



Annual report 2018

A Name Such as Innovation Norway Carries a Commitment

The 2019 annual report is about the year we leave behind us. Therefore, it doesn't reflect the historic setback in the world economy caused by the Coronavirus pandemic during the spring of 2020.



Foto: Astrid Waller

By CEO Håkon Haugli

At the same time, Norway was hit by a sharp fall in oil prices. We don't know what the long-term consequences will be. But we do know that the measures taken to combat the pandemic have affected trade and industry's ability to maintain profitable operations. Important markets and value chains for most Norwegian companies have been affected, and certain sectors have been particularly hit hard. Newly established companies are particularly vulnerable because they often lack current income, and because access to both investors and customers has disappeared at the same time. Consequently, the crisis may also reduce the amount of restructuring and innovation taking place, which will be crucial in maintaining a sustainable and competitive business sector after the crisis has ended.

In 2020, Innovation Norway has received extended loan and grant frameworks, and new assignments to maintain and stimulate innovation in the business sector during the crisis period. This annual report was largely finished when the crisis occurred. Therefore, the analyses and texts do not take the crisis into account.

Sustainable Growth is a Prerequisite for Welfare

The high level of welfare in Norway is a result of having a business sector that creates value, which continuously drives innovation forward and offers goods and services that international customers want to buy. Our high level of costs has been a driver of innovation. A highly educated population and high labour force participation rates have also been important. Value creation in trade and industry will also be a prerequisite for welfare in the future. Specialised, knowledge-based companies that gain access to global value chains are the ones that can best create new value for the future. We also know that a high proportion of new jobs are created in new companies, and that established businesses involved in continuous development work are more successful than those that are not.

Innovation Norway's services are aimed at these particular companies, SMEs with ambitions and implementation skills to develop goods and services that can find markets in Norway and abroad. It is crucial, because Norway now relies on a few, large export industries. Trade and industry can and must be restructured to meet climate change challenges. There are many Norwegian companies developing sustainable solutions that can meet global demands for food, energy, healthcare and education. Going forward, we must focus on companies developing new solutions that meet international demands and help solve major challenges. Innovation and internationalisation are instruments that can be used to both increase value creation in Norway and to meet the greatest challenges of our time.

A Unified Policy Implementation System for Growth

Innovation Norway is more than just a bank that finances high-risk projects. We are over 700 dedicated employees spread across the whole of Norway and large parts of the world, who talk with customers, offer expertise, challenge, make connections and create networks. Companies should be able to come to us with their needs, projects and ambitions, but do not need to be familiar with all the schemes in the policy implementation system. Through dialogue and the use of business model development tools, companies receive advice and are able to develop their own projects. We connect them to our services or instruments, or to other actors who can help them realise their potential. In 2019, our strategy has made clear that Innovation Norway shall be a sparring partner for trade and industry, and this has been a governing factor in the reorganisation of the company.

The Efforts Have Made an Impact

The Storting and county councils allocated a total of NOK 4.1 billion to Innovation Norway in 2019. That is a lot of money, and society needs to know what it gets back in return when it gives us this much responsibility. We are committed to documenting what we achieve: When we include loans, grants, advisory services, profiling and networks, Innovation Norway contributed NOK 6.7 billion to trade and industry in 2019. Trade and industry's funding in the same projects amounts to almost twice as much, totalling NOK 17.9 billion. You can read more about the results in the other sections of this annual report. It is important to mention that nine out of ten companies state that Innovation Norway's contributions have, to a high or moderate extent, been a decisive factor in the realisation of their project. Companies that have received support from Innovation Norway have a greater increase in sales revenues and higher growth in value creation and productivity compared to those that are not our customers. In addition, the companies say that our advisory services help get their international initiatives off the ground. Exports start at home. If companies are to succeed, Innovation Norway must work in partnership locally, regionally and internationally.

EU on the Horizon

The work on EU research and innovation programmes as a pathway to international markets for Norwegian companies gives results. Since 2014, Norwegian companies have been allocated more than NOK 2.7 billion in EU grants and have therefore experienced great success. In 2019, 38 Norwegian SMEs received a total of approximately NOK 300 million from the EU's newly established European Innovation Council (EIC). It is impressive, and bodes well for work on the upcoming Horizon Europe programme, which is even more oriented towards societal impacts and innovation.

New Strategic Direction

In 2019, Innovation Norway developed a new company strategy. It is based on the changes taking place in the business sector and society, and other main challenges, such as the fact that Norway needs to develop a more diverse, robust and sustainable business sector. The strategy includes clear priorities that you can read more about in a separate chapter. This gives us a strategy that is adapted to current needs, while at the same time providing flexibility. In light of changes taking place in the world around us, regular assessments of the priorities will be carried out. Organisation must follow strategy. In 2019, we worked in parallel with the strategy and the company's organisation, and a new organisational model was in place in January 2020. This includes three customer-oriented divisions and strong professional environments for operations and development. A name such as Innovation Norway carries a commitment. As an organisation, we must also be at the forefront, and have been particularly committed to implementing a digital change of pace and strengthening our analysis function. This is to ensure that we can offer our customers more efficient, targeted and holistic services in the future.

Almost one year has passed since I took over as CEO of Innovation Norway. It has been an informative year including hundreds of meeting points with a Norwegian business community that is innovative, future-oriented and genuinely committed to creating sustainable solutions. In addition, it has been a year that has allowed me to meet people from the business sector and colleagues all over the world who, every single day, do their utmost to create value and make our society even better. It is a great responsibility and a privilege.

Norway's Challenges are Unique

The Organisation for Economic Co-operation and Development (OECD) has pointed out that Norway faces a triple transition challenge. This requires a more coordinated innovation system that must be more aligned towards addressing specific social challenges within areas such as climate change, healthcare, mobility and regional development.



Foto: Thor Nielsen / NTNU

By chair of the board Gunnar Bovim

The Government's ambition is to make Norway one of the most innovative countries in Europe. In order to achieve this, the Government's investments in research and development must be followed by a commitment to commercialisation, growth and internationalisation. Good Norwegian ideas must reach paying markets.

The ability of Norwegian companies to use and develop advanced technology and new digital solutions will be critical to our overall ability to address societal challenges, and for corporate productivity, competitiveness and growth.

Norway's Climate Risk Commission noted how the transition to a low emission economy also carries a high risk for the Norwegian economy. If companies do not adapt, their competitiveness will be significantly impaired. As a financial actor in all regions, Innovation Norway must also become better at assessing risk in its own investments, and helping our customers assess the risks associated with sustainability.

A Renewed Company and New Tasks

In April 2019, Innovation Norway's Board of Directors had the pleasure of appointing Håkon Haugli as the new CEO. Haugli gave this year's Innovation Speech at the end of May and introduced a new focus on growth and internationalisation. This has been a key element of Innovation Norway's work throughout the year. The same topics are also strongly visible in the new strategy adopted by the Board of Directors at the end of the year. This strategy forms the foundation for the company's work up to 2025.

New Organisation

The CEO, in collaboration with employee organisations and committees, and with the board, has led an assessment of how the company can best organise itself in order to carry out the tasks that must be given the highest priority. In this work, the customers are central, and operations must be organised in a clear and understandable way and be a united point of contact for the business community.

Shortly before Christmas 2019, the Management Group presented the new organisation to employees, effective from January 2020. The new Management Group is smaller than before, and some of the positions have been announced. The process for finding the right candidates is ongoing at the time of writing.

The new organisation is also a result of Innovation Norway wanting to accommodate some of the proposals from the instrument review initiated by the Ministry of Trade and Industry. The Board of Directors has followed this work with great interest, and will do its part to ensure that work results in a unified instrument that contributes more effectively to value creation in Norway.

In my opinion, Innovation Norway continues to deliver good results and is an important actor in developing trade and industry in Norway. The Government shows great confidence in the organisation through additional assignments in connection with the Coronavirus pandemic. At the same time, it also shows how important it is to safeguard development, innovation and the transition to a greener and more sustainable business sector in times of crisis. I am confident that the establishment will prove worthy of the trust it has been shown and make significant contributions in getting trade and industry back on its feet when the situation returns to normal again.

About Innovation Norway

Innovation Norway is the Norwegian Government's and the county authorities' most important instrument for value-creating business development throughout the country, giving local ideas global opportunities.

Innovation Norway shall be a sparring partner that offers expertise, networks and capital to SMEs with capacity for growth, both individually and in networks. Innovation Norway wants to be a door into the policy implementation system, and connect companies with private and public actors that can help companies grow in both domestic and international markets.

Through its 19 regional offices across the country, Innovation Norway is always in close contact with Norwegian trade and industry. With 34 offices in 30 countries, Innovation Norway also actively facilitates business and export promotion, and assists Norwegian companies in important markets.

51 percent of Innovation Norway is owned by the Ministry of Trade, Industry and Fisheries, and 49 percent of the company is owned by the county authorities. Innovation Norway is organised as an enterprise established by special legislation, where the Board of Directors are independently responsible for its operations and the results achieved.

Innovation Norway receives annual letters of assignment from ministries, county authorities and county governors. The main assignments involve innovation and internationalisation, regional business development and funding. In addition, Innovation Norway receives assignments related to agriculture, travel and tourism profiling and EEA Norway grants. The aim is to stimulate commercially and socio-economically profitable business development, and realise the commercial potential of the regions. This is achieved by contributing to more successful entrepreneurs, more companies with growth potential and more innovative business communities.

Innovation Norway was established in 2004 through merging together the Norwegian Industrial and Regional Development Fund (SND), the Norwegian Export Council, the Norwegian Tourist Council and the Government Consultative Office for Investors. This fusion provided Norwegian trade and industry with a door into a regionally, nationally and internationally unified policy implementation system for innovation and business development.

Foto: Astrid Waller

Targeted and Customer-Oriented Organisation

As of 1 January 2020, Innovation Norway's customer-oriented work is organised into three divisions: Regional and Business Development; Entrepreneurship, Growth and Export; and Special Assignments.

The aim is to reinforce Innovation Norway's role as a customer-oriented sparring partner with an effective organisation that provides clear goals, clear performance responsibilities and room for interaction.

The new organisational model is the result of an extensive organisational development process throughout 2019. In December 2019, Innovation Norway's Board of Directors endorsed the new organisational model, which also reflects the new strategy focusing on regions, exports and growth as three leading key words.

The main tasks in the new organisational model are divided as follows:

Regional and Business Development Division

Shall promote value creation and help create jobs throughout the entire country, as well as build strong regional partnerships. The regional offices in Norway report to the division.

Entrepreneurship, Growth and Export Division

Shall introduce the best Norwegian companies to the rest of world, and mobilise for Horizon Europe. Shall facilitate expertise and capital so that a greater number of talented entrepreneurs and growth companies succeed through growth and export. Innovation Norway's international offices report to the division.

Special Assignments Division

Shall safeguard and implement important social assignments that Innovation Norway receives from various clients. Examples include Expo 2020, Business Partnerships, EEA assignments and the travel and tourism assignment Visit Norway.

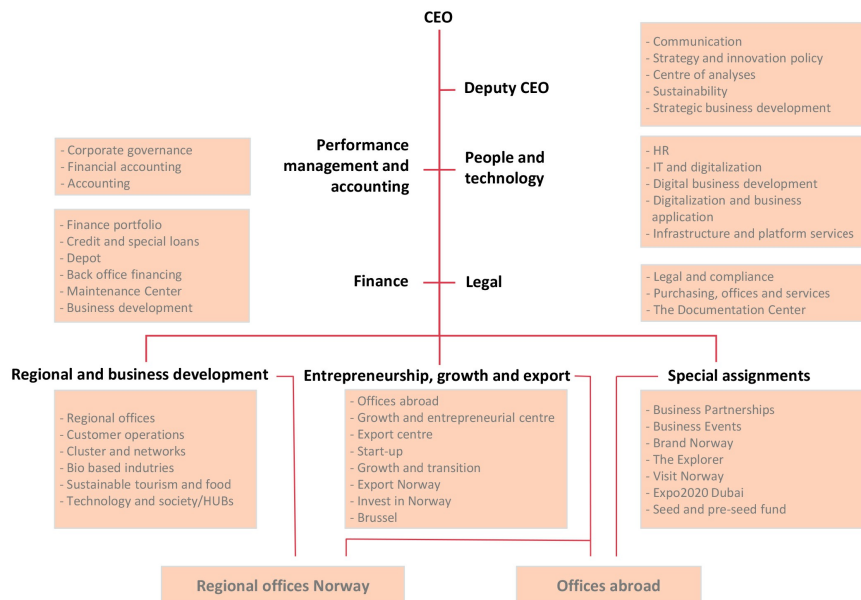
Staff Functions

The new organisational model involves the separate staff functions of People and Technology, Corporate Governance and Finance, Funding and Legal. In addition, the Deputy CEO will receive a dedicated group of strategic staff responsible for strategic development and cross-sectoral initiatives. This group of staff deals with Communication, Strategy and Innovation Policy, the Analysis Centre, the Sustainability Secretariat and Strategic Business Development.

Foto: Astrid Waller

Organisation chart - Innovation Norway

Organization chart from January 2020



Innovation Norway - Management Group

Management in Innovation Norway from January 2020

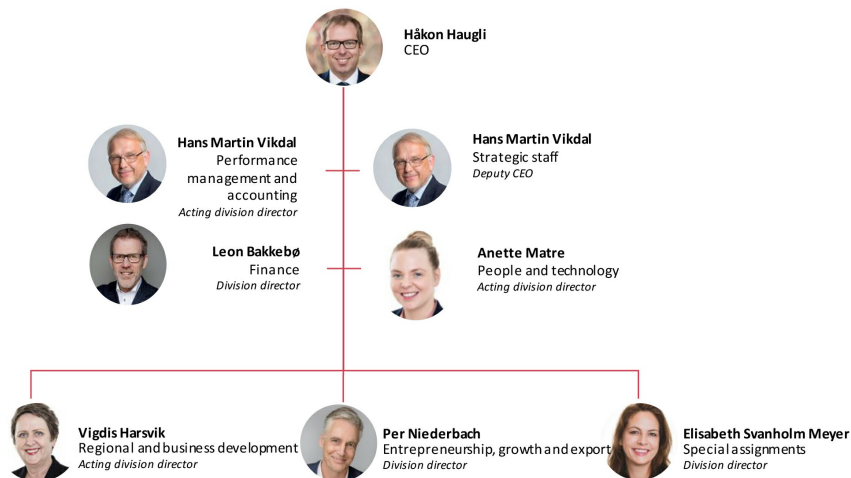


Photo: Agnete Brun og Astrid Waller

Customer-Oriented Focus

Focusing on strong regional partnerships, solving global challenges and sustainable growth and exports are three priorities in Innovation Norway's new strategy for 2020-2025.

The strategy complements the overriding social assignment that Innovation Norway has been given; to trigger commercially and socio-economically profitable business development across the country. Innovation Norway's role as sparring partner for Norwegian trade and industry, both nationally and internationally, is key to achieving the strategic goals.

The strategy is based on the changes that are taking place in the business world and with an increasingly globalised society with rapid technological development. Norway is losing its share of the international market, and there is a growing gap between export revenues and public spending. Norway needs for an economic transition to take place - a more diverse business

structure and more companies that scale internationally. The major social challenges addressed in the UN's Sustainable Development Goals are also becoming increasingly normative for authorities and the business sector.

These challenges place new demands on the policy implementation system. The aim is to contribute to development and growth where trade and industry is part of the solution. At the same time, the regions are strengthened as instruments of social development. The counties will become more important as premise setters and more active in their role as clients for Innovation Norway. Innovation Norway knows the needs and challenges of the business sector, and can help connect regional, national and international efforts.

Strategic Priorities

Based on this backdrop, there are five strategic priorities that form Innovation Norway's foundation over the next five years:

1. Innovation Norway shall be a sparring partner for business and industry in all regions.
We shall meet our customers where they are and take into account their needs. We shall be easy to use and provide relevant information.
2. Innovation Norway shall work to ensure that more companies are successful in achieving sustainable growth and exports.
We shall help the best companies enter international markets and build new export industries. We shall challenge in terms of sustainability, and we shall develop financial instruments and trigger private capital for growing companies.
3. Innovation Norway shall work to involve the business sector in solving global societal challenges.
We shall mobilise Norwegian communities so that they can best utilise the opportunities in Horizon Europe, and we shall ensure that more Norwegian companies can deliver new, innovative solutions to the public sector.
4. Through regional partnerships, Innovation Norway will help create jobs throughout the entire country.
We shall help develop innovative collaborations that address regional challenges, and shall participate actively in the regional partnerships to create growth based on regional conditions.
5. Innovation Norway shall provide our clients and owners with advice on what works best, and how we can get more out of government investments.

Four Prioritised Drivers

In order to achieve the strategy objectives, Innovation Norway shall:

- Become more data-driven and analytical, efficient with digital, automated routines and solutions that save the customer time, and open up the entire policy implementation system.
- Ensure that more Norwegian companies source knowledge and capital in EU programmes, and make it easy for trade and industry to reach Horizon Europe.
- Be an active dialogue partner in the regions and support the counties in their role as social developers, and work more in partnership with the market, banks and investors.
- Develop, learn and work in a multidisciplinary and transparent manner to draw on expertise across the entire organisation.

The new strategy was decided by Innovation Norway's Board of Directors in December 2019.

In light of the Coronavirus crisis that hit Norway in March 2020, Innovation Norway has increased its efforts to alleviate the acute needs that have arisen in Norwegian trade and industry. As of 15 April 2020, Innovation Norway has been given the responsibility of managing additional financial measures amounting to NOK 4.7 billion to strengthen trade and industry's innovation and development activities. The company's goals and strategies form the basis for this work.

Our Customers are More Successful!

On average, companies that receive support from Innovation Norway have an annual increase in value creation of 8.3 percentage points compared to similar companies that do not receive this support. For nine out of ten companies, Innovation Norway's contribution is a determining factor in the realisation of projects.

One of Innovation Norway's aims is to make a difference for its customers. In order to find out more about the effects of Innovation Norway's activities and contributions to Norwegian trade and industry, two ongoing impact surveys will be carried out by Economics Norway and Oxford Research Norway, respectively.

The impact survey that Economics Norway is conducting for Innovation Norway will compare specific indicators such as sales revenues, value creation, productivity and the number of man-years in companies that have received support from Innovation Norway with a control group of similar companies that haven't received such support.

Important for Value Creation

The findings of the surveys indicate that collaboration with Innovation Norway is an important factor in increasing customers' value creation, although it must be taken into account that Innovation Norway can't take credit for all the results. There may be factors that the surveys don't pick up on, and effects can occur at different times.

Taking all this into account, Economics Norway estimates an average annual increase in value creation of 8.3 percentage points over a three-year period for companies that receive support from Innovation Norway. On average, this indicates that three-years after receiving a funding commitment, Innovation Norway's customers get a head start in the form of a 25 percentage point increase in value creation compared to others that have not received support. In theory, the effects will last for a certain amount of time after the three-year period is over. However, it all depends on how quickly the expertise deteriorates, and the companies' capacity for renewal.

The corresponding figures regarding the annual increase in sales revenue and productivity are 9.0 and 4.0 percentage points, respectively. Given that trade and industry's total annual productivity growth is 1 to 2 percentage points, an increase in productivity of 4 percentage points is considered good. In addition, companies that receive support from Innovation Norway see an annual increase of 3.1 percentage points in the number of man-years compared to companies without such support.

International Market Advisory Services Stimulate Growth

In 2019, Innovation Norway intensified its focus on exports and internationalising Norwegian trade and industry. Innovation Norway's internationalisation services largely consist of skills development and market advice. Over the course of several years, Innovation Norway has measured the effects of its international market advisory services, and Economics Norway's analysis shows that companies using these services increase their turnover by 8.2 percentage points, increase their value creation by 4.1 percentage points and increase their productivity by 2.3 percentage points, compared to similar companies that have not used Innovation Norway's advisory services.

Project Implementation and Expertise

The other survey is an annual, ongoing customer impact survey conducted by Oxford Research. The survey involves all of Innovation Norway's registered customers. According to this survey, nine out of ten customers state that Innovation Norway's contribution was crucial in realising their project.

In the same survey, half of the companies that receive expertise in addition to capital state that they consider the expertise service to be an important addition to the capital.

The same applies to project implementation. Half of those who have received services from Innovation Norway experience being followed up in the years that follow, and four years later, they achieve consistently better results than those who feel they have not been followed up.

Sustainable Solutions

Sustainability and green value creation have also played a central role in Innovation Norway's 2019 operations. Sustainable growth is one of the key priorities in Innovation Norway's new strategy for the 2020-2025 period.

As part of this, Innovation Norway will challenge Norwegian trade and industry in terms of sustainability, while contributing to development and growth where trade and industry are part of the solution. Sustainability, focusing on opportunities related to economic, environmental and societal outcomes, is a constant theme in our dialogue with trade and industry.

Norwegian trade and industry are very much concerned with climate and environmental conditions, and this is also reflected in Innovation Norway's financial portfolio. In 2019, 51 percent of all funding was allocated to projects with a defined environmental effect. This is an increase of 2 percent compared with the previous year.

The Environmental Technology Scheme, which provides grants for the innovation and development of new environmental technologies, is a spearhead in this field. 2019 was a record breaking year for the scheme, with Norwegian environmental technology projects being allocated a total of NOK 608 million.

There are many Norwegian companies developing sustainable solutions that can meet global needs for food, energy, healthcare and education. In May 2019, The Explorer was launched internationally. This is a digital showcase for Norwegian companies working on green solutions to global challenges. This took place at the Green Tech festival in Berlin, where Norway was a partner country. By the end of 2019, 302 Norwegian companies had registered their solutions in The Explorer. In 2019, the web portal received more than 800,000 visitors from over 100 countries.

Within the field of agriculture, the Value Creation Programme for renewable energy in agriculture will help more companies utilise and produce climate-neutral, renewable energy. In 2019, the programme allocated a total of NOK 93.3 million, which is the largest amount in the programme's history. Since the programme started in 2003, an overall annual production of 475 GWh has been established. This is equivalent to the annual energy consumption it takes to heat over 30,000 detached houses.

As of 1 January 2020, sustainability is organised as a separate secretariat under the Deputy CEO.

Norway Needs More Successful Entrepreneurs

In 2019, our regional offices have been actively involved in building stronger structures for innovation and entrepreneurship in the districts. It is important for Innovation Norway to contribute to a healthy entrepreneurial culture and a good ecosystem throughout the whole country.

One of Innovation Norway's sub-goals is to promote more successful entrepreneurs.

In 2019, Innovation Norway has focused on:

- increasing entrepreneurs' access to venture capital
- developing entrepreneurs' skills in raising capital, business development and scaling
- building a good entrepreneurial culture and valuable meeting places throughout the whole country

Innovation Norway contributes with advisory services, expertise, networking and profiling services, in addition to capital.

Increasing Access to Venture Capital

In 2019, Innovation Norway allocated a total of NOK 1.6 billion in loans and grants to start-up companies that have existed for less than three years. According to the customer impact survey that Economics Norway has conducted on behalf of Innovation Norway, companies that have received this type of venture capital are growing faster than other start-ups.

On average, companies that have received funding have increased their annual growth in sales revenues by 14.4 percentage points compared to similar companies that didn't receive support. Correspondingly, value creation increased by 14.5 percentage points, productivity increased by 9.6 percentage points, and man-years increased by 4.9 percentage points.

652 companies received start-up grants totalling NOK 184.4 million. Entrepreneurs can use this funding to assess whether a paying market exists, as well as to develop and launch their solution on the market.

127 start-up companies received start-up loans totalling NOK 199.2 million. A start-up loan gives start-up companies capital which enables them to continue building their enterprises. The effects of this type of development are evaluated by Menon Economics. Preliminary findings suggest that these loans have made the process of product commercialisation a lot quicker. 47 percent of these companies state that they have spent less time trying to find the finances they needed, and 55 percent stated that the start-up loan made it easier, or was essential, in attracting other investors.

The pre-seed capital and seed capital schemes have been important in mobilising more early-phase investments and capital that can be matched with Innovation Norway and other state instruments. The pre-seed capital scheme has been in place since 2015, and evaluations suggest that entrepreneurs have been able to raise sufficient early-phase capital much quicker. It seems that the financing process has become more predictable, especially for young companies that have utilised pre-seed capital.

Start-ups are increasingly utilising Innovation Norway's other financing instruments, particularly the Environmental Technology Scheme, Innovation Contracts and high-risk loans. Access to different forms of funding are important for young, innovative companies in order for them to survive the lifecycle from commercialisation to scaling and growth.

Strengthened Expertise in Business Development and Raising Capital

In order for start-up companies to grow, developing expertise is often needed for business development and raising capital. In 2019, 136 companies have participated in the Fundraising for Startups programme. The aim of the programme is to prepare and teach start-ups how to raise capital in the earliest phase from angel capital to venture, as well as business development to prepare companies for the growth phase. The companies present themselves and learn while interacting with real investors and get to build networks at the same time. In total, 164 start-up companies have participated in the 2019 Global Accelerators programmes.

Start-up companies often need a mentor when difficult strategic decisions have to be made during the commercialisation phase. In 2019, 169 companies received advisory services from a mentor through Innovation Norway's start-up mentoring service. Companies that receive both funding and expertise through a mentor grow faster. Based on the Menon Economics impact survey conducted during the autumn of 2018, value creation has increased by 29 percentage points compared to similar companies that didn't receive mentoring services.

A Good Ecosystem for Innovation and Entrepreneurship

Arenas where investors and entrepreneurs can meet are important for stimulating innovation, knowledge and networks. The culture of entrepreneurship has strengthened itself in recent years. Currently, there are incubators, office communities and angel investor communities in many places throughout country, and not all of them are located in the major cities. Through the initiative 'Meeting Places for Growth', Innovation Norway has strengthened several national meeting places such as Artic Innovation Week in Tromsø and Technoport in Trondheim.

Innovation Norway has customers throughout the whole country. Therefore, it is important to develop local meeting places where entrepreneurs can meet investors, build networks and increase their expertise. It is important for Innovation Norway to contribute to a healthy entrepreneurial culture and a good ecosystem throughout the whole country. In 2019, our regional offices have been actively involved in building stronger structures for innovation and entrepreneurship in the districts. Entrepreneur Week in Telemark and Capital Day in Sogn and Fjordane are examples of these types of meeting places.

Strengthening Access to Capital in Order to Help Growth and Export

Norwegian economic restructuring depends on more companies growing and scaling successfully. Innovation Norway's contribution is to provide funding to these companies and link them up with expertise and networks in Norway and in the export markets.

One of Innovation Norway's sub-goals is to help create more companies with capacity for growth. In 2019, Innovation Norway provided NOK 3.2 billion in funding to companies with capacity for growth, i.e. companies that have been established for more than three years. In addition, advisory services, expertise, networking and profiling amounts to NOK 297 million.

In total, 53 percent of the total funding provided by Innovation Norway in 2019 went to companies in this category. The corresponding figures from 2018 were NOK 3.5 billion (55 percent).

Creating an Impact

The impact survey conducted by Economics Norway for Innovation Norway shows that this group of companies experiences more growth compared to similar companies that don't utilise Innovation Norway's services. Sales revenues are 5.8 percentage points higher, value creation 5.4 percentage points higher and productivity 2.5 percentage points higher. The number of man-years are also higher.

Triggering New Norwegian Exports

Innovation Norway's aim is to help further develop strong export industries and build new ones. On a national scale, less than five percent of Norwegian companies are involved in exports. One way to increase exports is to promote more new export companies, and they need support.

An analysis conducted by Oxford Research on behalf of Innovation Norway shows that:

- One in four companies working with Innovation Norway are either involved in exports, or have immediate plans to export. If we exclude companies in the primary industries, this applies to more than one in three companies.
- Six out of ten export companies report that they were not involved in exporting before receiving support from Innovation Norway.
- Two out of three companies report that the services they received from Innovation Norway contributed to getting their internationalisation process underway. Many of the companies in the survey point to Innovation Norway's support as a determining factor in their export activities.
- Funding and a lack of partners in the country they want to invest in are the biggest challenges of exporting. Nevertheless, export companies are better at finding external investors compared to other companies.
- One out of three companies say Innovation Norway has helped them to overcome obstacles that stood in the way of their export activities.

The analysis reveals that export companies consistently collaborate more with other companies, are more innovative and more competitive compared to similar companies. They also contribute more to environmental and societal sustainability. One out of four have external investors, compared to one out of ten at other companies.

Having foreign owners also has a positive effect on exports. They can tap into other countries and often have more knowledge about foreign markets, thereby making the company more competitive abroad.

In addition, the Impact Survey conducted by Economics Norway shows that companies that have received advisory services from Innovation Norway do better in terms of increasing growth in important areas. Compared to similar companies that haven't received such services, the survey shows an annual increase of 8.2 percentage points in sales revenues, an increase of 4.1 percentage points in value creation, 2.3 percentage points in productivity and an increase of 2.5 percentage points in the number of man-years.

Norwegian Companies are Succeeding in the European Arena

In 2017, Innovation Norway entered into a significant partnership with the European Investment

Fund (EIF). After signing the new agreement with the EIF in the spring of 2019, the total agreement for risk mitigation regarding innovation and high-risk loans amounts to NOK 1.9 billion. Successful utilisation of the agreements with the EIF is of great importance in further developing the collaboration.

The EU's programmes are becoming an increasingly important door-opener to international markets, expertise and growth funding. The EU's upcoming Horizon Europe programme, the largest research and innovation programme in the world, will focus more on innovation, commercialisation and the business sector compared to previous programmes. Therefore, assisting companies in utilising funding opportunities in the EU is an increasingly important part of Innovation Norway's mission.

In 2019, 38 Norwegian SMEs received a total of almost NOK 300 million from the EU's newly established European Innovation Council (EIC). It is now possible for companies to apply to the EU for both equity and grants. During the first round of allocations in the autumn of 2019, two Norwegian companies made the cut and were offered a total of NOK 76 million in grants and equity.

The Norwegian companies receiving EU funding are very different from each other, both in terms of size, industry and background. However, one thing they all have in common is that they have received support from Innovation Norway in contact with the EU system.

Making Norway Visible

In the spring of 2019, The Explorer was launched internationally. This is Norway's digital marketplace for green technology. At the end of the year, The Explorer had received over 550,000 visitors from over 100 countries. More than 550 Norwegian companies have registered, and 35 percent say they have made new contacts by being on the platform.

This is an important contribution in the realisation of a national export strategy, where The Explorer, Invest in Norway and the Global Growth programmes are involved. Profiling and reputation management programmes will help to make Norway and Norwegian trade, industry and technology more visible in a tough international competition, and help foreign businesses invest and establish new activities in Norway.

Innovation Partnerships Helping to Overcome Social Challenges

Norway requires more groundbreaking innovation to meet challenges within the fields of healthcare, welfare, mobility, the climate and the environment. Innovation Norway's ambition is to ensure that the public sector has a demand for innovative solutions and becomes a more mature domestic market for Norwegian companies, and that start-up companies and small businesses with innovative solutions have much greater access to public procurement than is currently the case.

Through Innovation Partnership schemes, Innovation Norway provides financial risk mitigation and process guidance to public-sector purchasers and to supply companies. The public-sector enterprises own and manage the innovation processes. Trade and industry is invited to partake in innovative collaborations through a publicly announced tender, and they can secure a contract for both the development and purchase of a ready-made solution.

As of December 2019, 14 projects were fully operational under the scheme, five of which started in 2019. 60 public-sector actors are involved, and 500 companies have participated in activities. Municipalities, county authorities and hospitals own and operate such projects, several of which are intersectoral.

Networks that Contribute to Growth and Development

Companies that participate in networks and clusters experience more growth, are better at collaborating and utilise more instruments compared to other companies that don't use Innovation Norway's services.

One of Innovation Norway's sub-goals is to establish more innovative business communities, where networks and collaborative development projects are facilitated. This takes place through

three types of instruments; the Norwegian Innovation Clusters programme, the Business Network service and the Centre of Expertise for Regional Restructuring. These instruments effectively contribute to development at a large number of companies.

Effects

Collaborative development projects have a positive effect on innovation and value creation, and they enable actors to achieve positive effects that they wouldn't have been able to achieve on their own.

The 2019 Impact Survey conducted by Economics Norway shows that companies participating in networks and cluster communities experience significant growth in their first three years compared to companies that don't use Innovation Norway's network services. Companies participating in networks and cluster communities have seen a 13.9 percentage point increase in sales revenues and a 9.6 percentage point increase in value creation. Similarly, productivity has increased by 2.4 percentage points and the number of man-years has increased by 3.3 percentage points.

In addition, it seems that companies participating in these networks are better at collaborating and utilising other types of instruments for research and innovation, including instruments governed by the EU.

However, the survey also shows that the effects are reduced over time, which may be due to an overrepresentation of companies in the more established clusters that are affected by business cycles.

The Norwegian Innovation Clusters Collaboration

At the end of 2019, 35 clusters were involved in the Norwegian Innovation Clusters programme. The past year has been characterised by further developing the instruments and implementing changes. The cluster programme presented its revised programme description, including the Arena and Arena Pro status levels. Arena Pro partly replaces GCE. In addition, proposals regarding the Sub-Programme for Mature Clusters were submitted to the relevant ministries. All of these changes are based on evaluations of the cluster programme in 2018 and extensive development work. The Global Centres of Expertise (GCE) was also evaluated in 2019, and the three GCE clusters extended their contract periods with some adjustments.

Business Networks

The Business Network programme aims to help SMEs with capacity for growth to establish commercial, strategic and market-oriented collaborations in order to strengthen their innovative capabilities and competitiveness. The aim is also to increase the companies' growth and value creation through the development and realisation of new market opportunities. This is both in existing and in new markets in Norway or abroad, where collaboration creates synergies and strategic benefits. As part of the regional reform, it has been decided that the principal responsibility for the Business Network programme will be transferred to the new regions with effect from 01.01.2020. In 2019, the programme has implemented new policy and facilitated the transition. At the same time, new networks have been initiated and are being followed up on an ongoing basis.

Regional Restructuring

Regional restructuring is a scheme focusing on extraordinary efforts in municipalities or regions where the local business sector is crumbling or disappearing, and many jobs are being lost. The aim of the scheme is to contribute to restructuring, growth and value creation in the relevant municipalities. The Centre of Expertise for Regional Restructuring has followed up the designated restructuring areas with relevant expertise and services. At the end of 2019, Innovation Norway was active in 16 restructuring areas.

Development of Expertise in the Networks

Innovation Norway wants to be a good sparring partner for its customers and has also emphasised

this in 2019 regarding the network programmes in sub-goal 3. Working in networks requires that all actors possess special expertise, while at the same time there should be clear goals and participants must trust each other. In order to make the projects relevant for the companies, an offer of early-phase networks has been established in 2019, as well as systematising the offer for the established networks. Building expertise for cluster advisers was also prioritised in 2019.

The clusters will also be better prepared to develop and implement larger development projects, with opportunities to obtain funding from other sources. The EU offers both instruments and funding opportunities, providing the Norwegian cluster communities with network, expertise and market opportunities through collaboration with other clusters and companies in the EU.

Agricultural Industry in Renewable Development and Restructuring

The use of wood is an area of priority within Innovation Norway's Bioeconomy Initiative. In 2019, Norway consolidated its international position related to the innovative use of wood as a construction material. The long-term development work regarding local food has contributed to us reaching the 2025 goal of a total local food turnover of NOK 10 billion already in 2019.

Our agricultural assignment is a major programme and important for Innovation Norway. In 2019, approximately NOK 830 million was made available by the Ministry of Agriculture and Food.

Employment and Recruitment

Agriculture and agricultural value chains are important in contributing employment and value creation to many areas, especially in rural municipalities. In 2019, two-thirds of the grants for investment and business development in agriculture were allocated to projects within the field of regional policy. Furthermore, approximately 30 percent of the grants were allocated to people under the age of 35. This shows that the scheme is important for rural jobs as well as generational change and recruitment to the industry.

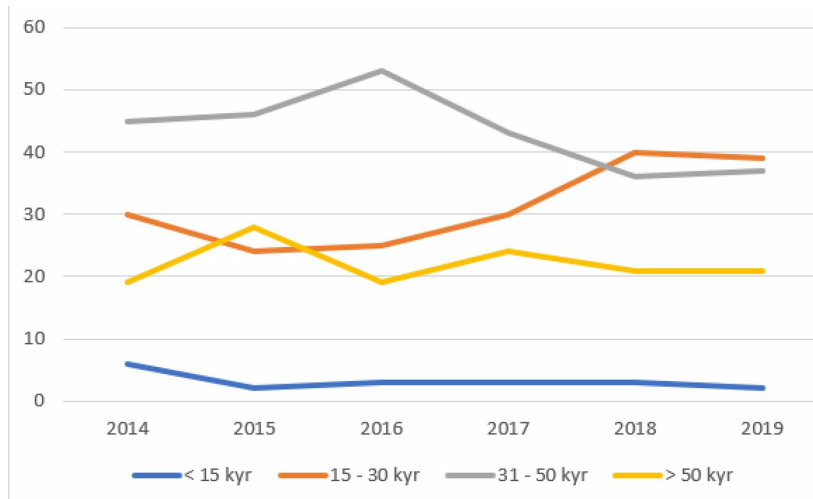
Traditional agriculture provides the foundations for much of the development taking place in other agriculture-based industries. According to the project applications granted in 2019, it is estimated that projects supported with funds for investment and business development in agriculture will provide 380 new man-years in other agriculture-based industries on farms.

Structural Change

Dairy farming is a mainstay of Norwegian agricultural production, especially in rural areas. As a result of fewer and larger producers, dairy farming has experienced a significant structural change in recent years. In 2019, there were just over 7500 dairy farms in Norway, down from 11,700 in 2009. At the same time, the average herd has increased from 20 to 28 cows during the same period.

In order to maintain a varied farming structure that is adapted to available resources, small and medium-sized farms have been prioritised in recent years. In relation to dairy farming, farms with 15 to 30 cows have been prioritised in particular.

Through grants for investment and business development in agriculture, 275 to 340 annual investments in dairy farming have been made over the past five years. During the same period, the proportion of farms with an operational scope of between 15 and 30 cows has increased from 25 percent to 40 percent. This shows that the use of investment instruments within the field of dairy farming is in accordance with the political prioritisation of these farms.



The figure shows that the proportion of dairy farms operating with 15 to 30 cows (kyr in norwegian) that have received investment support from Innovation Norway has increased continuously since 2015, and now constitutes the largest proportion. This is in line with the agricultural policy objectives.

Value Creation Programme for Renewable Energy

The Value Creation Programme for Renewable Energy in Agriculture will help more agricultural companies utilise and produce climate-neutral, renewable energy.

Based on the cost estimates from the applications processed by Innovation Norway, Norwegian farmers invested over NOK 300 million in renewable energy solutions in 2019, mainly bioenergy. In 2019, the programme allocated a total of NOK 93.3 million, which is the largest amount in the programme's history. Since 2016, the number of applications has increased by almost 50 percent.

Since the programme started in 2003, an overall annual production of 475 GWh has been established. This is equivalent to the annual energy consumption it takes to heat over 30,000 detached houses. At the same time, this transition to bioenergy has saved emissions equal to 88,000 tonnes of CO2 equivalents.

Use of Wood

The Norwegian focus on wood as a construction material has attracted considerable international attention and recognition in 2019. The world's tallest wooden building was erected in Moelv, Norway was awarded the role of being the host at the World Conference on Timber Engineering, and international initiatives are planned in Germany and France, among other countries. In addition, the world's strongest and largest wooden bridge is found in Åmot.

The use of wood is one of the areas of priority within Innovation Norway's Bioeconomy Initiative. The aim is to increase knowledge sharing, and the innovation and development of new solutions in the use of wood in buildings and infrastructure. This has been a significant investment over many years, and Norway is currently considered the world leader in the development of large wooden structures.

Increased Value Creation for Food and Tourism Actors

The Government's target of selling food with local and cultural identity worth NOK 10 billion by 2025 was already reached before the end of 2019. This shows that a systematic focus on local food through reputation management and business development has borne fruit.

The development programme for agriculture and reindeer-based growth and value creation will help to create value based on agricultural and reindeer husbandry resources.

Future-oriented work has taken place over several years in relation to local food, and the market for local food and beverages has increased sharply in recent years. The Food Nation Norway action programme has been established as a political framework for business development and value creation based on healthy and safe Norwegian food, and the Development Programme's instruments help to achieve key goals in this work.

Activities related to national and regional reputation management help to highlight the range of Norwegian local food, as well as strengthening collaboration among local food producers and actors. The most important include Internationale Grüne Woche in Berlin, Matstreif in Oslo, the Bergen Food Festival and the Trøndersk Food Festival, the latter of which was attended by Dr. Diane Dodd from the International Institute of Gastronomy, Culture Arts and Tourism in 2019. She stated that "the Trøndersk Food Festival is probably the best food festival in Europe".

Competent and Patient Capital

The seed funds invest in innovative companies that have international growth ambitions. The funds are created by Innovation Norway in collaboration with private investors and managed by professional management teams.

Companies often have long and capital-intensive development processes that require investments over time. In addition to capital, the management communities provide networks and knowledge that are crucial for portfolio companies to succeed.

The aim of the funds is to achieve profitable investment activities and attract as much private capital as possible. Previous analyses show that government investments of NOK 2.3 billion have generated more than NOK 13 billion in equity, grants and loans for the portfolio companies.

The seed capital scheme has established funds in several stages. In total, 14 funds administer approximately NOK 4 billion and have invested in over 190 companies. All 14 funds have approximately NOK 1.15 billion available for investment. We estimate that approximately NOK 0.65 billion is available for investments in new companies that are less than five years old, and that the remaining NOK 0.5 billion is tied to follow-up investments in existing portfolio companies and coverage of ongoing management costs.

Establishment of a New Nationwide Seed Fund

In 2018, Innovation Norway was tasked with selecting a trustee to manage a new seed fund. The mandate was assigned to ProVenture Management III AS in September 2019, and the ProVenture Seed III AS fund will be operational during the first quarter of 2020.

The fund will be established with a minimum of NOK 150 million in private capital and NOK 150 million from Innovation Norway. The trustee plans to carry out a new round of raising capital within the first 12 months and increase the fund's total assets to NOK 400 million.

Creating a Common Strategy for Travel and Tourism

In 2019, there were 35.2 million guest nights in commercial accommodation. This is an increase of four percent compared to 2018, which means 1.34 million more guest nights. The number of Norwegian guest nights increased by three percent, and foreign guest nights increased by six percent.

The Norwegian Government is gathering the Norwegian travel and tourism industry into one common and comprehensive strategy process. This is the first time such work has been carried out in relation to travel and tourism, and Innovation Norway has been given the task of leading the project. The goal is to achieve a more profitable and sustainable travel and tourism industry.

The work will take place in close collaboration with destination companies, county authorities, knowledge communities, and small and large companies from different parts of the country. The range of different industries and sectors involved makes the work special, and reflects how much of the Norwegian business sector is affected by travel and tourism in one way or another.

The strategy is planned to be completed in 2020.

Visit Norway's New Initiatives Resulted in a Strong Growth in Orders

2019 was a year of strong growth in the number of orders and the overall order value for participants in Visit Norway's performance-based marketing programme.

Our new direction, with an increased focus on food, culture and architecture, as well as storytelling that is more inspiring and engaging, has given us a wider and more relevant footprint in search engines that feed into Visitnorway.com. Total order value increased from NOK 13.6 million in 2018 to NOK 28.1 million in 2019. This represents a growth of 106.7 percent.

The Travel and Tourism Industry is Investing for the Future

The travel and tourism industry is really benefiting from a number of general financing services provided by several ministries and counties. In 2019, a total of NOK 306 million was allocated in loans and grants to the travel and tourism industry. At the same time, large investments are being made in skills development. In 2019, a total of 1095 companies participated in the 35 travel and tourism courses that were conducted across the country.

Sustainable Destinations

There is increased demand to be branded as a sustainable destination. The branding scheme is a tool to systematise future-oriented work that focuses on increased sustainability in the travel and tourism industry. Being branded as a sustainable destination means that the destination prioritises the goal of increased sustainability over time, not that the place itself is sustainable. In 2019, two new destinations received the brand, and as of 2019, 14 destinations in total have the brand.

Foto: Christian Roth Christensen - VisitNorway.com

In Order to be Chosen, We Must be Known

Innovation Norway will help promote Norway and Norwegian trade and industry abroad. Increased awareness and increased appeal results in increased competitiveness. Therefore, Brand Norway is a value creation project that will lead to increased exports, more foreign investment and will make Norway a more attractive country to visit, work or study in.

Innovation Norway, in collaboration with private and public-sector actors, has developed a brand platform where we profile Norway and Norwegian companies as 'Pioneers of Sustainable Solutions'. Norway has high international credibility and a competitive advantage in this area, and its position corresponds with our international commitments to the Paris Agreement and the UN Sustainable Development Goals.

We have launched the website Brandnorway.no presenting the work and various related services. This includes a brand centre where Team Norway is offered a toolbox they can use to tell consistent, current and attractive stories about Norway - stories that help build the desired position. Here you can find movies, photos, presentations and design manuals that now allow Norway to speak with a global voice.

The content provides guidelines regarding how Innovation Norway works in a unified and consistent manner with a common toolbox:

- Hosting Appeal – to attract foreign investors, talents and tourists
- Export Activities – to connect Norwegian solutions to global demands
- Interaction Arenas – enabling companies to collaborate across industries, regions and areas of expertise
- Communication – to ensure consistent messages are communicated and repeated in selected channels over time

The Explorer – Greentech from Norway

In May 2018, a digital showcase called The Explorer was launched by Prime Minister Erna Solberg during the Innovation Speech at Oslo City Hall. The Explorer is Norway's official marketplace for green and sustainable solutions, and also includes articles and stories about Norwegian sustainability and green technology that serve as important tools for profiling Norway on the international stage.

Fast forward one year to May 2019. Crown Prince Haakon launched The Explorer in Germany during the GreenTech Festival. This marked the start of The Explorer's international venture, and has since been launched in the UK, the Netherlands, Italy, Finland and Brazil.

At the end of 2019, The Explorer had 302 approved and published solutions, had more than 800,000 visitors from over 100 countries, and 149 international companies had registered their interest in green solutions from Norway.

Foto: Thomas Rasmus Skaug - VisitNorway.com

Delegation Visits Open International Doors for Norwegian Trade and Industry

Trade and industry delegations play an important role in profiling Norway and Norwegian companies on the international stage. They help to establish new contacts and further develop existing business relationships.

On behalf of the Ministry of Trade, Industry and Fisheries, Innovation Norway organises trade and industry delegations in connection with state visits and other official visits abroad. We also facilitate foreign trade and industry delegations visiting Norway.

Norwegian Delegations to Chile and India

INDIA

In connection with an official visit by Prime Minister Erna Solberg to India in January, approximately 140 Norwegian representatives from 89 Norwegian companies participated in the accompanying delegation. In addition, more than 500 Indian trade and industry actors attended the various seminars.

During the opening seminar on 7 January, 13 agreements were signed regarding further trade and industry collaboration between Indian and Norwegian companies and organisations.

CHILE

In connection with the state visit to Chile in March, 90 representatives from 60 Norwegian companies and organisations participated. The representatives were from various sectors such as aquaculture, renewable energy, mining, agriculture, satellite technology, defence industry and smart societies. In total, there were 87 Chilean participants.

The state visit has had a positive effect on trade and industry collaboration with Chile. Contacts have been established, projects have been initiated and solid results have been achieved. The state visit laid a good foundation for further initiatives in Chile within several of the sectors that will lead to specific projects and increased exports.

Foto: Ravi Ranjan Sharma

The Ocean Nation of Norway will be Showcased at Expo 2020 Dubai

Innovation Norway is organising Norway's participation at the Expo 2020 Dubai World Exhibition. The participation aims to strengthen Norway's position as a leading ocean nation.

Construction of the Norwegian pavilion began in June 2019. Expo 2020 Dubai will take place from 20 October 2020 to 10 April 2021.

Innovation Norway is organising Norway's participation on behalf of the Ministry of Trade, Industry and Fisheries, the Ministry of Petroleum and Energy, and the Ministry of Foreign Affairs.

EEA Collaboration Worth NOK 2 Billion

The EEA and Norway Grants contribute to social and economic development in 15 European countries. At the same time, they help Norwegian companies to explore markets in the Baltics and Central and Southern Europe.

Norway co-finances business programmes in ten countries: Bulgaria, Estonia, Greece, Croatia, Latvia, Lithuania, Poland, Portugal, Romania and Slovakia. These programmes support collaborations involving Norwegian and European companies, and Innovation Norway wants to help ensure that as many good EEA projects as possible gain a Norwegian partner.

24 Projects with Norwegian Partners

EEA and Norway Grants are aimed at companies that develop, utilise or commercialise new technologies within the fields of industry, marine industries, ICT, energy or health and welfare.

In the current programme period, we are managing six EEA programmes within the fields of business development, innovation and SMEs, decent working conditions and third-party collaborations, and renewable energy, energy efficiency and safety. In total, Innovation Norway administers around NOK 1.7 billion, which will be allocated to relevant projects over the next two years.

In 2019, the first grants amounting to NOK 180 million were allocated to 34 projects. 24 of these projects include one or more Norwegian project partners. In addition, Innovation Norway opened a project office in Greece and Croatia in order to implement two business programmes in these countries.

Trade and Industry Play an Important Role in Global Emergency Aid

The Humanitarian Innovation Programme (HIP Norway) promotes innovation in the humanitarian sector and facilitates partnerships between humanitarian organisations and private companies. The aim is to provide faster, better and more cost-effective emergency aid.

Armed conflicts, climate change and persistent poverty are creating complex crises. The crises are lasting longer and impacting more people than before, and the gap between needs and available resources is growing. Future humanitarian efforts will depend on new solutions and ways of working.

Seven New Projects Allocated NOK 30 Million in 2019

HIP Norway connects humanitarian needs with technology and expertise from companies and private innovators. In 2019, fourteen projects received financial support and innovation advisory services. Six organisations received NOK 30 million for seven new projects dealing with areas such as circular economy, blockchain technology and renewable energy. 15 million of this was matched with private capital.

In collaboration with the consultancy company KPMG, HIP Norway organised a seminar on innovative funding. The World Economic Forum presented its initiative to increase investor funding in humanitarian efforts, and humanitarian organisations and companies offered advice on how to facilitate sustainable collaboration during prolonged crises.

2019 Results - Summarised

- **Determining:** Nine out of ten companies state that Innovation Norway's contribution is a determining factor in the realisation of projects (Oxford Research).
- **Triggering Effect:** One krone from Innovation Norway in the form of capital or advice is matched by 1.7 kroner in self-financing or other sources of funding for development projects and investments. In addition, Innovation Norway also triggers many other innovation and internationalisation activities by providing expertise and networking.
- **Record-Breaking Year for Environmental Technology Funding:** 2019 was a record-breaking year for the Environmental Technology Scheme, which provides grants for the innovation and development of new environmental technologies. A total of NOK 608 million was allocated to Norwegian environmental technology projects.
- **Sustainability:** 51 percent of all Innovation Norway's grants went to projects that

have a defined environmental effect. This is an increase of two percent compared to the previous year.

- **Increased Value Creation:** Companies that receive support from Innovation Norway have an average annual increase in value creation of 8.3 percentage points over a three-year period. On average, this indicates that three-years after receiving a funding commitment, Innovation Norway's customers get a head start in the form of a 25 percentage point increase in value creation compared to others that have not received support (Economics Norway).
- **Increased sales, productivity and number of man-years:** Companies that receive support from Innovation Norway have an average annual increase in sales revenue of 9.0 percentage points and an average annual increase in productivity of 4.0 percentage points. Given that trade and industry's total annual productivity growth is 1 to 2 percentage points, an increase in productivity of 4 percentage points is considered good. In addition, companies that receive support from Innovation Norway see an annual increase of 3.1 percentage points in the number of man-years compared to companies without such support (Economics Norway).
- **Increase in Growth:** Established companies (companies that are more than three years old) that have received support from Innovation Norway experience a 5.8 percentage point increase in sales revenue compared to companies that do not receive such support. Corresponding figures regarding the increase in value creation and productivity is 5.4 and 2.5 percentage points, respectively (Economics Norway).
- **Growing More:** Start-ups (companies that are less than three years old) that received funding from Innovation Norway had an increase in sales revenue of 14.4 percentage points in 2019 compared to companies without such support. Correspondingly, value creation increased by 14.5 percentage points, productivity increased by 9.6 percentage points, and man-years increased by 4.9 percentage points (Economics Norway).
- **Networks Create Growth:** Companies participating in networks and cluster communities have an average increase in sales revenue of 13.9 percentage points during their first three years compared to companies that do not participate in such networks. The corresponding increase in value creation is 9.6 percentage points (Economics Norway). At the end of 2019, 35 clusters were involved in the Norwegian Innovation Clusters programme.
- **Internationalisation:** Companies that use international market advisory services increase their turnover by 8.2 percentage points, increase their value creation by 4.1 percentage points and increase their productivity by 2.3 percentage points. This is compared to similar companies that have not used Innovation Norway's advisory services (Economics Norway).
- **Determining factor:** Two out of three companies report that the services they received from Innovation Norway contributed to getting their internationalisation process underway. Many of the companies in the survey point to Innovation Norway's support as a determining factor in their export activities (Oxford Research).
- **Global accelerators:** 164 start-up companies participated in the 2019 Global Accelerators programmes.
- **NOK 300 million from the EIC:** Innovation Norway provides advice and guidance in relation to EU funding, and 38 Norwegian SMEs received a total of almost NOK 300 million from the EU's newly established European Innovation Council (EIC) in 2019.
- **The Explorer:** At the end of 2019, 302 Norwegian companies had registered their solutions in The Explorer; a showcase for green solutions. The Explorer was launched internationally in the spring of 2019. The website has had more than 800,000 visitors from over 100 countries.
- **Growth Companies Received Most:** NOK 3.2 billion (53 percent) of the total funding provided by Innovation Norway went to growth companies (companies that are more than three years old). In addition, advisory services, expertise, networking and profiling amounts to NOK 297 million.
- **Innovation Partnerships:** Together with 500 companies, 60 public-sector actors have participated in activities related to innovation partnerships, which are public-private collaborations that develop new solutions to major social challenges. 14 projects were fully operational at the end of 2019, five of which were started during the year.
- **Start-Up Funding:** In 2019, Innovation Norway allocated a total of NOK 1.6 billion in loans and grants to start-up companies.
- **Start-Up Loans:** 127 start-up companies received start-up loans totalling NOK 199.2 million. A start-up loan provides start-up companies with capital that enables them to continue to build their company and commercialise their products faster.

- **Mentoring Services:** 169 companies received advisory services from a mentor through Innovation Norway's start-up mentoring service. A survey by Menon Economics in the autumn of 2018 shows that companies receiving mentoring services organised by Innovation Norway increase their value creation by 29 percentage points compared to similar companies that haven't received such services.
- **New Man-Years in Agriculture:** According to approved project applications in 2019, it is estimated that projects supported with funds for investment and business development in agriculture will provide 380 new man-years in other agriculture-based industries on farms.
- **Heating 30,000 Detached Houses:** Since the start of the Value Creation Programme for Renewable Energy in Agriculture in 2003, a total annual production of 475 GWh has been established. This is equivalent to the annual energy consumption it takes to heat over 30,000 detached houses.
- **Renewable Solutions:** In 2019, Norwegian farmers invested over NOK 300 million in renewable energy solutions, mainly bioenergy. The Value Creation Programme for Renewable Energy in Agriculture allocated a total of NOK 93.3 million, which is the largest amount in the programme's history.
- **Local Food Targets Reached:** The Government's target of selling food with local and cultural identity worth NOK 10 billion by 2025 was already reached before the end of 2019. The development programme for agriculture and reindeer-based growth and value creation organised by Innovation Norway will help to create value based on agricultural and reindeer husbandry resources.
- **New Record in Commercial Guest Nights:** In 2019, there were 35.2 million guest nights in Norwegian commercial accommodation. This is an increase of four percent compared to 2018, which means 1.34 million more guest nights. The number of Norwegian guest nights increased by three percent, and foreign guest nights increased by six percent.
- **Travel and Tourism Expertise:** In 2019, a total of NOK 306 million was allocated in loans and grants to the travel and tourism industry. At the same time, large investments are being made in skills development. In 2019, a total of 1095 travel and tourism companies participated in 35 various expertise courses that were conducted across the country.

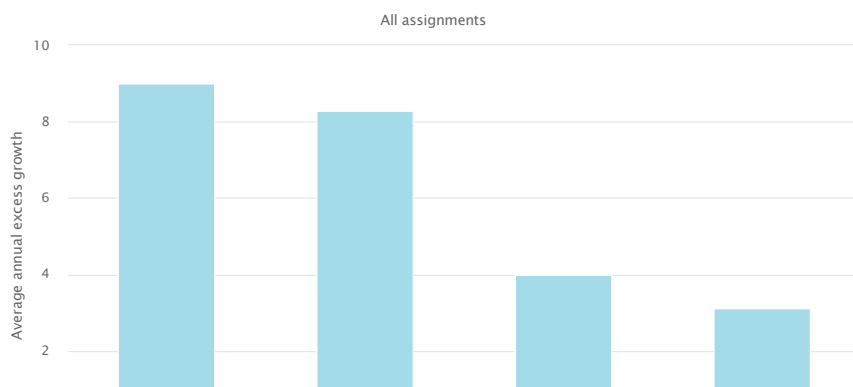
Measuring Results and Impacts

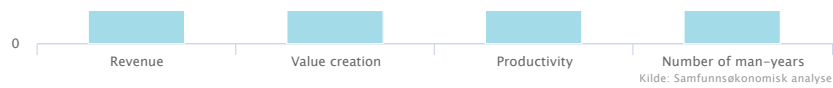
One of Innovation Norway's aims is to make a difference for its customers. In order to find out more about the effects of Innovation Norway's activities and contributions to Norwegian trade and industry, two ongoing impact surveys will be carried out by Economics Norway and Oxford Research Norway, respectively.

Innovation Norway uses different forms of evaluations, analyses and indicators to measure the results and impacts of our activities. The indicators are stipulated in our goal and result management system and are based on assessments of our customer advisers, customer questionnaires and econometric analyses based on accounting data (economic impacts).

We use Economics Norway AS (SØA) to calculate figures of merit. They utilise a method that Statistics Norway has developed for us.

Effects of Innovation Norway's efforts in 2019 - all assignments





This figure shows the additional growth in percentage points over a three-year period in businesses supported by Innovation Norway compared to similar businesses that have not received support. This provides an indication of the impact of our support.

Higher growth in sales revenue

Companies supported by Innovation Norway achieve 9 percentage points higher annual added growth in sales revenues compared to equivalent companies that do not receive this support.

Growth in value creation

Companies supported by Innovation Norway achieve 8.3 percentage points higher annual added growth in value creation compared to equivalent companies that do not receive this support.

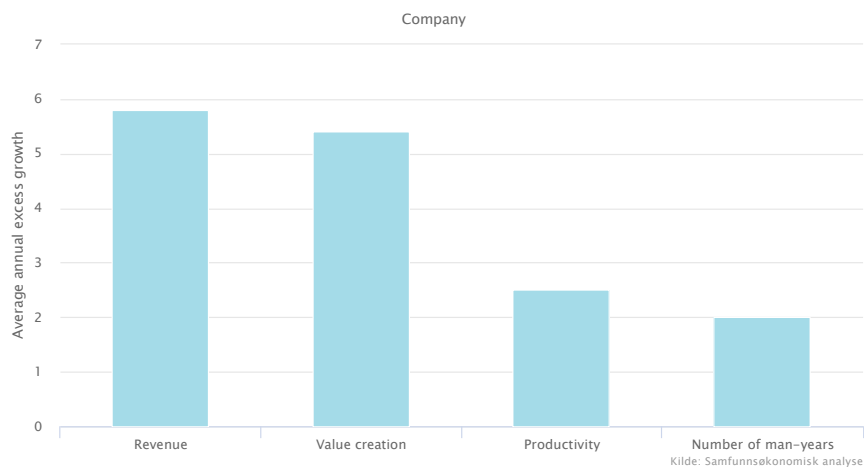
Increased productivity

Companies supported by Innovation Norway achieve 4 percentage points higher annual added growth in productivity compared to equivalent companies that do not receive this support.

Added growth in number of man-years

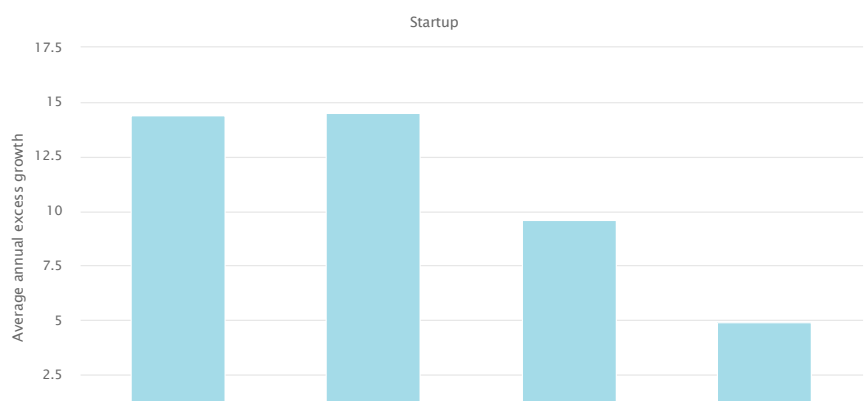
Companies supported by Innovation Norway achieve 3.1 percentage points higher annual added growth in number of man-years compared to equivalent companies that do not receive this support.

Effects of Innovation Norway's efforts in 2019 - company



This figure shows the additional growth in percentage points over a three-year period in businesses supported by Innovation Norway compared to similar businesses that have not received support. This provides an indication of the impact of our support.

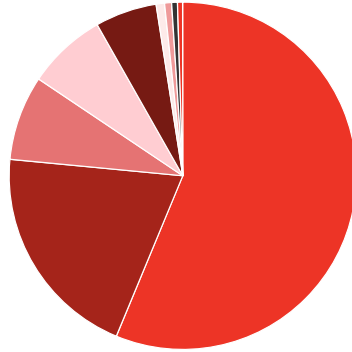
Effects of Innovation Norway's efforts in 2019 - startup





This figure shows the additional growth in percentage points over a three-year period in businesses supported by Innovation Norway compared to similar businesses that have not received support. This provides an indication of the impact of our support.

We received NOK 4.1 billion in 2019:



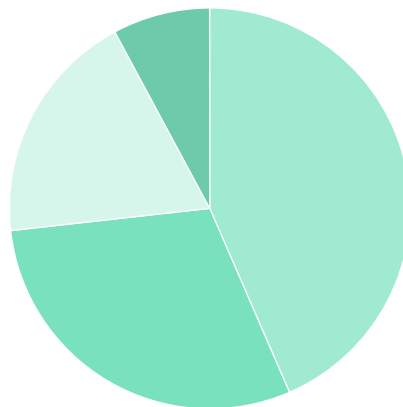
- NFD (Ministry of Trade, Industry and Fisheries)
- UD (Ministry of Foreign Affairs)
- KUD (Ministry of Culture)
- KLD (Ministry of Climate and Environment)
- LMD (Ministry of Agriculture and Food)
- KMD (Ministry of Local Government and Modernisation)
- KD (Ministry of Education and Research)
- SD (Ministry of Transport)
- FK (County Council)

Kilde: Innovasjon Norge

We received 4,1 billion NOK from the Parliament and County Council

Through Innovation Norway, The Parliament and County Council granted 4,1 billion NOK in 2019 for the support of value-creating industry development all over the country. It was the same amount of money as in 2018.

We distributed NOK 6.7 billion in 2019 - by service:



- Grants
- Low risk loans
- Risk loans and guarantees
- Advisory and Profiling

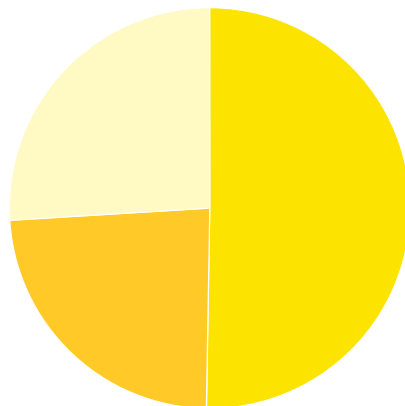
Kilde: Innovasjon Norge

We distributed 6,7 billion NOK to business and industries. Distributed by service.

The grants from Parliament and the counties, together with loan schemes, provided a total business-oriented effort of NOK 6,7 billion through Innovation Norway. The charts show the breakdown by service. The equivalent figure from 2018 was 7,2 billion NOK.

We distributed NOK 6.7 billion in 2019 - by

target group:



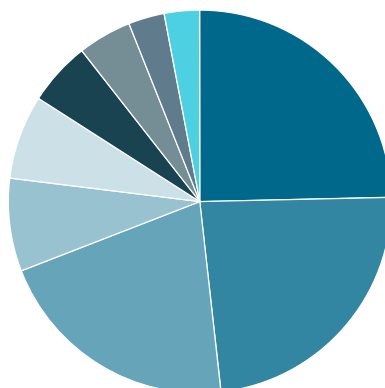
● Companies ● Entrepreneurs and startups ● Not specified

Kilde: Innovasjon Norge

We distributed 6,7 billion NOK to business and industries. Distributed by target group.

The grants from Parliament and the counties, together with loan schemes, provided a total business-oriented effort of NOK 6,7 billion through Innovation Norway. The charts show the breakdown by target group. The equivalent figure from 2018 was 7,2 billion NOK.

We distributed NOK 6.7 billion in 2019 - by service:



● Not sector-specific ● Marine ● Agriculture ● Intersectoral ● Energy and environment
● Maritime ● Travel and tourism ● Oil and gas ● Health

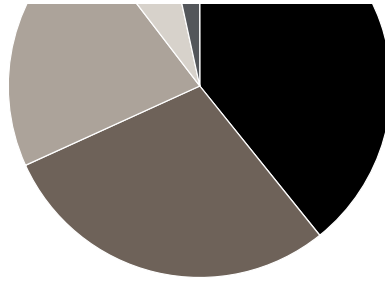
Kilde: Innovasjon Norge

We distributed 6,7 billion NOK to business and industries. Distributed by sector.

The grants from Parliament and the counties, together with loan schemes, provided a total business-oriented effort of NOK 6,7 billion through Innovation Norway. The charts show the breakdown by sector. The equivalent figure from 2018 was 7,2 billion NOK.

We contributed NOK 17.9 billion in 2019:





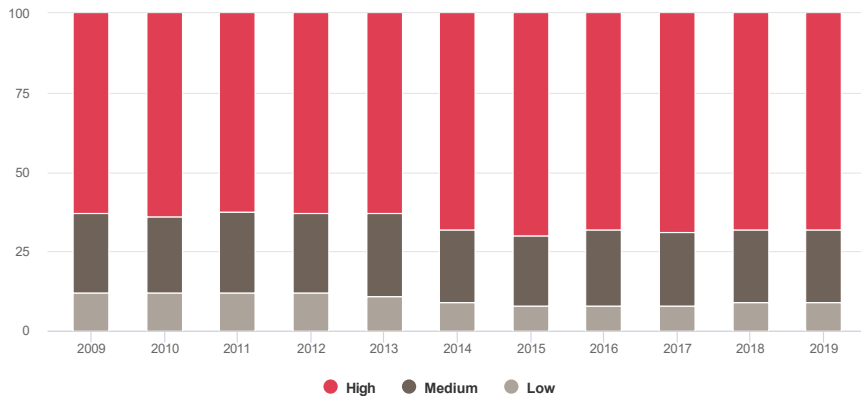
● Innovation Norway (excl. guarantees og incl. EEA Grants) ● Private financing ● Other financing
 ● Financing from customer partners ● Other public means Kilde: Innovasjon Norge

We generated 17,9 billion NOK in innovative activities in 2019

The support from Innovation Norway contributed to triggering this much effort from the business community. Including the money from Innovation Norway, 17,9 billion NOK was invested into innovation activities in 2019. Corresponding number for 2018 was 21,4 billion NOK (the high figure for 2018 can be explained by the fact that several large projects were financed with a larger share of self-financing, and where several banks participated in the financing with large amounts).

Innovation Norway makes a difference

Nine out of ten customers say that the support was decisive in order to realise the project. Distribution of answers in percentages.



Additionality is a key indicator for measuring the difference the funds allocated make, the "triggering effect" of Innovation Norway's funds. This data is taken from the Pre-Survey of the Customer Impact Survey, which collects data from customers immediately after they have received a service.

In 2019, as in the previous year, 91 per cent of the respondents considered that the support from Innovation Norway was decisive for project realization. The distribution of high, medium and low additionality has been quite similar for the last two years, 68, 23 and 9 per cent respectively.

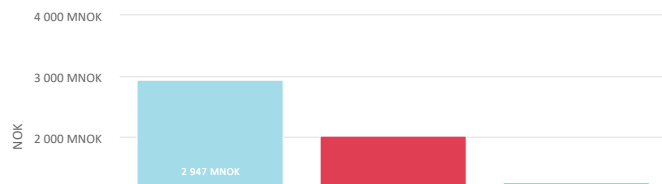
The proportion of high additionality made a small jump in 2014, from 63 to 68 per cent. In the five-year period after that (2015-2019), it has remained stable at this level. It is reasonable to assume that the ceiling is almost reached in terms of additionality, when Innovation Norway is triggering for 9 out of 10 projects.

Distribution of means per county

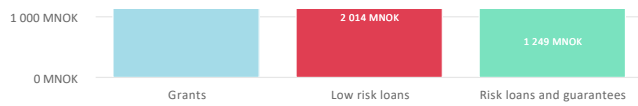
Fylke

- Select all
- Akershus
- Aust-Agder
- Buskerud
- Finnmark

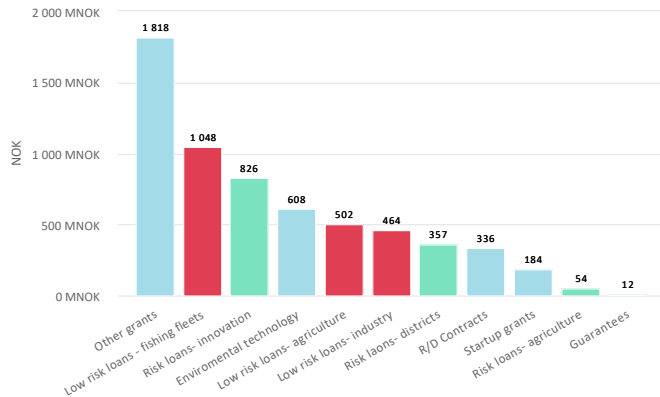
Financing by grants and loans:



- Hedmark
- Hordaland
- Møre og Romsdal
- Nordland
- Oppland
- Oslo
- Østfold
- Rogaland
- Several counties/foreign
- Sogn og Fjordane
- Svalbard
- Telemark
- Troms
- Trøndelag
- Vest-Agder
- Vestfold



Financing by instrument:



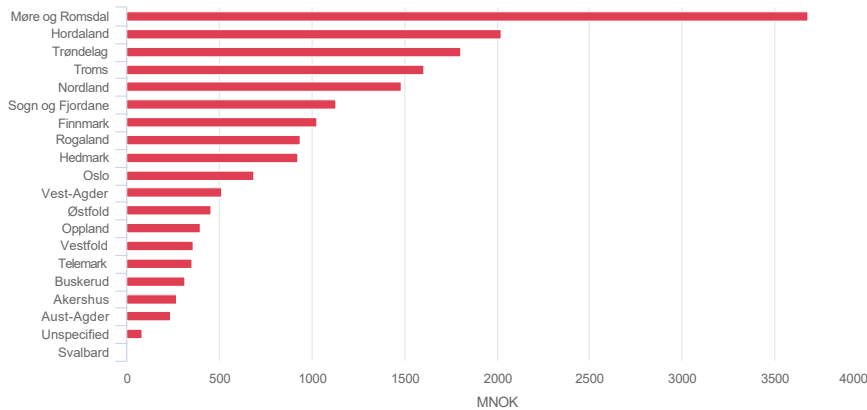
Kilde: Innovasjon Norge

In 2019 low-risk loans, risk loans and guarantees and grants comprised a total of NOK 6,2 billion. This is a decrease of 7,5 per cent from 2018. Advisory services and profiling (NOK 530 million) are not included here.

A total of NOK 2 billion was provided as low-risk loans in 2019, shared between industry and services (NOK 464 million), agriculture (NOK 502 million) and fishing fleet (NOK 1 billion). Risk loans and guarantees to industry, services and agriculture comprised NOK 1,3 billion. A total of NOK 2,9 billion was disbursed as grants in 2019. The largest items were other programs (NOK 1,8 billion), environmental technology (NOK 608 million) and R/D Contracts (NOK 336 million).

Active loan portfolio 2019

County-wise distribution of loans in NOK millions

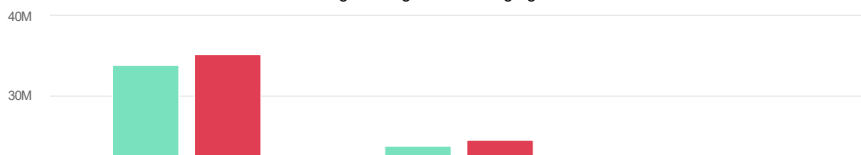


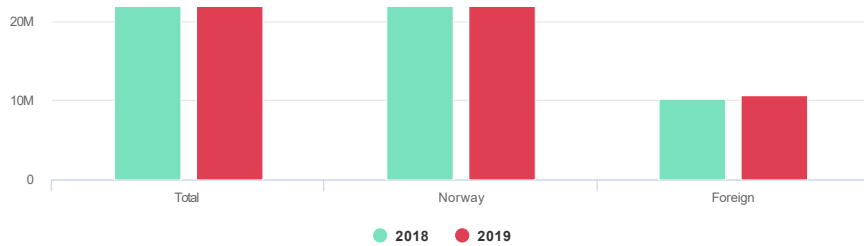
Kilde: Innovasjon Norge

At the end of 2019 the loan portfolio included 11 128 active loans and NOK 18,3 billion. Low-risk loans amount NOK 13,8 billion and risk loans NOK 4,5 billion. Møre og Romsdal has the largest portfolio of current loans with NOK 3,7 billion, of which 52 per cent are loans to the fishing fleet.

Commercial overnight stays 2019

The number of overnight stays at hotel, camping site, cabin village and youth/family hostel in Norway, among Norwegian and foreign guests.



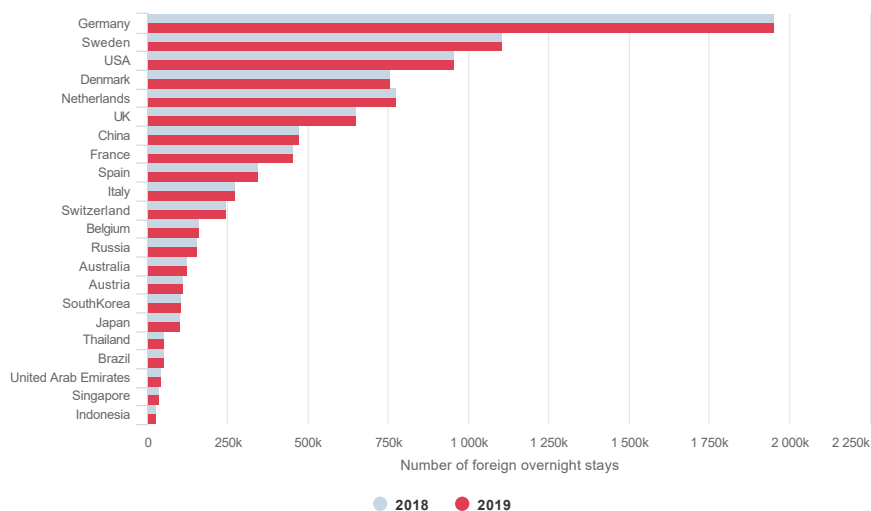


Source: SSB

New record in commercial overnight stays: In 2019 there were 35,2 million overnight stays in commercial accommodation in Norway. This is a 4 percent increase from 2018, which means 1.4 million more guest nights. Norwegian increased by three per cent and foreign by six per cent.

Norwegian tourism has had a good development from 2014 until now. The years following the financial crisis in 2007 were tough for Norwegian tourism, with economic downturn in our main markets and a strong krone exchange rate. It loosened in January 2014. Since then, there has largely been continuous growth from abroad every month. Unfortunately, growth has not spread equally across the country, and the greatest growth has been Fjord Norway, Oslo and Akershus and Northern Norway.

Foreign overnight stays 2019

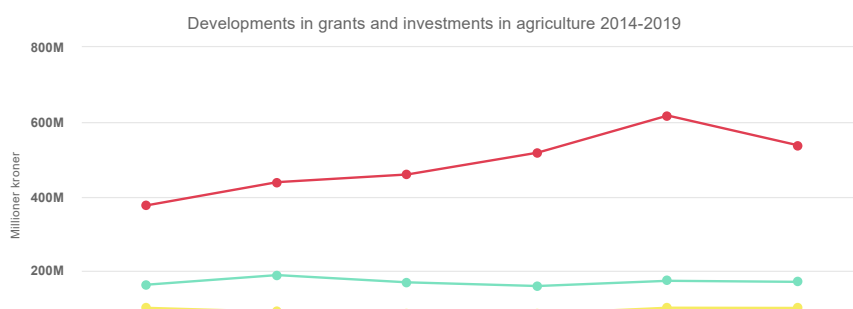


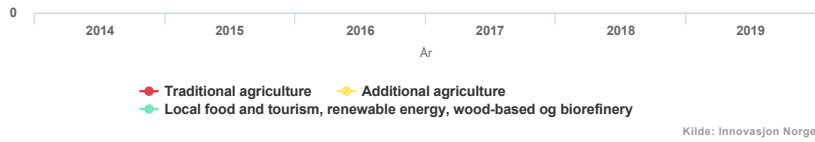
Source: SSB

Germany, Sweden, the United States and Denmark are the largest foreign markets for Norwegian tourism. Germany has always been our largest market and, as last year, the US is the third largest foreign market, ahead of both the Netherlands and the United Kingdom.

The local markets are still most important for Norwegian tourism, but they do not grow at the same pace as the overseas, which is taking an ever-increasing share each year. In 2005, overseas markets represented 11 percent of foreign guest nights. In 2018, the share was 23 per cent, while in 2019 it increased to 24 per cent.

Grants for investment and development in agriculture





The decline in funds for traditional agriculture in 2019 is due to an extra allocation of NOK 75 million in grants for agricultural investment support in 2018.

For supplementary industries and program areas, consumption is about the same as in 2018.

Annual accounts and board of director's report

ANNUAL ACCOUNT 2019 (pdf)

The nature of business

Innovation Norway¹ was formed on 19 December 2003 and has its head office in Oslo. The company is owned by the Ministry of Trade, Industry and Fisheries (51 per cent) and the county councils (49 per cent). Innovation Norway is organised as an enterprise established by special legislation, whose Board of Directors has an independent responsibility for its activities and the results achieved. Innovation Norway is responsible for the administration and appropriate organisation of Innovation Norway's activities. The owners exercise supreme authority in the company through the general meeting.

Need for a more versatile and sustainable business sector

Norway needs to develop a broader, more robust and sustainable business sector. Sustainable value creation is a prerequisite for the welfare of our future generations. The company's strategy for 2020-2025 is based on the changes that are occurring in the business sector and society.

In its 2017 analysis of the Norwegian innovation system, the OECD noted that Norway was facing a triple restructuring challenge. The Norwegian economy must be built on a more diverse and less vulnerable business structure. This requires a more coordinated innovation system, and the system must be more aligned towards addressing specific social challenges within, for example, climate change, health, mobility and regional development.

The Government's ambition is to establish Norway as one of the most innovative countries in Europe. To achieve this, it is imperative that the Government's substantial investments in research and development phases are followed by a commitment to commercialisation, growth and internationalisation. It is important to ensure that good Norwegian ideas reach paying markets.

In 2018, Norway exported close to NOK 1,000 billion worth of goods. Trade in mainland goods and services produced an annual deficit of between NOK 86 and 146 billion in the last ten years, and Norway's market shares are declining. Today's exports are dominated by a few commodity-based industries and two-thirds of the total export value is created by large companies (over 250 employees).

The ability of Norwegian companies to use and develop advanced technology and new digital solutions will be critical to our overall ability to address societal challenges, and for corporate productivity, competitiveness and growth.

Many new companies are established in Norway each year. There are numerous good start-up environments. However, too few companies grow and export internationally. We now need to enable more Norwegian companies to establish and obtain positions in national and international markets. Norway lacks the means and ecosystems for this important growth phase.

The Climate Risk Committee (2019) noted how the green shift also carries a high risk for the Norwegian economy. If companies do not adapt, their competitiveness will be significantly impaired. As a financial actor in all regions, Innovation Norway must become better at assessing risk in its own investments and helping our customers assess the risks associated with sustainability.

The outbreak of the coronavirus in Norway and internationally has caused a severe downturn in the world economy. It has greatly impacted on the ability of Norwegian businesses to develop and maintain competitive and profitable operations. Important markets and value chains for most

Norwegian companies have been affected, and a growing number of sectors and industries have been particularly hard hit. Restructuring, innovation activities and skills development come to a halt because companies are hit by falling sales. There is thus a danger that we will be in a much worse position and take longer to get on our feet again when the coronavirus crisis is over.

The business sector's need for access to capital and liquidity is critical and the Government has announced a broad raft of measures to assist businesses in this situation. The Board would note that right now it is somewhat unclear as to what this will entail for Innovation Norway's activities. Experiences from the 2009 financial crisis showed that there was a significant increase in demand for the company's services in all parts of the country - with a principal focus on financing services. The crisis that is now arising may result in new duties and roles for Innovation Norway in the months ahead. Available capacity in the business sector may also be utilised to accelerate the innovation efforts of companies in adopting new technology, which is something businesses may often otherwise have limited capacity to achieve.

Innovation Norway's objective

Innovation Norway's objective is to be the policy instrument of the state and the county authorities for achieving value-creating business development throughout the country. Innovation Norway's main purpose is to trigger business development that is profitable from both a commercial and a socio-economic perspective, and to help different regions realise their potential for business development. This goal is to be achieved through the sub-goals of more successful entrepreneurs, more companies with growth potential and more innovative business clusters.

Innovation Norway was established through a merger of the Norwegian Industrial and Regional Development Fund (SND), Norwegian Export Council, Norwegian Tourist Board and Government Consultative Office for Investors. This was due to a desire to streamline the public support system for innovation and business development.

The offices of Innovation Norway in all of the country's counties and in 29 countries provide business and industry with access to the public support system. They meet with an organisation that links together the local, regional, national and international at one and the same location. Our employees know the companies and their challenges and framework conditions in Norway and their opportunities in the markets that are most important for Norwegian business and industry.

Innovation Norway is a "sparring partner" for the small and medium-sized enterprises that offers expertise, networks and capital. Business and industry can spend their time on developing new products and services, rather than writing applications. They do not need to be aware of the different services. Innovation Norway's advisers will see the opportunities and challenges and inform the enterprises of the schemes that could be of assistance to them. If Innovation Norway cannot assist, the advisers will put the enterprises into contact with the other private and public stakeholders that can provide assistance. In this way, Innovation Norway builds bridges between expert communities, public funding agencies and investors.

In 2019, Innovation Norway received appropriations and assignments in letters of assignment from the Norwegian Ministry of Trade, Industry and Fisheries, Ministry of Local Government and Modernisation, Ministry of Agriculture and Food, Ministry of Climate and Environment, Ministry of Education and Research, Ministry of Culture, Ministry of Foreign Affairs, Ministry of Transport and Communications, the county councils, county governors and other public stakeholders. Based on the national budget, the letters of assignment provide a combined overview of the principals' expectations and requirements of Innovation Norway's activities. The letters also set out Innovation Norway's allocation framework and guidelines relating to initiatives, programmes and services. Innovation Norway offers funding services, advisory services, expert services, networking services and promotional services.

Innovation Norway's goal structure is the same for all of the company's principals and forms the basis for all assignments that the company is given. The goal structure takes precedence to other instructions and management signals. This also applies to instructions in assignments relating to initiatives in specific sectors and target groups.

In order to assess Innovation Norway's contribution to the main goals and sub-goals, a performance management and result management system (MRS) has been established. Together with evaluations and other supportive analyses, this provides the company, principals, owners and other stakeholders with relevant management information about the company's activities and performance.

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

Deliveries and effects in 2019

In 2019, Innovation Norway continued its efforts to restructure the Norwegian economy and develop a more versatile and sustainable business sector. The company's focus has been on enabling more Norwegian companies to utilise the potential of new technology, export goods and services, and derive benefit from the EU's new portfolio of innovation instruments.

The Norwegian Parliament and the county councils allocated a total of NOK 4.1 billion to Innovation Norway. Together with the loan schemes, Innovation Norway contributed NOK 6.7 billion to business and industry in 2019. This included loans, grants, advisory services, profile raising, and networking through Innovation Norway's various services. Funds allocated by Innovation Norway went towards investments in business and industry totalling NOK 17.9 billion.

Nine out of ten enterprises stated that Innovation Norway's support was, to a high or moderate extent, a key factor in starting their projects. This means that one krone from Innovation Norway in the form of capital or advice equates to NOK 1.7 in own financing or other sources of financing for development projects and investments. In addition, having Innovation Norway as a "sparring partner" also triggers many other innovation and internationalisation activities by providing expertise and networking.

The figures for 2019 from Samfunnsøkonomisk Analyse AS (SØA) indicate that the impact of support from Innovation Norway remains at a high level. Companies that have received support from Innovation Norway experience higher annual growth in all three impact indicators over a three-year period compared with the control group: an increase in annual growth in sales revenues of 9.0 percentage points (2018: 8.7), an annual increase in value creation of 8.3 percentage points (2018: 6.6 percentage points), and an annual increase in productivity of 4.0 percentage points (2018: 2.2).

Impact analyses show that capital combined with expertise produce better results for customers over time. Innovation Norway will therefore increase its efforts on following-up and advising customers in order to improve its performance within the three sub-goals.

More successful entrepreneurs

This year's survey shows that, on average, these customers had annual growth in sales revenues that was 14.4 percentage points more than comparable companies without support. The corresponding figures are 14.5 percentage points for value creation, 9.6 percentage points for productivity and 4.9 percentage points for the number of full-time equivalents.

Access to different forms of financing in combination with expertise are important for young, innovative companies to survive the lifecycle from commercialisation to scaling and growth. 652 companies received start-up grants totalling 184.4 million. Entrepreneurs can use these funds to assess whether a paying market exists, as well as to develop and launch their solution in the market.

127 entrepreneurial companies received start-up loans totalling NOK 199.2 million. A start-up loan gives entrepreneurial companies capital which enables them to continue to build their companies, scale and grow. Start-ups are increasingly using Innovation Norway's other financing instruments, particularly the Environmental Technology Scheme, Innovation Contracts and high-risk loans.

The pre-seed capital and seed capital schemes have been important capital instruments for mobilising more early-phase investments and capital that can be matched with Innovation Norway and other state instruments.

The Board would note that Norwegian entrepreneurs have stated that efforts need to be directed more at scaling and internationalisation, and that they will increasingly be helping to solve global social challenges where Norway has a competitive advantage and potential.

More companies with growth potential

In 2019, Innovation Norway committed funding of NOK 3.2 billion within the sub-goal of "More companies with growth potential" (companies more than three years of age). This also includes

commitments to agriculture and the value of Innovation Norway's advisory services, expert services, networking services and promotional services.

This year's survey shows that companies within this category that receive support from Innovation Norway have higher growth in both sales revenues (5.8 percentage points), value creation (5.4 percentage points) and productivity (2.5 percentage points), compared with similar companies that do not use Innovation Norway's services. The same applies to growth in the number of full-time equivalents.

The restructuring of the Norwegian economy is dependent on more companies growing and succeeding in international competition – whether this be in the domestic market (imports) or in international export markets. Innovation Norway contributes growth financing and links companies to expertise and networks both in Norway and export markets, to meet the needs of innovative companies with growth ambitions.

On a national basis, less than five per cent of companies export. An analysis by Oxford Research shows that one in four companies that Innovation Norway works with, export or have immediate plans to export. Two in three companies report that the services they received from Innovation Norway contributed to their internationalisation. The customer impact survey shows that enterprises which have received international marketing advice from Innovation Norway's foreign offices experience an 8 percentage point increase in revenues and 4 percentage points higher growth in value creation than comparable enterprises that have not used the service.

The Board makes reference to the fact that there is an increased demand for export-oriented instruments in Norway. Exports start at home. If companies are to succeed, it is decisive that Innovation Norway works in partnership both at home and abroad, and is responsible for coordinating the national work with export advice and promoting trade.

The EU programmes are becoming an increasingly more important door-opener to international markets, expertise and financing for growth. The EU's upcoming programme, Horizon Europe, is focussed more on innovation than previous programmes. Many Norwegian companies take sustainability and societal challenges seriously and develop groundbreaking innovations with high risk and the potential to create new markets. Since 2014, Norwegian companies have been awarded more than NOK 2.7 billion in EU grants and have therefore had great success. In 2019, 38 Norwegian SMEs received a total of close to NOK 300 million from the EU's newly created European Innovation Council (EIC).

Innovation Norway experienced a sharp fall in demand for financing in the second half of 2019. New commitments in 2019 were NOK 700 million lower than in 2018, which was a drop of 10 per cent. Much of the decrease was in the low-risk loan scheme and was related to lower loans to the fisheries industry. At the same time, we participated in fewer projects with loans exceeding NOK 50 million in 2019. We have seen a parallel development in bank lending statistics (from Statistics Norway, SSB), where loans to the parts of industry that were not commodity-based, shipbuilding and ICT also decreased in the banks' lending portfolios at the end of 2019. It is assumed that increasing uncertainty regarding the global market outlook and technology shifts may be factors that are reflected in less willingness to invest, particularly in the most competitive parts of Norwegian business and industry. The Board has asked the administration to conduct an analysis of the demand for loans and will examine the reasons in more detail in early 2020.

Through the Innovation Partnerships scheme, Innovation Norway facilitates demand-driven innovation which enables innovative entrepreneurs and growth companies to develop and supply new solutions to large, public markets. The Pilot T and Pilot E schemes are also good examples of this shift. These schemes link consortiums and solution groups together to solve major, specific societal challenges relating to climate change, the environment and transport. As of December 2019, 14 projects were fully operational under the scheme, of which five projects started in 2019. 60 public stakeholders are involved in the projects and 500 companies have participated in the activities. This benefits the whole of society and us as citizens.

More innovative business clusters

In 2019, Innovation Norway committed NOK 243 million within the sub-goal of "More innovative business clusters". This includes networking instruments for development projects within the cluster programme Norwegian Innovation Clusters, business networks and a resource centre for regional restructuring. At the end of 2019 there were 35 clusters within the cluster programme.

These instruments effectively contribute to collaborative development at a large number of companies. These development projects have a positive impact on innovation and value creation. The objective of Innovation Norway's instruments is to enable these groups of stakeholders to

achieve positive effects that they would not be able to achieve on their own.

For companies participating in networks and clusters, the customer impact survey shows significant growth in the first three years for sales revenues (13.9 percentage points), value creation (9.6 percentage points), productivity (2.4 percentage points) and number of fulltime equivalents (3.3 percentage points), compared with similar companies that do not use Innovation Norway's services. It also appears as if participants in these networks are better at cooperating and using other types of instruments for research and innovation, including EU instruments.

It is a demanding task to quantify the impact of Innovation Norway's overall activities. The Board is very satisfied that Innovation Norway has emphasised investigating, acquiring and communicating new knowledge about which services and schemes are most effective in business and innovation policy. At the same time, the Board also acknowledges that this work is under continual development, and that contributions from Innovation Norway are one of several factors that play a part in the long-term development of a start-up and growth company.

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

Particular issues in 2019

In 2019 the Board, together with the new CEO, identified a **new strategic direction** for Innovation Norway for 2020-2025. Together with a more streamlined organisation consisting of three customer-oriented divisions, Innovation Norway will be well-equipped to face new and ever-changing challenges.

The reports from the **Government's review of the business support system** were the subject of a number of Board discussions during all of 2019. The Board believes that customer service and efficiency have to guide change and has supported proposals to consolidate public funding agencies.

Innovation Norway works to enable the organisation to deliver on the digital transformation. The Board agreed to initiate a **digital change of pace**, whereby the development of employees, expertise, organisational design and culture have to take place in parallel in order to succeed. A future-oriented public support system must provide Norwegian companies easier access to Innovation Norway's services and core expertise.

The Board sees that the **Horizon 2020** work has yielded results. Innovation Norway has been committed to creating the easiest possible path for Norwegian businesses to access European instruments. In 2019, Norwegian companies received close to NOK 300 million from the EIC, which means that the return was twice as high as the national target of 2 per cent. The clusters also obtained significant project financing, with support from Innovation Norway's regional EU advisers and financing from EU advisers in the clusters.

Innovation Norway is an **innovation policy adviser** for owners and principals. This role can be divided into four parts: Innovation Norway functions as a sounding board in the national and international markets and conveys this knowledge back to the company and the owners. Innovation Norway must evaluate and quantify the impact of the services and programmes and ensure that they are working as intended. The organisation must also provide input that can contribute to the principals being better able to achieve their objectives. The company must also promote innovation policy in the public debate. In 2019, the Board was focussed on Innovation Norway continuing the work to strengthen its function as innovation policy advisor to the government. The company's execution of the role as innovation policy advisor was evaluated in 2018 and the recommendations from the evaluation have been systematically followed-up by strengthening the company's function as a sounding board, becoming more data driven and conducting more internal analyses based on own data. Innovation Norway has entered into new, long-term partnerships with academia to ensure there is knowledge-based advice in innovation policy.

The Board monitors the company's operations throughout the year and focusses on **achieving goals, efficient operations** and responsible administration of public funds. It is difficult to see from the annual accounts how the company's costs have developed, because the costs include the company's delivery costs and customer-oriented activities and projects. The management is therefore working on operational performance indicators that will provide the Board and principals with information about the development of the company's cost-efficiency. Cost

efficiency at Innovation Norway is the ratio between what we deliver (NOK) and the costs of delivering this. The company's cost-efficiency must be viewed in connection with the effects achieved in Norwegian business and industry (effectivity). The goal in itself is not to have a low cost ratio, but a correct cost ratio given the target groups, priorities and instruments that are necessary for achieving the greatest effectivity.

The Board understands that, with its broad mandate, decentralised organisation, international presence and extensive range of services, Innovation Norway will have costs elements that other public funding agencies do not have. At the same time, we are working well on digitalising different parts of the organisation to simplify customer access to public services, something that will provide efficiency gains in the years ahead. In 2020, the Board will look more closely at the company's cost structure and future cost-efficiency in light of the proposals put forward in the Government's review of the business support system.

About the annual accounts

The profit for the year was NOK 140 million in 2019, compared with NOK 208 million in 2018. The profit before losses was NOK 184 million in 2019, compared with NOK 231 million in 2018.

Net interest income was NOK 437 million in 2019, compared with NOK 415 million the previous year. The increase in net interest income of NOK 22 million was due to changes in the composition of the loan portfolio, and slightly higher interest rate margins. Dividends and profits/losses on securities showed a profit of NOK 0.4 million in 2019, compared with a loss of NOK 5 million in 2018. The net profit was largely due to a reduction in the write-down of shares in the investment fund for Northwest Russia and Eastern Europe.

Total operating income was NOK 1,297 million, compared with NOK 1,279 million in 2018. The net increase of NOK 18 million was due to an increase in income from public sources of NOK 27 million, a decrease in external revenues of NOK 21 million and an increase in miscellaneous operating income of NOK 12 million. The increase in income from public sources was a result of income recognition in relation to total operating expenses that are not covered by external revenues and miscellaneous operating income. The reduction in external revenues was primarily due to less interest from the tourism industry. The increase in miscellaneous operating income was principally due to a net foreign exchange loss in 2019 of NOK 2 million, while 2018 saw a net foreign exchange loss of NOK 11 million.

Operating costs amounted to NOK 1,550 million, compared with 1,459 million in 2018, an increase of NOK 91 million. Payroll expenses amounted to NOK 776 million in 2019, compared with NOK 723 million in 2018. The increase of NOK 53 million was primarily due to the 2019 pay settlement and an increase in the number of full-time equivalents from 699 at the end of 2018 to 751 at the end of 2019. Depreciation increased by NOK 29 million compared with 2018. This was largely due to additional depreciation of intangible assets resulting from changes in the depreciation schedule for these investments, cf. Note 10. Direct project costs and other operating expenses were at about the same level as the previous year.

Our loan customers have enjoyed good operating conditions for some time, which has resulted in lower losses on loans. Net losses on loans were NOK 44 million, compared with NOK 23 million in 2018. The net loss was principally due to an increase in individual write-downs for the low-risk loan scheme. A normal annual loss on low-risk loans equivalent to 0.5 per cent of the portfolio is expected. In 2019, the loss percentage was 0.3 per cent of the portfolio.

Losses on loans related to Innovation Norway's high-risk loan schemes and seed capital funds are covered by loss reserves and are therefore not reflected in Innovation Norway's financial performance figures. Losses on loans relating to high-risk loans and guarantee schemes amounted to NOK 157 million in 2019, compared with NOK 36.5 million in 2018. These lending activities are expected to involve a higher risk profile than the low-risk loan scheme and losses over time of close to 5 per cent of the portfolio per year. The losses in 2019 amounted to 3.4 per cent (1 per cent in 2018) of the portfolio.

The seed capital funds had virtually no losses in 2019, compared with losses of NOK 29 million in 2018. The loans were granted during the period from 2006 to 2008. Changes in losses are closely linked to fluctuations in the economy.

The cash flow shows that large gross payments are received and disbursed by Innovation Norway every year. This is particularly due to a large part of the borrowings for lending activities being refinanced approximately every three months. Net liquidity increased by NOK 211 million,

compared with an increase of NOK 129 million in 2018.

Innovation Norway's balance sheet total at year-end was NOK 26.4 billion, which is NOK 0.3 million more than in 2018 (NOK 26.1 billion). Of this, net loans amounted to NOK 18.5 billion as at 31 December 2019 (NOK 18.6 billion as at 31 December 2018). In 2019, NOK 3.0 billion was paid out in new loans (NOK 3.4 billion in 2018) and NOK 2.8 billion in grants (NOK 2.7 billion in 2018).

The company incurred no costs and made no investments related to R&D in 2019. External evaluations and analyses are carried out of the company's activities and use of policy instruments. The company uses the knowledge these provide in the development of our services, organisation and work processes.

Risk management

The company conducts annual assessments of factors that are important for achieving the goals of more successful entrepreneurs, more companies with growth potential and more innovative business clusters. Innovation Norway faces a number of risks from external factors relating to political, economic or technological factors and internal factors relating to employees, management, systems and processes. The risk universe includes strategic risk, financial risk and operational risk.

Strategic risk

Strategic risk relates to factors that are important for Innovation Norway's long-term goal attainment in relation to goals, sub-goals and the principals' priorities. The company assesses factors that are important for the company's goal attainment at an overarching level. Extraordinary risk assessments are conducted in the event of significant changes in the Norwegian economy or the company's assignments, or if the four-monthly reports on goal attainment show significant deviations. When necessary, risk assessments of critical functions and defined areas are carried out at a lower level.

Financial risk

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

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

Liquidity risk. The liquidity risk is the risk associated with Innovation Norway's ability to fund an increase in loans and the borrower's ability to settle its obligations when these fall due. The size of borrowings and loans is managed through letters of assignment from the Ministry of Trade, Industry and Fisheries. The liquidity risk is therefore minimal.

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

Low-risk loans are granted on market conditions. The risk must be moderate for a project to be granted funding. The risk is therefore limited by relatively stringent requirements concerning security. In addition to the risk associated with individual commitments, there is also structural risk associated with the sectoral division of the loan portfolio which differs from corporate portfolios at banks. Approximately 40 per cent is financing for fishing vessels, while the portfolio is otherwise almost equally divided between agriculture, industry and business services.

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

Loans to seed capital fund companies are given as subordinated loans that match private equity and loan capital. The loans have a high-risk profile.

Loss reserves have been established for innovation and high-risk loans and guarantees, and for loans to seed capital fund companies. The objective of loss reserves is to enable Innovation

Norway to mitigate risks for innovative projects with growth potential and thus contribute to the realisation of more profitable projects that would otherwise find it difficult to obtain sufficient venture capital in the market. For a smaller portion of this loan portfolio, the European Investment Fund (EIF) shares the risk of loss with Innovation Norway on a 50/50 basis.

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

Operational risk

Operational risk comprises the potential loss sources relating to Innovation Norway's day-to-day operations. Examples of such sources include procedural failure, computer system failure, lack of competence and breach of trust on the part of employees. Internal control is an important tool in reducing operational risk.

The company's steering documents are collated and made available in a special database. Innovation Norway has contingency plans and carries out exercises on a regular basis. A dedicated compliance function helps the company reduce the risk of incurring public sanctions, financial losses or reputational harm due to a failure to comply with external and internal regulations.

Going concern

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

Working environment

Good cooperation is a pre-requisite for succeeding as an inclusive workplace and the management, employee representatives and safety representatives at Innovation Norway have important roles to play. The head office, regional offices and most of our offices abroad are linked to a corporate health service.

Separate works councils and working environment committees have been established at the regional offices in Norway. Innovation Norway has decided to establish a system of safety representatives abroad that will include all offices.

The sick leave rate was 4.49 per cent in 2019, compared with 4.39 per cent in 2018. By comparison, the sick leave rate in public administration and the armed forces, as well as national insurance schemes under public administration, was 4.4 per cent in the third quarter of 2019. No injuries were reported in 2019.

Employee turnover in 2019 totalled 8.1 per cent (including temporary employees, employees on assignment and retirees).

99 new employees have been recruited externally and 77 of these are permanent positions. The company has carried out 46 internal recruitments.

The 2019 employee satisfaction survey was conducted in the first part of April, the results were presented in mid-May and the results in each department were followed up until the summer holidays. The total response to the survey was 81 per cent.

The survey was prepared by the Norwegian Agency for Public Management and e-Government (Difi) and provides a benchmark in relation to 35,000 public sector employees. Principal features of the survey:

- Innovation Norway is an engaging workplace with good execution capacity.
- Employees are motivated by their social assignment and are proud to work at Innovation Norway.
- 8 out of 10 employees had a high level of enthusiasm for their work, while 65 per cent of employees believed they had a high execution capacity. There was progress in several areas since the previous survey in 2018 and support from colleagues was the area with the highest score. Supportive management, development and clarity of role were the most obvious strengths. Supportive management was among the areas with a high score. Trust in one's immediate superior also scored well.
- Employees also felt that they had well-defined roles and that they delivered good-

quality work in the units. The employees also considered their own development to be good.

- The lowest results were in the utilisation of digital solutions and internal information.

Innovation Norway is considered an attractive workplace by both the company's employees and potential job seekers. For the fourth year in a row, in a survey conducted by Universum, Innovation Norway was voted most attractive employer among people in the work force with an educational background in economics.

Equality, diversity and discrimination

Gender equality and diversity are implemented in the company's routines and guidelines. Awareness of this shall be a natural part of the manner in which the company operates. Innovation Norway assesses measures and guidelines in accordance with the Government's inclusion programme (inkluderingsdugnad), and has planned systematic cooperation with the Norwegian Labour and Welfare Administration (NAV) to achieve the 5 per cent target. Innovation Norway balances its use of terms in job advertisements with regard to qualifications, experience and diversity requirements to ensure a broad range of candidates among potential applicants.

The Board of Directors consists of eleven members, of whom five are women and six are men. At the end of 2019, the proportion of women in the executive management group was six out of eleven (55 per cent).

The proportion of women at Innovation Norway was 57 per cent at the end of 2019. The proportion of new employees in 2019 who are women was 56 per cent.

The proportion of women by position:

Job category	2019	2018	2017
CEO	65%	63%	52%
Lawyer	43%	43%	50 %
Head of Department	58%	56%	49%
Special Adviser	37%	38%	36%
Senior Adviser	56%	53%	50 %
Adviser	74%	75%	79%
Consultant	77%	79%	83%

Pay ratio between women and men for all of IN:

Position level	Difference in average base salary (women/men)		
	2019	2018	2017
CEO	-4.6%	-7,7%	-2.44%
Head of Department	-2.1%	-0,5%	-3.81%
Special Adviser	0.2%	-0,7%	-3.73%
Senior Adviser	-4.9%	-5.6%	-2.75%
Adviser	-1.5%	-2.0%	-2.83%
Consultant	1% **	Not available*	Not available*

* Fewer than 4 employees in the sample

** Only including employees in Norway

The table shows the difference between the average pay for women and men. The results indicate that the average pay for women is slightly less than the average pay for men for positions at the same level.

Innovation Norway has an active and conscious attitude towards equal pay in connection with new appointments and internal mobility, which is an important tool given the level of mobility in the company. We are generally aware of the differences in pay at individual position level and actively work towards safeguarding the principle of equal pay.

As of 31 December 2019, 30 of the 764 employees worked part-time. Of these, 80 per cent were women.

The company complies with the guidelines for terms of employment for managers in government enterprises and corporations.

Innovation Norway includes a diversity statement in all job advertisements. This emphasises that our recruitment process aims to ensure diversity with respect to gender, age and cultural background. Innovation Norway has a general arrangement for this diversity.

Internal restructuring and organisation

Håkon Haugli became CEO in May 2019.

Innovation Norway underwent a restructuring process in 2019. The restructuring has resulted in changes in structure and to requirements for processes, coordination, culture and management. The new organisation consists of three customer divisions and four administrative units. Each of these is headed by a divisional or staff director. The CEO and these directors make up Innovation Norway's management team. The new organisation has been in place since the end of 2019/start of 2020 and has reduced the number of members of the management team from 13 to 8.

Innovation Norway is also undergoing digital transformation and 2019 saw a significant change of pace in the digitalisation work. The company places a great deal of emphasis on shifting the costs of skills development towards the use of digital tools in order to meet the ever-changing needs of our customers, increase our relevance and reduce costs. We are also strengthening our regional role with greater analytical capacity in the regional offices to provide more and better knowledge-based advice when meeting with regional authorities, business and industry and the county councils.

The company has moved its entire portfolio of applications to cloud and launched a sharing platform and joint information model for services for all employees. New websites have been launched and important systems for customer and case management have been simplified. Innovation Norway is one of the first enterprises in the public sector to move all of its solutions to cloud. This is an important prerequisite for being able to realise the company's continued ambitions for digital transformation in the coming years.

The external environment

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

Corporate social responsibility

Innovation Norway works actively to strengthen corporate social responsibility, both within the company and among the company's customers through advice and requirements.

Innovation Norway's expectations and requirements for our employees, employee representatives and consultants who perform services for the company are described in the company's Code of Conduct and Anti-Corruption Policy. The Code of Conduct also contains a special chapter on business ethics that stresses that ethics and corporate social responsibility must be included in the assessment criteria when using services and selecting collaborative partners and suppliers. Innovation Norway's corporate social responsibility work and ethical framework are also special topics in the company's procedure for training new employees. Innovation Norway also has more detailed guidelines for impartiality, the right to hold honorary positions and secondary occupations, as well as rules for ownership and securities trading.

As part of the work of incorporating corporate social responsibility throughout Innovation Norway, an expert team of resource personnel has been established. The expert team supports employees, "spars" with them on difficult issues and implements training initiatives. Innovation Norway continued the mandatory dilemma training in 2019. The purpose of this training is to ensure that everyone who performs work or services for Innovation Norway is aware of the applicable legal and ethical framework and is able to identify and tackle situations that might arise.

The sustainability strategy (2016-2020) constitutes the framework for Innovation Norway's work on strengthening corporate social responsibility among customers. It uses the UN Sustainable Development Goals, the principles in the UN Global Compact, the OECD Guidelines for Multinational Enterprises and UN Guiding Principles for Business and Human Rights as a basis for the work with the strategy and implementation. This was continued in a new strategy that was approved by the Board in December 2019. The requirements for customers and partners are set out in the document "Policy for Good Business Practice". These are based on the same guidelines and principles – all of which are recognised standards for corporate social responsibility.

Corporate social responsibility forms an integral part of Innovation Norway's services and all parties that receive services from Innovation Norway are required to comply with good business practices in line with the above-mentioned guidelines and principles. This also entails that customers and partners are familiar with their own major areas of risk relating to corruption, negative impact on the environment, human rights, employee rights and other aspects relating to business ethics, and that they implement measures for managing these. Provisions concerning this are also included in Innovation Norway's standard terms and conditions for loans, grants and guarantees.

A "Financing Manual" is available to the company's financial advisers. This contains a comprehensive chapter providing advisers with information on how to ensure that sustainability and good business practice are correctly assessed in all projects and for all customers seeking financing from Innovation Norway. A guide has also been prepared for managing "red flag" cases, i.e. specific risk factors associated with good business practice. Some of Innovation Norway's expert services provide a special module on corporate social responsibility that has been specially adapted to companies with an international focus.

Innovation Norway has several assignments that involve assisting businesses in demanding markets, for example Enterprise Development for Jobs, Vision 2030, business delegations and Global Growth programmes. In 2019, good business practice, with a primary emphasis on understanding the requirements and expectations, was a topic at a number of seminars and meetings within the framework of Innovation Norway's assignments.

Innovation Norway has an electronic whistleblowing channel that is available to both internal and external parties. The whistleblowing channel is available on the intranet and Innovation Norway's website and allows the company to communicate with anonymous whistleblowers.

Innovation Norway has a risk-based approach to Integrity Due Diligence (background checks) of customers, suppliers and stakeholders that Innovation Norway links customers to. Governing documentation is prepared that stipulates the instances in which background checks must be carried out. The actual execution of the background check is regulated by a separate procedure.

Allocation of profit

The 2019 accounts show a profit of NOK 140 million. For further information about the rules concerning dividends please see Note 37. The Board proposes the following allocation of the profit for the year:

Dividend allocated to the Ministry of Trade, Industry and Fisheries as an owner, from:		
Low-risk loan scheme	NOK	89 598 309
To be transferred to the Ministry of Trade, Industry and Fisheries from:		
Innovation loans and guarantees	NOK	27 390 595
To be transferred to the county councils as owners, from:		
High-risk loans and guarantees	NOK	21 516 910
Distributed as follows:		
Troms og Finmark County Council	NOK	5 913 340
Nordland County Council	NOK	3 247 779
Møre og Romsdal County Council	NOK	3 185 159
Vestland County Council	NOK	2 837 812
Trøndelag County Council	NOK	2 301 010
Innlandet County Council	NOK	2 132 863
Vestfold og Telemark County Council	NOK	1 011 767
Agder County Council	NOK	568 658
Viken County Council	NOK	318 521
		<u>21 516 909</u>
Transferred to retained earnings:		
Investment Fund for Northwest Russia and Eastern Europe	NOK	1 121 710
Allocated to retained earnings:		
Low-risk loan scheme	NOK	-
Service deliveries and grant administration	NOK	-
Grand total		139 627 523

Outlook for 2020

A business sector in crisis

The Norwegian economy has been hit by two parallel economic shocks. The first is a severe downturn in the world economy, which has been characterized by the coronavirus pandemic and measures to fight this. The second is the halving of the oil price as a result of an ongoing and unresolved battle for market share between the largest oil producing nations, in a situation where global natural gas prices are also low. This has significantly weakened the market prospects of a number of companies. To top this off are the economic ramifications of national measures that have been initiated to limit the spread of the coronavirus, something which in itself has caused a dramatic reduction in business activity, including in industries and companies that are not directly impacted by international markets. The duration and overall extent of the slowdown in various markets are highly uncertain. There may be a short-term impact for parts of the business sector, while for others, the pandemic and consequences of this could have permanent consequences.

The Government has initiated a number of measures to alleviate the situation in the business sector and has announced that there will be more stimulus packages. At present, the full details of these are not known.

Innovation Norway is in dialogue with our principals about what we can do to help. We have outlined several proposed measures that may alleviate the immediate effects, such as the lack of liquidity. We have also proposed measures that may assist in mitigating the effects of the crisis in the longer term. We are also making it easier for businesses to access Innovation Norway's overall financing to address the challenges that Norwegian companies are facing.

The Ministry of Trade, Industry and Fisheries has asked Innovation Norway to provide regular reports on the status and prospects for business and industry throughout the country. Through our 19 offices in Norway and presence in 29 countries, we have an extensive network, and we believe that we are well positioned to provide an independent assessment of the status and

outlook for large parts of the business sector. The input we receive from the business sector is also the basis for good and effective proposals for future measures.

Innovation Norway can expect increased losses and write-downs in the financial statements for 2020, but the extent of this will be limited to the company maintaining the minimum equity ratio requirement for the low-risk loan scheme as stipulated in the company ownership agreement, and the loss reserves will, at a minimum, cover expected losses on high-risk loans and the seed capital scheme. It is also expected that the loss reserves will at least cover the minimum requirement set by the principals.

The outbreak of the coronavirus impacts the ability of our employees to provide the company's services. Innovation Norway is involved in society's efforts to reduce the spread of the virus. Our employees are now working from home and are using available digital solutions. Increased sick leave due to outbreaks of infection and national restrictions (for example, closure of schools and kindergartens) will mean reduced capacity to deliver over time. In order for the organisation to provide its most important services, we will be conducting ongoing assessments of capacity and skills during 2020, and will reassign resources when necessary and prioritise strictly.

A new strategic direction for Innovation Norway

The company has laid out a new strategy for 2020-2025. The strategy is based on the changes that are occurring in the business sector and society. The coming year will therefore be a year marked by new direction and priorities to meet new and changing needs in our surroundings.

Norway needs more companies with the ability to scale up in international markets. Innovation Norway will work to ensure that more companies are successful in achieving sustainable growth and exports. This means that Innovation Norway must lift the best companies into international markets and build new export industries. Innovation Norway will also develop financial instruments for the growth phase.

The major societal challenges impose new demands on the public support system. Innovation Norway will work to enable the business sector to be involved and to solve the global societal challenges. This requires a shift towards more demand-driven work that stimulates the markets, both through the demand of new and innovative solutions for the public sector and identifying international market opportunities linked to the global challenges.

The regional reform has given the regions a stronger role as community developers. Through regional partnerships, Innovation Norway will help create jobs nationwide. The company will actively participate in the regional partnerships to create growth based on regional advantages and link the regional, national and international.

Organisation of our international offices

Innovation Norway has 36 offices worldwide that assist companies in understanding the market, business culture and competition at the location they wish to expand into. Many companies also receive support in communication with local authorities and in the search for cooperative or production partners in their new market. With offices in important international markets and a nationwide network of offices in Norway, Innovation Norway has an excellent starting point for contributing to the international expansion of Norwegian business and industry.

As part of the work to remain relevant to customers, Innovation Norway will conduct an evaluation of the company's presence abroad in 2020. In the opinion of the Board, this will contribute to Innovation Norway's international presence and nationwide services being better adapted, in the future, to the needs of business and industry and execution of the assignments the company receives.

Horizon Europe - EU's research and innovation programme

Horizon Europe will be the world's largest research and innovation programme. Norwegian participation in Horizon Europe will be good news for Norwegian businesses and for Norwegian research and innovation groups. The EU's new research and innovation programme requires quantifiable effects much faster than previously, closer proximity to markets and society, more focus on commercialisation and innovation, and the involvement of a broader set of stakeholders, requiring greater involvement from the business sector.

The new programme will increase the opportunities for Norwegian participation, but will require more from all of us if Norwegian potential is to be fully realised. This will both entail increased involvement from stakeholders that are already heavily involved in Horizon 2020, and involve new stakeholders with the potential to succeed. The business sector in particular needs to participate and be involved to a greater extent than before.

The Research Council of Norway and Innovation Norway are the main agencies in the national support network for Horizon Europe. Mobilisation, influence, stimulus and incentive schemes will be required for Norway to succeed when competing for funding. The Research Council of Norway and Innovation Norway will work together to follow-up the majority of areas in Horizon Europe. The Norwegian Space Agency, Investinor and the Norwegian Agency for International Cooperation and Quality Enhancement (Diku) will also be responsible for selected areas. Innovation Norway looks forward to working even more closely with the Research Council of Norway and other stakeholders in the best interests of Norway.

The Government's review of the business support system

The consulting firms Deloitte and Menon Economics were engaged by the Ministry of Finance and Ministry of Trade, Industry and Fisheries to conduct a comprehensive review of the business support system in 2019. In a total of four sub-reports, the consultants identified the need for changes and simplifications in the overall public support system.

The Board has taken into consideration the positive feedback that Innovation Norway's customers provide. The Board believes that customer service and efficiency have to guide change and has supported proposals for the consolidation of public funding agencies. The political conclusions of the review are expected no later than the 2021 national budget. Innovation Norway will constructively facilitate the changes that are decided upon, and the Board accepts that the organisation will both have to take on and relinquish assignments and duties.

Transfer of equity instruments to Investinor

The Capital Access Commission recommended changes to Innovation Norway and Investinor AS' equity instruments. The Government has considered the proposal in light of the consultation process and the review of the business support system and has proposed changes to some of the equity instruments, including consolidating the management of seed capital funds, pre-seed capital funds and the co-investment fund for Northern Norway with Investinor AS. The changes will be implemented in 2020 and entail that loans and ownership related to these instruments will be transferred from Innovation Norway to Investinor, and that associated employees can transfer from Innovation Norway to Investinor.

Oslo, 25 March 2020

The Board of Directors of Innovation Norway