Norfund 2013

Annual Report

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ANNUAL REPORT 2013

Norfund – The Norwegian Investment Fund for Developing Countries – was established by the Norwegian Parliament (Stortinget) in 1997 as a state-owned investment company. Norfund is an instrument of Norwegian development policy. Through the development of profitable companies, particularly within the fields of renewable energy, the financial sector and agriculture, and by transferring knowledge and technology, Norfund contributes to economic development and profitable, sustainable jobs in poor countries. At the end of 2013, the total investment portfolio amounted to NOK 9.6 billion.

1. SUMMARY OF THE YEAR

Norfund entered into investment agreements for NOK 1.9 billion in 2013. Approximately NOK 0.9 billion was invested in renewable energy, while NOK 0.6 billion was invested in financial institutions and NOK 0.2 billion in agriculture and related industry.

The fundamental feature of Norfund's strategy since 2007 has been the geographic concentration on eastern and southern Africa, Central America and selected countries in Southeast Asia, concentrating on the sectors of renewable energy, financial institutions, agriculture and related industries. The strategy entails a strict prioritisation between the available projects, all of which will have a substantial development effects.

Approximately 49 per cent of Norfund's investment portfolio is in renewable energy, while 24 per cent of the portfolio is in financial institutions, including microfinance, and 11 per cent is in agriculture and agricultural industries. The remaining portion of the portfolio is primarily invested in tourism and other small and medium-sized enterprises.

The development of renewable energy is essential for ensuring an environmentally sustainable development, and it is still Norfund's largest investment area. 2013 represented a breakthrough for Norfund in investments in solar and wind power, with major investments in solar power in South Africa, and in wind power in Kenya. In addition, in 2013 Norfund decided to continue a long-term cooperation with Statkraft on the development of hydropower through a restructured SN Power. The new SN Power will concentrate its activities in sub-Saharan Africa, Central America and Southeast Asia.

A breakthrough in the efforts of mobilising private capital was achieved in 2013, with the establishment of Norfinance AS alongside four private Norwegian partners. Norfinance AS will invest in banks and financial institutions in Africa.

Geographically, sub-Saharan Africa and the least developed countries (LDCs) featured most prominently in investments in 2013. Excluding investments in SN Power, 68 per cent of new investments were made in sub-Saharan Africa, while 42 per cent were made in LDCs. Including SN Power, 43 per cent is invested in Africa and 28 per cent in LDCs.

Norfund prioritises investments in fragile states. Norfund made its first investment in Myanmar (microfinance) and its first two in Zimbabwe (banking and fish farming) in 2013. The investment company Kinyeti Capital in South Sudan has made several portfolio investments, while also making a direct investment in the first high rise business property in the capital Juba. Norfund has also continued to work on the development of a hydropower plant in Fula Rapids in South Sudan, where construction is planned to start in 2014. However, the unrest in South Sudan that flared up in December 2013 makes it clear that investments in fragile states come with a high risk, and progress in the current projects is highly uncertain.

Norfund now has five regional offices: Maputo, Nairobi and Johannesburg in Africa, Bangkok in Asia and San Jose in Central America. Norfund's policy is to recruit personnel with local expertise. In 2013, manpower in the regional offices was increased further.

Adjusted equity at the end of 2013 was NOK 12,580 million, compared with NOK 10,854 million at the end of 2012.

2. NORFUND'S ACTIVITIES

2.1. Activities and investment areas

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

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

Renewable energy: Investment in renewable energy is intended to improve and increase electricity production from renewable energy sources, thereby helping to provide a sound basis for economic development. The projects are characterized by large capital requirements and high risks, associated with factors such as construction and hydrological conditions. Norfund's investments in renewable energy have been highly profitable and have significant development effects.

The most important single event in 2013 was the signing of a final agreement with Statkraft on the restructuring and extension of the hydropower cooperation. The aim is to increase initiatives in attractive, emerging markets, which need environmentally-friendly energy and have a huge potential for hydropower development. A main element in the agreement is the establishment of a new company, SN Power, of which Norfund owns 50 per cent. The intention is for the company to have a geographic focus that coincides more with Norfund's prioritised regions. Agua Imara will be a subsidiary that focuses on Africa and Central America, co-owned by TrønderEnergi and BKK. Norfund can gradually sell off its investments in geographic areas that are not included in Norfund's prioritised regions.

In 2013, SN Power and Agua Imara concentrated on the construction of the hydroelectric plants at Cheves in Peru (168 MW) and Bajo Frio (58 MW) in Panama. The projects will be completed towards the end of 2014. Together with KLP, Norfund has entered into investment agreements for two new solar energy projects (115 MW) with Scatec Solar in South Africa. Both projects are under construction, and are expected to start producing in June 2014. Norfund is also investing equity in the 60 MW Kinangop wind farm in Kenya. Kinangop is the first large-scale wind energy project in East Africa. Finally, Norfund part-financed Bio2Watt, a small-scale waste-to-energy project in South Africa that is which will to supply industries in the Gauteng area with power.

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

Norfund entered into investment agreements in financial institutions totalling approximately NOK 600 million in 2013. The most important investments were the increased equity investments in DFCU Bank in Uganda, and our first bank investment in Zimbabwe. The establishment of Norfinance AS, which will make equity investments in Africa, was an important step towards mobilising private Norwegian capital for such investments. Norfund transfers individual bank investments to Norfinance, and will have an ownership share of 49 per cent. This step will help to release funds for new investments. Investments in microfinance in Cambodia were also escalated, and Norfund made its first microfinance investments in Myanmar. It made an equity investment in Desyfin in Costa Rica, a company that provides financial services to small and medium-sized enterprises. Norfund also decided to supply capital to Norwegian Microfinance Initiative's (NMI) third fund.

SME funds: SME funds are useful instrument for reaching small and medium-sized enterprises (SME). These enterprises play a key role in building up a well functioning business sector and local jobs. Norfund is additional in investments through such funds due to the lack of capital in the SME sector. The fund investments concentrate on markets in which the needs are particularly great, particularly in LDCs and projects in which Norfund's participation may have a particular additional significance. In 2013, our funds invested in 62 new SMEs, and 49% of the investments were in LDCs.

In 2013, we invested in two new funds with strategies that ties in well with Norfund's priorities. Novastar will provide risk capital to innovative growth companies in Kenya and Ethiopia in an early phase, and help them to grow as suppliers of continually improving solutions to regular consumers in these markets. Ascent Rift Valley Fund is a new fund that invests in SMEs in Kenya, Uganda and Ethiopia. Norfund has played an active role in the establishment of this fund. Norfund has invested 10 MUSD in each of these funds.

Industrial partnerships: Norfund's industrial partnership investments are equity investments in newly established companies and in other projects that carry a high risk but yield considerable development effects. In this kind of investment, Norfund's expertise and role as an active owner are just as important as the actual finance. New investments were made in southern and eastern Africa in 2013. Norfund has faced considerable challenges in its agricultural portfolio in 2013, which is not unexpected, given the high proportion of newly established companies in difficult markets and demanding forms of production.

In 2013, Norfund invested 5.3 MUSD in Africa Century Food, one of the leading producers of farmed tilapia in Zimbabwe, producing 10,000 tonnes annually, in addition to some production in Zambia and Uganda, and chicken production in Mozambique. Norfund will provide the company with Norwegian fish-farming expertise. An investment of 5 MUSD was also made in Asilia (African Spirit Group), an operator of sustainable tourism in Tanzania and Kenya which works closely with the local population. A further 5 MUSD was invested in Equatorial Tower, an office building in Juba in South Sudan, which will provide good-quality office premises when complete. This investment has not been affected by the unrest in the country.

Grant facility

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

In 2013, Norfund managed NOK 14.9 million through its grant facility, NOK 4.6 million of which represented unused resources transferred from 2012.

Norfund approved new grant projects for a total of NOK 20.7 million, distributed among 27 projects in 2013. Of these projects, 22 per cent were in project development (11 per cent of the funds), 70 per cent were in operational improvement (77 per cent of the funds) and 8 per cent were in local community development (12 per cent of the funds). Projects in Africa received 88 per cent of the funds (distributed among 19 projects), and 16 of the new projects for the year (66 per cent of the funds) were in the least developed countries (LDCs). Three new projects were launched in fragile states (6 per cent of the funds). In addition to 27 new projects, 29 projects from previous years continued in 2013. Overall, 35 per cent of the projects in the portfolio are related to Norfund's strategic focus on agriculture. For example, funds have been given for the development of models for the inclusion of smallholder farmers in the agricultural investments. This applies both to the identification of investment opportunities that benefit smallholders, and methods for the inclusion of smaller farmers in the value chain of larger agricultural companies.

Norfund also administers funds from the MFA/embassies earmarked for the development of a hydropower plant in Fula Rapids, South Sudan, and risk-reduction measures for our investments in South Sudan and Myanmar.

On behalf of the MFA, Norfund also administers a grant fund earmarked for projects in the Balkans. Most of the funds have been given in loans to two finance companies.

On behalf of Norad, Norfund manages a grant (mixed credit) of NOK 38 million for the Nam Sim hydropower project in Laos. This was transferred to Norfund by Norad in December 2011, and Norfund expects to disburse it gradually to the project in the course of 2013 and 2014.

Information Office
The Information Office for Private Sector Development in Developing Countries is operated in conjunction with the Norwegian Agency for Development Cooperation (Norad) and offers first-line support for inquiries from Norwegians who want to make commercial investments in developing countries. In particular, the office provides advice and guidance on financial grant and finance schemes to companies. In 2013, the office received approximately 230 inquiries, mostly from SMEs. In 2013, over half of the applications were for Africa, and of these, most were for East Africa. Most of the inquiries were for Norad's pre-investment phase support schemes, but the office has also received a number of enquiries for Norfund's equity and loan instruments.

2.2. Exits
Norfund exited two equity investments in 2013: Telecom Management Partner and Central America Investment Facility (CAIF).

Telecom Management Partner was originally a regional initiative including telecom and broadband services, but was reduced to a mobile company in Namibia, Cell One. Norfund was involved in starting up the company, which was sold to the listed company Orascom Telecom in 2008. During the two years in which Norfund was an active owner, the number of mobile customers in the country doubled, and the prices more than halved. The quality of the services was also improved. It has taken time to exit the companies, and it was only in autumn 2013 that the last of the invested capital was paid back. IRR for Norfund has been 0%.

Norfund invested 1 MUSD in CAIF in 2001. Of this investment, Norfund has only recouped 0.3 MUSD. CAIF was a first generation fund set up by the Commonwealth Development Corporation (CDC), and was later transferred to Aureos.

2.3. Financial risk
In keeping with Norfund's development policy goals, we invest in countries where the framework conditions, markets and companies are characterized by high risk. There is thus a great deal of uncertainty surrounding the future. The North Atlantic financial crisis and reduced growth in low-income countries has also created more uncertainty in countries in which Norfund invests, and there is also significant counterparty risk in many of Norfund's investments. In general, investments have a medium time horizon of between seven and ten years, often with limited opportunities for a financial exit during that period. Considerable credit risk is associated with the loans. Norfund has procedures for assessing risk prior to making investment decisions, and for risk management during the investment period. The risk profile of our portfolio is in accordance with Norfund's mandate.

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

In Norfund's committed portfolio, direct equity investment accounts for 61 per cent, indirect equity investment through funds for 21 per cent and loans for 18 per cent. A total of 37 per cent is invested in sub-Saharan Africa and 22 per cent in LDCs. Excluding investments in SN Power, the LDC share is 35 per cent, and 63 per cent is invested in Africa.

2.4. Social responsibility
Norfund safeguards social responsibility by stipulating high requirements for its own operations and for the operation of activities in its portfolio. Norfund has zero tolerance for corruption, and requires human rights, gender equality, local communities as well as environmental concerns and biological diversity to be attended to. In many of the countries in which Norfund invests, legislation and rules that protect employees and the rights of vulnerable groups are of varying quality and often poorly implemented. Norfund therefore stipulates requirements over and above those that are regulated in the national legislation and commits the enterprises to compliance with the environmental and social standards of the World Bank's International Finance Corporation (IFC). These standards cover indigenous peoples' rights, biodiversity, impact on local communities and the core conventions of the International Labour Organisation (ILO). Monitoring these standards is an integral part of the work of entering into investment agreements and monitoring the investments. Norfund has established a 'Business Integrity Policy' and reporting procedures that are to be used if irregularities or corruption are suspected, and these must be followed up on an ongoing basis in all parts of the organisation. If financial irregularities or corruption are suspected, there is a separate procedure for reporting to the owner, Norway's Ministry of Foreign Affairs.

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

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

Reporting serious accidents and deaths is a mandatory contractual requirement. A total of 22 work-related deaths were reported by enterprises in Norfund's portfolio in 2013. Traffic accidents are a major problem in many developing countries, and 13 of the deaths occurred as a result of traffic accidents. In Norfund's direct investments, deaths are reported immediately to the Board and owner. Norfund follows up all deaths to ensure that the accidents are investigated, that safety procedures have been modified if necessary, and that the next of kin receive the compensation to which they are entitled. Compensation was paid in all of last year's 22 cases. Norfund will continue to work to reduce accidents associated with its investments. The Report on Operations provides a more detailed account of the fatal accidents.

Norfund always invests jointly with other investors, and often through structures or funds that have been set up by others. In countries with weak legal systems and/or where there is a risk of corruption in the legal system, the administration and enforcement of laws and rules is often neither effective nor predictable. In countries like this, it can be difficult for Norfund and our partners to ensure that legal steps can be taken in the event of financial irregularities or disputes. This represents a risk that is too high for many investors and lenders. The jurisdiction of a third-party country is therefore often required for investments in weakly developed countries. The use of such offshore financial centres (OFCs) gives Norfund a special responsibility to ensure that we have full insight into the transactions that take place and that we in no way contribute to tax evasion or unlawful flows of capital. In keeping with guidelines provided by Norway's Ministry of Foreign Affairs, Norfund exercises great care when using OFCs. When it is necessary to use the jurisdiction of a third country, Norfund calls only on OECD countries or countries with which Norway has made tax or disclosure agreements.

Norfund integrates consideration of the external environment into its operations, and endeavours to follow the guidelines for a 'green government'. The guidelines require consideration for the environment to be integrated into activities, and a system of ecological management to be developed. A few years ago, a survey was made of Norfund's impact on the external environment. As a small, knowledge-based enterprise, Norfund has limited environmental impact. The greatest burden on the environment caused by Norfund's own business activities relates to air travel. In 2013, travel by Norfund's Norwegian-based employees entailed the emission of some 466 tonnes of CO_2.

Since 2012, most of the flights departing from or arriving in the European Economic Area (EEA) have been subject to a mandatory quota through the European quota system. The airlines are thus responsible for the emission quotas for this travel on official business.

2.5. Development effects
Each year Norfund publishes a report on its activities which provides a detailed account of Norfund's investments and the development effects they have. Norfund's objective is to contribute to sustainable development through profitable investments in commercial activities in developing countries. Profitable enterprises are the cornerstone of economic growth and development. We contribute through the production of goods and services to higher value creation and more jobs. Norfund creates development effects by investing according to stringent environmental and social requirements in enterprises and projects that would not otherwise be realised. Norfund gives priority to investment in countries and sectors with a particular lack of capital, for example, greenfield companies, agriculture and development of renewable energy sources. This is challenging, but by operating prudently Norfund's activities can contribute to permanent development effects, and at the same time pave the way for other investors. Active ownership is required to ensure that the enterprises are operating in accordance with our requirements and expectations, and that we achieve the desired development effects. An important part of this work is the transfer of expertise. Through taking board seats and through closely monitoring projects, Norfund contributes to the improved management of enterprises, financial procedures, and health, safety and the environment systems. This increases the viability of the enterprises and thereby enhances development effects. Norfund also uses its grant facility to strengthen development effects.

At the end of 2013, enterprises in which Norfund had invested employed 314,000 people, 38 per cent of whom were women. NOK 5.9 billion was paid to the authorities in our investment countries in the form of corporate tax, levies, licences etc. Electricity generated through Norfund's investments in renewable energy corresponds to the consumption of 8.9 million people in the countries in question.

In 2013 SN Power's portfolio companies had total value added of NOK 2.7 billion. Salaries and other employee benefits amounted to 10 per cent of the value added. NOK 1.45 billion was paid in taxes and fees to national authorities. Due to the activities of SN Power, CO_2 emissions were reduced by 1.14 million tonnes in 2013 CO_2. Norfund's weighted share of the reduction was approximately 457,000 tons of CO_2 in 2013.

3. ORGANISATION AND OPERATIONS

3.1. Corporate governance
The Norfund Act was revised in 2013 in order to harmonize it with other corporate legislation. The most important changes in the Act are that employees are now entitled to elect Board representatives, and that the fund is now able to organise its activities through subsidiaries. The General Meeting was also introduced as the highest decision-making body.

Norfund's Board was elected by the General Meeting in August 2013. The Board consists of Kristin Clemet (chair), Stein Tønnesson, Borghild Holen, Finn Jebsen, Svein Tveitdal, Margareth Aske, Petter Vilsted and Marianne Halvorsen. The latter two persons are employees of the fund, and were elected by employees.

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

3.2. Personnel, organisation and gender equality
Norfund is an expertise-based organisation which has established guidelines for recruitment, expertise and equal opportunities. There are established procedures for employee follow-up and rewards. Recruitment is targeted, with a view to strengthening the organisation in pursuance of Norfund's strategy.

In 2013 Norfund had 53.7 full-time equivalents employed. As at 31 December, there were 54 employees, 20 of whom came from countries other than Norway. Nineteen of the staff were employed at the regional offices in South Africa, Kenya, Mozambique, Costa Rica and Bangkok. The proportion of women who were permanent members of the Board was 50 per cent. Two out of six members of Norfund's management team were women, and the proportion of women among the employees overall was 23 per cent.
Five out of the eight persons recruited in 2013 were women. Norfund focuses on gender equality in its human resources policy, and urges women and persons of non-Norwegian origin to apply for positions.

Sickness absence in 2013 amounted to 5.1 per cent of the total working hours, equivalent to 620 days. This is approximately 0.5 per cent lower than in 2012. There were no personal injuries or damage to Norfund's material assets.

The Board of Directors does not find it necessary to implement any special measures related to the working environment or to promote the objects of the Anti-Discrimination Act and the Anti-Discrimination and Accessibility Act.

4. THE FINANCIAL STATEMENTS

Norfund had a profit for 2013 of NOK 328 million (NOK 42 million in 2012). Norfund is an investment company. Norfund's operating income therefore consists of interest, dividends and sales profits. These are classified as financial items for traditional production enterprises. Similarly, investment in associated companies is a part of operations, and Norfund's share of the profits of associated companies is therefore recorded as part of operating income.

Norfund's income amounted to NOK 423 million (NOK 427 million in 2012). Interest income of NOK 98 million is at approximately the same level as in 2012. At NOK 63 million, dividends from funds and equity investments were NOK 20 million lower than in 2012, as a result of lower dividends from individual fund investments. Compared with 2012, SN Power reported higher earnings in 2013, and Norfund's share was NOK 274 million.

The increase is largely due to good results from activities in the Philippines and in Chile, as well as a strengthening of USD against NOK.

Norfund's operating costs prior to exchange rate adjustment of loans and write-downs increased by NOK 21 million, to NOK 127 million in 2013. This is due to higher costs associated with external assistance for projects. Personnel costs were reduced by NOK 4 million as a result of lower pension costs. This is due to technical accounting procedures; Norfund's pension system has not changed. A strengthening of the investment currencies relative to the Norwegian krone has resulted in a positive currency adjustment on our loans of NOK 77 million, compared with a loss of NOK 93 million in 2012. Large write-downs were made on between five and six investments in 2013, and funds and equity investments were written down by a total of NOK 111 million in 2013.

Other interest income of NOK 31 million was recorded, which was an increase of approximately NOK 4 million, compared with 2012. Norfund's profit of NOK 328 million has been transferred to Norfund's surplus fund in accordance with the regulations governing Norfund. Norfund's internal valuations indicate that there is still considerable excess value in the portfolio over and above the recorded values. Norfund's balance sheet at the end of 2013 was NOK 10,277 million (compared with NOK 8,534 million for the previous year), an increase of NOK 1,743 million. The change in the balance sheet is essentially due to the transfer of NOK 1,198 from Norfund's owner, a surplus generated by the operations and an increase of NOK 235 million as a result of an equity adjustment for Norfund's interest in SNPI as a result of a strengthening of the US dollar relative to the Norwegian krone.
At year end, Norfund's equity amounted to NOK 10,201 million (compared with NOK 8,439 million in 2012) and NOK 7,476 million had been disbursed for investments (compared with NOK 6,624 million in 2012). Norfund has no interest-bearing debt. Norfund disbursed a total of NOK 1,164 million to investments and had a return of NOK 488 million from investments in 2013. The Board regards the company's liquidity as satisfactory. Write-downs were made on 8 out of 51 loans as at 31/12/2013. The write-downs represented 4 per cent of the committed amount.

Norfund does not perform any special research or development activities that are of significance to the accounts. No significant events have occurred after the balance sheet date that have an actual or potential affect on the results or financial standing.

In the opinion of the Board, the annual accounts as at 31 December 2013 provide a true and fair view of the company's financial position. The Board confirms that the going concern assumption applies.

5. OUTLOOK FOR THE FUTURE

A profitable and sustainable private sector is essential if countries are to combat poverty and create jobs and economic growth. Investments in businesses are among the most important contributions we can make towards the development of countries. Profitability is an essential requirement in the creation of sustainable enterprises. Being able to show good financial results is also important in order to increase the interest of commercial investors in investing in poor countries.

Expertise is the key to success in establishing and following up good investment projects that yield substantial development effects. Building up an organisation with expertise in investing in poor countries is a demanding and long-term process. Over time, Norfund has systematically built up its organisation, and has established itself as an attractive employer and attractive investment partner for investors in Norway and abroad. Norfund has grown rapidly and has become a medium-sized development finance institution in comparison with equivalent funds in Europe. Norfund stands out because of its focused strategy and strong position with regard to renewable energy.

The high investment level in 2013 reflects a large supply of good projects with substantial expected development effects. The Fund is now in a phase where investment demand and the Fund's capacity to make investments are higher than the available capital. We will therefore continue to work with other partners in our efforts to mobilise more capital.

Norfund will continue to prioritise investments that yield substantial development effects. This requires the prioritisation of investments in energy production, agriculture and related industries, as well as financial institutions (especially financial institutions that finance small and medium-sized enterprises and low income groups, including microfinance). The primary investment instrument will be equity and equity-like instruments. Norfund will also offer long-term loans to financial institutions, including local currency loans. Norfund will continue its pro-active agricultural initiatives, but in 2014 will make some changes that will reduce the risk in this part of the portfolio. Norfund will continue to invest through private equity funds in order to reach small and medium-sized enterprises, but will concentrate its activity on funds that invest in markets in which the level of risk is particularly high and there is a limited access to alternative sources of capital.

Norfund will maintain its high level of ambition with regard to environmental and social standards, as well as good management of enterprises. In this context, we will provide assistance and require that the portfolio companies satisfy the IFC's Performance Standards. We aim to be at the forefront with regard to the development of good employee relations in connection with our direct investments. Our ambitions with regard to maximising, measuring and documenting the development effects from investments will be raised further. In particular, we will emphasise the achievement of Norfund's strategic goals: to prioritise the least developed countries (LDCs), sub-Saharan Africa, greenfield companies, to ensure additionality and to mobilise private capital. Norfund already has investment projects in fragile states such as Myanmar and South Sudan, and will continue its efforts to develop new instruments and methods of working that are suitable for the conditions in these countries.

In accordance with Norfund's current strategy, we are currently investing in four regions: Central America, selected countries in Southeast Asia, southern Africa and East Africa. The geographic extent to which Norfund is limited is primarily due to a lack of resources. With an increased supply of capital, it could be possible to extend the geographically prioritised area.

In accordance with current guidelines from Norway's Ministry of Foreign Affairs, Norfund will continue to be cautious in its use of the jurisdictions of third party countries, and will continue to focus on ensuring transparency in its investments. The current guidelines for investments via third party countries provide Norfund with the opportunity to invest via OECD countries and countries with which Norway has tax or disclosure agreements. Norway now has such agreements with most of the relevant third party countries.
The Board of Norfund assumes that the applicable system of regulation will continue.

Access to energy is vital for development in poor countries. Norfund will increase its focus on investments in energy production. A substantial portion of the annual capital allocations are intended to be used in investments in renewable energy. Energy needs are increasing, in sub-Saharan Africa in particular. Through the restructured SN Power, we will increase initiatives in hydropower development in Africa. Norfund has also already made several important investments in solar and wind energy in Africa. In 2014, we will look into ways to work with industrial partners to invest in wind and solar energy.

It is impossible for renewable sources such as hydro, sun and wind alone to meet the growing energy needs of Africa, and the construction of new coal-fired and oil-fired power stations will continue in order to meet the increasing demand. However, several countries in the region have natural gas deposits that could provide these countries with a better alternative in terms of the environment and climate. Norfund will assess whether the fund can contribute towards cleaner energy production through investments in gas power.

Norfund would like the owner to clarify what goals should be set for Norfund's activities up until 2020. This would make it possible to continue the long-term efforts to build up the expertise and capacity required for continued expansion of our activities. One obvious long-term ambition could be for the Fund in 2020 to correspond to 1 per cent of the Government Pension Fund Global.

Oslo, 24 March 2014

Kristin Clemet
Chairman

Stein Tønnesson   Borghild Holen   Margareth Aske   Svein Tveitdal   Finn Jebsen

Petter Vilsted   Marianne Halvorsen

Kjell Roland
Managing Director

PROFIT AND LOSS ACCOUNT

(in 1000s of NOK)	Note	2013	2012
Interest income loans - invested portfolio	1	97 577	100 538
Realised gain on shares	1	0	15 220
Dividends received	1	63 591	83 394
Interest and instalments paid, Norad loan portfolio	1,6	0	422
Other operating income	1	3 754	2 599
Share of profit/loss associated company	5	270 332	225 261
Total operating income		435 253	427 433
OPERATING EXPENSES			
Payroll expenses	2	59 185	63 121
Depreciation tangible fixed assets	4	2 094	1 846
Other operating expenses	2,3	65 355	41 508
Total operating expenses		126 633	106 475
Adjustment for gain/loss on FX, project loans	1	77 448	-92 612
Reversal of write-down(-)/write-down of investment projects	1	-110 984	-191 122
Operating profit/loss		275 084	37 225
Other interest income		31 281	25 698
Other financial income		23 795	7 731
Other financial expenses		1 725	27 898
Profit/loss financial items		53 351	5 531
Profit before tax		328 435	42 756
Tax	11	-116	-382
Profit/loss for the year		328 319	42 374
TRANSFERS			
Transferred to surplus fund	13	328 319	42 374
Transferred from surplus fund		0	0
Total allocations		328 319	42 374

BALANCE SHEET

(in 1000s of NOK)	Note	2013	2012
ASSETS			
Tangible fixed assets			
Operating equipment, fittings and fixtures, tools etc.	4	5 413	4 490
Total tangible fixed assets		5 413	4 490
Financial fixed assets			
Investments in associated companies	5	4 504 515	3 868 661
Total financial fixed assets		4 504 515	3 868 661
Total fixed assets		4 509 928	3 873 151
CURRENT ASSETS			
Receivables			
Other receivables	6	85 602	81 468
Norad loan portfolio	6	0	0
Total receivables		85 602	81 468
Investments			
Capitalised project development costs	7	48 513	30 576
Loans to investment projects	1,8	1 334 472	1 109 118
Equity investments	1,9	2 246 806	1 829 861
Total investments		3 629 791	2 969 555
Bank deposits, cash and cash equivalents			
Bank deposits	12	2 051 484	1 609 557
Total bank deposits, cash and cash equivalents		2 051 484	1 609 557
Total current assets		5 766 877	4 660 580
Total assets		10 276 805	8 533 731

BALANCE SHEET

(Figures in 1000s of NOK)	Note	2013	2012
EQUITY AND LIABILITIES			
EQUITY			
Called up and fully paid share capital			
Primary capital	13	6 248 750	5 337 750
Reserve capital	13	2 258 250	1 971 250
Total called up and fully paid capital		8 507 000	7 309 000
Retained earnings			
Surplus fund	13	1 693 550	1 129 907
Total retained earnings		1 693 550	1 129 907
Total equity		10 200 550	8 438 907
LIABILITIES			
Provision for liabilities and charges			
Pension commitments	2	12 037	20 489
Total provisions for liabilities		12 037	20 489
Other long-term liabilities		0	0
Current liabilities			
Accounts payable		10 050	8 096
Unpaid government charges and special taxes		5 026	4 274
Unused funds (Grant facility)	14	37 339	53 759
Other current liabilities		11 803	8 207
Total current liabilities		64 218	74 336
Total liabilities		76 255	94 824
Total equity and liabilities		10 276 805	8 533 731

Oslo, 24 March 2014

Kristin Clemet
Chairman

Stein Tønnesson | Borghild Holen | Margareth Aske | Svein Tveitdal | Finn Jebsen

Kjell Roland
Managing Director

CASHFLOW STATEMENT

In 1000s of NOK	Note	2013	2012
CASHFLOW FROM OPERATIONS			
Profit before tax		328 319	42 374
Ordinary depreciation	4	2 094	1 846
(Reversal of write-down)/Write-down of investment projects		50 706	202 400
Differences in pension costs and receipts/disbursements, pension scheme		-8 155	6 461
Share of profit / loss associated company	5	-270 332	-225 261
Effect of exchange rate changes		-96 758	95 234
Change in other accruals		-15 769	-17 002
Net cash flow from operations		-9 895	106 051
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investments in tangible fixed assets	4	-3 016	-2 254
Proceeds of sales/repayment of shares,/interests recorded at cost price		259 462	145 551
Disbursements in connection with purchase of shares/interests in other enterprises		-779 689	-596 716
Disbursements of investment loans		-487 260	-385 502
Repayment of principal, investment loans		262 406	343 142
Repayment other investments		0	0
Net cash flow from investment activities		-748 097	-495 779
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new short-term debt	14	37 840	34 033
Repayment of long-term debt		0	0
Repayment of short-term debt	14	-35 920	-34 499
Increase in/repayment of equity	13	1 198 000	1 030 000
Net cash flow from financing activities		1 199 920	1 029 534
EXCHANGE RATE CHANGES, CASH AND CASH EQUIVALENTS			
Net change in cash and cash equivalents		441 927	639 806
Bank deposits, cash and cash equivalent at 1 January		1 609 557	969 752
Bank deposits, cash and cash equivalents at 31 Deceember	12	2 051 484	1 609 556

ACCOUNTING PRINCIPLES

The financial statements for Norfund consist of the following:

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

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

BASIC PRINCIPLES – ASSESSMENT AND CLASSIFICATION

The financial statements are presented in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2013.The financial statements provide a true and fair view of assets and liabilities, financial standing and profit.

The financial statements have been prepared on the basis of fundamental principles governing historical cost accounting, comparability, the going concern assumption, congruence and prudence. Transactions are recorded at their value at the time of the transaction. Income is recognised at the time of delivery of goods or services. Costs are expensed in the same period as the income to which they relate. A more detailed account of the accounting principles is provided below. When actual figures are not available at the time the accounts are closed, generally accepted accounting principles require management to make the best possible estimate for use in the profit and loss account and the balance sheet. Actual results could differ from these estimates.

Current assets/liabilities are recorded at the lower/higher of acquisition cost and fair value. The definition of fair value is the estimated future sales price reduced by expected sales costs. Other assets are classified as fixed assets. Fixed assets are entered in the accounts at historical cost, with deductions for depreciation. In the event of a decline in value that is not temporary, the fixed asset will be subject to a write-down. Investments are valued in accordance with IPEV's valuation guidelines.

Some exceptions are made to the general valuation rules in accordance with generally accepted accounting principles. Comments to these exceptions can be found in the notes to the accounts. When applying the basic accounting principles and disclosure of transactions and other items, the "substance over form" rule is applied. Contingent losses that are probable and quantifiable are expensed.

The segmentation is based on the institution's internal management and reporting requirements as well as on risk and earnings. Figures are presented for geographical markets, since the geographical division of activities is of material importance to the users of the financial statements. Figures are reconciled with the institution's profit and loss account and balance sheet.

THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED BY NORFUND ARE DESCRIBED BELOW.

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

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

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

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

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

Equity investments
Norfund normally treats its investments in other companies as current assets. In other words, the equity method is not used even though Norfund's equity interests endow 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 object and with the provisions of the Accounting Act and generally accepted accounting practice. Under generally accepted accounting practice, such investments are temporary by their very nature and should therefore be included under current assets.

Equity investments in companies are valued at the lower of cost or market value, on the basis of a specific assessment of each investment, such that each investment is written down where this is considered necessary because of a fall in value regarded as permanent (individually assessed loss provision). No group write-downs are made. See also the section below relating to the treatment of currency items.

When investments are realised wholly or in part, the gain/loss is calculated on the basis of the historical cost in NOK. This makes realisations a function of changes in exchange rates and the change in the value of the investment expressed in foreign currency.

"Committed investments"
implies an external obligation to pay a specified amount.

Norfund often utilises various instruments – such as options, conversion options and so forth – in investment agreements in order to reduce risk. These are taken into account when valuing the individual investment.

LOANS

Norfund manages two types of loans:
- loans relating to Norfund's investments and made by the institution (project loans)
- loans to enterprises in developing countries, taken over from Norad (loan portfolio).

Project loans are treated as current assets.

Loans are valued at amortised cost in accordance with a straight-line allocation method.

On the basis of the institution's strategy, the loan portfolio acquired from Norad is classified as a current asset and recorded in the accounts at historical cost, which is NOK 0. Receipts from the loan scheme are therefore treated on a cash basis and recorded as income when they are paid.

Known losses
Losses recognised as a result of insolvency, the winding-up of a company and the like, and losses on the sale of shares, are recorded as known losses.

Currency items
Monetary items are recorded at the exchange rate prevailing on 31 December. Unrealised FX gains/losses on loans is included in the operating profit.. Unrealised gains/losses on other monetary items are recorded as financial income/expenses respectively. The assessment of changes in the value of investments (see above) also includes an assessment of changes caused by exchange rate movements.

Norfund has not hedged its invested portfolio by means of hedging instruments. However, it has accepted that SN Power makes use of hedge accounting for its portfolio. For further details, see the annual report of SN Power.

Bank deposits, cash and cash equivalents
Liquid assets consist of bank deposits.

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

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

Leases
Rent paid under leases 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 division is made on the basis of the framework conditions for Norfund's activities, which specify that the Ministry of Foreign Affairs must be notified if the institution's losses are so great that its primary capital is affected. Any net profit is added to surplus capital, while any net losses are deducted from this or from reserve capital if the former fund is insufficient to cover the net loss.

Government grants
Norfund receives government grants, which are treated in accordance with Norwegian Accounting Standard (NRS) 4. In Norfund's view, net recording of government grants received by the institution provides the best picture of the accounts.

Related parties
Norfund defines Statkraft Norfund Power Invest AS as a related party.

Deferred tax and tax expense
Norfund is exempt from tax pursuant to a separate section in the Taxation Act. In certain countries Norfund is obliged to pay withholding tax on interests and dividends.

Cash flow statement
The cash flow statement is prepared using the indirect method.

Pension liability and costs
The institution has pension plans known as defined benefit plans which entitle employees in Norway to defined future benefits. The pension liability is calculated on a straight-line earnings basis, taking into account assumptions regarding the number of years of employment, discount rate, future return on plan assets, future changes in pay, pensions and the size of National Insurance benefits, and actuarial assumptions regarding mortality, voluntary retirement and so on. Plan assets are stated at fair market value. Net pension liability comprises the gross pension liability less the fair value of plan assets. Net pension liabilities from underfunded pension schemes are included in the balance sheet as a provision, while net plan assets in overfunded schemes are included as long-term interest-free receivables if it is likely that the overfunding can be utilised. Provision for payroll tax is made on the basis of net plan assets.

The effect of changes in pension plans with retroactive effect not conditional on future earnings is recognised immediately in the profit and loss account.

Net pension costs, which consist of gross pension costs less estimated return on plan assets adjusted for the effect of changes in estimates and pension plans, is classified as an ordinary operating cost and included in the payroll expenses item. Payroll taxes are calculated on contributions paid to the pension plans.

The company has pension plans for employees at the regional offices outside Norway. This is mainly contribution plans.

NOTES

NOTE 1 – SEGMENT INFORMATION

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

Figures in 1000s of NOK	2013								2012							
	NORFUND total	SME Funds	Financial institutions	Renewable energy	Industrial partnerships	Shared functions	Other activity	Loan portfolio*	NORFUND total	SME Funds	Financial institutions	Renewable energy	Industrial partnerships	Shared functions	Other activity	Loan portfolio*
OPERATING INCOME																
Interest - invested portfolio	97 577	0	76 390	5 456	15 731	0	0	0	100 538	1 609	78 871	4 283	15 775	0	0	0
Realised gains	0	0	0	0	0	0	0	0	15 220	46	15 174	0	0	0	0	0
Dividends received	63 591	43 004	20 169	0	419	0	0	0	83 394	74 645	8 523	0	226	0	0	0
Other project revenues	3 754	8	2 038	1 100	405	203	0	0	3 021	55	1 682	454	385	23	0	422
Profit from assosiated companies	270 332	0	0	270 332	0	0	0	0	225 261	0	0	225 261	0	0	0	0
Total operating income	435 253	43 011	98 597	276 887	16 555	203	0	0	427 433	76 356	104 249	229 998	16 386	23	0	422
OPERATING EXPENSES																
Payroll expenses	-59 185	-3 459	-10 747	-8 202	-17 104	-18 715	-855	-102	-63 121	-6 574	-9 872	-7 927	-16 675	-20 890	-1 096	-87
Depreciation tangible fixed assets	-2 094	0	0	-5	0	-2 089	0	0	-1 846	-18	-18	0	0	-1 810	0	0
Loss on sale of operating assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other operating expenses	-65 355	-1 415	-5 417	-25 955	-6 851	-23 953	-1 761	-2	-41 508	-1 007	-3 487	-5 037	-6 131	-24 139	-1 703	-4
Allocation of shared expenses	0	-3 467	-13 016	-9 596	-17 248	44 757	-1 320	-111	0	-8 556	-11 644	-7 448	-17 740	46 839	-1 387	-63
Total operating expenses	-126 633	-8 342	-29 180	-43 757	-41 203	0	-3 936	-215	-106 475	-16 156	-25 021	-20 412	-40 547	0	-4 185	-153
Gain/loss on FX, project loans	77 448	0	51 952	5 104	20 393	0	0	0	-92 612	-29	-73 878	-5 048	-13 657	0	0	0
(Provision for)/reversal of loss on projects	-110 984	1 674	-43 152	-7 943	-61 563	0	0	0	-191 122	-43 640	-45 117	-25 236	-77 128	0	0	0
Profit/(loss) on operations	275 084	36 343	78 216	230 290	-65 819	203	-3 936	-215	37 225	16 531	-39 768	179 301	-114 947	23	-4 185	269
Net financial items	53 351	4 900	5 100	5 705	3 311	34 336	0	0	5 531	5 516	1 878	3 691	2 379	-7 933	0	0
Profit before tax	328 435	41 243	83 316	235 995	-62 508	34 540	-3 936	-215	42 756	22 047	-37 890	182 993	-112 568	-7 910	-4 185	269
Tax	-116	0	-116	0	0	0	0	0	-382	0	-382	0	0	0	0	0
Total profit/(loss)	328 319	41 243	83 200	235 995	-62 508	34 540	-3 936	-215	42 374	22 047	-38 272	182 993	-112 568	-7 910	-4 185	269

** Income is directly attributable. Expenses are partly directly attributable and partly shared costs allocated in accordance with a distribution formula based on the number of people employed.*

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

Segment information by geographical region: (2013)

(Figures in 1000s of NOK)	Africa	Asia	Latin America	Global	Write-downs	Total
BALANCE SHEET						
Equity investments	1 429 182	300 189	352 070	478 661	-313 297	2 246 806
Loans to investments	708 223	427 225	275 982	17 256	-94 215	1 334 472
Total balance sheet	2 137 405	727 414	628 052	495 918	-407 512	3 581 278
Interest income loans	56 120	27 879	13 156	422		97 577
Realised gain on shares	0	0	0	0		0
Dividends received	47 127	12 570	2 070	1 823		63 591
Directors' fees received	115	0	0	0		115
Fees	1 707	1 018	628	286		3 639
Repayments of principal, loan portfolio	0	0	0	0		0
Interest paid on loan portfolio	0	0	0	0		0
Profit from assosiated companies	1 639	203 275	67 212	-1 794		270 332
Total operating income	106 708	244 742	83 066	737	0	435 253
Gain/loss on FX, project loans	18 364	33 353	23 568	2 163		77 448

NOTE 2 – PAYROLL EXPENCES

Wages, salaries and other payroll expenses

(Figures in 1000s of NOK)	2013	2012
Wages and salaries	46 623	39 632
Directors' fees	659	954
Payroll tax	6 492	6 350
Personnel insurance	1 089	851
Pension expenses	-1 132	12 668
Other benefits	5 502	2 806
Payroll expenses reimbursed	-48	-140
Total wages, salaries and other payroll expenses	59 185	63 121

Remuneration of senior personnel

(Figures in 1000s of NOK)	Managing director	Chairman	Boardmembers
Wages and salaries/fees	2 250 678	177 500	481 560
Pension contributions	695 582	0	0
Other remuneration	97 544	0	0
Total	3 043 804	177 500	481 560

The company has no share or option schemes for its employees, and there are no plans for such schemes.

Norfund have a variable salary component (bonus) whitch applies for all except managing director. The scheme is in total 2,5 per cent of Norfunds salary costs. Bonus is paid for extraordinary efforts.

Salary and remuneration for the management team
The management team in Norfund consists of five persons in addition to the managing director. Five of these have in addition to the ordinary pension arrangement, an agreement in which rights can be earned beyond 12 G.

This agreement is described in the section regarding the pensions below. Neither the managing director nor the other members of the management team has a scheme for pay after termination. The total remuneration for the management team, excluding the general manager, was 8 703 418 NOK

The managing director has in 2013 received salary for unused holiday, in total NOK 73 312.

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

The Board
The chairman received NOK 177 500 (170 000 in 2012) for boardroom work for Norfund in 2013. Other boardmembers received fees of NOK 97 500 each for 2013.

Audit
Fees in the amount of NOK 673 556 (NOK 697 176 in 2012) were recorded for the auditor, of which NOK 451 493 (NOK 470 725 in 2012) related to auditing that is required by law, NOK 0 (NOK 0 in 2011) for other attestation services and NOK 222 063 (NOK 226 451 in 2012) for services other than auditing. No fees were paid to the auditor for tax advice. All figures include VAT.

Employees
The company had 54 employees at 31 December 2013. The number of person-years was 53,7.

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

Employees at Norfund regional branches in South Africa, Kenya, Mozambique and Costa Rica have a pension scheme based on annual contributions. Norfund have no obligations beyond the annual contributions. In 2013 NOK 438 211 is related to these contributions.

The managing director and one other employee have a retirement age of 65.

Pension expenses, resources and commitments have been calculated by the insurance company's actuary. Variances between the book value at 31 December of the previous year and the estimated value in the Natural Resources Systems Programme (NRSP) calculation at 1 January of the following year are recorded directly in the profit and loss account. At 31 December 2013, 41 persons were covered by the scheme.

Financial assumptions

	2013	2012
Discount rate	4,10 %	2,30 %
Expected return on pension assets	4,40 %	4,00 %
Wage adjustment	3,75 %	3,50 %
Pension adjustment	3,50 %	3,25 %
Adjustment of the basic amount in the National Insurance System (G)	3,50 %	3,25 %
Turnover	9,00 %	9,00 %
Payroll tax	14,1 %	14,1 %

(Figures in 1000s of NOK)	2013	2012
Net present value of pension earnings in the period	7 019	6 631
Capital cost of previously earned pensions	1 226	1 183
Expected return on pension assets	-1 442	-1 360
Administrative costs	195	169
Recorded variances in estimates	-9 117	5 110
Accrued payroll tax[1]	987	934
Net pension liabilities for the year incl. payroll tax	-1 132	12 668

1Payroll tax is calculated on the amount paid in.

Calculated pension liabilities	Sikrede	Ikke forsikrede	2013
Estimated pension liabilities	44 687	9 006	53 693
Estimated pension assets	43 143		43 143
Net pension liablities 31 December	1 544	9 006	10 549
Unrecorded variances in estimates	0	0	0
Accrued payroll tax[1]	218	1 270	1 487
Net pension liablities 31 December	1 761	10 276	12 037

1 Accrued payroll tax is calculated on the net pension liability.

Reconciliation opening/closing balance (Figures in 1000s of NOK)	2013	2012
Capitalised net pension liabilities 1 January incl. payroll tax	20 489	14 741
Net pension expenses for the year incl. payroll tax	-1 132	12 668
Pensions paid, early retirement / unfunded, incl. payroll tax	0	0
Investment in pension assets, etc., incl. payroll tax	-7 320	-6 920
Capitalised net pension liabilities 31 December incl. payroll tax	12 037	20 489

Nordea Livs Asset Mix*	30.09.13	30.09.12
Property	15,6 %	16,5 %
Shares	11,0 %	8,7 %
Short-term bonds/certificates	40,5 %	39,6 %
Long-term bonds	30,6 %	32,0 %
Other	2,3 %	3,4 %
Total financial assets	100 %	100 %

**) known values at calculation date*

NOTE 3 – OTHER OPERATING EXPENSES

(Figures in 1000s of NOK)	2013	2012
Seminars, conferences, upgrading of competencies	2 205	2 743
Travel costs	9 016	8 442
External assistance	38 310	16 472
Costs, tender guarantee scheme	1 307	1 443
Rent, incl. shared costs	6 014	5 998
Advertising/printing	784	789
Other expenses	7 718	5 622
Total operating expenses	65 355	41 508

NOTE 4 – FIXED ASSETS

(Figures in 1000s of NOK)	Operating equipment fixtures, etc.	Permanent building fittings and fixtures	Vehicles	Works of art	Total
Cost price, ordinary depreciation and write-downs	7 094	806	402	67	8 368
Cost price at 1 January	2 347	31	636	3	3 017
+ acquisitions during the period		0		0	0
- disposals during the period	9 441	837	1 038	69	11 385
Cost price at 31 December					
Accumulated ordinary depreciation at 1 January	2 943	534	401	0	3 878
+ ordinary depreciation for the period	1 817	198	78	0	2 094
- accumulated ordinary depreciation, operating assets sold	0	0		0	0
Accumulated ordinary depreciation at 31 December	4 760	732	480	0	5 971
Write-down of operating assets at 1 January	0	0	0	0	0
+ write-downs for the period	0	0	0	0	0
- accumulated depreciation, operating assets sold	0	0	0	0	0
Accumulated write-downs at 31 December	0	0	0	0	0
Book value for accounting purposes at 31 December	4 681	105	558	69	5 413

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

NOTE 5 – INVESTMENT IN ASSOCIATED COMPANY

(Figures in 1000s of NOK)	Statkraft Norfund Power Invest AS	KLP Norfund Investment AS	Norfinance AS
Formal information:			
Date of acquisition	27.06.2002	01.01.13	27.06.13
Registered office	Oslo	Oslo	Oslo
Shareholding	40 %	50 %	100 %
Voting share	40 % (Associated company)	50 % (Associated company)	100 %
Information relating to the date of acquisition			
Acquisition cost	3 395 759	35 789	30
Information relating to the figures for the year:			
Opening balance 1 January 2013	3 868 661	0	0
Acquisitions during the year	94 380	35 789	30
Disposals during the year	0	0	0
Value added share issue	0	0	0
Share of annual profit/(loss)[1]	273 765	-3 433	0
Share of adjustments for the year charged directly against equity in SNPI	235 324	0	0
Closing balance, 31 December 2013	4 472 130	32 355	30

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

Committed investments in associated company
The 20th of June 2013, the owners of SN Power announced a plan to restructure the company. This restructuring will include a transfer of the operations in the Philippines, Africa and Central America (Agua Imara) to a company external to the current SN Power. Sales and purchase agreements were signed by the parties and agreed upon by the respective board members, 20th December 2013. The transaction is expected to be implemented April 1st 2014.
The real value with deduction of sales expenses of assets that are subject to the restructuring is expected to be higher than the total book value of the associated assets and debt.

KLP Norfund Investments AS is a joint investment company together with KLP.
The purpose of this partnership is to invest in projects in developing countries to promote sustainable development through investing up to 1 billion NOK over a period of five years.

Norfund together with KLP, Perestrokia, Skagen, Kon-Tiki fond and Solbakken AS, established in 20132 the company Norfinance AS with the purpose to invest in African banks and financial institutions. Committed capital is USD 136 million, and the capital and assets will be transferred from the investors to the company during 2014.

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

PROFIT AND LOSS ACCOUNT

(Figures in 1000s of NOK)	SN Power group	
	2013	2012
Operating income	1 607 552	1 515 375
Operating expenses	1 155 063	1 378 060
Operating profit/(loss)	452 489	137 315
Net financial items[1]	424 141	540 866
Ordinary profit before tax	876 630	678 181
Tax on ordinary profit	-123 652	-55 112
Ordinary profit	752 978	623 069
Net profit	752 978	623 069
Minority interest	65 998	59 917
Majority interest	686 980	563 151

BALANCE SHEET

Assets (Figures in 1000s of NOK)	2013	2012
Intangible assets	223 765	206 469
Tangible fixed assets	7 648 136	6 388 084
Financial fixed assets	6 463 883	5 734 745
Total fixed assets	14 335 783	12 329 298
Inventories	4 484	4 052
Receivables	1 715 774	1 271 483
Investments	0	0
Cash and cash equivalents	979 105	1 043 962
Total current assets	2 699 362	2 319 497
Total assets	17 035 145	14 648 794

Equity and liabilities	2013	2012
Called up and fully paid share capital	10 272 139	9 182 122
Retained earnings	908 187	489 531
Total equity	11 180 326	9 671 653
Minority interest	1 082 089	864 612
Provisions for liabilities and charges	1 119 486	1 044 702
Other long-term liabilities	2 636 049	2 120 899
Current liabilities	1 017 195	946 928
Total liabilities	4 772 730	4 112 529
Total equity and liabilities	17 035 145	14 648 794

SN Power reports in accordance with International Financial Reporting Standards (IFRS), and has been using the US dollar (USD) as its functional currency since fiscal 2008. The profit/loss is converted to NOK at the average exchange rate for the year of USD 5.88 and the balance sheet at the rate of USD 6.084 prevailing at 31 December 2013.

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

NOTE 6 – RECEIVABLES

The loan portfolio is recorded under receivables. When acquired from NORAD, it was valued at zero in the Norfund accounts pursuant to Proposition no. 1 to the Storting (2000-2001), which transferred the loan portfolio to Norfund without an appropriation decision.

Pursuant to the Norwegian Accounting Act, receipts (interest and principal repayments) from this portfolio are recorded as income in Norfund's accounts.

(Figures in 1000s of NOK)	Opening loan balance 01.01.13	Repayments received 01.01- 31.12	Repayments interest 01.01- 31.12	Depreciation during the yeas	Gain/loss on exhange during the year	Closing loan balance 31.12.13
TOTAL	5 616		0	0	0	5 616
Depreciation	5 616					-5 616
Book value	0					0

Norfund has valued the loan portfolio at 31 December 2013 at NOK 0,-

OTHER RECEIVABLES

	Other receivables	
(Figures in 1000s of NOK)	31.12.13	31.12.12
Receivable/Right [1]	8 517	9 018
Other receivables	77 084	72 451
Total receivables	85 602	81 468

1 In connection with the sale of Aureos Capital, Norfund received a cash settlement and a right to a share of future carried interests in the first-generation funds. The right is valued in relation to the value of the first-generation funds at 31 December 2013

Other receivables: All receivables fall due within one year.

NOTE 7 - CAPITALIZED PROJECT DEVELOPMENT COSTS

	(Figures in 1000s of NOK)	
Project	2013	2012
Lake Turkana Wind Project	13 574	13 694
Kinangop Wind Park	10 763	7 925
Other projects	24 176	8 956
Total capitalized project development costs	48 513	30 576

Project development costs include accrued costs for developing projects to a stage where investment decision can be made. The capitalized costs will be converted to investment if an investment decision is made. In case not, the capitalized costs will be written down in the profit and loss statement. Capitalized costs require at least 50 % probability for a positive investment decision.

Increased project development is part of Norfunds increased efforts on Renewable energy and is the Project development facility.

NOTE 8 - LOANS TO COMPANIES IN THE INVESTMENT PORTFOLIO

		(Tall i 1 000)	
	Currency	Book value[1] (in currency)	Book value[1] (NOK)
Africado	EUR	670	5 616
African Banking Corporation Zambia Limited	USD	3 000	18 251
Afrinord Hotel Investments A/S	EUR	1 731	14 508
Afrinord Hotels Investment	USD	1 800	10 951
Alios Finance Tanzania	USD	4 500	27 377
Alios Finance Zambia Ltd.	USD	5 000	30 419
Amret Co Ltd	USD	4 000	24 335
Banco Ficosha	USD	11 357	69 091
Basecamp Explorer Kenya Ltd	USD	176	1 071
Bio2Watt	USD	12 392	7 197
BRAC Bank Limitied	BDT	490 000	37 514
Brac NGO	BDT	97 812	7 489
Bugoye HPP	USD	2 580	15 696
Capitec Bank	ZAR	30 000	17 424
Casquip Starch (Pty) Ltd	ZAR	30 703	17 668
CIFI	USD	18 750	114 069
DFCU Limited	UGS	15 814 286	37 322
DFCU Limited	USD	750	4 563
E+CO	USD	1 709	10 397
Euro TechBridge AS	NOK	2 250	2 250
European Financing Partners EUR 2	EUR	255	2 140
European Financing Partners USD 2	USD	6 066	36 901
EXIM Bank (Tanzania) Ltd.	USD	402	2 445
EXIM Bank (Tanzania) Ltd.	USD	3 348	20 370
Financiera Desyfin S.A.	USD	2 000	12 167
First Finance Plc	USD	1 750	10 646
Fondo de Desarrollo Local - FDL	USD	3 000	18 251
Great Lakes Agricultural Development Ltd	USD	150	913
Green Resources	USD	17 600	107 073
Hidro Santa Cruz	USD	500	3 040
Hidro Santa Cruz	USD	1 250	7 607
Interact Climate Change Facility	USD	2 445	14 873
LAAD	USD	6 251	38 027
Locfund	USD	501	3 048
Matanuska Africa Ltd.	USD	3 800	23 118
Matanuska Africa Ltd.(Banana Finance Company two limited)	USD	12 244	74 490
Matanuska Mozambique	USD	2 200	13 384
Micro Africa Limited	KES	41 750	2 882
Micro Uganda Limited	UGS	1 200 000	2 832
NMBZ Holdings Limited	USD	1 400	8 517
ODEF Financiera S.A	USD	1 756	10 682
Omgega Smart Build (Pride Architects AS)	NOK	2 000	2 000
Prasac	USD	10 000	60 837
Real People Investment PTY	ZAR	220 000	127 776
Sacom Bank Leasing Ltd	USD	5 000	30 419
Sacombank	USD	25 000	152 093
Safa Marine Industries Ltd	EUR	56	470
Sathapana Ltd.	USD	2 000	12 167
Scandinavian Water Technology	NOK	2 500	2 500
Tecombank	USD	15 000	91 256
TPS Dar es Salaam	USD	3 100	18 859
UAP Properies Limited	USD	2 500	15 209
Yara Tanzania Ltd	USD	6 000	36 502
Accrual start-up fee loans			-8 014
Total loans to companies			1 428 687
Provision for bad debts at 31 Dec 2013			-94 215
Book value loans/total interest received			1 334 472

1 Figures at 31 December 2013 and before any write-downs.

2 Loans syndicated by members of European Financing Partners are co-invested. Norfund's holding varies from 1-5 per cent. Loans have been granted to Olkaria III, Cement du Sahel, CareWorks, Precision Air, Equity Bank, Maputo Private Hospital, Millicom Tanzania, Rabai Power Ltd., Zambeef, PTA Bank, AFL, Jamaica Public Services, Co-operative Bank, Indorama Eleme Fertilizer, ETG, AFC, Bharti Airtel, NMB Tanzania.

COMMITTED INVESTMENTS IN LOANS

In addition to the loans specified above, Norfund made a loan charged to unused funds Balkans which is recorded at NOK 0 in accordance with the requirements of NRS 4 concerning net recording of government grants received. See Note 14.

Some of the loans carry a risk comparable with that of equity investments.

NOTE 9 - EQUITY INVESTMENTS

EQUITY INVESTMENTS IN FUNDS

(Figures in 1000s)	Currency	Share Holding	Committed investments (in currency)	Historical cost price[1] (in currency)	Committed investment (in NOK)	Historical cost price[1] (in NOK)
Adania Capital (I&P Capital)	EUR	13,4 %	2 620	1 945	20 682	15 027
Africa Health Fund SA En Commandite	USD	9,5 %	9 946	4 208	59 589	24 683
Africap Microfinance Investment Company	USD	7,1 %	3 000	2 346	16 770	12 794
AgriVie Fund	ZAR	9,4 %	77 145	59 572	54 918	44 712
APIDC Biotech Fund	USD	7,7 %	2 710	2 711	16 434	16 437
Aureos Africa Fund L.L.C	USD	10,5 %	30 234	21 683	180 061	128 037
Aureos Central America Fund	USD	27,5 %	4 689	4 676	28 244	28 163
Aureos Central America Growth Fund (EMERGE)	USD	14,3 %	2 598	1 786	15 948	11 006
Aureos East Africa Fund	USD	20,0 %	1 543	1 471	8 806	8 370
Aureos Latin America Fund (ALAF)	USD	13,6 %	20 381	24 591	122 343	147 954
Aureos South Asia Fund (Holdings)	USD	23,5 %	18 048	15 964	105 877	93 199
Aureos South Asia Fund I	USD	50,0 %	4 686	168	28 526	1 043
Aureos South East Asia Fund	USD	28,6 %	6 161	4 542	37 090	27 240
Aureos South East Asia Fund II	USD	2,2 %	4 686	596	28 280	3 399
Aureos Southern Africa Fund	USD	25,1 %	6 408	5 091	35 575	27 565
Aureos West Africa Fund	USD	26,0 %	5 507	4 344	31 519	24 441
Business Partners Madagascar SME Fund	EUR	14,1 %	1 200	738	9 952	6 082
Cambodia- Laos Development Fund	USD	20,3 %	4 000	2 462	23 651	14 297
CASEIF	USD	31,8 %	870	870	5 853	5 854
CASEIF II	USD	13,8 %	3 520	3 099	21 117	18 555
China Environment Fund	USD	10,0 %	878	770	4 825	4 169
Coreco Central America Fund I LP	USD	18,9 %	10 000	2 608	60 540	15 570
ECP Africa Fund	USD	1,2 %	67	48	390	273
Evolution One Fund	ZAR	7,2 %	47 923	34 447	33 149	25 322
Fanisi Venture Capital Fund SCA	USD	30,9 %	14 250	6 869	84 931	40 030
Frontier Fund	USD	11,3 %	10 025	7 248	58 939	42 042
Fundo de Investimento Priv.Angola	USD	29,4 %	10 000	5 817	60 582	35 131
GroFin Africa Fund	USD	9,4 %	12 861	8 790	75 666	50 900
Higher Education Financing Fund	USD	33,0 %	5 000	1 052	30 320	6 301
Horizon Equity Partners Fund III	ZAR	9,0 %	26 067	20 189	17 907	14 493
Locfund	USD	10,0 %	1 395	1 395	8 194	8 191
Locfund II	USD	26,0 %	8 000	3 054	48 916	18 829
NMI Frontier Fund	NOK	45,0 %	108 000	71 900	108 000	71 900
NMI Fund III	NOK	26,3 %	47 880	9 576	47 880	9 576
NMI Global Fund	NOK	45,0 %	162 000	132 640	162 000	132 640
Prospero Microfinanzas Fund B.L.P.	USD	21,7 %	4 812	2 526	28 589	14 681
Seaf Blue Water Growth Fund	USD	20,0 %	5 000	3 620	29 473	21 078
SEAF Sichuan SME Investment Fund	USD	13,3 %	1 467	1 410	9 172	8 824
Solidus Investment Fund	USD	6,3 %	1 540	1 540	8 952	8 952
The Currency Exchange	USD	2,4 %	10 000	10 000	55 000	55 000
Vantage Mezzanine Fund II (Partnersh)	USD	5,4 %	95 798	29 940	420 251	19 590
Voxtra East Africa Agribusiness Ini	NOK	35,0 %	23 472	10 479	23 472	10 479
Total invested in funds					2 228 382	1 272 827

1 Figures at 31 December 2013 and before any write-downs.
2 Fund investmetns with more than 35% owner share
Aureos South Asia Fund I (ASAF) was established by CDC and Norfund in anticipation of Aureos South Asia Fund (Holdings) which started operations in January 2006. Norfund and CDC co-financed minority holdings in companies in Sri Lanka.

NMI Global Fund and NMI Frontier Fund is part of the private-public joint project in micro finance (Norwegian micro finance initiative). It was a condition for this joint project that Norfund contributed with as much capital as the private investors combined. Both underlying investments have since been realised, and ASAF I was formally discontinued 11th March, 2014.

"Committed" means that an external commitment exists for the specified amount. For conversions to NOK, the exchange rate at the time of disbursement is used for the part of the amount that has been paid. The exchange rate at 31 December 2013 is used for the part that has not been disbursed.

EQUITY INVESTMENTS IN MANAGEMENT COMPANIES

Figures in 1000s	Currency	Share Holding	Committed investments (in FX)	Historical cost price[1] (in FX)	Committed investment (in NOK)	Historical cost price[1] (in NOK)
AMSCO	EUR	4,8 %	240	240	1 837	1 837
Angola Capital Partners LLC [2]	USD	50,0 %	250	250	1 417	1 417
European Financing Partners mgm	EUR	7,6 %	25	25	195	195
Fanisi Venture Capital management [2]	USD	50,0 %	275	25	1 661	143
Interact Climate Change Facility S.A.	EUR	7,7 %	6	6	47	47
Lafise Investment Management	USD	20,0 %	2	2	17	17
NMI Portfolio Manager AS [2]	NOK	50,0 %	30 000	39 120	30 000	39 120
Total invested in management companies					35 174	42 777

1 Figures at 31 December 2013 and before any write-downs.
*2 **Joint Ventures with 50% owner share***
Angola Capital Partners LLC is a fund management company, where Norfund was one of the promoters. The management company is a joint venture with Banco Africano de Investimento (BAI). The joint venture is established to develop the local capital market. The company is first of its kind in Angola and would not have had financial close without Norfund.

Fanisi Venture Management Companis is a fund management company, where Norfund was one of the promoters. The management company is a joint venture with Armani Capital partners. Norfund will through this investment contribute to Norfunds objectives by further develop the financial markets in eastern Africa og raise capital for small and medium sized enterprises. The company is one of the first venture capital fund managers in eastern Africa, and would not have had financial close without Norfunds participation.

Norfund established in 2008 NMI (Norwegian micro finance initiative) together with KLP, DnB, Ferd and Storebrand. It was a condition for this joint project that Norfund contributed with as much capital as the private investors combined. Norfund owns 50 per cent in the fund manager NMI AS and 45 per cent in the two funds; NMI Global and NMI Frontier. Indirect through NMI AS, Norfund owns an additional 5 per cent in both funds. In 2013, Norfund established a new fund called NMI III. Norfund does not own more than 26.3 % of this fund directly. Norfunds power of ownership in both the management company and the funds is less than the actual ownership share and the investment have same expected investment period as Norfunds other investments. The investment in NMI is therefore treated as a current investment in Norfunds accounts.

EQUITY INVESTMENTS IN COMPANIES

(Figures in 1000s of NOK)	Currency	Share Holding	Committed investment (in FX)	Historical cost price[1] (in FX)	Committed investment (in NOK)	Historical cost price[1] (in NOK)
Africado	EUR	40,0 %	2 000	2 000	15 359	15 359
African Century Food Ltd	USD	29,6 %	8 000	5 280	48 619	32 072
Afrinord Hotels Africa	EUR	20,0 %	50	50	392	392
Agrica Limited	USD	23,8 %	12 718	12 718	77 064	77 062
Aqua Imara	USD	19,0 %	30 523	29 435	176 973	170 354
Asilia (African Spirit Group Limited)	USD	19,4 %	5 000	5 000	30 694	30 694
Banco Terra	MZN	15,2 %	456 700	456 700	96 568	96 568
Basecamp Explorer Kenya Ltd	NOK	40,0 %	9 000	1 561	16 439	9 000
Bugoye HPP	USD	27,5 %	12 551	2 368	74 504	12 551
Casquip Starsh (Pty) ltd	SZL	24,7 %	26 000	26 000	18 593	18 593
Chayton Atlas Investments	USD	22,7 %	10 432	10 432	60 092	60 093
CIFI	USD	9,3 %	5 000	5 000	31 225	31 225
DFCU Ltd	UGS	27,5 %	48 061 797	47 981 415	115 924	115 734
Financiera Desyfin S.A.	USD	23,2 %	8 000	6 000	48 940	36 772
Hattha Kaksekar Ltd	USD	17,6 %	2 404	2 404	13 518	13 516
Kabul Serena Hotel	USD	17,1 %	5 000	5 000	33 785	33 785
Kinangop Wind Park	USD	18,8 %	12 000	2 480	73 054	15 141
Kinyeti Venture Capital Limited	USD	49,0 %	3 750	3 750	22 121	22 121
Matanuska Africa Limited	USD	33,3 %	5 834	5 834	31 770	31 768
NMBZ Holdings Limited	USD	9,0 %	4 944	4 944	28 802	28 800
Norsad	USD	11,0 %	9 297	9 297	56 845	56 847
Real People Investment PTY	ZAR	16,8 %	224 374	224 374	167 511	167 511
Scatec Solar SA	ZAR	35,0 %	122 500	117 483	75 176	71 226
SN Power AS	NOK	50,0 %	73 004	25	73 004	25
Socremo	MZN	35,6 %	127 134	127 134	24 530	24 530
TPS Dar es Salaam	USD	28,5 %	6 800	6 800	39 089	39 089
TPS Pakistan	USD	4,7 %	3 967	3 967	21 164	21 161
TPS Rwanda	RWF	11,4 %	1 287 434	1 287 434	12 510	12 510
Total invested in companies					1 484 265	1 244 499
Write-down equity investments at 31.12.13						-313 297
Book value equity investments						2 246 806

1 Figures at 31 December 2013 and before any write-downs.

*2 **Equity investmetns with more than 35% owner share***
Norfunds has an owner share of 40% in Africado Ltd. The project is an agriculture greenfield project, and the partners had limited access to capital. Norfund consider this to be a special case due to the extra capital constrains which made it necessary for Norfund to go beyond 35 % owner share to get a financial close in the project.
Kineyeti Venture Capital Ltd is the first investment company that is estblished in South Sudan. Norfund owns 49 % of the shares and has taken an active role in Kinyeti in order to offer small enterprises risk capital in a highly unstable area. The goal is to attract further capital from other partners so that Norfund's share over time can be reduced.

Norfund has a 40 per cent owner share in Basecamp Explorer Kenya Ltd. The high ownership percentage was necessary to inject sufficient capital for this company to further develop.

Nofunds 35.6% equity share in Socremo, occurred as a result of the restructuring of the company after the initial investment. This investment is planned to be transferred to Norfinance AS during 2014. SN Power is a newly established 50/50 joint venture company between Norfund and Statkraft for investments within renewable energy in Africa, Central America and South-East Asia. Initially, the company will hold Norfund and SNPI's current assets in Aqua Imara, and SNPI's investments in the Philippines.

NOTE 10 - EXITED INVESTMENTS

Applies for investment projects where Norfund has exited the entire investment.
The table presents realised profits over the entire investment period.

(Figures in 1000s of NOK)	Telecom Management Partner [1]	CAIF
Cost price, paid-in capital	101 140	8 169
Total reflow from investment	104 333	2 059
Gain/(loss) on investment	3 193	-6 110
Realised gain	6 144	-4 238
Realised FX gain	-2 951	-1 872
Year of first disbursemnt	2006	2001
Investment currency	NOK/USD	USD
Calculated annual IRR in investment currency	1%	-26%

1 The investment in Telecom Management Partner was both a loan and shares. The loan was repaid in 2010, and the shares were realized in 2013 as a result of the wound down of the company. The share value was per 31.12.2012 written down as NOK 12.1 million, equivalent to the booked loss in 2013.

The equity position in Tough Stuff was realized as a result of the liquidation of the holding company. Tough Stuff was valued at NOK 0 per 31.12.2013, and the booked loss in 2013 was NOK 31.2 million.

Four loans has been repaid during the year.

NOTE 11- TAX

Tax costs is withholding tax on dividend and interests from foreign investments.
Norfund is tax exepmted in Norway pursuant to a separate section in the Taxation Act.

NOTE 12- BANK DEPOSITS, CASH AND CASH EQUIVALENTS

Bank deposits of NOK 2 051 484 929 include NOK 2 497 806 in the blocked tax withholding account. In addition, NOK 37 338 833 of the company's liquid assets are tied up in unused resources. These assets can only be used in accordance with the guidelines establihed for the application of unused resources (see note 14)
NOK 1 803 773 306 of the company's total bank deposits are placed in Norges Bank.

NOTE 13 - CAPITAL MOVEMENTS

(Figures in 1000s of NOK)	Primary capital	Capital in reserves	Surplus fund	Total equity
Capital at 1 January 2013	5 337 750	1 971 250	1 129 907	8 438 907
Capital added in 2013	911 000	287 000		1 198 000
Equity adjustment ass. co. recorded directly against equity (see note 5)			235 324	235 324
Net profit			328 319	328 319
Capital at 31 December 2013	6 248 750	2 258 250	1 693 550	10 200 550

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

Of the capital received in 2013, 75 per cent was allocated to primary capital and 25 per cent to legal reserves in accordance with Article 9 of Norfund's instructions.

Norfund has received NOK 8 507 million in capital from the Norwgian government, of which NOK 1 198 million in 2013.

The equity adjustment is caused by the exchange rate adjustment of Norfund's share in SNPI caused by a stronger USD to NOK. SNPI presents its financial statements in USD.

NOTE 14 - UNUSED FUNDS (NORFUND'S GRANT FACILITY)

Proposition no. 1 to the Storting (2009-2010) provided for the allocation of resources to a grant facility to cover professional assistance in connection with Norfund's investment activities. These funds must be used during the budget year. As specified in NRS 4, loans made are recorded net in the accounts.

In 2013 Norfund received NOK 10.0 million in capital for the grant facility of which 12 million is earmarked for grants to the hydropower project Fula Rapid in southern Sudan, and 11 million allocated to NMI. The resources are devoted to developing new projects in sectors and countries with particularly high risk levels and to boosting the development effect of Norfund's investments. Support can be provided for project development, training and transfer of expertise, measures to prevent HIV and AIDS, to promote equal opportunities and to promote health, safety and the environment. The resources are treated as current liabilities, and undisbursed amounts are included in Norfund's liquid assets. When costs are met from the resources, the liability is reduced by an equivalent amount. A total of NOK 12.9 million in costs was charged to the fund in 2013.

In 2013 Norfund recieved NOK 27.8 million from the Embassy in Juba for the start up of the Fula Rapids hydropower project in South Sudan. NOK 23.7 million is paid to the project in 2013. Dibpursement of the remaining fund is expected in autumn 2014.

Norfund has also received a grant funds earmarked for projects in the Balkans, and most of the funds given in loans to finance companies.

On behalf of Norad, Norfund administers the institution a grant (mixed credit) at 38 million for hydropower project Nam Sim in Laos. The grant was paid from NORAD in December 2011 and 18.3 mill kr have been disbursed through 2013. Norfund expects to disburse rest of the grant for the project gradually during the year 2014 based on agreed milestones in the construction process.

(Figures in 1000s of NOK)	Unused funds Norfund		Unused funds Fula Rapids		Unused funds Balkans		Unused funds Norad	
	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12
RECEIPTS								
Carried over from previous year	4 639	5 382	5 125	4 869	5 995	5 974	38 000	38 000
Received during the year	10 000	22 033	27 840	12 000	0	0	0	0
Repaid grant funds	258	798	0	0	0	0	0	0
Total receipts	14 896	28 212	32 965	16 869	5 995	5 974	38 000	38 000
Income			0	0	287	609	0	0
DISBURSEMENTS								
General costs								
Fund management	0	0	0	0	0	0	0	0
General follow-up	0	0	0	0	-211	-601	0	0
Intervention								
Project development (incl. Energy Initiative)	-1 643	-3 734	-23 732	-11 744	0	0	-18 339	0
Boost and support development effects of projects	-6 007	-5 624	0	0	0	0	0	0
Boost social responsibility	-5 220	-3 215	0	0	0	0	0	0
NMI start-up support	0	-11 000	0	0	0	0	0	0
Local investment funds								
Follow-up costs	0	0	0	0	296	-12	0	0
Loans to projects	0	0	0	0	-16	0	0	0
Total disbursements	-12 870	-23 573	-23 732	-11 744	69	-614	-18 339	0
Allocated interest income			0	0	67	23	0	0
Non-disbursed resources	2 028	4 639	9 233	5 125	6 417	5 995	19 661	38 000
Total non-disbursed funds at 31.12.13		37 339						

At the end of 2013, unused funds Balkans consisted of two outstanding loans of EUR 1.6 million each.

NOTE 15 - DESCRIPTION OF NORFUNDS RISK

Marked and currency risk

Norfund's investments are made in developing countries in which the country itself, markets and companies are characterised by high risk. Future return depend on the ability to manage the opportunities and risk during the investment period.

Norfund's investments are largely made in USD, but in som ecases in other currencies. Since Norfunds's base currency is NOK, its future returns are heavily influenced by the exchange rate between NOK and USD (or other currency where relevant). The various projects in which Norfund invests may also be subject to fluctuations between local currency and USD.

Norfund's investment commitments are largly denominated in USD, while its liquidity assets are placed in NOK-denominated interest bearing accounts in Norges Bank.

FX RATES USED IN CONVERSION

		31.12.13	31.12.12	Change during the year
US Dollar	USD	6,084	5,566	9,3 %
South African Rand	ZAR	0,581	0,656	-11,4 %
Rwandan Franc	RWF	0,0088	0,0090	-2,3 %
Kenyan Schilling	KES	0,069	0,065	6,8 %
Ugandan Shilling	UGS	0,00236	0,00206	14,6 %
Mozambique Metical	MZN	0,2020	0,1877	7,6 %
Bangladesh Taka	BDT	0,0766	0,0699	9,5 %
Cambodien Riel	KHR	0,00150	0,00139	7,9 %
Swaziland Lilangeni	SZL	0,575	0,656	-12,3 %
Euro	EUR	8,383	7,341	14,2 %

Interest-rate risk

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

Credit risk

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

Liquidity risk

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

NOTE 16 - CONTRACTUAL OBLIGATIONS

(Figures in 1000s of NOK)	Lease duration	Annual rental costs
Premises at Støperigata 2, Oslo	01.07.09 - 30.06.2016	4 242 945

Tender guarantee scheme

In 2004 Norfund decided to establish a tender guarantee scheme to encurage increased financial cooperation and investment in developing countries. The scheme is administrated by the Norwegian Guarantee Institute for Expost Credits (GIEK). NOK 2 692 544 was charged Norfunds accounts in 2013 in respect of the scheme. The tender guarantee scheme had initially a three-year trial period that ran to the end of 2007. The scheme has been extended.

BDO

Tel: 23 11 91 00
Fax: 23 11 91 01
www.bdo.no

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

To the owners' meeting of **NORFUND, a company under special law**

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of NORFUND, a company under special law, which comprise the balance sheet as at 31 December 2013, and the income statement, showing a profit of NOK 328 319 000 and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of NORFUND, a company under special law as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 27th March 2014
BDO AS

NOT TO BE SIGNED - FOR INFORMATION PURPOSES ONLY

Johan Henrik L'orange
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Norfund

Norfund's head office, Oslo, Norway
Postal address:
P.O. Box 1280 Vika
NO-0111 Oslo,
Visiting adress:
Støperigata 2
Oslo, Norge
Phone: +47 22 01 93 93
Fax: +47 22 01 93 94
E-mail: post@norfund.no

Norfund's office in San José, Costa Rica
Postal address:
P.O. Box 5848-1000
San José, Costa Rica
Visiting adress:
Escazu Corporate Center
Costado Sur, Multiplaza Escazu
San José, Costa Rica
Phone: +506 2201 9292
Fax: +506 2201 5028

Norfund's office in Johannesburg, South-Africa
Postal address:
Postnet Suite 411, Private Bag X153,
Bryanston 2021, Johannesburg,
South Africa
Visiting adress:
1016 Oakhill, Fourways Golf Park,
Roos Street,Fourways 2055,
Johannesburg, South Africa
Phone: +27 11 467 4070
Fax: +27 11 467 4079

Norfund's office in Nairobi, Kenya
Postal address:
P. O. Box: 66162-00800,
Nairobi, Kenya
Visiting adress:
4th Floor Arlington Block,
14 Riverside Drive, Nairobi, Kenya
Phone: +254 (724) 256 947

Norfund's office in Maputo, Mozambique
Address:
Rua Joseph Ki-Zerbo
n.° 253 Maputo
Mozambique
Phone: +258 214 949 62/5

Norfund's office in Bangkok, Thailand
Address:
Level 33 Interchange 21
Suite 3358
399 Sukhumvit Road
North Klongtoey, Wattana
Bangkok 10110,
Thailand
Phone: +662 660 3840-1
Fax: +662 660 3881

www.norfund.no

MILJØMERKET
07 OSLO - 241 344

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