



Norfund 2013

Report on Operations

Results
Partnerships
Development Jobs
Financial institutions
Sustainable
Organization
Mezzanine
IRR
Effects
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Agribusiness
Local business
Expertise
Norwegian
Electricity
Africa
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This is Norfund

Norfund – the Norwegian Investment Fund for Developing Countries – was established by the Norwegian Parliament in 1997. The organisation is the government’s main **instrument for combatting poverty through private sector development** and Norfund’s objective is to contribute to sustainable commercial businesses in developing countries. Funding is provided via capital allocations from Norfund’s development assistance budget.

Many countries support development through similar investment funds and Norfund and its international sister organisations are known as **Development Finance Institutions (DFIs)**.

Norfund provides **equity, other risk capital, and loans to companies** in selected countries and sectors where businesses lack access to sufficient capital to develop and grow.

Our main investment regions are **Southern and Eastern Africa**, and we have offices in Nairobi, Johannesburg and Maputo. Norfund also invests in selected countries in **Southeast Asia and Central America** via our regional offices in Bangkok and San José.

Norfund always invests jointly with **partners, both Norwegian and non-Norwegian**. By co-investing with others, we leverage additional capital and can ensure the industrial and local knowledge needed for each investment. Norfund is set up to serve as an instrument for Public Private Partnerships.

All of our activities are conducted in accordance with the core principles of Norway’s development cooperation policy.

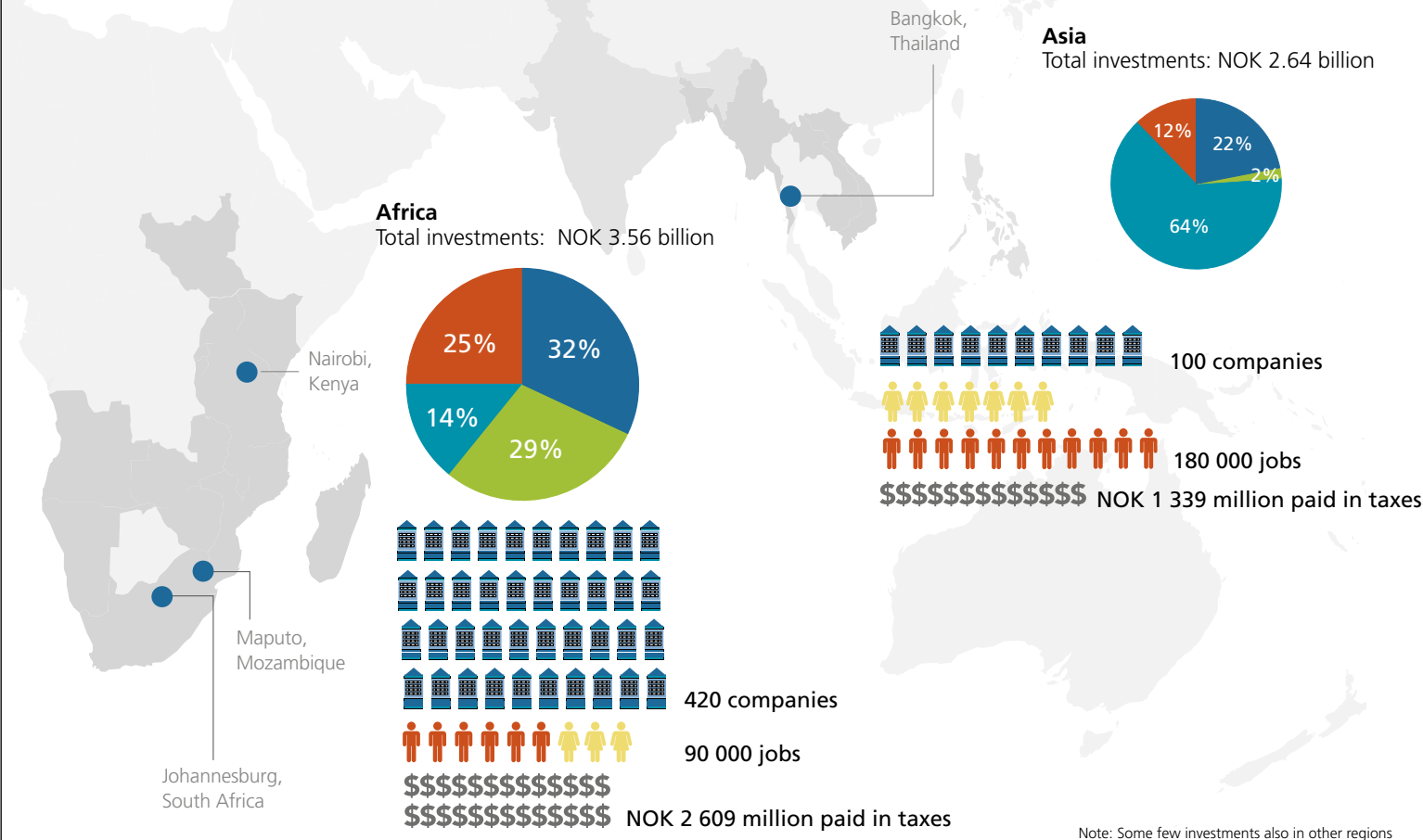
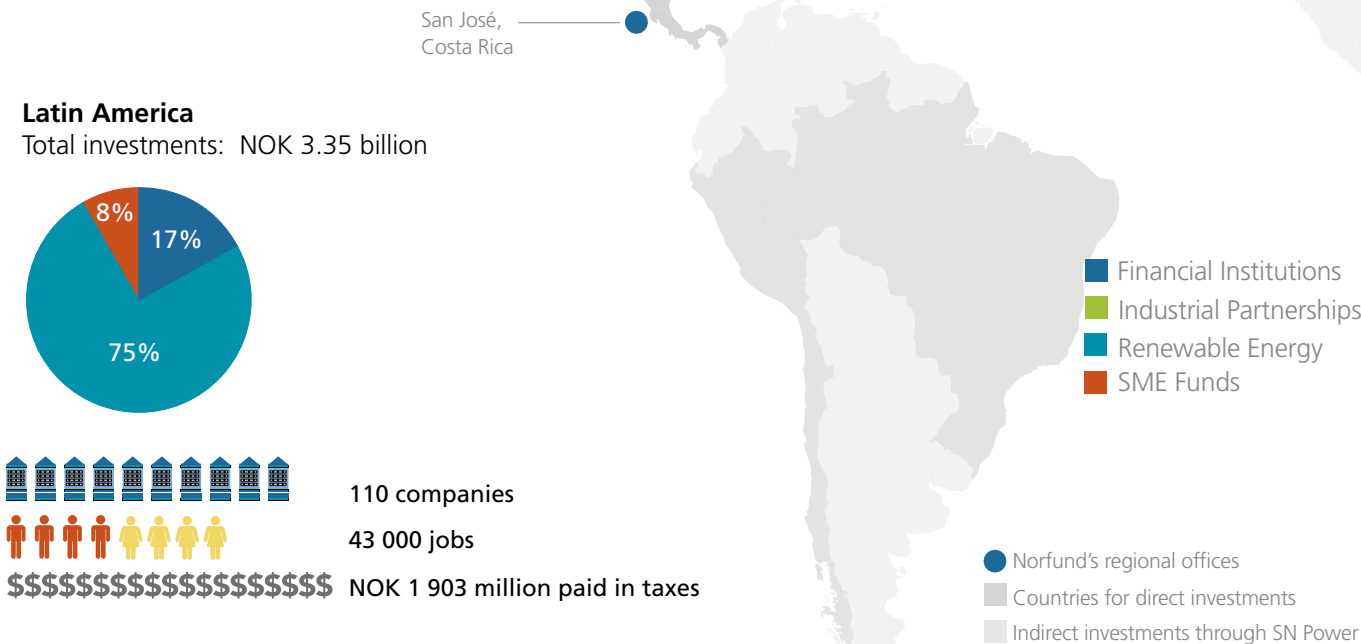
Norfund is a state-owned company with limited liability, established by a special Act of the Norwegian Parliament. Norfund is owned on behalf of the Norwegian government by the Ministry of Foreign Affairs. The Minister of Foreign Affairs has constitutional responsibility for the organisation and Norfund’s Board of Directors is appointed by the King in Council.

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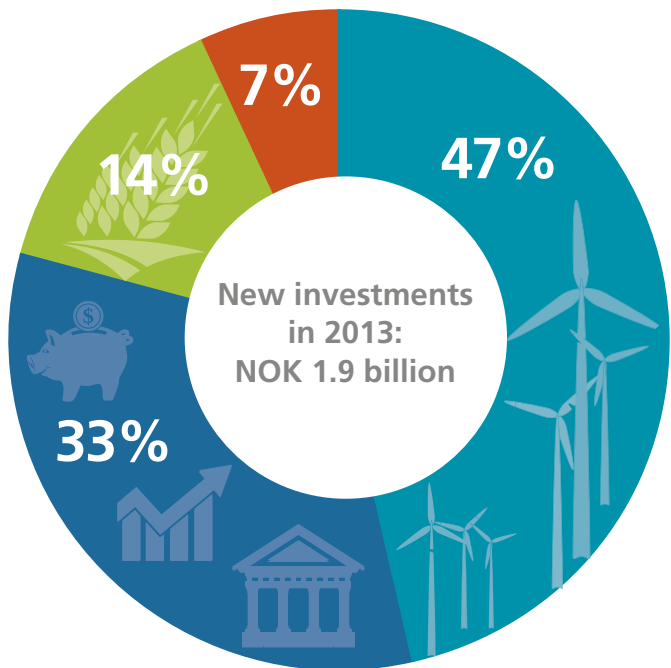
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Norfund's portfolio and activities in 2013

Portfolio end of year 2013



Investment activities and results 2013



Growth in number of jobs 2012-13

7%

Growth in investment portfolio 2012-13

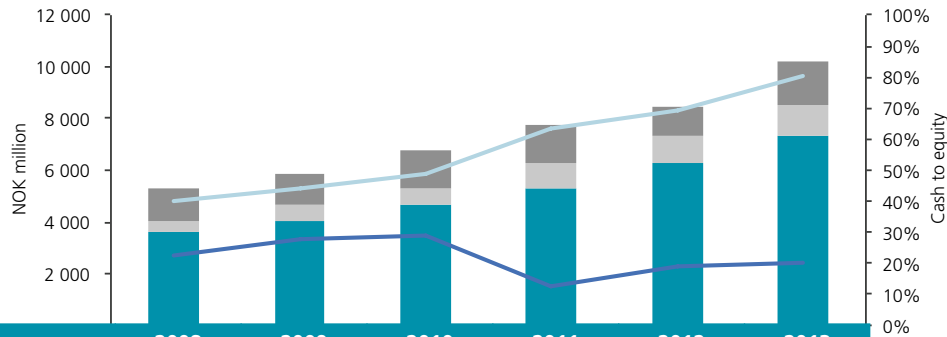
16%

Increase in electricity produced 2012-13

17%

Development in equity, committed portfolio and liquidity

Results
Allocated capital last year
Allocated capital previous year
Committed portfolio
Cash/equity (%)



Key figures	2008	2009	2010	2011	2012	2013
Committed investments (NOK m)	4 798	5 264	5 844	7 581	8 295	9 631
Number of investments	69	81	85	99	107	118
New investments in 2013 (NOK m)	1 376	944	844	2 198	1 234	1 872
Share of new investments in least developed countries	43%	36%	45%	14%	54%	42%
Return on invested capital	21%	4%	10%	8%	10%	-1%
Profit in investment currency (NOK m)	238	262	153	0	203	328
Capital supplied by the owner (NOK m)	485	585	629	1 000	1 030	1 198
Total equity (NOK m)	5 302	5 871	6 747	7 735	8 439	10 201
Number of employees in Norfund	40	41	45	49	50	54
Number of employees in Norfund's investments	158 000	148 000	167 000	265 000	294 000	314 000

Raising the bar: New Markets and Partnerships



I am very proud of Norfund's achievements in 2013. The high-quality work delivered by our team has seen our portfolio grow to 118 projects.

NOK 1.9 billion was invested in 34 projects, with an average size of NOK 54 million. We remain loyal to our development strategy: 68 per cent of our investments are in Africa, 42 per cent in Least Developed Countries (LDCs), and 22 per cent in greenfield projects. 73 per cent of Norfund's 2013 capital allocation was invested in renewable energy. We brought in new partners, and made our first investments in fragile states, thereby contributing to development in areas which have a fundamental need for private sector development.

PUBLIC PRIVATE PARTNERSHIP

The African banks in Norfund's portfolio have been operating successfully for some time. What we see in many instances is locally owned banks with old fashioned, conservative business models regulated by competent central banks in rapidly growing economies in which no more than 20-40 per cent of people are banked. For these reasons, African banks outside South Africa were affected only marginally by the global financial meltdown of 2008-2009. This story convinced four Norwegian investors to set up Norfinance and to do exactly that: invest in African banks. To us, this is a major breakthrough in our catalytic role.

ENERGY FOR DEVELOPMENT

Last year proved to be a major breakthrough in solar and wind investments in Africa. We commissioned the first solar plant with Scatec Solar in South Africa and have started building two more. In Kenya we concluded the Kinangop deal for a wind park which will deliver 60 MW to the Kenyan energy grid. This is the first commercial large-scale wind park in East Africa and more will follow! Recently, we also signed the financing of the 300 MW Lake Turkana Wind Power Project in Kenya. This park is large by global standards and will harvest some of the best wind resources in the world.

Together with Statkraft, we have defined a common platform for growth in hydropower over the next ten years. This involves the restructuring of SN Power and Agua Imara. In essence, the new SN Power (which will include Agua Imara) allows us to build an even stronger hydropower company in Central America, Sub-Saharan Africa and Southeast Asia.

Renewable energy projects take long time to develop, particularly in poor countries. Patience and hard work are needed. Developing the skills needed for energy projects in the world's poorest countries requires patience, experience, local presence and hard work. That is what SN Power is about. This is why we define cooperation in the renewable energy in terms of decades.

FRAGILE STATES

Norfund was the first Development Finance Institution (DFI) to invest in Myanmar and South Sudan and I had the pleasure of visiting both countries to meet with our local partners. In both places, it is not difficult to understand why the label fragile states apply. Sadly, South Sudan went into a new period of violence and instability towards the end of 2013.

We are determined to make a difference in these extremely high-risk environments, and part of our mandate is to take on these kinds of risks in parts of our portfolio. However, we would not have been able to do this without the strong support provided by the Norwegian embassies in these countries. They have provided us with support in the form of risk mitigating mechanisms to cover parts of our downside.

DEVELOPMENT = JOBS

For Norfund, profitability is a precondition for development. It is not an end in itself. We invest in profitable businesses to create employment. The World Bank's World Development Report 2013: Jobs, estimated that Sub-Saharan Africa needs nine million new jobs each year. Last year, 314,000 people (of which 38 per cent are female) worked in the companies in which we have invested. In countries where 60-90 per cent of people work in the informal economy, nothing can be more important than creating work in the formal sector.

And we can achieve more!

A handwritten signature in black ink, appearing to read 'Kjell Roland'.

Kjell Roland

Norfund's Board of Directors

Norfund's Board of Directors ensures that the Fund is operated in accordance with the Norfund Act and owner instructions, and approves Norfund's strategy. 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 management.

Kristin Clemet, Chair

- Born in 1957
- Master's degree in Business and Economics
- Managing Director of the thinktank Civita. Extensive political experience, served two periods as Minister to the Norwegian Cabinet.



Kristin Clemet with one of the Masai guides at Basecamp Explorer Kenya

Svein Tveitdal, Director

- Born in 1947
- Civil engineer by training
- He is Director of Klima 2020 AS and ambassador for the environment of Arendal Municipality



Svein Tveitdal visiting a geothermal plant in Nicaragua

Borghild Holen, Director

- Born in 1955
- Master's degree in Business and Economics
- Manages the international section of the International Corporates and Institutions Division of DNB Banking



Borghild Holen visiting a micro-finance project in Myanmar

Margareth Aske, Director

- Born in 1979
- Master's degree in Political Science from the London School of Economics
- Aske is Consultant within communications and commercialization in the Sahara Forest Project (SFP)



Margareth Aske visiting microfinance clients in Myanmar

Finn Jebsen, Director

- Born in 1950
- Master's degree in Business and Economics
- Jebsen is self-employed, with 25 years of experience from the Orkla Group and numerous board positions



Finn Jebsen in Yangon, Myanmar

Petter Vilsted, employee elected director

- Born in 1973
- Political scientist from University of Oslo
- Employed as Senior Sustainability Adviser in Norfund since 2007



Petter Vilsted visiting the Agrica project in Tanzania

Stein Tønnesson, Director

- Born in 1953
- PhD in history
- Senior Researcher at the International Peace Research Institute in Oslo (PRIO) and director of the research programme East Asian Peace at Uppsala University



Stein Tønnesson discussing with a farmer in Costa Rica

Marianne Halvorsen, employee elected director

- Born in 1967
- Master's degree in Business and Economics
- Investment manager in Norfund, employed since 2001

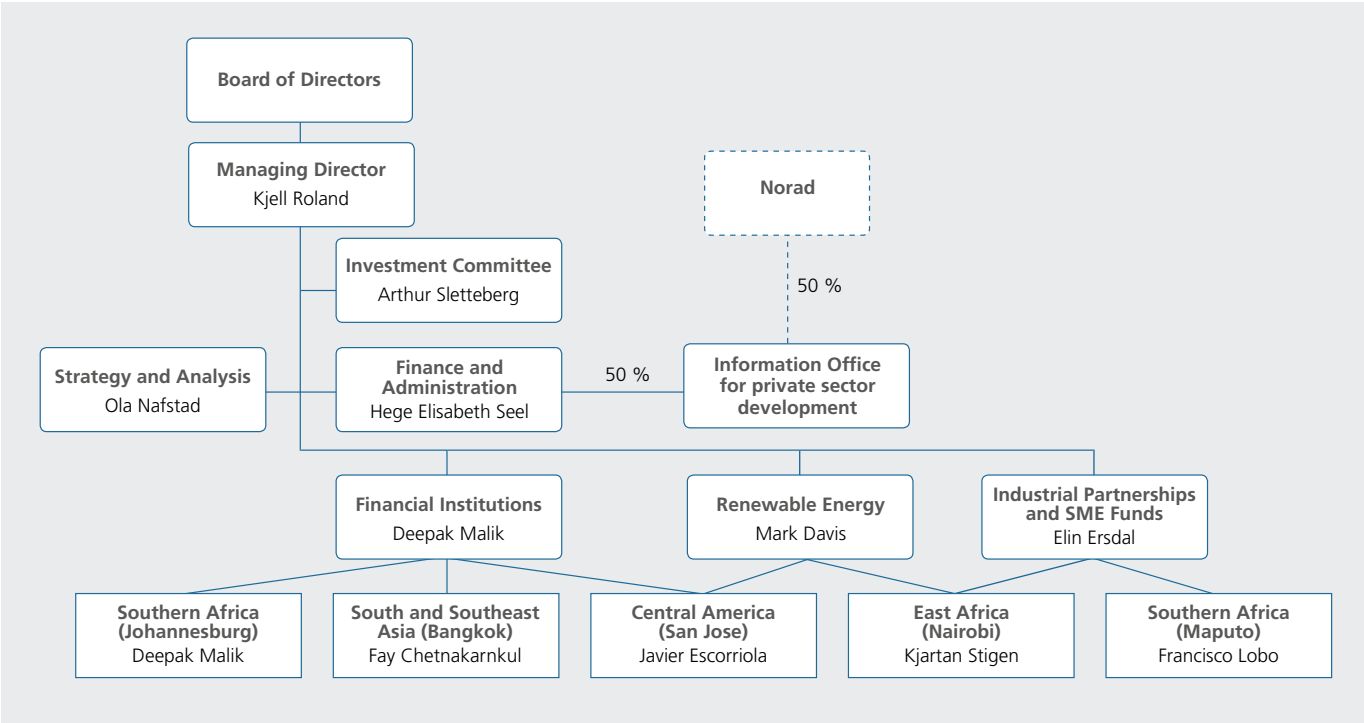


Marianne Halvorsen with CEO of microfinance institution Utkarsh



Organisation

Norfund has the largest specialised team in Norway for investments in developing countries. Norfund is organized in three investment departments specialising in investing in different sectors, and two support departments. Of a total of 54 employees, 35 work directly with the investments and follow the projects through all phases of the investment process. 17 of staff work at the five regional offices, while the rest is located in Oslo.





The capital of South Sudan, Juba, seen from Equatoria Tower (the first high rise office building in the country)

Norfund – A Development Finance Institution

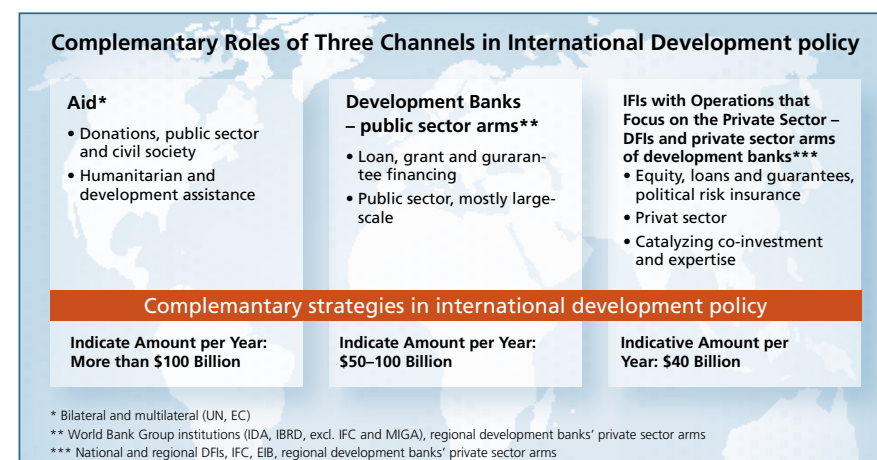
A growing and profitable private sector is central to the development of any country and community. People need jobs, governments need tax revenues, and economies need goods and services to be produced and traded. One of the major constraints for the development of strong, sustainable businesses in developing countries is access to capital: many investors perceive the risks of engaging in such markets as being too high. The result is that good business ideas are not brought to life and enterprise growth is hampered. Development Finance Institutions (DFIs), such as Norfund, support the development of the local private sector in poor countries through the financing of businesses and the transfer of competencies and technologies.

If businesses are economically sustainable over time, they will earn profits and become increasingly attractive to a growing number of private investors. When companies reach this point, DFI finance may no longer be necessary and the DFIs will pull out. Importantly, the contributions of DFIs to the development of sustainable businesses extend beyond concerns

about financial profitability. Norfund and other DFI funders adhere to high environmental, social and governance standards. By being active investors, we strive to influence positively both specific business operations and the wider private sector environment.

The rationale for using official development aid budgets to finance private sector projects is that regular markets currently do not supply the capital needed. Norfund's business model

leverages limited public funds by co-investing with private partners. At the international policy level, for example, private-public partnerships (PPPs) are used increasingly to mobilise infrastructure capital and the production of clean energy. Norfund acts as a minority investor alongside other private investors. What we offer to investment partnerships is capital in the form of equity and debt, and knowledge about local partners, cultures and business environments.



Source: International Finance Institutions and Development through the Private Sector, 2013



Brenda Luatula, HSE Officer at Lunsemfwa Hydro Power station (Agua Imara), Zambia

- ▶ 200 million people are unemployed globally
- ▶ More than 600 million new jobs necessary by 2020 to reduce global unemployment levels
- ▶ 9 out of 10 jobs in developing countries are within private sector

IFC Jobs Study 2013

NORFUND'S MANDATE

Norfund's mandate is defined by the Norwegian Parliament. According to the Norfund Act (1997), our purpose is to create sustainable commercial activities in developing countries by establishing and developing viable, profitable enterprises beyond what would otherwise be possible. In short, we supply risk capital in environments in which capital is particularly scarce. Our work can be described as being *additional* in two key ways by:



1. Making more capital available in particular countries and sectors because we are willing to assume more risk than many other private investors.
2. Contributing to better investments by prioritising projects that have strong development effects and by enhancing these effects through active ownership and business development support.

In addition, Norfund acts as a catalyst by leveraging partners and additional private capital and expertise to our projects.

STRATEGY

Our strategy is designed to fulfil our mandate effectively and efficiently, and to reflect the overarching priorities of Norwegian development assistance policy.

Establishing profitable and sustainable enterprises in some of the world's poorest and least developed countries is difficult. To do so requires expertise and knowledge in a number of areas. Consequently, developing expertise within our own organisation is also central to our strategy.

As a financial investor, Norfund must possess expertise in investments and risk management. We must be familiar with the business environments, enterprises, policies and management in the countries and sectors in which we invest, and the partners with whom we work.

To ensure the most thorough knowledge possible, Norfund has concentrated its investments in a limited number of

countries. According to the current strategy, we may invest in 27 countries, of which 14 are classified as Least Developed Countries (LDCs). Thirteen of our investment countries are in Sub-Saharan Africa. All have pronounced shortages of capital and expertise.

We have opted to concentrate our investments in three sectors: renewable energy, financial services, and agribusiness. Well-run enterprises in these sectors yield particularly strong development effects.

The upgrading of agriculture to increase yields, for example, has the potential to both generate jobs and contribute to food security and increased incomes. The availability of electricity and an effective banking and financial system are crucial infrastructural requirements for development. In all three sectors, Norfund is able to mobilise high-quality international expertise among its partners. In other parts of the private sector, Norfund also supports the development of small- and medium-sized enterprises through specialised funds, and has a significant impact on local job creation.

A responsible investor

Norfund’s mission is to contribute to development through the financing of profitable enterprises. Our strategy directs us to *do the right thing* – investing in sectors, countries and enterprises in which the need for development is great and the effects are particularly significant. However, it is just as important for development investors to be responsible and to *do things right*.

CLOSE FOLLOW-UP OF COMPANIES

We face many challenges when investing in some of the most demanding markets: weak legal frameworks and institutions, complex issues about property rights, a lack of experience, and weak infrastructure are common problems in the working environments in which development finance institutions work. Norfund spends considerable time and resources following-up and strengthening the companies in which we invest, and helps to make them sustainable.

We demand that operations take sound consideration of social and environmental issues. We give preference to equity investments because, in addition to the fact that equity is the scarcest type of capital, direct ownership in the companies provides us access to detailed information, the opportunity to be an influential stakeholder, and ensures us direct impact on company governance. Because we are never a majority shareholder, we assess our co-investors closely to ensure that they will support the high company standards we demand.

Being a responsible investor requires different actions at different stages of the investment process:

1. When identifying potential partners and investments, we look at their previous practice and ability to deliver to our standards.
2. Throughout the negotiation process, we ensure that the requirements and considerations that are important to Norfund are made legally binding, including compliance with environmental standards and the provision of decent working conditions.

3. The investment agreements generally include plans for the implementation of higher standards. Norfund does not expect businesses to be ‘perfect enterprises’ initially, but we expect a willingness to improve over time.
4. After the investments are made, Norfund monitors the enterprises actively. Our investment teams work proactively to ensure responsible corporate governance. Monitoring is done to check, among other concerns, that the enterprises are:
 - Operating in accordance with domestic laws and international standards
 - Taking environmental and social concerns into account
 - Ensuring satisfactory working environments: HSE standards, minimum wages, etc.
 - Practicing satisfactory corporate governance and robust internal control
5. In addition to managing investment capital, Norfund also manages its own grant facility for our investments. This facility can support measures to strengthen the development effects of our investments through project development, operational improvement, training, local community development, and other professional and technical assistance.

DOCUMENTATION OF DEVELOPMENT EFFECTS

At a strategic level, all potential investments are evaluated by Norfund’s Investment Committee. The committee considers the additionality and development rationale of the projects, in addition to the commercial and financial viability. When we



Ema Hozza from Bagamoyo, Tanzania, with her father and nephew: ‘Having a bank account simplifies life. It helps on everything I do. It brings safety to the future of my son and finances my studies.’

have made an investment, Norfund monitors and documents the development effects of all the companies in the portfolio rigorously.

On a strategic level, in addition to reporting on the return of our portfolio, we also report on what proportion has been invested in various regions, sectors and types of enterprises.

At the project level, we monitor and measure three key impacts of the business activities: the jobs created, the ‘social ripple’ effects, and the company improvements. Some effects are direct and possible to measure. Others cannot be easily quantified. We combine company-specific data with in depth descriptions of the projects. Examples of development indicators include the number of employees, the proportion of female employees, and the amount of tax paid. Other indicators, for instance, may include how much electricity is produced at particular power stations, or the number of clients that microfinance institutions have. Data on development effects at the project level are collected annually. Businesses have limited resources and we therefore also strive to reduce the reporting burden of companies by requesting information on a limited number of easily available parameters.

Norfund’s most important objective in accordance with our mandate is to ensure the sustainability and profitability of companies that otherwise would not have had access to capital. Our strategy is to prioritise sectors and regions where our investments have potentially strong development effects. On the level of individual investments, we concentrate on supporting sustainability and profitability.

The main areas in which investment contributes to development:

- **Job creation:** Globally, population growth and urbanisation mean that 600 million new jobs will be needed by 2020 to maintain current levels of employment. Most jobs will be created in the private sector which depends on capital from investments.
- **Societal development:** Certain sectors have particularly strong effects on development (increased agricultural production, for example, create income to farmers and help to reduce food imports and prices. Energy production increases the availability of electricity.)
- **Tax income:** Tax revenue is important for local governments and enables them to build infrastructure and to supply services such as health care and education.
- **Governance:** A sound private sector is dependent on well-governed businesses. By demanding high standards across a number of areas, responsible private sector investors contribute to knowledge transfer.



Workers at the rice farm Agricra (Tanzania), Arthi River Steel (an Aureos East Africa investment in Kenya) and Scatec Solar (South Africa)

Accident tracking and security improvements

When necessary, Norfund actively follow up investee companies to improve health and safety, environment and social conditions of their operations. Enterprises which receive investment are obliged to report all serious accidents, and Norfund reports these directly to our Board of Directors and our owner. Norfund also ensures that fatalities are investigated, families are compensated, as needed, and safeguard measures are implemented. In 2013, a total of 22 fatalities were reported. Compensation was paid in all instances:

- A total of 13 people were killed in road accidents, of which six died in one accident in Senegal at the cement factory Les Ciments du Sahel (an Aureos Africa Fund investment).
- In Cambodia, two security guards were electrocuted by unsecured wires at an office of the microfinance institution Prasac.
- At an SN Power hydropower plant (Cheves) in Peru, one worker was killed between a tunnel wall and a truck. One non-employee drowned in one of the canals running through a privately owned area near the plant.
- At the Indian company Reliance Power (an investment through the Interact Climate Change Facility) an employee was killed by a piece of loose metal during a tornado.
- At the Ahti River Steel Plant in Kenya (an Aureos East Africa Fund investment), a maintenance assistant was killed by a trolley outside the plant's secured area.
- During the construction of the Equatoria Tower in South Sudan, a worker fell from the tenth floor and was killed.
- At the Green Resources charcoal factory in Uganda, one person was killed when an oven exploded.
- At the banana plantation at Matanuska in Mozambique, a person died when jumping off a moving truck.

Year-end 2013: The portfolio and new investments

In its annual aid budget, the Norwegian government allocates capital to Norfund. In addition, Norfund's annual earnings from investments are added to its capital base. Norfund strives to develop an investment portfolio which delivers according to its set targets, both annually and over time.

Total capital

Norfund receives capital from Norway's development aid budget and has been allocated NOK 8.5 billion since Norfund's inception in 1997. In addition, earnings made from investments have been added to Norfund's equity and reinvested. The total earnings since Norfund began are now NOK 1.7 billion.

2013

New capital allocated
NOK 1.2 billion

31.12.2013

Total equity
NOK 10.2 billion

Investments

Norfund has invested directly in 118 companies, 13 of which were new to the portfolio in 2013. In addition, follow-up investments were made in 21 companies. The size of the individual investments varies from approximately NOK 20 million to approximately NOK 200 million. In addition we have invested in approximately 540 companies through SME funds.

New committed investments

NOK 1.87 billion
NOK 1.16 billion disbursed

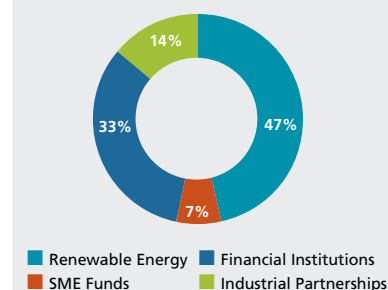
Total committed investments

NOK 9.6 billion
NOK 7.47 billion disbursed

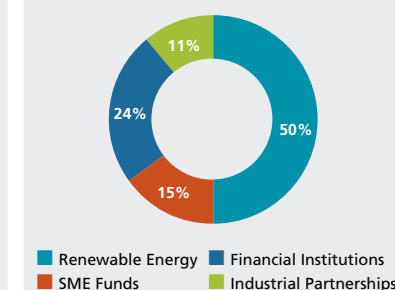
Investment areas

We have concentrated our investments in three sectors: renewable energy, financial institutions and agriculture (classed as industrial partnerships together with some other high impact direct investments). In addition, SME funds constitute a separate investment area to support the development of local small and medium sized enterprises across a range of sectors.

New committed investments



Total committed investments

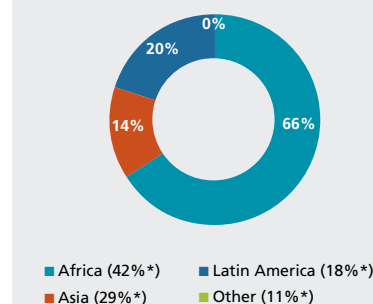


Geographies

Since 2010, Norfund has aimed to invest 50 per cent of its capital in Sub-Saharan Africa*. Norfund has increased its activity in the region by strengthening its presence and through a significant number of new investments. However, the average size of these investments is somewhat smaller compared to other regions. The restructuring of SN Power is one important way in which we are increasing Norfund's Sub-Saharan energy investments.

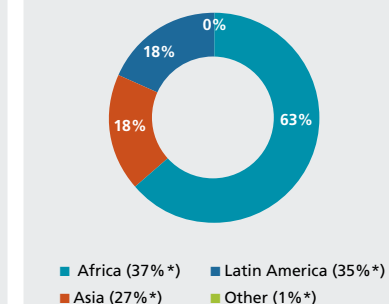
*Excludes investments through SN Power

New committed investments



*Including SN Power

Total committed investments



*Including SN Power

Least Developed Countries (LDCs)

The need for private sector investments is generally highest in LDCs because these countries struggle to attract investment capital. Norfund's target is to invest 33 per cent of its portfolio* in LDCs. We are strengthening our focus on Sub-Saharan Africa, a region with a high number of LDCs. Overall, the proportion of portfolio investments in LDCs is also expected to increase.

*Excludes investments through SN Power

2013

Share invested
in LDCs

42%*

31.12.2013

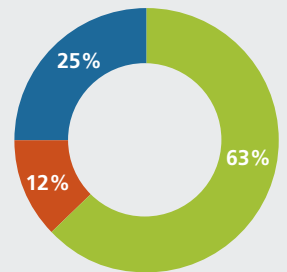
Share invested
in LDCs

35%*

Financial instruments

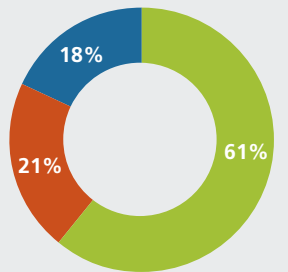
Equity investments have a higher level of risk than debt, and access to high-risk capital is particularly limited in poor countries. Hence, the additionality of equity investments is higher relative to the impact of debt financing. When Norfund finances an enterprise with equity, it is easier for the company to obtain debt with collateral, for example from local banks. As a result, equity investments also tend to have a greater catalytic effect. Norfund aims to invest 60 per cent of its portfolio as equity.

New committed investments



Funds Loans Equity

Total committed investments



Funds Loans Equity

Partnerships

Norfund is not permitted to be a sole investor in a company and normally cannot have an ownership interest of more than 35 per cent. We are therefore dependent on partner investors. Other Development Finance Institutions (DFIs) are often our co-investors and, occasionally, Norwegian firms. (Norfund is not required to partner with investors or industrial partners that are Norwegian.) It is of particular importance to Norfund that we find partners who share our high standards and are focused on the development effects of the investments made.

Share Norwegian
partners
2/13

EDFI partners*
5/13

Share Norwegian
partners
19/118

EDFI partners*
52/118

*Other members of The Association of European Development Finance Institutions

Greenfield investments

New enterprises are necessary for private sector development. Although they have high profit potential, many start-ups are high risk and therefore experience extraordinary difficulties obtaining capital. This type of project work is demanding in terms of project development and hands on follow-up. The 20 per cent portfolio target for investments in start-up is therefore appropriate.

2013

Share of new
investments in greenfield

22%

31.12.2013

Share of portfolio
in greenfield

27%

Disbursements

In many investments, there is a difference between the amount committed and the actual disbursement. This occurs, for example, if some of the capital is not transferred until the investees need the funds for specific purposes and happens particularly with investments in SME funds: Norfund commits capital based on an investment plan of a fund. Only when the fund actually identifies small- and medium-sized enterprises to invest in will the capital be disbursed.

NOK 1.16 billion
disbursed

Total disbursements
NOK 7.47 billion

Buffer capital

Norfund strives to have as much of its capital as possible at work in businesses. However, it is difficult to plan the exact timing of disbursements and the flow of incoming capital. We need to have some buffer capital (cash) available at all times for new investments or for when capital is needed for previous commitments. Norfund is not allowed to lend money to finance investments, and hence all buffer capital is cash deposits.

Cash/Equity
20%

Exits

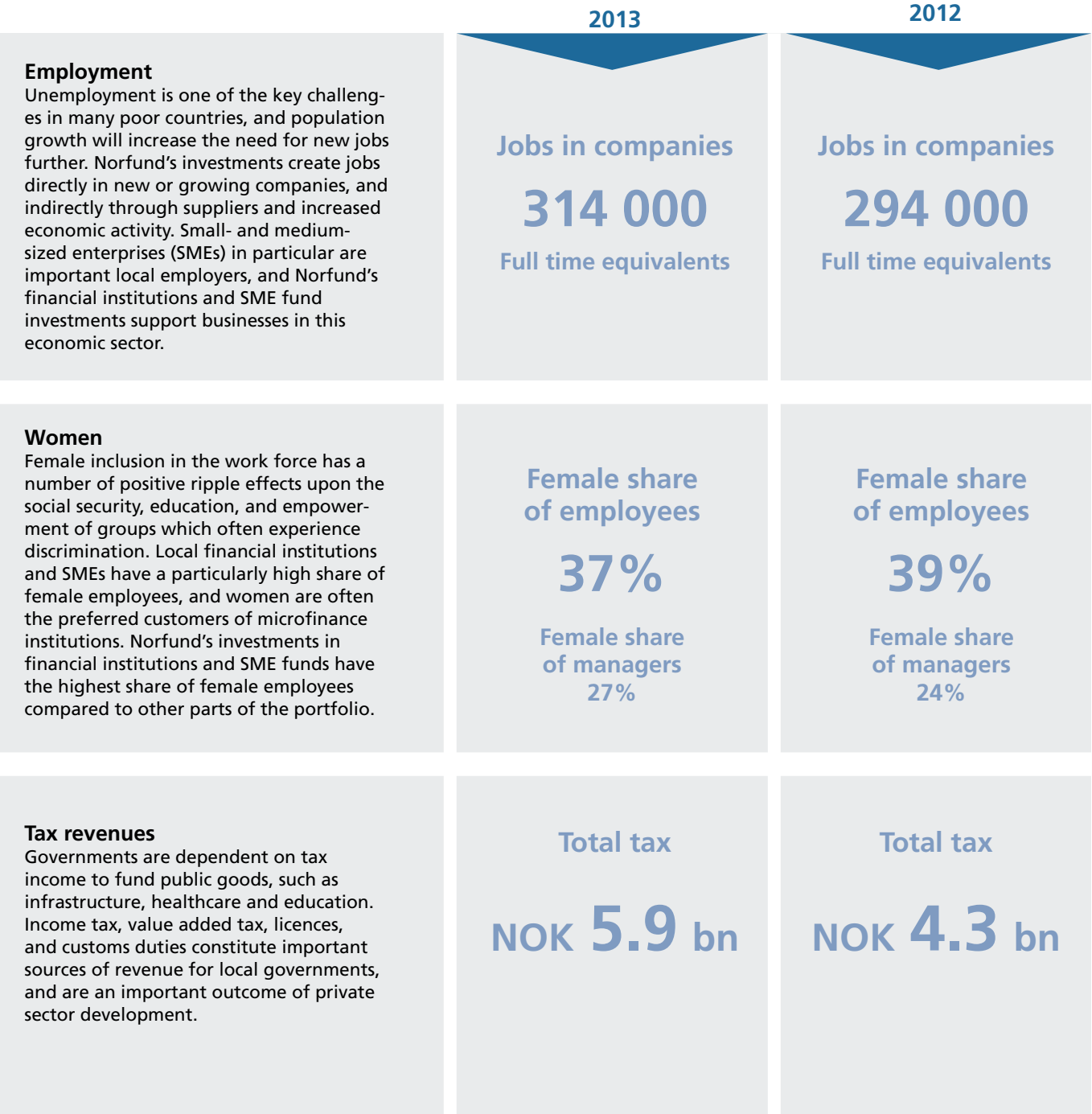
An 'exit' refers either to the full repayment of loans to Norfund, or to when Norfund sells its equity in a company (a 'realisation'). If Norfund is able to exit an investment and the company is able to continue its operations profitably, then economic activity has been strengthened through the investment and Norfund will no longer be needed as a partner. Since new capital is injected into Norfund every year to grow the portfolio, the number of new investments each year far exceeds the number of exits.

Exits in 2013

- Telecom Management Partner (Namibia): We invested in this telecom company in 2006. It was sold in 2008 but wound down in 2013. Norfund's IRR from the investment was 0 per cent.
- CAIF Investment Facility: A fund investment in 2001. The fund did not reach its targets, and only returned USD 0.3 million from an initial investment of USD 1 million.

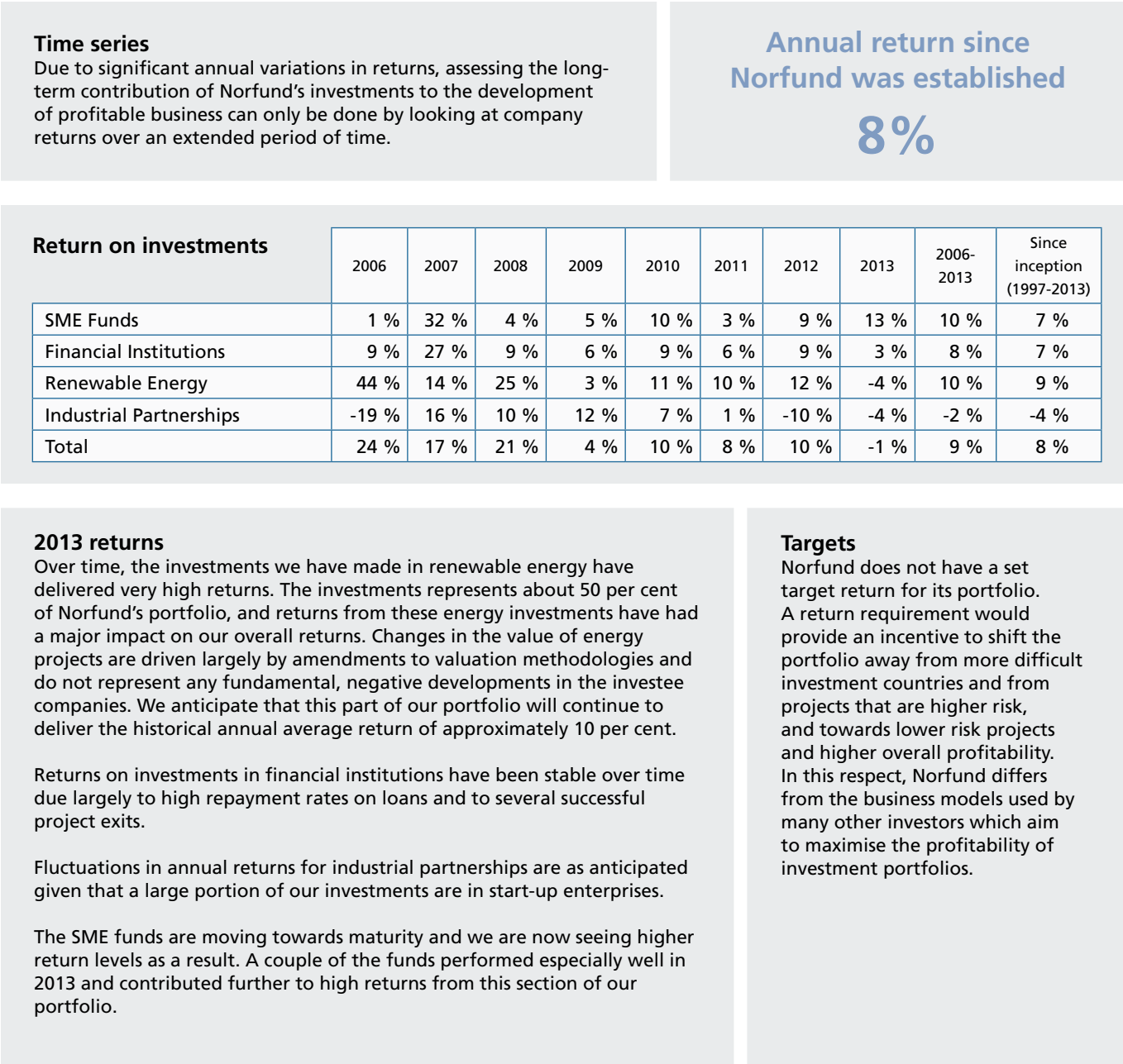
Results 2013

Norfund’s operations aim to contribute to the development of local businesses. Financial returns over time show the extent to which the enterprises are viable. Development effects, including employment and tax revenues, indicate the contributions that enterprises are making to development at large.



Return on investments

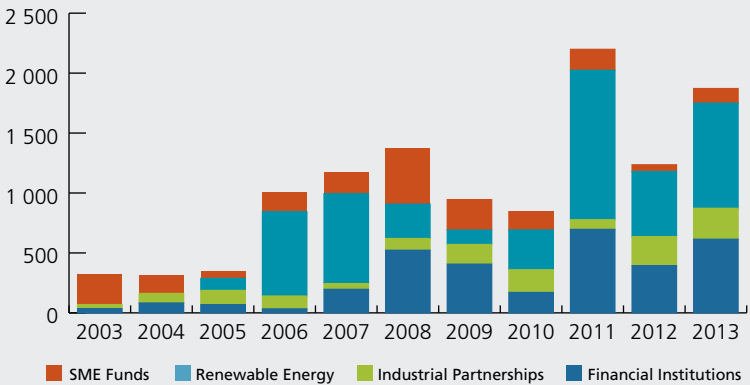
Positive returns on investments indicate that the portfolio companies are economically sustainable and are able to continue their operations without support. Returns for each project and on the total portfolio are estimated twice a year*. However, it is only possible to calculate the actual return on an investment at project exit, i.e. when equity interests are sold or when a debt is fully repaid.



* Investment returns are calculated as the internal rate of return of the cash flows of the investment, including the assumed value of the investment at the end of the year. Norfund works towards local value creation, and the returns are therefore calculated in the local currency. Norfund’s mandate stipulates that the fund should assume currency risk. Consequently, the impact of fluctuations in the exchange rate of the Norwegian Krone is excluded from our return calculations.

Results 2003–2013

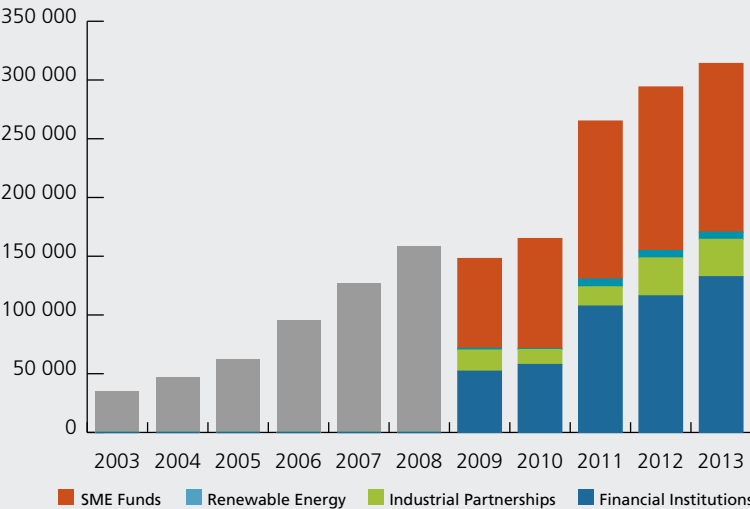
New investments per year



High investment activity

Norfund's current commitment capacity for new investments is approximately NOK 2 billion annually. The main drivers of investment capability are available capital, the project pipeline, and staff capacity. High year-on-year variations should be expected given that we work with many partners and with long lead times. The main increases in activity, compared to 2012, were the new investments in renewable energy and a near doubling of investments in financial institutions.

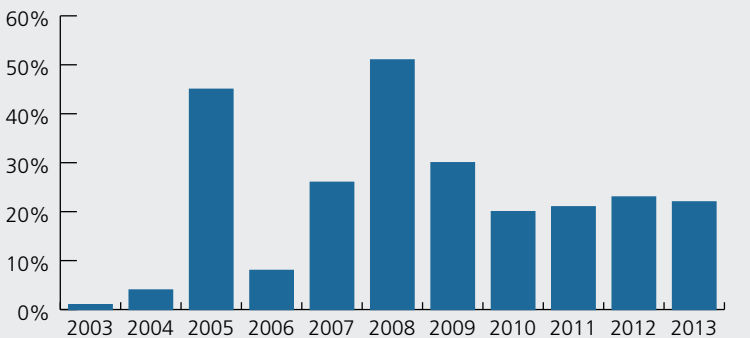
Employees in portfolio companies at year end



Increasing job creation

The number of employees in Norfund's portfolio companies is increasing steadily and, as should be expected, there are variations between our different investment areas. The high number of jobs created through the SME funds reflects the importance of small- and medium-sized companies to local economic development. The majority of the financial institutions we have invested in employ many local workers and it is encouraging to see that 40 per cent are women. Local employment is a necessity when serving large customers groups (53 million borrowers in total). With an average of 680 employees in each active company, industrial partnership investments are important employers in many (often rural) areas. Energy production contributes mostly to employment indirectly.

Share of capital invested in start-up business



Share of greenfield businesses

Starting a new company in any sector or country is a high-risk venture and requires a lot of hard work. Norfund wishes to contribute to the success of start-ups, but needs to utilise its own capital and staff capacity optimally. Investing 20 per cent of our capital is therefore a sensible target, and Norfund has achieved this level in the last four years.

Norfund's Audited Results 2013

Norfund is an investment fund, and hence, the profit and loss accounts do not cover the true long term value creation in the portfolio. Thus, when reading our financials, be aware of the following:

- Our mandate is to create sustainable and profitable businesses in poor countries. Thus, profitability in investee currency is the success criteria, not the amount of capital returned to Norway. Our bottom line is net profit in investment currency, not profits after conversion to NOK.
- As an investment company, our operational income is the sum of interest, dividends and the sales of shares. Financial items are related to capital not yet invested, but kept in bank deposits in Norway.
- According to the Norwegian Generally Accepted Accounting Practice (GAAP), values of investments are booked as original purchase price or lower if impairments have been made. The deviations from purchase prices are write-offs. Being a high-risk fund in LDCs and poor countries, significant write-downs should be expected. The calculated returns presented on page 19 are based on current valuations (including our present valuation of the portfolio) and provide a more realistic representation of value creation in our portfolio.
- Norfund has made a strategic decision to remain a relatively small and lean organisation. Legal support, IT and specialist advice, accounting and other services are sourced from other companies, and this is reflected in the relatively high level of our "other operating expenses".

Profit & loss (NOK millions)	2013	2012
Interest (investment portfolio)	98	101
Realised gains	0	15
Dividends received	64	83
Other project income	4	3
Share of profit SN Power and KLP Norfund Investments	270	224
Total operating income	437	427
Payroll expenses	-59	-63
Other operating expenses	-67	-43
Total operating expenses	-127	-106
Write-downs on investments	-115	-123
Operating profit in investment currency	195	198
Net financial items	53	6
Tax	0	0
Net profit in investment currency	247	203
Exchange rate effects portfolio	81	-160
Profit	327	42

Comments to the 2013 results:

- The increase in operating income compared to 2012 is due primarily to higher revenues from Norfund's 40 per cent equity interest in SN Power (the success of its operations in the Philippines and Chile in particular).
- As a knowledge-based enterprise, most of our operating costs are personnel-related. Other costs include office rent, fees for hired services, and travel. Due to technical accounting procedures, lower pension costs reduced our personnel costs by NOK 4 million. Benefits from our pension system remain unchanged.
- The strengthening of the US Dollar against the Norwegian Kroner has had a positive effect on the value of many of the loans Norfund has provided to banks and other financial institutions (agio-regulation).
- The value of write-downs for the companies and funds in our portfolio are at a level that can be expected in a high-risk fund such as Norfund.
- Bank deposits amounted to NOK 2.1 billion at the end of 2013. On average, the deposits were higher compared to 2012 and the level of income from interest was therefore higher too.

Detailed accounts have been published in our Annual Report and can also be found on Norfund's website.

Renewable energy: Infrastructure for economic growth

Development rationale: Households, schools, businesses, and hospitals – access to electricity is important for everyone. An unreliable electricity supply is often cited as a key obstacle to increased economic activity, particularly among small- and medium-sized enterprises. A power outage can cause substantial income losses for businesses and may damage electrical equipment. Without reliable power, enterprises must use expensive private diesel or petrol generators.

Investment needs: Expanding the supply of electricity is capital intensive. Economic growth and the increasing demand for electricity in developing countries require massive investments in the power sector. Few local utilities are able to finance renewable projects because of the large upfront investments needed and the high risks. Many countries have turned to oil-fired power as a result – such schemes have lower capital costs and can be implemented faster. However, the high operating costs are hard to sustain and undermine the investment capacity of utilities. In many developing countries there is significant potential in making better use of local renewable energy resources and engaging the private sector to finance and operate new capacity. The costs of solar power, in particular, have been declining.

Norfund's strategy: Renewable energy is the largest part of Norfund's portfolio. Hydropower has dominated our investments so far, but in recent years we have made substantial investments in wind and solar energy.

Working with sound technical partners is fundamental to our success. SN Power and Scatec Solar have demonstrated that with the right combination of capital and expertise, it is possible to manage the many risks associated with renewable energy investments. Norfund's strategy is to invest risk capital in partnerships with industrial investors such as Statkraft, Scatec, BKK, and others.



The 2013 renewable energy portfolio – investments and results

Since 2011, Norfund has been mandated by the Norwegian Ministry of Foreign Affairs to invest 50 per cent of its allocated annual capital in renewable energy and this is the single largest sector for the fund. In 2013, the energy portfolio in Africa was strengthened substantially through large solar and wind power investments. The ongoing restructuring of the company SN Power will also increase hydropower activities in Africa and LDCs.

Investments and portfolio

Renewable energy investments constitute half of Norfund's portfolio. Investments in four new projects were committed in 2013, including the first commercial large-scale wind park in East Africa. The biggest company in the portfolio is SN Power which has 39 hydropower plants in development, construction or operation. Good progress has been made on several construction projects, and the Kalkbult solar plant in South Africa has started delivering power to the grid.

Regions

SN Power invested early in middle-income countries in South America and Asia: the company was the first foreign investor in the Indian hydropower sector and an early mover in Philippines. The current restructuring of SN Power aims to increase activities in low-income countries and Sub-Saharan Africa. The new solar and wind power investments in South Africa and Kenya are also important steps towards aligning the renewable portfolio with Norfund's overall geographic strategy.

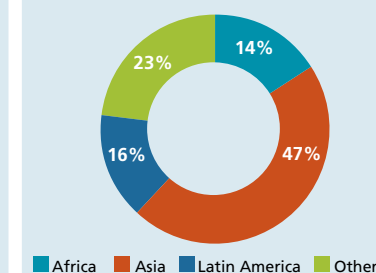
2013

New capital committed
NOK 862 Million
Equity share 96%

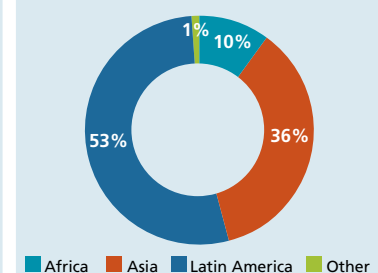
Portfolio 31.12.2013

Total portfolio
4 710 MNOK
Equity share 94%

New investments 2013



Portfolio



Employment

The direct employment effects of energy investments are mainly temporary and occur during construction periods. Each Scatec Solar project, for instance, has provided jobs on the construction sites for up to 500 local unskilled people. The indirect employment effects are more substantial: grid electricity supplies industries and businesses with an important input for growth and job creation. A study of the Bugoye Hydropower Plant in Uganda* showed that the 13 MW plant contributed to nearly 10,000 jobs in the region by providing a stable power supply and stimulating small enterprise activity.

Electricity supplied, emissions reduced

In 2013, Norfund's portfolio of projects generated electricity equivalent to the annual consumption of 8.9 million people. This estimate is made using the average electricity consumption per capita in the relevant markets.

In many developing countries electricity production relies heavily on coal and oil, both for grid and off-grid supplies. Electricity from renewables reduces CO₂ emissions by displacing fossil fuels. Norfund's portfolio of projects in 2013 is estimated to have displaced the equivalent of 1.1 tonnes of CO₂.

Taxes paid

Private participation in the energy sector also makes significant fiscal contributions and prevents it being a drain on public finances. The amount of tax paid is rising each year as a result of the increasing number of projects delivering electricity to the market, and in 2013 totalled NOK 1.57 billion.

Portfolio 31.12.2013

Total employees
6 173
Female share
9%

Electricity produced
6 781 GWH
Avoided greenhouse gas
emissions 1.1 million tonnes of CO₂

Taxes and other fees
NOK 1.57 billion

* <http://www.odi.org.uk/publications/7529-job-creation-impact-study-bugoye-hydropower-plant-uganda>



Active investments in renewable energy year end 2013

Company Name	Country/region	Norfund investment year	Sector	Instrument	Norfund owner share	Domicile	Investee Currency	Committed amount (mNOK) 31.12.2013
Kinangop Wind Park Limited	Kenya	2013	Wind	Equity	18,8 %	British Virgin Islands	USD	84,3
KLP Norfund Investments AS	South Africa	2013	Solar	Equity	50,0 %	Norway	NOK	36,4
Scatec Solar SA	South Africa	2012	Solar	Equity and loan	35,0 %	South Africa	ZAR	102,8
Bio2Watt	South Africa	2011	Bio	Equity		South Africa	ZAR	9,2
Hidro Santa Cruz	Guatemala	2011	Hydro	Equity and loan		Guatemala	USD	32,3
Nam Sim	Laos	2011	Hydro	Loan		Laos	USD	23,4
Interact Climate Change Facility	Regional Asia	2010	Energy	Equity and loan	7,7 %	Luxembourg	EUR	70,0
E+Co	Latin America	2009	Energy	Loan		Delaware	USD	36,0
Agua Imara	Africa and Latin America	2008	Hydro	Equity and loan	19,0 %	Norway	USD	239,0
Bugoye HPP	Uganda	2008	Hydro	Equity and loan	27,5 %	Uganda	USD	42,1
SN Power	Nepal, India, Sri Lanka, Philippines, Chile, Peru, Brazil	2002	Hydro and wind	Equity	40,0 %	Norway	USD	4 034,7



Financial institutions:
The key to business development

Development rationale: Private sector development is dependent on access to capital. Borrowing and saving money also reduces the vulnerability of individual households. A large number of enterprises and individuals lack access to basic financial services, such as bank accounts, insurance, and credit. An effective financial sector underpins investments and growth, and local players are best suited to design and deliver these services.

Investment needs: Financial institutions need capital to develop products and increase market outreach. Banks are dependent on debt in order to extend loans to their customers. Capital investments are also necessary to ensure the quality of these services. Good IT systems, for example, are costly but crucial for security and for the control and effectiveness of financial service providers.

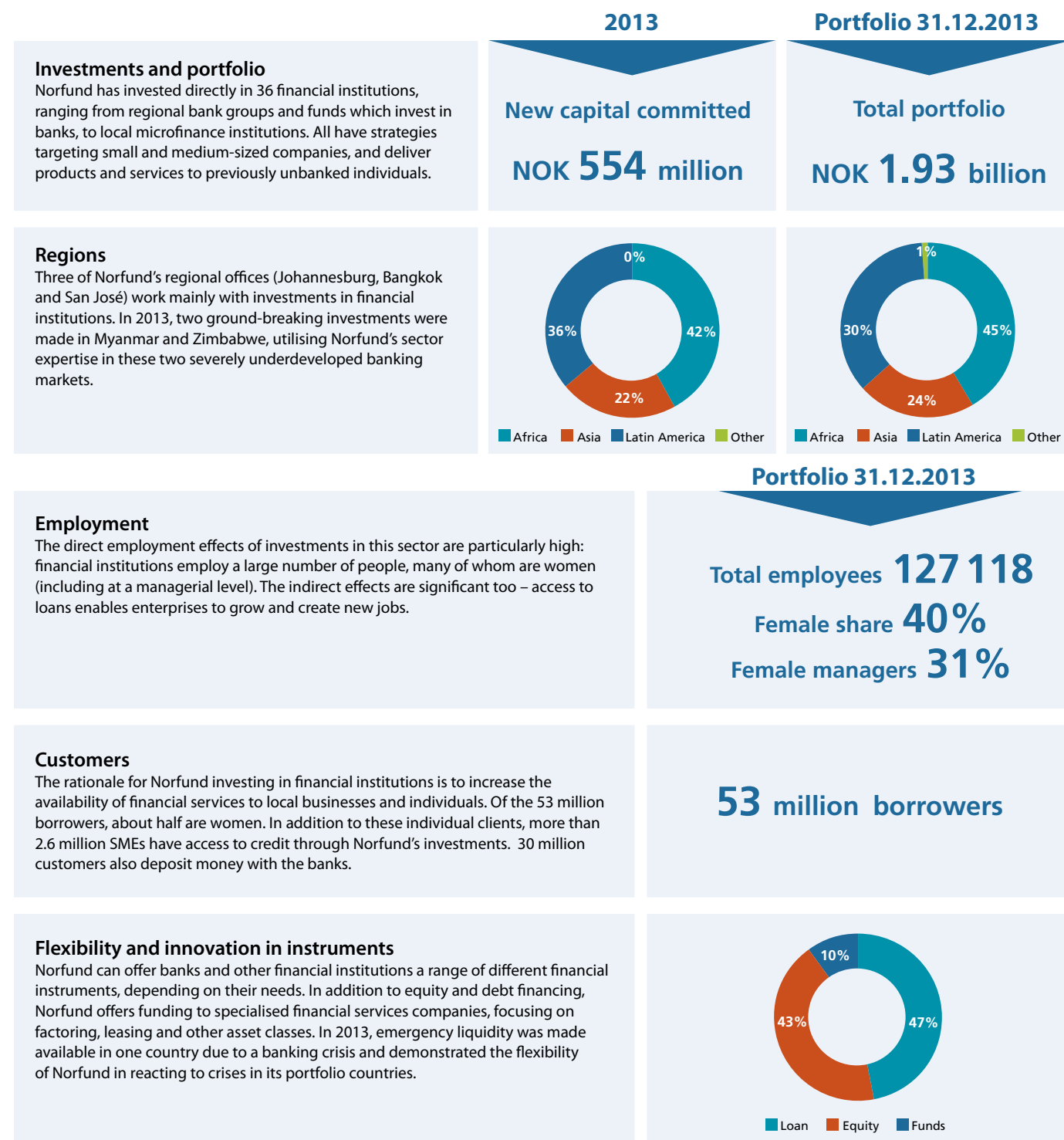
Norfund's strategy: Financial institutions with high financial returns and strong development effects are attractive investments for Norfund. Our investment portfolio in financial institutions includes banks, microfinanciers, and other organisations. It is particularly important for Norfund that we facilitate access to financing for small- and medium-sized enterprises (SMEs). Investments are mainly made in locally-owned financial institutions that have promising growth potential. Our investments are either direct (in the form of loans or equity) or indirect (through investment funds).

The Norwegian Microfinance Initiative (NMI) is a strategic alliance with Ferd, DnB/Vital, Storebrand and KLP and our most important tool for microfinance investments. Norfund also invests directly in microfinance initiatives in some of our high-priority regions in which the NMI is not active. The investment risk profile of Norfund's direct investments in microfinance institutions is higher than the NMI.



The 2013 financial institutions portfolio – investments and results

Norfund has invested in financial institutions for more than ten years and built a strong portfolio across our investment geographies. A milestone achievement for us in 2013 was the establishment of Norfinance AS, a company for co-investments with Norwegian private investors in African financial institutions.



Active investments in financial institutions year end 2013

Company Name	Country/region	Norfund investment year	Sector	Instrument	Norfund owner share	Domicile	Investee Currency	Committed amount (mNOK) 31.12.2013
Alios Finance Zambia	Zambia	2013	Financial services	Loan		Zambia	USD	30,4
Amret II	Cambodia	2013	Microcredit	Loan		Cambodia	USD	23,4
FDL	Nicaragua	2013	Microcredit	Loan		Nicaragua	USD	18,3
Ficohsa Guatemala	Guatemala	2013	Banking	Loan		Guatemala	USD	18,3
First Finance Plc.	Cambodia	2013	Microcredit	Loan		Cambodia	USD	18,3
LOCFUND II	Latin America	2013	Microcredit	Fund	26,0 %	Delaware	USD	49,0
NMBZ Holdings Limited	Zimbabwe	2013	Banking	Equity and loan	9,0 %	Zimbabwe	USD	37,3
Norfinance AS	Africa	2013	Financial services	Equity	50,0 %	Norway	USD	54,8
Prasac Microfinance Institution	Cambodia	2013	Microcredit	Loan		Cambodia	USD	60,8
Alios Finance Tanzania Ltd	Tanzania	2012	Financial services	Loan		Tanzania	USD	27,4
Ficohsa Honduras	Honduras	2012	Banking	Loan		Honduras	USD	69,1
ODEF	Honduras	2012	Microcredit	Loan		Honduras	USD	10,7
African Banking Corporation Zambia	Zambia	2011	Banking	Loan		Zambia	USD	18,3
Desyfin	Costa Rica	2011	Financial services	Loan		Costa Rica	USD	64,2
HEFF	Latin America	2011	Microcredit	Fund	33,0 %	Delaware	USD	30,3
Micro Africa Ltd	Kenya	2011	Microcredit	Loan		Kenya	KES	5,7
Norsad	Africa	2011	Financial services	Equity	11,0 %	Botswana	USD	56,9
Prospero	Latin America	2011	Microcredit	Fund	21,7 %	Cayman Islands	USD	28,6
Sacombank	Vietnam	2011	Banking	Loan		Vietnam	USD	152,1
Sacombank Leasing Limited	Vietnam	2011	Leasing	Loan		Vietnam	USD	30,4
Techcombank	Vietnam	2011	Banking	Loan		Vietnam	USD	91,3
Brac Bank	Bangladesh	2010	Banking	Equity		Bangladesh	BDT	37,5
Capitec Bank	South Africa	2009	Banking	Loan		South Africa	ZAR	17,4
Real People Investment PTY	South Africa	2009	Microcredit	Equity	16,8 %	South Africa	ZAR	295,3
Socremo	Mozambique	2009	Microcredit	Equity	35,6 %	Mozambique	MZN	24,6
Sathapana	Cambodia	2008	Microcredit	Loan		Cambodia	USD	12,2
AfriCap Microfinance Investment Company	Africa	2007	Microcredit	Fund	7,1 %	Mauritius	USD	16,8
BRAC	Bangladesh	2007	Microcredit	Loan		Bangladesh	BDT	7,5
EXIM Bank (Tanzania) Ltd.	Tanzania	2007	Banking	Equity		Tanzania	USD	22,8
Hattha Kaksekar Ltd (HKL)	Cambodia	2007	Microcredit	Equity	17,6 %	Cambodia	USD	28,7
LOCFUND	Latin America	2007	Microcredit	Fund and loan	10,0 %	Delaware	USD	11,2
The Currency Exchange (TCX)	Global	2007	Financial services	Fund	2,4 %	Netherlands	USD	55,0
Banco Terra	Mozambique	2006	Banking	Equity	15,2 %	Mozambique	MZN	96,6
Solidus Investment Fund S.A.	Latin America	2005	Microcredit	Fund	6,3 %	Panama	USD	9,0
CIFI	Latin America	2004	Financial services	Equity	9,3 %	Panama	USD	145,3
DFCU Limited	Uganda	2004	Banking	Equity and loan	27,5 %	Uganda	UGX	157,6
LAAD	Latin America	2004	Financial services	Loan		Panama	USD	98,9

Industrial Partnerships: Agribusiness, tourism and other high impact investments

Development rationale: In most developing countries, agriculture is the main economic sector and employs most people. Favourable conditions offer opportunities to increase food productivity and to provide agricultural products, subject to investments in technology and capacity. Tourism is also highly labour intensive and utilises locally available resources. Both sectors contribute to local development through the employment of unskilled labour, create business opportunities for other small-scale businesses (farmers and other suppliers) and generate tax and export revenues.

Investment needs: Current farming practices are characterised by low productivity and low income levels. Investments in this sector can help to increase productivity and revenues. In agribusiness, the risk of external shocks (such as the weather and diseases) is high, and investments face a consequent shortage of capital. A lack of skilled workers and a lack of experienced management capacity mean that long-term investors are needed to provide the high levels of upfront capital required.

Norfund's strategy: Norfund invests in agribusiness, tourism and other high-impact industrial projects in Eastern and Southern Africa. The majority of these companies are medium-sized and target local and/or export markets. Norfund supports increased productivity and local value creation in agribusiness by investing in the enhanced processing of crops. Associated smallholder-farmers benefit through market access for their produce. Norfund also works actively with the tourism investments to increase the use of local suppliers and staff, and to create positive ripple effects locally.



The 2013 industrial partnership portfolio – investments and results

Agribusiness has been a focus sector for Norfund since 2011, and our specialised team is gaining expertise within this important, demanding and high-risk industry. Land and labour issues must be managed responsibly and Norfund follows the strict guidelines of the International Finance Cooperation (IFC). Two of the tourism investee companies received prestigious eco-tourism awards in 2013.

Investments and portfolio

At the end of 2013, our portfolio consisted of 17 companies: 8 in agribusiness, 6 in tourism and 3 in other sectors. The largest new investment was in a farming company producing tilapia in Zimbabwe, Zambia and Uganda, and chicken in Mozambique. In addition to increased local food production and employment, the company has also created jobs for fish traders and the chicken breeders who buy day-old chicks.

2013

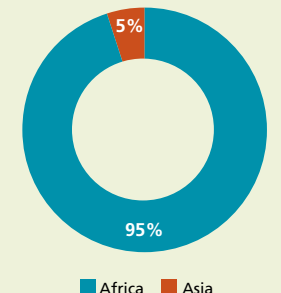
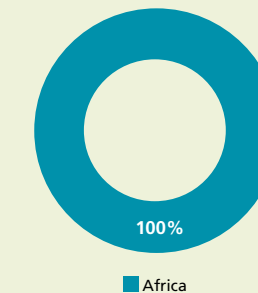
New capital committed
NOK 240 Million

Portfolio 31.12.2013

Total portfolio
NOK 1.055 Billion

Regions

Industrial partnership investments are made in Southern and Eastern Africa, and Norfund's investment staff in Nairobi (Kenya) and Maputo (Mozambique) have key roles in identifying and following up on these projects. In 2013, Norfund added South Sudan, one of the world's least developed countries, to the portfolio through an investment in the country's first high-rise office building.



Employment

The employment effects of agribusiness and tourism are central to our rationale for investing in these sectors. Most of the businesses are localised in rural areas where unemployment is particularly high: the companies often provide people with their first salaried employment. However, hiring women in these areas can be difficult as many typically have family responsibilities.

Portfolio 31.12.2013

Total employees
31 570
Female share
22%

Associated smallholder farmers

Enabling local small-scale farmers to deliver produce to larger businesses is often a win-win situation for local communities and for companies. Norfund works actively to support associated smallholder farmers, and three of the agribusiness investments currently have such engagements.

Number of associated farmers

8 050
(6 400 in 2012)

Payments to authorities

Agricultural businesses can take several years before they generate taxable income, and before crops reach high, stable production levels, or processing and distribution facilities are put in place. Norfund expects higher taxable incomes from these investments in the next few years.

Taxes and other fees
NOK 811 million



Active investments in industrial partnerships year end 2013

Company Name	Country/region	Norfund investment year	Sector	Instrument	Norfund owner share	Domicile	Investee Currency	Committed amount (mNOK) 31.12.2013
African Century Foods Ltd.	Zimbabwe	2013	Fish and poultry	Equity	29,6 %	Mauritius	USD	48,6
ASILIA (African Spirit Group Limited)	Africa	2013	Tourism	Equity	19,4 %	Mauritius	USD	30,7
UAP Properties Limited	South Sudan	2013	Real estate activities	Loan		South Sudan	USD	30,4
Chayton Atlas Investments	Zambia	2012	Agriculture, forestry and fishing	Equity	22,7 %	Mauritius	USD	60,1
Yara fertiliser terminal Dar	Tanzania	2012	Manufacturing	Loan		Tanzania	USD	36,5
TPS Dar es Salaam	Tanzania	2011	Tourism	Equity and loan	28,5 %	Kenya	USD	58,0
Agrica	Tanzania	2010	Agriculture, forestry and fishing	Equity	23,8 %	Guernsey	USD	77,1
TPS Rwanda	Rwanda	2010	Tourism	Equity and loan	11,4 %	Rwanda	RWF	29,0
Africado Ltd.	Tanzania	2009	Agriculture, forestry and fishing	Equity and loan	40 %	Mauritius	EUR	21,0
Green Resources USD	Tanzania	2009	Agriculture, forestry and fishing	Equity and loan		Norway	USD	125,3
Casquip Starch	Swaziland	2008	Agriculture, forestry and fishing	Equity and loan	28,7 %	Swaziland	SZL	36,3
Matanuska Africa	Mozambique	2008	Agriculture, forestry and fishing	Equity and loan	27,5 %	Mauritius	USD	144,4
TPS Pakistan	Pakistan	2007	Tourism	Equity	4,7 %	Pakistan	USD	21,6
European Financing Partners	Africa	2006	Investment funds	Equity and loan	7,6 %	Various	EUR	251,0
Afrinord Hotel Investments	Africa	2005	Tourism	Equity	20 %	Denmark	EUR	49,6
Kabul Serena Hotel	Afghanistan	2005	Tourism	Equity and loan	17,1 %	Afghanistan	USD	33,8
AMSCO	Africa	2001	Financial services	Equity	4,8 %	Netherlands	EUR	1,8

SME Funds:
Strengthening small and medium-sized enterprises

Development rationale: SMEs contribute to local employment, the diversification of the economy, and to economic growth. As developing countries move into a pattern of substantially stronger growth, SMEs play a pivotal role in industrial development, satisfying the rising local demand for services, allowing for increased specialisation, and supporting larger firms with inputs and services. In this way, SMEs become engines that sustain growth for long-term development. Investing in the SME sector requires close supervision and follow-up. Local fund managers are better placed to identify and support local businesses, and SME funds provide a link between local competencies and international capital.

Investment needs: SMEs in many developing countries have severely limited access to risk capital (more so than larger enterprises). The lack of financing and poorly developed business environments hamper growth in the SME sector. Investing with local fund managers helps to provide SMEs with access to risk capital, and builds better competencies and business environments.

Norfund's strategy: Norfund invests equity in private equity funds, including venture capital funds, targeting start-up SMEs that are in need of growth capital and expertise. Norfund prioritises innovative funds, targeting the least developed countries that have strong market credentials and impact potential. When selecting investment funds it is important that Norfund's capital and competencies contribute to the establishment of the fund, to the success of its investments, and to its ability to leverage additional capital as a result of our engagement.



The 2013 SME funds portfolio – investments and results

Norfund has invested in SME funds since Norfund was incorporated in 1997. Through fund investments Norfund is able to reach out to a high number of small and medium-sized enterprises. The SME funds team is now investing in 2-3 new funds each year with a focus on SMEs, Africa and LDCs

Investments and portfolio

In total, the funds have invested in a portfolio of about 399 small and medium-sized investee companies. The investee portfolio is broadly diversified across different countries and sectors.

Norfund has invested in 46 SME funds, 34 of which were active at the end 2013 (two started in 2013). In addition, Norfund holds significant ownership stakes in three different fund management companies that provide management services in Nicaragua, Angola and Kenya.

Regions

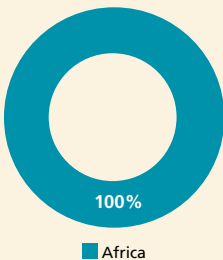
Fifteen of the 31 funds are investing in Africa, 10 in Asia, and six in Central America. Of the 58 new investments made by the funds last year, all were made in Africa and 42 per cent in LDCs.

2013

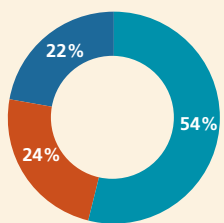
New investments committed
122 MNOK

Portfolio 31.12.2013

Total SME Funds portfolio
1 473 MNOK



Africa



Africa Asia Latin America

Portfolio 31.12.2013

Return 2013
12%
Since start-up
7%

Financial returns

The 2013 year-on-year portfolio performance of the funds was 12 per cent – net of management and other fees. This increased return compared to 2012 (9 per cent) can be attributed to a large and high-performing fund in Central America and well-performing investments in Africa. Asia has traditionally been a lead performer, but in 2013 the performance of the Asian funds was below average. A portfolio of young funds tends to be hampered by the so called ‘j-curve effect’ (low returns are typical during the first years). Our funds-portfolio is maturing and this is also leading to higher annual return levels.

Employment

The main employment effects of the funds are from the portfolio companies. The 399 companies reported a total of 141,000 jobs in 2013. Most of the companies are within the manufacturing sector, but in 2013 a substantial proportion was also invested in the agricultural and energy sectors.

Total employees
141 000
Female share
40%

Payments to local authorities

All the investee companies pay local taxes and other local fees, in total NOK 1.46 billion in 2013. Many of the funds are registered in third party countries to ensure fair and equal legal treatment of all parties, not for internal profit transfers and tax planning. Norfund follows guidelines given by the Norwegian MFA on the use of third party domiciles.

Payments to local authorities
NOK 1.46 billion



Active investments in SME funds year end 2013

Company Name	Country/region	Norfund investment year	Investment Focus	Instrument	Norfund owner share	Domicile	Investee Currency	Committed amount (mNOK) 31.12.2013
Ascent Rift Valley Fund Ltd	Africa	2013	SME	Fund	26,6 %	South Africa	USD	61,0
Novastar Ventures East Africa Fund	Africa	2013	Venture Capital	Fund	22,4 %	Mauritius	USD	61,0
CORECO	Latin America	2012	SME focus	Fund	18,9 %	Delaware	USD	61,0
Africa Health Fund (Aureos)	Africa	2011	Health	Fund	9,5 %	South Africa	USD	59,6
Vantage Mezzanine Fund II	Africa	2011	Mezzanine financing	Fund	5,4 %	South Africa	ZAR	57,8
Agri-Vie	Africa	2010	Food and Agribusiness	Fund	9,4 %	Mauritius	ZAR	54,9
Aureos South-East Asia Fund II	Asia & Pacific	2010	SME	Fund	2,2 %	Canada	USD	28,3
Frontier Fund	Bangladesh	2010	SME	Fund	11,3 %	Cayman Islands	USD	58,9
Cambodia-Laos Development Fund	Cambodia	2009	SME	Fund	20,3 %	Luxembourg	USD	23,7
Evolution One Fund	Africa	2009	Clean Technology	Fund	7,2 %	South Africa	ZAR	33,2
Aureos Africa Fund	Africa	2008	SME	Fund	10,5 %	Mauritius	USD	180,1
GroFin Africa Fund	Africa	2008	SME	Fund	9,4 %	Mauritius	USD	75,7
SEAF Blue Waters Growth Fund	Vietnam	2008	SME	Fund	20 %	Cayman Islands	USD	29,5
Adenia Capital Ltd II	Africa	2007	SME	Fund	13,4 %	Mauritius	EUR	20,7
Aureos Latin America Fund (ALAF)	Latin America	2007	SME	Fund	13,6 %	Canada	USD	148,0
CASEIF II	Latin America	2007	SME	Fund	13,8 %	Panama	USD	21,1
Horizon Equity Partners Fund III	South Africa	2007	SME	Fund	9 %	South Africa	ZAR	17,9
Aureos CA Growth Fund (EMERGE)	Latin America	2006	SME	Fund	14,3 %	Mauritius	USD	15,9
Aureos South Asia Fund (Holdings)	Asia & Pacific	2006	SME	Fund	23,5 %	Mauritius	USD	104,8
Business Partners Madagascar SME Fund	Madagascar	2006	SME	Fund	14,1 %	Mauritius	EUR	9,9
APIDC Biotech Fund	India	2005	Early stage Biotechnology	Fund	7,7 %	Mauritius	USD	16,4
China Environment Fund	China	2005	Renewable Energy	Fund	10 %	Cauman Islands	USD	4,8
Aureos South Asia Fund 1	Asia & Pacific	2004	SME	Fund	50 %	Mauritius	USD	1,0
Aureos South-East Asia Fund	Asia & Pacific	2004	SME	Fund	28,6 %	Mauritius	USD	37,1
Aureos East Africa Fund	Africa	2003	SME	Fund	20 %	Mauritius	USD	8,8
Aureos Southern Africa Fund	Africa	2003	SME	Fund	25,1 %	Mauritius	USD	35,6
Aureos West Africa Fund	Africa	2003	SME	Fund	26 %	Mauritius	USD	31,5
ACAF	Latin America	2002	SME	Fund	27,5 %	Mauritius	USD	28,2
CASEIF	Latin America	2000	SME	Fund	31,8 %	Panama	USD	5,9
SEAF Sichuan Small Investment Fund	China	2000	SME	Fund	13,3 %	Delaware	USD	9,2
ECP Africa Fund (Afr Infr Fnd)	Africa	1999	Infrastructure	Fund	1,2 %	Mauritius	USD	0,4
Lafise Investment Management	Latin America	1999	Fund Manager	Fund	20,0 %	Bahamas	USD	0,01

High impact investments and new instruments

Some of Norfund’s investments are exceptionally high-risk, are made under particularly uncertain framework conditions, and/or have especially uncertain expectations with regard to their returns. Norfund classifies such investments as “high impact investments and new instruments”.

Development rationale: A limited number of local actors are willing and able to start new businesses in many of the world’s poorest countries and high-risk sectors. To accelerate innovation and enable business development, long-term business developers and first movers must be found who will spend significant resources on project and concept development, often beyond the traditional investor role.

Investment needs: The project development phase of innovative and complex projects may take several years, driving up costs for long periods of time before any income-generating activity begins. Only a very limited number of investors are willing to enter into these kinds of high-risk ventures.

Norfund’s strategy: Norfund engages in five different high impact investment categories: early-phase project development in renewable energy, the establishment of new SME funds, early engagement in fragile states, the leverage of investment by Norwegian business, and ‘other high potential concepts’.



Norfund’s high-impact investments and new instruments

In total Norfund has invested NOK 639 million in high-impact investments and new instruments. 81% of the portfolio is invested in Africa, and of a total 8 000 employees, 3 000 are women.

High-potential concepts

In special instances, Norfund may contribute to the development of new commercial concepts that have a high development impact. Basecamp Explorer Kenya, for instance, is a tourism company that was developed together with a high-impact wild life conservancy and community project. The Norwegian Microfinance Initiative (NMI) was the first Public Private Partnership in Norway that mobilised private Norwegian institutional investors to invest in micro financing in poor countries.

SME fund development

SME funds build and strengthen small and medium sized enterprises. In many poor countries and markets no such funds are available, making it more difficult for Norfund to extend capital to SMEs. Consequently, on several occasions we have actively supported the establishment of private equity funds where the need is greatest. Managing SME funds demands deep knowledge about local markets, fund investment, and active ownership. Norfund has established local SME funds in East Africa (Fanisi) and Angola (FIPA). We were also a driving force in the establishment of Aureos Capital, the world’s leading investor for SMEs in developing countries.

Project development in renewable energy

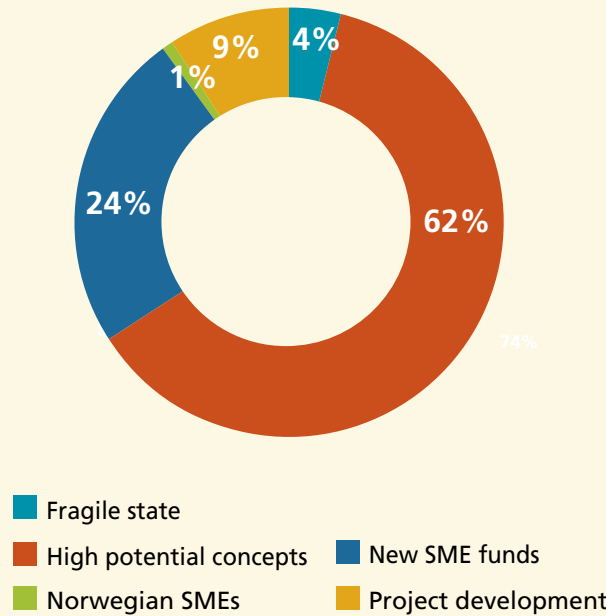
Comprehensive business plans and structures need to be in place before Norfund will invest in a business. In the renewable energy sector, the project development phase is long and costly. Large-scale, complex projects involve multiple stakeholders, including in construction and distribution, and among local authorities. Renewable energy is our biggest area of investment and in LDCs in particular there is a shortage of potential investments. Norfund finances late stage project development in renewable energy projects.

Early engagement in fragile states

Development assistance and humanitarian aid play an important role in countries emerging from conflict and struggling with weak governance by building institutions and securing stability. In addition, private sector development is needed to ensure growth and employment. Fragile states are characterised by particularly poor investment climates and by high levels of risk. As a development investor, we support actively the establishment of business activities in the fragile states in which we invest. Norfund has established an investment company for small business development in South Sudan and, in 2013, a ground-breaking investment was made in Myanmar – the first ever foreign commercial investment in a local microfinance institution.

Loans to Norwegian SMEs

Loans can leverage investments made by Norwegian businesses. Although Norfund is not limited to making investments with Norwegian partners, Norwegian SMEs can benefit from Norfund’s expertise when venturing into developing markets. Norfund manages a targeted loan facility tailored to smaller projects initiated by Norwegian companies. The Small Enterprise Loan Facility extends loans to small projects that have Norwegian participation, preferably alongside local businesses.



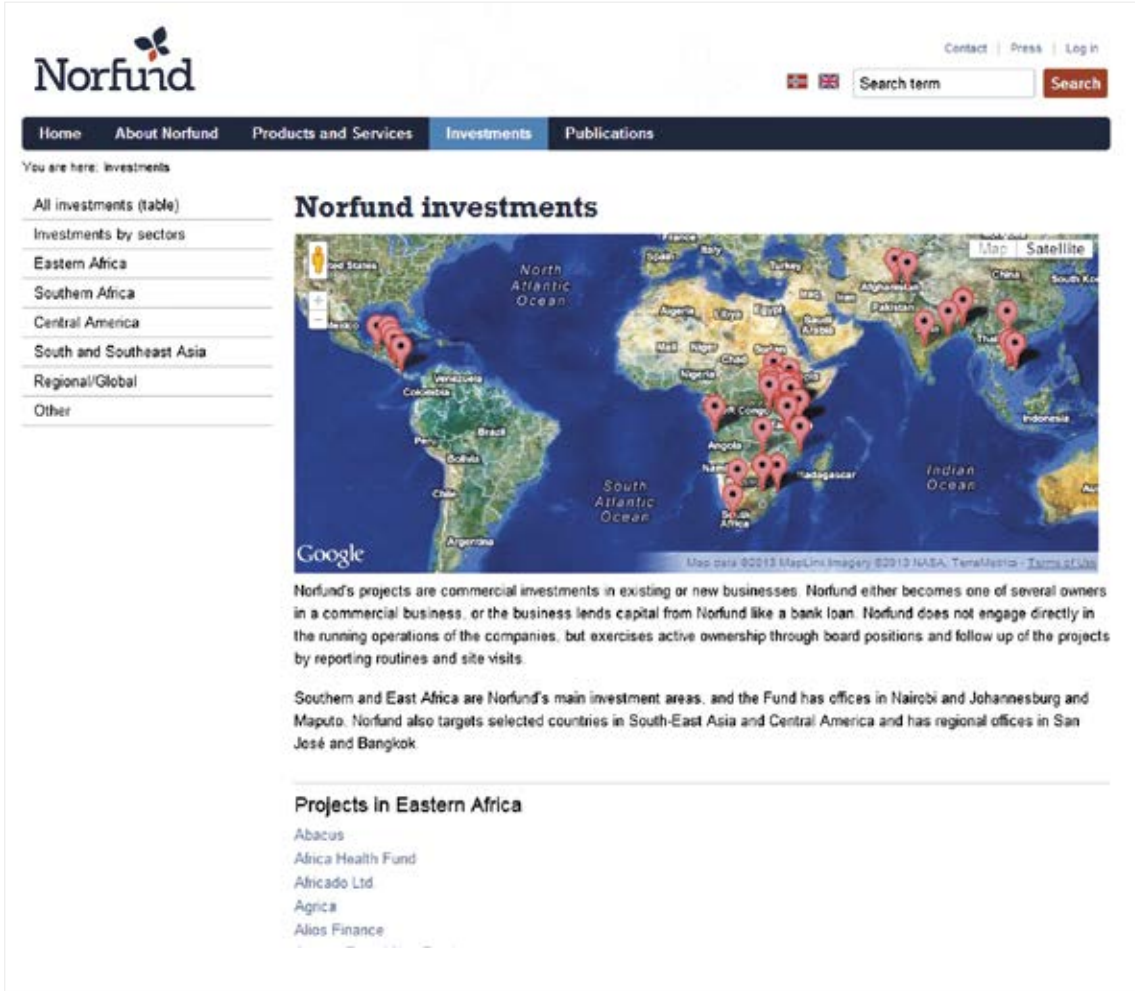
High impact investment portfolio year end 2013

Company Name	Country/ region	Norfund investment year	Sector	Instrument	Norfund owner share	Domicile	Investee Currency	Committed amount (mNOK) 31.12.2013
Fula Rapids HPP PDF	South Sudan	2013	Energy	Loan		South Sudan	USD	12,2
NMI Fund III	Global	2013	Microcredit	Fund	26,3 %	Norway	NOK	47,9
Proximity Designs	Myanmar	2013	Microcredit	Loan		Myanmar	USD	12,2
Kikagati HPP PDF	Uganda	2012	Energy	Loan		Uganda	USD	8,5
Kinyeti Capital Ltd	South Sudan	2012	Financial services	Equity	49 %	South Sudan	USD	22,1
Nsongezi Hydropwer Project PDF	Uganda	2012	Energy	Equity and	49 %	Uganda	USD	3,5
GLAD Ltd	Uganda	2012	Agriculture, forestry and fishing	Loan		Uganda	USD	3,7
Hydel Hydropower PDF	Kenya	2011	Energy	Loan		Kenya	USD	9,1
Lake Turkana Wind Project PDF	Kenya	2011	Energy	Loan		Kenya	EUR	14,8
Voxtra East Africa Agribusiness Fund	Africa	2011	Agriculture, forestry and fishing	Fund	35 %	Norway	NOK	23,5
Basecamp Explorer Kenya Ltd	Kenya	2010	Tourism	Equity and	40 %	Kenya	NOK	10,0
OMEGA SmartBuild	Uganda	2010	Financial services	Loan		Norway	NOK	2,0
Angola Capital Partners LLC	Angola	2009	Investment funds	Equity	50 %	Delaware	USD	1,4
Fanisi Venture Capital Fund	Africa	2009	Investment funds	Fund and	30,9 %	Luxembourg	USD	84,9
Fanisi Venture Management Company	Africa	2009	Investment funds	Equity	50 %	Luxembourg	USD	1,7
Fundo de Investimento Privado-Angola	Angola	2009	Investment funds	Fund	29,4 %	Luxembourg	USD	60,6
Scanwater AS	Uganda	2009	Construction	Loan		Norway	NOK	2,5
Euro TechBridge	Kenya	2008	Information and communi-	Loan		Norway	NOK	2,3
NMI Frontier Fund	Global	2008	Microcredit	Fund	45 %	Norway	NOK	108,0
NMI Global Fund	Global	2008	Microcredit	Fund	45 %	Norway	NOK	162,0
NMI Portfolio Manager AS	Global	2008	Microcredit	Equity	50 %	Norway	NOK	39,1
Safa Marine Industries Ltd	India	2003	Manufacturing	Loan		India	EUR	0,5



Norfund on the web

For more information about Norfund and the investments, see www.norfund.no



The Information Office for Private Sector Development in Developing Countries

In cooperation with Norad, Norfund has established the Information Office for Private Sector Development in Developing Countries. The Information Office facilitates access for Norwegian companies to information and guidance about financial support schemes available to promote commercial activities in developing countries. For more information, see www.veiledningskontoret.no

Pictures

Page 22, from above: Totoral Windfarm in Chile (a SN Power project); water tunnel section by Energy Holdings hydropower project in South Africa; mounting of solar panels at Scatec Solar's Kalkbult PV solar farm in South Africa

Page 24, from left to right: Scatec Solar's PV solar farm in Linde, South Africa, worker and gauges at Lunsemfwa hydropower in Zambia; site preparations Scatec Solar's Kalkbult project South Africa

Page 25, from above: Employee at a Real People branch office, South Africa; a microfinance group meeting in Myanmar

Page 27, from left to right: Signing of agreement to establish Norfinance AS; employee at Proximity, Myanmar

Page 28, from top: Worker at the avocado plantation, Africado, Tanzania; Equatoria Tower, South Sudan; soya beans field at Chayton, Zambia

Page 30: Matanuska banana plantation, Mozambique

Page 31, from top: A small shop owner at a Locfund investment (Central America); factory worker at Grofin client, Kenya; Dew Crisp salad production, South Africa

Page 33: Employee and sales car at Joma bakery in Laos (Cambodia-Laos Development Fund investee); factory worker at Grofin client, Kenya

Page 34: Da Genesis Medical Clinic, South Sudan (Kinyeti Capital loan client); Masai guide at Basecamp Explorer Kenya; animated picture of Lake Turkana Wind Project, Kenya

Page 36: Building of water bottling factory in Torit, South Sudan (Kinyeti Capital loan client); employee at supply shop Juba, South Sudan (Kinyeti Capital loan client)

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