



NORFUND
ANNUAL REPORT 2002

PROFITABLE INVESTMENTS CREATE DEVELOPMENT



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NORFUND IN BRIEF

Norfund's objective is to reduce poverty by investing risk capital in profitable business ventures in developing countries. Viable business creates employment and generates capital, and in this way Norfund seeds economic growth that combats poverty.

Norfund – the Norwegian Investment Fund for Developing Countries – was established by means of the Norwegian Storting's 'Act relating to Norfund' of 9 May 1997, with its own board. Norfund is also an integral part of Norwegian development cooperation and receives funds via the foreign aid budget. As of 31.12.02 Norfund had total assets of NOK 1.4 billion, including the assumed value of the loan portfolio transferred from NORAD in 2001. An additional NOK 485 million was transferred to the fund in 2003.

KEY FIGURES

(mill. NOK)	2002	2001	2000	1999	1998
Result	36	27	3	10	4
Capital supplied by owners	395	225	150	150	175
Capital base (31.12.)	1 400 ¹	1 010 ¹	543	391	231
Employees (31.12.)	21	17	10	8	5

¹ Norfund's book equity as of 31.12.02 amounted to NOK 1,225 million, plus the estimated value of the loan portfolio transferred from NORAD on 01.01.01.

NORFUND IN BRIEF

Norfund
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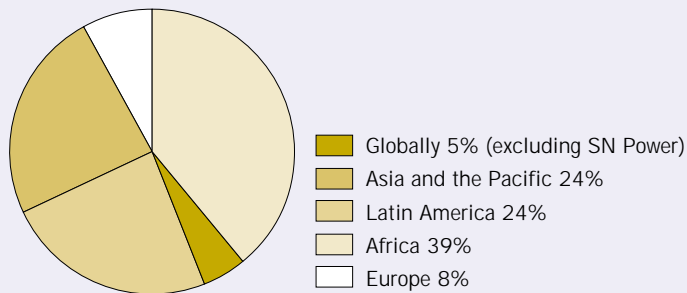
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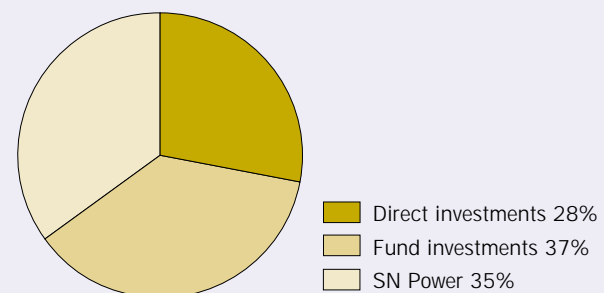
HIGHLIGHTS 2002

- SN Power established for investments in the energy sector
- New investment fund established via Aureos Capital: ACAF (Aureos Central America Fund)
- Aureos Capital has launched three regional investment funds in Africa
- Microfinance and Small Enterprises – new business area
- Nine new projects approved in principle in 2002

Investments by region:



Investments by category:



NORFUND'S ACTIVITIES

As of 31.12.02 the Norfund portfolio comprised 39 principally approved and implemented projects, consisting of 16 direct investments (including SN Power) and 23 fund investments (including fund management companies), a total value of NOK 1,374 billion. Through part-ownership of the management company Aureos, Norfund has holdings in 11 companies that manage 15 local funds in Africa, Asia and Central America. Norfund has contributed to create employment for 15,400 people through direct investments and fund investments. This is in addition to the 50,000 employed by the companies in Aureos portfolio. In 2002 Norfund established SN Power AS, as a 50/50 joint venture with Norway's largest hydropower company, Statkraft. The company will invest in, develop and operate hydroelectric power projects in developing countries.

INVESTMENTS (FUNDS AND DIRECT)

CENTRAL AMERICA

Central American Small Enterprise Investment Fund (CASEIF)

NICARAGUA

Leasing company
Finarca

CENTRAL AMERICA

Central American Investment Facility Ltd. (CAIF)

ECUADOR

Palm oil company
Palmorec

CENTRAL AMERICA

Aureos Central American Fund (ACAF), managed by Aureos

PERU

Microfinance fund
LA-CIF

LOCAL PARTNERS

CENTRAL AMERICA

Fund Management company, Central America Investment Managers (CAIM) (Aureos)

NICARAGUA

Fund management company, Lafise Investment Management (LIM)

CENTRAL AMERICA

Aureos Central America Managers Ltd (ACAM) (Aureos)

INVESTMENTS (FUNDS AND

TANZANIA

The Fedha Fund

SOUTH AFRICA

The HorizonTech Ventures Fund

LOCAL PARTNERS

TANZANIA

Fund management company First Capital Partners (FCP) (Aureos)

GHANA

Fund management company Venture Fund Management Company (VFMC) (Aureos)

INVESTMENTS (FUNDS AND DIRECT)

BOSNIA-HERZEGOVINA

The Horizonte Enterprise Fund

BALKAN

The SEAF Trans-Balkan Fund

BOSNIA-HERZEGOVINA

Fish farming investment Norfish Blagaj

TURKEY

Fjord Marin Turkey

GLOBAL

Business gifts manufacturers Future & Hope

INVESTMENTS (FUND AND DIRECT)

CHINA

Electronics company Sinor/Daiyoo

BANGLADESH

Cement manufacturer Scancement

CHINA

The SEAF Sichuan SME Investment Fund

PHILIPPINES

Biotechnology company GenoMar

CHINA

Fish farming company Pan Marine Qingdao

THAILAND

The Siam Investment Fund II

SRI LANKA

Hydroelectric power plant Nividhu

LOCAL PARTNERS

SRI LANKA

Fund management company Ayojana Fund Management (Aureos)

PACIFIC ISLANDS

Fund management company Pacific Capital Partners (PCP)(Aureos)

THAILAND

SN Power

INDONESIA

SN Power

LAOS

SN Power

DIRECT

MOZAMBIQUE

The MINCO Fund

REGIONAL AFRICA

The African Infrastructure Fund (AIF)

SOUTH AFRICA

The Msele Fund

MADAGASCAR – MAURITIUS

The Indian Ocean Regional Fund

REGIONAL AFRICA

Aureos' three regional funds for eastern, western and southern Africa (expected closing 2003)

MADAGASCAR – MAURITIUS

Fund management company Venture Capital Partners (VCP) (Aureos)

ZAMBIA

Fund management company Zambia Capital Partners (ZCP)(Aureos)

ZIMBABWE

Fund management company Takura (TAK)(Aureos)

MOZAMBIQUE

Fund management company Mozambique Capital Partners (MCP) (Aureos)

KENYA

Fund management company Kenya Capital Partners (KCP) (Aureos)

AFRICA SOUTH OF THE SAHARA

African Management Services Company (AMSCO)



TRIPLE BOTTOM LINE

A message from
the Managing Director

Norfund
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Norfund invests in private companies that focus on three principles:

- Economic development
- Sustainable use of natural resources
- Social responsibility, sound governance and transparency

In addition to increase in local capital inflow, foreign investment in developing countries often results in transference of technology and expertise, and management focus on a triple bottom line. Profitable investments thus promote development in several ways. These three performance parameters should be seen in totality – e.g. positive environmental performance is of little benefit if the enterprise fails to produce a return for its owners. A private enterprise can only create work and assume social responsibility if it is creating sufficient long-term profits. Enterprises that are financially unsound seldom create any positive development impact. Norfund has been in operation for five years, a very short time for an investor of venture capital in private enterprises in the developing world! Nonetheless, we have been able to supplement our own experience with lessons learned from other similar organisations. Establishing viable companies is a challenging business, especially in times of international instability. Calls to raise the element of risk are coming from several quarters. Despite this, it is vitally important to remain committed to the success factors that experience shows to create sustainable and profitable private businesses:

- Stable framework conditions
- Solid business idea
- A viable local or international market
- Competent and motivated management
- Capital
- Long-term perspective and sustainability

Norfund operates on several fronts – both as active investor in individual companies and as partner in local and regional investment funds for the SME sector. Norfund manages the SME funds via Aureos Capital, our 50/50 joint venture with CDC Capital Partners. In 2002 Norfund also established a company working with the production of renewable energy – SN Power, a 50/50 joint venture between Norway's largest producer of electric power, Statkraft and Norfund.

Norfund is well positioned to help increase investment in developing countries – whilst promoting sustainable business practices.

NORFUND'S BUSINESS AREAS

Direct investments



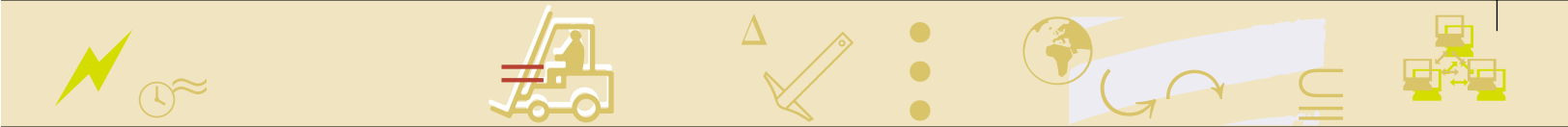
Investment funds



Microfinance and Small Enterprises



Loan portfolio management



DIRECTORS' REPORT 2002

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Aureos Capital
Statkraft Norfund Power Invest AS
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HIGHLIGHTS 2002

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NORFUND'S ACTIVITIES

Norfund's objective is to reduce poverty by investing risk capital in profitable business ventures in developing countries. Viable business creates employment and generates capital, thus providing taxes to drive local public sector development, including health and education. The investments are made either directly in local companies in collaboration with an industrial partner, or indirectly through investment funds – these are established and operated locally on a national or regional basis. Norfund's business areas – Fund management, Energy, Microfinance and Loan portfolio – supplement Norfund's two primary strategies. As of 31.12.02 Norfund had committed NOK 1.2 billion to investments in companies and investment funds. Through the part-ownership management company Aureos Capital Ltd. Norfund manages 15 investment funds with total capital of NOK 1.4 billion, of which NOK 1.3 billion is provided by other investors. In this way Norfund functions as a catalyst in attracting capital from other investors to establish business in developing countries.

In addition to its investment portfolio, Norfund has a portfolio of loans to companies in developing countries, which as of 31.12.02 had a balance of NOK 300 million.

DIRECT INVESTMENTS

At year-end 2002, Norfund's direct investment portfolio comprised nine separate companies and a further six investments approved in principle. A new direct investment was made in Pan Marine Qingdao - a fish farming company in China producing turbot for the Asian market. This takes Norfund's investment in the project to NOK 17.8 million. The fund also undertook two supplementary investments in existing projects during 2002. Negotiations regarding investment in Fjord Marin Turkey were completed in 2002; an agreement was signed in January 2003.

Norfund provides venture capital, commercial and financial expertise, and an extensive international network. Norfund can function as a unique door opener for Norwegian companies seeking to establish commercial operations in developing countries. Whilst Norfund has a free hand in selecting investment partners, it wishes to prioritise investment partnerships with Norwegian companies.

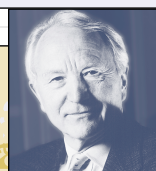
INVESTMENTS IN LOCAL INVESTMENT FUNDS

The establishment of local investment funds increases the venture capital available to local companies and builds local financial and commercial expertise. Local presence of capital and management is a key means for creating viable companies in these markets.

At year-end 2002, Norfund had invested in 14 funds and two fund management companies. A further six investments were approved in principle, and a supplementary investment made in an existing investment fund. An investment of NOK 70 million was made in a new fund, Aureos Central American Fund (ACAF).

AUREOS CAPITAL

In 2002 Norfund has worked to strengthen the fund management company Aureos Capital, which it established in partnership with CDC Capital Partners in 2001. Aureos has 11 fund management companies in Africa, Asia and Central America with some 79 local employees, and a further seven employees in London. As of 31.12.02 the company managed NOK 1.4 billion via 15 investment funds that have investments in 106 local, private companies. Aureos makes it easier for Norfund to operate in the least developed countries by means of its network of local offices. With the establishment of ACAF in 2002, the company became a key international fund management player in developing countries. During the course of 2003 Aureos will establish three new regional funds (eastern Africa, West Africa and southern Africa) – each in the range of USD 40–50 million. (Details on Aureos on page 26.)



Arve Johnsen



STATKRAFT NORFUND POWER INVEST AS (SN POWER) FOUNDED IN 2002

Whilst energy is a prerequisite for development, the UN estimates that some two billion people in developing countries have no electricity supply. Norfund partnered with Statkraft in 2002 in founding the investment company Statkraft Norfund Power Invest AS to invest in renewable energy in developing countries. The company has a capital base of NOK 1 billion, 50% of which is invested by Norfund. The capital is planned to increase to approx. NOK 5 billion by 2006. SN Power combines Statkraft's technical expertise with Norfund's investment and development expertise. The company will be involved in developing, modernising and operation of hydroelectric power plants in developing countries. SN Power also gives Norwegian businesses increased potential in the international energy sector for supply of services and equipment, etc.

(Refer to the discussion on energy, page 28.)

MICROFINANCE AND SMALL ENTERPRISES

In 2002 Microfinance and Small Enterprises were defined as a new business area for Norfund. Many companies in the geographical areas where Norfund is present, are very small and have problems gaining access to capital. They have different needs for capital and follow-up than larger businesses. Microfinance is an efficient tool for the smallest (micro businesses). Leasing is another instrument for small enterprises to enable new opportunities.

To strengthen Norfund's focus on microfinance and small enterprises the company made supplementary investments in the microfinance fund La-CIF and the leasing company Finarca during 2002. Norfund's new business area will also include small business funds. The first initiative is a partnership between Norfund and NORAD to establish an eastern Africa fund. This initiative aims to target companies too large for micro finance and too small for traditional SME (small & medium sized enterprises) funds.

LOAN PORTFOLIO

As of 01.01.01 Norfund assumed responsibility for NORAD's portfolio of loans to companies in developing countries. The portfolio consisted of 48 loans totalling NOK 402 million and was transferred free of charge. Three loans have been repaid in full during 2002, leaving 41 loans remaining. Loan repayments in 2002 amounted to NOK 43.4 million leaving remaining loans as of 31.12.02 amounting to NOK 300 million. Agreed repayments of debts and interest during 2002 have been similar to payments made in 2001, and as such somewhat more than originally expected. Norfund prioritises the following up of vulnerable companies and has been instrumental in arranging re-financing of some contracts.

COMPLETED PROJECTS

Jiffy International purchased Norfund's shares in Jiffy Kenya at the end of 2002.

PROJECT ANGOLA

In January 2002 Norfund established an office in Luanda to make preparations for equity capital investments in Angola. The objective is poverty alleviation through creation of employment and incomes from viable companies within the private sector. A collaboration with Banco Africano de Investimentos (BAI) to establish a management company and an investment fund in Angola will be the next step in this work. Norfund has earmarked USD 5 million for investment in Angola. A letter of intent was agreed with BAI in 2002 and signed in January 2003. Norfund's activity in Angola may release further investments from other investors to the benefit of local communities.

DEVELOPMENT EFFECTS

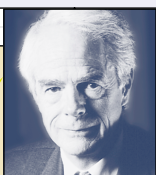
The balance between economic development, social responsibility and environmental protection is reflected in Norfund's activities. Norfund's guidelines concerning environmental issues, social conditions, health (HIV/AIDS), human rights and ethics are detailed in a special policy document. The guidelines are regularly updated and integrated in Norfund's manuals, which are used in all practical investment work.

The companies Norfund has invested in directly have created approx. 1,400 jobs and employment for another 14,000 has been created via the funds Norfund has invested in. Business investments should however not only been seen purely in terms of direct employment created, but also in the context of their wider socio-economic effects. To further document these development effects, one or two in-depth studies will be undertaken in 2003.

PERSONNEL AND ORGANISATION

Norfund has expanded its workforce during 2002 by four positions, giving a year-end total of 21 employees, 43 percent women and 57 percent men. The company actively seeks to make its positions equally attractive for both genders. As of 31.12.02 Norfund had two field workers, one in Costa Rica following up Latin American investments, and one in London (the Managing Director at Aureos Capitals' HQ). The aim for 2003 is to increase capacity in areas where Norfund is currently represented, by utilising local resources in combination with field workers. Norfund will also continue to purchase services and expertise from external sources where necessary.

Norfund's internal working environment is good, and both working conditions and job satisfaction are evaluated by the



Borger A. Lenth



Grete Faremo



company health service. Total absence due to illness was 2.8 percent (98.4 days) of total working time in 2002. Neither personal injuries nor material damage were reported in 2002. Norfund's external environment impact does not exceed that of similar investment fund activities.

ACCOUNTS

It is the board's opinion that the annual accounts represent a satisfactory description of the company's position as of 31.12.02.

At year-end 2002 Norfund's capital base was NOK 1.4 billion including the real value of the loan portfolio. 2002 has been characterized by an unstable world economy and falling values in equity markets. The board expect the instability to continue throughout 2003. The prevailing exchange rates and market instability as of 31.12.02 have been taken into consideration in the valuation of our investment portfolio. Norfund has drawn up a currency hedging strategy to reduce the effect of exchange rate fluctuations on results. The Norwegian national budget for 2003 allocated Norfund a further NOK 485 million, which will increase the company's capital base to NOK 1.8 billion (including the real value of the

loan portfolio). Norfund has not committed itself to investments exceeding the company's capital base.

The year's surplus amounts to NOK 35.6 million after write-downs of NOK 33.8 million. The fall in currency rates resulted in a loss of NOK 37.3 million, and changes in the real value of projects in currency resulted in reversed loan loss provisions of NOK 4.0 million. In accordance with directives for the Norwegian Investment Fund for Developing Countries (Norfund) determined by the royal decree of 09.05.1997, the surplus is transferred to Norfund's surplus account.

ONGOING CONCERN

The annual accounts presuppose continued operations, as the board of directors do not consider circumstances to suggest otherwise.

BOARD OF DIRECTORS

The board held seven board meetings in 2002. The gender breakdown of the board is 60 percent men and 40 percent women.

Oslo, 12 February 2003

Arve Johnsen
Chairman

Borger A. Lenth
Deputy chairman

Gunn Wenche Andersgaard

Grete Faremo

Erik Århus

Per Emil Lindøe
Managing Director



Gunn Wenche
Andersgaard



Erik Århus



PROFIT AND LOSS ACCOUNT

	(In NOK 1000)	Note	2002	2001
Operating Income		1	56 051	56 158
Operating Expenses				
Payroll and related costs		2	14 869	8 619
Depreciation of tangible fixed assets		3	782	626
Write-down of investment projects		4	33 809	51 012
Other operating expenses		14	21 639	12 063
Total operating expenses			71 099	72 319
Operating loss			-15 048	-16 162
Result from investment in joint ventures		5	-11 925	387
Other interest received			59 124	42 257
Other financial income		12	8 365	127
Other financial expenses		12	4 962	99
Financial result			50 601	42 673
Profit for the year			35 553	26 511
Transfers				
Transferred to surplus fund		10	35 553	26 511
Total disposals			35 553	26 511



BALANCE SHEET

Assets	(In NOK 1 000)	Note	2002	2001
Fixed assets				
Tangible fixed assets				
Operating equipment, fixtures, fittings tools, etc.		3	1 335	1 095
Total tangible fixed assets			1 335	1 095
Financial fixed assets				
Investments in joint ventures		5	106 801	18 726
Loans to joint ventures		5	400 000	0
Pension funds		2	3 430	631
Total financial fixed assets			510 231	19 358
Total fixed assets			511 566	20 453
Current assets				
Accounts receivable				
Other accounts receivable		6	1 372	388
Loan portfolio		6	0	0
Total accounts receivable			1 372	388
Investments				
Provision for loss on investment projects		7,4	18 935	10 878
Equity investments		8,4	167 992	148 079
Total investments			186 927	158 957
Bank deposits, cash in hand, etc.				
Liquid assets tied up in investments; committed, cleared in principle and approved		8,9	576 810	530 522
Other liquidity		8,9	-33 952	98 667
Total cash at bank and in hand, etc.			542 857	629 189
Total current assets			731 155	788 535
Total assets			1 242 721	808 988

BALANCE SHEET

Equity and liabilities

(In NOK 1 000)

Note

2002

2001

Equity

Called-up and fully paid capital

Primary capital 10 858 750 562 500

Reserve capital 10 286 250 187 500

Total called-up and fully paid capital 1 145 000 750 000

Retained earnings

Surplus fund 10 80 376 44 823

Total retained earnings 80 376 44 823

Total equity 1 225 376 794 823

Liabilities

Provisions

Other provisions 0 0

Total provisions 0 0

Other long-term liabilities

Remaining long-term liabilities 1 370 1 370

Total other long-term liabilities 1 370 1 370

Short-term liabilities

Trade payables 831 152

Social security, VAT and other taxation payable 1 821 1 067

Unused funds (Trust Fund) 11 11 553 9 802

Other short-term liabilities 1 770 1 774

Total short-term liabilities 15 975 12 795

Total liabilities 17 345 14 165

Total equity and liabilities 1 242 721 808 988

Oslo, 12 February 2003

Arve Johnsen
Chairman

Borger A. Lenth
Deputy chairman

Gunn Wenche Andersgaard

Grete Faremo

Erik Århus

Per Emil Lindøe
Managing Director



CASH FLOW STATEMENT

Cash flow from operating activities	(In NOK 1 000)	Note	2002	2001
Profit before tax			35 553	26 511
Profit on sale of fixed assets			13	0
Depreciation and amortisation		3	782	626
Write-down of current assets		4	33 809	51 012
Changes in accounts receivables and accounts payables			135	215
Differences in pension cost and amount paid from pension scheme			-2 799	-809
Profit/loss when the equity and the proportionate consolidation method is applied			11 925	-387
Effect of changes in exchange rates			4 790	-323
Amounts classified as investing or financing activities			0	0
Changes in other balance sheet items			361	172
Net cash flow from operational activities			84 568	77 017
Cash flow from investment activities				
Investment in tangible fixed assets		3	-1 036	-486
Proceeds from sale of investments in shares and joint ventures			8 837	1 360
Acquisition of investments in shares and joint ventures			-159 248	-68 755
Acquisition of other investments			-418 489	-5 808
Proceeds from sale of other investments			2 335	2 748
Net cash flow from investing activities			-567 602	-70 941
Cash flow from financing activities				
Proceeds from issuance of short-term debt		11	7 000	5 000
Repayment of long-term loans			0	0
Repayment of short-term loans			-5 299	-6 498
Increase in- / repayment equity			395 000	225 000
Net cash flow from financing activities			396 701	223 502
Effect of changes in exchange rates on cash and cash equivalents			0	83
Net change in cash and cash equivalents			-86 332	229 661
Cash and cash equivalents as of 01.01			629 189	399 528
Cash and cash equivalents as of 31.12		9	542 857	629 189



Accounting principles

The accounts have been set up in accordance with the rules laid down in the Norwegian Accounting Act and generally accepted accounting principles in effect as of 31. December 2002. The most important accounting principles followed by the Fund are described below.

Principles for revenue recognition

The operating revenues include dividend, gains on the sale of shares / ownership interests in other companies, income from interest on loans granted to other companies, directors' remuneration, other project income, gains on the sale of fixed assets, interest and principal repayments from the loan scheme.

Gains from the sale of shares / ownership interests in other companies are taken to income in the year the sale takes place. Interest is taken to income as and when it is earned.

Payments of interest and principle from the investment portfolio are taken to income at the time payment is received (cash principle).

When loans to development projects are classified as doubtful commitments, posting of income from interest related to the doubtful commitment is stopped, and the default unpaid interest is reversed.

Financial income and expenses

Income from interest on the Fund's liquidity reserve held with Norges Bank (the central bank of Norway), other Norwegian banks and the cash unit trust are entered as financial revenues. Income from completed futures contracts are entered against Other financial income and Other financial costs, respectively.

Pension liability and pension costs.

The company has a pension plan that entitles its members to defined future benefits, called defined benefit plans. Accounting of pension costs takes place in accordance with the Norwegian Accounting Standard, Pension costs. The pension cost is classified as an ordinary operating cost and is presented together with Payroll and related costs.

Joint ventures

Joint ventures refer to activities co-owned by Norfund, and one or more partner companies. Joint ventures are entered in the accounts according to equity accounting principles. The company's share of income from a jointly controlled activity is presented as a separate item in the accounts. In the same manner, ownership interest is presented as a separate assets item in the balance sheet. Investments in Aureos Capital Ltd. and Statkraft Norfund Power Invest AS are entered as jointly controlled operations in accordance with accepted accounting procedures. Where final figures are unavailable, estimates are used for the expected income.

Equity investments

Normally the Fund treats its investments in other companies as current assets, i.e. the equity method is not used, even though the Fund's ownership interest provides Norfund with considerable influence. This is because the purpose of the Fund's investments is to dispose of the whole or parts of the individual investment after completed structuring and development. This is in accordance with Norfund's purpose and is in line with the rules laid down in the Accounting Act and generally accepted accounting principles. Under generally accepted accounting principles, such investments by their nature are temporary and should therefore be included in current assets.

Equity investments in companies are valued at the lowest of cost price and market value based on a concrete assessment of each investment such that individual investments are written down where this is considered necessary because of a permanent fall in value (specified write-downs). No general provision for losses is made. See also the section regarding treatment of currency.



By 'committed investments' is meant that there is an external obligation to pay a designated amount, while by 'investments cleared in principle 'and' approved' is meant that there is a board decision regarding investment, but that Norfund is not bound externally by this.

Loans

Norfund manages two types of loan:

- Loans in connection with Norfund's equity investments, paid by Norfund (project loans)
- Loans to companies in developing countries, taken over from NORAD (loan portfolio)

Loans to projects are entered as current assets.

Project loans are valued at the lowest of face value and the amount expected to be recovered.

The loan portfolio overtaken from NORAD is, based on the company's strategy, classified as current assets, and posted in the accounts at historical cost, NOK 0. Payments received from the loan scheme therefore follow the cash principle and are taken to income at the time of payment.

Write-offs

Losses on commitments are posted in the accounts as write-offs in the event of liquidation or similar cause, and where Norfund has relinquished its claims.

Treatment of foreign currency

Cash at bank and loans are valued at the exchange rate at the end of the accounting year. Unrealised gains/losses are posted as operating revenues/other operating costs. Assessments of value changes resulting from changes in currency exchange rate are also included in the assessment of the equity investments (see above).

Cash at bank, cash in hand

Liquid assets include money market funds and the like. Norfund has chosen to present how much of the liquidity tied up in investments that are approved in principle and approved as of 31.12.02, was not paid out. In the balance this is entered as 'Liquid assets tied up in investments, committed, and approved and cleared in principle'. The maximum amount has been employed. In the event of investments being withdrawn the amount may be reduced. The remaining cash balance is called 'Other liquid assets'.

Short-term receivables

Short-term receivables are posted at their expected value and adjusted for irrecoverable items.

Tangible fixed assets

Tangible fixed assets are entered at cost price reduced by operational depreciation based on the economic life of the fixed asset.

Equity

Norfund's equity is divided into primary capital, reserve capital and surplus capital. The distribution is undertaken on the basis of framework conditions for Norfund's activity by returning a report to the Ministry of Foreign Affairs if Norfund's losses are of such size that it encroaches on the primary capital. The profit for the year shall be added to the surplus capital, while any loss shall be deducted from this or the reserve capital if the first-mentioned fund is of such size that it does not cover the loss for the year.

NOTE 1

Segment information

Segment information by area of activity:

With regard to segment information, Norfund has chosen only to select and give information on result items connected to the loan portfolio. This is because the scheme is separate and apart from other investment activity and entails another risk profile for the company.

	2002			2001		
	Norfund total	Loan portfolio*	Norfund excl loan portfolio	Norfund total	Loan portfolio*	Norfund excl loan portfolio
<i>(In NOK 1 000)</i>						
Operating income	56 051	54 232	1 819	56 158	53 978	2 180
Operating expenses						
Payroll and related costs	14 869	1 844	13 025	8 619	937	7 681
Depreciation tangible fixed assets	782	92	690	626	103	523
Losses on sale of operating assets	13	2	11	0	0	0
Write-downs on investment projects	33 809	0	33 809	51 012	0	51 012
Other operating expenses	21 627	1 958	19 669	12 063	1 989	10 074
Total operating expenses	71 099	3 896	67 203	72 319	3 029	69 290
Profit/(loss) from operations	-15 048	50 336	-65 384	-16 162	50 948	-67 110
Financial income	50 601	4	50 597	42 673	0	42 673
Total income	35 553	50 340	-14 787	26 511	50 948	-24 438

*Revenues and expenses are partly directly attributable, partly joint expenses that are distributed according to a distribution formula fixed on the basis of the number of persons employed.

Geographically distributed segment information for investments:

There are no significant accounting-related balance sheet values connected to the loan scheme, either as assets or liabilities.

	Africa	Asia	Latin-America	Europe	Globalt	Write-downs	Total
Balance							
Equity investments	77 898	103 576	40 835	28 091	500	-82 908	167 992
Loans to equity investments	0	8 230	18 385	1 148	250	-9 078	18 935
Total balance	77 898	111 805	59 220	29 239	750	-91 986	186 927
Operating income	18 926	32 842	3 346	64	874		56 051



NOTES

NOTE 2

Payroll and related costs

Payroll and related costs

(In NOK 1 000)

	2002	2001
Payroll and related costs	10 118	6 613
Board's remuneration	340	320
Employer's National insurance contributions	1 786	1 024
Personnel insurances	242	112
Pension costs	1 964	653
Other benefits	620	296
Refunded personnel costs from Trust-fund	-200	-400
Total salaries and other personnel costs	14 869	8 619

Remuneration to management

(In NOK 1 000)

	Managing Director	Chairman of the Board
Salaries	1 009	70
Contributions to pension commitments	374	0
Other benefits	12	0
Total	1 395	70

The Managing Director has no contract for salary after termination of employment beyond the ordinary notice period of three months. The Chairman of the Board has no contract for salary after termination of employment.

The chairman of the Board has also received fees of NOK 50,000 for work done for Norfund concerning Aureos and NOK 40,000 for work done for Norfund concerning SN Power Invest AS. Another board member has also received NOK 25,000 for work done for Norfund concerning SN Power Invest AS.

The Auditors' fee is carried to expense in the amount of NOK 454,425, of which NOK 347,758 is for auditing and related services, and NOK 106,667 is for other accounting assistance from the auditor and collaborating companies.

Number of employees:

At the end of the year, the company had 21 employees. The average number of employees for the year has been 19.

Pensions

Pension commitments for all employees have been covered by a group pension insurance policy. The commitments are entered into the Balance Sheet. Pension costs, pension funds and commitments have been calculated by the insurance company's actuary. The difference between book value as of 31.12. the previous year and the calculated value in the Natural Resources Systems Programme (NRSP) calculation at 01.01. of the following year is entered directly. As of 31.12.02, 20 persons were covered by the policy.

Financial assumptions

	2002	2 001
Discount rate	7.0%	7.0%
Expected return on pension funds	8.0%	8.0%
Wage adjustment	4.0%	4.0%
Pension adjustment	3.0%	3.0%
Adjustment to the social security basic amount	3.0%	3.0%
Turnover	7.0%	7.0%
Expected retirement on AFP (Early retirement pension) from age 62.	0.0%	0.0%
Employer's contribution to social security	14.1%	14.1%

cont. NOTE 2

Net pension cost for the period

<i>(In NOK 1 000)</i>	2002	2001
Present value of the pension accrual for the year		
Present value of pension accrual as of 01.01	1 496	600
Interest	182	96
Present value of the pension accrual for the year	1 678	696
Interest cost of pension commitment		
Pension commitment at the beginning of the year	2 598	1 378
Pensions paid out	0	0
Average expected pension commitment	2 598	1 378
Discount rate (%)	7%	7%
Interest costs	182	96
Expected return on pension funds		
Market value of pension funds at the beginning of the year	2 760	1 222
Pensions paid out	0	0
Payments received including premiums	4 416	1 462
Expected return (%)	8%	8%
Expected return on pension funds	287	40
Amortisation of transfer effect	0	0
Amortisation or direct entry of deviation into result	391	0
Net pension cost	1 964	617
Pension commitments		
<i>(In NOK 1 000)</i>		
OB accrued pension commitments	2 598	1 378
+ Present value of pension accrual for the year	1 678	696
+ Interest on accrued pension commitments	182	96
- Pensions paid out	0	0
CB accrued pension commitments	4 457	2 171
OB Pension funds	2 760	1 222
+ Expected return	287	40
+ Payments received for the year	4 416	1 462
- Pensions paid out	0	0
CB Pension funds	7 463	2 724
Reconciliation of net pension commitments against entered		
<i>(In NOK 1 000)</i>		
CB Pension funds	7 463	2 724
CB Accrued pension commitments	-4 457	2 171
CB net pension funds	3 006	553
Employer's national insurance contribution	424	78
CB net pension funds incl. employer's national insurance contribution	3 430	631



NOTES

NOTE 3

Tangible fixed assets

<i>(In NOK 1 000)</i>	Operating equipment, fixtures, fittings, etc	Permanent office fixtures, fittings	Art	Total
Cost price and ordinary depreciation				
Cost price as at 01.01	2 432	0	67	2 499
+ acquisitions during the period	854	182	0	1 036
- disposals during the period	-60	0	0	-60
Cost price at end of period	3 226	182	67	3 475
Acc. ordinary depreciation as at 01.01	1 403	0	0	1 403
+ ordinary depreciation for the period	768	14	0	782
- acc. ord. depr. sold operating assets	-45	0	0	-45
Acc. ordinary depreciation at end of period	2 126	14	0	2 140
Book value for accounting purposes at end of period	1 100	168	67	1 335

Operating equipment, fixtures, fittings, etc. are depreciated by the straight-line method. The expected lifetime of operating assets is 3–4 years. Art is not depreciated.

There have been no write-downs made on operating equipment fixtures, fittings, etc. as of the end of 2002.

NOTE 4

Write-downs

<i>(In NOK 1 000)</i>	Write-downs as at 01.01.02	Realisation of losses 2002	New write-downs 2002	Total write- downs as at 31.12.02
Provisions for losses on loans to projects	5 768		3 310	9 078
Provisions for losses on equity investments	52 997	588	29 911	82 908
Total	58 765	588	33 221	91 986

Booked provisions for losses on loans to projects consist of new provisions for losses and realisation of losses in 2002.



NOTE 5

Investment in joint ventures

<i>(In NOK 1 000)</i>	Aureos Capital Ltd	Statkraft Norfund Power Invest AS	Total
Formal information			
Date of acquisition	30.06.01	27.06.02	
Registered offices	Mauritius	Oslo	
Ownership share	50%	50%	
Voting share	50%	50%	
Information related to the date of acquisition			
Acquisition cost	18 339	100 000	
Equity entered into Balance Sheet at date of purchase (our share)	18 339	100 000	
Excess value / shortfall	0	0	
Goodwill	0	0	
Information related to the year's figures			
Opening balance 01.01.02	18 726	0	18 726
Capital inflow 27.06.02	0	100 000	100 000
Deducted non-amortised excess value	0	0	0
Deducted non-amortised goodwill	0	0	0
Share of the year's result (+/-) ¹	-9 122	-2 804	-11 925
Entering into result excess value / shortfall (excl. Goodwill) (+/-)	0	0	
Amortisation of goodwill (-)	0	0	0
Closing balance 31.12.01	9 605	97 197	106 801

¹ Share of the year's result based on estimated figures.

An additional convertible loan of NOK 400 million was made to Statkraft Norfund Power Invest AS in 2002. The right of conversion belongs to Statkraft Norfund Power Invest AS.

The annual accounts for the joint ventures are available from Norfund upon request.



NOTES

NOTE 6

Receivables

Other receivables: All receivables are due within one year.

The loan portfolio, entered under receivables was taken over from NORAD without payment and has therefore been entered with a book value of NOK 0 in the accounts.

<i>(In NOK 1 000)</i>	Opening loan	Repaid	Paid interest	Write-down	Closing loan
	balance, as at	principle		loan balance	balance as at
	01.01.02	01.01–31.12	01.01–31.12	31.12.02	31.12.02
	357 943	43 325	10 886	13 634	300 984

Book value 0 0

All loans are in NOK and therefore not adjusted for agio. Estimated excess value of the loan portfolio as of 31.12.02 is NOK 180 million.

Accounts with joint ventures

	Other receivables	
	31.12.02	31.12.01
Joint ventures	58	265
Other receivables	1 314	123
Total other receivables	1 372	388

NOTE 7

Loans to companies in the investment portfolio

<i>(In NOK 1 000)</i>	Currency	Book value ¹ (Currency)	Book value ¹ (NOK)	Income from interest (NOK)
Finarca	USD	900	6 269	901
Sinor/Dayoo	USD	1 181	8 230	
Norfish Blagaj	EUR	157	1 148	-61
Palnorec	USD	40	274	
Future & Hope	NOK	250	250	
LACIF	USD	1 700	11 842	
Jambo Roses			0	8
Total loan to companies			28 013	848

Write-downs of loans as of 31.12.02 -9 078

Book value loans 18 935

Loans committed, cleared in principle and approved (incl. disbursed loans) 33 105

	2003	2004	2005–	Sum
Payment plan for loans to projects	5 092			5 092

¹ Figures as of 31.12.02 and prior to any write-downs.

Negative interest on loans to Norfish Blagaj is due to repayment of booked earned interest in 2001.

NOTE 8

Equity investments

Equity investments in funds

<i>(In NOK 1 000)</i>	Currency	Ownership share	Contractual investments (in currency)	Book value ¹ (in currency)	Contractual investments (NOK)	Book value ¹ (NOK)	Dividend received (NOK)
Horizonte	EUR	3.0%	465	279	3 644	2 288	
Minco	USD	15.8%	2 210	840	16 336	6 793	
FEDHA Fund	USD	11.5%	1 500	750	11 315	6 090	
LACIF	USD	17.5%	800	800	6 107	6 107	
CAIF	USD	3.8%	1 000	888	7 928	7 151	
Msele Nedventures	ZAR	14.6%	12 000	12 000	15 900	15 900	
African Infrastructure Fund	USD	1.2%	5 000	1 602	37 565	13 895	
Indian Ocean II	USD	17.1%	3 000	1 827	24 322	16 151	
SEAF Trans-Balkan Fund	USD	22.9%	5 000	2 009	38 371	17 537	
CASEIF	USD	48.8%	5 000	1 371	37 479	12 199	
Siam Investment Fund II	USD	9.0%	5 000	2 557	38 756	21 739	
SEAF Sichuan SME Fund	USD	13.3%	3 000	300	21 505	2 697	
Horizon Tech Ventures	ZAR	18.1%	26 000	7 291	22 359	7 386	
ACAF	USD	30.0%	10 000	880	70 107	6 580	
Total investments in funds					351 694	142 513	0

Contractual investments in funds

351 694

Investments in funds cleared in principle and approved

238 924

Investments in funds committed cleared in principle and approved

590 618

By committed we mean that a binding contract on investment has been entered into. When an investment is approved or cleared in principle, it means that an internal decision has been taken to make an investment, but a contract has not necessarily been entered into.

As regards conversion to NOK, the exchange rate at the time of payment is utilised for the part of the amount that has been paid. For the part that has not been paid, the exchange rate as at 31.12.2002 is used.

Equity investments in management companies

<i>(In 1 000)</i>	Currency	Ownership share	Book value ¹ (in currency)	Book value ¹ (NOK)	Dividend received (NOK)
Lafise Investm. Managem.	USD	20%	2	17	
AMSCO	EUR	4%	240	1 837	
Total invested in management companies				1 855	0

Contractual investments in management companies

1 855

Investments in management companies cleared in principle and approved

0

Investments in management companies committed, cleared in principle and approved

1 855

NOTES

cont. NOTE 8

Equity investments in companies

	Currency	Ownership	Book value ¹ (in currency)	Book value ¹ (NOK)	Dividend received (NOK)
Palnorec	USD	27.7%	400	3 097	
Scancement	USD	24.6%	5 000	40 219	
Sinor/Daiyoo	USD	34.9%	1 197	9 845	
Norfish Blagaj	EUR	30.7%	1 021	8 266	
Finarca	USD	23.6%	598	5 684	
Genomar	NOK	8.1%	20 000	20 000	
Nividhu	LKR	15.0%	10 800	1 116	
Pan Marine	NOK	0.0%	17 805	17 805	
Future & Hope	NOK	35.3%	500	500	
Total invested in companies				106 532	0

Contractual investments in companies	106 556
Investments in companies cleared in principle and approved	123 588
Investments in companies committed, cleared in principle and approved	230 145
Total book investments in funds, management companies and companies	250 899
Write-downs of investments as of 31.12.02	-82 908
Book value of investments	167 992

	2003	2004	2005-	Total
Payment plan for equity investments	175 505	199 379	196 834	571 718

Cleared in principle, approved and committed investments but not paid	2002	2001
Cleared in principle, approved and contractual investments in funds	590 618	557 038
+ Cleared in principle, approved and contractual investments in managem. Co's	1 855	1 819
+ Cleared in principle, approved and contractual investments in Co's	230 145	169 100
+ Cleared in principle, approved and committed loans	33 105	20 286
= Total committed, cleared principle and approved investments	855 722	748 243
- Total equity investments	250 899	201 076
- Total loan to equity investments	28 013	16 646
= Committed cleared in principle and approved, but not paid	576 810	530 522

¹ Figures as of 31.12.02 and prior to any write-downs.



NOTE 9

Cash at bank, cash in hand

As at 31.12.01 and 31.12.02, NOK 530 522 000 and NOK 576 810 000 respectively were cleared in principle, approved and committed, but not paid. The remaining liquid assets include the balance of the blocked employee tax withdrawal account in the amount of NOK 820 666. Further, NOK 11 503 255 of the company's liquid assets are tied up in Trust Funds. The contents of these Funds can only be used in accordance with guidelines set up for the Trust Funds.

NOTE 10

Change in capital

(In NOK 1 000)	Primary-capital	Capital in legal reserves	Surplus fund	Total equity
Capital as of 31.12.01	562 500	187 500	44 823	794 823
Capital inflow	296 250	98 750		395 000
Profit for the year			35 553	35 553
Capital as of 31.12.02	858 750	286 250	80 376	1 225 376

Reserve capital is 25% of the total of called-up and fully paid capital. Reserve capital may only be used for covering losses which cannot be covered by other fund reserves outside primary capital.

The company has received NOK 1 145 million in capital from the State, of which NOK 395 million was received in 2002.

NOTE 11

Unused funds (Trust Fund)

In 2002, Norfund received NOK 7 million in Trust Fund capital. The Trust Fund is intended to cover Norfund's costs, over and above normal operating costs, for measures to stimulate increased investments in developing countries and to ensure success for the investments made. The Trust Fund is treated as a short-term liability, and amounts paid are included in Norfund's liquid assets. The debt is reduced by the equivalent amount paid by the Trust Fund to cover costs. The Trust Funds paid a total of NOK 5.2 million to cover costs in 2002. The remaining balance in the Trust Funds (remaining capital) amounts to NOK 11.6 million.



NOTES

NOTE 12

Information regarding the financial market risk and use of financial instruments

Market risk

Norfund is exposed to market risk associated with foreign exchange and interest rates. The individual market risks are evaluated based on expected cash flow, and forward exchange contracts were used to reduce the uncertainty of expected amounts. In 2002 two forward exchange contracts in USD were concluded. The contracts were entered in the profit and loss account under Other financial incomes and Other financial expenses. As of 31.12.02 Norfund had no outstanding forward exchange contracts.

A large part of Norfund's investments and income are expected to be in USD. Norfund introduced a currency hedging strategy in December 2002. This aims to reduce currency risk and liquidity risk for expected deposits and withdrawals of currency, and to help safeguard the value of the investment portfolio. Norfund is also exposed to risk from currencies other than USD. These risks are not covered by the hedge due to the lack of a market for forward contracts.

Interest risk

Norfund is primarily affected by interest risk from liquid assets placed in Norwegian banks.

Credit risk

Loans to projects are written down to the expected recoverable amount. The risk on the loans is partly reflected in the interest terms for the individual loan. The loan portfolio does not entail any accounting-related risk, since this has no Balance Sheet value. The risk connected with these loans is regarded as high. The concentration of credit risk is not considered significant, due to Norfund's sectoral and geographical diversification.

Liquidity risk

The company attempts to show its liquidity risk through splitting up the liquid reserves in 'Liquid assets tied up in investments approved in principle, approved and contractual' and 'Other liquid assets'. The company estimates itself the expected payment flow from contracts entered into.

NOTE 13

Commitments

<i>(In NOK 1 000)</i>		Annual rental costs
	Rental period	
Premises in Munkedamsveien 45B	01.08.99-31.07.2009	1 931

NOTE 14

Combined items

Items that have been combined in the profit and loss account:

	2002	2001
Losses on sale of operating assets	13	0
Other operating expenses	21 626	12 063
Total	21 639	12 063

Auditor's report



KPMG AS

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To NORFUND, a company under special law

AUDITORS REPORT FOR 2002

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of NORFUND as of 31 December 2002, showing a profit of NOK 35,553,000. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes. These financial statements and the Directors' report are the responsibility of the Fund's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards and practices an audit also comprises a review of the management of the Fund's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Fund as of 31 December 2002, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Fund's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with the law and regulations.

Oslo, 12 February 2003
KPMG AS

Tom Myhre
State Authorised Public Accountant
(Norway)

Note: This translation of the Norwegian statutory Audit Report has been prepared for information purposes only



ACT LOCALLY, THINK GLOBALLY

This is Aureos
Aureos Capital gives
Norfund local presence
Status 2002
The way ahead
CDC Capital Partners

Norfund
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THIS IS AUREOS

- Fund management company founded in 2001
- Owned 50/50 by Norfund and CDC Capital Partners
- Head office in London and 11 local management companies, of which seven in Africa, two in Asia and two in Central America
- 86 employees, seven at head office
- Manages 15 funds with total capital of USD 198 million
- Invests in small to medium-sized enterprises
- Managing Director Thorbjørn Gaarder was previously Project Director at Norfund

www.aureos.com

AUREOS CAPITAL GIVES NORFUND LOCAL PRESENCE

Through Aureos Capital, Norfund is involved in the management of local investment funds. Such funds contribute to the development of capital markets that focus on local enterprises. With its 11 management companies spread across several countries and continents, Aureos ensures close links to its markets. Knowledge about local conditions and a well-developed network are key success factors. Local offices provide better access to new projects and allow us to operate as an active owner and to follow individual investments closely.

Through active ownership Aureos ensures that the companies in their portfolio meet the economic, environmental and social criteria set by the owners. Norfund works to determine such criteria through the Aureos Board and via participation in the funds' managing bodies. As a fund manager, Aureos has allowed Norfund to become involved in many more developing countries and poverty alleviation projects than otherwise would have been possible. Via Aureos, CDC and Norfund also play a part in mobilising capital from other investors. CDC and Norfund have invested only a third of the capital in the funds managed by Aureos, the remaining capital comes from other investors

STATUS 2002

A year and a half after the establishment of Aureos Capital, the company manages USD 198 million through its funds, of this approx. USD 17 million from Norfund. In 2002 the Aureos Central America Fund (ACAF) was launched from its offices in El Salvador and Costa Rica. ACAF is the first fund for small to medium-sized enterprises (SME) founded since 11 September 2001. The fund's capital base comes from multiple sources (incl. IFC, CDC, IDB/IIC and Norfund) and amounts to approx. USD 40 million.

THE WAY AHEAD

Aureos aims to establish three new regional funds, in eastern, west and southern Africa, in 2003. These are planned to have a total capital base of USD 150 million. Aureos aims to consolidate its position as a leading fund management company. Through establishing and operating funds the company is a significant force for employment creation, capital flow and growth in the SME sector in developing countries. Their close partnership in the SME sector has fostered increased cooperation between Norfund and CDC in other fields, like energy and finance.

CDC CAPITAL PARTNERS

- Capital base of approx. GBP 1 billion
- CDC invests in a wide range of sectors in Africa, Latin America, South America and Asia Pacific
- Aureos facilitates the focus on SMEs. CDC focuses on larger companies
- Founded in 1948 as 'Colonial Development Corporation', series of name and focus changes before becoming CDC Capital Partners

www.cdcgroup.com



THIS IS SN POWER

- Founded in 2002
- Owned 50/50 by Norfund and Statkraft SF
- Business activities: Investing in, developing and operating energy projects in developing countries. Primarily hydroelectric power projects, and subsequently plants for other types of renewable energy
- Primary focus in Asia, Latin America and Africa
- Capital base of NOK 1 billion, with planned increase to NOK 5 billion

www.snpowerinvest.com

Access to energy is closely connected with economic growth and necessary for developing industry and creating employment. Without commercial electricity supply local communities and companies remain dependent upon unstable, often polluting energy sources and have little chance of improving quality of life or achieving profitable production processes.

The UN has estimated that around 2 billion people in developing countries are without access to electricity. The demand for electricity is rising rapidly in these areas, and is estimated to rise 4–5 percent annually the next 18 years. This is more than double the increase expected in industrialised countries. In the run-up to the World Summit on Sustainable Development in Johannesburg in 2002 secretary-general of the United Nations, Kofi Annan, stated that energy plays a key role in development. He also considered availability of energy to enable improved quality of life, together with increased use of renewable energy, to be among the main challenges facing the world today. Energy was defined as one of the five main themes of the summit, through the WEHAB* initiative.

WHY SN POWER?

Ensuring access to electricity is an important step in reducing poverty. The structure of the energy sector also necessitates secure long-term capital. SN Power is therefore a key instrument for Norfund. Whilst there is a growing worldwide demand for clean, renewable energy, major players have been withdrawing from energy projects in developing countries. The deregulation of recent years and the privatisation of the energy industry is increasing risk and making the market less attractive for smaller operators. With its capital and expertise SN Power has a competitive advantage in this market that allows the acquisition and expansion of hydroelectric power stations. Statkraft is internationally recognised

* WEHAB: Water, energy, health, agriculture and bio-diversity

ENERGY: A PREREQUISITE FOR DEVELOPMENT

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This is SN Power
Why SN Power?
The way ahead
Statkraft SF



for its expertise within hydropower. By combining Statkraft's hydroelectric expertise and Norfund's commercial expertise and network in developing countries, investments should provide both positive development effects and good economic results. SN Power may also provide new possibilities for Norwegian businesses involved in supplying consulting and equipment to the international energy industry.

THE WAY AHEAD

SN Power is building a significant international position as an owner and operator of renewable energy projects in developing countries. The acquisition of hydroelectric power plants can secure the projects long-term ownership and the company positive capital flow. In the longer term, new energy sources will become an important area of priority for SN Power.

STATKRAFT SF

- Founded in early 1900s, a state enterprise since 1992
- Statkraft's production provided by approx. 75 power plants in Norway (both wholly and partially owned)
- Capacity of 1200 MW
- Around 850 employees
- Aim to be European market leader for environment-friendly energy

www.statkraft.no

LONG-TERM CAPITAL IS SCARCE IN DEVELOPING COUNTRIES

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INTERNATIONAL NETWORK

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Cooperation with other organisations is useful for information exchange and in co-financing of projects. It is also necessary to collaborate on framework conditions for investments in developing countries. Norfund has close contact with its European counterparts and other organisations within the World Bank and UN system. Via Aureos Capital a close cooperation has been established with CDC Capital Partners. Norfund also has cooperation agreements with International Finance Corporation (IFC) and NORSAD. Norfund also works closely with the Multilateral Investment Fund (MIF), Inter-American Development Bank (IDB) and the European Investment Bank (EIB). Norfund is a member of the European Development Finance Institutions (EDFI) and the European Private Equity and Venture Capital Association (EVCA). Norfund has regular dialogue with the authorities in its partner countries and with Norwegian agents like the Norwegian Agency for Development Cooperation (NORAD), The Guarantee Institute for Export Credits (GIEK), Eksportfinans and the Norwegian Trade Council (Eksportrådet).

CDC: CDC Capital Partners. British financial institution. Owns Aureos Capital with Norfund. Invests risk capital in profitable activities in developing countries.

IFC: The International Finance Corporation is the private investment division of the World Bank group in Washington D.C. Seeks to promote economic growth in the private sector in developing countries. IFC has approx. 170 member countries and contributes through investments in joint financing with foreign and local capital.

IDB: The Inter-American Development Bank, Washington D.C. Development bank providing long-term loans to development projects in Latin America and the Caribbean, mainly focusing on the social sector. IIC, Inter-American Investment Corporation, and MIF, Multilateral Investment Fund, are both subsidiaries of IDB.

SEAF: Small Enterprise Assistance Fund (SEAF) is an American fund management company based in Washington D.C. SEAF specialises in undertaking profitable investment in small to medium sized private enterprises (SME) in developing countries.

NORSAD: Loan institution owned jointly by SADC (Southern African Development Community) and the Nordic countries.

EDFI: European Development Financial Institutions is a group of development finance institutions in the EU.

EVCA: The European Private Equity and Venture Capital Association. The organisation representing European venture capitalists.

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Design: z:design/Gazette – Production: Gazette

