



Norfund  
Norwegian Investment Fund for Developing Countries

---

2018

---

ANNUAL REPORT

---





# ANNUAL REPORT 2018

# ANNUAL REPORT AND ACCOUNTS 2018

Norfund was established by the Storting (Norwegian parliament) in 1997 for the purpose of contributing to economic growth and development in poor countries by investing in viable enterprises. Positive returns, both for the individual company and for the portfolio as a whole, are important to Norfund, because only companies that are viable over time can contribute to secure workplaces and higher tax revenue. Investments are intended to be additional, by providing access to capital and expertise that would not otherwise have been available because of the high risk involved. Norfund is also intended to act as a catalyst by mobilising capital from other investors, both in Norway and abroad. The current investment strategy entails focusing on enterprises in sectors that are drivers of growth and development, such as clean energy, financial institutions, and food and agribusiness.

This report covers the Norfund group, which consists of Norfund and SN Power AS. At 31 December 2018, Norfund had a total investment portfolio of NOK 22.3 billion, with investment in SN Power accounting for NOK 7.4 billion of this amount. Norfund receives annual capital contributions from the Norwegian government, which came to NOK 1.69 billion in 2018.

## 1. THE NORFUND GROUP AND ITS MANDATE

In order to make the best possible use of investment capital, an increasing share of Norfund's investment takes place in cooperation with partners. Jointly owned investment companies have also been established. These include Arise BV, which Norfund established in conjunction with Dutch FMO and Rabobank to invest in banks in Africa; Globeleq, which Norfund owns jointly with British CDC, for investing in energy in sub-Saharan Africa; and the subsidiary SN Power, which is a platform for hydropower investment. Solar energy company Scatec Solar is an important strategic partner in a number of solar power investments, and Nordic Microfinance Initiative (NMI) takes care of most microfinance investment.

The majority of countries in which Norfund operates have a risk classification that makes investing in these countries not very attractive to many international investors. A high level of risk in the form of corruption, political instability, natural disasters and internal conflicts is often associated with the markets. Norfund and other development finance institutions (DFIs) therefore have an important part to play by supplying the business sector with capital. Investing in these countries is very

demanding, and a great deal is therefore required of Norfund's skills and ability to manage various kinds of risk.

## 2. ECONOMIC DEVELOPMENTS IN NORFUND'S MARKETS

Following a positive upswing in 2017, global economic growth remained more or less stable in 2018. Higher commodity prices boosted growth in many countries, particularly commodity-exporting countries. However economic development has been uneven, and a number of large developing countries have seen a decline in per capita income. Growth remained at a relatively high level in East and South-East Asia in 2018, while almost a third of the world's least developed countries (LDCs) had lower growth in 2018 than in 2017. Average GDP growth in the LDCs was about 5% in 2018. However, some developing countries had average annual growth of 7% or more. This applies to several of Norfund's investment countries, including Bangladesh, Cambodia, Laos, Myanmar and Ethiopia.

At the end of 2018, extreme poverty was at the lowest level ever measured, and is now increasingly concentrated in Africa. One reason for this is the rapid population growth in some of Africa's poorest countries. The large young population can be regarded as a considerable asset if it can be employed in a positive manner. Population growth may otherwise be a threat, and serve to exacerbate poverty.

## 3. FINANCIAL RESULTS AND NEW INVESTMENTS IN 2018

In 2018 Norfund's portfolio delivered an estimated internal rate of return (IRR), of 10.5% measured in NOK and 4.6% measured in investment currencies. Since its inception, the

portfolio has had an IRR of 9.4% measured in NOK and 5.8% measured in investment currencies.

Norfund's level of investment in 2018 was high, and it committed to new investments totalling NOK 3.5 billion. The investments were broadly distributed across Norfund's operating areas. Investment in financial institutions accounted for the bulk of new commitments in 2018, and totalled NOK 1.9 billion. Loans and capital are supplied to banks, with a view to facilitating access to financial services for enterprises and private individuals, and thereby creating new workplaces and boosting economic activity.

In 2018, investment in LDCs accounted for 47% of new commitments, including over NOK 400 million in Myanmar. In all 48% of new investments in 2018 were made in sub-Saharan Africa. Investment agreements for NOK 956 million were made in the clean energy sector, and SN Power's acquisition of the Bujagali hydropower plant in Uganda was the group's largest single investment in 2018. Bugajali is one of the largest hydro-power plants in Africa, and produces almost half of the electricity consumed in Uganda. In Food and Agribusiness, NOK 161 million was committed to new and existing portfolios, while new commitments were made to invest a total of NOK 482 million in funds, which in their turn invest in small and medium-sized enterprises (SME funds).

### **3.1. Review of the financial statements, net asset value and return**

2018 was again a good year for the Norfund group, with after-tax earnings of NOK 1 188 million. Revenue to the Norfund group from loan and equity investments amounted to NOK 530 million. The share of profits from associated companies came to NOK 786 million, and other operating income, mainly sales revenue from SN Power's operations, came to NOK 460 million. Total operating expenses before gain/loss on foreign exchange and write-downs came to NOK 490 million. The bulk of the expenses were payroll expenses and expenses for external assistance in connection with the group's investment projects.

At 31 December 2018, total assets in the group had a book value of NOK 28 722 million. The main items on the consolidated balance sheet consist of investments in associated companies and the rest of the investment portfolio, distributed between loans and equity instruments. At the end of 2018 Norfund had a total of 148 investments, which combined amounted to NOK 23 030 million on the company's balance sheet. The group had cash assets of NOK 3 454 million, which will be used to meet existing investment commitments and engage in new investments in keeping with Norfund's mandate.

In the opinion of the Board, the annual accounts at 31 December 2018 provide a true and fair view of the group's

financial position. The Board regards liquidity as satisfactory, and confirms that the going concern assumption applies.

### **3.2. Exits**

In 2018, Norfund exited from equity investments in three solar power plants in South Africa: Scatec Kalkbult, Linde and Dreunberg, the latter two through KLP Norfund Invest AS. Norfund also exited from equity investments in the Kabul Serena Hotel and the Ugandan bank DFCU Limited. Amounts realised were transferred to Arise BV according to agreement. Two loans to banks in Honduras and Guatemala were repaid in 2018. Total realised gains amounted to NOK 151 million in 2018.

## **4. ORGANISATION, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY**

### **4.1. Corporate governance**

The General Meeting is Norfund's supreme body, and elects the Board of Directors. The Board consists of nine members, two of whom are elected by and from among the employees. The Board currently has no Board Committee. Norfund's corporate governance is exercised through Articles of Association adopted by the General Meeting and decisions made by the General Meeting.

A total of eight Board meetings were held in 2018. In 2018 the Board had the important task of appointing a new chief executive officer. On 30 September 2018 Kjell Roland stepped down after twelve years as chief executive officer. Under Mr Roland's leadership, Norfund enjoyed strong growth and solid returns and the Board wishes to thank him for his commitment and the work he put into achieving this. On 1 October 2018, Jan Tellef Thorleifsson took up the position of new CEO of Norfund.

Norfund's internal control system is based on a structure whereby the Fund's governance documents are divided into different levels. They range from documents such as legislation and articles of association to specific follow-up procedures. The structure is specific and makes measurement and verification possible. The Investment Committee considers investment proposals and contributes to quality assurance and sound decision-making processes. The committee consists of eight persons, two of whom are external, and has the power to approve single investments in the range USD 4–15 million. The Investment Committee also makes recommendations about investments in excess of USD 15 million, but these have to be adopted by the Board.

In 2018 the Fund increased its work to ensure compliance with rules and regulations, financial risk management and documentation of development effects for the entire portfolio. Guidelines for responsible handling of tax issues in »

connection with investments were revised in 2018 and finally adopted at the first Board meeting of 2019. Norfund operates in high risk markets. This risk is reduced through thorough analyses and investigations in the investment phase carried out by Norfund's own staff and external advisers on legal, financial, commercial and ESG (environment, social responsibility and governance) matters. During Norfund's ownership period, assessments of the risk in each investment are carried out twice annually, and any risk-reducing measures are implemented as needed.

**4.2. Personnel, organisation and gender equality**

Norfund has established guidelines for recruitment, expertise and equal opportunities. There are established procedures for employee follow-up and rewards. Targeted recruitment is used to enhance the organisation's ability to deliver on the strategy that has been adopted. Norfund promotes gender equality, and urges under-represented genders and persons of non-Norwegian origin to apply for vacant positions.

In 2018, the Norfund group (including SN Power's joint venture companies) had staff consisting of 744 full-time equivalents. At 31 December 2018, Norfund had 75 employees, 33 of them with a background from a country other than Norway. Norfund now has five regional offices: in Accra, Maputo and Nairobi in Africa, Bangkok in Asia, and San José in Central America. In 2018, 24 of the employees were working at the regional offices. Norfund's policy is to recruit personnel for the regional offices from the countries in which we invest. The proportion of women who were permanent members of the Board was 57%. Two of the six members of Norfund's management team were women, as were two of five heads of regional offices, and the overall proportion of women employees was 45%. Five of the nine new appointments in 2018 were women.

Sickness absence in 2018 amounted to 2.2% of total working hours, equivalent to 370 days. This is 0.4 percentage point higher than in 2017. There were no personal injuries or damage to Norfund property. The Board of Directors does not find it necessary to implement any special measures relating to the working environment or designed to promote the aims of the Norwegian Anti-Discrimination Act and the Anti-Discrimination and Accessibility Act.

**4.3. Corporate social responsibility and human rights**

It is important for Norfund to discharge its corporate social responsibility by setting high standards for its own operations and for the operation of enterprises in its portfolio. Norfund has zero tolerance for corruption and requires of its investees that they promote human rights and gender equality, safeguard local communities and the environment and preserve biological diversity. All these factors are thoroughly reviewed before investment agreements are signed.

Norfund requires enterprises to commit to complying with the environmental and social standards of the International Finance Corporation (IFC). If necessary, individual action plans are established to ensure that the companies fulfil these requirements. This is a crucial aspect of Norfund's exercise of active ownership.

A fundamental objective is that employees should have good working conditions. Norfund spends substantial resources on following up HSE requirements in all its investments, with a particular focus on training, the use of safety equipment and compliance with procedures. The investment agreements contain a requirement that serious accidents and fatalities must be reported. Regrettably, a total of eight project-related fatalities were reported in 2018 by portfolio companies in which Norfund has invested directly. Four of these were due to traffic accidents, and four were other work-related fatalities. Fatal accidents in Norfund's direct investment enterprises are reported immediately to Norfund's Board and Owner. Information about any project-related fatalities in Norfund's indirect investments is collected annually and reported collectively to the Board and Owner. Norfund follows up all fatalities to ensure that the accidents are investigated, that safety procedures are modified if necessary, and that the next of kin receive the compensation to which they are entitled.

Norfund also requires that all companies adhere to established reporting procedures, which have been developed to identify suspected financial irregularities or corruption. Systems have also been established for dealing with irregularities in the portfolio. Particularly serious cases are reported to the Norwegian Ministry of Foreign Affairs. One such case was reported in 2018.

Norfund's work to promote human rights and anticorruption in its investments contributes to making the Fund an attractive investment partner. The Fund's human rights work was evaluated externally in 2018. The evaluation revealed no controversial issues in the portfolio, but it was proposed that Norfund's work be more clearly grounded in the Fund's overarching guidelines. This proposal is now being followed up. Norfund also has its own gender equality strategy, which defines priorities, considerations and measures, both within the organisation and in work with portfolio companies.

Norfund has a special grant facility from the Ministry of Foreign Affairs that is intended to strengthen the development effects of our investments. It enables Norfund to offer professional and technical assistance to projects through project development, local community development, building up of competencies, operational improvements and issues relating to gender equality, anti-corruption, and health, environment and safety. Norfund also administers earmarked resources, for example for the Nordic Horn of Africa Opportunities Fund, which is Somalia-based.

**5. OUTLOOK FOR THE FUTURE**

Norfund is engaged in developing a new strategy, the fundamental premise of which will still be the prioritisation of investment in sustainable, profitable enterprises, with high additionality and extensive development effects. Norfund will give priority to investment in clean energy and in financial institutions, as access to energy and to capital is essential for the establishment and growth of any enterprise. Whereas solar and wind energy are cheaper to produce and growing strongly,

hydropower delivers more stable energy. SN Power will continue to seek projects in which the comparative advantages of hydropower are decisive, and where profitable projects with sustainable tariffs can be developed. Norfund will also consider future investments in entirely new sectors. Efforts will irrespective be concentrated on poor countries where access to investment capital is a constraint on the economic development of the country.

The sustainability goals adopted by the UN in 2015 underscore the vital importance of the business sector to economic growth and the battle against poverty. Large investments and the transfer of technology from the business sector in wealthy countries is necessary to build up commerce and industry in poor countries. Norfund's activities contribute to the attainment of several important sustainability goals, including the elimination of poverty, sustainable economic growth, gender equality, access

to energy, industrial innovation and infrastructure, and the climate target. The realisation of these goals is contingent on more western countries contributing to large-scale mobilisation of private-sector capital. Profitability is a prerequisite for sustainability and for generating capital that can then be reinvested. In order to interest commercial investors in investing in poor countries, it is also important to be able to demonstrate solid financial results.

Norfund will maintain a high level of ambition with regard to environmental and social responsibility standards, along with sound corporate governance. Our ambitions with respect to maximising, measuring and documenting the development effects of investments will be raised further. We will place particular emphasis on achieving Norfund's strategic goals, which include prioritising LDCs and sub-Saharan Africa, providing additionality and mobilising private capital.

Oslo, 26. March 2019



Kristin Clemet  
Chair



Per Kristian Sbertoli



Brit K. S. Rugland



Finn Marum Jøbsen



Tove Stuhr Sjøblom



Martin Skancke



Vibecke Hammer Madsen



Felix Barwinek



Kristin Sandtorv



Tellef Thorleifsson  
Chief Executive Officer

## ANNUAL ACCOUNTS

### INCOME STATEMENT

(Figures in 1000s of NOK)	Note	Norfund		Norfund group	
		2018	2017	2018	2017
Interest income loans - invested portfolio	2	195 194	122 905	191 838	122 905
Realised gain on shares	2	151 348	317 868	151 348	317 868
Dividends received	2	186 886	945 283	186 886	1 011 499
Other operating income	2	20 308	12 845	459 769	152 653
Share of profit/loss(-) associated company	2,7	768 487	650 293	813 560	513 881
<b>Total operating income</b>		<b>1 322 223</b>	<b>2 049 193</b>	<b>1 803 401</b>	<b>2 118 806</b>

#### OPERATING EXPENSES

Cost of materials		0	0	28 262	11 477
Payroll expenses	3	113 600	94 300	212 317	122 633
Depreciation tangible fixed assets	6	1 439	2 234	73 114	14 956
Other operating expenses	3,4	57 553	76 064	176 554	112 659
<b>Total operating expenses prior to exchange rate adjustment of loans and write-downs, investment projects</b>		<b>172 592</b>	<b>172 598</b>	<b>490 247</b>	<b>261 725</b>

Adjustment for gain/loss (-) on FX, project loans	2	191 186	-79 792	191 186	-79 792
Write-down investment projects (-) / reversals (+)	2	-195 847	89 579	-195 847	197 449
<b>Profit/loss (-) on operations</b>		<b>1 144 970</b>	<b>1 886 382</b>	<b>1 308 494</b>	<b>1 974 738</b>

<b>Net financial items</b>		<b>14 440</b>	<b>13 176</b>	<b>-22 697</b>	<b>-12 610</b>
<b>Profit/loss before tax</b>	13	<b>1 159 410</b>	<b>1 899 558</b>	<b>1 285 796</b>	<b>1 962 128</b>
<b>Tax</b>		<b>-1 444</b>	<b>-20 420</b>	<b>-97 632</b>	<b>-21 307</b>
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>1 157 966</b>	<b>1 879 138</b>	<b>1 188 165</b>	<b>1 940 821</b>

#### ALLOCATIONS

Transferred to surplus fund	15	1 157 966	1 879 138		
Majority interest				1 157 966	1 879 138
Minority interest				30 198	61 683
<b>TOTAL ALLOCATIONS</b>		<b>1 157 966</b>	<b>1 879 138</b>	<b>1 188 165</b>	<b>1 940 821</b>



## BALANCE

(Figures in 1000s of NOK)	Note	Norfund		Norfund group	
		2018	2017	2018	2017
<b>ASSETS</b>					
<b>FIXED ASSETS</b>					
<b>Intangible assets</b>					
Operating equipment, fittings and fixtures, tools etc.	6	5 969	6 765	2 209 108	2 157 676
<b>Total tangible fixed assets and intangible assets</b>		<b>5 969</b>	<b>6 765</b>	<b>7 136 129</b>	<b>6 809 925</b>
<b>Financial fixed assets</b>					
Pension plan assets	3	20 428		9 985 542	7 175 027
Investments in associated company and subsidiary	7	15 508 589	13 842 689	62 549	67 864
Long-term receivables		0	0	10 068 518	7 242 890
<b>Total financial fixed assets</b>		<b>15 529 018</b>	<b>13 842 689</b>	<b>10 068 518</b>	<b>7 242 890</b>
<b>TOTAL FIXED ASSETS</b>		<b>15 534 987</b>	<b>13 849 454</b>	<b>17 204 647</b>	<b>14 052 816</b>
<b>CURRENT ASSETS</b>					
<b>Inventories</b>				<b>1 564</b>	<b>1 428</b>
<b>Receivables</b>					
Other receivables	8	125 238	130 164	525 951	380 457
<b>Total receivables</b>		<b>125 238</b>	<b>130 164</b>	<b>525 951</b>	<b>380 457</b>
<b>Investments</b>					
Capitalised project development costs		14 992	21 249	14 992	21 249
Loans to investment projects	2,9	3 074 825	1 932 534	3 074 825	1 932 534
Equity investments	2,1	4 446 371	4 188 701	4 446 371	4 188 701
<b>Total investments</b>		<b>7 536 188</b>	<b>6 142 484</b>	<b>7 536 188</b>	<b>6 142 484</b>
<b>Bank deposits, cash and cash equivalents</b>					
Bank deposits	14	2 869 021	2 662 888	3 453 531	5 090 009
<b>Total bank deposits, cash and cash equivalents</b>		<b>2 869 021</b>	<b>2 662 888</b>	<b>3 453 531</b>	<b>5 090 009</b>
<b>TOTAL CURRENT ASSETS</b>		<b>10 530 446</b>	<b>8 935 536</b>	<b>11 517 234</b>	<b>11 614 378</b>
<b>TOTAL ASSETS</b>		<b>26 065 433</b>	<b>22 784 990</b>	<b>28 721 881</b>	<b>25 667 195</b>

## ANNUAL ACCOUNTS

### BALANCE

(Figures in 1000s of NOK)	Note	Norfund		Norfund group	
		2018	2017	2018	2017
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
<b>Called and fully paid capital</b>					
Primary capital	15	11 780 375	10 514 750	11 780 375	10 514 750
Reserve capital	15	4 102 125	3 680 250	4 102 125	3 680 250
<b>Total called and fully paid capital</b>		<b>15 882 500</b>	<b>14 195 000</b>	<b>15 882 500</b>	<b>14 195 000</b>
<b>Retained earnings</b>					
Surplus fund	15	10 051 578	8 179 767	10 051 578	8 179 767
<b>Total retained earnings</b>		<b>10 051 578</b>	<b>8 179 767</b>	<b>10 051 578</b>	<b>8 179 767</b>
<b>Minority interest</b>				<b>668 684</b>	<b>951 870</b>
<b>TOTAL EQUITY</b>		<b>25 934 078</b>	<b>22 374 767</b>	<b>26 602 762</b>	<b>23 326 637</b>
<b>LIABILITIES</b>					
<b>Provision for liabilities and charges</b>					
Pension commitments	3	49 203	25 588	63 313	38 305
Deferred tax liabilities	13			362 415	317 410
Other long-term liabilities				9 575	26 839
<b>Total provision for liabilities</b>		<b>49 203</b>	<b>25 588</b>	<b>435 302</b>	<b>382 554</b>
<b>Other long-term liabilities</b>	12			<b>1 032 924</b>	<b>1 054 687</b>
<b>Current liabilities</b>					
Accounts payable		7 460	16 184	26 288	47 610
Unpaid government charges and special taxes		7 031	5 150	25 094	34 458
Taxes	13			66 163	30 047
Other current liabilities	7,16	67 661	339 530	533 348	791 202
<b>Total current liabilities</b>		<b>82 151</b>	<b>384 636</b>	<b>650 893</b>	<b>903 316</b>
<b>TOTAL LIABILITIES</b>		<b>131 354</b>	<b>410 224</b>	<b>2 119 119</b>	<b>2 340 558</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26 065 433</b>	<b>22 784 990</b>	<b>28 721 881</b>	<b>25 667 195</b>

## CASH FLOW STATEMENT

(Figures in 1000s of NOK)	Note	Norfund		Norfund group	
		2018	2017	2018	2017
<b>CASH FLOWS FROM OPERATIONS</b>					
Profit before tax		1 157 966	1 879 138	1 962 128	-5 795
Taxes paid		0	0	10 540	
Ordinary depreciation	4	1 439	2 234	14 956	1 706
Write-down fixed assets					
Reversal of write-down (-) / Write-down investment projects		213 984	-104 268	213 984	-104 268
Differences in pension costs and receipts/disbursements, pension plan		2 300	-240	3 235	1 165
Share of profit associated company	5	-741 346	-650 293	-786 419	-513 881
Effect of exchange rate changes		-190 682	67 045	-211 120	50 007
Disbursement – fixed assets		-643	-1 231	2 561	-17 558
Items classified as investments- or finance-activities		0	0	829 718	751 759
Change in other accruals		-278 571	-1 296 948	-425 663	-1 558 791
<b>Net cash flow from operations</b>		<b>164 447</b>	<b>-104 562</b>	<b>956 946</b>	<b>596 057</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>					
Investments in tangible fixed assets		269 001	1 724 057	269 001	1 724 057
Proceeds of sales/repayment of shares/holdings recorded at cost price		-918 345	-2 884 832	-3 486 121	-2 893 318
Disbursements in connection with purchase of shares/interests in other enterprises		-1 813 195	-617 242	-1 813 195	-617 242
Disbursements of investment loans		805 397	664 346	805 397	664 346
Repayment of principal, investment loans		0	0	244	1 958
Repayment other investments		-1 657 142	-1 113 670	-4 224 674	-1 120 198
<b>Net cash flow from investment activities</b>		<b>-1 114 901</b>	<b>-2 077 828</b>	<b>-1 137 757</b>	<b>-2 077 828</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from new short-term debt	16	20 000	15 000	20 000	15 000
Disbursements - repayment of long-term debt		0	0	-68 894	-69 674
Disbursements - repayment of short-term debt	16	-8 673	-18 873	-8 673	-18 873
Increase in/repayment of equity	15	1 687 500	1 500 000	1 687 500	1 500 000
<b>Net cash flow from financing activities</b>		<b>1 698 827</b>	<b>1 496 127</b>	<b>1 629 933</b>	<b>1 426 453</b>
<b>Net change in cash and cash equivalents</b>				<b>1 317</b>	<b>-11 546</b>
Net changes in cash and cash equivalents		206 133	277 895	-1 636 478	890 766
Adjusted cash and cash equivalents from affiliates					1 814 175
<b>Bank deposits, cash and cash equivalents at 1 January</b>		<b>2 662 888</b>	<b>2 384 994</b>	<b>5 090 009</b>	<b>2 385 068</b>
<b>Bank deposits, cash and cash equivalents at 31 December</b>	14	<b>2 869 021</b>	<b>2 662 888</b>	<b>3 453 531</b>	<b>5 090 009</b>

# ACCOUNTING PRINCIPLES

## The financial statements for NORFUND/THE NORFUND GROUP consist of the following:

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

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

Special matters that concern the Norfund group or Norfund individually are specified in the notes. Otherwise, the notes apply to both companies.

## BASIC PRINCIPLES

### – ASSESSMENT AND CLASSIFICATION

The financial statements are presented in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2018. The financial statements provide a true and fair view of assets and liabilities, financial standing and profit.

The financial statements have been prepared on the basis of fundamental principles governing historical cost accounting, comparability, the going concern assumption, congruence and prudence. Transactions are recorded at their value at the time of the transaction. Revenue is recognised when it accrues and expenses are matched with the related revenue. A more detailed account of the accounting principles is provided below. When actual figures are not available at the time the accounts are closed, generally accepted accounting principles require management to make the best possible estimate for use in the profit and loss account and the balance sheet. Actual results could differ from these estimates.

Current assets/liabilities are recorded at the lower/higher of acquisition cost and fair value. The definition of fair value is estimated future sales price reduced by expected sales costs. Other assets are classified as fixed assets. Fixed assets are entered in the accounts at historical cost, with deductions for depreciation. In a portfolio such as Norfund's, with a large share of unlisted equities in markets of variable liquidity, there will always be uncertainty associated with valuation. Investments are valued on the basis of available information,

in accordance with IPEV guidelines. In the event of a change in value where the estimated market value is lower than the cost of acquisition, the fixed asset will be subject to a write-down.

Some exceptions are made from the general valuation rules in accordance with generally accepted accounting principles. Comments to these exceptions can be found in the notes to the accounts. When applying the basic accounting principles and disclosure of transactions and other items, the "substance over form" rule is applied. Contingent losses that are probable and quantifiable are expensed. The segmentation is based on Norfund's internal management and reporting requirements as well as on risk and earnings. Figures are presented for geographical markets, since the geographical division of activities is of material importance to the users of the financial statements. Figures are reconciled with the institution's income statement and balance sheet.

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

### Principles for revenue recognition

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

Gains on sales of shares/ownership interests in other companies are recorded in the year in which the sale takes place. Gains from funds are calculated for the individual fund as they accrue and recorded as dividend. Interest is recorded as and when it is earned. Other proceeds from shares/ownership interests are deducted from the book value, and are accordingly not recorded as income.

When loans to development projects are classified as problem loans, interest is recorded to income on the basis of the written-down value or, if an evaluation indicates that interest cannot be expected, interest is not recorded. In the event of known losses, recorded interest is reversed.

### Financial income and expenses

Interest on Norfund's liquidity reserve in Norges Bank and other banks is recorded as financial income.

**Project development expenses**

Development expenses are entered on the balance sheet when it is probable that they will lead to future investments and a positive return on the investment. Determining such probabilities entails using judgement based on experience and best estimate of future developments. In view of Norfund's investment strategy and geographical investment areas, there is a high degree of uncertainty associated with expectations of future developments. In an early phase of project development, some of the costs will be expensed continuously.

**Associated company**

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

**Equity investments**

Norfund normally treats its investments in other companies as current assets. In other words, the equity method is not used, even though Norfund's equity interests provide it with considerable influence. This is because the purpose of the institution's investments is to dispose of all or part of each investment, normally after three to 10 years. This is in accordance with Norfund's objects and with the provisions of the Norwegian Accounting Act and generally accepted accounting practice. According to generally accepted accounting practice, such investments are temporary by their very nature and should therefore be included under current assets. Pursuant to Norfund's Statute 12, Norfund's injection of capital into a portfolio company shall not exceed 35 per cent of the company's total equity. Norfund's share of the equity may be higher in special cases, but nonetheless such that the Fund's total equity share does not exceed 49 per cent of the portfolio company's total equity.

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

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

"Committed investments" implies an external obligation for a specified amount.

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

**Consolidation**

The consolidated accounts include SN Power AS, which Norfund owned 100% at 31 December 2018.

A controlling interest is normally achieved when the group owns more than 50 per cent of the shares in the company, and the group is able to exercise practical control of the company. Minority interests are included in the group's equity. Transactions and inter-company accounts within the group have been eliminated. The consolidated accounts have been prepared according to uniform principles, in that the subsidiary complies with the same accounting principles as the parent company.

The acquisition method is used in the accounting of mergers.

**Loans**

Norfund manages two types of loans:

- loans relating to Norfund's investments and disbursed by Norfund (project loans)
- loans to enterprises in developing countries, taken over from NORAD (loan portfolio).

Project loans are treated as current assets.

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

In accordance with Norfund's strategy, the loan portfolio taken over from NORAD is classified as a current asset and recorded in the accounts at historical cost, which is NOK 0. Receipts from the loan scheme are therefore treated on a cash basis and recorded as income when they are paid.

**Guarantee**

In some cases, Norfund issues guarantees in connection with investments. Accounting provisions are made when the likelihood of the guarantee being invoked is over 50%. On the

balance sheet, the guarantee provision is entered under other current liabilities.

**Known losses**

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

**Currency items**

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

Norfund has not hedged its invested portfolio by means of hedging instruments. However, it has accepted that SN Power AS utilises hedge accounting for its portfolio. Gains and losses on hedging that are carried as part of the investment are charged to the company's equity as long as the hedging instrument is effective. In connection with exiting from the investment, the aggregate value of gains/losses will be taken to income together with currency translation differences for the investment.

**Bank deposits, cash and cash equivalents**

Liquid assets consist of bank deposits.

**Current receivables**

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

**Tangible fixed assets**

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

**Leases**

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

**Equity**

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

**Government grants**

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

**Related parties**

Norfund defines SN Power AS, Norfinance AS, KLP Norfund Investments AS and Arise BV as related parties.

**Deferred tax and tax expense**

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

**Cash flow statement**

The cash flow statement is compiled using the indirect method.

**Pension liability and costs**

Norfund has pension plans known as defined benefit plans which entitle employees in Norway to defined future benefits. Pension liabilities are calculated on a straight-line earnings basis, taking into account assumptions regarding the number of years of employment, discount rate, future return on plan assets, future changes in pay, pensions and National Insurance benefits, and actuarial assumptions regarding mortality, voluntary retirement etc. The chosen principle is the IAS 19R option of NRS 6, with immediate recognition in equity of actuarial gains/losses. Plan assets are stated at fair market value. Net pension liability comprises the gross pension liability less the fair value of plan assets. Net pension liabilities from underfunded pension plans are included in the balance sheet as a provision, while net plan assets in overfunded schemes are included as long-term interest-free receivables if it is likely that the overfunding can be utilised. Employer's social insurance contribution is made on the basis of net plan assets.

The effect of changes in pension plans with retroactive effect not conditional on future earnings is defined as an actuarial gain or loss and charged directly to the company's equity. Net pension costs, which consist of gross pension costs less estimated return on plan assets, are classified as an ordinary operating cost and presented as part of the payroll expenses item. All actuarial gains or losses are charged directly to the company's equity. Employer's social insurance contribution is calculated on contributions paid to the pension plans.

In 2018 the company closed its defined benefit plan and introduced defined contribution plans for new employees. At the end of 2018 the company therefore had two different pension plans. In addition the company has pension plans for employees at regional offices outside Norway, mainly defined contribution plans.

## NOTE 1 – FINANCIAL RISK MANAGEMENT AND INVESTMENT MANAGEMENT

### Financial risk management and investment management

According to Norfund's mandate, the company's investments are intended to be additional, in that they provide access to capital and expertise to enterprises that would not otherwise have had such funding because of the high risk involved.

Norfund's investments are appraised through an extensive selection process that consists of clearing in relation to Norfund's mandate, thorough examination and analysis of legal, financial, commercial and ESG-related aspects. The Investment Committee and/or the Board take the final decision regarding investment.

Diversification of portfolio risk is sought through achieving portfolio breadth in terms of countries, industries, business partners, instruments and investment times. Norfund exercises active ownership in the largest investments in its portfolio through representation on boards, investment committees or other governance bodies. Systems have been established for monitoring and following up Norfund's portfolio.

Norfund is exposed to several different types of risk, including liquidity risk, credit risk, currency risk, interest-rate risk and other market risk.

Liquidity risk related to whether the group has the resources to meet its investment obligations is regarded as low. Norfund has no long-term debt, and at the end of 2018 had total undisbursed investment commitments of NOK 3.8 billion, and the group had cash holdings of NOK 3.5 billion. Credit risk associated with project loans is assessed at estimated fair value. The risk associated with these loans is also

partly reflected in the terms of the individual loan. As a rule, the risk associated with loans is regarded as relatively high, and to be considered more as equity risk than traditional loan risk.

Currency risk is attributable to Norfund's investment, which is largely conducted in USD, but in some cases also in other currencies. Since Norfund's base currency is NOK, valuation of the company's investment and future returns is strongly influenced by the exchange rate between NOK and USD (or other currency where relevant). The share of profits from the associated companies SN Power and Arise is in principle in USD, and changes in exchange rates will affect the company's results.

The various objects in which Norfund invests may also be subject to fluctuations between local currencies and USD. Norfund's investment agreements are mainly denominated in USD, while its liquid assets are to a large extent placed in NOK-denominated interest-bearing accounts in Norges Bank.

Interest rate risk is related to interest on both the company's cash holdings and its loans. Interest-rate risk on loans to projects depends on the rate of interest charged on the various loans. Loans to projects are usually based on the variable LIBOR rate plus a margin.

Other market risk for Norfund will be political risk, including money market regulation and other operating conditions for the business sector, the risk of internal turbulence in Norfund's markets and unexpected market movements that will affect valuations of Norfund's assets.

## NOTES

### NOTES NORFUND

#### NOTE 2 – SEGMENT INFORMATION

##### SEGMENT INFORMATION:

Norfund's operations fall into four investment areas: SME Funds, Financial Institutions, Clean Energy, and Food and Agribusiness. The table below provides an overview of results in Norfund's investment areas. The costs of shared functions have largely been allocated according to the number of employees in each area, and are recorded as part of other operating expenses.

(Figures in 1000s of NOK)	2018						Shared functions and other activities
	NORFUND total	SME Funds	Financial institutions	Clean energy	Food & Agribusiness		
<b>OPERATING INCOME</b>							
Interest - invested portfolio	195 194	0	142 221	27 354	25 619	0	
Realised gains	151 348	0	0	151 348	0	0	
Dividends received	186 886	21 215	53 729	111 287	654	0	
Other project revenues	20 308	112	9 035	9 851	894	415	
Share of profit associated company	768 487	0	45 002	723 485	0	0	
<b>Total operating income</b>	<b>1 322 223</b>	<b>21 327</b>	<b>249 987</b>	<b>1 023 325</b>	<b>27 168</b>	<b>415</b>	
<b>OPERATING EXPENSES</b>							
Payroll expenses	-113 600	-6 592	-18 939	-20 636	-27 806	-39 627	
Depreciation tangible fixed assets	-1 439	0	0	-7	-67	-1 365	
Loss on sale of operating assets	0	0	0	0	0	0	
Other operating expenses	-57 553	-2 405	-8 340	4 285	-10 024	-41 069	
Allocation of shared expenses	0	-7 005	-20 560	-20 950	-31 555	80 070	
<b>Total operating expenses</b>	<b>-172 592</b>	<b>-16 002</b>	<b>-47 838</b>	<b>-37 308</b>	<b>-69 452</b>	<b>-1 992</b>	
Gain/loss (-) on FX, project loans	191 186	371	136 370	16 143	38 302	0	
Provision for (-)/reversal of (+) loss on projects	-195 847	-55 713	-11 435	-62 420	-66 530	252	
Profit/loss (-) on operations	1 144 969	-50 017	327 083	939 740	-70 511	-1 325	
Net financial items*	14 693	-102	-18 872	-2 852	18	36 500	
Profit/loss before tax	1 159 662	-50 119	308 211	936 888	-70 493	35 175	
Tax	-1 444	0	-1 379	0	-65	0	
<b>Profit/loss for the year</b>	<b>1 158 218</b>	<b>-50 119</b>	<b>306 833</b>	<b>936 888</b>	<b>-70 559</b>	<b>35 175</b>	
Group account effects	-30 198	0	0	-30 198	0	0	
<b>Total Norfund group</b>	<b>1 128 021</b>	<b>-50 119</b>	<b>306 833</b>	<b>906 690</b>	<b>-70 559</b>	<b>35 175</b>	



	2017					
	NORFUND total	SME Funds	Financial institutions	Clean energy	Food & Agribusiness	Shared functions and other activities
	122 905	4	79 198	17 415	26 288	0
	317 868	0	-61 569	379 437	0	0
	945 283	62 612	5 043	874 361	3 268	0
	12 845	58	5 537	6 438	584	227
	650 293	0	271 861	378 432	0	0
	<b>2 049 193</b>	<b>62 674</b>	<b>300 069</b>	<b>1 656 083</b>	<b>30 140</b>	<b>227</b>
	-94 300	-6 012	-16 587	-19 006	-20 567	-32 128
	-2 234	0	0	-37	-67	-2 130
	0	0	0	0	0	0
	-76 064	-1 490	-4 985	-26 283	-9 285	-34 021
	0	-6 959	-22 298	-15 092	-20 890	65 239
	<b>-172 598</b>	<b>-14 461</b>	<b>-43 870</b>	<b>-60 418</b>	<b>-50 809</b>	<b>-3 040</b>
	-79 792	-42	-56 777	-140	-22 833	0
	89 579	-71 757	189 208	-17 473	-10 399	0
	1 886 382	-23 585	388 630	1 578 051	-53 902	-2 813
	13 176	69	39 404	-180	1 594	-27 710
	1 899 558	-23 517	428 034	1 577 871	-52 308	-30 523
	-20 420	0	-2 725	-17 608	-86	0
	<b>1 879 138</b>	<b>-23 517</b>	<b>425 309</b>	<b>1 560 263</b>	<b>-52 394</b>	<b>-30 523</b>
	0	0	0	0	0	0
	<b>1 879 138</b>	<b>-23 517</b>	<b>425 309</b>	<b>1 560 263</b>	<b>-52 394</b>	<b>-30 523</b>

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

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

## NOTES

### BALANCE (INVESTMENTS AND LOANS) NET BOOK VALUES

2018					
	Norfund total	SME Funds	Financial institutions	Clean energy	Food & agribusiness
<b>BALANCE</b>					
Investments in associated company and subsidiary	15 508 589	0	2 346 677	13 161 912	0
Investments	8 322 713	1 507 764	3 138 466	2 294 977	1 381 506
Write-downs	-801 516	-292 923	-111 477	-121 982	-275 133
<b>Total investments business area</b>	<b>23 029 787</b>	<b>1 214 841</b>	<b>5 373 666</b>	<b>15 334 907</b>	<b>1 106 373</b>

### SEGMENT INFORMATION BY GEOGRAPHICAL REGION:

2018							
	Africa	Asia & Pacific	America	Europe/central Asia	Global	Write-downs	Total
<b>BALANCE SHEET</b>							
Investments in associated company and subsidiary	6 119 891	9 008 074	380 623	0	0	0	15 508 588
Equity investments	1 239 320	920 233	1 039 387	6 042	0	-130 157	3 074 825
Loans to investments	4 068 720	539 643	502 480	6 887	0	-671 359	4 446 371
<b>Total balance sheet</b>	<b>11 427 931</b>	<b>10 467 951</b>	<b>1 922 490</b>	<b>12 929</b>	<b>0</b>	<b>-801 516</b>	<b>23 029 784</b>
Interest income loans	87 458	47 444	59 881	412	0	0	195 194
Realised gain on shares	151 348	0	0	0	0	0	151 348
Dividends received	131 436	23 979	31 333	0	138	0	186 886
Other project revenues	9 770	3 763	6 015	5	755	0	20 308
Share of profit associated company and subsidiary	261 791	486 154	20 542	0	0	0	768 487
Total operating income	641 802	561 340	117 771	417	893	0	1 322 223
Interest paid on loan portfolio	0	0	0	0	0	0	0
Share of profit associated company	301 416	324 250	24 627	0	0	0	650 293
<b>Total operating income</b>	<b>384 796</b>	<b>369 054</b>	<b>1 290 752</b>	<b>0</b>	<b>4 592</b>	<b>0</b>	<b>2 049 193</b>
Gain/loss (-) on FX, project loans	57 137	72 206	61 587	255	0	0	191 186

### NOTE 3 – PAYROLL EXPENSES

#### STATEMENT ON THE SETTING OF SALARIES AND OTHER REMUNERATION FOR SENIOR EMPLOYEES

Norfund complies with the government guidelines laid down on 13 February 2015 with respect to the setting of salaries and other remuneration for senior employees. These are based on changes published in Storting

Report no. 27 (2013-2014) A diverse and value-creating ownership.

#### GUIDELINES FOR NORFUND ON THE FIXING OF SALARIES AND OTHER REMUNERATION IN 2019

The following guidelines apply to the setting of salaries for senior

Norfund employees up until the ordinary General Meeting in 2020. The salary system is designed to attract and retain competent personnel. In setting salaries, emphasis is placed on the individual's contribution to fulfilling Norfund's mandate.

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

Norfund considers that a relevant benchline is other government funds such as the National Insurance Scheme Fund, Export Credit Norway and Investinor. Norfund currently lies at a lower level than these.

The Board sets the salary of the managing director. The managing director sets the salaries of the corporate heads of department who report to him. This group consists of senior company employees. Norfund's pay conditions for senior employees consist of fixed salary, pension and insurance schemes and other benefits (newspapers, electronic communications). Norfund has a moderate bonus scheme that covers all company employees except the managing director. Bonuses are awarded quarterly, and individual bonuses vary from NOK 10 000 to NOK 200 000 and are in keeping with the requirements in the guidelines regarding variable pay. Bonuses awarded are fixed by the managing director.

The fixed pay is subject to regulation in line with the point of departure for wage developments in the financial sector, and an assessment of the individual's performance and goal achievement in the 2018 accounting year. Annual goals for the individual senior employee are fixed by the managing director in the case of management, and by the Board in the case of the managing director.

Norfund will have the following pension and insurance conditions for the 2019 accounting year:

In 2018 Norfund closed the defined benefit pension scheme to new employees, and offered a voluntary transition to the

defined contribution scheme to existing employees, against compensation. From 2019, the management (like all other employees in Norway) of Norfund has both a defined benefit and a defined contribution scheme. The scheme entitles employees to defined future benefits. The size of the benefits depends primarily on the number of qualifying years, pay level on reaching retirement age and the size of National Insurance benefits. For historic reasons, the earlier scheme is being continued for the present, where the full qualifying period is 30 years and pension amounts to 70% of salaries up to 12 G. This scheme satisfies the requirements of the Act on Mandatory Occupational Pensions. Norfund also has a scheme which entitles employees to pension rights for pay in excess of 12 G. This scheme was closed to new members in 2012. This scheme, which is funded from operations, consists of 66% of pay in excess of 12 G with a retirement age of 67 and a full qualification period of 30 years, in the calculation base. If the service period is calculated as being less than 30 years, the pension is reduced proportionately. On termination of employment or on reaching retirement age, employees receive a settlement for the value of the amount saved. In the defined contribution scheme, 7% of salary is set aside from pay from 0–7.1 g, and 20% from salaries of 7.1–12 G. The costs of both schemes are included in the calculation of pension expenses.

Senior Norfund employees are covered by insurance schemes that apply to all Norfund employees. Senior employees have a 3-month notice period.

The managing director has an agreement for pay after termination of employment equivalent to 6 months' salary. This arrangement is in keeping with the guidelines for salary and other remuneration.

Salary policy in the 2018 accounting year has adhered to the principles of the Management Salary Statement as adopted by the General Meeting on 6 June 2017. Salary adjustment for the CEO and other members of management in 2018 was 2.4%. The aggregate amount of the adjustment was NOK 254 051 for the management including the managing director.

## WAGES, SALARIES AND OTHER PAYROLL EXPENSES

(Figures in 1000s of NOK)	Norfund		Norfund group	
	2018	2017	2018	2019
Wages and salaries	75 652	65 078	155 728	88 152
Employer's social security contribution	14 544	9 763	22 587	12 500
Pension expenses	14 465	11 545	20 329	12866
Other benefits	8 940	7 914	13 673	9115
<b>Total wages, salaries and other payroll expenses</b>	<b>113 600</b>	<b>94 300</b>	<b>212 317</b>	<b>122 633</b>

## NOTES

### PAY FOR SENIOR EMPLOYEES

Norfund	Title	Salary	Bonus	Compensation pension*	Taxable portion of benefits	Pensions	Total
Kjell Roland	CEO until 30 September 2018	2 351 214	0	0	51 595	736 640	3 139 449
Jan T. Thorleifsson	CEO from 1 October 2018	709 270	0	0	3 892	35 775	748 937
Hege E. Seel	EVP Org & HR	1 450 155	80 000	0	32 066	679 999	2 242 220
Ola Nafstad	EVP Strategy & Analysis	1 415 339	130 000	881 978	29 972	402 502	2 859 791
Cathrine K. Conradi	EVP CFRO from 1 February 2018	1 230 791	50 000		21 207	242 957	1 544 955
Finn Ivar Marum	EVP Food & Agribusiness, SME Funds	1 794 703	155 000	664 065	14 870	238 317	2 866 955
Erik Sandersen	EVP Financial Institutions	1 811 874	175 000	0	15 968	340 109	2 342 951
Mark Davis	EVP Clean Energy	1 952 570	80 000	0	68 165	839 748	2 940 483
Kristin Clemet	Chair	232 750					

\*In connection with the change in Norfund's pension scheme, some employees, including members of management, have had lump sum compensation disbursed to them for changing to the new scheme.

The chair received NOK 232 750 (NOK 212 500) for board-room work for Norfund in 2018. The board members each received remuneration of NOK 121 000 (NOK 115 200).

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

Norfund has a variable bonus scheme for all employees excluding the managing director. In all, the scheme accounted for 1.3% of Norfund's payroll expenses in 2018. Bonuses are paid for extraordinary performance, and the average payment in 2018 was NOK 42 297. The highest bonus payment represented 12% of salary and is thus far lower than the requirement in Eierskapsmeldingen [Ownership Report] that bonuses be a maximum of 50% of the employee's salary.

#### **GUIDELINES FOR STIPULATION OF SALARY AND OTHER REMUNERATION IN SN POWER FOR 2018**

Pay conditions for the management of SN Power (SNP) consist of a fixed salary supplemented by bonus, car compensation scheme and pension and insurance schemes.

The fixed salary is subject to regulation in line with the point of departure for wage developments in the energy and financial sector, and an assessment of the individual's performance and goal achievement in the 2018 accounting year. Annual goals for the individual senior employee are fixed by the managing director in the case of management, and by the Board in the case of the managing director.

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

senior company employees. SNP's pay conditions for senior employees consist of fixed salary, pension and insurance schemes and other remuneration and a bonus scheme that covers all employees, including the managing director.

In the 2019 accounting year, SNP will have the following pension and insurance conditions, applying to all company employees, and unchanged from 2018.

SNP previously had a defined benefit plan, which was closed to all employees and replaced by a defined contribution plan in January 2016. The defined contribution plan consists of 6% of salaries between 0G and 7G, and 12% of salaries between 7.1G and 12G. This scheme satisfies the requirements of the Act on Mandatory Occupational Pensions. Members of management who took up their positions before 2012 additionally have a top-hat plan that entitles them to a defined benefit pension for salaries between 12G and 20G in addition to disability insurance. This scheme was closed to new members in 2012. Senior SNP employees are covered by insurance schemes that apply to all SNP employees, as an inclusive travel, group life and medical insurance. Senior employees have a 3-month notice period. SNP has no scheme for pay after termination of employment.

Pay policy in the 2018 accounting year shadowed the market, and closely compares to similar participants in the energy industry, including SNP's owners. The CEO's salary was adjusted by 2.40% in 2018, and the increase for the rest of the management team was 3.26%. Purely percentage-wise, the senior employees received a lower salary increase than younger employees.

Company employees	Name	Salary	Bonus	Pensions	Other remuneration	Total
SN Power	Torger Lien	2 437 000	660 000	482 000	317 000	3 896 000
SN Power	Christian Knoph	1 493 000	187 000	133 000	186 000	1 999 000
SN Power/Agua Imara	Kristian Haneberg	1 859 000	205 000	136 000	260 000	2 344 000
Statkraft	Tore Haga	1 587 000	128 000	303 000	162 000	2 180 000
SN Power Philippines	Tor Stokke	1 811 000	234 000	397 000	913 000	3 355 000
SN Power (From 1 May 2018)	Øyvind Engelstad	1 160 000		100 000	97 000	1 357 000
Nordic Hydropower (From 1 July 2018)	Eliese Ana Jr.	965 000			135 000	1 100 000

#### AUDITOR'S FEE

	Norfund		Norfund group	
	2018	2017	2018	2017
Audit	861	685	2 016	986
Attestations	75	12	124	38
Other services	718	1 198	1 979	1 748
<b>Total</b>	<b>1 655</b>	<b>1 895</b>	<b>4 119</b>	<b>2 772</b>

Auditor's fee is inclusive of VAT

#### NUMBER OF EMPLOYEES

The company had 75 employees at the end of 2018, accounting for 72 full-time equivalents.

#### PENSIONS

In addition to the employee pension plans described in the Executive Pay Statement, local employees at Norfund's regional offices in Ghana, Thailand, Kenya, Mozambique and Costa Rica have defined contribution pension plans, and Norfund has no obligations other than what has been paid through the year. In 2018, NOK 1 270 347 (NOK 828 704) was expensed in connection with this scheme. The managing director has a retirement age of 67.

#### FINANCIAL ASSUMPTIONS

	Norfund		Norfund group	
	2018	2017	2018	2017
Discount rate	2,4 %	2,4 %	2.4–2.6%	2.3–2.4%
Expected return on pension capital	2,4 %	4,1 %	2.4–2.6%	2.4–4.1%
Salary adjustment	2,5 %	2,5 %	2.5–2.75%	2,5 %
Pension adjustment	2,25 %	2,25 %	0.4–2.25%	0.4–2.25%
Adjustment of the basic amount (G) in the National Insurance System	2,25 %	2,25 %	2.25–2.5%	2,25 %
Turnover	9,0 %	9,0 %	4–9%	3.5–9%
Employer's social insurance contribution	19,1 %	19,1 %	14.1–19.1%	14.1–19.1%

**NOTES**

	Norfund		Norfund group	
	2018	2017	2018	2017
Net present value of pension earnings in the period	11 735	8 899	12 987	10 187
Capital cost of previously earned pensions	2 555	1 822	2 921	1822
Expected return on pension capital	-1 593	-1 973	-1 691	-2272
Administrative costs	1 092	945	1 092	1069
Accrued employer's social security contribution <sup>1</sup>	1 798	1 852	1 977	2059
<b>Net pension liabilities for the year incl. payroll tax</b>	<b>15 587</b>	<b>11 545</b>	<b>17 287</b>	<b>12 866</b>

<sup>1</sup>Employer's social insurance contribution is calculated on the amount paid in.

Calculated pension liabilities	Funded	Unfunded	2018
Estimated pension liabilities	87 273	17 930	105 203
Estimated plan assets*	63 891	0	63 891
Net pension liabilities 31 December	23 382	17 930	41 312
Unrecorded actuarial gain/loss(-)	0	3 425	3 425
Accrued employer's social insurance contribution**	4 466	0	4 466
<b>Net pension liabilities 31 December</b>	<b>27 848</b>	<b>21 355</b>	<b>49 203</b>

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

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

Reconciliation opening/closing balance	Norfund		Norfund group	
	2018	2017	2018	2017
Capitalised net pension liabilities 1 January incl. payroll tax	25 588	26 767	38 305	38 164
Net pension expenses for the year incl. payroll tax	15 587	11 545	17 287	12 866
Actuarial gain/loss charged directly to equity	21 006	-240	20 700	-240
Pensions paid, early retirement / unfunded, incl. payroll tax	-970	-402	-970	-402
Investment in pension assets, etc., incl. payroll tax	-12 009	-12 083	-12 009	-12 083
<b>Capitalised net pension liabilities 31 December incl. payroll tax</b>	<b>49 203</b>	<b>25 588</b>	<b>63 313</b>	<b>38 305</b>

Nordea Life's asset mix*	30/09/18	30/09/17
Property	12,2 %	10,0 %
Shares	10,0 %	10,1 %
Bonds at amortised cost	61,0 %	58,4 %
Short-term bonds/certificates	15,9 %	21,0 %
Other	0,9 %	0,5 %
<b>Total financial assets</b>	<b>100 %</b>	<b>100 %</b>

\* Known values at calculation date

Norfund has additionally paid NOK 20.4 million in a funded scheme to cover future obligations related to unfunded arrangements.

## NOTE 4 – OTHER OPERATING EXPENSES

(Figures in 1000s of NOK)	Norfund		Norfund group	
	2018	2017	2018	2017
Seminars, conferences, upgrading of competencies	3 501	4 034	3 501	4 034
Travel expenses	0	0	13 810	5 650
External assistance, projects	9 744	9 925	18 218	12178
Costs, tender guarantee scheme	6 938	32 334	49 717	53 495
Rent, including shared costs	11 571	7 550	11 571	7 550
Advertising/printing	9 205	7 655	15 857	9 265
Other expenses	16 595	14 566	63 879	20 487
<b>Total operating expenses</b>	<b>57 553</b>	<b>76 064</b>	<b>176 554</b>	<b>112 659</b>

	Lease duration	Annual rental costs
Premises at Fridtjof Nansens Plass 4, Oslo	15.11.16 - 31.12.2026	5 371 960

## NOTE 5 – NET FINANCIAL INCOME/EXPENSE

	Norfund		Norfund group	
	2018	2017	2018	2017
Other interest income	22 364	14 749	56 571	14 858
Other financial income	46 673	79 195	83 922	88 246
Other interest expenses	0	0	-96 638	-93 570
Other financial expenses	-54 596	-80 767	-66 552	-22 144
<b>Total financial income/expenses</b>	<b>14 440</b>	<b>13 176</b>	<b>-22 697</b>	<b>-12 610</b>

## NOTES

### NOTE 6 – FIXED ASSETS

#### NORFUND

(Figures in 1000s of NOK)	Operating equipment, fixtures, etc.	Works of art	Total
Cost of acquisition, ordinary depreciation and write-downs			
Cost of acquisition at 1 January	15 620	1 463	17 084
+ acquisitions during the period	643	0	643
- disposals during the period	-326	0	-326
Cost of acquisition at end of period	15 937	1 463	17 400
Accumulated ordinary depreciation at 1 January.	10 318	0	10 319
+ ordinary depreciation for the period	1 439	0	1 439
- acc. ordinary depreciation, operating assets disposed of	-326	0	-326
Accumulated ordinary depreciation at 31 December	11 431	0	11 431
<b>Book value for accounting purposes at end of period</b>	<b>4 506</b>	<b>1 463</b>	<b>5 969</b>
Depreciation period	3–4 years	Non-depreciable	



## NORFUND GROUP

(Figures in 1000s of NOK)	Other intangible assets	Land property rights	Water rights	Buildings and plant	Equipment and vehicles, fittings and fixtures etc.	Total
Cost of acquisition, ordinary depreciation and write-downs						
Cost of acquisition at 1 January	156 732	56 688	4 867 213	2 533 730	47 980	7 662 343
+ acquisitions during the period	4 544	0	0	13 580	6 360	24 484
- disposals during the period	-10 226	0	0	-17 916	-3 237	-31 379
Exchange rate changes	9 236	3 341	287 204	149 334	1 815	450 929
<b>Cost of acquisition at end of period</b>	<b>160 285</b>	<b>60 029</b>	<b>5 154 417</b>	<b>2 678 729</b>	<b>52 918</b>	<b>8 106 378</b>
Accumulated ordinary depreciation at 1 January.	0	0	9 856	250 252	29 997	290 105
+ ordinary depreciation for the period	0	0	0	67 894	5 221	73 114
- acc. ord. depreciation, operating assets disposed of	0	0	0	0	-326	-326
Exchange rate changes	0	0	581	15 809	1 417	17 807
<b>Accumulated ordinary depreciation at 31 December</b>	<b>0</b>	<b>0</b>	<b>10 437</b>	<b>333 955</b>	<b>36 309</b>	<b>380 700</b>
Accumulated write-down, operating assets	100 421	0	318 108	143 784	17	562 330
+ write-downs for the period	0	0	0	0	0	0
- accumulated depreciation, operating assets disposed of	0	0	0	0	0	0
Exchange rate changes	0	0	18 745	8 473	1	27 219
Accumulated write-downs at 31 December	100 421	0	336 853	152 257	18	589 549
<b>Book value for accounting purposes at end of period</b>	<b>59 864</b>	<b>60 029</b>	<b>4 807 128</b>	<b>2 192 517</b>	<b>16 591</b>	<b>7 136 129</b>

Operating assets, fixtures and fittings etc. are depreciated on a straight-line basis. The expected life of operating assets is 3-4 years. Office fixtures and fittings are depreciated over the life of the lease. Works of art are not depreciated. Vehicles are depreciated on a straight-line basis over 8 years. Rights are amortised according to the life of the underlying right, from 20 years and upwards. Buildings and plant are valued according to their economic life.

## NOTES

### NOTE 7 – INVESTMENT IN ASSOCIATED COMPANY/SUBSIDIARY

#### NORFUND

(Figures in 1000s of NOK)	Arise BV	SN Power AS	KLP Norfund	NorFinance AS	Total
<b>FORMAL INFORMATION</b>					
Date of acquisition	31/08/16	02/06/14	01/01/13	27/06/13	
Registered office	Utrecht	Oslo	Oslo	Oslo	
Ownership interest	33,1 %	100 %	51 %	49,8 %	
Voting share	33,1 %	100 %	50 %	49,8 %	
	Associated company	Subsidiary	Associated company	Associated company	

<b>INFORMATION RELATING TO THE FIGURES FOR THE YEAR:</b>					
Opening balance 1 January	1 772 783	11 372 319	280 811	416 775	13 842 689
Dividends received	-27 141	0	0	0	-27 141
Additions during the year	28 365	0	154 912	6 427	189 704
Disposals during the year	0	0	0	0	0
Other adjustments	0	0	0	0	0
Share of annual profit/(loss)*	39 962	684 724	38 760	5 040	768 487
Write-downs	0	0	0	0	0
Share of adjustments for the year charged directly to equity	104 466	630 385	0	0	734 850
<b>Closing balance 31. December</b>	<b>1 918 434</b>	<b>12 687 428</b>	<b>474 483</b>	<b>428 243</b>	<b>15 508 589</b>

\*Share of profit/loss for the year is based on final figures from the company.

#### **CONTRACTUAL INVESTMENT IN ASSOCIATED COMPANY/SUBSIDIARY**

In 2016 Norfund, FMO and Rabobank jointly established the investment company Arise BV for investing in banks. Pending government approvals, the shares in Banco Terra remained legally owned by Norfund AS as at 31 December 2018. According to the agreement, Norfund undertakes to inject capital equivalent to the agreed value of the assigned shares if legal approval is not obtained for the assignment of these shares to Arise BV. An equivalent liability has accordingly been recorded in the accounts. A shareholder agreement has been established in the company entailing a lock-in period for the shareholders.

In September 2017, Norfund acquired Statkraft's 50% interest in SN Power and at the end of 2018 owned 100% of SN Power. Through the transaction, Norfund gained control of SN Power, and previously owned shares were measured at fair value at the time of purchase in accordance with NRS 17 on business combinations taking place in stages. The value added on acquisition date was recorded directly to equity in Norfund.

Norfund and KLP have formed a joint investment company, KLP Norfund Investments AS. The purpose of the joint venture is to invest up to NOK 1 700 million over a five-year period in projects in developing countries, with a view to promoting sustainable development.

In 2013, Norfund established the company Norfinance AS for the purpose of investing in African banks and financial institutions. Norfund owns the company jointly with KLP and Solbakken AS.

## NORFUND GROUP

	Acquired	Ownership interest	Voting share		Book value 31/12/2018	Share of profit/loss NOK
Arise BV	31/08/16	33,1 %	33,1 %	Utrecht, Nederland	1 918 434	39 962
KLP Norfund Investments AS	01/01/13	51 %	50 %	Oslo, Norway	474 483	38 760
Norfinance	27/06/13	49,8 %	49,8 %	Oslo, Norway	428 243	5 040
SN Aboitiz Power - Magat Inc.	06/06/14	40 %	40 %	Manila, Philippines	1 698 393	288 141
Manila–Oslo Renewable Enterprise Inc.	06/06/14	40 %	40 %	Manila, Philippines	741 346	789
SN Aboitiz Power - Benguet Inc	06/06/14	40 %	40 %	Manila, Philippines	851 551	203 900
SN Aboitiz Power - Generation Inc	06/06/14	40 %	40 %	Manila, Philippines	-2 329	228
SN Aboitiz Power - RES Inc	06/06/14	40 %	40 %	Manila, Philippines	18 524	6 051
Burica Hydropower SA	06/06/14	50 %	50,1 %	Panama City, Panama	151 762	-1 269
"Theun-Hinboun Power Company Ltd"	24/09/16	20 %	20 %	Vientiane, Laos	1 339 784	119 541
Bujagali Energy Ltd	24/07/18	65 %	50 %	Jinja, Uganda	2 365 350	112 417
<b>Total</b>					<b>9 985 542</b>	<b>813 560</b>

In addition to Arise BV, KLP Norfund Investments and Norfinance, the consolidated accounts include SN Power AS's associated companies in the Philippines, Panama, Laos and Uganda, as shown in the table above.

SN Power and Aboitiz Equity Ventures have shared control of the Filipino companies, with a 50% interest each.

Burica Hydropower SA is in an early phase of development, and has been put on hold pending an auction process in Panama which is expected in the second half of 2019.

Theun-Hinboun Power Company Ltd is a 500 MW hydropower plant in Laos in which the group owns 20% through Nordic Hydropower AB.

In July 2018 SN Power acquired 64.9% of the shares in Bujagali Energy Ltd, which operates the Bujagali hydropower plant in Uganda. The share of profits included in the accounts is from 1 August 2018.

## NOTE 8 – RECEIVABLES

## OTHER RECEIVABLES

(Figures in 1000s of NOK)	Norfund		Norfund Group	
	31.12.18	31/12/17	31.12.18	31/12/17
Accrued interest	100 646	66 811	100 646	66 811
Accounts receivable	0	0	364 543	215 726
Other receivables	24 592	63 353	60 762	348 214
<b>Total receivables</b>	<b>125 238</b>	<b>130 164</b>	<b>525 951</b>	<b>630 751</b>

Other receivables: All receivables fall due within one year. Of other receivables, NOK 9 856 (NOK 40 489) concerns the Norfund group or associated company, and is mainly related to project costs.

At group level, a special assessment has been made of the claims SN Power has in Lundsemfwa Hydropower Company Ltd against Zesco, the state-owned electricity supply company in Zambia. The total amount outstanding as at 31

December 2018 was NOK 321 million. Zambian authorities are currently working on a refinancing solution for Zesco that will enable them to service their debt, and the Norfund group therefore believes that the outstanding amount will be repaid in full.

**NOTES**
**NOTE 9 – LOANS TO COMPANIES IN THE INVESTMENT PORTFOLIO**

(Figures in 1000s)	Currency	Recorded value* (in FX)	Recorded value* (in NOK)
LAAD	USD	24 167	209 972
European Financing Partners SA	EUR	973	9 676
European Financing Partners SA	USD	10 214	88 755
Green Resources USD	USD	27 755	241 149
Sathapana	USD	10 000	86 885
E&Co (Persistent Energy)	USD	989	8 590
TPS Dar es Salaam	USD	1 127	9 794
GLAD Ltd	USD	140	1 216
Interact Climate Change Facility	USD	5 590	48 555
Amret II (USD)	USD	1 200	10 426
Alios Finance Tanzania Ltd	USD	500	4 344
Agrica	USD	5 194	45 132
Afrinord Hotel Investments	USD	1 842	16 008
Yara fertiliser terminal Dar	USD	600	5 213
Prasac Microfinance Institution	USD	15 000	130 327
First Finance Plc.	USD	4 000	34 754
FDL	USD	9 563	83 084
UAP Properties Limited	USD	3 000	26 066
NMBZ Holdings Limited	USD	1 400	12 164
Alios Finance Zambia Ltd	USD	750	6 516
Trustco Group Holdings Ltd	ZAR	37 500	22 665
Interact Climate Change Facility	EUR	1 867	18 578
HFC Limited	KES	625 000	53 019
Focus Financial Services Limited	ZMW	25 000	18 090
Acleda Bank Lao Ltd.	USD	1 654	14 369
African Century Infrastructure Services Ltd.	USD	1 911	16 604
Vertical Agro (Sunripe & Serengeti Fresh)	USD	4 300	37 361
Confianza	USD	1 250	10 861
Cape Dairy Biogas Plant Pty Ltd	ZAR	10 284	6 216
LAFISE NICARAGUA	USD	6 000	52 131
Across Forest AS	NOK	1 828	1 828
BANCO INDUSTRIAL SALVADOR	USD	3 333	28 962
Nam Sim Power Company Ltd	USD	4 287	37 248
ARREND Central America	USD	9 500	82 541
Scatec Norfund Investments Ltd	USD	52	455
Banco Promerica El Salvador	USD	6 000	52 131
African Century Foods Ltd	USD	4 477	38 901,311
Rwimi EP Company Ltd	USD	2 499	21 713
Associated Foods Zimbabwe (Pvt) Ltd	USD	2 000	17 377
Banco Promerica Guatemala	USD	10 000	86 885
Fedecredito	USD	8 333	72 404
ASILIA (African Spirit Group Limited)	USD	2 300	19 984
Kinyeti Capital Ltd	USD	2 000	17 377

»

## » CONTINUES NOTE 9 – LOANS TO COMPANIES IN THE INVESTMENT PORTFOLIO

(Figures in 1000s)	Currency	Recorded value* (in FX)	Recorded value* (in NOK)
Fanisi Management II	USD	768	6 668
M-Kopa	KES	622 678	52 822
Freight In Time	USD	1 748	15 187
Nyama World Malawi Ltd	USD	3 145	27 323
Sunshine	USD	1 000	8 689
M-Kopa	UGS	975 491	2 273
Real People Investment Holdings (Pty) Limited	ZAR	54 719	33 072
City Bank Limited	USD	10 000	86 885
Banco BDF	USD	12 500	108 606
Access Bank Nigeria	USD	15 000	130 328
Myanmar Finance International Ltd	USD	1 333	11 585
ONE Bank Limited	USD	15 000	130 328
An Binh Commercial Joint Stock Bank	USD	20 000	173 770
CAL Bank Limited	USD	10 000	86 885
Mutual Trust Bank Limited	USD	20 000	173 770
Banco Promerica Costa Rica	USD	5 000	43 443
Afrinord Hotel Investments	EUR	2 264	22 525
Desyfin	USD	1 000	8 689
Bronkhorstspruit Biogas Plant Pty Ltd	ZAR	36 046	21 786
Gigawatt Global Rwanda Ltd	USD	2 377	20 655
Renewable Energy Holdings Pty Ltd	ZAR	58 723	35 336
Verde Beef Processing	USD	4 900	42 574
Lafise Nicaragua	USD	20 000	173 770
<b>Accrual start-up fee loans</b>			
<b>Total loans to projects*</b>			<b>3 204 982</b>
Provision for bad debts at 31 December 2018			-130 157
<b>BOOK VALUE LOANS</b>			<b>3 074 825</b>

\* Figures at 31 December 2018 and before write-downs.

In addition to the loans specified above, Norfund made four loans that are charged to unused resources Balkans, and which are recorded at NOK 0 in accordance with the requirements of NRS 4 concerning net recording of government grants received; see note 14.

Norfund makes a semi-annual assessment of each of the loans in the loan portfolio, including provisions for losses. If the review shows an expected loss, they are written down. At 31 December 2018 a provision for losses of NOK 130 157 was recorded. A loan is regarded as non-performing when borrower has not made due payments within 60 days of the due date. On balance sheet date Norfund had 10 non-performing loans with total interest and repayments due of NOK 68 million and a total outstanding amount of NOK 327

million. Examples of default or losses are significant financial problems on the part of debtor, restrictions on foreign exchange transfers in countries in which debtor operates, debt negotiations or winding up of a business. These loans are written down by up to 100% of the outstanding principal and accumulated interest, depending on the probability of reflow. Some of the loans are renegotiated after balance sheet date, and the valuation in the accounts on balance sheet date has taken this into account.

Five guarantees aggregating some NOK 130 million have also been given, and two of these have a >50% probability of being realised. The provision in the accounts is therefore for a total of NOK 22.7 million.

## NOTES

### NOTE 10 – EQUITY INVESTMENTS

(Figures in 1000s)	Currency	Ownership interest	Committed investment (in FX)	Historical cost price* (in FX)	Committed investment (in NOK)	Historical cost price* (in NOK)
SEAF Sichuan Small Investment Fund	USD	13,3 %	679	675	4 164	4 125
Aureos East Africa Fund	USD	20,0 %	710	638	4 477	3 851
Aureos West Africa Fund	USD	26,0 %	1 520	356	15 281	2 186
Aureos Southern Africa Fund	USD	25,1 %	2 611	1 294	21 856	7 475
Aureos South East Asia Fund	USD	28,6 %	1 946	327	15 925	1 858
APIDC Biotech Fund	USD	7,7 %	2 643	2 643	15 994	15 996
China Environment Fund 2004	USD	10,0 %	758	650	4 497	3 562
Aureos South Asia Fund (Holdings)	USD	23,5 %	11 491	9 816	87 034	56 915
Aureos Central America Growth Fund (EMERGE)	USD	14,3 %	1 324	1 151	10 606	7 145
CASEIF II	USD	13,8 %	1 344	922	11 457	5 327
Adenia Capital Ltd II	EUR	13,4 %	714	475	11 158	4 365
Horizon Equity Partners Fund III	ZAR	9,0 %	15 712	14 478	10 490	9 256
AfriCap Microfinance Investment C	USD	7,4 %	2 712	1 679	20 857	9 383
Aureos Latin America Fund (ALAF)	USD	13,6 %	9 398	9 377	55 234	55 051
Seaf Blue Water Growth Fund	USD	20,0 %	2 833	1 453	20 875	8 243
NMI Global Fund **	NOK	45,0 %	53 815	49 655	80 535	49 655
NMI Frontier Fund **	NOK	45,0 %	71 900	71 900	108 000	71 900
GroFin Africa Fund	USD	9,4 %	9 195	7 434	61 826	44 518
Aureos Africa Fund	USD	10,5 %	19 520	14 872	130 753	90 369
Fundo de Investimento Privado - Angola	USD	25,6 %	9 215	8 064	60 942	50 950
Fanisi Venture Capital Fund	USD	34,5 %	14 250	13 703	96 640	91 887
Cambodia-Laos Development Fund	USD	20,4 %	2 765	2 605	29 676	17 557
Evolution One Fund	ZAR	6,7 %	12 090	1 411	7 472	830
Agri-Vie	ZAR	9,4 %	62 099	61 987	44 052	42 677
Frontier Fund	USD	11,3 %	10 053	9 992	63 744	63 216
Prospero	USD	21,7 %	3 250	3 108	33 140	20 183
Aureos South-East Asia Fund II	USD	2,2 %	4 726	3 110	37 639	23 590
Vantage Mezzanine Fund II	ZAR	5,4 %	88 581	77 686	55 112	46 210
Voxtra East Africa Agribusiness Ini	NOK	30,0 %	31 656	31 656	31 656	31 656
Africa Health Fund (Aureos)	USD	9,5 %	6 555	4 263	55 263	28 748
HEFF	USD	33,0 %	4 309	4 309	40 679	34 673
CORECO	USD	22,0 %	10 000	9 001	74 845	66 173
NMI Fund III	NOK	26,3 %	183 971	141 657	183 971	141 657
LOCFUND II	USD	26,0 %	8 000	8 000	53 835	53 835
Ascent Rift Valley Fund Ltd	USD	12,8 %	9 451	6 157	85 070	51 676
Novastar Ventures East Africa Fund	USD	12,5 %	9 427	7 100	77 231	57 013
CASEIF III	USD	24,0 %	9 595	4 811	82 324	40 456
GroFin SGB Fund Limited Partnership	USD	19,0 %	15 000	15 000	125 553	125 553
Cambodia Laos Myanmar Development Fund II	USD	15,5 %	9 915	5 349	84 028	44 353
BPI East Africa LLC	USD	16,8 %	6 000	3 922	50 913	32 853
Frontier Fund II	USD	9,8 %	7 991	2 452	55 057	19 775
Agri-Vie II	USD	14,90 %	14 392	4 646	127 091	37 789
FIPA II **	USD	37,90 %	18 000	2 880	155 867	24 496

»

## » CONTINUES NOTE 10 – EQUITY INVESTMENTS

(Figures in 1000s)	Currency	Ownership interest	Committed investment (in FX)	Historical cost price* (in FX)	Committed investment (in NOK)	Historical cost price* (in NOK)
Fanisi Capital Fund II	USD	35,0 %	15 000	699	130 029	5 771
New Africa Power	USD	31,0 %	1 850	0	0	0
Cepheus Growth Capital Fund	USD	30,0 %	15 000	609	4 846	4 846
Marginpar Group	USD	19,7 %	8 500	6 375	49 516	49 516
Oasis Africa Fund	USD	9,9 %	5 000	1 085	8 771	8 771
Scatec Solar SA Netherlands BV	ZAR	30,0 %	8 129	5 272	3 471	3 471
Myanmar Opportunities Fund II	USD	15,0 %	10 000	3 710	29 851	29 851
Nordic Horn of Africa Opportunities Fund	USD	10,7 %	843	843	6 832	6 832
ECP Africa Fund IV	USD	7,8 %	29 992	14 130	114 679	114 679
AfricInvest Financial Inclusion Vehicle LLC	EUR	29,8 %	20 000	5 220	50 461	50 461
NMI GP IV AS	NOK	28,6 %	24 000	12	12	12
Transaction yet to be announced	USD	18,0 %	32 000	2 136	18 610	18 610
<b>Total invested in funds*</b>					<b>2 819 895</b>	<b>1 891 810</b>

By 'committed investment' is meant that there is an external commitment for a specific amount. For conversions to NOK, the exchange rate at the time of disbursement is used for the part of the amount that is disbursed. The exchange rate at 31 December 2018 is used for the part that is not disbursed.

\* Figures at 31 December 2018 and before any write-downs.

\*\* Fund investments with more than 35 per cent ownership share:

The NMI funds are Norfund's platform for investment in microfinance. Norwegian private commercial investors have contributed considerable equity interests in all three funds. Norfund's stake in NMI Global Fund and NMI Frontier Fund is over 35%.

Norfund was the promoter of FIPA, the first private equity fund in Angola, in 2009. In 2016, Norfund invested 40% of the capital in FIPA II, and the investment is a continuation of Norfund's engagement and strategic interest in the development of the market for private equity funds in Angola.

## EQUITY INVESTMENTS IN MANAGEMENT COMPANIES

(Figures in 1000s)	Currency	Ownership interest	Committed investment (in FX)	Historical cost price* (in FX)	Committed investment (in NOK)	Historical cost price* (in NOK)
Lafise Investment Management	USD	20,0 %	2	2	17	17
Nordic Microfinance Initiative AS	NOK	33,3 %	24 192	24 192	28 370	24 192
European Financing Partners SA	EUR	5,6 %	25	25	194	195
Angola Capital Partners LLC	USD	47,5 %	250	250	1 417	1 417
Interact Climate Change Facility	EUR	2,5 %	6	6	47	47
Fanisi Venture Management Company 2	USD	50,0 %	275	124	2 227	913
Norwegian Microfinance Initiative AS 2	NOK	50,0 %	30 000	30 000	30 000	30 000
Fanisi Management II	USD	25,0 %	75	15	644	122
<b>Total invested in management companies</b>					<b>62 916</b>	<b>56 905</b>

\* Figures at 31 December 2018 and before any write-downs.

\*\* Joint ventures with 50% ownership share:

Fanisi Venture Management Company was established on Norfund's initiative jointly with the operational management. The establishment has contributed to further developing the capital market in East Africa, and to assisting small and medium-sized enterprises with risk capital and expertise. The company manages one of the first venture-oriented funds in East Africa, and would not have been established without Norfund's participation. The follow-up fund Fanisi Capital Fund II was established in 2017, again with Norfund as an influential investor.

In 2008, Norfund established NMI (Norwegian microfinance initiative) in collaboration with KLP, DNB, Ferd and Storebrand. Norfund owns 50% of the investment management company Norwegian Microfinance Initiative AS. NMI was established with a view to building up a portfolio of commercially viable investments in microfinance institutions that also promote development.

## NOTES

### EQUITY INVESTMENTS IN COMPANIES

(Figures in 1000s)	Currency	Ownership interest	Committed investment (in FX)	Historical cost price* (in FX)	Committed investment (in NOK)	Historical cost price* (in NOK)
CIFI	USD	32,0 %	16 500	16 500	116 182	116 182
Afrinord Hotel Investments	EUR	20,0 %	50	50	392	392
Banco Terra	MZN	6,5 %	424 524	456 700	96 568	96 568
Africado Ltd. 2	EUR	40,0 %	2 000	2 000	15 359	15 359
Agrica	USD	26,9 %	14 435	14 435	87 670	87 674
TPS Rwanda	RWF	11,1 %	1 287 434	1 287 434	12 510	12 510
Basecamp Explorer Kenya Ltd 2	NOK	38,9 %	9 000	9 000	18 000	9 000
TPS Dar es Salaam	USD	28,5 %	6 800	6 800	39 089	39 089
Agrivision	USD	22,7 %	24 257	24 257	161 599	161 597
Kinyeti Capital Ltd 2	USD	49,0 %	3 750	3 750	22 121	22 121
Norsad	USD	14,6 %	9 297	9 297	56 844	56 847
ASILIA (African Spirit Group Limited)	USD	31,7 %	5 000	9 500	29 341	68 439
Kinangop Wind Park Limited	USD	18,8 %	1 240	13 240	94 306	94 306
Gigawatt Global Rwanda Ltd	USD	16,0 %	648	619	5 709	4 163
Desyfin	USD	23,2 %	6 000	6 000	36 772	36 772
African Century Foods Ltd.	USD	35,0 %	9 600	9 601	66 059	66 056
African Century Infrastructure Services Ltd.	USD	20,0 %	2 550	2 550	13 653	16 260
ARREND Central America	USD	22,0 %	4 000	4 000	29 904	29 904
Globeleq Ltd	USD	30,0 %	184 657	230 821	1 989 830	1 910 075
African Century Real Estates Ltd.	USD	14,3 %	3 840	3 276	26 042	28 435
Advans MFI Myanmar Company Limited 2	USD	40,0 %	4 595	4 595	7 855	37 745
Myanmar Finance International Limited	USD	25,0 %	2 181	1 931	14 481	16 650
Freight in Time	USD	24,0 %	6 000	6 000	53 115	53 115
First Finance Plc.	USD	15,1 %	1 000	1 000	8 479	8 479
Brac Bank	BDT	0,2 %	112 945	112 945	11 527	11 617
Basecamp Explorer Kenya Ltd	USD	38,9 %	6 448	820	12 931	7 023
FDL	USD	10,7 %	2 821	2 770	20 878	23 224
African Century Nampula	USD	34,0 %	600	474	2 852	3 815
Real People Investment Holdings (Pty) Limited	ZAR	11,7 %	43 488	48 180	84 153	29 563
Real People Investment Holdings (Pty) Limited	ZAR	11,7 %	81 512	90 307	831	55 413
Real People Investment Holdings (Pty) Limited	ZAR	11,7 %	13 500	13 500	124	8 283
Neofresh	USD	34,0 %	5 000	5 000	40 566	40 566
Spear Africa Holding II	USD	20,8 %	7 500	188	1 479	1 479
Green Resources USD 2	NOK	50,6 %	2 500	293	0	293
responsAbility Renewable Energy Holding	USD	13,6 %	10 000	0	86 885	0
<b>Total invested in companies</b>					<b>3 264 106</b>	<b>3 169 015</b>
<b>Total invested in companies *</b>						<b>5 117 730</b>
Provision for losses at 31 December 2018						-671 359
<b>Book value investments</b>						<b>4 446 371</b>

\* Figures at 31 December 2018 and before any write-downs.

\*\* Equity investments with more than 35 % ownership share

Norfund's investment in Africado Ltd amounts to a 40% interest. Africado Ltd was a start-up agribusiness project when Norfund made the investment in 2010, and the partners had a limited supply of capital. Norfund considers investment in Africado to be a special case where, owing to the shortage of capital, it was necessary to invest more than 35% in order for the project to be realised.



Norfund has a 38.85% holding in Basecamp Explorer Kenya Ltd. The high share was necessary to provide sufficient equity to assure a solid base for this company's further growth.

Kinyeti Venture Capital Ltd is the first investment company established in South Sudan. Norfund's holding is now 49%. Norfund has assumed an active role in Kinyeti in order to be able to offer small enterprises risk capital in an extremely difficult area. The aim is to attract further capital from other partners, with a view to reducing Norfund's holding over time.

Myanmar is a high priority country for Norfund, with limited access to capital from other investors. Advans MFI Myanmar Company Ltd is a joint start-up with Advans SA. Advans is the promoter and major shareholder, with a 50% stake Norfund's holding is now 40%.

Subscription rights with a duration of two years for control up to 90.1% were issued to Norfund, Finnfund and FMO in 2017. The subscription rights were issued to the institutions as security for debt in case the debt was not repaid by January 2018. In June 2018 Norfund and FMO exercised their subscription rights and at the end of 2018 owned 50.6% of Green Resources. A new board of directors was appointed, and in the course of 2018 the company acquired the necessary approvals from the competition authorities to make the transaction.

## NOTE 11 – EXITED INVESTMENTS

The note shows estimated gain/loss and annual IRR during the period of Norfund's ownership for investments exited in 2018. Total reflow from investments includes all cash flows, for example dividends, sales sums and other returns, during

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

(Figures in 1000s of NOK)	Kabul Serena Hotel	Scatec Solar Kalkbult
Cost price, paid-in capital	33 785	43 421
Total reflow investment	41 122	191 320
Gain/loss (-) on exited investments	7 337	147 899
Realised gain / loss (-)	0	144 449
Realised FX gain/loss (-)	7 337	3 449
Year of first disbursement	2005	2012
Investment currency	USD	ZAR
IRR	6 %	44 %

Twelve (9) loans were repaid during the year.

## NOTE 12 – LONG-TERM LIABILITIES

(Figures in 1000s of NOK)	Average interest rate	2018	2017
Long-term liabilities subsidiaries	7,00 %	1 113 092	1 124 192
Total liabilities		1 113 092	1 124 192
First year's repayment classified as 'Other current liabilities'		-80 169	-69 505
<b>Interest-bearing long-term liabilities</b>		<b>1 032 924</b>	<b>1 054 687</b>

Long-term debt in subsidiaries is related to investment in operating assets, plant and water rights. Shares in project companies, plant, operating assets, contracts and cash

flows from projects are pledged as collateral for the debt. The book value of the group's assets and shares pledged as collateral for loans is NOK 2 206 879.

## NOTES

### NOTE 13 – TAX

#### NORFUND

Tax expenses are attributable in their entirety to withholding tax on dividends and interest on foreign investments. Norfund is tax-exempt in Norway pursuant to a special section in the Norwegian Taxation Act.

#### NORFUND GROUP

Tax expenses for the year:	2018	2017
Share of tax expenses in subsidiaries	96 188	887
Tax at source on dividend and interest from foreign investments	1 444	20 420
<b>Tax expenses group</b>	<b>97 632</b>	<b>21 307</b>

TAX RECORDED ON BALANCE SHEET		
Tax payable allocated group companies	66 163	30 047
Deferred tax: tax benefit, deficit in group companies to be carried forward	0	0
Deferred tax liability related to operating assets in group companies	362 415	317 410

### NOTE 14 – BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	Company		Norfund Group	
	2018	2017	2018	2017
Deposits in Norges Bank	2 293 649	2 368 043	2 293 649	2 368 043
Tax deductions	3 751	3 008	5 706	4 821
Unused resources, note 14	11 042	23 772	11 042	23 772
Ordinary bank deposits	560 577	268 065	1 143 133	2 693 373
<b>Total bank deposits</b>	<b>2 869 021</b>	<b>2 662 888</b>	<b>3 453 531</b>	<b>5 090 009</b>

## NOTE 15 – CAPITAL MOVEMENTS

## COMPANY

(Figures in 1000s)	Primary capital	Capital in reserves	Surplus fund	Total equity
Capital at 1 January 2018	10 514 750	3 680 250	8 179 767	22 374 767
Capital supplied in 2018	1 265 625	421 875	0	1 687 500
Equity adjustment for ass. co. charged directly to equity (see note 5)	0	0	734 850	734 850
Actuarial gains/losses, pensions	0	0	-21 006	-21 006
Net surplus	0	0	1 157 966	1 157 966
<b>Capital at 31 December 2018</b>	<b>11 780 375</b>	<b>4 102 125</b>	<b>10 051 578</b>	<b>25 934 078</b>

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

Of the capital received in 2018, 75% was allocated to primary capital and 25% to legal reserves.

The equity adjustment is primarily a result of the adjustment of Norfund's ownership interests in SN Power AS and Arise BV due to changes in hedging instruments, changes in the USD/NOK exchange rate and other adjustments. SN Power AS and Arise BV present their financial statements in USD.

## NORFUND GROUP

(Figures in 1000s)	Primary capital	Capital in reserves	Surplus fund	Minority Interest	Total equity
Capital at 1 January 2018	10 514 750	3 680 250	8 179 766	951 870	23 326 637
Capital supplied in 2018	1 265 625	421 875	0	0	1 687 500
Equity adj. for group cos/ass. co./pensions charged directly to equity	0	0	713 844	0	713 844
Net surplus	0	0	1 157 966	30 198	1 188 165
Change minority consolidation subsidiary	0	0		-313 384	-313 384
<b>Capital at 31 December 2018</b>	<b>11 780 375</b>	<b>4 102 125</b>	<b>10 051 578</b>	<b>668 685</b>	<b>26 602 762</b>

**NOTE 16 – UNUSED RESOURCES (NORFUND'S GRANT FACILITY)**

In Report no. 23 S to the Storting for 2017, resources are granted to Nordic Horn of Africa Opportunities Fund. The resources are to be used to enable the establishment of an investment fund for small and medium-sized enterprises in Somalia. This type of investment is highly risky, and the grant resources are used as buffer capital to protect other investors against losses. The buffer capital is a vital instrument for attracting investors. The fund is the first of its kind in Somalia, and is expected to have significant development effects.

Norfund received NOK 20 million in grant resources in 2018. The resources are used to increase the development effect of Norfund's investments through operational improvements

and local community development, and by developing new projects in sectors and countries with particularly high risk levels. Support may, for example, be provided for training and transfer of expertise, health and equal opportunity programmes, workers' rights, improvement of internal control, corporate governance and energy efficiency. The resources are treated as current liabilities, and undisbursed amounts are included in Norfund's liquid assets. When costs are met from the resources, the liability is reduced by an equivalent amount. A total of 14 NOK million in costs was charged to the fund in 2018.

Norfund has also received grant resources earmarked for projects in the Balkans, most of which have been granted as loans to finance companies.

	Unused resources Norfund		Unused resources Nordic Horn of Africa Opportunities		Unused resources Balkans	
	31.12.18	31.12.2017	31.12.18	31.12.2017	31.12.18	31.12.2017
<b>RECEIPTS</b>						
Carried over from previous year	-440	0	24 057	0	155	3 588
Received during the year	20 000	15 000		24 057	0	0
Reflow grant resources	0	0	0	0	0	0
<b>Total receipts</b>	<b>19 560</b>	<b>15 000</b>	<b>24 057</b>	<b>24 057</b>	<b>155</b>	<b>3 588</b>
<b>Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>959</b>	<b>24</b>
<b>DISBURSEMENTS</b>						
<b>General costs</b>						
General follow-up	0	0	0	0	-246	-517
<b>Intervention</b>						
Project development:	-850	-196	0	0	0	0
Boost and support project development effects	-10 352	-10 374	0	0	0	0
Promote social responsibility	-2 873	-4 870	0	0	0	0
<b>Local investment funds</b>						
Follow-up costs	0	0	0	0	802	-61
Loans to projects	0	0	-24 057	0	3 887	-2 880
<b>Total disbursements</b>	<b>-14 075</b>	<b>-15 440</b>	<b>-24 057</b>	<b>0</b>	<b>4 444</b>	<b>-3 458</b>
<b>Allocated interest income</b>						
<b>Non-disbursed resources</b>	<b>5 485</b>	<b>-440</b>	<b>0</b>	<b>24 057</b>	<b>5 557</b>	<b>155</b>
Total non-disbursed resources at 31 December 2018		11 041				

At the end of 2018, unused resources relating to the Balkans consisted of three outstanding loans totalling EUR 3.3M, and one equity investment of EUR 0.1M.

## NOTE 17 – INFORMATION ON FINANCIAL MARKET RISK AND THE USE OF FINANCIAL INSTRUMENTS

## MARKET AND CURRENCY RISK

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

Norfund's investments are mainly made in USD, but in some cases in other currencies. Since Norfund's base currency is NOK, its future returns are strongly influenced by the

exchange rate between NOK and USD (or other currency where relevant). The various objects in which Norfund invests may also be subject to fluctuations between local currencies and USD.

Norfund's investment agreements are largely denominated in USD, while its liquid assets are to a large extent placed in NOK-denominated interest-bearing accounts in Norges Bank.

FX rates used in conversion		31.12.18	31.12.2017	Change during the year
US dollar	USD	8,689	8,205	5,9 %
South African rand	ZAR	0,604	0,665	-9,1 %
Rwandan franc	RWF	0,010	0,010	1,6 %
Kenyan shilling	KES	0,085	0,079	7,6 %
Ugandan shilling	UGS	0,002	0,002	3,6 %
Mozambican metical	MZN	0,140	0,138	1,8 %
Bangladeshi taka	BDT	0,103	0,099	4,6 %
Cambodian riel	KHR	0,002	0,002	6,9 %
Swaziland lilangeni	SZL	0,602	0,663	-9,3 %
Euro	EUR	9,948	9,840	1,1 %



Deloitte AS  
Dronning Eufemias gate 14  
Postboks 221 Sentrum  
NO-0103 Oslo  
Norway

Tel: +47 23 27 90 00  
Fax: +47 23 27 90 01  
www.deloitte.no

To the General Meeting of Norfund

INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Norfund showing a profit of NOK 1 157 966 000 in the financial statements of the parent company and profit of NOK 1 188 165 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company Norfund (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norfund and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

*Opinion on the Board of Directors' report*

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

*Opinion on Registration and Documentation*

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

Oslo, 26 March 2019  
Deloitte AS

**Grete Elgåen**

State Authorised Public Accountant (Norway)

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







# Norfund

**NORFUND'S HEAD OFFICE  
OSLO, NORWAY**

Fridtjof Nansens plass 4  
0160 Oslo, Norway  
Phone: +47 22 01 93 93  
E-mail: [post@norfund.no](mailto:post@norfund.no)

**NORFUND'S OFFICE IN  
BANGKOK, THAILAND**

Level 25th, Exchange Tower,  
Suite 2501-2 Sukhumvit Road,  
North Klongtoey, Wattana,  
Bangkok 10110, Thailand  
Phone: +66 2 663 5112

**NORFUND'S OFFICE IN  
SAN JOSÉ, COSTA RICA**

Escazu Corporate Center  
Costado Sur, Multiplaza Escazu  
San José, Costa Rica  
Phone: +506 2201 9292

**NORFUND'S OFFICE IN  
ACCRA, GHANA**

6th Floor, One Airport Square,  
Airport City, Airport  
Redevelopment Scheme,  
Accra, Ghana  
Phone: + 233 (0) 302 906 774

**NORFUND'S OFFICE IN  
NAIROBI, KENYA**

14th Floor, The Address  
Muthangari Drive, Off Waiyaki Way,  
(as of 1. Aug 2019) Nairobi, Kenya  
Phone: +254 722-209156/7  
+254-20-4207000

**NORFUND'S OFFICE IN  
MAPUTO, MOZAMBIQUE**

Rua Joseph Ki-Zerbo  
n.º 253 Maputo  
Mozambique  
Phone: +258 214 949 65

---

[www.norfund.no](http://www.norfund.no)

---