
2019

ANNUAL REPORT AND ACCOUNTS 2019

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

1. NORFUND AND ITS MANDATE

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

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

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

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

In order to make the best possible use of investment capital, an increasing share of Norfund's investment takes the form of joint ventures with parh par.3 (ifiable c)19etg.5 (212 (a1.13(t)10.1 (ment t)-11.

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

2. ECONOMIC DEVELOPMENTS IN 2019

2.1. Developments in Norfund's markets

In 2019 the world economy underwent a fall in growth. Uncertainty regarding Brexit and the trade war between the USA and China impacted the economy in large sections of the world. Although growth in South-East Asia was still substantial, it was lower than expected in 2019. China's GDP rose by

2.4. Exits

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

3. ORGANISATION, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

3.1. Corporate governance

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

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

Norfund has a framework of

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

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

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

Good working conditions are a fundamental objective. Norfund monitors HSE in all its investments, with a particular focus on training and compliance with HSE procedures. The investment agreements contain a requirement that serious accidents and fatalities must be reported. Sadly, in 2019 we experienced four deaths that were related to Norfund's direct

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

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

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

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

Oslo, 26 March 2020

Olaug Svarva
Chair



Per Kristian Sbertoli



Britt K. S. Rugland



Finn Martin

Tove Stuhr Sjøblom



Martin Skancke



Vibecke Hammer Madsen



Marianne Halvorsen



Lasse David Nergaard



Tellef Thorleifsson
Chief Executive Officer

INCOME \ A EMEN

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

BALANCE

(Figures in 1000s of NOK)	Note	2019	2018
EQUITY AND LIABILITIES			
EQUITY			
Called and fully paid capital			
Primary capital	13	13 209 125	11 780 375
Reserve capital	13	4 578 375	4 102 125
Total called and fully paid capital		17 787 500	15 882 500
Retained earnings			
Surplus fund	13	5 221 324	4 088 302
Total retained earnings		5 221 324	4 088 302
TOTAL EQUITY		23 008 824	19 970 802
LIABILITIES			
Provision for liabilities and charges			
Pension commitments	3	25 632	49 203
Total provision for liabilities		25 632	49 203
Current liabilities			
Accounts payable		5 520	7 460

CASH FLOW STATEMENT

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

ACCOUNTING POLICIES

The financial statements for NORFUND consist of:

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

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

BASIC PRINCIPLES – ASSESSMENT AND CLASSIFICATION

The financial statements are presented in compliance with the

Equity investments

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

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

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

Bank deposits, cash and cash equivalents

Liquid assets consist of bank deposits.

Current receivables/Accounts receivable

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

Fixed assets

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

Leases

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

Equity

Norfund's equity is divided into primary, reserve and surplus capital. This breakdown is made on the basis of the framework conditions for Norfund's activities, which specify that the Ministry of Foreign Affairs (the Owner) must be notified if the institution's losses are so great that its primary capital is

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NOTE 1 – FINANSIELL RISIKOSTYRING OG KAPITALFORVALTNING

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

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

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

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

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

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

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

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

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

NOTE 2 – SEGMENT INFORMATION**SEGMENT INFORMATION:**

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

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

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

BALANCE SHEET (INVESTMENTS AND LOANS) NET CARRYING VALUES

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

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

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

SEGMENTINFORMASJON I FORM AV GEOGRAFISK INNDELING:

2019							
	Africa	Asia	America	Europee/ central Asia	Global	Accumulated impairments	Total
BALANCE SHEET							
Equity investments							

NOTE 3 – PAYROLL EXPENSES

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

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

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

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

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

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

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

The Board sets the salary of the managing director. The managing director sets the salaries of the corporate heads of department who report to him. This group consists of senior company employees.

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WAGES, SALARIES AND OTHER PAYROLL EXPENSES

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

PAY FOR SENIOR EMPLOYEES

Norfund	Title	Salary	Bonus	Taxable portion of benefits	Pensions	Total
Jan Tellef Thorleifsson	CEO	2 671 294		19 446	156 274	2 847 014
Hege E. Seel	EVP Org & HR	1 562 386	75 000	33 724	700 096	2 371 206
Ola Nafstad up to 01.05.19	EVP ~ 8 A	1 470 821	25 000	36 565	156 197	1 688 583
Ylva Lindberg from 01.05.19	EVP ~ 8 A	925 157	75 000	14 317	101 320	1 115 794
C K C	EVP CFO	1 588 477	75 000	20 675	151 445	1 835 597
Fj H 01.04.19	G C	1 023 932	75 000	13 747	114 392	1 227 071
F I M 30.09.19	EVP ~ E	1 660 184	0	14 489	143 036	1 817 709
E ~	EVP F I	1 995 063	75 000	18 329	377 263	2 465 655
M D	EVP C E	2 012 410	75 000	71 532	927 174	3 086 116
K C 18.06.19	C	125 000	0	0	0	125 000
O ~ 18.06.19	C					

NOTES

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

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

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

RECONCILIATION OPENING/CLOSING BALANCE

NOTE 4 – OTHER OPERATING EXPENSES

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

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

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NOTE 6 – FIXED ASSETS

[Redacted]	
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
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NOTE 8 – LOANS TO COMPANIES IN THE INVESTMENT PORTFOLIO

(Figures in 1000s)	Currency	Carrying value* (in FX)	Carrying value* (NOK)
Latin American Agribusiness Development Corporation, S.A.	USD	22 500	197 557
European Financing Partners SA	EUR	745	7 345
European Financing Partners SA	USD	16 376	143 786
Green Resources AS	USD	32 180	282 550
Sathapana Bank PLC.	USD	8 000	70 242
Persistent Energy Capital LLC	USD	989	8 681
TPS (D) Limited	USD	564	4 949
Interact Climate Change Facility SA	USD	7 318	64 254
Amret Plc.	USD	5 000	43 902
Alios Finance Tanzania Ltd	USD	325	2 852
Agrica Ltd.	USD	2 596	22 790
Afrinord Hotel Investments A/S	USD	1 060	9 307
Prasac Microfinance Institution	USD	35 000	307 310
First Finance Plc.	USD	3 625	31 829
Financiera Fondo de Desarrollo Local, SA	USD	6 938	60 913
UAP Properties South Sudan Limited	USD	2 333	20 487
NMBZ Holdings Limited	USD	1 400	12 292
Interact Climate Change Facility SA	EUR	3 194	31 502
Housing Finance	KES	375 000	32 288
Focus Financial Services Limited	ZMW	25 000	15 761
ACLEDA Bank Lao Ltd.	USD	10 267	90 150
African Century Infrastructure Services Ltd	USD	1 911	16 779
Vertical Agro	USD	5 876	51 594
Cape Dairy Biogas Plant Pty Ltd	ZAR	10 284	6 430
BANCO Lo	8 6817j-0.147		
	Nam Sim Power Company Ltd		

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

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

* Figures at 31.12.2019 and before impairments.

NOTE 10 – EQUITY INVESTMENTS

EQUITY INVESTMENTS IN FUNDS

NOTES

» CONTINUES NOTE 9 – EQUITY INVESTMENTS IN FUNDS

	C o m m i t t e d
(Figures in 1000\$)	t e r e s t

EQUITY INVESTMENTS IN MANAGEMENT COMPANIES

(Figures in 1000s)	Currency	Ownership interest	Ownership rency			

NOTE 10 – EXITED INVESTMENTS

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

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

(Figures in 1000s of NOK)	TPS Dar es Salam	TPS Rwanda	Agrica	China Environment Fund
Cost price, called and fully paid capital	39 089	12 510	119 505	16 229
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NOTE 13 – CAPITAL MOVEMENTS

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

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

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

OTHER CHANGES

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

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

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

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

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

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

In 2019 the Storting established a special arrangement that enables Norfund to make risk capital available in the most demanding markets, particularly in vulnerable states and in the least developed markets (LDCs), where access to risk

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

NOTE 16 – EVENTS AFTER BALANCE-SHEET DATE

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

in processes associated with new investments. A weakened krone per se will increase the value of the investment portfolio and our lending measured in NOK. On the other hand, there is increased risk of lower dividends going forward, and potentially a higher share of loans that will not be serviced according to plan. A weakened krone also means that the value in NOK of committed but not yet disbursed investments will increase. The Board's assessment is that Norfund has the liquidity to maintain its commitments, and to support

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

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

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

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

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

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