	45.0 %	Norway	162.0
Micro-credit	Equity	NOK	50.0 %	Norway	30.0
Services and Consulting	Loan	NOK		Norway	2.5
Micro-credit	Fund	USD	21.7 %	Cayman Islands	29.7
Micro-credit	Equity and Loan	ZAR	12.5 %	South Africa	299.6
Other Financial Services	Loan	USD		Vietnam	139.0
Leasing	Loan	USD		Vietnam	27.5
Other Manufacturing	Loan	EUR		India	0.5
Micro-credit	Loan	USD		Cambodia	0.4
Micro-credit	Loan	USD		Cambodia	31.2
Construction	Loan	NOK		Norway	2.5
Investment Funds	Fund	USD	20.0 %	Cayman Islands	29.3
Investment Funds	Fund	USD	13.3 %	Delaware, USA	11.8
Investment Funds	Fund	USD	22.9 %	Delaware, USA	2.1
Energy	Equity	USD	40.0 %	Norway	3164.0
Micro-credit	Equity	MZN	35.6 %	Mozambique	24.5
Micro-credit	Fund	USD	6.3 %	Panama	9.3
Other Financial Services	Loan	USD		Vietnam	89.9
Other Financial Services	Fund	USD	2.4 %	Netherlands	55.0
Communications	Equity	USD	43.4 %	Mauritius	26.3
Energy	Equity	USD	24.0 %	Jersey	31.6
Tourism	Equity and Loan	USD	24.5 %	Kenya	55.6
Tourism	Equity	USD	4.7 %	Pakistan	21.2
Tourism	Equity & loan	RWF & USD	11.4 %	Rwanda	28.7
Investment Funds	Fund	ZAR	15.3 %	South Africa	74.6
Agriculture	Fund	NOK	35.0 %	Norway	22.7
					7581

Notes

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