



Innovasjon Norge

2016 Annual Report

Great challenges - great opportunities

CEO Anita Krohn Traaseth

The parliament and the county councils allocated a total of NOK 3.7 billion to Innovation Norway in 2016. This will finance loans, grants, consulting, promotion and networking, so that in total, we can contribute NOK 6.7 billion to businesses in 2016, compared to 6.1 billion the previous year. These funds triggered investments totalling NOK 20.1 billion compared to NOK 16.3 billion in 2015 - an increase of more than 18 percent.

Nine out of ten enterprises state that Innovation Norway's contribution to a greater or lesser degree has been decisive for their project being initiated. This means that Innovation Norway continues to be a driving force for change and development of businesses. We help both new and well established businesses toward the opportunity to develop themselves - opportunities they would not otherwise have. That means we're doing our job!



CEO Anita Krohn Traaseth

Foto: Agnete Brun

Innovation Norway has followed up the government's entrepreneurial plan. Entrepreneurs are important to ensure innovation and diversity within Norwegian industry, and to challenge established companies to new ways of thinking. We have increased our efficiency and customer satisfaction through an entrepreneurial centre that treats all market clarification grants and we are contributing to several global entrepreneurs through our Global Entrepreneurship training program. Through the new pre-seeding plan, 2016 saw 233 million in investments reach start-ups.

The figures speak clearly

There has been a very positive development in the level of innovation from all our customers over the last three years. In 2016, NOK 2.5 billion, or 41 percent of all commitments for financing was for projects with a potential for innovation at an international level. That is the double of what we saw in 2013, and demonstrates that our emphasis on companies in growth and internationalization since 2014 has the desired effects. Figures for 2016 from Statistics Norway show that the effect of support from Innovation Norway consistently remains stable at a high level. Companies that have received support from Innovation Norway have an annual additional growth over a three-year period compared to a control group which has not received support from us: Additional growth in sales revenues of 12.3 percentage points, annual additional growth in value added of 6.2 percentage points (in 2015, the figure was 5.9) and an annual additional growth in productivity of 2.2 percentage points (in 2015, the figure was 1.9). There is thus little change compared to last year.

Culture, digitization, simplification

2016 also saw the first assignment from the Culture Ministry, which will allocate NOK 30 million for cultural and creative industry in 2017.

The aim going forward is to continue work on the digitization of services and administration. We want to simplify the customer journey for start-ups and established businesses aiming to grow internationally. We will improve and enhance the communication of our services. We will continue to increase efforts in sustainability, and to emphasise exports and internationalization of Norwegian

industry, through work on the Norway brand. And we will strengthen our role as an innovation policy advisor.

We're developing our services and cooperation

Innovation Norway is developing the cluster program to produce more radical innovations and new industries. Some of our best clusters are engines for transition, and will ensure dissemination of world-leading expertise to a multitude of small and medium enterprises in the country.

During the past year, Innovation Norway has taken the initiative and found new forms of cooperation with other state and government agencies. It is important to us, as a business with a mission for society at large, that we proactively contribute to this cooperation. When the Norwegian Research Council, Enova, GIEK, GIEK Credit Insurance, Export Credit Norway and we at Innovation Norway cooperate more and more seamlessly, we can help create new opportunities for our customers - easier, faster and better tailored to their needs. That's what we want.

We have established a new tool for clean energy technology, Pilot-E, together with the Research Council and Siva, and a common green mobilization project with GIEK and Export Credit. We have evaluated and awarded eight destinations the label for sustainable tourism, and eight new ones are about to qualify.

We place great emphasis on sustainability as an important aspect in everything we do, so that it permeates our own organization, funding policy and training of our customer advisors. In 2014, we established a separate division for Sustainability, to gather expertise across sectors. We have an internal program for sustainability, and follow up by assessing this dimension in all financing matters. All customer advisors are trained in sustainability, and we ask specifically about sustainability in our customer and efficacy studies. We deliver on sustainability. 47 percent of our grants for funding provide positive environmental impact. We see a 35 percent increase in the allocation of money from the environmental technology scheme.

Innovation Norway has recently argued that we should make Norway known as an attractive country for trade, innovation cooperation, investment and tourism. In addition to the division for Brand Norway, we have established a transversal project which will strengthen our ability to demonstrate and market Norway, Norwegian technological expertise and sustainable competitiveness internationally. The project team is amongst other things, working to develop a separate toolbox for the Norwegian industry. In 2017, this work is anchored in a separate mission from the government.

Dare to opine

Innovation Norway is the government's and county governments' innovation policy advisor. Therefore, we also contribute with input and advice in the public debate on innovation policy. The work is rooted in an innovation policy department. To do a good job as an advisor, we depend on further development of solid factual basis. In 2016, we spent a lot of time improving the quality of internal data and reporting to owners and principals. In addition, we have continued our efforts from the national innovation policy brainstorming sessions we conducted in 2015, the Dream

Commitment (Drømmeløftet). Based on the feedback we received from businesses and society, we have identified six possible areas of business development, where Norwegian expertise intersects with global needs that go beyond and include traditional sector divisions: clean energy, health and welfare, smart communities, bioeconomy, ocean space, and creative industry and tourism. We published separate reports for four of these areas in 2015 and 2016, and more are coming in 2017.

In 2016, we worked hard to develop our company's ability to carry out the tasks the government and parliament have assigned to us. Throughout 2016, we have developed further five internal development programs, for digitization, sustainability, Brand Norway, innovation policy and expertise and culture. All of them were adopted by the Board in 2015.

The Digitization Program has made our customer interactions more efficient for both our customers and for us. Customers can, to a greater extent than previously, benefit from self-service, and they get a full overview of the process through My Page. We've streamlined the administration of the loan business. We are conducting more centralized and efficient purchasing, and we have streamlined our management of property, security and emergency preparedness.

Innovation Norway is a knowledge-based organization. Our ability to deliver relevant and effective services and advice rests on our ability to connect the right people and develop the skills they need. In 2016 we have emphasised management training, connecting different parts of the company, and culture - with a focus on values, cooperation and feedback to and from employees. We have also gathered our expertise and resources in separate centres for entrepreneurs and exports.

Innovation Norway has, since 2010, had a stable distribution of employees between headquarters, the counties and in our offices abroad. In 2016 we reduced our management level and the number of regions from 15 to 12 by establishing Innovation Norway Inland, Innovation Norway Arctic and Innovation Norway Trøndelag, while all physical offices remained. This gives us the opportunity to provide greater resources and room for decisions locally, increasing specialization among employees, enhancing expertise and achieving even more effective follow-up for our customers. We have discontinued the regional boards, but created regional credit committees across offices. Thus, we are assured of a continued and solid regional base in the ongoing decisions on financing.

The continuous efforts to hone the organization and make it more efficient has yielded results. In 2016, we have done more with less - with 693 full-time equivalents, we delivered services and financing for NOK 6.7 billion, while 2013 saw 760 full-time equivalents and provided services for NOK 5.9 billion. We have improved our own cost efficiency by 18 percent. In 2016 we completed an important part of the restructuring we initiated in 2015, with downsizing, several organizational changes and the introduction of new collaboration platforms.

We're passionate about the client's success

It is a true pleasure to lead a business such as Innovation Norway, where employees show such commitment, willingness and ability to think in new ways about their business. It is thanks to each and every employee that we have succeeded so effectively with our journey of change, and to orient ourselves even more towards customer needs, while preserving a workplace where people are looking forward to going to work. Thank you, all of you who contributed - and who continue to do so every day. We are well on the way, and there is much exciting work ahead.

STRENGTHENING EXPERTISE AND EFFICIENCY

Through specialization, expertise and changes in office structure, Innovation Norway aimed to deliver more relevant and effective services to Norwegian entrepreneurs and businesses in 2016.

In connection with changes made to the Law on Innovation Norway, the Parliament decided in spring of 2016 that Innovation Norway would still be owned by the Ministry of Trade, Industry and Fisheries (51 percent) and the counties (49 percent). In the same case, and with effect from 1st July 2016, Parliament decided to remove the provision which imposed Innovation Norway to have regional boards. As a result, the Board of Directors decided to discontinue the regional boards as of the same date. To maintain a distinct regional affiliation, the decision-mandates that the regional boards had in financing matters are transferred to regional directors and separate regional credit committees across offices.

Strengthening efficiency and competence

To gather and streamline the joint expertise, Innovation Norway has merged the regional offices in Hedmark, Oppland, North and South Trøndelag, and Finnmark and Troms including Svalbard, to three regions with regional leaders, respectively Innovation Norway Inland, Innovation Norway Trøndelag and Innovation Norway Arctic. Following this change the domestic activities of Innovation Norway are organized in 12 regions, plus headquarters in Oslo. Mergers and regional organisation contributes to strengthening and focusing our competence and efficiency in Innovation Norway's work with local and regional as well as national and international projects with basis in the regions. The goal is to cooperate better and to utilize each other's resources and expertise to the best of our customers.

Specialisation In 2016, a separate training program has been designed to strengthen and specialise customer advisers' expertise in financing and marketing consulting. The specialisation includes customer interactions, business modelling, financing, sustainability, innovation, growth and internationalisation. Similarly, Innovation Norway has developed the role of adviser and sparring partner for enterprises with the potential to grow internationally. This includes both the provision of international market opportunities, mobilisation through GoGlobal events, counselling at regional offices and more effective aid through multi-enterprise applications at the field offices.

Innovation Norway has intensified the work on innovation policy and analysis. It incorporates a more active role as innovation policy advisor to the owners and principals, both nationally and regionally.

Export Centre

The creation of a separate Export Centre in 2016 will also strengthen Innovation Norway's key expertise in technical advice for Norwegian businesses. The Export centre will assist with advice on export, help in finding foreign partners and networks, and deliver competence to Norwegian companies. The advisers in the export centre are affiliated with the Enterprise Europe Network, a global network of business consulting organizations for small and medium enterprises and research institutions.

Entrepreneurial Centre

In May of 2016, Innovation Norway's entrepreneurial centre in Førde took over all processing of entrepreneurial grants in phase 1, i.e. grants for market clarification. Parallel to this, we launched a new "My page" solution for applications and processing of support for market clarification. The aim is to ensure efficient and high quality services to entrepreneurs in the early stages, across the country. The Entrepreneur Centre in Førde was established in 2015. In addition to processing, the centre provides guidance and answers inquiries to the Entrepreneur phone. During 2016, the Entrepreneur phone received roughly 10,000 inquiries.

Cooperation within funding agencies

Targeted collaboration between Innovation Norway, the Norwegian Research Council and SIVA (the Industrial Growth company) shall ensure a clearer, more comprehensive and competent service to Norwegian industries. The Cluster Program Norwegian Innovation Clusters is such a cooperation, which aims to contribute to development and value creation through industrial clusters. SIVA and the Research Council were also partners during the Innovation speech in 2016, and the Innovation Norway event during Arendalsuka 2016. In 2016, Innovation Norway together with the Research Council, SIVA and Enova began cooperation on a new aid scheme which boosts the development of clean energy technology, Pilot-E. The first call for projects had a budget of NOK 70 million, and was aimed at solutions for emission-free maritime transport. After a round of applications, five consortia were given funding for development of their projects.

In 2016, Innovation Norway together with Export Credit Norway, GIEK and GIEK Credit Insurance established a joint export team to meet with Norwegian companies wanting to succeed internationally. The team has selected businesses from across the country which will receive visits. The purpose of the project is to test whether it adds value for Norwegian companies to meet coordinated services from the four organisations. The aim is to better clarify what we offer export enterprises, and help them into new markets.

Svalbard mission

In March 2016, Innovation Norway established a project office in Svalbard. The establishment came after the Ministry of Trade, Industry and Fisheries (NFD) asked Innovation Norway to facilitate innovation and economic development in the archipelago. In 2016, Innovation Norway also received a mission from NFD to develop an input report which will form the basis for the government's industrial and innovation strategy for Svalbard.

Changes in international office structure The restructuring of the Norwegian and the global economy makes it necessary to have a routine assessment of Innovation Norway's presence in international markets. In autumn of 2016 we completed, a comprehensive review of Innovation Norway's office structure. The Board of Innovation Norway has set three criteria for this presence:

1. There must be sufficient interest in the relevant market within Norwegian industry
2. There must be sufficient potential for Norwegian industry in that market
3. It should be markets where Innovation Norway, through its presence, can help make a difference for industry players who wish to pursue the relevant markets

The Board of Directors, at a meeting on 15th December 2016, endorsed the main points related to changes in office structure. These changes will be finally decided and implemented in 2017.

Employee Involvement

Commitment and expertise among employees at home and abroad characterise Innovation Norway as an organisation. Our common goal is that Innovation Norway is a key instrument for industrial development, and it should be easy to use and like. Research shows that companies with high employee engagement are performing better, are more innovative and creative compared to organisations with lower scores. Therefore, we are proud that the employee survey for 2016 shows a high satisfaction both in terms of commitment, job satisfaction, teamwork and working environment.

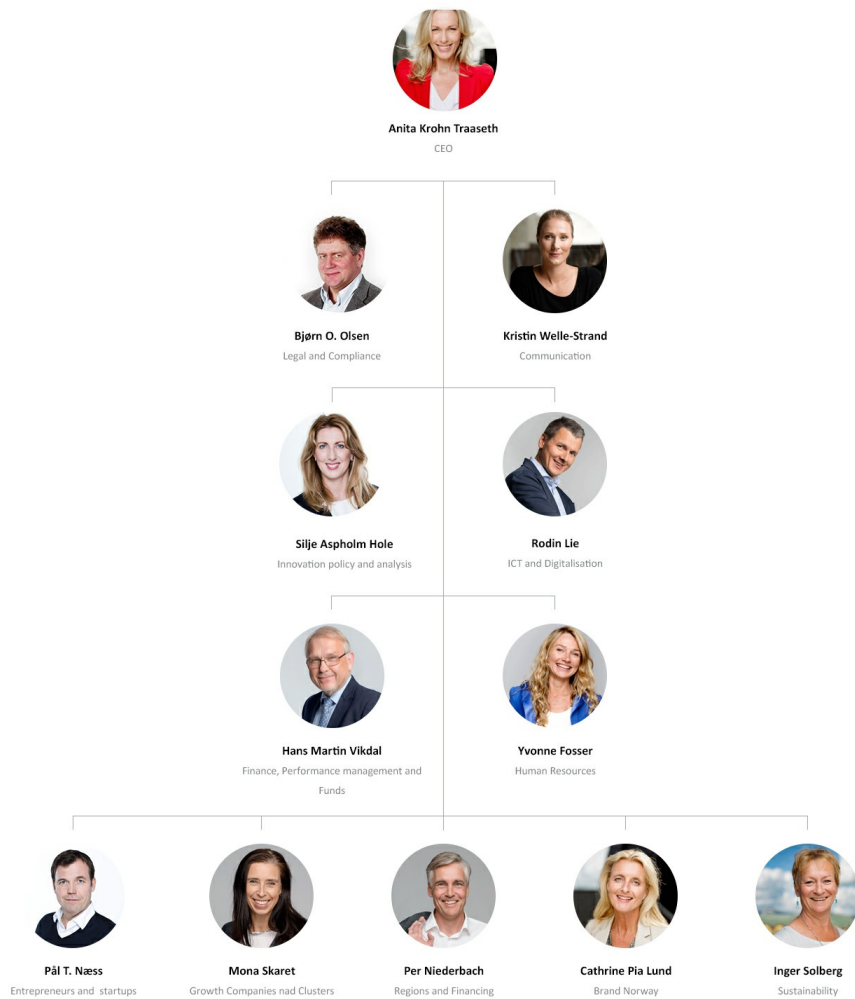
Even outside the organisation, Innovation Norway is perceived as an attractive workplace. In 2016, Innovation Norway was number two on the list of the 30 most popular employers among working segments with an education in economics, a survey conducted by Universum shows. In a former student competition, Innovation Norway was also named the most attractive employer in the public sector. In addition, Innovation Norway is, according to Universum, number four on the list of the most attractive employers among business students.

Employees in Innovation Norway

- 54 % women
- 26,5 % with foreign origin

Organizational chart

Leadership team 2016



Strategy

The world has sent its order; UN, EU and the climate summit have highlighted the large and important challenges we face. By responding and delivering on them, we can create new business and new value in Norway. We have what it takes – knowledge and expertise, experience and resources, creativity and adaptability.

Innovation Norway is an important partner for companies and regions affected by restructuring. The government has set three objectives for our work: We will contribute to more entrepreneurs, more growth companies and more innovative business clusters. In 2015, Innovation Norway developed a strategy for the period 2016 to 2020. (Link to the strategy in last year's annual report.) The strategy will ensure that we achieve our goals, and that we fulfil our social missions as best we can.

It also gives us the opportunity to make some clear priorities: Sustainability and the green shift – partly to meet Norway's obligations in the climate agreement – is the guiding light for our work. From 2016, we consider environmental and social effects along with economic effects for all projects. This way, Innovation Norway contributes strongly to businesses in Norway making the green shift. We believe that Norway should be the world leader in developing and implementing sustainable, green solutions.

Norway has great potential for developing new industries, and for strengthening existing. The regions are rich in natural resources and skilled labour, and have different industrial advantages. We believe that when we create Norwegian industry for the future, we will do so based on the strengths we already have. Innovation Norway's strategy provides the following direction for our work toward 2020:

* We will prioritise areas where Norway has international competitive advantages

- * We will elevate the challengers with global growth potential
- * We will strengthen entrepreneurial and cooperative culture to fuel the jobs of the future
- * We will develop a strong national brand, to increase our competitiveness
- * We trigger value creation based on regional advantages
- * We advise and provide knowledge on future-oriented innovation and industry policy

To implement the strategy, Innovation Norway has initiated several development programmes in areas such as digitization of customer contact and our own business, a sustainability programme, Brand Norway, an innovation policy programme and a competence and culture programme to increase employee engagement, collaboration and internal sharing culture.

Six areas of opportunity

In the innovation speech in May of 2016, CEO Anita Krohn Traaseth launched Innovation Norway's advice to the government for an even better innovation policy. Moreover, she presented the six areas of opportunity we believe Norway must focus on for building future industries. They are the result of the Dream Commitment process, involving a wide range of stakeholders from industry, organisations and the public. The six areas of opportunity are the ocean space, clean energy, bioeconomy, health and welfare, smart communities and creative industries and tourism

Innovation Norway contributes to restructuring

Companies with support from Innovation Norway have more than six percentage points higher annual growth in value creation than similar businesses without such support, as measured over a three-year period. Analyses from Statistics Norway (SSB) clearly indicate that Innovation Norway contributes to the development and transformation of Norwegian business.

Innovation Norway's **main objective** is to achieve value-adding business development throughout the country and generate business opportunities for the regions.

Our **sub goals** are:

- More successful entrepreneurs
- More companies with growth potential
- More innovative business environments

Purpose and key objectives

Innovation Norway is the state and regional authorities' main tool for realising value creating business development throughout the country. Innovation Norway's main purpose is to trigger business development that is profitable from both a commercial and a socio-economic perspective, and to help different regions to realize their potential for business development by contributing to more successful entrepreneurs, more enterprises with capacity for growth and more innovative business communities.

With its regional presence, both in Norway and abroad, Innovation Norway is in a unique position to trigger profitable business developments, based on the regions' differing backgrounds and business opportunities. Innovation Norway receives its assignments from many sources, but a common factor in all the missions is that we will contribute to long-term sustainable value creation in Norway, and that we will work with businesses, both individually and in networks. Broadly speaking, the main missions are divided into innovation and internationalisation, a mission for rural and regional development, an agricultural mission, and a banking mission which largely relates to long-term financing of investments across the full range of Norwegian industry. In addition, we have substantial missions related to the development of tourism, seed funds and pre-seed funding, and business partnerships, which includes the EEA Grants/Norway Grants and NOREPS (the Norwegian

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Emergency Preparedness System). Expertise in business, technology and market opportunities are required across all missions to achieve their objectives.

Through increased value, both industry and society's ability to adapt is strengthened. Our future welfare requires high value creation, and puts an innovation pressure on the business sector. A more innovative industry is necessary for companies to be agile and adaptable in a world that sees accelerating change.

Restructuring was central in Innovation Norway's missions received through the state budget for 2016. In the allocations for Innovation Norway, there was a one-year restructuring package of NOK 250 million for economic development across the country. The money is distributed with NOK 50 million for pre-seed, 100 million for start-up grants and 100 million for environmental technology.

Sustainability

Impacts on sustainability for society, environment and economy are now included in the assessment and treatment of all applications for financing in Innovation Norway. 47 percent of all the money we granted for support in 2016 was related to green technology solutions, across all industries. The Wood Innovation programme and the Bio Refining programme will be included in a newly

created bioeconomy scheme. Since 2013, Innovation Norway has also managed a branding system for sustainable tourism. Presently, eight Norwegian destinations have the designation, four which were awarded in 2016.

Corporate Responsibility

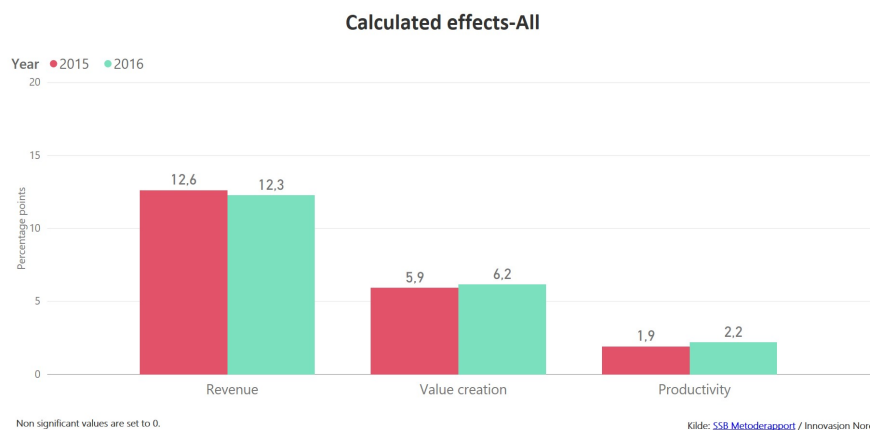
Anyone who receives services from Innovation Norway must meet a minimum requirement for good business practices.

The management of Innovation Norway approved policies on good business practice, Innovation Norway's expectations of customers and partners, in April 2016. The principles are based on our code of ethics and sustainability strategy, and form our guidelines for corporate responsibility.

Creates effects

This year's figures from Statistics Norway indicate that the effect of support from Innovation Norway is still considerable. Customers of Innovation Norway has an added growth in value creation of 6.2 percentage points per year over a three-year period, compared to similar firms without such support. Corresponding figures for the growth in sales revenue and productivity are respectively 12.3 and 2.2 percentage points annually. The effects will last for a while - how long will depend on how quickly new knowledge decays and on the companies' innovativeness.

[View interactive version](#)



The model shows the percentage points of annual growth of companies with support from Innovation Norway to similar companies who have not received our support.

Making a Difference

An important measure of Innovation Norway's work is whether we make a difference for our customers or not. According to customer efficacy studies done by Oxford Research for Innovation Norway, more than nine in ten (93 percent) customers respond that Innovation Norway's contribution was decisive for the realisation of their project. The number has been steadily increasing since Innovation Norway was established in 2004. The Customer Impact survey covers all registered customers of Innovation Norway. This survey also indicates that our support helps create and preserve jobs. The companies that received support from Innovation Norway in 2012, report in 2016 that they have created or preserved 5011 jobs. The numbers vary by year, but a low estimate indicates that Innovation Norway has helped create and maintain close to 60,000 jobs over the last ten years.

Oxford Research summarises, in its report "More Innovation for the money" (2016), that there is a marked increase in the projects' contribution to cooperation, human resource development, behaviour contributing to innovation, and actual innovation. In addition, the innovation height changed. The projects contribute more strongly to radical innovations. We now have better evidence that Innovation Norway creates value in customer interactions and follow-up. There has been a sharp increase in the proportion of customers who say they have received guidance and support in the period 2010-2012. This coincides with the introduction of new tools and training of customer advisors in market orientation and the Osterwalder model for innovation in the business model in 2009 and 2010. The proportion of customers who experienced being followed up by Innovation Norway rose from 35 percent among customers in 2010, to 48 percent among customers in 2012. Oxford's analysis found that those whom Innovation Norway had followed up have significantly outperformed those who had not asked for or received such follow-up from Innovation Norway. Results vary to a small extent by industry and geography. This means that the results apply equally to the whole country and across all industries. Entrepreneurs have slightly greater appreciation for our guidance and follow-up than older firms.

Triggering effect

The total grant from the Parliament and the counties to Innovation Norway in 2016 was NOK 3.7 billion. Along with the loan schemes from Innovation Norway, we were able to use various schemes and services to distribute a total of NOK 13 billion to Norwegian businesses. This support helped trigger further efforts from public and private sources of capital, so that the overall effect was NOK 20.1 billion in the form of investments in development of Norwegian enterprises last year.

[View interactive version](#)



Other assignments

Innovation Norway will strengthen the work for more successful entrepreneurs, more companies with a capacity for growth and more innovative business communities. In addition, Innovation Norway has several missions that go beyond these targets.

Brand Norway

In 2016, Innovation Norway carried out a survey in 17 countries on how international business leaders perceive Norwegian industry. The findings show that they consider Norway a world-leading niche player with quality products, but we are struggling to make them known. Brand Norway is an initiative which aims to strengthen Norwegian competitiveness through developing a clear national brand which Norwegian companies can use in their marketing activities. This will contribute to increased Norwegian value creation through exports of goods and services, and by attracting more foreign businesses, tourists and talent. According to the OECD, nations that are perceived to have a distinct identity have a number of advantages compared to those which appear less clear.

Invest in Norway

The aim of Invest in Norway is to attract and facilitate foreign investments into Norway. In 2016, 16 international companies were established in Norway with assistance from Invest in Norway. This work also includes a responsibility for facilitating business delegations abroad, and international trade shows.

Business Partnerships

Our Business Partnerships department is working to realise Norwegian business opportunities to solve global challenges, as defined in the UN's sustainability goals. The aim is to create social and economic growth in challenging markets and develop Norwegian companies. We do this through various programs such as the EEA funds, the Norwegian Emergency Preparedness System (NOREPS), Business Matchmaking and Vision2030. We provide consulting, partner searches, networks, expertise and financial support.

In 2016, the Business Partnerships received larger allocations and assignments than previously, including expanded mandates and increased allocation to NOREPS. Innovation Norway has a new responsibility for managing the follow-up programs on a billion NOK in Romania, 260 million in Bulgaria and 108 million in a programme for decent work and tripartite cooperation in 13 countries. The department will also work on a new assignment from Norad, where NOK 20 million under management of Vision2030 will support innovative solutions in health and education within developing countries.

Record year for tourism

Visit Norway is Innovation Norway's tourism initiative, which aims to develop the Norwegian tourism industry and promote Norway as a tourist destination nationally and internationally. In keeping with the mission and funding from Ministry of Trade, Industry and Fisheries, we spent NOK 231.5 million on marketing in 2016. In addition, Innovation Norway granted NOK 346 million in loans and grants to businesses within the tourism industry. Overall, 544 grants were awarded, mainly to product and service innovation or marketing innovation in the tourism industry. Targeted marketing efforts yield results for tourism. The Northern Lights campaign is an example of this. After Innovation Norway, along with players in the tourism industry, started marketing the Northern Lights in 2006, the number of foreign visitors to northern Norway has seen an increase of 378 percent.

In total, 2016 was a record year for Norwegian tourism, with an overall increase in the number of commercial guest nights of five percent over the previous year. The increase in the number of foreign guests alone was at 10 percent, but Norwegian boarding nights accounted for an increase of two percent. The number of tourists from China also increased by 37 percent from 2015 to 2016.

Investment and recruitment in agriculture

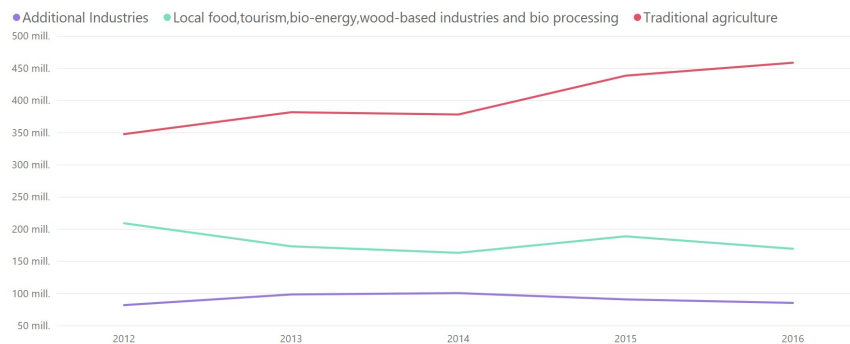
Agriculture is a major and important mission for Innovation Norway. According to Statistics Norway's calculations, agricultural enterprises with support from Innovation Norway on average and in 2016, had close to 12 percentage points higher growth in sales revenue (turnover) than similar enterprises without such support.

Most customers in traditional agriculture are sole proprietors. This necessitates that the effect of the funds on traditional agriculture be measured in several ways. For customers funded by the Ministry of Agriculture which are incorporated, however, the effect ratings from SSB show

equally good effects for growth in sales revenues as for other missions within Innovation Norway.

View interactive version

Grants for investment and development of agriculture



For the agricultural sector, Innovation Norway has grants and loans. The grants can go to investments in production facilities for traditional agriculture, additional farms and development projects in local food, tourism, bio-energy, wood-based industry and bio-refinery. All grants are aimed at increasing the production and efficiency of the farm. Innovation Norway also provides loans for agriculture but this is not mentioned in the graph.

More successful entrepreneurs

In 2016, entrepreneurship was high on the national agenda. 2016 was the year it became “cool to be an entrepreneur,” according to the media.

Entrepreneurs are agents of change. They dare to think big and contribute to solving societal challenges using innovation, creativity and sustainable solutions. Technological development happens faster than ever before, and we see entrepreneurs who innovate both in established industries and in new areas, such as the sharing economy and creative industries.

Regulations are changing in the financial industry, while technology and users require new and better solutions. This contributes to an increased number of start-ups and higher interest in innovation within the financial industry. We see the same in welfare and education technology, where robotics and artificial intelligence are used to develop new services. Companies in these industries are developing and marketing opportunities through clusters like Oslo Medtech, Oslo EdTech Cluster and Norwegian Smart Care Cluster.

More private venture capital

One of the major challenges for entrepreneurs and businesses at an early stage is access to capital. In 2016, Innovation Norway was awarded, through the government's entrepreneurial plan, a mission to prioritize measures and activities that help trigger more private capital and knowledge to entrepreneurs.

Through the new instrument, pre-seeding, we provide interest-free loans to technology transfer offices, incubators and business angel networks. They will then invest money in start-ups, and the money will be matched with an equal amount from private, independent investors. In 2016, a total of NOK 233 million was invested in 49 start-up companies through pre-seeding. NOK 171.5 million of this came from private investors.



18 investor environments across the country has received 100 million NOK from Innovation Norway's new entrepreneurial scheme, pre-seed capital. The scheme will contribute to giving entrepreneurs easier access to startup funds and investors.

Foto: Innovasjon Norge

Seed Funds are also important sources of capital. Alliance Venture Spring AS in Oslo and ProVenture Seed II AS in Trondheim were established in 2014. By the end of 2016 they have invested a total of 111 million in 11 companies. In 2015, Innovation Norway designated Sarsia Seed Management AS in Bergen and Norinnova Forvaltning AS in Tromsø as fund managers. Sarsia Seed has raised private capital in 2016, and we expect the fund to make its first investment in the second quarter of 2017. Norinnova Forvaltning AS was unfortunately unable to raise the capital, and the mandate was withdrawn. Skagerrak Maturo Telemark and Agder has also raised sufficient

private capital, and made its initial investment in February 2017. In all, the funds that were created in the period from 2014 to 2016 have 1.6 billion NOK at their disposal as investment capital, 51 percent of which is private capital.

Through the Angel Challenge, a program to train new angel investors, we have also contributed to strengthening the ecosystem for capital, and to the strengthening of knowledge about investment in start-ups. 130 investors have completed the program.

Consolidation in the Entrepreneurial Centre

Innovation Norway has, during 2016, moved all processing of market clarification grants to the Entrepreneurial Centre in Førde. We have also launched a new platform for applications and processing for entrepreneurs; a "My Page," with all relevant information in one place. Thus, we make the process easier for both the customers and for Innovation Norway. Meanwhile, we reinforce our own expertise for faster and more efficient processing, and ensure more equal assessment and treatment of clients across the country.

From April and through year's end, the Entrepreneurial Centre processed 1100 applications for grants for market clarification. 350 ended with a positive decision; 644 were rejected. We received 10,000 inquiries to the Entrepreneurship hotline.

Cooperation between large and small

Both large and small companies are looking for new market opportunities and workable solutions to society's problems, which can also ensure jobs and income in the future. This common agenda has brought entrepreneurs and established businesses together, hoping to benefit from each other's advantages, they form so-called power couples.

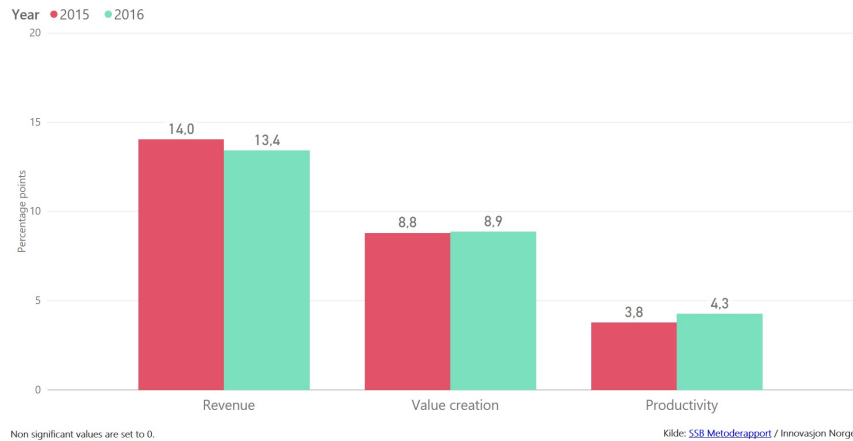
In a country like Norway, with flat structures and a lot of knowledge, we can benefit from such cooperation. Established companies open doors for start-ups, while entrepreneurs challenge and contribute with innovative solutions in existing industries. Through such cooperation, we ensure that we are constantly improving ourselves and developing business, across industries and areas of knowledge. In this way, we also create a diverse business and innovation environment.

To encourage more start-up businesses with growth potential to think big and have high aspirations, Innovation Norway has in recent years developed several global training programs. These allow for learning and training in international markets. 163 participants from 130 companies were trained in international business in these programs in 2016. 46 of the participants were women and 18 of the 130 companies are located in a rural municipality.

A quarter to the entrepreneurs Government grants for Innovation Norway in 2016 implied a much stronger commitment to entrepreneurs than previously. Of the total allocations from Innovation Norway, NOK 6.7 billion in 2016, one quarter went to entrepreneurs and start-ups, i.e. to businesses younger than three years. Of this amount, start-up grants were 23 percent. In all, NOK 362.5 million were awarded in establishing grants for market clarification and commercialization spread across 1357 entrepreneurs and start-up businesses.

Estimates from Statistics Norway (SSB) provides clear indications that support from Innovation Norway works. According to Statistics Norway figures for 2016, entrepreneurial companies with support from Innovation Norway have an average 13.4 percentage points higher growth in annual turnover (sales) compared to a control group of similar businesses without such support. Similarly, the increase in value created in entrepreneurial and start-up businesses were close to 9 percentage points higher than the control group.

More successful entrepreneurs



More companies with growth potential

Norway needs businesses with the ambition and ability to grow. This provides the ability to solve important problems for both customers, users and society. Meanwhile, it contributes to creating new, profitable jobs and to the sustainable value creation Norway needs to finance welfare services.

Norway has what it takes - technology, skills and adaptability. Many companies take core competencies and technologies from one industry, and find other applications. In 2016, we realized far more innovation projects where suppliers and customers collaborate on new solutions for digitisation, automation, personalised medicine and smart transport. The proportion of innovation contracts - formerly known as IFU/OFU - in oil and gas continues to go down.

More export assistance than ever before

Restructuring and internationalisation is demanding and risky. Firms succeed only if they acquire the right skills, respond to market needs, and have the financial resources to stay the course.

The private sector highlights commitment to new markets and increased exports as crucial to success. Export offers great opportunities, and many pitfalls. It is difficult to move into international markets, particularly for smaller businesses. Innovation Norway's 35 offices abroad help increase the speed and lower the risk when Norwegian businesses extend into the world. The business community need contacts and networks that provide access to potential customers and partners. In 2016, our offices abroad assisted more than 850 companies with market consultancy. That's an increase of 25 percent from the year before. In 2016, Innovation Norway helped 346 enterprises enter export markets through participation in trade fairs.

In the autumn of 2016, we established the growth and export programme Global Growth, where groups of companies are supplied with critical expertise, international exposure and contact with potential customers and partners. Such joint programs are more cost effective than individual counselling, and the companies are learning a lot about business models, scaling and branding from each other. In 2016, nearly 200 companies participated in the precursor to Global Growth, FRAM Market, an increase of 50 percent from 2015.

In 2016, we gathered our expertise for export in Norway, to make that expertise more accessible to our customers. The Export Centre provides advice on import and export regulations, documentation requirements, product requirements, tariffs, VAT, delivery and payment. The centre helped about 600 businesses in 2016. We also helped establish a joint outreach export team with Export Credit, the Guarantee Institute for Export Credits and GIEK Credit Insurance.

Green shift is well underway

47 percent of Innovation Norway's funding in 2016 has a positive environmental impact. All applicants must account for both the environmental impact and social impact of the project, in addition to financial information. During the past two years, Innovation Norway has focused on sustainability as a competitive advantage to strengthen Norwegian industry.

The Environmental Technology Scheme supports testing of new environmental technology

across industries, and is one of the most requested features from Innovation Norway. In 2016, we granted NOK 461 million in funding, an increase of 35 percent from 2015. The scheme triggered projects to a

value of NOK 3.3 billion – including the funds from the government. The corresponding amount in the previous year was NOK 1.6 billion, which means the sum is doubled.

Small businesses, large amounts from EU

Innovation Norway contributes to several small businesses receiving EU funding for their projects. In 2016, we stepped up work with the world's largest programme for innovation and commercialization, Horizon 2020. Norwegian companies, for the first time, have managed to utilize the opportunities inherent in the programme on a large scale. The results from the SME instrument of Horizon 2020 shows that 23 Norwegian companies received a total of nearly NOK 90 million in funding for their projects in 2016. That is a marked increase from 2015, when 11 companies received a total of NOK 50 million.

The substantial payoff is due both to the simplification of EU regulations and the fact that we have strengthened our follow-up capacity considerably. All regions in Norway now have their own specialists on Horizon 2020. Because interest in the EU market and sources of funding of projects increase, Innovation Norway's opened an office in Brussels in December.

New opportunities in public-private partnerships

The Norwegian welfare model is under pressure, and public sectors must innovate to meet the social challenges we face. The government buys goods and services for NOK 500 billion each year. Unfortunately, many businesses find that it is very difficult to sell new and innovative solutions to the public sector. We need measures that highlight the many pioneering Norwegian innovations, which are products and solutions with international potential.

Innovation Partnerships is a new framework which facilitates better, closer cooperation between public and private parties. The purpose is to solve major societal challenges and simultaneously contribute to increased innovation and growth in businesses. This will boost exports of innovative solutions from start-up businesses, suppliers and clusters.

Innovation Norway has taken a leading role in getting started quickly with public-private partnerships. Together with the municipality of Stavanger, Supplier Development and the Agency for Public Management and eGovernment, we now run one of Europe's first innovation partnerships. Focusing on user needs, and in close cooperation with industry, innovative solutions for health and welfare will be developed with a potential to be applied far beyond the municipality of Stavanger.

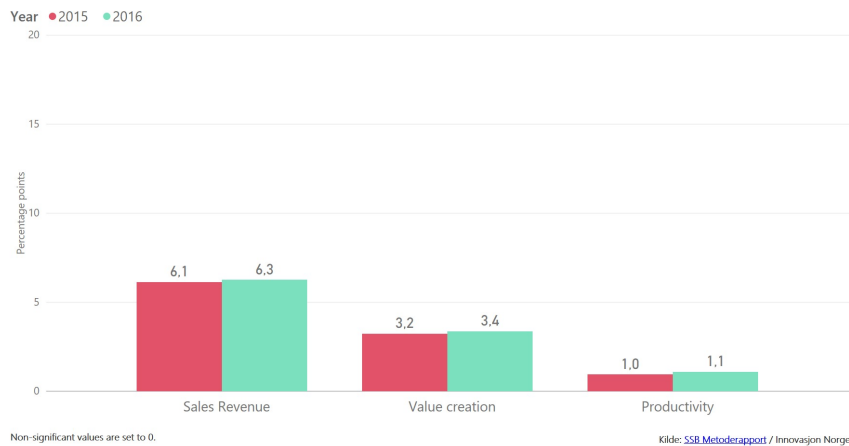
Results

The impact analysis which Statistics Norway has conducted in cooperation with Innovation Norway, shows that growth companies with funding from Innovation Norway have averaged 6.3 percentage points higher in annual sales growth than a control group, consisting of comparable enterprises without such support.

The analysis from Statistics Norway also show that growth companies which receive support from Innovation Norway have 3.4 percentage points higher annual growth than similar companies without such funding from us.

[View interactive version](#)

More companies with growth potential



More innovative business environments

Clusters and networks play important roles in the restructuring of Norwegian industry which is well underway. Strategic collaboration related to restructuring, new markets and new business models is more in demand now than ever. These are cost-effective instruments, reaching many businesses, start-ups and knowledge centres, with limited resources.

At the end of 2016, more than 2,000 companies with 350 links toward research and educational institutions participate in the cluster program, Norwegian Innovation Clusters. Of the 47 communities that wanted to participate, only four new clusters were included in the programme during the awarding in June. At year's end, there were 36 clusters at three levels: 19 Arena Clusters, 14 Norwegian Centres of Expertise and 3 Global Centres of Expertise. Each cluster receives between NOK 1.5 and 10 million in annual funding. In all, the clusters receive NOK 150 million per year. The private sector contributes at least as much through their own efforts and membership fees. Altogether, cluster companies started 1130 innovation and knowledge projects in 2016.

Companies in the clusters succeed. Figures from Statistics Norway show that firms which are members of clusters have 7.3 percent higher value creation than similar businesses that are not in a cluster. Turnover increased correspondingly for the firms participating in cluster cooperation. Also over time, the growth increases more in companies participating in cluster projects than in comparable firms without cluster associations. On average, over the first nine years, sales revenues increased by NOK 5.4 percentage points and GDP by 5.2 percentage points per year.

[View Interactive version](#)



Demand for the Business Network programme, where several companies join forces to adapt and succeed in new markets, is also very high. In 2016, 42 new projects with 375 participating companies received support. The new projects are all related to restructuring, development of new market opportunities and internationalisation. At the end of 2016, more than 800 companies were involved in a total of 85 business networks. Through partnerships, businesses get increased

access to complementary expertise which strengthens their adaptability and competitiveness. Surveys show that participating companies reach their goals of increased cooperation, and that they are increasingly establishing contact with partners abroad.

Business networks are unique because as many as 47 percent of companies report that they innovate within their business model. 59 percent develop new products and services, while 33 percent improve the production process. 61 percent of companies are working to develop new markets for their solutions.

Such cooperation is especially important now, in a time when Norwegian industry is changing and needs restructuring, while technological advances are accelerating. Working together creates the benefits of larger economies, and contributes to spreading expertise. The value of having an infrastructure in the clusters and networks is significant. This is an area where small instruments can create great results in terms of growth and development. This year several of the clusters have received funding for EU advisers. They inform on relevant announcements, facilitate applications and assist businesses toward succeeding in Horizon 2020. A cluster that has succeeded in bringing home funds from the EU for their projects, is Oslo Medtech. (LENKER VI TIL CASE? Hvis ikke bør denne setningen strykes.)

The clusters have built expertise over time, which makes them mature for contributing to the restructuring of the Norwegian industry. Clusters spread their knowledge and work closely with other communities, both in Norway and internationally, and therefore clusters are engines for change. An example of this is the FossTech project, a collaboration between six different companies, Kongsberg Maritime and NCE Systems Engineering. The partnership has developed and delivered an advanced sonar system to one of NATO's naval bases. The project is one of the pilots in the focus on clusters as engines for restructuring.

The cluster program itself is a major driver for change. It shows the choice of new clusters in 2016. NCE Aquatech connects communities within water technology and aquaculture to deliver world class technology and equipment, to utilize the oceans to solve parts of the world's need for food. The Solar Cluster unites Norwegian players in the rapidly growing renewable energy industry. The Forestry Cluster Trøndelag wants to turn traditional wood industry towards bioeconomy and new ways to utilize biomass. The Norwegian Tunnel Safety cluster sees new business areas within tunnel security, but obtains the expertise and technology from the oil and gas industry, a leader in security and HSE.

The programme for regional reorganisation has followed up 23 restructuring areas in 2016. They have helped create 379 new jobs, and secured another 281. 234 new enterprises have been established in these areas. In addition to measurable results such as wealth creation and jobs, regional restructuring creates results in terms of networking between businesses, between businesses and the public sector, and in raising competence in business.

Innovation Norway in 2016

By Chairman of the Board Per Otto Dyb

As Chairman of the Board, it is a pleasure for me to see that Innovation Norway is meeting the objectives and requirements that the principals have given the company.

We find ourselves in a time when great challenges to an even greater extent than previously provide great opportunities. In terms of climate. In terms of health challenges. In terms of the major economic and social challenges posed by new technologies. In terms of Norway's loss of export earnings. It even applies to the growing uncertainty we see globally, where key institutions for trade and the environment are under pressure.



Foto: Trond Isaksen

Fortunately, many people are created in such a way that major challenges inspire them to do great things. Where others see problems, they see solutions. These are the kinds of people we need when problems pile up: Creative and savvy women and men who are able to create new products, new businesses and new ways of doing things.

Innovation Norway was established to increase innovation in industry throughout the country.

The company was created to help innovators and entrepreneurs of this kind. And there has never been a greater need for such a public policy instrument than now, when we must restructure the Norwegian economy from being dominated by oil and gas to be based on diversity and sustainability. We want to bring more good entrepreneurs forward. We want more businesses with strong growth. And we will see more innovative business environments in which we connect industries, disciplines, technologies and brainpower.

In 2016, Innovation Norway received allocations and assignments from the Ministry of Trade, Industry and Fisheries, the Ministry of Local Government and Modernisation, the Ministry of Agriculture and Food, the Ministry of Climate and Environment, the Ministry of Education and Research, the Ministry of Culture, the Ministry of Foreign Affairs, the county municipalities, and other public bodies. Common for the missions is to contribute to wealth creation and economic development throughout the entire country.

In 2016, Innovation Norway's management and employees worked hard to follow up on the owners' and principals' desire to contribute to the restructuring of the Norwegian industry. We have implemented a one-year package of measures to increase employment, including greater emphasis on pre-seeding, environmental technology and entrepreneurial grants. In general, Innovation Norway has provided more of what we know works well: OFU/IFU (currently known as innovation contracts), global entrepreneurship, environmental technology, entrepreneurial grants, cluster programs, innovation loans and secured loans. We have had a very visible, stronger emphasis on entrepreneurs, including follow-up of the government's entrepreneurial plan.

We have strengthened efforts on sustainability in general, and green innovation in particular. The latter is especially important, because the desire for sustainability is an answer to many of the challenges the world presents us with.

The total grant from our principals to Innovation Norway at NOK 3.7 billion was, along with our lending in 2016, helping to trigger additional NOK 12.6 billion in the form of other private and public

capital. In all, this meant an overall effort of NOK 20.1 billion in the form of capital for investment in the development of Norwegian enterprises last year. We are very satisfied with that.

Nine out of ten customers say that they could not have realised their project without support and advisory from Innovation Norway. That is indeed gratifying confirmation that we are succeeding.

Innovation Norway will also give our shareholders and clients advice on innovation policy. A small country such as Norway cannot bet equally on everything, but Norwegian expertise also holds great potential for innovation. We have tackled technological revolutions before, such as the transition from sail to steam and from shipping to supply ships, and we have managed to use innovation to utilize what nature has given us: hydropower and metals, oil and gas, fishing and aquaculture. Innovation Norway's assessment is that Norway must make some strategic choices, within the six areas of opportunity, across all traditional industry classifications, which Norwegian industry has pointed out previously in our Dream Commitment process. If we connect these areas towards great national projects on enabling technologies such as ICT and biotechnology, we will make the transition to a new special position.

I have had the pleasure of leading two international business delegations in the past year, to Italy and Canada. It is an important highlighting of Norwegian business in international markets, and contributes in a convincing manner to accentuate Norwegian expertise internationally. We depend on finding new markets to replace lost export earnings, and delegations are an important part of the work.

With the management of large sums of public money, comes great responsibility. Therefore, social responsibility and good business practices are central to Innovation Norway's strategy. We require this from our clients, and we require it of ourselves. In 2009, we signed the UN Global Compact. With it, we are obliged to follow up and work for improvements in human rights, labour rights, environment and anticorruption. To many, this may seem obvious, but I can assure you it is not. On the other hand: the commitment to this work in Innovation Norway is strong and powerful.

As the Chairman of the Board, I am proud of the effort the management and administration of Innovation Norway has put in during 2016. The company appears to be well suited to the tasks it performs, and has shown strong willingness to restructure itself completely in line with the restructuring that our society is facing.

The Board of Directors of Innovation Norway



At the top: Chairman of the Board Per Otto Dyb

In the middle from left: Jørand Ødegård Lunde (Deputy Chairman of the Board), Heidi Wang, Arvid Andenæs, Helene Falck Fladmark and Wenche Kjøllås.

At the bottom from left: Jan Løkling, Kristin Misund, Kim Daniel Arthur, Leela Borrting Låstad and Gaute Hagerup.

(All photos: Trond Isaksen)

Annual accounts and Board of Directors' report

Annual accounts Innovation Norway

[Annual accounts 2016 \(pdf\)](#)

Board of Directors report

The nature of the business

Innovation Norway was formed on 19 December 2003 and has its head office in Oslo. The company is owned by the Ministry of Trade, Industry and Fisheries (51%) and the county councils (49%). Innovation Norway is organised as an enterprise established by special legislation, whose

Board of Directors has an independent responsibility for its activities and the results achieved. Innovation Norway is responsible for the administration and appropriate organisation of Innovation Norway's activities. The owners exercise supreme authority in the company through the enterprise meeting.

Objectives and goals

Innovation Norway's objective is to be the State and the county councils' policy instrument for achieving value-creating business development throughout the country.

Innovation Norway's main purpose is to trigger business development that is profitable from both a commercial and a socio-economic perspective, and to help different regions to realise their potential for business development. This goal is to be achieved through the sub-goals of more successful entrepreneurs, more expansive companies and more innovative business communities.

Innovation Norway shall provide professional input to public authorities at a national and regional level in connection with business and innovation policy, including proposals for new focus areas for future policy formulation. Innovation Norway is an important sounding board for owners and principals and shall, through its network with Norwegian business and industries, both nationally and internationally, acquire knowledge about the challenges and opportunities faced by Norwegian business and industry at all times. Innovation Norway shall also contribute to various innovation, industry and regional policy issues that are relevant to the company achieving its goals being prominent in the public debate.

Innovation Norway receives annual letters of assignment from ministries, county councils and county governors. Based on the national budget, the letters of assignment provide a combined overview of our principals' expectations and requirements of Innovation Norway's activities. The letters also set out Innovation Norway's allocation framework and guidelines relating to initiatives, programmes and services.

Our main goal and sub-goals form the basis for Innovation Norway's dialogue with its owners and principals. Innovation Norway's activities and priorities shall be in accordance with the goal structure. The company's activities shall contribute to goals being achieved.

Innovation Norway offers financing services, advisory services, expert services, networking services and promotional services. Most of the company's staff are located close to customers in offices situated in all the counties in Norway or close to the market in more than 30 countries worldwide.

Positive impact in 2016

In 2016, Innovation Norway expended a significant amount of effort in following up the desire of the owners and principals to contribute to a Norway that is undergoing a period of restructuring.

We have implemented our part of the Government's one-year package of measures to increase employment, with a particular focus on pre-seed capital funds, environmental technology and start-up grants. We have increased the focus on entrepreneurs through the active follow-up of the Norwegian government's Entrepreneurship Plan, established meeting places for growth and

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continued and strengthened our efforts towards what we know works well for Norwegian business and industry.

In 2016, Innovation Norway received allocations and assignments in letters of assignment from the Ministry of Trade, Industry and Fisheries, the Ministry of Local Government and Modernisation, the Ministry of Agriculture and Food, the Ministry of Climate and Environment, the Ministry of Education and Research, the Ministry of Culture, the Ministry of Local Government and Regional Development, the Ministry of Foreign Affairs, the county councils, the county governors and other public bodies. The common denominator in all our assignments is that we should contribute to value creation and business development in the entire country.

Appropriations from the Norwegian Storting and county councils totalled NOK 3.7 billion. Together with our loan schemes, Innovation Norway contributed NOK 6.7 billion to business and industry in 2016. This included loans, grants, advisory services, promotion and networking through Innovation Norway's various services. The funds triggered investments totalling NOK 20.1 billion. Nine out of ten enterprises stated that Innovation Norway's support was a determining

factor for their projects to a high or medium high degree.

This means that one krone from Innovation Norway results in two kroner in own financing or other loan capital. In addition, Innovation Norway also triggers many other innovation and internationalisation activities by mobilising and providing expertise and networking.

It is important for Innovation Norway as a company that manages public funds to document the effects of the services the company offers. Measuring effect is methodologically demanding and can always be improved. Therefore, together with the Ministry of Trade, Industry and Fisheries and the research department at SSB (Statistics Norway), the company continually works to improve its ability to measure the effects of Innovation Norway's work. In consultation with Innovation Norway, our owners and principals revised the indicators in the performance management and result monitoring system in 2016. The three effect indicators to be measured within all three sub-goals are higher annual growth in sales revenues, value creation and productivity.

The figures from SSB for 2016 indicate that the effect of support from Innovation Norway remains stable at a high level. Companies that have received support from Innovation Norway have higher annual growth in all three effect indicators over a three year period compared with the control group: an increase in annual growth in sales revenues of 12.3 percentage points (2015: 12.6), an annual increase in value creation of 6.2 percentage points (2015: 5.9%), and an annual increase in productivity of 2.2 percentage points (2015: 1.9). There have therefore only been minor changes compared with the previous year.

There has been a very positive development in the level of innovation in the past three years. In 2016, NOK 2.5 billion, which is equivalent to 41 per cent of all financing commitments, went towards projects with innovation potential at an international level. This was a doubling of the percentage since 2013 and shows that the strengthened focus on growth companies and internationalisation since 2014 is having an effect.

A goal is to have good documentation of the effect of all services that are offered. The company focusses on documenting the effect of expert and advisory services to contribute to providing a more accurate total picture of the company's overall activities.

The Board is very satisfied that Innovation Norway has increased the focus on communicating, investigating and acquiring new knowledge about the services and schemes that are most effective in business and innovation policy. At the same time, the Board also acknowledges that it is demanding to document all effects and that contributions from Innovation Norway are one of several methods that play a part in the long-term development of a start-up, growth or cluster-oriented company.

Reports, analyses and measurements of effects together provide important management information and a knowledge base on which to further develop the company. The Board is focussed on the company continuing with this work and communicating lessons learnt to owners, principals and other stakeholders.

The owners' expectations

The Board of Innovation Norway is responsible for meeting the owners' expectations for the company and annual reporting in connection with this.

The owners have prepared four goals that define the direction in which Innovation Norway should develop:

1. A greater focus on internationalisation work.
2. Simplification of the policy instrument portfolio.
3. Good customer dialogue.
4. A clearer innovation policy adviser role.

Internationalisation. Norway's export revenues have declined significantly during the past few years, due to falling oil prices. Restructuring is required. There is a major need for developing new international products and businesses that provide employment and finance our welfare services.

In 2016, Innovation Norway continued its systematic work on developing the "Brand Norway" division that was established in December 2014. The goal is to increase Norway's ability to export Norwegian products and solutions, and to attract investment, knowledge and tourists to the country under the Export Norway, Visit Norway and Invest in Norway departments.

A new tourism director was appointed at Visit Norway in 2016.

There is a high demand for Innovation Norway's services from companies that wish to explore new business areas and markets globally. Innovation Norway provided more export advice in 2016 than it provided in 2015. We make expertise on internationalisation more readily available through digitalisation of market information, facilitate an increased level of self-service and combine key expertise at a joint export centre.

In 2016, Innovation Norway chose to gear its services towards multiple company programmes and one-to-many activities. The use of common learning programmes has increased. Demand from companies that want to be part of clusters and networks in order to succeed internationally is increasing.

Innovation Norway also improved its international advisory services at the regional offices and the work of qualifying customers before they go international. The collaboration with the Ministry of Foreign Affairs and other partners in team Norway has been strengthened.

With offices in important international markets and a nationwide network of offices in Norway, Innovation Norway has an excellent starting point for contributing to international expansion for Norwegian business and industry. In autumn 2016, Innovation Norway initiated an in-depth assessment of the company's international role and presence. The feedback from business and industry shows that Innovation Norway essentially already has a presence in the markets where Norwegian business and industry have both interests and consider there to be potential. Therefore, Innovation Norway has primarily placed emphasis on how to prioritise the use of limited resources within the markets where the company already has a presence. In 2017, Innovation Norway will commence implementation of the approved changes to its international presence.

It is the view of the Board that these changes will ensure that Innovation Norway's international presence in future years will be adapted to the needs of business and industry and the assignments the company has received.

Simplification of the company's processes and policy instrument portfolio has been an ongoing task. The need for more basic services, new expectations from our customers for digital coordination and, not least, increased assignment volume together with clear requirements for operational efficiency, have been key driving forces.

In 2016, the company redesigned the entire service portfolio. The new service model is integrated with the company's information model and customer relationship management (CRM) system. Our account managers can more easily take customer needs into consideration when the company offers and provides services. We gain increased flexibility and can implement changes to the service portfolio more quickly when needs change. Innovation Norway will also strengthen its ability to provide analyses and reporting on the quality and effects of all of the services we have provided.

Good customer dialogue and positive customer experience were given high priority in 2016. During the year, the company implemented skills development programmes for all advisers within business modelling and customer dialogue. The goal is to improve our ability to discuss ideas with the customer, clarify customer requirements and be able to provide quality both in relation to our own services and when being able to connect the customer to other potential partners. The company continues the active use of customer service questionnaires as a basis for working with development and improvements.

Innovation Norway launched "My Site" in 2016 and the first version of a new digital application solution for market start-up grants to entrepreneurs. The company also combined all processing of these grants at the Entrepreneurship Centre in Førde. The Centre has specialist expertise in relation to guidance for entrepreneurs who are in an early phase.

Innovation Norway shall be an **innovation policy advisor** for its owners and principals by developing good and relevant knowledge and expertise for the development of own strategies and service development.

Innovation Norway is becoming increasingly more involved in the public sphere and public debate and has contributed towards encouraging debate about innovation policy. 2016 was a year of high activity and broad acceptance of our innovation policy proposals. In the Innovation Speech, the company presented proposals for a new direction for Norway based on input from the "Dream Commitment" and its innovation policy recommendations.

In 2016, the company has intensified the development of the data and methods used for measuring effects of own services and of the interaction between these. The goal is to improve

the company's knowledge of the effects of the company's advisory and expert services and support to recipients that are not organised as limited liability companies. In 2016 the company tested, among other things, a new performance measurement for these services.

Innovation Norway has participated in a number of arrangements throughout all of Norway, as well as some held abroad, to provide suggestions regarding the development of the Norwegian economy. The company has also made a number of written submissions to the national budget, and strategies and notices to the Ministry of Trade, Industry and Fisheries.

The Board believes that the dialogue with our principals and owners in 2016 was constructive and characterised by a shared desire and ambition of achieving learning and development in the best interests of Norwegian business and industry.

Cost-effective operation

The Board monitors the company's operations throughout the year and focusses on achieving goals, efficient operations and responsible administration of public funds.

In 2016, Innovation Norway delivered more to Norwegian business and industry with fewer resources. Innovation Norway received increased funding in the national budget and in 2016 supplied services to business and industry for NOK 6.7 billion. This continues the trend from 2014-2016 when the value of Innovation Norway's combined services increased from NOK 5.9 billion to NOK 6.7 billion (+13.6%). At the same time, the company's total operating expenses during the same period show a reduction from NOK 1.5 billion to NOK 1.4 billion (-6%).

Amendments to the Act relating to Innovation Norway provide the Board of Innovation Norway with greater scope to develop customer contact, procedures and decision-making systems that are in the best interests of entrepreneurs, companies and innovation and business clusters.

In 2016, the company established the foundation for improved efficiency by work processes being redesigned and digitalised, the adjustment of the organisational structure in Norway and abroad, collocation of critical expertise (Entrepreneurship Centre, Export Centre etc.) and the specialisation of knowledge employees. The number of regions in Norway was reduced, the regional boards were disbanded and regional credit committees have been established. The decision has been made to increase the company's international presence. The introduction of a new service model and information model strengthen the company's ability to provide accurate analyses and reporting of the quality of all of the services we provide.

It is difficult to see from the annual accounts how the company's costs have developed, because the accounts include the company's delivery costs and customer-oriented activities and projects. The administration is therefore working on operational performance indicators that provide the Board and principals with information about the development of the company's cost-efficiency.

Cooperation with other public funding agencies

Innovation Norway, the Research Council of Norway and the Industrial Development Council of Norway (SIVA) are the three main agencies in the government's system of policy instruments aimed at business and industry. Both separately and together, these three agencies provide a significant and effective contribution to Norwegian business and industry's innovative power, internationalisation and value-creation. The three agencies have different roles, responsibilities, expertise and tasks that will complement each other throughout the value chain, from idea to market. In 2016, there was extensive cooperation at strategic level which has been formalised through the works council with managers from the three organisations. The 2016 Innovation Speech was jointly given by the three CEOs.

The county councils play a vital role as regional development stakeholders. Innovation Norway has developed close cooperation with each of the county councils at strategic and operative level which seeks to safeguard the need for a coordinated effort within the framework of regional and national prioritise. This work was continued in 2016.

Within the area of the environment in general and the environmental technology scheme in particular, Innovation Norway has close cooperation with the Research Council of Norway and Enova. In 2016, the three organisations established PILOT-E as a joint financing service to Norwegian business and industry. Pilot E will speed up the development through greater predictability of funding, closer monitoring and stronger coordination between the public funding agencies.

In 2016, Export Credit Norway, GIEK, GIEK Credit Insurance and Innovation Norway established a joint export team that will together meet with Norwegian companies that have ambitions to succeed in the wider world. The purpose of the project is to test out whether there is added value

for Norwegian companies in having a combined service from the four organisations.

The Board considers Innovation Norway to have good cooperation with the other public funding agencies and makes particular reference to the establishment of a good and inclusive executive management dialogue with SIVA and the Research Council of Norway in 2016. This supports the ambition and further desire of having clear and coordinated agencies whose policy instruments complement and support each other and that are perceived as parts of a whole by business and industry, R&D institutions and the public authorities.

Overview of the annual accounts

The profit for 2016 was NOK 211 million, compared with NOK 263 million in 2015. In 2016, the profit before losses was NOK 222 million, compared with NOK 284 million in 2015.

Net interest income was NOK 386 million in 2016, compared with NOK 426 million the previous year. The fall in net interest income was due to lower interest margins. Dividends and losses on securities were NOK 4 million in 2016 compared with a profit of NOK 14 million in 2015. The decrease relates to net losses on sales of shares in the Northwest Russia investment fund.

Total operating income amounted to NOK 1,217 million, compared with NOK 1,231 million in 2015. Public and external revenues were at approximately the same level as in 2015. The fall was in various operating revenues and was primarily due to a net foreign exchange loss of NOK 12 million in 2016 while there was a net foreign exchange gain of NOK 9 million in 2015.

Operating costs amounted to NOK 1,378 million, compared with 1,387 million in 2015, a reduction of NOK 9 million. Payroll expenses amounted to NOK 691 million in 2016, compared with NOK 713 million in 2015. The net decrease of NOK 22 million was primarily due to lower pension expenses and fewer FTEs. Provisions were made for restructuring costs of NOK 17 million. Other operating expenses amounted to NOK 195 million in 2016, compared with NOK 190 million in 2015. The change was largely due to a lower VAT refund in 2016 than in 2015. Direct project costs amounted to NOK 484 million in 2016, compared with NOK 481 million in 2015. The increase was related to a slightly higher level of activity.

Net losses on loans were NOK 10 million, compared with NOK 21 million in 2015. Losses on loans largely relate to the low-risk scheme. The losses for low-risk loans were barely 0.1% (0.1% in 2015) of the loan portfolio. It is expected that normal annual losses will be equivalent to 0.5% of the portfolio.

Losses on loans related to Innovation Norway's high-risk loan schemes and seed capital funds are covered by loss reserves, and are therefore not reflected in Innovation Norway's financial performance figures. Losses on loans relating to high-risk loan and guarantee schemes amounted to NOK 40 million in 2016, compared with NOK 25 million in 2015. These lending activities are expected to involve a higher risk profile than the low-risk loan scheme and with losses over time of close to 5% of the portfolio per year. In 2016, the losses incurred represented 1.5 % (0.9 % in 2015) of the portfolio. Seed capital funds had loss reversals of NOK 11 million in 2016, compared with NOK 45 million in 2015. The loans were granted during the period from 2006 to 2008.

Changes in losses are closely linked to fluctuations in the economy. Our loan customers have enjoyed good operating conditions for some time, which has resulted in lower losses on loans.

The cash flow shows that large gross payments are received and disbursed by Innovation Norway every year. This is particularly due to a large part of the borrowings from lending activities being refinanced approximately every three months. Net liquidity increased by NOK 98 million, compared with an increase of NOK 173 million in 2015.

Innovation Norway's balance sheet total at year end was NOK 24.0 billion, which is NOK 400 million more than in 2015 (NOK 23.6 billion).

Net loans amounted to NOK 17.2 billion as of 31 December 2016 (NOK 16.9 billion as of 31 December 2015). In 2016, NOK 2.9 billion was paid out in new loans (NOK 2.4 billion in 2015) and NOK 2.9 billion in grants (NOK 2.7 billion in 2015).

The company did not incur any costs or make investments related to R&D in 2016. External evaluations and analyses are carried out of the company's activities and use of policy instruments. The company uses the knowledge they provide in the development of our services, organisation and work processes.

Risk management

Sound risk management is an important prerequisite for ensuring that Innovation Norway is able to achieve its goals at different levels over time. Innovation Norway bases its risk assessment and

management on the methodology document "Risk management in the government administration". Risk management is an integrated part of the company's corporate governance. The risk management process is coordinated with the company's strategy processes.

The Board has overall responsibility for ensuring that Innovation Norway has established appropriate and effective processes for risk management and internal control. A risk management committee has been established as an advisory forum for the company's management in connection with the work on coordinating, developing and maintaining Innovation Norway's system for risk management and internal control. The Board has established an internal audit to improve the follow-up of the company's internal control.

Strategic risk

Strategic risk relates to factors that are important for Innovation Norway achieving its long-term goals.

The company makes annual assessments of factors important for the company's goal attainment at an overall level. Extraordinary risk assessments are conducted in the event of significant changes in the Norwegian economy or the company's assignment situation, or if the four-monthly reports on goal attainment show significant deviations. When required, risk assessments are made of critical functions and specific areas at lower levels.

After the annual national budget has been presented, the company reports to the Norwegian Ministry of Trade, Industry and Fisheries about the risk of not achieving the company's goals and on the need for measures, if any.

Financial risk

The financial risk largely consists of foreign exchange risk, liquidity risk, credit risk and interest rate risk.

Foreign exchange risk. Innovation Norway has revenues and expenses in foreign currencies. The foreign exchange risk associated with settlement of costs is largely offset by the company having bank accounts in foreign currencies for the most important currencies that we trade in.

Liquidity risk. Innovation Norway has a borrowing arrangement with the Norwegian State. The lending limits are defined in the annual letter of assignment from the Ministry of Trade, Industry and Fisheries. The lending limits stipulate how much liquidity the company has available for new loans. As a result of this arrangement, Innovation Norway has, in practice, no liquidity risk.

Credit risk. Credit risk is financial risk relating to the lending activities, and constitutes a significant risk at Innovation Norway. Developments in the loan portfolio are reported to the Board every four months. The risk profile is adjusted if there are significant negative deviations in relation to the targets. A separate review of the largest loan commitments is conducted once a year. All major commitments and commitments with loss events are reviewed in connection with the presentation of our annual accounts.

Low-risk loans are granted on market terms. Projects must only be associated with a moderate risk to receive funding. The risk is therefore limited by relatively stringent security requirements.

Innovation and high-risk loans are a form of lending that primarily aims to help small and medium-sized enterprises that require risk mitigation in investment projects by providing top financing for such projects. These loans are granted subject to moderate requirements for security, but on the condition that the customer's ability to service the loan is deemed to be satisfactory. The risk for these types of loans is relatively high.

Loans to seed capital companies are subordinated loans to seed capital companies that are equivalent to private equity and loan capital. The loans have a high risk profile.

Loss reserves have been established for innovation and high-risk loans and guarantees, and for loans to seed capital fund companies. Hence, Innovation Norway does not bear the risk for these loans, as any losses will be covered by the loss reserves or additional appropriations. The purpose of the loss reserves is to enable Innovation Norway to mitigate risks for innovative projects with growth potential and thus help to realise more profitable projects that would otherwise find it difficult to find sufficient venture capital in the market.

Interest rate risk. The interest rate risk is managed and reduced by adapting lending terms to borrowing terms. Borrowing shall correspond to the loans and ensure the liquidity required to operate the schemes. The borrowings reflect the interest-rate profile of the loan portfolio.

Operational risk

Operational risk consists of all the potential sources of loss related to Innovation Norway's ongoing operations. Examples of such sources include procedural failures, computer system failures, lack of expertise and breach of trust on the part of the employees. Internal control is an important tool for reducing the operational risk.

The company's steering documents are collated and made available in a separate database. Innovation Norway has contingency plans and carries out exercises on a regular basis. The ethical guidelines emphasise impartiality and the duty of confidentiality, dilemma training and corporate social responsibility (CSR). A separate compliance function contributes to the company not incurring public sanctions, financial loss or loss of reputation as a consequence of failure to comply with laws, rules and standards.

Going concern

The annual accounts have been prepared on the basis of the going concern assumption. The accounts give a true and fair picture of the company's assets, liabilities and result. No circumstances have arisen since the end of the financial year that are of material significance to the evaluation of the company and that are not mentioned in the annual report and pertaining notes.

Working Environment

Innovation Norway is an Inclusive Workplace (IW) enterprise and has a corporate health service at both its head office and the district offices. Regional safety delegates have been elected in each of the six regional offices abroad and works councils/working environment committees have been established in the largest offices in Norway. An internal control system has been established for matters relating to health, safety and the environment (HSE) as an integrated part of the organisation's overall quality assurance. Procedures for notification (whistle-blowing) have been established.

In 2016, absence due to sickness was 3.6 %, compared with 3.3 % in 2015. In comparison, absence due to sickness in central government administration was 6.1% and 7.9% in municipal government administration. Two injuries that required visits to the doctor were reported in 2016.

In 2016, we completed an important part of the initial restructuring process that was commenced in 2015 which involved downsizing, strengthening and adding new HR expertise at the company and introducing a management programme for the company's middle management. In addition, five secondment programmes and a series of team development programmes were conducted. The company's flexitime arrangement has been changed for all employees as part of making the organisation even more dynamic.

Innovation Norway is considered an attractive workplace by both the company's own employees and potential job seekers. The company was named as the company's second most attractive workplace in Universum's rankings of the most attractive employers in the "Business" category among Young Professionals.

In the annual employee survey, our employees score highly in terms of both commitment and motivation, even during a demanding adjustment process. It is positive to see that the response percentage has increased to 89% (2015: 87%) and that the average score (3.98) remained unchanged at the same high level as in 2015.

Assessit provided the following assessment of the results from the survey: *"The results from Innovation Norway 2016 are compared with employees to a group of high-performer, young leaders from more than 70 Norwegian companies. The average results in Innovation Norway is not far from the average for this group. The results presented in the Innovation Norway employee survey 2016 are good. Innovation Norway's employees are satisfied and appear to be well motivated and engaged."*

Gender equality and diversity

Gender equality and diversity are implemented into the company's routines and guidelines and awareness of this must be included as a natural part of the manner in which the company operates.

The Board of Directors consists of eleven members, of whom six are women and five are men. In 2016, the proportion of women in the executive management group was six out of twelve (50 %).

At year-end 2016, the proportion of female employees in Innovation Norway was 54%. 54% of the applicants for available positions at Innovation Norway in 2016 were women. 31 of a total of 43 (63%) new employees during 2016 were women.

The proportion of women by position:

Job category	2016	2015
Director	44 %	44 %
Lawyer	43 %	63 %
Head of Department	47 %	48 %
Special Adviser	32 %	30 %
Senior Adviser	48 %	47 %
Adviser	78 %	78 %
Consultant	81 %	75 %

The pay ratio between women and men:

Position level	Average deviation in pay	
	2016	2015
Director	1.10 %	4.80 %
Head of Department	-1.40 %	0.30 %
Special Adviser	-4.40 %	-8.30 %
Senior Adviser	-2.80 %	-2.60 %
Adviser	-4.10 %	0.20 %
Consultant	-4.40 %	-8.50 %

Of the 714 employees as of 31 December 2016, 31 worked part-time. 67% of these were women. The average position is 67% for women and 62% for men.

The company follows guidelines for terms of employment for managers in government enterprises and companies.

Innovation Norway has a diversity statement when advertising all vacancies which emphasises that the recruitment aims to ensure diversity with respect to gender, age and cultural background. Innovation Norway has implemented general measures to promote diversity (ethnicity, age, gender, functional impairment). As of 31 December 2016, 26.5% of all employees at Innovation Norway were of foreign origin.

Focus on diversity is still prioritised in Innovation Norway's HR strategy for the period from 2017 to 2020. We have a defined goal that a minimum of 10% of the company's new appointments in Norway will be of foreign origin.

Annual reports are submitted to the Directorate of Integration and Diversity on the status of recruitment and the appointment of new employees from immigrant backgrounds.

Internal restructuring and organisational development

Innovation Norway is a knowledge organisation where the ability to provide relevant and high quality services and advice depends on our ability to link the correct people together, develop their skills and facilitate a digital and flexible workday. After the company's first decade, a new CEO was appointed in 2014 to lead the development of the company.

In 2016, Innovation Norway expended a great deal of effort in developing the company's ability to rejuvenate and implement the tasks which we have been assigned. In December 2015, the Board approved of an internal restructuring programme for the company. As part of this, an internal development programme was initiated in 2016 with principal activities within digitalisation, sustainability, Brand Norway, innovation policy and expertise and culture.

The digitalisation programme will provide guidance for all future development work and will influence all of our activities, processes and employees in the coming years. The work on introducing a sustainability perspective for all of the company's activities was a major focus in 2016 and it is pleasing that this so clearly manifests itself in the customer-oriented work. About half of the financing commitments in 2016 promote green, technological solutions and these come from all industries.

In 2016, major emphasis was also placed on management development since the next phase of the restructuring work will be implemented and led via middle managers throughout all of Norway and internationally. In addition, several skills development programmes have been implemented to increase the focus on linking different parts of the company through the introduction of knowledge hubs, for example, Smart cities and societies, and increased cultural work with a focus on increasing the ability to cooperate, transparency and knowledge sharing.

The natural environment

Innovation Norway's activities have not contributed to pollution of the natural environment over and above what is natural for an organisation of this kind. The head office and the district offices are Eco-Lighthouse certified.

Corporate social responsibility

Innovation Norway has worked with corporate social responsibility over a long period of time and this responsibility is also specifically referred to in the Ministry of Trade, Industry and Fisheries' annual letter of assignment to Innovation Norway.

In 2015, the Board of Innovation Norway adopted a new Sustainability Strategy for 2016-2020. This strategy sets the frameworks for all of Innovation Norway's work and, among other things, makes reference to the UN Global Compact, OECD's guidelines for multinational companies, and the UN Guiding Principles on Business and Human Rights, which are all recognised standards in the area of corporate social responsibility.

Innovation Norway's expectations and requirements for own employees, employee representatives and consultants who perform services for the company are described in the company's "Ethical Guidelines and Anti-corruption Policy". The ethical guidelines also contain a separate chapter on business ethics in which it is emphasised that ethics and corporate social responsibility must be part of the assessment criteria when using services and when selecting collaborative partners and suppliers.

Innovation Norway's management group adopted its own principles for "*Good business practice - Innovation Norway's expectations of customers and partners*" in April 2016. The principles are based on Innovation Norway's ethical guidelines and sustainability strategy and now represent the guiding document for the corporate social responsibility work at Innovation Norway.

Everyone who receives services from Innovation Norway must comply with minimum requirements for good business practice. It is expected that the customer demonstrates the willingness and ability to make improvements in line with the relevant principles and guidelines for best practice in its sector. The focus on this must be a consistent factor in customer dialogue and service deliveries.

Corporate social responsibility has been integrated into Innovation Norway's financing and advisory services in different forms over a long period of time. The principles for "*Good business practice - Innovation Norway's expectations of customers and partners*" have partly been implemented and are partly in the process of being implemented in the different services.

For the **financing services**, the updated principles for good business practice were implemented into the guidelines and assessment criteria in 2016. A separate "*Guide for an overall evaluation of sustainability in financing matters*" has also been prepared (April 2016). For **advisory and expert services** that are provided by Innovation Norway, the principles for good business practice are followed up through, among other things, cluster projects in which specific issues pertaining to sustainability and whether the company reports in accordance with various corporate social responsibility frameworks being included in the zero point and compliance analysis. In the FRAM programme, a separate module on corporate social responsibility has been provided as a compulsory part of the service.

Innovation Norway manages several assignments that assist companies in entering demanding markets. In 2016, good business practice, with a primary emphasis on anti-corruption, was on the agenda at a number of conferences and seminars within the framework of Innovation Norway's assignments. Participants have been both Norwegian and foreign companies, public funding agencies and government representatives.

In line with the principles of good business practice, corruption is a topic in both e-applications and in agreements with customers and suppliers.

Knowledge about and vigilance surrounding the risk of corruption are among the most important measures for preventing and combating corruption in the company and among suppliers and customers. In 2016, Innovation Norway completed an anti-corruption training programme for all employees which included identification of risk and areas of improvement. The results are aggregated at company level and are part of the basis for facilitating the work in this area in 2017.

Corruption is central to the company's ethical guidelines and is further elaborated on in a separate anti-corruption policy. Innovation Norway also has more detailed guidelines for impartiality, the right to hold honorary positions and secondary occupations, as well as rules for ownership and securities trading.

The company has an electronic reporting channel for employees and employee representatives which enables anonymous notification to the compliance function.

Innovation Norway's compliance function monitors and regularly reports the company's exposure to corruption. Annual assessment activities are carried out to identify the services and company processes that are exposed and the measures that should be implemented to reduce the risk.

In December 2016, Innovation Norway established a new structure for the work on corporate social responsibility with a separate corporate social responsibility team.

At the start of 2017, the corporate social responsibility team will assess the status of the implementation of the principles for good business practice within all of Innovation Norway's services. The goal is to harmonise expectations and requirements that are set for customers and the follow-up of these. Part of this assessment will also consist of evaluating scaling and measures in relation to the risk level within each unit/service. Administrative routines will also be included as part of the assessment. The goal is to have an approved action plan in place before the summer that is based on identified requirements for improvements and updates.

For an even better assessment of financing and advisory matters, the corporate social responsibility expertise of case managers and customer advisers will be improved.

An internal project has also been planned with a focus on improving routines and procedures for Innovation Norway's own offices in demanding markets, including our management of and assistance to customers.

Innovation Norway's electronic reporting channel is currently only available to the company's employees and hired personnel. It has been decided that the electronic reporting channel will be made available to external parties. During 2017, Innovation Norway will update current internal control documentation relating to the handling of whistleblower cases.

In the summer of 2016, Innovation Norway was granted a license from the Norwegian Data Protection Authority to process personal data in connection with Integrity Due Diligence (background checks on customers, suppliers and collaborative partners). In the time ahead, Innovation Norway will prepare guidelines that provide a detailed description of the instances in which an IDD shall be carried out.

Application of the profit

The accounts for 2016 show a profit of NOK 211 million. For further details about the dividend rules reference is made to Note 36. The Board proposes the following allocation of the profit for the year:

Application of the profit

The accounts for 2016 show a profit of NOK 211 million. For further details about the dividend rules reference is made to Note 36. The Board proposes the following allocation of the profit for the year:

	2016	
Allocated dividends to the owner, the Ministry of Trade, Industry and Fisheries, from:		
Low-risk scheme	NOK	157 577 940
Transferred to the owner, the Ministry of Trade, Industry and Fisheries, from:		
Innovation loans and guarantees	NOK	25 558 246
Transferred to the owners, the county councils, from:		
High-risk loans and guarantees	NOK	18 361 852
Distributed to:		
Møre og Romsdal county council	NOK	3 768 503
Troms county council	NOK	3 026 734
Nordland county council	NOK	1 819 824
Nord-Trøndelag county council	NOK	1 733 705
Finnmark county council	NOK	1 622 558
Sogn og Fjordane county council	NOK	1 259 895
Hedmark county council	NOK	1 141 814
Sør-Trøndelag county council	NOK	1 273 748
Hordaland county council	NOK	999 959
Telemark county council	NOK	727 933
Oppland county council	NOK	600 202
Aust - Agder county council	NOK	177 739
Buskerud county council	NOK	106 504
Vest - Agder county council	NOK	94 227
Østfold county council	NOK	8 507
		<u>18 361 852</u>
Transferred from retained earnings:		
Investment fund for Northwest Russia	NOK	7 855 388
Investment fund for Eastern Europe	NOK	2 059 656
		<u>9 915 044</u>
Allocated to retained earnings:		
Low-risk scheme	NOK	19 874 999
Service deliveries and grant administration	NOK	-
Total		211 457 993

Prospects for 2017

The company's strategy for 2016-2020 specifies the direction and priorities for the company until 2020, at a time when Norway is facing major changes. The company is and will be a relevant, competent and beneficial partner for regions, companies and entrepreneurs that will create the sustainable workplaces and companies of the future.

In 2017, Innovation Norway shall contribute to "A Norway in transformation" by improving access to venture capital, contributing to increased exports of sustainable solutions and providing innovation policy advice that has a tangible effect. If our efforts are to succeed, we have to continue to ensure sustainability in all of our activities, develop partnerships with private and public development stakeholders in the restructuring of business and industry and grasp the opportunities presented by increased digitalisation.

In the work on ensuring relevant services for a Norwegian economy in a restructuring phase, the company itself is in a restructuring situation. The Board finds the company's efforts and results in connection with the internal restructuring work in 2016 to be highly satisfactory.

Amendments to the Act relating to Innovation Norway entered into force on 1 January 2017. Among other things, the amendments include the discontinuation of the previous comprehensive owner guarantee for the company's liabilities. The starting point is now the opposite, i.e. that the owners are not liable to the creditors for the company's obligations. However, this presupposes that each principal will be responsible for the company safeguarding obligations relating to the loan and guarantee schemes assigned to the company. The amendments will entail that the company becomes more responsible for its own obligations. This will particularly apply to obligations relating to the operation of the company.

The statutory amendments give the Board somewhat different duties and responsibilities and set different requirements for the company's equity. New requirements for subordinated capital are

part of the regular owner follow-up. Future requirements for capital contributions in the company may be in the form of different methods of calculation for pension expenses and liabilities, including as a result of ongoing assessments of amendments to accounting laws.

Oslo, 23 March 2017
Board of Directors of Innovation Norway

Per Otto Dyb
(Chairman)

Jørund Ødegård Lunde
(Deputy Chair)

Arvid Andenæs

Kim Daniel Victor Arthur

Kristin Misund

Helene Falch Fladmark

Wenche Kjølås

Jan Løking

Heidi Wang

Leela Borring Låstad
(Employee Representative)

Gaute Hagerup
(Employee Representative)

Anita Krohn Traaseth
CEO

The Board of Directors of Innovation Norway





At the top: Chairman of the Board Per Otto Dyb

In the middle from left: Jørand Ødegård Lunde (Deputy Chairman of the Board), Heidi Wang, Arvid Andenæs, Helene Falck Fladmark and Wenche Kjøllås.

At the bottom from left: Jan Løkling, Kristin Misund, Kim Daniel Arthur, Leela Borryng Låstad and Gaute Hagerup.

(All photos: Trond Isaksen)

Annual accounts and Board of Directors' report

Annual accounts Innovation Norway

[Annual accounts 2016 \(pdf\)](#)

Board of Directors report

The nature of the business

Innovation Norway was formed on 19 December 2003 and has its head office in Oslo. The company is owned by the Ministry of Trade, Industry and Fisheries (51%) and the county councils (49%). Innovation Norway is organised as an enterprise established by special legislation, whose Board of Directors has an independent responsibility for its activities and the results achieved. Innovation Norway is responsible for the administration and appropriate organisation of Innovation Norway's activities. The owners exercise supreme authority in the company through the enterprise meeting.

Objectives and goals

Innovation Norway's objective is to be the State and the county councils' policy instrument for achieving value-creating business development throughout the country.

Innovation Norway's main purpose is to trigger business development that is profitable from both a commercial and a socio-economic perspective, and to help different regions to realise their potential for business development. This goal is to be achieved through the sub-goals of more successful entrepreneurs, more expansive companies and more innovative business communities.

Innovation Norway shall provide professional input to public authorities at a national and regional level in connection with business and innovation policy, including proposals for new focus areas for future policy formulation. Innovation Norway is an important sounding board for owners and principals and shall, through its network with Norwegian business and industries, both nationally and internationally, acquire knowledge about the challenges and opportunities faced by Norwegian business and industry at all times. Innovation Norway shall also contribute to various innovation, industry and regional policy issues that are relevant to the company achieving its goals being prominent in the public debate.

Innovation Norway receives annual letters of assignment from ministries, county councils and county governors. Based on the national budget, the letters of assignment provide a combined overview of our principals' expectations and requirements of Innovation Norway's activities. The letters also set out Innovation Norway's allocation framework and guidelines relating to initiatives,

programmes and services.

Our main goal and sub-goals form the basis for Innovation Norway's dialogue with its owners and principals. Innovation Norway's activities and priorities shall be in accordance with the goal structure. The company's activities shall contribute to goals being achieved.

Innovation Norway offers financing services, advisory services, expert services, networking services and promotional services. Most of the company's staff are located close to customers in offices situated in all the counties in Norway or close to the market in more than 30 countries worldwide.

Positive impact in 2016

In 2016, Innovation Norway expended a significant amount of effort in following up the desire of the owners and principals to contribute to a Norway that is undergoing a period of restructuring.

We have implemented our part of the Government's one-year package of measures to increase employment, with a particular focus on pre-seed capital funds, environmental technology and start-up grants. We have increased the focus on entrepreneurs through the active follow-up of the Norwegian government's Entrepreneurship Plan, established meeting places for growth and improved the expert services for entrepreneurs. We have increased the focus on sustainability in general and green innovation in particular as a response to many of the challenges, but also the opportunities, presented by the UN Sustainable Development Goals. In addition, we have continued and strengthened our efforts towards what we know works well for Norwegian business and industry.

In 2016, Innovation Norway received allocations and assignments in letters of assignment from the Ministry of Trade, Industry and Fisheries, the Ministry of Local Government and Modernisation, the Ministry of Agriculture and Food, the Ministry of Climate and Environment, the Ministry of Education and Research, the Ministry of Culture, the Ministry of Local Government and Regional Development, the Ministry of Foreign Affairs, the county councils, the county governors and other public bodies. The common denominator in all our assignments is that we should contribute to value creation and business development in the entire country.

Appropriations from the Norwegian Storting and county councils totalled NOK 3.7 billion. Together with our loan schemes, Innovation Norway contributed NOK 6.7 billion to business and industry in 2016. This included loans, grants, advisory services, promotion and networking through Innovation Norway's various services. The funds triggered investments totalling NOK 20.1 billion. Nine out of ten enterprises stated that Innovation Norway's support was a determining factor for their projects to a high or medium high degree.

This means that one krone from Innovation Norway results in two kroner in own financing or other loan capital. In addition, Innovation Norway also triggers many other innovation and internationalisation activities by mobilising and providing expertise and networking.

It is important for Innovation Norway as a company that manages public funds to document the effects of the services the company offers. Measuring effect is methodologically demanding and can always be improved. Therefore, together with the Ministry of Trade, Industry and Fisheries and the research department at SSB (Statistics Norway), the company continually works to improve its ability to measure the effects of Innovation Norway's work. In consultation with Innovation Norway, our owners and principals revised the indicators in the performance management and result monitoring system in 2016. The three effect indicators to be measured within all three sub-goals are higher annual growth in sales revenues, value creation and productivity.

The figures from SSB for 2016 indicate that the effect of support from Innovation Norway remains stable at a high level. Companies that have received support from Innovation Norway have higher annual growth in all three effect indicators over a three year period compared with the control group: an increase in annual growth in sales revenues of 12.3 percentage points (2015: 12.6), an annual increase in value creation of 6.2 percentage points (2015: 5.9%), and an annual increase in productivity of 2.2 percentage points (2015: 1.9). There have therefore only been minor changes compared with the previous year.

There has been a very positive development in the level of innovation in the past three years. In 2016, NOK 2.5 billion, which is equivalent to 41 per cent of all financing commitments, went towards projects with innovation potential at an international level. This was a doubling of the percentage since 2013 and shows that the strengthened focus on growth companies and

internationalisation since 2014 is having an effect.

A goal is to have good documentation of the effect of all services that are offered. The company focusses on documenting the effect of expert and advisory services to contribute to providing a more accurate total picture of the company's overall activities.

The Board is very satisfied that Innovation Norway has increased the focus on communicating, investigating and acquiring new knowledge about the services and schemes that are most effective in business and innovation policy. At the same time, the Board also acknowledges that it is demanding to document all effects and that contributions from Innovation Norway are one of several methods that play a part in the long-term development of a start-up, growth or cluster-oriented company.

Reports, analyses and measurements of effects together provide important management information and a knowledge base on which to further develop the company. The Board is focussed on the company continuing with this work and communicating lessons learnt to owners, principals and other stakeholders.

The owners' expectations

The Board of Innovation Norway is responsible for meeting the owners' expectations for the company and annual reporting in connection with this.

The owners have prepared four goals that define the direction in which Innovation Norway should develop:

1. A greater focus on internationalisation work.
2. Simplification of the policy instrument portfolio.
3. Good customer dialogue.
4. A clearer innovation policy adviser role.

Internationalisation. Norway's export revenues have declined significantly during the past few years, due to falling oil prices. Restructuring is required. There is a major need for developing new international products and businesses that provide employment and finance our welfare services.

In 2016, Innovation Norway continued its systematic work on developing the "Brand Norway" division that was established in December 2014. The goal is to increase Norway's ability to export Norwegian products and solutions, and to attract investment, knowledge and tourists to the country under the Export Norway, Visit Norway and Invest in Norway departments.

A new tourism director was appointed at Visit Norway in 2016.

There is a high demand for Innovation Norway's services from companies that wish to explore new business areas and markets globally. Innovation Norway provided more export advice in 2016 than it provided in 2015. We make expertise on internationalisation more readily available through digitalisation of market information, facilitate an increased level of self-service and combine key expertise at a joint export centre.

In 2016, Innovation Norway chose to gear its services towards multiple company programmes and one-to-many activities. The use of common learning programmes has increased. Demand from companies that want to be part of clusters and networks in order to succeed internationally is increasing.

Innovation Norway also improved its international advisory services at the regional offices and the work of qualifying customers before they go international. The collaboration with the Ministry of Foreign Affairs and other partners in team Norway has been strengthened.

With offices in important international markets and a nationwide network of offices in Norway, Innovation Norway has an excellent starting point for contributing to international expansion for Norwegian business and industry. In autumn 2016, Innovation Norway initiated an in-depth assessment of the company's international role and presence. The feedback from business and industry shows that Innovation Norway essentially already has a presence in the markets where Norwegian business and industry have both interests and consider there to be potential. Therefore, Innovation Norway has primarily placed emphasis on how to prioritise the use of limited resources within the markets where the company already has a presence. In 2017, Innovation Norway will commence implementation of the approved changes to its international presence.

It is the view of the Board that these changes will ensure that Innovation Norway's international presence in future years will be adapted to the needs of business and industry and the

assignments the company has received.

Simplification of the company's processes and policy instrument portfolio has been an ongoing task. The need for more basic services, new expectations from our customers for digital coordination and, not least, increased assignment volume together with clear requirements for operational efficiency, have been key driving forces.

In 2016, the company redesigned the entire service portfolio. The new service model is integrated with the company's information model and customer relationship management (CRM) system. Our account managers can more easily take customer needs into consideration when the company offers and provides services. We gain increased flexibility and can implement changes to the service portfolio more quickly when needs change. Innovation Norway will also strengthen its ability to provide analyses and reporting on the quality and effects of all of the services we have provided.

Good customer dialogue and positive customer experience were given high priority in 2016. During the year, the company implemented skills development programmes for all advisers within business modelling and customer dialogue. The goal is to improve our ability to discuss ideas with the customer, clarify customer requirements and be able to provide quality both in relation to our own services and when being able to connect the customer to other potential partners. The company continues the active use of customer service questionnaires as a basis for working with development and improvements.

Innovation Norway launched "My Site" in 2016 and the first version of a new digital application solution for market start-up grants to entrepreneurs. The company also combined all processing of these grants at the Entrepreneurship Centre in Førde. The Centre has specialist expertise in relation to guidance for entrepreneurs who are in an early phase.

Innovation Norway shall be an **innovation policy advisor** for its owners and principals by developing good and relevant knowledge and expertise for the development of own strategies and service development.

Innovation Norway is becoming increasingly more involved in the public sphere and public debate and has contributed towards encouraging debate about innovation policy. 2016 was a year of high activity and broad acceptance of our innovation policy proposals. In the Innovation Speech, the company presented proposals for a new direction for Norway based on input from the "Dream Commitment" and its innovation policy recommendations.

In 2016, the company has intensified the development of the data and methods used for measuring effects of own services and of the interaction between these. The goal is to improve the company's knowledge of the effects of the company's advisory and expert services and support to recipients that are not organised as limited liability companies. In 2016 the company tested, among other things, a new performance measurement for these services.

Innovation Norway has participated in a number of arrangements throughout all of Norway, as well as some held abroad, to provide suggestions regarding the development of the Norwegian economy. The company has also made a number of written submissions to the national budget, and strategies and notices to the Ministry of Trade, Industry and Fisheries.

The Board believes that the dialogue with our principals and owners in 2016 was constructive and characterised by a shared desire and ambition of achieving learning and development in the best interests of Norwegian business and industry.

Cost-effective operation

The Board monitors the company's operations throughout the year and focusses on achieving goals, efficient operations and responsible administration of public funds.

In 2016, Innovation Norway delivered more to Norwegian business and industry with fewer resources. Innovation Norway received increased funding in the national budget and in 2016 supplied services to business and industry for NOK 6.7 billion. This continues the trend from 2014-2016 when the value of Innovation Norway's combined services increased from NOK 5.9 billion to NOK 6.7 billion (+13.6%). At the same time, the company's total operating expenses during the same period show a reduction from NOK 1.5 billion to NOK 1.4 billion (-6%).

Amendments to the Act relating to Innovation Norway provide the Board of Innovation Norway with greater scope to develop customer contact, procedures and decision-making systems that are in the best interests of entrepreneurs, companies and innovation and business clusters.

In 2016, the company established the foundation for improved efficiency by work processes being

redesigned and digitalised, the adjustment of the organisational structure in Norway and abroad, collocation of critical expertise (Entrepreneurship Centre, Export Centre etc.) and the specialisation of knowledge employees. The number of regions in Norway was reduced, the regional boards were disbanded and regional credit committees have been established. The decision has been made to increase the company's international presence. The introduction of a new service model and information model strengthen the company's ability to provide accurate analyses and reporting of the quality of all of the services we provide.

It is difficult to see from the annual accounts how the company's costs have developed, because the accounts include the company's delivery costs and customer-oriented activities and projects. The administration is therefore working on operational performance indicators that provide the Board and principals with information about the development of the company's cost-efficiency.

Cooperation with other public funding agencies

Innovation Norway, the Research Council of Norway and the Industrial Development Council of Norway (SIVA) are the three main agencies in the government's system of policy instruments aimed at business and industry. Both separately and together, these three agencies provide a significant and effective contribution to Norwegian business and industry's innovative power, internationalisation and value-creation. The three agencies have different roles, responsibilities, expertise and tasks that will complement each other throughout the value chain, from idea to market. In 2016, there was extensive cooperation at strategic level which has been formalised through the works council with managers from the three organisations. The 2016 Innovation Speech was jointly given by the three CEOs.

The county councils play a vital role as regional development stakeholders. Innovation Norway has developed close cooperation with each of the county councils at strategic and operative level which seeks to safeguard the need for a coordinated effort within the framework of regional and national prioritise. This work was continued in 2016.

Within the area of the environment in general and the environmental technology scheme in particular, Innovation Norway has close cooperation with the Research Council of Norway and Enova. In 2016, the three organisations established PILOT-E as a joint financing service to Norwegian business and industry. Pilot E will speed up the development through greater predictability of funding, closer monitoring and stronger coordination between the public funding agencies.

In 2016, Export Credit Norway, GIEK, GIEK Credit Insurance and Innovation Norway established a joint export team that will together meet with Norwegian companies that have ambitions to succeed in the wider world. The purpose of the project is to test out whether there is added value for Norwegian companies in having a combined service from the four organisations.

The Board considers Innovation Norway to have good cooperation with the other public funding agencies and makes particular reference to the establishment of a good and inclusive executive management dialogue with SIVA and the Research Council of Norway in 2016. This supports the ambition and further desire of having clear and coordinated agencies whose policy instruments complement and support each other and that are perceived as parts of a whole by business and industry, R&D institutions and the public authorities.

Overview of the annual accounts

The profit for 2016 was NOK 211 million, compared with NOK 263 million in 2015. In 2016, the profit before losses was NOK 222 million, compared with NOK 284 million in 2015.

Net interest income was NOK 386 million in 2016, compared with NOK 426 million the previous year. The fall in net interest income was due to lower interest margins. Dividends and losses on securities were NOK 4 million in 2016 compared with a profit of NOK 14 million in 2015. The decrease relates to net losses on sales of shares in the Northwest Russia investment fund.

Total operating income amounted to NOK 1,217 million, compared with NOK 1,231 million in 2015. Public and external revenues were at approximately the same level as in 2015. The fall was in various operating revenues and was primarily due to a net foreign exchange loss of NOK 12 million in 2016 while there was a net foreign exchange gain of NOK 9 million in 2015.

Operating costs amounted to NOK 1,378 million, compared with 1,387 million in 2015, a reduction of NOK 9 million. Payroll expenses amounted to NOK 691 million in 2016, compared with NOK 713 million in 2015. The net decrease of NOK 22 million was primarily due to lower pension expenses and fewer FTEs. Provisions were made for restructuring costs of NOK 17 million. Other operating expenses amounted to NOK 195 million in 2016, compared with NOK 190 million in 2015. The

change was largely due to a lower VAT refund in 2016 than in 2015. Direct project costs amounted to NOK 484 million in 2016, compared with NOK 481 million in 2015. The increase was related to a slightly higher level of activity.

Net losses on loans were NOK 10 million, compared with NOK 21 million in 2015. Losses on loans largely relate to the low-risk scheme. The losses for low-risk loans were barely 0.1% (0.1% in 2015) of the loan portfolio. It is expected that normal annual losses will be equivalent to 0.5% of the portfolio.

Losses on loans related to Innovation Norway's high-risk loan schemes and seed capital funds are covered by loss reserves, and are therefore not reflected in Innovation Norway's financial performance figures. Losses on loans relating to high-risk loan and guarantee schemes amounted to NOK 40 million in 2016, compared with NOK 25 million in 2015. These lending activities are expected to involve a higher risk profile than the low-risk loan scheme and with losses over time of close to 5% of the portfolio per year. In 2016, the losses incurred represented 1.5 % (0.9 % in 2015) of the portfolio. Seed capital funds had loss reversals of NOK 11 million in 2016, compared with NOK 45 million in 2015. The loans were granted during the period from 2006 to 2008.

Changes in losses are closely linked to fluctuations in the economy. Our loan customers have enjoyed good operating conditions for some time, which has resulted in lower losses on loans.

The cash flow shows that large gross payments are received and disbursed by Innovation Norway every year. This is particularly due to a large part of the borrowings from lending activities being refinanced approximately every three months. Net liquidity increased by NOK 98 million, compared with an increase of NOK 173 million in 2015.

Innovation Norway's balance sheet total at year end was NOK 24.0 billion, which is NOK 400 million more than in 2015 (NOK 23.6 billion).

Net loans amounted to NOK 17.2 billion as of 31 December 2016 (NOK 16.9 billion as of 31 December 2015). In 2016, NOK 2.9 billion was paid out in new loans (NOK 2.4 billion in 2015) and NOK 2.9 billion in grants (NOK 2.7 billion in 2015).

The company did not incur any costs or make investments related to R&D in 2016. External evaluations and analyses are carried out of the company's activities and use of policy instruments. The company uses the knowledge they provide in the development of our services, organisation and work processes.

Risk management

Sound risk management is an important prerequisite for ensuring that Innovation Norway is able to achieve its goals at different levels over time. Innovation Norway bases its risk assessment and management on the methodology document "Risk management in the government administration". Risk management is an integrated part of the company's corporate governance. The risk management process is coordinated with the company's strategy processes.

The Board has overall responsibility for ensuring that Innovation Norway has established appropriate and effective processes for risk management and internal control. A risk management committee has been established as an advisory forum for the company's management in connection with the work on coordinating, developing and maintaining Innovation Norway's system for risk management and internal control. The Board has established an internal audit to improve the follow-up of the company's internal control.

Strategic risk

Strategic risk relates to factors that are important for Innovation Norway achieving its long-term goals.

The company makes annual assessments of factors important for the company's goal attainment at an overall level. Extraordinary risk assessments are conducted in the event of significant changes in the Norwegian economy or the company's assignment situation, or if the four-monthly reports on goal attainment show significant deviations. When required, risk assessments are made of critical functions and specific areas at lower levels.

After the annual national budget has been presented, the company reports to the Norwegian Ministry of Trade, Industry and Fisheries about the risk of not achieving the company's goals and on the need for measures, if any.

Financial risk

The financial risk largely consists of foreign exchange risk, liquidity risk, credit risk and interest rate risk.

Foreign exchange risk. Innovation Norway has revenues and expenses in foreign currencies. The foreign exchange risk associated with settlement of costs is largely offset by the company having bank accounts in foreign currencies for the most important currencies that we trade in.

Liquidity risk. Innovation Norway has a borrowing arrangement with the Norwegian State. The lending limits are defined in the annual letter of assignment from the Ministry of Trade, Industry and Fisheries. The lending limits stipulate how much liquidity the company has available for new loans. As a result of this arrangement, Innovation Norway has, in practice, no liquidity risk.

Credit risk. Credit risk is financial risk relating to the lending activities, and constitutes a significant risk at Innovation Norway. Developments in the loan portfolio are reported to the Board every four months. The risk profile is adjusted if there are significant negative deviations in relation to the targets. A separate review of the largest loan commitments is conducted once a year. All major commitments and commitments with loss events are reviewed in connection with the presentation of our annual accounts.

Low-risk loans are granted on market terms. Projects must only be associated with a moderate risk to receive funding. The risk is therefore limited by relatively stringent security requirements.

Innovation and high-risk loans are a form of lending that primarily aims to help small and medium-sized enterprises that require risk mitigation in investment projects by providing top financing for such projects. These loans are granted subject to moderate requirements for security, but on the condition that the customer's ability to service the loan is deemed to be satisfactory. The risk for these types of loans is relatively high.

Loans to seed capital companies are subordinated loans to seed capital companies that are equivalent to private equity and loan capital. The loans have a high risk profile.

Loss reserves have been established for innovation and high-risk loans and guarantees, and for loans to seed capital fund companies. Hence, Innovation Norway does not bear the risk for these loans, as any losses will be covered by the loss reserves or additional appropriations. The purpose of the loss reserves is to enable Innovation Norway to mitigate risks for innovative projects with growth potential and thus help to realise more profitable projects that would otherwise find it difficult to find sufficient venture capital in the market.

Interest rate risk. The interest rate risk is managed and reduced by adapting lending terms to borrowing terms. Borrowing shall correspond to the loans and ensure the liquidity required to operate the schemes. The borrowings reflect the interest-rate profile of the loan portfolio.

Operational risk

Operational risk consists of all the potential sources of loss related to Innovation Norway's ongoing operations. Examples of such sources include procedural failures, computer system failures, lack of expertise and breach of trust on the part of the employees. Internal control is an important tool for reducing the operational risk.

The company's steering documents are collated and made available in a separate database. Innovation Norway has contingency plans and carries out exercises on a regular basis. The ethical guidelines emphasise impartiality and the duty of confidentiality, dilemma training and corporate social responsibility (CSR). A separate compliance function contributes to the company not incurring public sanctions, financial loss or loss of reputation as a consequence of failure to comply with laws, rules and standards.

Going concern

The annual accounts have been prepared on the basis of the going concern assumption. The accounts give a true and fair picture of the company's assets, liabilities and result. No circumstances have arisen since the end of the financial year that are of material significance to the evaluation of the company and that are not mentioned in the annual report and pertaining notes.

Working Environment

Innovation Norway is an Inclusive Workplace (IW) enterprise and has a corporate health service at both its head office and the district offices. Regional safety delegates have been elected in each of the six regional offices abroad and works councils/working environment committees have been established in the largest offices in Norway. An internal control system has been established for matters relating to health, safety and the environment (HSE) as an integrated part of the organisation's overall quality assurance. Procedures for notification (whistle-blowing) have been established.

In 2016, absence due to sickness was 3.6 %, compared with 3.3 % in 2015. In comparison, absence due to sickness in central government administration was 6.1% and 7.9% in municipal government administration. Two injuries that required visits to the doctor were reported in 2016.

In 2016, we completed an important part of the initial restructuring process that was commenced in 2015 which involved downsizing, strengthening and adding new HR expertise at the company and introducing a management programme for the company's middle management. In addition, five secondment programmes and a series of team development programmes were conducted. The company's flexitime arrangement has been changed for all employees as part of making the organisation even more dynamic.

Innovation Norway is considered an attractive workplace by both the company's own employees and potential job seekers. The company was named as the company's second most attractive workplace in Universum's rankings of the most attractive employers in the "Business" category among Young Professionals.

In the annual employee survey, our employees score highly in terms of both commitment and motivation, even during a demanding adjustment process. It is positive to see that the response percentage has increased to 89% (2015: 87%) and that the average score (3.98) remained unchanged at the same high level as in 2015.

Assesit provided the following assessment of the results from the survey: *"The results from Innovation Norway 2016 are compared with employees to a group of high-performer, young leaders from more than 70 Norwegian companies. The average results in Innovation Norway is not far from the average for this group. The results presented in the Innovation Norway employee survey 2016 are good. Innovation Norway's employees are satisfied and appear to be well motivated and engaged."*

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awareness or this must be included as a natural part of the manner in which the company operates.

The Board of Directors consists of eleven members, of whom six are women and five are men. In 2016, the proportion of women in the executive management group was six out of twelve (50 %).

At year-end 2016, the proportion of female employees in Innovation Norway was 54%. 54% of the applicants for available positions at Innovation Norway in 2016 were women. 31 of a total of 43 (63%) new employees during 2016 were women.

The proportion of women by position:

Job category	2016	2015
Director	44 %	44 %
Lawyer	43 %	63 %
Head of Department	47 %	48 %
Special Adviser	32 %	30 %
Senior Adviser	48 %	47 %
Adviser	78 %	78 %
Consultant	81 %	75 %

The pay ratio between women and men:

Position level	Average deviation in pay	
	2016	2015
Director	1.10 %	4.80 %
Head of Department	-1.40 %	0.30 %
Special Adviser	-4.40 %	-8.30 %
Senior Adviser	-2.80 %	-2.60 %
Adviser	-4.10 %	0.20 %
Consultant	-4.40 %	-8.50 %

Of the 714 employees as of 31 December 2016, 31 worked part-time. 67% of these were women. The average position is 67% for women and 62% for men.

The company follows guidelines for terms of employment for managers in government enterprises and companies.

Innovation Norway has a diversity statement when advertising all vacancies which emphasises that the recruitment aims to ensure diversity with respect to gender, age and cultural background. Innovation Norway has implemented general measures to promote diversity (ethnicity, age, gender, functional impairment). As of 31 December 2016, 26.5% of all employees at Innovation Norway were of foreign origin.

Focus on diversity is still prioritised in Innovation Norway's HR strategy for the period from 2017 to 2020. We have a defined goal that a minimum of 10% of the company's new appointments in Norway will be of foreign origin.

Annual reports are submitted to the Directorate of Integration and Diversity on the status of recruitment and the appointment of new employees from immigrant backgrounds.

Internal restructuring and organisational development

Innovation Norway is a knowledge organisation where the ability to provide relevant and high quality services and advice depends on our ability to link the correct people together, develop their skills and facilitate a digital and flexible workday. After the company's first decade, a new CEO was appointed in 2014 to lead the development of the company.

In 2016, Innovation Norway expended a great deal of effort in developing the company's ability to rejuvenate and implement the tasks which we have been assigned. In December 2015, the Board approved of an internal restructuring programme for the company. As part of this, an internal development programme was initiated in 2016 with principal activities within digitalisation, sustainability, Brand Norway, innovation policy and expertise and culture.

The digitalisation programme will provide guidance for all future development work and will influence all of our activities, processes and employees in the coming years. The work on introducing a sustainability perspective for all of the company's activities was a major focus in 2016 and it is pleasing that this so clearly manifests itself in the customer-oriented work. About half of the financing commitments in 2016 promote green, technological solutions and these come from all industries.

In 2016, major emphasis was also placed on management development since the next phase of the restructuring work will be implemented and led via middle managers throughout all of Norway and internationally. In addition, several skills development programmes have been implemented to increase the focus on linking different parts of the company through the introduction of knowledge hubs, for example, Smart cities and societies, and increased cultural work with a focus on increasing the ability to cooperate, transparency and knowledge sharing.

The natural environment

Innovation Norway's activities have not contributed to pollution of the natural environment over and above what is natural for an organisation of this kind. The head office and the district offices are Eco-Lighthouse certified.

Corporate social responsibility

Innovation Norway has worked with corporate social responsibility over a long period of time and

this responsibility is also specifically referred to in the Ministry of Trade, Industry and Fisheries' annual letter of assignment to Innovation Norway.

In 2015, the Board of Innovation Norway adopted a new Sustainability Strategy for 2016-2020. This strategy sets the frameworks for all of Innovation Norway's work and, among other things, makes reference to the UN Global Compact, OECD's guidelines for multinational companies, and the UN Guiding Principles on Business and Human Rights, which are all recognised standards in the area of corporate social responsibility.

Innovation Norway's expectations and requirements for own employees, employee representatives and consultants who perform services for the company are described in the company's "Ethical Guidelines and Anti-corruption Policy". The ethical guidelines also contain a separate chapter on business ethics in which it is emphasised that ethics and corporate social responsibility must be part of the assessment criteria when using services and when selecting collaborative partners and suppliers.

Innovation Norway's management group adopted its own principles for "*Good business practice - Innovation Norway's expectations of customers and partners*" in April 2016. The principles are based on Innovation Norway's ethical guidelines and sustainability strategy and now represent the guiding document for the corporate social responsibility work at Innovation Norway.

Everyone who receives services from Innovation Norway must comply with minimum requirements for good business practice. It is expected that the customer demonstrates the willingness and ability to make improvements in line with the relevant principles and guidelines for best practice in its sector. The focus on this must be a consistent factor in customer dialogue and service deliveries.

Corporate social responsibility has been integrated into Innovation Norway's financing and advisory services in different forms over a long period of time. The principles for "*Good business practice - Innovation Norway's expectations of customers and partners*" have partly been implemented and are partly in the process of being implemented in the different services.

For the **financing services**, the updated principles for good business practice were implemented into the guidelines and assessment criteria in 2016. A separate "*Guide for an overall evaluation of sustainability in financing matters*" has also been prepared (April 2016). For **advisory and expert services** that are provided by Innovation Norway, the principles for good business practice are followed up through, among other things, cluster projects in which specific issues pertaining to sustainability and whether the company reports in accordance with various corporate social responsibility frameworks being included in the zero point and compliance analysis. In the FRAM programme, a separate module on corporate social responsibility has been provided as a compulsory part of the service.

Innovation Norway manages several assignments that assist companies in entering demanding markets. In 2016, good business practice, with a primary emphasis on anti-corruption, was on the agenda at a number of conferences and seminars within the framework of Innovation Norway's assignments. Participants have been both Norwegian and foreign companies, public funding agencies and government representatives.

In line with the principles of good business practice, corruption is a topic in both e-applications and in agreements with customers and suppliers.

Knowledge about and vigilance surrounding the risk of corruption are among the most important measures for preventing and combating corruption in the company and among suppliers and customers. In 2016, Innovation Norway completed an anti-corruption training programme for all employees which included identification of risk and areas of improvement. The results are aggregated at company level and are part of the basis for facilitating the work in this area in 2017.

Corruption is central to the company's ethical guidelines and is further elaborated on in a separate anti-corruption policy. Innovation Norway also has more detailed guidelines for impartiality, the right to hold honorary positions and secondary occupations, as well as rules for ownership and securities trading.

The company has an electronic reporting channel for employees and employee representatives which enables anonymous notification to the compliance function.

Innovation Norway's compliance function monitors and regularly reports the company's exposure to corruption. Annual assessment activities are carried out to identify the services and company processes that are exposed and the measures that should be implemented to reduce the risk.

In December 2016, Innovation Norway established a new structure for the work on corporate social responsibility with a separate corporate social responsibility team.

At the start of 2017, the corporate social responsibility team will assess the status of the implementation of the principles for good business practice within all of Innovation Norway's services. The goal is to harmonise expectations and requirements that are set for customers and the follow-up of these. Part of this assessment will also consist of evaluating scaling and measures in relation to the risk level within each unit/service. Administrative routines will also be included as part of the assessment. The goal is to have an approved action plan in place before the summer that is based on identified requirements for improvements and updates.

For an even better assessment of financing and advisory matters, the corporate social responsibility expertise of case managers and customer advisers will be improved.

An internal project has also been planned with a focus on improving routines and procedures for Innovation Norway's own offices in demanding markets, including our management of and assistance to customers.

Innovation Norway's electronic reporting channel is currently only available to the company's employees and hired personnel. It has been decided that the electronic reporting channel will be made available to external parties. During 2017, Innovation Norway will update current internal control documentation relating to the handling of whistleblower cases.

In the summer of 2016, Innovation Norway was granted a license from the Norwegian Data Protection Authority to process personal data in connection with Integrity Due Diligence (background checks on customers, suppliers and collaborative partners). In the time ahead, Innovation Norway will prepare guidelines that provide a detailed description of the instances in which an IDD shall be carried out.

Application of the profit

The accounts for 2016 show a profit of NOK 211 million. For further details about the dividend rules reference is made to Note 36. The Board proposes the following allocation of the profit for the year:

Application of the profit

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		2016
Allocated dividends to the owner, the Ministry of Trade, Industry and Fisheries, from:		
Low-risk scheme	NOK	157 577 940
Transferred to the owner, the Ministry of Trade, Industry and Fisheries, from:		
Innovation loans and guarantees	NOK	25 558 246
Transferred to the owners, the county councils, from:		
High-risk loans and guarantees	NOK	18 361 852
Distributed to:		
Møre og Romsdal county council	NOK	3 768 503
Troms county council	NOK	3 026 734
Nordland county council	NOK	1 819 824
Nord-Trøndelag county council	NOK	1 733 705
Finnmark county council	NOK	1 622 558
Sogn og Fjordane county council	NOK	1 259 895
Hedmark county council	NOK	1 141 814
Sør-Trøndelag county council	NOK	1 273 748
Hordaland county council	NOK	999 959
Telemark county council	NOK	727 933
Oppland county council	NOK	600 202
Aust - Agder county council	NOK	177 739
Buskerud county council	NOK	106 504
Vest - Agder county council	NOK	94 227
Østfold county council	NOK	8 507
		18 361 852
Transferred from retained earnings:		
Investment fund for Northwest Russia	NOK	7 855 388
Investment fund for Eastern Europe	NOK	2 059 656
		9 915 044
Allocated to retained earnings:		
Low-risk scheme	NOK	19 874 999
Service deliveries and grant administration	NOK	-
Total		211 457 993

Prospects for 2017

The company's strategy for 2016-2020 specifies the direction and priorities for the company until 2020, at a time when Norway is facing major changes. The company is and will be a relevant, competent and beneficial partner for regions, companies and entrepreneurs that will create the sustainable workplaces and companies of the future.

In 2017, Innovation Norway shall contribute to "A Norway in transformation" by improving access to venture capital, contributing to increased exports of sustainable solutions and providing innovation policy advice that has a tangible effect. If our efforts are to succeed, we have to continue to ensure sustainability in all of our activities, develop partnerships with private and public development stakeholders in the restructuring of business and industry and grasp the opportunities presented by increased digitalisation.

In the work on ensuring relevant services for a Norwegian economy in a restructuring phase, the company itself is in a restructuring situation. The Board finds the company's efforts and results in connection with the internal restructuring work in 2016 to be highly satisfactory.

Amendments to the Act relating to Innovation Norway entered into force on 1 January 2017. Among other things, the amendments include the discontinuation of the previous comprehensive owner guarantee for the company's liabilities. The starting point is now the opposite, i.e. that the owners are not liable to the creditors for the company's obligations. However, this presupposes that each principal will be responsible for the company safeguarding obligations relating to the loan and guarantee schemes assigned to the company. The amendments will entail that the company becomes more responsible for its own obligations. This will particularly apply to obligations relating to the operation of the company.

The statutory amendments give the Board somewhat different duties and responsibilities and set different requirements for the company's equity. New requirements for subordinated capital are

part of the regular owner follow-up. Future requirements for capital contributions in the company may be in the form of different methods of calculation for pension expenses and liabilities, including as a result of ongoing assessments of amendments to accounting laws.

Oslo, 23 March 2017
Board of Directors of Innovation Norway

Per Otto Dyb
(Chairman)

Jørund Ødegård Lunde
(Deputy Chair)

Arvid Andenæs

Kim Daniel Victor Arthur

Kristin Misund

Helene Falch Fladmark

Wenche Kjølås

Jan Løkling

Heidi Wang

Leela Borring Låstad
(Employee Representative)

Gaute Hagerup
(Employee Representative)

Anita Krohn Traaseth
CEO



 HEATWORK AS

 NARVIK

Energy efficient solutions for the construction industry

INNOVATION NORWAY HAS ASSISTED

WITH:

- R&D contracts
- Environmental technology grant
- Networks and clusters

OFFICES THAT HAVE CONTRIBUTED:

- Nordland



Foto: Heatwork AS

HeatWork AS is an established Narvik company with energy-efficient heating solutions for construction and building work. With a strong focus on R&D and environmental solutions, and with offices in several places in Scandinavia, they have established a strong market position within their industry.

HeatWork develops and sells its own mobile heating systems in Norway and selected countries. These systems make construction and concrete work possible all year round, even in cold climates. The company has its head office and production facility in Narvik with over 20 employees, as well as offices in Sweden and Finland. In addition, they collaborate with and use suppliers from all over the world.

HeatWork has always focused on environmentally friendly solutions that cut both emissions and costs. Strong technical expertise, innovativeness and development orientation is something that characterises the company, and the focus on research and development has meant that they have qualified for IRD grants from Innovation Norway.

The latest initiative from HeatWork is aimed at the heating of rooms and buildings as an affordable and more environmentally friendly alternative for combating vermin and bedbugs. Here, the company has signed an agreement with the global company Rentokil, which is considered a world leader in this area. The pilot project has received grants from the Environmental Technology Scheme and the equipment is now being tested on the market.

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 OPTIMARIN AS

 SANDNES

World leading in purification of ballast water

INNOVATION NORWAY HAS ASSISTED

WITH:

- Loans
- R&D contract
- Environmental technology grants

OFFICES THAT HAVE CONTRIBUTED:

- [Rogaland](#)
- [USA - Houston](#)

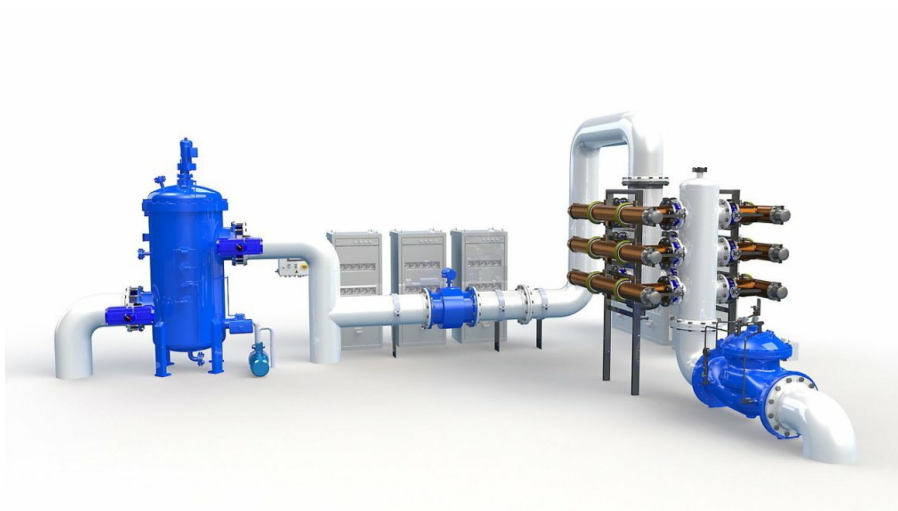


Foto: Optimarin

Optimarin AS has been developing technology for ballast water since the 1990s and is now facing an international breakthrough.

Shipping is vital for transporting goods between countries and continents, but we do not need or want everything that ships carry with them. The ballast water in ships is transported from one port to another and contains micro-organisms, animals and plants that can damage the environment and the ecosystem where it is discharged. The problem has long been known, but it has taken a long time to put in place international agreements and good purification technologies.

The Optimarin system is based on filtration and UV irradiation, and no chemicals are involved in the purification. The filters remove about 80 percent of the organisms and UV irradiation kills the remaining 20 percent. In this way the ballast water is practically clean when it is discharged and therefore meets the US Coast Guard requirement "instant-kill".

Optimarin has in recent years received support from the Environmental Technology scheme in order to finalise and demonstrate its technology for the US market, but the company has previously received financial support from Innovation Norway, including IFU funding.

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Correct body temperature with Zipwear

INNOVATION NORWAY HAS ASSISTED

WITH:

- Loans
- Start-up grants
- Internationalisation

OFFICES THAT HAVE CONTRIBUTED:

- [Buskerud](#)



Foto: Vegrad Breie

Outdoor activities all year round in any weather, creates challenges. Sweaty base wear makes life both cold and unpleasant. The solution is base wear with a zipper.

Northern Playground develops, manufactures and sells practical base wear made from wool or fleece. This is clothing with a unique zip functionality (ZIP products) for active outdoor enthusiasts and extreme athletes who need to quickly and easily add and remove layers in order to regulate body temperature. The zip function allows users to change base wear without needing to first remove the outer layer.

Along with the unique functionality, Northern Playground AS also places considerable emphasis on the design and marketing. Great attention to detail, both functional and fun, gives the products a very distinctive character. As a business that respects those who love nature, they have done their utmost to create environmentally friendly products including the use of recycled textiles and packaging.

The company has received international attention and recognition through international awards, such as the ISPO Brandnew 2015, the Scandinavian Outdoor Award 2016 and the German Design Award 2016. It was also voted Entrepreneur Of The Year 2016 in Buskerud for sustainable innovation.

Northern Playground AS has received regional business development funding and a start-up grant from Innovation Norway, in addition, it has been given a regional high-risk loan. With the help of Innovation Norway and others, it is setting its sights on the international market and expects to increase turnover from NOK 1 million in 2015 to NOK 15 million in 2019.

Finding what you were looking for?

Yes No

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FINDMYSHEEP AS ULSET

E-bell that tracks both sheep and camels

INNOVATION NORWAY HAS ASSISTED

WITH:

- Start-up grants
- Grants
- Internationalisation

OFFICES THAT HAVE CONTRIBUTED:

- [Hedmark](#)



Foto: Marit Mjølén Solem

Substantial losses in outlying pastures for sheep farmer Marit Mjølén Solem had to be addressed. The answer was a self-developed electronic bell with built-in GPS, to have a continuous overview of grazing animals, including in places where there is no network coverage.

The product also has a motion sensor and alarm function that can tell you what kind of state the animal is in. It gives the opportunity to find the animal and if possible help it. The GPS signals from e-bells are also used to inspect animals grazing on outlying pastures by drone.

Currently, Norwegian sheep farmers are their main market, but the company is regularly being approached by customers who have animals they want to monitor and track, such as cows in Brazil, camels in Saudi Arabia and reindeer in Finnmark. The market for the Findmysheep solution is considered large.

The key people in the company are also farmers in Østerdalen, and are very involved in the national market. The company's primary communication and distribution channel is its website.

Findmysheep AS has received regional business development funding and the head of marketing for the company has participated in an international competence raising programme - both from Innovation Norway. The support from Innovation Norway has contributed to the internationalisation of a solution that improves animal welfare and gives increased value creation. The business is also important to the rehabilitation company Torpo, which

produces the e-bells. Findmysheep has also completed a design project with assistance from Innovation Norway and the communications agency, Head Spin AS.

Finding what you were looking for? Yes No What were you looking for?

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 JARBTECH SOLUTION GROUP AS  BERGEN

First in the world with automatic fare evasion detection

INNOVATION NORWAY HAS ASSISTED

WITH:

- Advice services
- Internationalisation
- R&D contracts
- Start-up grant

OFFICES THAT HAVE CONTRIBUTED:

- [Hordaland](#)
- [India - New Delhi](#)



Foto: Jorgen Christophersen Knudsen

Jarbtech is the first company in the world to use video technology and sophisticated detection algorithms to identify and stop fare evaders. People evading fares on the metro are a global problem that results in lost revenues of NOK hundreds of billions annually.

Today considerable staff resources are used to detect fare evaders, and there is a high degree of randomness concerning who is discovered and who goes undetected. A fully automated system that largely eliminates the element of chance will have a deterrent effect. Paying travellers will feel that their conduct is justified, and will experience more fare evaders being caught. In addition, it avoids unnecessary ticket checks, which are both costly and an annoyance.

Since Jarbtech got investors on board in August 2015, things have gone quickly for the company. In 2016, the product was tested by Delhi Metro Rail Corporation Ltd in India, and it was verified that the system can be used by local staff to detect fare evaders, with a 60% reduction during the test period. The strategy of the company now is to agree an initial contract, which can then become an important reference for further growth. With several hundred metro companies in the world, there is considerable growth potential in this new market.

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Aluminium and glass for leisure boats

INNOVATION NORWAY HAS ASSISTED

WITH:

- Grants
- R&D contracts
- SkatteFUNN

OFFICES THAT HAVE CONTRIBUTED:

- [Agder](#)



Foto: Arild Hansen\Lite-House AS

ERTEC has extensive experience with aluminium mouldings and glass within the boating industry and is known for its high-quality designs. They also underwent organizational restructuring in a difficult time.

Ertec AS produces windscreens, windows, doors and skylights for boats. Over the years the company has acquired extensive knowledge of aluminium mouldings and glass. Now it is transferring its experience to the construction industry by introducing a newly developed modular system for railings and fencing. Ertec AS was established in 1984 and has 50 employees.

Ertec AS is the leading supplier in Scandinavia and has the marine industry in Northern Europe as its main market. The expertise and traditions in Ertec AS were transferred via acquisition and establishment. The financial crisis almost wiped out leisure boat production in Norway. Large parts of the market disappeared, and Ertec AS experienced a strong decline in sales. The strategy of Ertec has been to increase its export share in order to compensate for fluctuations in the Norwegian market and it has restructured itself significantly. The company has invested heavily in product development and collaboration with various research communities.

Ertec AS has also been a key player in the cluster that has developed a new marina in Arendal. This has been an R&D project to develop Norway's first marina with mobile floating components. The marina was opened during Arendal Week in August 2016.

Ertec AS has completed a number of development projects with support from Innovation Norway. They have received grants for business development and for research and development contracts (IRD/PRD). They have also participated in the SkatteFUNN R&D tax incentive scheme and the Norwegian Research Council's BIA programme.

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 SHM SOLUTIONS AS  MOLDE

Using experience from the oil and gas industry for safer aquaculture solutions

INNOVATION NORWAY HAS ASSISTED

WITH:

- Industrial R&D contracts (IRD)
- Start-up grant
- SkatteFUNN R&D tax incentive scheme
- Advice services

OFFICES THAT HAVE CONTRIBUTED:

- [Møre og Romsdal - Molde](#)



Foto: SHM Solutions

When the Norwegian Ministry of Trade, Industry and Fisheries tightened the requirements for deck safety on board smaller cargo boats, the changes brought challenges for the industry. Yngve Boe Myklebust, Jorn Lund Salthammer and Odd Arne Helseth saw an idea for an entirely new business.

Using their experience in deck operations from offshore activities, Myklebust, Salthammer and Helseth, have developed an equipment package that ensures safer operations in the aquaculture industry and meets the new requirements from the Norwegian Ministry of Trade, Industry and Fisheries. The technology was developed in close collaboration with several customers, including Moen Marin in North Trøndelag, and resulted in a flexible solution that can be retrofitted to most types of work boats and service vessels.

SHM Solutions AS is also a knowledge company, has been approved as an expert by the Norwegian Maritime Authority, and works with human resource development and the inspection and certification of cranes and

equipment. In January they employed a new CEO, Arne Lie Gundersen, who will also be responsible for the digital solutions from SHM Solutions AS - a major priority for the company in the future.

In addition to being a company with solid expertise, SHM Solutions AS is a good example of adaptation and technology transfer from the offshore to the aquaculture industry. Both areas helped to secure support for the company from Innovation Norway.

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OPTIMAR AS

GISKE

Sustainable delousing and branding of klippfisk (dried and salted cod)

INNOVATION NORWAY HAS ASSISTED

WITH:

- Environmental technology grant
- Industrial R&D contracts (IRD)/Public sector R&D contracts (PRD)
- Advice services

OFFICES THAT HAVE CONTRIBUTED:

- [Møre og Romsdal - Ålesund](#)
- [India - New Delhi](#)
- [Brazil](#)
- [Indonesia](#)



Foto: Optimar

New methods for delousing fish and a drive to increase the share of the dried and salted cod market in Brazil are two exciting projects where we are assisting Optimar A/S from Giske.

Optimar is a key supplier to the Norwegian and international market of products and services for the weighing, packing, freezing and processing of fish. They are experts in their field, and are developing quality products within robotics and automation for the fishing and aquaculture industry.

Sea lice have become one of the biggest costs for the aquaculture industry. Optimar has therefore received support from us to develop a full-scale facility for the delousing of fish using heated seawater and a new pump technology. The use of drugs and chemicals to combat lice is dramatically increasing due to increasing resistance and stricter requirements regarding acceptable levels of infestation. Optimar's solution is a positive and more sustainable alternative.

Another project that we are supporting is related to the development of new technology to put dried and salted cod in consumer packaging. Over the past ten years there has been a steady increase in the volume of dried and salted cod being consumed in Brazil, while Norway's total export share of it is falling. The consumption of traditional dried and salted cod in flakes is decreasing while sliced fish in smaller packaging is taking over the market. The aim of the project is to develop a "brand" for dried and salted cod in Brazil, that is produced in Norway from Norwegian raw ingredients.

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New pitch allows sports stadiums to earn millions from event hire

INNOVATION NORWAY HAS ASSISTED

WITH:

- Start-up grants
- R&D contracts

OFFICES THAT HAVE CONTRIBUTED:

- [Oslo, Akershus og Østfold](#)



Foto: Nutcracker Solutions

Today's sports stadiums stand empty most of the year without either activity or income. Nutcracker Solutions has developed a system for changing the ground that makes it easy and cost effective to remove the pitch from the arena floor. A sports stadium can in this way easily host concerts and other events on days when it is not used for sport.

A large sports arena could generate revenues of more than Euro 1.5 million from a single concert. The downside is that the events often result in a "broken pitch" requiring three to four "rest weeks" before the quality of the pitch is good enough again for matches to be played at the highest level. Few sports leagues have such long break periods in their season schedule.

Nutcracker Solutions together with Bosch Rexroth, Sapa Profiler and STRI (Sports Turf Research Institute) have developed a grass pitch that can be installed in modules on an arena floor. The system can be automated, which allows the modules to be easily removed prior to an event, and reduces the preparation time from weeks to hours. While the concerts are underway the pitch modules are stored in a specially constructed greenhouse that both preserves and enhances the quality of the grass.

Nutcracker Solutions' partners, Sapa Profiler, STRI and Bosch Rexroth, are global market leaders in their industry, something that was also crucial to the decision by Innovation Norway to support the business. Bosch Rexroth is a pilot customer

and responsible for reselling the product, and the first real customer is expected during 2017.

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 KASTON AS  FOSNAVÅG

Japanese sea urchins provided Norwegian super feed

INNOVATION NORWAY HAS ASSISTED

WITH:

- Advice services
- Industrial R&D contracts (IRD)/Public sector R&D contracts (PRD)

OFFICES THAT HAVE CONTRIBUTED:

- [Møre og Romsdal - Ålesund](#)
- [Head office](#)
- [Japan](#)
- [Canada](#)



Foto: Urchinomics

Sea urchin roe is a delicacy in Japan. Now big Norwegian players are helping to build the sea urchin industry on the Japanese north-east coast while at the same time improving the marine environment.

Kaston AS is a private investment company with roots in the fishing industry. Kaston reinvests its profits from fishing activities in innovative and sustainable businesses, and now has the farming of sea urchins in Japan in its sights.

Kaston has teamed up with the research organisation, NOFIMA and technology company, Praktisk Verksted

from Alta. Together they have developed an advanced and efficient feeding and farming technology.

Japan is currently the largest market for sea urchin roe. It is an exclusive product with a high price and high quality requirements. Since the earthquake and tsunami on the east coast of Japan in March 2011, the sea urchin industry in this area has been depressed.

Innovation Norway brought Kaston and the producer Marushichi Suisan together during a study of the Norwegian fishing industry, and this led to a collaboration that goes under the project name Urchinomics.

Sea urchins are primarily bred by confining them in coastal areas where they are fed with waste products from seaweed production, and this takes a long time. The sea urchin feed developed by the Norwegian Institute of Food, Fisheries and Aquaculture Research (NOFIMA) has been proven to result in up to 10 times more eggs in a sea urchin, and in considerably shorter time.

The project also has a significant environmental benefit. As the customer says:

"By capturing, feeding and selling environmentally damaging sea urchins, we are producing one of the world's most expensive seafood dishes while at the same time improving the marine environment. Kelp forests re-grow, fish return to the coast, CO2 is captured, ocean acidification is neutralised and jobs are created in areas around the world. And all the revenue from this is channelled through 6092 Fosnavåg!"

Innovation Norway has given the project a research and development grant, since a large part of the value creation will take place in Norway if it is successful. In the long term, the company sees the whole of Asia as a market area, has already begun activity in Australia and was part of an Innovation Norway business delegation to Canada in the autumn of 2016.

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ORTEL

FANNREM

Round bale compactors in China

INNOVATION NORWAY HAS ASSISTED

WITH:

- Advice services
- Other grant schemes

OFFICES THAT HAVE CONTRIBUTED:

- [China - Beijing](#)



Foto: Orkel

Orkel is located in Fannrem Sør-Trøndelag and is a world-renowned brand of round bale compactors and transport equipment. They are represented in over 50 countries. Orkel products are mainly used in agriculture, transport and waste management.

Orkel entered the Chinese market three years ago. Until recently it has been common practice in China to store fodder in silos, while the trend elsewhere in the world is to save it in bales. With the assistance of Innovation Norway in China, Orkel has brought this innovation to the Chinese agricultural industry. Now there are an increasing number people who are curious about the new technique.

In 2016 Orkel exported NOK 16 million worth of machines to China, and the number is expected to double in 2017. China has therefore become one of Orkel's most important markets.

In addition to exports to China, the company has also started a collaboration with a Chinese partner to produce smaller round balers in China. This is part of a project supported by the authorities in Shanghai to manage grain waste and prevent air pollution.

Innovation Norway in China has assisted with various advisory services such as market research, partner searches, partner evaluation and marketing strategy, as well as with an international mentoring programme.

Orkel are very satisfied with Innovation Norway in China and will continue to receive advisory services for their marketing strategy in China.

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