

# ANNUAL ACCOUNTS INNOVATION NORWAY <sup>1</sup> 2021

<sup>1</sup> Innovation Norway is a translation of Innovasjon Norge

## Innovation Norway

### Income Statement

(Amounts in NOK 1,000)

	Notes	2021	2020
Interest on loans	3	575 895	609 111
Interest on bank deposits		4 120	3 692
<b>Total interest income</b>		<b>580 015</b>	<b>612 802</b>
Interest on borrowings	4	55 090	108 192
Borrowing commission	5	75 155	69 448
<b>Total interest expenses</b>		<b>130 245</b>	<b>177 641</b>
<b>Net interest income</b>		<b>449 770</b>	<b>435 162</b>
<b>Dividends and net gains/losses on securities</b>	6	<b>7 782</b>	<b>-7 882</b>
Income from public sources	7, 10	1 247 614	1 151 367
External revenues	8	39 792	32 188
Miscellaneous operating income		13 406	11 706
<b>Total operating income</b>		<b>1 300 812</b>	<b>1 195 261</b>
Payroll expenses	9, 10	936 639	821 458
Depreciation on tangible fixed assets and intangible assets	11, 12	10 409	10 893
Direct project costs	13	315 091	314 712
Other operating expenses	10, 14, 15	274 685	262 057
<b>Total operating expenses</b>		<b>1 536 823</b>	<b>1 409 120</b>
<b>Profit before losses</b>		<b>221 541</b>	<b>213 421</b>
Losses on loans and guarantees	16	113 811	220 499
Coverage of losses	16, 17	-121 569	-129 213
<b>Total net losses on loans and guarantees</b>	16	<b>-7 758</b>	<b>91 285</b>
<b>Profit (loss) for the year</b>		<b>229 299</b>	<b>122 135</b>
Dividend and transfers to owners	36	221 607	130 975
Transferred to/from retained earnings in loan and investment funds	35, 36	7 692	-8 840
Transferred to retained earnings	36	-	-
<b>Total transfers and allocations</b>	36	<b>229 299</b>	<b>122 135</b>

## Innovation Norway

### Assets

(Amounts in NOK 1,000)

	Notes	2021	2020
Ordinary bank deposits	18, 21	1 978 610	1 755 373
Locked-in deposits in Norges Bank	18, 21	8 886 799	7 701 902
<b>Total bank deposits</b>		<b>10 865 409</b>	<b>9 457 275</b>
Low-risk loans	19, 21, 23, 27	13 612 724	14 179 530
Innovation and high-risk loans	19, 21, 23, 27	5 737 098	5 395 797
Other loans	20, 21	208 283	314 017
<b>Total gross lending</b>		<b>19 558 104</b>	<b>19 889 344</b>
- Write-downs on individual loans	16	-539 801	-585 798
- Write-downs on groups of loans	16	-298 000	-298 000
<b>Total net lending</b>		<b>18 720 303</b>	<b>19 005 546</b>
<b>Shares and units</b>	24	-	-
<b>Ownership interests in group companies</b>	25	<b>263 107</b>	<b>256 375</b>
<b>Intangible assets</b>	11	<b>20 340</b>	-
<b>Tangible fixed assets</b>	12	<b>33 850</b>	<b>34 651</b>
<b>Other assets</b>	26	<b>73 794</b>	<b>50 098</b>
<b>Costs not yet incurred and earned income not yet received</b>	27	<b>159 900</b>	<b>133 230</b>
<b>Total assets</b>		<b>30 136 704</b>	<b>28 937 175</b>

**Innovation Norway**  
**Liabilities and Equity**  
(Amounts in NOK 1,000)

	Notes	2021	2020
Borrowings from the Norwegian state, low-risk loans	21, 28	11 915 000	12 495 000
Borrowings from the Norwegian state, innovation and high-risk	21, 28	5 780 000	5 440 000
<b>Total borrowings from the Norwegian State</b>		<b>17 695 000</b>	<b>17 935 000</b>
<b>Other liabilities</b>	10, 29	<b>1 352 962</b>	<b>1 011 972</b>
<b>Costs incurred and unearned income received</b>	30	<b>609 405</b>	<b>508 554</b>
Pension liabilities	31	69 758	64 116
Write-downs on guarantees	16	34 173	15 285
Loss reserves	32	3 618 221	3 404 272
Interest support funds	33	261 995	321 532
Grant funds	34	4 630 810	3 819 758
<b>Total provisions for liabilities and charges</b>		<b>8 614 957</b>	<b>7 624 962</b>
Capital contributions to loan and investment funds	35	270 000	270 000
Retained earnings in loan and investment funds	35	-7 134	-14 826
<b>Total capital in loan and investment funds</b>	35	<b>262 866</b>	<b>255 174</b>
Paid-up equity	36, 37	665 645	665 645
Retained earnings	36	935 868	935 868
<b>Total equity</b>	36	<b>1 601 514</b>	<b>1 601 514</b>
<b>Total liabilities and equity</b>		<b>30 136 704</b>	<b>28 937 175</b>

Oslo, 31 December 2021

17 March 2022

The Board of Directors of Innovation

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*Chair*

Jørund Ødegård Lunde  
*Deputy Chair*

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Karin Ammerud Sørensen  
*Employee Representative*

Håkon Øveland Nyhus  
*Employee Representative*

Håkon Haugli  
CEO

**Innovation Norway**  
**Cash flow statement**  
(Amounts in NOK 1,000)

	2021	2020
Profit (loss) for the year	229 299	122 135
Ordinary depreciation	10 409	10 893
-Profit/+ loss on sale of tangible fixed assets	-64	98
Change in provisions for losses on loans	-45 997	-174 640
Change in write-downs on equity investments	-6 732	6 680
Difference expensed/paid pensions	5 643	-25 483
Change in other accruals	580 504	2 558 047
Amounts received on loans	3 378 368	2 350 867
Amounts paid on loans	-3 180 709	-4 015 031
Amounts received from principals for grant activities	5 174 913	7 629 155
Grants disbursed	-4 467 614	-4 948 062
Disbursed to investors for seed capital investments	-	-3 945
Paid from the Norwegian State to loss reserves	-	403 500
Repaid to the Norwegian State from loss reserves	-	-504 370
<b>A - Net cash flow from operations</b>	<b>1 678 019</b>	<b>3 409 843</b>
<b>B - Refunded/contributed investment funds to/from owner</b>	<b>-</b>	<b>-1 976 529</b>
Payments received on amounts borrowed	69 050 000	55 650 000
Payments made for amounts borrowed	-69 290 000	-54 320 000
<b>C - Net cash flow from financing activities</b>	<b>-240 000</b>	<b>1 330 000</b>
Purchase of shares	-	-39 355
Sale of shares	-	-
<b>D - Net cash flow from securities</b>	<b>-</b>	<b>-39 355</b>
Amounts received from sale of tangible fixed assets	213	65
Amounts paid for the purchase of tangible fixed assets	-30 097	-9 435
<b>E - Net cash flow from investment activities</b>	<b>-29 884</b>	<b>-9 369</b>
A+B+C+D+E = net change in liquidity	<b>1 408 134</b>	<b>2 714 590</b>
<b>Liquidity as of 01.01</b>	<b>9 457 275</b>	<b>6 742 685</b>
<b>Liquidity as of 31.12</b>	<b>10 865 409</b>	<b>9 457 275</b>

# Innovation Norway

## Notes to the 2021 Annual Accounts

### NOTE 1

#### COMPANY INFORMATION AND ACCOUNTING PRINCIPLES

##### Company information

Innovation Norway is an enterprise established by special legislation and has the objective of being the State and the county councils' instrument for achieving value-creating business development throughout the entire country. Innovation Norway's main purpose is to trigger business development that is profitable from both a commercial and socio-economic perspective, and for the regions to realise their commercial potential.

The Ministry of Trade, Industry and Fisheries is the principal owner with 51%, while the county councils own 49%. Innovation Norway manages funds from the Ministry of Trade, Industry and Fisheries, Ministry of Local Government and Regional Development, Ministry of Agriculture and Food, Ministry of Foreign Affairs, Ministry of Culture and Equality, Ministry of Education and Research, Ministry of Climate and the Environment, Ministry of Transport, the county councils, and other public stakeholders.

Innovation Norway offers five types of services:

- Financing services
- Expert services
- Advisory services
- Networking services
- Profiling services.

##### Basis for the preparation of the accounts

The annual accounts have been prepared in accordance with the Norwegian Accounting Act, generally accepted accounting principles for other companies and the Act relating to Innovation Norway.

##### Use of estimates

When preparing the annual accounts, estimates and discretionary assessments are used for uncertain amounts. The figures and assessments represent a best estimate on the date the accounts are submitted. The actual results may differ from the estimates. Innovation Norway's most important estimates and assessments relate to the assessment of write-downs on loans and guarantees, pensions to own employees, and restructuring costs in 2021.

Restructuring costs are recognised in accordance with NRS 13 Uncertain liabilities and contingent assets.

##### Reclassification

In instances in which classification of items is changed, the figures for the previous year will also be restated to provide a comparison of the accounts.

##### Consolidation

No consolidated accounts are prepared for Innovation Norway and its subsidiaries pursuant to the exemption rule in Section 3-8 of the Norwegian Accounting Act. This is based on the subsidiaries not being deemed to be of importance when assessing Innovation Norway's financial position and result.

##### Assets and Liabilities in foreign currency

In the balance sheet, monetary items in foreign currencies are converted at the exchange rate on the balance sheet date. Revenues and expenses in foreign currencies are converted at the exchange rate on the transaction date. Changes in value that result from changes in the exchange rate between the transaction and balance sheet dates are entered in the profit and loss account.

##### Bank deposits, cash etc.

Bank deposits, cash etc. include cash, bank deposits and other means of payment with a maturity date of less than twelve months from acquisition.

##### Receivables

Accounts receivables and other receivables are entered at nominal value after deductions for provisions for expected loss. Provisions for loss are made based on an individual assessment of the individual receivables.

##### Intangible assets

Intangible assets are recognised in the balance sheet when:

1. It is probable that the future financial benefits associated with the asset will flow to the company, and
2. acquisition cost for the asset can be reliably measured.

Intangible assets are appraised at acquisition cost and written down to fair value if this is lower than book value and the decline in value is not expected to be temporary. Intangible assets with a limited useful life are depreciated over the expected period of use.

### **Tangible fixed assets**

Assets intended for permanent ownership or use are classified as tangible fixed assets. Tangible fixed assets are appraised at acquisition cost and written down to fair value if this is lower than book value and the decline in value is not expected to be temporary. Tangible fixed assets with a limited useful life are depreciated over the expected period of use.

### **Loans, shares and financial obligations**

#### **General principles and definitions**

##### *Recognition and derecognition*

Loans, shares, other financial assets, including borrowings from the Norwegian State, and other financial obligations are recognised in the balance sheet when Innovation Norway becomes a party to the instrument's contractual provisions.

Loans, shares and other financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire.

Borrowings from the Norwegian State and other obligations are derecognised from the balance sheet when they have ceased, i.e. when the obligation stipulated in the contract has been satisfied, cancelled or expired.

##### *Definition of amortised cost*

After initial recognition, loans and receivables, as well as borrowings from the Norwegian State and other financial obligations, are measured at amortised cost using the effective interest method. When calculating the effective interest rate, cash flows are estimated.

### **Loans**

Innovation Norway's lending operations are divided into three types of loans:

1. Low-risk loans
2. Innovation and high-risk loans
3. Other loan schemes

The establishment fee upon disbursement of innovation loans and other high-risk loans is entered as income on the disbursement date when the fee does not exceed the direct costs. The other loan schemes do not have an establishment fee.

### **Decline in value of loans**

On the balance sheet date, an assessment is made of whether there are objective indications of loans having declined in value.

Examples of loss events are serious financial problems with the debtor which can be:

- weak finances
- negative financial development
- payment default
- significant changes in conditions
- negative changes in internal and external factors
- bankruptcy
- debt settlement proceedings or liquidation.

There is a relatively high degree of uncertainty associated with the valuations of the security, due to the location sometimes not being central, the collateral is specialised, and the number of possible stakeholders is limited.

##### *Individual write-downs*

If objective indications exist, the loan is written down. The write-down is measured as the difference between the loan's capitalised value and the present value of the estimated future cash flows discounted by the effective interest rate on the financial asset. The write-down is recognised in the profit or loss.

##### *Collective write-downs*

Collective write-downs are also made for the low-risk loans. The portfolio is divided into groups with largely the same risk elements. Loans that are individually considered for being written down, but for which there is no objective evidence of a decline in value, are included in the group assessment of loans. Group write-downs are determined based on the risk classification system whereby calculated risk is calculated as the product of the expected operational risk and risk of inadequate security coverage.

### **Loss reserves**

Loss reserves have been established for innovation and high-risk loans and guarantees. The term loss reserve refers to funds that are intended to cover expected loss on these special loan schemes and guarantees. The funds are included in appropriations from the Norwegian State, either as separate appropriations or as part of the grant funds. The funds are set aside as a liability in the balance sheet. When a loan is written-down in a loan scheme which has a loss reserve, a corresponding income entry is made from the loss reserve. Write-downs and income recognition from the loss reserve are presented as gross amounts in the "Losses on loans and guarantees" and "Coverage of losses" items in the profit and loss account. Write-downs within the amount of the loss reserve will not have a net effect on earnings for Innovation Norway. Any losses that exceed the loss reserve shall be covered by the Norwegian State in the form of additional appropriations. For more detailed information see Note 32.

### **Detailed description of Innovation Norway's financing services**

#### **Low-risk loans**

Low-risk loans are an offer to companies that need financing of their long-term capital requirements. The loans are provided at competitive, market interest rates. The high-risk loans shall be secured with collateral and are normally covered by a guarantee, but can have underabsorption of up to 25% on the date such loans are granted. Low-risk loans are prioritised for companies in rural areas and for projects in which the loans offered from other banks are limited due to risk assessments by the banks. There is no limit on the size of the company, but the loans are primarily given to small and medium-sized companies with up to 250 employees. Innovation Norway has a special responsibility for financing of companies in the fisheries industry, agriculture and in rural areas. Losses on these types of loans are covered by the interest margin and have an effect on earnings. Therefore, Innovation Norway bears the financial risk for these loans. The repayment period is normally 5-15 years. The loans are financed with interest-bearing borrowings from the Norwegian State. The profit from the scheme is repaid to the Norwegian State in its entirety given that the equity ratio of the scheme equals 10.5%.

#### **High-risk loans**

The high-risk loans are granted as loans with low collateralisation with a relatively high degree of risk and with, at times, favourable terms when concerning interest and repayment period in comparison with the project risk. High-risk loans can be used for partial financing of investment projects that involve newly incorporated companies, innovation, restructuring, internationalisation and development and for which it is difficult to find sufficient venture capital in the private market. Innovation Norway's involvement shall have a "triggering effect" for the project to be able to be implemented. Smaller loans can be given without collateral security, while larger loans have collateral security that can have underabsorption of between 25% and 75% on the date the loans are granted.

The interest rates for high-risk loans are somewhat higher than for loans in the private credit market and normally have slightly shorter terms. The target group is companies throughout the entire country and in all industries. Maximum commitment per customer is NOK 50 million. The maximum term for high-risk loans is 15 years, including instalment free periods. The loans are financed with interest-bearing borrowings from the Norwegian State. Losses on the loans are financed via loss reserves. This means that losses on high-risk loans do not have an effect on earnings and Innovation Norway does not bear the financial risk for these loans. Losses with associated coverage of losses are shown as a gross amount in the accounts. Profits from the scheme are repaid to the state and counties in their entirety.

#### **Guarantees**

Innovation Norway's guarantee schemes are primarily aimed at entrepreneurs and growth enterprises that have problems obtaining loans from private banks due to inadequate security. In practice, Innovation Norway's guarantees are collateral security that is provided to the company's local bank connection in order for the bank to be able to grant operating credit or investment loans. Our guarantees are primarily used as guarantees for operating credit. Guarantees can only be furnished as simple guarantees to banks with guarantee liability of normally up to 50%, but also up to 75% for companies less than 3 years old. For 50% guarantees, the guarantee commission is a minimum of 1%. For 75% guarantees, the guarantee commission is a minimum of 2%. Losses on guarantees are covered by loss reserves and have no effect on Innovation Norway's earnings. Therefore, Innovation Norway does not bear the financial risk for the guarantees. All guarantees that are provided are allocated to loss reserves. The scheme is under the sub-accounts for high-risk loans, and the profit from the scheme are repaid to the state and counties in their entirety.

#### **Investment Fund for Northwest Russia and Eastern Europe**

In 2019, this scheme was consolidated into one fund and transferred to our subsidiary Investeringsfond for Nordvest-Russland og Øst-Europa AS. The scheme will be administered in the subsidiary based on a similar framework to Innovation Norway. The scheme entails that the fund can invest together with Norwegian business and industry on commercial terms in Northwest Russia and Eastern Europe. The target group consists of small and medium-sized Norwegian companies with international growth ambitions and prerequisites for succeeding in the fund's development areas.

Innovation Norway's ownership in the subsidiary is financed with investment funds from the Norwegian State. Following the transfer of the scheme to the subsidiary, results will only consist of adjustments to the value of the



shares in the subsidiary and any dividends. A dividend from the subsidiary will be returned without deductions to the Ministry of Trade, Industry and Fisheries. Other results are covered by the investment fund and Innovation Norway therefore bears no financial risk.

### **Shares**

Shares are appraised using the cost method. For investments that are considered to be long-term, these are written-down to fair value when there is a decline in value that is not expected to be temporary. Investments that are deemed to be short-term, are appraised at the lower of acquisition cost and fair value. Dividends received from the companies are recognised as dividends from securities.

Associated companies are companies in which Innovation Norway has considerable influence. Innovation Norway is normally considered to have considerable influence when it has an ownership stake of 20% or more. Subsidiaries are considered companies which Innovation Norway exercises control over. Control normally exists when the company has an ownership stake of 50% or more. Associated companies and subsidiaries are recognised in the accounts using the cost method.

### **Grant funds**

Innovation Norway has annual commitment budgets for grant schemes for various purposes.

The following rules apply for grant schemes organised with funds:

- Until they are disbursed, grant monies that are appropriated through the national budget are placed in earmarked accounts at Norges Bank that do not earn interest for Innovation Norway. The grant monies are recognised in the balance sheet of Innovation Norway and are classified as bank deposits with the contra entry being "Grant funds".
- The commitments for the grant schemes will lapse if the monies are not used three years after the year they were granted at the latest. Unused grant monies for these schemes will be returned to the budget for the following year or to the Norwegian State depending on the rules for the grant scheme.
- Grant monies that are disbursed to customers have no effect on Innovation Norway's earnings and are therefore not recognised as income or expensed in the profit and loss account. Costs associated with services provided under the direction of Innovation Norway are expensed in the profit and loss account and the associated cost coverage from grant monies is entered in the profit and loss account under "Income from public sources".

## **Principles for recognising income and expenses**

### **Income**

As a general rule, income is entered in the accounts in the same period as associated expenses. In the instances in which there is no clear connection between expenses and income, allocation is determined based on discretionary criteria. Other exemptions from the matching principle are stated when relevant.

### **Income from public sources**

Public appropriations to Innovation Norway from the Norwegian State are recognised as income in line with costs accrued for the objectives the appropriations are intended to cover. This means that parts of the appropriation for one year can be transferred to the following year.

### **Interest support funds**

The interest support fund consists of monies which are to cover agreed interest when interest-free, innovation and high-risk loans are granted. Allocated monies are set aside as a liability in the balance sheet. When an interest-free loan is granted, the liability that is equal to the lost income is correspondingly recognised as income.

The interest support fund is financed by allocating grant monies to ourselves from the limit for high-risk loans. The annual grant budget for Regional Development is from the Ministry of Local Government and Modernisation and the Innovation Scheme is from the Ministry of Trade, Industry and Fisheries. Each year, sufficient funds must be set aside to cover the granting of exemptions from paying interest during the current year.

### **Expenses**

As a main rule, expenses are recognised during the same period as associated income. In the instances in which there is no clear connection between expenses and income, allocation is determined based on discretionary criteria. Other exemptions from the matching principle are stated when relevant.

### **Interest income and expenses**

Interest is entered in the profit and loss account after this has been earned as income or accrued as expenses.

Interest income and interest expenses relating to the seed capital scheme are presented as gross amounts under "Interest on loans" and "Interest on borrowings". For the seed capital schemes, the interest expenses must be equal to the interest income. The seed capital scheme is arranged in such a way that it will not have any effect on the earnings of Innovation Norway. The seed capital scheme was transferred to Investinor AS effective from 1 May 2020.

### **Pensions**

Innovation Norway recognises pension expenses and pension commitments in accordance with the Norwegian Accounting Standard, NRS 6 Pension Costs.

#### *Defined-contribution pension*

A defined-contribution pension scheme entails that the company does not make pledges regarding future pensions of a certain amount, but rather makes annual payments into the employees' collective pension savings. The future pension will depend on the size of the contributions and the annual return on pension savings. The company has no further obligations after the annual contribution has been paid. Defined-contribution pension schemes are expensed directly.

#### *Defined-benefit pension*

When recognising defined-benefit pensions in the accounts, the liability is expensed over the earnings period in accordance with the plan's earnings formula. The allocation method is equivalent to the plan's earnings formula unless most of the earnings occur towards the end of the earnings period. Straight-line earnings are therefore used as a basis. Thus, straight-line earnings are used for pension schemes in accordance with the Act relating to occupational pensions.

Discrepancies in estimates and the effect of changed assumptions are amortised over the expected remaining period of service if they exceed 10% of the higher of the pension commitment and the pension assets (corridor approach). The impact of plan changes with retroactive effect that are not conditional upon future employment are immediately recognised in the profit and loss account. Plan changes with retroactive effect that are conditional upon future employment are allocated on a straight-line basis over the period until the benefit is no longer conditional upon future employment.

The net pension commitment is the difference between the present value of the pension commitments and the value of pension assets allocated for payment of the benefits. The pension assets are appraised at fair value. Pension commitments and pension assets are measured on the balance sheet date. Employers' contributions are included in the figures and are calculated by the net actual underfunding. The contractual early retirement pension (AFP) within the LO (Norwegian Confederation of Trade Unions)/NHO (Confederation of Norwegian Enterprise) scheme is a defined-benefit, multi-enterprise scheme, however this is entered in the accounts as a defined-contribution scheme because it cannot be quantified.

### **Cash flow statement**

Liquidity reserves are defined as cash and bank deposits. The cash flow statement is prepared in accordance with the indirect method and is adapted to the various areas of operation.

# Annual Report 2021

## THE NATURE OF THE BUSINESS

Innovation Norway was founded on 19 December 2003, has its head office in Oslo, regional offices throughout the country and a presence in 23 international markets. 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.

Innovation Norway complies with the corporate governance guidelines for companies that come under the area of responsibility of the Ministry of Trade, Industry and Fisheries. In accordance with requirements stipulated by the Ministry of Trade, Industry and Fisheries, the company complies with the recommendations from the Norwegian Corporate Governance Board (NUES) relating to corporate governance insofar as these are relevant to the company.

## 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 in 2004 through a merger of the Norwegian Industrial and Regional Development Fund (SND), the Norwegian Export Council, the Norwegian Tourist Council and the Government Consultative Office for Investors. This was due to a desire to simplify the governmental business support system for innovation and business development and to provide the companies with a gateway to access the services. Today's Innovation Norway embraces the roles held by former governmental business support agencies and achieves significant professional and cost synergies. The Board considers there to be potential for further consolidation of the governmental business support system.

The offices of Innovation Norway in all of the counties and in 23 countries provide the business sector with access to the governmental business support system. The organisation 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 the Norwegian business sector.

Innovation Norway is a "sparring partner" for the small and medium-sized enterprises that offers expertise, networks and capital. The businesses may devote their time to developing new products and services and do not need to be aware of the different support services. Innovation Norway's advisers will see the opportunities and challenges and identify schemes that could be of assistance to them. If Innovation Norway cannot assist, the advisers will put the enterprises into contact with other private and public stakeholders that can provide assistance. In this way, Innovation Norway builds bridges between expert communities, governmental business support agencies and investors.

In 2021, Innovation Norway received appropriations and assignments in letters of assignment from the Norwegian Ministry of Trade, Industry and Fisheries, Ministry of Local Government and Regional Development, 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.

In order to assess Innovation Norway's contribution to the main goals and sub-goals, a performance management and result management system (MRS)<sup>1</sup> 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.

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 targeting specific sectors or groups.

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

## **A BUSINESS SECTOR UNDERGOING A RESTRUCTURING PROCESS**

The global coronavirus pandemic impacted the Norwegian business sector again in 2021. The infection control measures had direct consequences for the operations of several industries, while others were largely able to return to normal operations. Economic activity has closely followed the infection control measures.

Throughout the year, Innovation Norway maintained its role as an emergency response organisation for the authorities, both through the role of "sounding board" in monitoring the status of the business sector and the role of administering crisis packages. Innovation Norway's role is to trigger investments in restructuring, innovation and internationalisation. This has also been the company's role during the pandemic.

### *A Decade of Scaling*

Even before the crisis, it was of crucial importance for Norway to develop a more diversified and sustainable business sector. Sustainable value creation is a prerequisite for the welfare of our future generations. In its 2017 analysis of the Norwegian innovation system, the OECD noted that Norway was facing a triple restructuring challenge: To shift from a vulnerable petroleum-based economy to a more diversified and robust economy, to develop a more competitive, effective and efficient research and innovation system, and ensure that this system is better equipped to address major societal challenges.

The long-term need for the Norwegian business sector to restructure has become more apparent during these years of crisis. Urgent measures are required to achieve the climate targets, and green solutions need to reach the markets within five to ten years if they are to have an impact on the Paris goals and be rapidly scaled. This provides opportunities for Norwegian companies. Demand for green solutions is increasing internationally in areas in which Norway has particularly good prerequisites, such as in energy and food. In 2021, Innovation Norway therefore worked specifically to focus our efforts on increased growth and exports. A vital task has been to further develop schemes that

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<sup>1</sup> For more information, please refer to the methodology document at [innovasjon Norge.no](https://www.innovasjon Norge.no)

contribute to a comprehensive boost for new value chains. The experience from our collaboration with the Research Council of Norway and Enova in Pilot-E have been important in the work on the Green Platform, which was established in 2020 as part of the government's third package of measures.

#### *Regional business development*

In addition to being owners and clients, the county councils are important collaborative partners for Innovation Norway. Contributing to commercially and socio-economically profitable business development based on the preconditions of the various regions is a core assignment for Innovation Norway. The company provides advice and assists with the commercial strategies of the county councils. When working with Innovation Norway, companies nationwide encounter an organisation that takes a holistic view of regional, national and international policy instruments. Clear effects of this can be seen in, among other things, the creation of new green industrial companies, for which the broad social development role of the county councils and Innovation Norway's instruments are essential. In 2021, we saw startups in areas such as batteries, hydrogen, offshore wind, circular and bio economies.

#### *The EU as a premise provider*

The EU has become a much stronger premise provider for the Norwegian business sector through its "European Green Deal" strategy. The strategy has the goal of a climate-neutral Europe by 2050. In order to achieve these lofty ambitions, the EU action packages are extremely comprehensive in terms of both the financing and regulatory aspects and have major consequences for Norwegian businesses. The European Green Deal opens up huge market opportunities for European countries. A stronger strategic connection to the EU and Brussels is crucial, and Innovation Norway has strengthened its strategic work towards Europe in 2021. Innovation Norway shall mobilise Norwegian companies to make use of five different EU programmes (Horizon Europe, DIGITAL, Cosme, European Defence Fund (EDF) and InvestEU). Acceptance in EU programmes will be of major importance to individual companies throughout the country and for Norway's pace of innovation and ability to transform the economy over the next five years.

#### *Focused efforts for growth and exports*

If we are to achieve the goals in the Paris Agreement, then the world must focus its efforts on adopting and scaling technology and solutions that reduce greenhouse gas emissions during the next 5-10 years. Many of these solutions are in place, however markets have not been mature enough for demonstration and scaling to be profitable. This is changing, and Norwegian companies now need to position themselves as providers of green solutions to the world markets. This requires more focused and differentiated export initiatives. In 2021, Innovation Norway commenced the export strategy "Equipped for Export" which entails a more focused service based on the capabilities and qualifications of the companies. A digital platform and centre of expertise provide all Norwegian companies with easy and fast access to relevant information and expertise pertaining to scaling, growth and exports. Innovation Norway has also established a service which ensures that the companies with the greatest potential receive tailored services over time. The export development programme offers the companies with the best prerequisites based on quantitative and qualitative criteria tailored services over 2-3 years for them to be able to realise their goals and ambitions. If Norway is to succeed in increasing and diversifying exports, we require more targeted and coordinated efforts to place the Norwegian business sector in a position to exploit major market opportunities for which we have a comparative advantage. High Potential Opportunities (HPO) is a new initiative that assists Norwegian companies with identifying and winning large contracts and international market shares. HPO is a demand-driven initiative in which we link significant, tangible market opportunities to Norwegian comparative advantages.

#### *Expertise and capital*

Innovation Norway is a “sparring partner” for business and industry throughout the country. Several commercially and socio-economically profitable projects are triggered by sparring with and challenging customers and offering the right expertise and financing. Companies are aware of the opportunities associated with the green transition, and significant investments are being made in new technology, new business models and industrial establishments. At the same time, Innovation Norway sees that there is a lack of venture capital for realising many of the initiatives. Many new digital business models do not have tangible assets to offer collateral security and therefore struggle to raise private venture capital for scaling and growth. During the previous year, Innovation Norway established new instruments to suit the current business models. The role of public banks in reducing risk is crucial to ensuring that the markets for green solutions mature and that the solutions can evolve from the demonstration and piloting stage to market introduction and scaling.

*Innovation Norway is a key player in realising the green transition*

A transition towards a greener economy requires the success of entire value chains. If new industries are to be developed, the entire “toolkit” needs to be used. This requires a different way of working in the public business support system than what was previously the case. Initiatives aimed at consortiums of companies that complement the value chain, and the business support system must ensure a holistic process by directing efforts within R&D, capital and international investment towards industries that can create highly productive jobs. The Green Platform scheme, which was introduced in 2020, contributed to several unified efforts for green value chains in 2021. The cooperation with the Research Council of Norway and Siva is also based on experiences from initiatives such as the Pilot-E scheme, which involves Innovation Norway cooperating with Enova and the Research Council of Norway. The previous year was a record year for Innovation Norway's investments in green projects. 61 per cent of total funding commitments in 2021 went towards projects with a positive effect on the climate, while the other projects were neutral. Hand-in-hand with a greener portfolio, our organisation strengthens the expertise and tools for addressing climate risk. The EU's classification system is now used as a basis when all financing cases are assessed.

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The Board is very pleased with the deliveries and efforts that have been made to strengthen the ability to innovate and the rate of transition in Norway. By sparring with the business sector, both digitally and in all the country's regions, Innovation Norway represents a gateway for the business sector. The large proportion of green projects consolidates Innovation Norway's role as a key stakeholder and public bank which is crucial for Norway succeeding with the green shift. The Board also underlines the importance of Norwegian participation in the EU's research and innovation programmes and the value of the company's successful cooperation with other governmental business support agencies. The Board emphasises the importance of our superiors, the ministries, formulating schemes that are targeted, build upon the division of labour in the public business support system and that do not impose unnecessary coordination costs on the companies and on the public business support agencies.

### **DELIVERIES AND EFFECTS IN 2021**

The Board of Innovation Norway laid out a new strategy for the company in 2019. It is the Board's assessment that this has withstood the crisis. It is with satisfaction that the Board can report a high degree of goal attainment, increasingly more efficient use of resources and good risk management in 2021. Innovation Norway's objective is to contribute towards establishing more good entrepreneurs, more companies with growth potential and innovative business clusters throughout the entire country. For all three sub-goals, the Board can conclude that the level of activity, effects and goal attainment have been high in spite of the pandemic.

In 2021, Innovation Norway again played an important role in counteracting the long-term consequences of the coronavirus crisis for the Norwegian business sector and in ensuring that

entrepreneurs, growth companies and innovation communities have the ability to restructure and innovate. The organisation's primary focus has been to ensure that as many as possible invest in restructuring and innovation, are able to export their goods and services and derive benefit from the EU's instruments.

The Norwegian Parliament and the county councils allocated a total of NOK 7.0 billion to Innovation Norway. Together with the loan schemes, Innovation Norway contributed NOK 10.1 billion to the business sector in 2021. This included loans, grants, guarantees, 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 31.5 billion.

95 per cent of enterprises stated that Innovation Norway's support was, to a high or moderate extent, a key factor in starting their projects. One krone from Innovation Norway in the form of capital or advice is matched by 2.1 kroner in self-financing or other sources of funding for development projects and investments. In addition, having Innovation Norway as a "sparring partner" also contributes to many other innovation and internationalisation activities by providing expertise and networking.

The figures for 2021 (development for 2003-2020) from Samfunnsøkonomisk Analyse AS (SØA) indicate that the impact of support from Innovation Norway remains at a high level. There are no altered effects to report that require special follow-up for any assignments, sub-goals/target group or instrument.

All limited liability companies that received support from Innovation Norway experienced 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 10.4 percentage points (2020: 10.3 percentage points), an annual increase in value creation of 9.0 percentage points (2020: 8.7 percentage points), and an annual increase in productivity of 4.0 percentage points (2020: 4.0 percentage points).

### **More successful entrepreneurs**

In 2021, Innovation Norway committed NOK 2.0 billion to the sub-goal of "More successful entrepreneurs". In addition to this, Innovation Norway delivered advisory services, expert services, networking services and promotional services. A total of 140 companies participated in the Global Accelerator programmes, which were held ten times in 2021. The courses are held nationwide in cooperation with various regional offices. All courses were held digitally due to the pandemic.

In 2021, there were 166 commitments to commercialisation grants (Ministry of Trade, Industry and Fisheries only) totalling NOK 116.4 million. There were 88 commitments for start-up loans totalling NOK 125 million. A start-up loan gives entrepreneurial companies capital which enables them to continue to build their companies. There were also appropriations from the Ministry of Local Government and Regional Development.

A total of NOK 2.05 billion was allocated to startups (0-3 years), which consisted of NOK 1.1 billion in grants, NOK 740 million in loans and NOK 190 million in guarantees. We see that startups still make up a significant proportion of other financing services. In 2021, 28.7 per cent of the allocations (in terms of amounts) from the Environmental Technology Scheme went towards startups, including 35.8 per cent of the extraordinary innovation grant, and the figure was 33 per cent for innovation contracts.

The entrepreneur service from Innovation Norway includes more than financing. Significant resources are assigned to dialogue with clients, information and consulting, workshops and

networking activities, and linking entrepreneurs with relevant collaborative partners. Despite physical meetings being limited in 2021, Innovation Norway has utilised various digital channels to reach out to entrepreneurial companies.

This year's survey (SØA) shows that, on average, these customers had annual growth in sales revenues that was 16.4 percentage points more than comparable companies without support. The corresponding figure for value creation was 16.9 percentage points and was 11.7 percentage points for productivity.

### **More companies with growth potential**

In 2021, Innovation Norway committed funding of NOK 6.2 billion within the sub-goal of “More companies with growth potential” (companies more than three years of age). In addition, there are funding commitments to agriculture and the value of Innovation Norway’s advisory services, expert services, networking services and promotional services.

In 2021, corporate clients with growth potential (companies more than three years of age on the assessment date) received approximately NOK 6 billion in financial services, which consisted of NOK 3.4 billion in grants, NOK 2.3 billion in loans and NOK 300 million in guarantees. The proportion of grants, loans and guarantees increased from 2019 to 2021. This was partly due to extraordinary measures resulting from the coronavirus pandemic. Extraordinary innovation grants amounted to NOK 650 million and there was more than NOK 1 billion in crisis packages for tourism and the events industry. The Growth Guarantee Scheme has also established itself as an attractive alternative for companies in the growth phase. In this scheme, Innovation Norway provides guarantees to commercial banks that provide credit to borrowers. The proportion of guarantees to established companies has increased by NOK 275 million since 2019, and loans have increased by 440 million. This means that, in total, loans and guarantees to established companies have increased by 37.5 per cent compared to 2019.

This year's survey (SØA) shows that companies within this category that receive support from Innovation Norway have higher growth in both sales revenues (6.7 percentage points), value creation (5.3 percentage points) and productivity (2.1 percentage points), compared with similar companies that do not use Innovation Norway’s services.

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.

MRS figures for 2021 show that companies which received international marketing advice from Innovation Norway’s foreign offices experienced a 9.3 percentage point higher increase in revenues, 7.1 percentage point higher growth in value creation and 4.5 percentage point higher growth in productivity than comparable enterprises that did not use the service.

In 2021, Innovation Norway had a pivotal role as sparring partner for Norwegian startups that raised funds through the EIC Accelerator<sup>2</sup> in Horizon Europe. These are companies that, with the help of enabling technology, have ambitions of achieving disruptive effects. 59 companies submitted applications, and of these 16 made it to the final. Five of the companies ended up with a total allocation of just under NOK 300 million.

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<sup>2</sup> EIC Accelerator (europa.eu)



### **More innovative business clusters**

Innovation Norway contributes to regional partnerships through interaction with other public funding agencies and by acting as a “sparring partner” for companies across the country to achieve this sub-goal.

The cluster programme is a key instrument for being able to succeed in building more innovative business clusters. 44 clusters received services from the cluster programme in 2021. In addition to the clusters that are part of the programme, new networks that could develop to become a cluster or a corporate network and clusters that have previously been part of the programme have received assistance.

Two new Arena Clusters were accepted and four clusters were raised to the Arena Pro level when the programme was announced in 2021. The subprogramme for mature clusters was announced and four clusters received approval to conduct larger development projects. The opportunity to participate in the pilot project Hub-Node was announced and two pilots were accepted. A number of skills development initiatives were also provided through the programme's learning and development platform (LUP). The coronavirus meant that skills development and gatherings were largely conducted via digital meetings. The application and reporting process was digitalised in 2021, which provided better opportunities for both for the clusters and Innovation Norway to follow up the clusters' projects. There is also, not least, a great deal of sparring with cluster facilitators, cluster managers and companies, both one-on-one and through strategy workshops etc. from both regional cluster advisers and programme management, as well as other relevant stakeholders from Innovation Norway, the Research Council of Norway and Siva.

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, this year's survey (SØA) shows significant growth in the first three years for sales revenues (15.0 percentage points), value creation (15.6 percentage points), productivity (2,7 percentage points) and number of fulltime equivalents (FTEs) (5.8 percentage points), compared with similar companies that do not use Innovation Norway's services. It also appears that participants in these networks are better at cooperating and using other types of instruments for research and innovation, including EU instruments.

### **Continual development in measuring impact**

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. Innovation Norway is continually working to assess our goal attainment. An initial framework for better socio-economic analyses will be developed together with SØA in 2022 which shall be based on the effects that have been estimated. During the coronavirus crisis, SØA was also tasked by Innovation Norway with establishing a statistics bank. The statistics bank shows how the business sector has made use of ordinary and extraordinary support schemes during the coronavirus crisis. This is openly available at [regjeringen.no](http://regjeringen.no). Data from all of the governmental business support agencies has been regularly collected and entered in the statistics bank to enable the authorities to follow how crisis packages and additions to existing instruments have been used.

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 focused on the company continuing with this work and communicating lessons learnt to owners, clients and other stakeholders.

## **PARTICULAR ISSUES IN 2021**

**Follow-up of the Government's review of the business support system.** A review of the public business support system was initiated in 2018. The purpose of the review was to simplify the services offered to companies and to reduce the overall implementation costs in the public business support system. All parts of Innovation Norway's activities were impacted by the proposals put forward in the review. The uncertainty that was created around the organisation of core assignments such as exports and a number of other parts of the company's activities still remained at the end of 2021. The Board has been and remains concerned that conclusions are drawn that are in line with the purpose of the review. The Board is satisfied that our role as a gateway to a unified public business support system has been clarified, however it is concerned about initiatives to establish new support agencies and schemes that increase the complexity for both customers and the support agencies.

As a consequence of the Government's review, Innovation Norway was instructed in the 2022 national budget to significantly reduce the company's implementation costs. The work on preparing the company for this significant cost cut started in 2021. Through tight control of full-time equivalents, the number of permanent employees was decreased slightly and a comprehensive review of the cost base was initiated with the objective of identifying measures that could result in permanent reductions in implementation and operating expenses. The Board notes with apprehension that, as 2022 begins, Innovation Norway will encounter greater expectations in a number of areas — green restructuring, exports, regional development and Norwegian participation in EU programmes — while at the same time being assigned less capacity to deliver. The work with cost-effectiveness and digitalisation is therefore a high priority. However, the Board emphasises that efforts to mobilise companies across the country to innovate, restructure and develop requires our presence and competent sparring.

The **tourism industry** is among the industries that have been hardest hit by the pandemic. Innovation Norway has had several extraordinary stimulus packages aimed at this business sector and in 2020 was responsible for coordinating the work on a new national tourism strategy. The Board is of the view that, moving into 2022, there is cause for concern about the long-term effects of the coronavirus pandemic on this important part of Norwegian business.

Due to the crisis situation, Innovation Norway has, to a greater extent than in a normal year, exercised **the role of innovation policy adviser** by updating owners and ministries about the status for the Norwegian business sector through the "sounding board". The Board is focused on Innovation Norway continuing to work on being data-driven and knowledge-based when exercising its role as innovation policy adviser.

The Board monitors the company's operations throughout the year and focuses on **achieving goals, efficient operations** and **responsible administration of public funds**. It can be difficult to see from the annual accounts how the company's costs have developed, because the costs include delivery costs and customer-oriented activities and projects. Cost-efficiency at Innovation Norway has been measured as the ratio between what we deliver (NOK) and the costs of delivering this. 2020 was an extraordinary year for Innovation Norway in every possible sense and the same also applies to 2021. The large crisis packages, combined with lower costs resulting from, among other things, reduced activities, mean that cost-efficiency is not comparable with previous years. The Board would emphasise that the company's cost-efficiency must be viewed in connection with the effects

achieved in the Norwegian business sector (effectivity). The goal in itself is not to have a low cost ratio, but a correct cost ratio given the target groups, priorities and services that are necessary for achieving the greatest effectivity.

### ***Annual financial statements***

The overall scope of Innovation Norway's financial activities is significant. Innovation Norway's balance sheet total at year-end was NOK 30.1 billion, which is NOK 1.2 billion more than in 2020 (NOK 28.9 billion). Of this, net loans amounted to NOK 18.7 billion as at 31 December 2021 (NOK 19 billion as at 31 December 2020). In 2021, NOK 3.2 billion was paid out in new loans (NOK 4.0 billion in 2020) and NOK 4.5 billion in grants (NOK 4.9 billion in 2020). 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.

The company's profit for 2021 was NOK 229 million, compared with NOK 122 million in 2020. The profit before losses was NOK 222 million in 2021, compared with NOK 213 million in 2020. Operating expenses were higher in 2021 than in 2020, while the costs for customer-oriented activities remained at approximately the same level. Provisions for losses were significantly lower in 2021 than in 2020.

As part of the work on a more efficient and simplified public business support system, in the 2022 national budget Innovation Norway was set an efficiency target totalling 100 million by the end of 2024. NOK 25 million of the cut must be realised in 2022 and a further NOK 75 million phased in during 2023 and 2024. The cuts must be permanent and include Innovation Norway's combined activities. In connection with this, NOK 100 million in restructuring costs has been charged to the financial statements for 2021. NOK 82 million appears as increased income from public sources, of which NOK 75 million originates from extraordinary grant financing and NOK 7 million is covered by unused funds from previous years. This has resulted in a negative effect on earnings of NOK 18 million and a weaker result for the loan schemes for 2021. For more detailed information see Note 10.

Net interest income was NOK 450 million in 2021, compared with NOK 435 million the previous year. The increase in net interest income of NOK 15 million was due to higher interest rate margins and changes in the composition of the loan portfolio. Dividends and profits/losses on securities showed an income of NOK 8 million in 2021, compared with a loss of NOK 8 million in 2020. The income was due to the reversal of the previous year's write-down of the value of shares in our subsidiary Investeringsfond for Nordvest-Russland og Øst-Europa AS.

Total operating income in 2021 was NOK 1,301 million, compared with NOK 1,195 million in 2020. The NOK 106 million increase was due to an increase in income from public sources of NOK 96 million, NOK 8 million in external revenues and miscellaneous operating income of NOK 2 million. The increase in income from public sources was primarily linked to NOK 82 million for coverage of restructuring costs (ref. the description above). Other increases of NOK 14 million in income from public sources were the result of income recognition in relation to the share of operating expenses that are not covered by external revenues and miscellaneous operating income. The increase in external revenues was the result of increased activity in comparison with 2020, despite the fact that in 2021 the company was still feeling the impact of reduced external revenues due to the coronavirus pandemic. The net increase in miscellaneous operating income of NOK 2 million in 2021 was primarily due to an increase in net commission income from EIF guarantees of NOK 4 million, an increase in net foreign exchange losses of NOK 1 million, and lower rental income of NOK 1 million compared to 2020.

Operating expenses amounted to NOK 1,537 million, compared with 1,409 million in 2020, a net increase of NOK 128 million. Payroll expenses amounted to NOK 937 million in 2021, compared with NOK 821 million in 2020. The increase of NOK 116 million was primarily due to provisions for restructuring of NOK 78 million. Pension costs increased by NOK 56 million compared with the previous year. In 2020, pension costs of NOK 17 million were recognised as income as a result of a final settlement in connection with the partial transition from a defined-benefit plan to a defined-contribution plan, which influenced the basis for comparison. Reference is made to Note 31 for a more detailed presentation of calculated pension costs and assumptions for 2021. Other payroll expenses show a reduction due to fewer FTEs compared to 2020. The average number of FTEs in 2021 was 739, compared with 767 in 2020. Depreciation was at the same level when compared with 2020. Direct project costs were on a par with the previous year, which was characterized by savings measures to adjust for lost external income as a result of the coronavirus pandemic. Other operating expenses were NOK 13 million higher than the previous year. The primary reason for the increase was NOK 22 million in restructuring costs. When excluding restructuring costs, other operating expenses would have been NOK 9 million lower than the previous year, which is largely a consequence of the closure of international offices in 2021. This has yielded a reduction in costs relating to premises of NOK 7 million.

The level of defaults in the loan portfolio was relatively low, however the coronavirus pandemic continues to cause some uncertainty and the risk of loss in the loan portfolio. Net losses on loans in 2021 amounted to recognised income of NOK 8 million compared with an expensed loss of NOK 91 million in 2020. The positive net loss in 2021 was primarily due to there not being any change in group write-downs on the low-risk loan scheme, and loss reversals in comparison with 2020. An annual loss on low-risk loans equivalent to 0.5 per cent of the portfolio is expected. In 2021, the loss percentage was 0 per cent of the portfolio. Losses on loans related to Innovation Norway's innovation and high-risk loan schemes are covered by loss reserves, and therefore not reflected in Innovation Norway's financial performance figures. Losses on high-risk loans and guarantee schemes amounted to NOK 122 million in 2021, compared with NOK 94 million in 2020. 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 2021 amounted to 2.1 per cent of the portfolio (1.7 per cent in 2020).

It is our assessment that our financing activities do not have significant and direct exposure to stakeholders and markets in Russia and Ukraine. However, a more protracted and unstable situation in those countries could result in significant implications for our customers and thereby our funding portfolio.

The Board considers the company to have adequate equity as of 31 December 2021.

Innovation Norway has a framework agreement with a consortium of research institutions that are used to research innovation policy issues that are of importance to the company. External evaluations and analyses are also carried out of the company's activities and use of measures in cooperation with external consultants and researchers. The company uses the knowledge these provide in the development of our services, organisation and work processes. The company otherwise incurred no costs and made no investments related to R&D in 2021.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The company conducts assessments of factors that are important for achieving the goals of more successful entrepreneurs, more companies with growth potential and more innovative business clusters. Risk management and internal control are an integrated part of Innovation Norway's performance management and underpin the company's goal attainment.

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. Innovation Norway divides its risk universe into strategic risk, financial risk and operational risk.

In 2021, the Board established the risk tolerance in three selected risk areas at Innovation Norway: credit risk, operational risk and legal risk (compliance risk and contractual risk). As part of the regular four-monthly reporting, the management conducts an assessment of whether Innovation Norway's risk exposure is within the stipulated risk tolerance. In 2021, the Board found the company's risk to be within its approved framework for risk tolerance.

*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 ministries' priorities and the organisation's strategic ambitions. Innovation Norway 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 credit risk, foreign exchange risk, liquidity risk and interest rate risk.

*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 changes. The most important loan commitments and commitments with losses are reviewed once a year - the latter in connection with the presentation of the annual report.

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.

Loss reserves have been established for innovation and high-risk loans and guarantees. 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.

*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 the company trades in. The risk is limited and over 80 per cent of the costs are in Norwegian kroner.

*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.

*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 consists of the potential sources of loss related to Innovation Norway's ongoing operations. Operational risk primarily includes the risk of direct or indirect loss, or loss of reputation caused by inadequate internal processes, systems, human error, or external events. At Innovation Norway, operational risk includes: human capital risk, security risk (including ICT security), ICT risk, client dialogue risk, operational risk (financial management and efficiency) and legal risk (compliance risk and contractual risk). Innovation Norway is governed by the Norwegian Security Act.

In 2021, Innovation Norway continued our emergency preparedness work relating to the coronavirus situation. The company's critical role in society during this period is adequately managed through ongoing emergency preparedness work that supports the company's employees at offices in Norway and in the international markets.

Innovation Norway's risk management work is organised in accordance with the Institute of Internal Auditors' (IIA) three lines model, in addition to external control and confirmation functions. Primary responsibility lies with the first line of defence, i.e. operational management, and ultimately through the responsibility of all employees to perform their work in accordance with the authorisation, instructions, policies and guidelines that apply for each individual. All managers at Innovation Norway have a special responsibility to establish and implement risk management and internal controls within their areas of responsibility.

Legal and Compliance staff are headed by the Chief Legal Officer, and their objectives include preventing and detecting repeat violations of laws and rules. Together with the risk management function, they are also defined as the second-line function responsible for monitoring, assessing, advising on, aggregating and reporting the risk situation. The third line of defence consists of the internal audit, which, on behalf of the Board and management, audits whether the enterprise has adequate processes for risk management and internal controls. The internal audit is contracted to an external provider. The external auditor and Office of the Auditor General also constitute external control and verification functions.

Two internal audit projects were carried out in accordance with the adopted audit plan for 2021. The internal audit has not revealed any serious failures in the internal control.

## **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**

The past two years have been demanding for Innovation Norway's employees and have involved an extraordinarily large workload that was triggered by the crisis assignments the company has received, the uncertainty created by the Government's review of the business support system and the expectations to reduce costs, and the difficulties the infection control measures have imposed on the company and our customers. The Board has had a continual focus on the working environment, competence and capacity and, when liaising with management, has been concerned with contributing to the most predictable frameworks, well-functioning cooperation and a good working environment.

A good working environment is a prerequisite for attracting, retaining and developing employees at Innovation Norway. The ability to cooperate on issues pertaining to the working environment is a crucial factor for success, and the cooperation at Innovation Norway plays an important role in this work. The management, employee representatives and safety representatives assist in creating conditions for an operational and good working environment in practice.

Fixed structures have been established for the cooperation, and works councils and working environment committees have been established both centrally and at the regional offices in Norway. For our foreign offices, permanent meeting places have been established between the safety representatives and management. Both the head offices and regional offices are linked to an external corporate health service.

A number of extraordinary measures were implemented in 2021 to strengthen the psychosocial working environment during the pandemic, including the expansion and establishment of several digital health services (including expanded health insurance and digital psychological assistance). A health campaign was also conducted to motivate employees to engage in more physical activity in their everyday lives, as well as to strengthen engagement and cohesion across the company's national and international offices. Financial contributions to improve home office use were introduced, in addition to guidelines and principles for working from home. The latter entails that employees who wish to partly work from home when the pandemic is over (up to two days per week) can enter into an agreement for this. Working from home is voluntary and based on mutual trust between the employee and employer.

The sick leave rate was 3.81 per cent in 2021, compared with 3.68 per cent in 2020. By comparison, the sick leave rate in public administration and the armed forces, as well as national insurance schemes under public administration, was 4.6 per cent in the third quarter of 2021. No injuries were reported in 2021.

The breakdown of those who were on parental leave in 2021 was 59 per cent women and 41 per cent men. Women took an average of 18 weeks of leave in 2021, while men took an average of 11 weeks.

Employee turnover was 13.4 per cent in 2021. This includes temporary employees, employees on assignment (including temporary resources associated with Covid-related crisis packages) and retirees. Turnover of permanent employees (excluding retirees) was 8.85 per cent.

62 new employees were recruited externally and 42 of these are permanent positions. 50 internal recruitments were conducted. Targeted efforts are being made to increase digital expertise both through new hires and by also improving digital expertise internally.

An employee survey was conducted at the company at the end of 2020 with a response rate of 81 per cent. The results confirm a high level of enthusiasm at the company when compared with other public sector enterprises. The results were presented in December 2020 and the company actively worked with the results during all of 2021. Central and local safety representatives have been involved in the follow-up in the form of status briefings and information on action plans and activities both in local and central working environment committees. The company plans to conduct a new survey in spring 2022.

Innovation Norway is considered an attractive workplace by both the company's employees and potential job seekers. In a survey conducted by Universum in 2021, Innovation Norway was voted the second most attractive employer among people in the work force with an education in economics.

## **EQUALITY, DIVERSITY AND INCLUSION**

Innovation Norway seeks to have a diverse workforce and to contribute to the Government's inclusion programme (inkluderingsdugnad). Equality, diversity and inclusion are incorporated into the company's routines and guidelines, and run along three axes: recruitment and career development, skills development, and pay and working conditions.

The company has a diversity statement in all job advertisements and specifically encourages people with immigrant backgrounds, disabilities or gaps in their CVs to apply. In addition, terms used in the texts are balanced when concerning requirements for qualifications, experience and diversity. This is to ensure a broader range of candidates among potential applicants, expanded perspectives and thus increased expertise for the company. Innovation Norway has also participated in the Directorate of Integration and Diversity's campaign for ethnic diversity.

In the work to recruit digital resources, Innovation Norway has also collaborated with external partners to strengthen diversity efforts and to achieve increased digital competitiveness. The collaboration entails that candidates with limited formal education and/or professional experience have the opportunity of a job interview, and enables new employees to link their new job with further development and study.

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

The Board of Directors consists of eleven members, of whom six are women and five are men. At the end of 2021, the proportion of women in the executive management group was four out of eight (50 per cent).

The proportion of women at Innovation Norway was 56 per cent at the end of 2021. The proportion of new employees who are female during 2020 was 58 per cent.

The proportion of women by position level:

<b>Job category</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Director	63%	68%	65%
Lawyer	50 %	43%	43%
Head of Department	53%	56%	58%
Special Adviser	40%	38%	37%
Senior Adviser	55%	54%	56%
Adviser	77%	72 %	74%
Consultant	68%	75%	77%



The pay ratio for women compared to men; all of IN:

Position level	Difference in average base salary (women/men)*		
	2021	2020	2019
Director	-0.4%	-6.5%	-4.6%
Head of Department	3%	-1.7%	-2.1%
Special Adviser	2%	1.8%	0.2%
Senior Adviser	-5%	-4.9%	-4.9%
Adviser	-11%	0.1%	-1.5%
Consultant	3%	3.0% **	1.0% **
Total	- 3%		

\* The negative deviation is lower for the average base salary for women.

\*\* Employees in Norway only.

The table shows the difference between the average pay for women and men. Differences in pay due to seniority are not taken into consideration in the calculation. The overview includes pay data for all employees of IN, and some differences can be explained by different wage and labour markets per country.

Innovation Norway has an active and conscious attitude towards pay scale in connection with new appointments and internal mobility, which is important 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.

## INTERNAL RESTRUCTURING AND ORGANISATION

### Organisation according to customer requirements (IN Balance)

Innovation Norway's strategy for the period 2020-2025 provides direction and will strengthen the ability to prioritise efforts that contribute to the best possible goal attainment. The strategy also forms the basis for a new divisional structure, which was established on 1 January 2020. The changes have been implemented with the purpose of simplification for customers, increased efficiency in implementation, and better internal coordination and uniformity.

The company strategy stipulates that our focus must be on customer needs and on simplifying from the customer's standpoint. This requires the customer divisions to organise according to customer needs, not services. As a final part of the organisational development in the wake of the strategy, the IN Balance project was implemented in the spring of 2021. IN Balance involves an adjusted departmental structure at level 3 of the customer divisions Society and Industry and Exports and InvestIN. This resulted in the establishment of three customer portfolio teams: Commercialisation and Growth, Innovative Restructuring, and Exports; each of which are headed by a portfolio director, of whom two were externally recruited in autumn 2021. The objective of IN Balance is to strengthen implementation capabilities and cross-sectional cooperation. This is necessary to enable the customer support services to satisfy the needs of customers in a cost-effective, uniform and customer-friendly manner both at home and abroad, and thereby achieve Innovation Norway's overarching strategic objectives.

### Complying with the requirement to reduce implementation costs (IN 2022)

The expectation stipulated in the 2022 national budget is that Innovation Norway shall cut costs totalling NOK 100 million by the end of 2024. The demand for rationalisation comes as a direct follow-up of the Government's review of the business support system.

The Board has decided to initiate a restructuring process to realise cost-cutting of NOK 100 million over three years. The Board estimates that this will entail an estimated 70-80 per cent in FTE costs,

and that a downsizing process will need to be carried out in accordance with the Norwegian Working Environment Act.

Based on this, the company has initiated a restructuring and development programme (IN 2022) that will look at how we can simplify the services we offer to the Norwegian business sector, streamline Innovation Norway's operations and implement necessary cost reductions. IN 2022 consists of a number of development and simplification projects that together will make Innovation Norway a more efficient, customer-oriented and dynamic organisation.

The Board believes that the presented progress plan will safeguard the strategic core of the company, consideration for the number of jobs in rural areas and consideration of Innovation Norway's customers.

### **The digital change**

Innovation Norway has implemented a digital change of pace and our digital business development has been strengthened in line with the strategic ambitions. Through flexible methodology and continuous improvement, this forms the basis for both transformative and disruptive changes that are to the benefit of customers. An increasingly larger proportion of Innovation Norway's services and products have digital components. This contributes to a more accessible Innovation Norway anywhere and at any time that suits the customers. More digital products make it possible to free up time and to focus on relationship management and sparring. The work with digital business development proceeded at a good pace during the final six months of 2021.

### **LIABILITY INSURANCE FOR MEMBERS OF THE BOARD AND GENERAL MANAGER**

Innovation Norway has taken out insurance for the members of the Board and general manager for their potential liability to the company and third parties. The insurance coverage is NOK 50 million per claim, which is also the total insurance amount per year.

### **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 regional offices are Eco-Lighthouse certified. A guide for sustainable operations at Innovation Norway was prepared in 2021. This provides guidelines and strengthens the company's decision-making basis within operational matters such as property and equipment management, travel and procurement. The company's travel policy was updated in January 2022 and now emphasises, for the first time, that environmental factors must be taken into consideration when assessing both the need for travel and the manner in which necessary travel takes place. This is in line with the new guidelines in the travel agreements for public entities that were renegotiated at the start of February 2022, and which place an emphasis on environmental factors.

### **CORPORATE SOCIAL RESPONSIBILITY**

Innovation Norway actively works to promote responsible business conduct, both within the company and among the company's customers, suppliers and partners.

Innovation Norway's expectations and requirements for our employees, employee representatives and consultants who perform services for us are described in the Code of Conduct and Anti-Corruption Policy. The Code of Conduct also contains a separate chapter on business ethics, which stresses that ethics and responsible business conduct must be included in the assessment criteria when using our services and selecting collaborative partners and suppliers. Innovation Norway's ethical framework and principles for responsible business conduct are also topics in the company's procedure for training new employees. Innovation Norway also has 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 principles for responsible business conduct throughout Innovation Norway, a team of resource personnel has been established. This expert team supports the programme coordinator for responsible business conduct in the strategic implementation of the work in the various divisions. This structure has resulted in greater awareness of the issue within the entire organisation.

Innovation Norway conducts ethical dilemma training, and 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 company's sustainability strategy (2021-2025) constitutes the framework for Innovation Norway's work on strengthening the principles for responsible business conduct among customers. It uses the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights as a basis. 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 responsible business conduct. Innovation Norway is also a member of the United Nations Global Compact and complies with the commitments in the initiative.

Responsible business conduct is an integrated part of Innovation Norway's services. It is required that all parties that receive services from Innovation Norway must comply with principles for responsible business conduct in line with the stated guidelines and principles. This also entails that customers and partners conduct due diligence reviews and familiarise themselves with major areas of risk relating to their activities, and that they implement measures for managing these. Provisions concerning this are included in Innovation Norway's standard terms and conditions for loans, grants and guarantees. Innovation Norway follows the same guidelines for conduct and product-based exclusions that the Ministry of Finance has stipulated for the Government Pension Fund Global. This entails that Innovation Norway must not support projects or companies with an unacceptably high risk of having a negative impact on people, society or the environment.

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 responsible business conduct 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 responsible business conduct. Some of Innovation Norway's services provide a special module on responsible business conduct, which has been specially adapted to companies with an international focus.

In 2021, Innovation Norway applied a risk-based approach when reviewing the portfolio of suppliers. The suppliers that are considered to be most exposed to possible labour market crime have been followed up, and Innovation Norway has received responses to how they are working to combat labour market crime. The responses show that larger suppliers to Innovation Norway have a satisfactory approach, while certain smaller suppliers have significant potential for improvement. This provides a good basis for further follow-up.

Innovation Norway has a digital whistleblowing channel that is available to both internal and external whistleblowers. The whistleblowing channel is available on the intranet and on 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 that stipulates the instances in which background checks must be carried out has been prepared.

## ALLOCATION OF PROFIT

The 2021 accounts show a profit of NOK 229 million. For further details about the dividend rules reference is made to Note 36. The Board proposes the following allocation of the profit for the year:

Dividend allocated to the Ministry of Trade, Industry and Fisheries as an owner, from:

Low-risk loan scheme	NOK	164 017 701
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To be transferred to the Ministry of Trade, Industry and Fisheries from:

Innovation loans and guarantees	NOK	38 482 316
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To be transferred to the county councils as owners, from:

High-risk loans and guarantees	NOK	19 106 936
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Distributed as follows:

Troms and Finnmark County Council	NOK	6 393 801
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Nordland County Council	NOK	2 813 605
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Møre og Romsdal County Council	NOK	2 639 800
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Vestland County Council	NOK	2 217 618
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Trøndelag County Council	NOK	1 612 664
--------------------------	-----	-----------

Innlandet County Council	NOK	1 833 240
--------------------------	-----	-----------

Vestfold and Telemark County Council	NOK	710 319
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Agder County Council	NOK	473 980
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Viken County Council	NOK	393 163
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Rogaland County Council	NOK	18 747
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**19 106 936**

Transferred to retained earnings:

Investment Fund for Northwest Russia and Eastern Europe	NOK	7 692 062
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**Grand total**

**229 299 016**

## **WAR IN EUROPE**

The conflict between Russia and Ukraine escalated in February 2022 and has resulted in the most intense hostilities witnessed in Europe for many years. The international community has responded by adopting the most comprehensive packages of sanctions ever. The conflict affects the outlook for the world economy and the Norwegian economy in several ways. The hostilities and sanctions will mean less trade. Uncertainties regarding supply have resulted in increased commodity and energy prices. Price growth could increase from an already high level. This will increase business costs and reduce household purchasing power, and thereby threaten growth prospects. Some industries and businesses are more exposed than others.

The Board shares the deep concern that the situation entails for our employees located in and around the conflicting countries, as well as for the Ukrainian people and for Europe. This is a conflict that will unfold in the coming months and that will impact on Innovation Norway's work in 2022.

Innovation Norway is in close dialogue with the Ministry of Foreign Affairs and the Ministry of Trade, Industry and Fisheries regarding the situation and will continually be prepared to manage the consequences for customers, employees and collaborative partners.

## **OUTLOOK FOR 2022**

As we enter 2022, the Board considers the need for the services Innovation Norway provides to be more important than ever before. This is due to both the coronavirus pandemic and Norway's long-term need to transform the economy. The Board makes particular note of three key areas: The need for increased and more differentiated Norwegian exports, the opportunities associated with the green transition and simplifying the public business support system for its users.

### **The path out of the crisis — a need for increased Norwegian exports**

The economy is unstable at the start of 2022. The year started with optimism after two years of the pandemic, however the markets are now impacted by the war in Europe. There are fears of further inflation and European energy access is uncertain. High power prices have impacted households and companies over time and are likely to continue. However, high prices for energy products, particularly gas, also contributed to record-high exports during the final five months of 2021. Mainland exports increased 36.9 per cent when compared with November the previous year and ended at NOK 50.6 billion. There is also some uncertainty associated with labour shortages and unease in stock markets.

In order to maintain the living standards Norwegians are accustomed to, we must import goods and services from abroad. This is primarily funded through exports and any transfers from the oil fund. However, the same figures show how dependent Norway is on a few export industries. Oil and gas exports account for more than half of Norway's exports of goods, and for between 35 and 40 per cent of total exports. With an ageing population providing lower revenues and increased spending for the welfare state, Norway faces a significant and important task. We need to ensure that we utilise the export potential in other industries and build new and strong Norwegian value chains for future value creation, employment and exports. The government has ambitions to create more jobs nationwide, bolster mainland investment, provide a boost to green industry and increase mainland exports by 50 per cent. There is thus a stronger need for Innovation Norway's role as an export advisor and restructuring bank.

The Board affirms that Innovation Norway shall contribute to increasing overall value creation in the business sector by stimulating more successful entrepreneurs and contributing to Norway having more companies with growth potential and stronger, innovative business clusters. Measures for stimulating growth through exports and internationalisation will be an increasingly more important

part of Innovation Norway's efforts.

### **The green transition is accelerating**

Norway needs to establish new green value chains in the coming years in areas such as batteries, green shipping, offshore wind, hydrogen, carbon capture, circular economy and bioeconomy. This will require a strong willingness on the part of the business sector to make the change, as well as robust and well-coordinated measures. The business sector is reporting a lack of labour and capacity. The international framework conditions are changing rapidly. The EU has assumed the leadership role in the green transition and is driving the rapid phasing out of the fossil fuel industry through regulations and increased financing for green solutions. Competition between the EU and other regions of the world appears to be intensifying and confidence in international trade is more uncertain — reindustrialisation and regionalisation appear to be persistent trends.

The Board notes that Innovation Norway has a major role to play in contributing to the business sector's green transition. Green projects dominate the portfolio and an increasing number of assignments for the green transition, such as the Green Platform, are continually being assigned to the organisation. The role of innovation agencies is changing and more assignments are being focused on solving our shared societal challenges. The Board believes that this trend will strengthen in the coming years.

A strong, diverse and adaptable business sector is essential for Norway's ability to grow and to have a high standard of welfare in the future. In order to maintain welfare growth, the Norwegian economy needs to become more diverse. We need to create more jobs, in more industries, across the country. The private sector needs to grow.

### **The public business support system must be simple for users**

The review of the public business support system demonstrated that customers find the support system difficult to navigate. In 2021, Innovation Norway was asked by the Ministry of Trade, Industry and Fisheries (NFD) to assume the role as “a gateway”, i.e. as the point of entry for the entire public business support system, including referral expertise to the other business support agencies. A common digital gateway is being developed in close cooperation with Siva, Export Finance Norway and the Research Council of Norway.

In February 2022, the Minister of Industry launched the first version of this common gateway. The objective is to make it easier for the business sector to access all public support services. Companies should not have to figure out which of the public sector agencies can assist them specifically — that is our job. A common gateway uses smart technology and allows us to continually learn more about customer needs to enable us to become more efficient and to provide them with the right services and advice.

The Board notes that the company's investments in digital transformation have contributed to added value for the customer and that the company will continue its activities with making things easier for the customer. Data-driven and automated processes will contribute added value to customers and provide a more efficient support system.

The Board affirms that Innovation Norway's role and social mission have been strengthened and will be crucial in contributing to the task of transforming the economy we will need to solve together in the coming years. Innovation Norway is well equipped to take on the tasks that lie ahead of us.

The Board would like to express its gratitude for the trust shown in the organisation by customers, clients and partners during 2021 and would particularly like to thank the company's employees, who made an exceptional effort in the best interest of the Norwegian business sector.

Oslo, 17 March 2022  
The Board of Directors of Innovation Norway

Gunnar Bovim  
(Chair of the Board)

Jørand Ødegård Lunde  
(Deputy Chair)

Kristine Falkgård

Merete Nygaard Kristiansen

Heine Østby

Jan Løkling

Arvid Andenæs

Helene Falch Fladmark

Kristin Misund

Karin Ammerud Sørensen  
(Employee Representative)

Håkon Øveland Nyhus  
(Employee Representative)

Håkon Haugli  
(CEO)

## NOTE 2

## SUB-ACCOUNTS - RESULT

(Amounts in NOK 1,000,000)

Innovation Norway has 6 sub-accounts based on regulations from clients and owners. Each sub-account has a separate income statement and balance sheet, as well as separate rules for equity and application of profit. See Note 36.

	Low-risk lending schemes		High-risk loans targeting the districts		Innovation and high-risk loans and other schemes		Service deliveries and grant administration		Seed Capital Funds		Investment Fund for Northwest Russia and Eastern Europe		Joint equity		Total	
	Accounting		Accounting		Accounting		Accounting		Accounting		Accounting		Accounting		Accounting	
	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
Interest on loans	346	388	64	65	160	145	5	2	-	9	-	-	-	-	576	609
Interest on bank deposits	1	1	0	0	1	0	3	2	-	-	-0	-	-	-	4	4
<b>Total interest income</b>	<b>347</b>	<b>389</b>	<b>65</b>	<b>65</b>	<b>161</b>	<b>146</b>	<b>8</b>	<b>4</b>	<b>-</b>	<b>9</b>	<b>(-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>580</b>	<b>613</b>
Interest on borrowings	38	73	3	6	8	17	6	3	-	9	-	-	-	-	55	108
Borrowing commission	49	48	7	6	19	15	-	-	-	-	-	-	-	-	75	69
<b>Total interest expenses</b>	<b>88</b>	<b>121</b>	<b>9</b>	<b>12</b>	<b>27</b>	<b>32</b>	<b>6</b>	<b>3</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>178</b>
<b>Net interest income</b>	<b>259</b>	<b>268</b>	<b>55</b>	<b>53</b>	<b>134</b>	<b>113</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>450</b>	<b>435</b>
Income from public sources	-	-	-	-	-	-	1 248	1 148	-	4	-	-	-	-	1 248	1 151
External revenues etc.	-	1	-	-	11	6	42	37	-	-	8	-9	-	-	61	36
<b>Total operating income</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>6</b>	<b>1 290</b>	<b>1 185</b>	<b>-</b>	<b>4</b>	<b>8</b>	<b>-9</b>	<b>-</b>	<b>-</b>	<b>1 309</b>	<b>1 187</b>
Total operating expenses	103	86	37	36	106	97	1 291	1 186	-	4	-	-	-	-	1 537	1 409
<b>Profit before losses</b>	<b>156</b>	<b>182</b>	<b>19</b>	<b>18</b>	<b>38</b>	<b>22</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-9</b>	<b>-</b>	<b>-</b>	<b>222</b>	<b>213</b>
Losses on loans and guarantees	-8	91	26	16	96	78	(-)	(-)	-	35	-	-	-	-	114	220
Coverage of losses	-	-	-26	-16	-96	-78	-	-	-	-35	-	-	-	-	-122	-128
<b>Total net losses on loans and guarantees</b>	<b>-8</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(-)</b>	<b>(-)</b>	<b>(-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-8</b>	<b>91</b>
<b>Result</b>	<b>164</b>	<b>91</b>	<b>19</b>	<b>18</b>	<b>38</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-9</b>	<b>-</b>	<b>-</b>	<b>229</b>	<b>122</b>
<b>Allocation of profit:</b>																
Dividends/transfer to owner	164	91	19	18	38	22	-	-	-	-	-	-	-	-	222	131
From loan and investment funds	-	-	-	-	-	-	-	-	-	-	8	-9	-	-	8	-9
To retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total allocated</b>	<b>164</b>	<b>91</b>	<b>19</b>	<b>18</b>	<b>38</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-9</b>	<b>-</b>	<b>-</b>	<b>229</b>	<b>122</b>

The scheme for the Seed Capital Funds was transferred to Investinor AS effective from 1 May 2020.



## NOTE 2

## SUB-ACCOUNTS - CONTINUED, BALANCE SHEET

(Amounts in NOK 1,000,000)

	Low-risk lending schemes		High-risk loans targeting the districts		Innovation and high-risk loans and other schemes		Service deliveries and grant administration		Seed Capital Funds		Investment Fund for Northwest Russia and Eastern Europe		Joint equity		Total	
	Accounting		Accounting		Accounting		Accounting		Accounting		Accounting		Accounting		Accounting	
	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
<b>Assets</b>																
Bank deposits	355	320	958	959	3 357	3 190	6 196	4 988	-	-	-	-	-	-	10 865	9 457
Gross lending	13 613	14 180	1 294	1 380	4 443	4 016	208	314	-	-	-	-	-	-	19 558	19 889
Write-downs for losses	-420	-453	-97	-104	-321	-327	-	-	-	-	-	-	-	-	-838	-884
Net lending	13 192	13 727	1 197	1 276	4 123	3 689	208	314	-	-	-	-	-	-	18 720	19 006
Shares and units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ownership interests in group companies	-	-	-	-	-	-	-	-	-	-	263	256	-	-	263	256
Intangible fixed assets	20	-	-	-	-	-	-	-	-	-	-	-	-	-	20	-
Tangible fixed assets	34	35	-	-	-	-	-	-	-	-	-	-	-	-	34	35
Other assets	-	-	8	67	-94	(-)	60	52	-	-	-	-	20	20	-7	138
Costs not yet incurred and earned income not yet received	61	62	8	9	11	8	80	54	-	-	-	-	-	-	160	133
<b>Total assets</b>	<b>13 663</b>	<b>14 144</b>	<b>2 170</b>	<b>2 311</b>	<b>7 396</b>	<b>6 886</b>	<b>6 544</b>	<b>5 408</b>	<b>-</b>	<b>-</b>	<b>263</b>	<b>256</b>	<b>20</b>	<b>20</b>	<b>30 055</b>	<b>29 025</b>
<b>Liabilities and equity</b>																
Borrowings from the State	11 915	12 495	1 480	1 462	4 300	3 978	-	-	-	-	-	-	-	-	17 695	17 935
Other liabilities	259	168	-146	34	105	80	1 561	1 304	-	-	-	1	-	-	1 778	1 587
Provisions for liabilities	13	5	836	815	2 991	2 828	4 878	3 998	-	-	-	-	-	-	8 718	7 646
Loan and investment funds	-	-	-	-	-	-	-	-	-	-	263	255	-	-	263	255
Equity	1 476	1 476	-	-	-	-	106	106	-	-	-	-	20	20	1 602	1 602
<b>Total liabilities and equity</b>	<b>13 663</b>	<b>14 144</b>	<b>2 170</b>	<b>2 311</b>	<b>7 396</b>	<b>6 886</b>	<b>6 544</b>	<b>5 408</b>	<b>-</b>	<b>-</b>	<b>263</b>	<b>256</b>	<b>20</b>	<b>20</b>	<b>30 055</b>	<b>29 025</b>

Explanation of difference between annual accounts and combined sub-accounts:

Balance sheet total - sub-accounts	30 055	29 025
Balance sheet total - annual accounts	30 137	28 937
Difference	-81	88
Internal receivable presented under other assets and other liabilities that is entered as net amount in the annual accounts, but not in the sub-accounts.	-48	-48
Reclassification between other assets and other liabilities in the sub-accounts.	129	-40
Total	-	-

The scheme for the Seed Capital Funds was transferred to Investinor AS effective from 1 May 2020.

**NOTE 3****INTEREST ON LOANS**

(Amounts in NOK 1,000)

	2021	2020
Interest on ordinary low-risk loans	90 971	103 713
Interest on fishing vessel loans	159 841	171 718
Interest on agricultural loans	95 208	112 576
Interest support for and interest on innovation and high-risk loans	224 750	209 808
Interest support for and interest on loans from seed capital funds	0	8 923
Interest on other loans	5 124	2 372
<b>Total</b>	<b>575 895</b>	<b>609 111</b>

"Interest on other loans" includes interest for the loan scheme for package tour operators.

**NOTE 4****INTEREST ON BORROWINGS**

(Amounts in NOK 1,000)

	2021	2020
Interest on borrowings for low-risk loans	38 178	72 998
Interest on borrowings for innovation and high-risk loans	10 613	23 123
Interest on seed capital funds	0	8 923
Other interest expenses	6 299	3 148
<b>Total</b>	<b>55 090</b>	<b>108 192</b>

**NOTE 5****BORROWING COMMISSION**

(Amounts in NOK 1,000)

	2021	2020
Borrowing commission for low-risk loans	49 431	48 477
Borrowing commission for innovation and high-risk loans	22 951	19 077
<b>Total borrowing commission to the Norwegian State</b>	<b>72 382</b>	<b>67 553</b>
Commission on growth guarantee loan scheme - EIF	2 773	1 895
<b>Total borrowing commission</b>	<b>75 155</b>	<b>69 448</b>

Innovation Norway pays a 0.4% commission to the State for all borrowings.

Innovation Norway pays a 0.5% commission on loans to SMEs and a 0.8% commission on loans to larger enterprises to the European Investment Fund (EIF) for 50% of the average high-risk EIF loans targeting the districts.

**NOTE 6****DIVIDENDS AND NET GAINS/LOSSES ON SECURITIES**

(Amounts in NOK 1,000)

	2021	2020
Dividends received	-	-
Change in depreciated value of shares	7 782	-7 882
Profit on sales of shares	-	-
Loss on sales of shares	-	-
<b>Total</b>	<b>7 782</b>	<b>-7 882</b>

## NOTE 7

## INCOME FROM PUBLIC SOURCES

(Amounts in NOK 1,000)

Specification of recognised income from public sources:

Ministry, chapter and item in national budget	2021	2020
<b>Ministry of Trade, Industry and Fisheries</b>		
Chapter 2421 Item 50 Innovation - projects, funds	104 965	136 550
Chapter 2421 Item 70* Basic costs	260 658	154 247
Chapter 2421 Item 71 Innovative business clusters	24 630	24 582
Chapter 2421 Item 72 Research and development contracts	24 072	26 244
Chapter 2421 Item 74 Tourism, networking and skills programmes	455 074	454 708
Chapter 2421 Item 75 Green platform	6 369	646
Chapter 2421 Item 76 Environmental technology	51 489	53 845
Chapter 2421 Item 77 Grants to pre-seed capital funds	-	-135
Chapter 2421 Item 79 Disposal grants	824	226
Chapter 2421 Item 80 Business initiatives in Svalbard	122	640
<b>Ministry of Local Government and Regional Development</b>		
Chapter 550 Item 62 Business-oriented loans and grants to rural areas	3 150	8 198
Chapter 550 Item 70 Business-oriented programmes in the districts	5 287	1 242
Chapter 551 Item 60 Grants to county councils for regional development	1 474	2 485
Chapter 551 Item 61 Funds for regional development targeted at business and industry, compensation for increased employers' contributions	18	710
Chapter 552 Item 72 National initiatives for regional development	6 224	-
Chapter 553 Item 61 Mobilising business development	74 861	63 774
Chapter 553 Item 63 Arctic	2 371	2 433
Chapter 553 Item 65 Restructuring programmes in the labour market	10 124	8 052
Chapter 553 Item 74 Measures for clusters and innovation environments	23 721	17 175
Chapter 9999 Item 99 County municipal development funds	1 927	464
<b>Ministry of Agriculture and Food</b>		
Chapter 1137 Item 71 Grants for Bioeconomy Programme	86	377
Chapter 1142 Item 78 Restructuring of fur farming	389	703
Chapter 1149 Item 72 Grants for increased use of wood	133	730
Chapter 1150 Item 50 For implementing agricultural agreement	69 806	80 865
Chapter 1151 Item 51 For implementing reindeer husbandry agreement	1 922	3 109
<b>Ministry of Foreign Affairs</b>		
Chapter 117 Item 76 EEA financing schemes	32 573	31 872
Chapter 118 Item 01 Operating costs for initiatives in Northern Areas	-	-324
Chapter 140 Item 21 Administration and implementation costs for HIP	3 980	4 000
Chapter 150 Item 70 Humanitarian Innovation Programme (HIP)	706	1 642
Chapter 160 Item 70 Health	1 355	1 576
Chapter 161 Item 70 Education	876	808
Chapter 169 Item 70 Vision 2030	160	403
<b>Ministry of Education and Research</b>		
Chapter 285 Item 53 Strategic initiatives	16 965	9 622
<b>Ministry of Culture and Equality</b>		
Chapter 325 Item 71 Cultural and creative industries	5 221	4 201
<b>Ministry of Climate and Environment</b>		
Chapter 1400 Item 50 Green solutions	8 225	9 825
<b>Ministry of Transport</b>		
Chapter 1301 Item 50 Pilot-T	1 217	1 906
<b>Other income from public sources</b>	<b>46 641</b>	<b>43 967</b>
<b>Total recognised income from public sources</b>	<b>1 247 614</b>	<b>1 151 367</b>

Other income from public sources consists of income from the Ministry of Transport and Communications, the county councils, the EU, and other public institutions.

\*Of the basic costs, NOK 75 million has been received and recognised as income in extraordinary grants to cover restructuring costs in the period 2021-2024. NOK 7.3 million has also been recognised as income from the previous year's grant funds. Ref. Note 10.

## NOTE 7

## INCOME FROM PUBLIC SOURCES - CONTINUED

(Amounts in NOK 1,000)

Specification of available budgets and appropriations via letters of assignment:

Ministry, chapter and item in national budget	2021	2020
<b>Ministry of Trade, Industry and Fisheries</b>		
Chapter 2421 Item 50 Innovation - projects, funds	2 652 500	4 465 000
Chapter 2421 Item 52 Loan scheme for package tour operators - provisions for losses	-	103 500
Chapter 2421 Item 54 Loan scheme for short sea shipping and fishing vessels - provisions for losses	-	300 000
Chapter 2421 Item 70 Basic costs	247 131	173 450
Chapter 2421 Item 71 Innovative business clusters	119 400	97 450
Chapter 2421 Item 72 Research and development contracts	325 500	328 750
Chapter 2421 Item 73 Grant scheme for package tour operators	-	195 000
Chapter 2421 Item 74 Tourism, profiling and expertise, can be transferred	525 700	498 000
Chapter 2421 Item 75 Green platform, can be used under items 50, 71, 72 and 76	-	102 500
Chapter 2421 Item 76 Environmental technology	577 800	750 000
Chapter 2421 Item 78 Administrative support for seed capital funds targeting the districts	3 500	3 400
Chapter 2421 Item 79 Disposal grants for ships	146 500	75 000
Chapter 2421 Item 80 Business initiatives in Svalbard	220	2 000
Chapter 2421 Item 91 Loan scheme for package tour operators - loans	-	207 000
Chapter 0900 Item 21 Special operating expenses	3 330	6 670
Chapter 0900 Item 79 Compensation scheme for expenses for statutory maintenance at seasonal companies	2 400	20 500
Chapter 0900 Item 82 Temporary support scheme for events open to the public	300 000	-
<b>Ministry of Local Government and Regional Development</b>		
Chapter 541 Item 22 Development, implementation and coordination of IT and electronic communications policy	2 500	-
Chapter 553 Item 65 Restructuring programme in connection with critical changes in the labour market	13 046	14 000
Chapter 553 Item 74 National initiative for clusters and innovation environments	140 515	136 162
<b>Ministry of Agriculture and Food</b>		
Chapter 1100 Item 21 Special operating expenses	100	-
Chapter 1137 Item 71 Appropriation to the bio-economy scheme	-	2 908
Chapter 1142 Item 78 Restructuring funds for fur farming industry	58 500	48 000
Chapter 1150 Item 50 For implementing agricultural agreement	852 800	812 800
Chapter 1151 Item 51 For implementing reindeer husbandry agreement	8 200	8 200
<b>Ministry of Foreign Affairs</b>		
Chapter 117 Item 76 EEA financing schemes	280 000	280 000
Chapter 140 Item 21 Administration and implementation costs for HIP	4 000	4 000
Chapter 150 Item 70 Humanitarian Innovation Programme (HIP)	52 856	38 000
Chapter 160 Item 70 Vision 2030 - Health (Assignment from Norad)	-	30 000
Chapter 161 Item 70 Vision 2030 - Education (Assignment from Norad)	-	15 000
Chapter 169 Item 70 Enterprise Development for Jobs (Assignment from Norad)	3 000	6 000
<b>Ministry of Education and Research</b>		
Chapter 285 Item 53 Strategic initiatives	27 200	27 200
<b>Ministry of Culture and Equality</b>		
Chapter 325 Item 71 Cultural and creative industries	31 214	25 640
<b>Ministry of Climate and Environment</b>		
Chapter 1400 Item 50 Green solutions	10 785	10 514
<b>Ministry of Transport</b>		
Chapter 1301 Item 50 Transport and Communications Research (Pilot-T)	31 000	30 200
<b>The County Councils</b>		
Chapter 551 Item 61 Compensation for increased employers' contributions	-	5 505
Chapter 553 Item 61 Mobilising and qualifying business development	567 081	675 767
Chapter 553 Item 63 Arctic 2030	12 500	20 000
County municipal development funds (Covid-19 initiatives, Invest IN, etc.)	7 100	29 400
<b>Total</b>	<b>7 006 378</b>	<b>9 547 516</b>

Innovation Norway also has assignments for, among others, the EU.

Available budgets and appropriations will be higher than recognised income from public sources in the table above because the available amount also includes what goes directly to customers and that is not recognised as income by Innovation Norway.

**NOTE 8****EXTERNAL REVENUES**

(Amounts in NOK 1,000)

	2021	2020
User fees - promotion of Norway as a travel destination	9 290	5 260
User fees - Joint Norwegian stands abroad	8 224	2 868
Revenues from partners	2 489	4 687
International market advisory services	11 798	8 765
Other user fees	7 989	10 608
Total	39 792	32 188

**Geographical distribution**

	2021	2020
Norway	17 130	11 751
Europe	5 726	6 095
America	8 029	6 472
Asia	7 832	5 138
Africa	1 074	2 734
Total	39 792	32 188

**NOTE 9****PAYROLL EXPENSES**

(Amounts in NOK 1,000)

	2021	2020
Wages	591 513	624 545
Employers' national insurance contributions	84 714	76 863
Pension expenses	121 010	64 503
Other benefits	61 170	55 546
Restructuring costs 2022-2024	78 232	-
<b>Total</b>	<b>936 639</b>	<b>821 458</b>

In 2021, NOK 3.7 million of payroll expenses was classified as direct project costs. This share was NOK 3.0 million in 2020. See Note 10 for information on restructuring costs 2022-2024.

Loans to employees	328	2 281
Average number of full-time equivalents	739	767

Loans to employees are interest-free and without security. The CEO and Chairman do not have loans in the company.

The CEO has an agreement for compensation for loss of office. The payment is 6 months of fixed salary from the date employment was terminated.

Payments to senior employees:	Number of months		Wages/fees		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Management:</b>								
Håkon Haugli, CEO	12	12	2 349	2 192	12	11	2 361	2 203
Hans Martin Vikdal, Deputy CEO	12	12	1 860	1 867	12	15	1 872	1 882
Per Eckehard Niederbach	12	12	1 677	1 625	12	10	1 689	1 635
Leon Bakkebø	12	12	1 505	1 398	12	10	1 517	1 408
Elisabeth Svanholm Meyer	12	12	1 447	1 397	12	10	1 459	1 408
Ingelin Drøpping	12	4	1 687	583	12	4	1 699	587
Helle Øverbye	12	5	1 576	616	12	4	1 588	620
Marianne Kurås	11	5	1 289	542	11	4	1 300	546
Vigdis Harsvik <sup>1</sup>	4	8	529	964	4	7	533	971
Eva Camerer <sup>1</sup>	1	-	115	-	1	-	116	-
Anette Matre	0	5	-	871	-	31	0	902
<b>Total</b>			<b>14 033</b>	<b>12 055</b>	<b>101</b>	<b>107</b>	<b>14 134</b>	<b>12 162</b>

<sup>1</sup> Acting Divisional Directors

Senior employees are covered by the same pension schemes as other employees in the company.

	Fees	
	2021	2020
<b>Board of Directors:</b>		
Gunnar Bowim, Chairman of the Board	334	325
Jørand Ødegård Lunde, Deputy Chairman	200	195
Jan Løkling	166	162
Kristin Misund	166	162
Arvid Andenæs	166	162
Helene Falch Fladmark	166	162
Sigbjørn Johnsen	59	162
Merete Nygaard Kristiansen	166	162
Eirik Wærness	59	162
Kristine Falkgård	107	-
Heine Østby	107	-
Håkon Øveland Nyhus, Employee Representative	107	63
Karin Ammerud Sørensen, Employee Representative	107	63
Leela Borring Låstad, Employee Representative	-	41
Morten Brugård, Employee Representative	-	41
<b>Total directors' remuneration paid</b>	<b>1 914</b>	<b>1 863</b>

**Declaration regarding stipulation of pay and other remuneration to senior employees.**

The declaration concerning remuneration to the CEO and the management group is in accordance with:

- The provisions in the Norwegian Public Limited Liability Companies Act, cf. Section 6-16a and Section 6-16b.
- Norwegian Accounting Act
- Guidelines for remuneration of senior executives in companies with state ownership
- Norwegian recommendation for corporate governance, cf. Chapter 12.

## NOTE 9

### PAYROLL EXPENSES - CONTINUED

#### Key principles

##### *Guidelines for pay and other remuneration*

Innovation Norway follows the key principle that executive pay in companies with full or partial state ownership must be competitive, but not wage-leading compared with equivalent companies. The principle applies for all employees and not specifically for the CEO and management group. This means that there are generally no separate incentive schemes that exclusively apply for senior employees.

The "Guidelines for remuneration of senior executives in companies with state ownership" adopted by the Ministry of Trade, Industry and Fisheries describe the expectations in this field. Innovation Norway follows these guidelines and will practice moderation when concerning executive salaries.

##### *Decision-making process*

The salary of the CEO is determined by the board and communicated by the Chairman.

Salaries to the management group are jointly determined by the CEO and Chairman and communicated by the CEO.

#### Key principles for remuneration in the coming financial year

Innovation Norway comes under the collective wage agreement between the Employers' Association Spekter (Innovation Norway), the principal organisations (Norwegian Confederation of Trade Unions - LO and Confederation of Vocational Unions - YS) and local organisations (Association of Academic Organisations in Spekter - SAN, Confederation of Unions for Professionals, Norway - Unio, and Federation of Norwegian Professional Associations - Akademikerne). Employees in senior positions do not come under the agreement, however, in practice, the majority of points in the agreement are also followed for these employees. Innovation Norway has a pay system that is based on the following factors: the type of position an individual holds, the performance of the person holding that position, and the wage level in the market in general.

Total remuneration to the CEO and management group is reflected in the role and responsibilities of the position, as well as the work load, and the scope and complexity of the enterprise. The arrangements are transparent and in accordance with principles for good corporate governance.

##### *1. Fixed salaries*

Innovation Norway follows the basic principle from the guidelines that the principal element in the remuneration arrangement should be the fixed basic salary. The basic salary is assessed on an annual basis and adjusted with effect from 1 April.

##### *2. Bonus*

Innovation Norway has no bonus programme for its executives.

##### *3. Shares, options or other forms of remuneration that are linked to shares.*

Innovation Norway is an enterprise established by special legislation and has no stock or options programmes for its executives.

##### *4. Pension benefits*

Senior employees are covered by the same pension schemes as all other employees in the company. Pension schemes at Innovation Norway are the closed schemes in the Norwegian Public Service Pension Fund and DnB Livsforsikring (only for employees who came from the former Norwegian Export Council) and the new defined contribution pension scheme at Nordea Liv. New employees will be enrolled in the defined contribution pension scheme after 1 January 2020. Pensionable income is limited to 12 G (G - National Insurance base amount).

##### *5. Severance pay and termination payment arrangements*

The CEO has a termination payment agreement that grants the right to compensation equivalent to six months of fixed salary. There is no contractual severance pay or termination payment arrangements in addition to this for other senior positions at Innovation Norway.

##### *6. Variable elements in the remuneration or special benefits*

Other remuneration in addition to ordinary monthly salary includes insurance and coverage of electronic communications services.

#### Remuneration principles

The principles for the preceding financial year were also used in 2021.

#### Reporting

The board is presented with an annual overview of the total pay and other remuneration to senior employees in accordance with the guidelines. The pay settlement for the management team was divided within a pay scale equivalent to that which is used for other employees at Innovation Norway.

**NOTE 10****RESTRUCTURING**

(Amounts in NOK 1,000)

As part of the work on a more efficient and simplified governmental business support system, in the 2022 national budget, Innovation Norway was set an efficiency target totalling NOK 100 million by the end of 2024. Innovation Norway will need to cut operating expenses by NOK 100 million, and NOK 25 million of this must be realised in 2022 and a further NOK 75 million phased in during 2023 and 2024. The cuts must be permanent and include Innovation Norway's combined activities.

Innovation Norway considers NOK 100 million to be a realistic estimate of the overall restructuring costs. There will always be uncertainty associated with assessments and future estimates, however it is Innovation Norway's view that these are the best estimates of the restructuring costs incurred. There is a strong probability that these costs will be incurred as a result of the Board's decision of 16 December 2021. Based on this, it has been decided to make provisions for the estimated restructuring costs and recognise the entire effect on earnings from the restructuring costs in 2021.

The restructuring costs are financed by Innovation Norway having recognised NOK 75 million as income from extraordinary grant appropriation to cover restructuring costs (Ministry of Trade, Industry and Fisheries, Item 70), as well as NOK 7.3 million from previously transferable funds from the Ministry of Trade, Industry and Fisheries. Appropriations recognised as income appear as "Income from public sources" in the income statement. As a consequence, NOK 17.6 million has been charged to the 2021 financial statements, which has an effect on earnings in the loan schemes. The charge is in accordance with the distribution key for the sub-accounts for 2021. The provisions for restructuring will be followed-up and assessed at least once a year going forward.

	<b>31.12.2021</b>
Total estimated restructuring costs (2021-2024)	100 000
Restructuring costs incurred 2021	-2 210
<b>Provisions for restructuring costs 31.12</b>	<b>97 790</b>
	<b>2021</b>
Appropriation from the Ministry of Trade, Industry and Fisheries for coverage of restructuring costs that is	75 000
Income recognition of previously transferable funds from the Ministry of Trade, Industry and Fisheries for	7 320
<b>Total grants for restructuring costs recognised as income</b>	<b>82 320</b>
Accrued consultancy services relating to restructuring 2021	2 210
Estimated external assistance for restructuring 2022-2024*	19 558
Estimated payroll costs associated with restructuring 2022-2024	78 232
<b>Total restructuring costs charged as expenses</b>	<b>100 000</b>
<b>Effect on earnings</b>	<b>-17 680</b>

\* Including legal assistance, HR assistance, career guidance and project assistance.



**NOTE 11****INTANGIBLE ASSETS**

(Amounts in NOK 1,000)

Intangible assets relate to licences and application development, i.e. expenses for system design, programming, installation and testing of systems.

	Licenses	Application development	Total
Acquisition cost as of 1.1	-	-	-
Additions	4 687	16 565	21 252
Disposals	-	-	-
Acquisition cost as of 31.12	4 687	16 565	21 252
Accumulated depreciation as of 1.1	-	-	66 211
Depreciation for the year	911	-	911
Accumulated depreciation for disposals	-	-	-
Accumulated depreciation as of 31.12	911	-	911
Book value as of 31.12	3 776	16 565	20 340

Rates of depreciation	33,33 %	20 %
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**NOTE 12****TANGIBLE FIXED ASSETS**

(Amounts in NOK 1,000)

	Equipment and fixtures	Buildings and real estate	Total
Acquisition cost as of 1.1	33 663	67 199	100 862
Additions	8 706	139	8 845
Disposals	905	-	905
Acquisition cost as of 31.12	41 465	67 338	108 803
Accumulated depreciation as of 1.1	20 354	45 857	66 211
Depreciation for the year	7 197	2 300	9 498
Accumulated depreciation for disposals	756	-	756
Accumulated depreciation as of 31.12	26 795	48 157	74 953
Book value as of 31.12	14 669	19 181	33 850

Rates of depreciation	17-25%	2-20%
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## Investment profile

	Equipment and fixtures	Buildings and real estate	Total
2021	8 706	139	8 845
2020	7 742	1 693	9 435
2019	6 418	-	6 418
2018	15 350	665	16 014
2017	964	771	1 734

The Board of Innovation Norway has decided to relocate the head office and that the property in Akersgata 13-15 shall be sold.

**NOTE 13****DIRECT PROJECT COSTS**

(Amounts in NOK 1,000)

	2021	2020
Profiling and marketing costs	135 579	110 008
External services	140 409	150 508
Office and communication expenses	30 960	44 734
Travel expenses	8 143	9 462
<b>Total</b>	<b>315 091</b>	<b>314 712</b>

**NOTE 14****OTHER OPERATING EXPENSES**

(Amounts in NOK 1,000)

	2021	2020
Costs for premises	80 983	88 299
IT operations, maintenance, licenses and IT consultants	113 435	103 210
External services	24 974	36 023
Restructuring costs 2021-2024	21 768	-
Miscellaneous operating expenses	33 526	34 525
<b>Total</b>	<b>274 685</b>	<b>262 057</b>

Auditor's fee (excluding VAT):	2021	2020
Statutory audit	521	693
Other certification services	15	48
Services other than audit	-	-
<b>Total</b>	<b>536</b>	<b>741</b>

See Note 10 for more information on restructuring costs.

**NOTE 15****EXPENSED LEASE AGREEMENTS**

(Amounts in NOK 1,000)

	2021	2020
Rental of premises	76 885	85 792
<b>Total</b>	<b>76 885</b>	<b>85 792</b>

Innovation Norway has entered into lease agreements in Norway and abroad. The agreements are for the rental of office premises and the rental of housing. The rental expenses include a smaller proportion of costs relating to joint costs, electricity, cleaning etc.

The lease agreements for office premises have a duration of 5 to 10 years with an option to extend for 3 to 5 years. The lease agreements for housing have a duration of 2 to 3 years, with an option to extend for 1 to 2 years, relating to the employment agreements of the employees stationed aboard.

**NOTE 16****LOSSES ON LOANS AND GUARANTEES**

(Amounts in NOK 1,000)

When preparing the financial statements, the management makes estimates, discretionary assessments and assumptions that influence the effect of the application of accounting principles. This will influence the amounts recognised in the accounts that are linked to losses on loans and guarantees.

The Norwegian economy recovered during 2021. There is still some macroeconomic uncertainty, however this has decreased when compared with 2020. A relatively large number of repayment deferrals were also granted in 2021 and the authorities have continued various compensation schemes and continued to provide relief with respect to the payment of taxes and fees. There is thus a low level of default in the loan portfolio. The Covid-19 pandemic continues to cause some uncertainty and increased risk of loss in the loan portfolio. However, it is difficult to fully identify which companies this will apply to. It is our assessment that this risk is not fully reflected in the risk coding in the risk classification system as of 31 December 2021. Therefore, in 2021 Innovation Norway also made a discretionary increase in the risk factor relative to the calculated factor shown in the risk classification system. The assessment of the underlying risk of loss resulted in group write-downs for 2021 being at the same level as in 2020. Group write-downs are only made for low-risk loans, because high-risk loans and guarantees have loss reserves to cover future loss.

Innovation Norway's loan portfolio consists of companies in a number of different industries that have been affected in different ways by the pandemic. The assessments used as a basis for the group write-downs reflect a general risk in the portfolio. The increased risk associated with certain particularly exposed industries was also taken into consideration. In terms of Innovation Norway's lending portfolio, we consider the tourism companies to have been the hardest hit.

## NOTE 16

## LOSSES ON LOANS AND GUARANTEES - CONTINUED

(Amounts in NOK 1,000)

All losses on innovation and high-risk loans, package tour operators, Rural Development Fund (BU) loans (with the exception of outlays) and guarantees are covered by loss reserves and have no effect on earnings. Innovation Norway therefore bears no risk associated with these loans. The low-risk loan schemes do not have coverage for losses. For more detailed information about the loss reserves, see Note 32.

	Low-risk lending schemes	Innovation and high-risk loans	Package tour operators and Rural Development Fund (BU) loans	Total loans	Guarantees	Total loans and guarantees
<b>Write-downs</b>						
Individual write-downs on loans as of 1.1, principal amount	153 212	420 918	-0	574 130	15 285	589 415
Increased and new, individual write-downs on the principal amount	4 409	119 262	-	123 671	27 100	150 771
Reversed individual write-downs on principal amount	-13 367	-39 132	-	-52 499	-6 695	-59 194
Realised loss on principal amount with individual write-downs	-22 144	-88 760	-	-110 903	-1 518	-112 421
<b>Total individual write-downs on loans as of 31.12, principal amount</b>	<b>122 111</b>	<b>412 288</b>	<b>-0</b>	<b>534 398</b>	<b>34 173</b>	<b>568 571</b>
Individual write-downs on loans as of 1.1, interest owing and outlays	1 485	10 182	-	11 668	-	11 668
Change in individual write-downs on interest owing and outlays	-1 317	-4 948	-	-6 266	-	-6 266
<b>Total individual write-downs on loans as of 31.12, principal amount, interest owing and outlays</b>	<b>122 278</b>	<b>417 522</b>	<b>-0</b>	<b>539 801</b>	<b>34 173</b>	<b>573 973</b>
Collective write-downs as of 1.1	298 000	-	-	298 000	-	298 000
Change in collective write-downs	-	-	-	-	-	-
<b>Total collective write-downs as of 31.12</b>	<b>298 000</b>	<b>-</b>	<b>-</b>	<b>298 000</b>	<b>-</b>	<b>298 000</b>
<b>Book loss</b>						
Increased and new, individual write-downs on the principal amount	4 409	119 262	-	123 671	27 100	150 771
Reversed individual write-downs on principal amount	-13 367	-39 132	-	-52 499	-6 695	-59 194
Realised loss on principal amount with individual write-downs	-22 144	-88 760	-	-110 903	-1 518	-112 421
Total changes in individual write-downs on principal amount	-31 102	-8 630	-	-39 732	18 888	-20 844
Changes in individual write-downs on outlays	-93	-2 840	-	-2 933	-	-2 933
Change in collective write-downs	-	-	-	-	-	-
Recognised loss on principal amount and outlays, including paid in for previous write-downs	23 411	100 898	57	124 366	13 222	137 588
<b>Total recognised losses on loans and guarantees</b>	<b>-7 783</b>	<b>89 428</b>	<b>57</b>	<b>81 701</b>	<b>32 109</b>	<b>113 811</b>
<b>Coverage of losses from loss reserves, ref. Note 17</b>	<b>-</b>	<b>-89 428</b>	<b>-31</b>	<b>-89 459</b>	<b>-32 109</b>	<b>-121 569</b>
<b>Net losses on loans *</b>	<b>-7 783</b>	<b>-</b>	<b>25</b>	<b>-7 758</b>	<b>-</b>	<b>-7 758</b>
<b>Recognised loss on principal amount</b>						
Recognised loss on principal amount without individual write-downs	1 373	15 080	279	16 732	11 816	28 548
Realised loss on principal amount with individual write-downs	-22 144	-88 760	-	-110 903	-1 518	-112 421
Total recognised loss on principal amount	-20 771	-73 680	279	-94 171	10 299	-83 873

\*Net losses on loans linked to package tour operators and Rural Development Fund (BU) loans are due to there not being coverage of losses for outlays for BU loans.

**NOTE 17****COVERAGE OF LOSSES**

(Amounts in NOK 1,000)

	2021	2020
Nationwide innovation loans	-68 197	-71 136
High-risk loans targeting the districts	-22 628	-15 785
Rural development high-risk loans for agriculture	1 397	1 342
<b>Total innovation and high-risk loans</b>	<b>-89 428</b>	<b>-85 579</b>
Loans to package tour operators	-240	0
Investment loans for agriculture (BU-loans)	209	-449
Loans from Seed Capital Funds	0	-34 901
<b>Total loans from Seed Capital Funds and Investment Loans for Agriculture</b>	<b>-31</b>	<b>-35 350</b>
Nationwide guarantees	-2 500	-1 000
Nationwide guarantees European Investment Fund	-26 459	-7 510
Guarantees targeting the districts	-3 150	225
<b>Total guarantees</b>	<b>-32 109</b>	<b>-8 285</b>
<b>Total coverage of losses on loans and guarantees</b>	<b>-121 569</b>	<b>-129 213</b>

Coverage of losses is the sum total of losses on loan, guarantee and share schemes that have loss reserves, cf. Note 16.

**NOTE 18****LOCKED-IN BANK DEPOSITS**

(Amounts in NOK 1,000)

	2021	2020
For disbursement of grants	4 862 631	3 873 892
For coverage of loss on loans and guarantees	4 024 168	3 828 010
<b>Total locked-in deposits at Norges Bank</b>	<b>8 886 799</b>	<b>7 701 902</b>
Ordinary bank deposits which are locked-in:		
Tax withholding funds	33 659	33 585

Locked-in deposits at Norges Bank are earmarked funds for the various grant schemes.

**NOTE 19****LOW-RISK LOANS AND INNOVATION AND HIGH-RISK LOANS**

(Amounts in NOK 1,000)

Low-risk loans	2021	2020
Ordinary low-risk loans	3 464 087	3 749 864
Loans for agriculture	4 122 428	4 316 744
Loans for fishing vessels	6 026 209	6 112 922
<b>Total</b>	<b>13 612 724</b>	<b>14 179 530</b>
<b>Innovation and high-risk loans</b>	<b>2021</b>	<b>2020</b>
Nationwide innovation loans	4 296 481	3 867 273
High-risk loans targeting the districts	1 293 653	1 380 027
High-risk loans for agriculture	146 964	148 497
<b>Total</b>	<b>5 737 098</b>	<b>5 395 797</b>

**NOTE 20****OTHER LOANS**

(Amounts in NOK 1,000)

	2021	2020
Loan scheme for package tour operators	184 832	264 066
Rural development loans for agriculture	23 123	47 670
Loans to employees	328	2 281
<b>Total</b>	<b>208 283</b>	<b>314 017</b>

Rural development loans for agriculture are administered on behalf of the Agricultural Development Fund. The loan scheme for package tour operators is part of the Covid-19 crisis packages in 2020.

**NOTE 21****LIQUIDITY RISK**

(Amounts in NOK 1,000)

The liquidity risk is the risk associated with Innovation Norway's ability to fund an increase in loans and 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. The Norwegian Ministry of Trade, Industry and Fisheries is the only lender and provides loans in accordance with the company's needs. Borrowings are adapted to lendings and secure the liquidity required to operate the schemes. The agreed term has been used as a basis for the table below.

Liquidity maturity as of 31 December 2021	Undefined	Up to 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	More than 5 years	Total
Ordinary bank deposits	1 978 610	-	-	-	-	-	1 978 610
Locked-in deposits in Norges Bank	8 886 799	-	-	-	-	-	8 886 799
Low-risk loans	4 883	969	524	16 692	546 404	13 043 252	13 612 724
Innovation and high-risk loans	33 369	3 765	17 479	125 310	2 468 515	3 088 660	5 737 098
Other loans	552	516	798	6 215	16 384	183 818	208 283
<b>Total assets</b>	<b>10 904 214</b>	<b>5 249</b>	<b>18 801</b>	<b>148 217</b>	<b>3 031 303</b>	<b>16 315 730</b>	<b>30 423 513</b>
Borrowings from the Norwegian state, low-risk I	-	4 000 000	6 175 000	200 000	1 410 000	130 000	11 915 000
Borrowings from the Norwegian state, innovativ	-	2 400 000	3 380 000	-	-	-	5 780 000
<b>Total liabilities</b>	<b>-</b>	<b>6 400 000</b>	<b>9 555 000</b>	<b>200 000</b>	<b>1 410 000</b>	<b>130 000</b>	<b>17 695 000</b>

**NOTE 22****INTEREST RATE RISK**

The interest rate risk is the risk of loss that arises from changes in the interest rate. For long-term loans (fixed interest) the maturity structure of the borrowings is adjusted to the fixed interest periods and the conditions for the loans. This is done as part of the work with managing the interest rate risk in the portfolio.

The majority of borrowings are short-term loans (variable interest) with terms averaging three months. These finance lending to customers with loans that have variable conditions, i.e. loans with interest rates that can be changed with six months' notice. The interest rate risk for these loans is limited to the notice period and is considered as having a moderate effect on earnings. Interest on borrowings reflects the interest rate profile of the loan portfolio.

## NOTE 23

## CREDIT RISK

(Amounts in NOK 1,000)

Innovation Norway's loan portfolio consists of various types of loans with different risk profiles. In the table below, the different types of loans within low-risk loans, innovation and high-risk loans and guarantees are classified into three groups with high, normal and low risk. The figures do not include Investment loans for agriculture (BU-loans) and the Loan Scheme for Package Tour Operators.

Risk groups	Gross loans principal amount	Individual write-downs principal amount	Individual write-downs of gross loan	Loans without individual write-downs	Group write-downs
<b>High risk*</b>					
High-risk loans	5 728 193	412 288	7,2 %	5 199 217	-
Risk guarantees	378 383	34 173	9,0 %	343 971	-
Total high risk	6 106 576	446 461	7,3 %	5 543 188	-
<b>Normal risk**</b>					
Loans for industry and service provision	3 463 105	114 571	3,3 %	3 244 125	134 000
Loans for fishing fleet	6 024 786	686	0,0 %	6 022 486	143 000
Total normal risk	9 487 891	115 257	1,2 %	9 266 611	277 000
<b>Low risk***</b>					
Loans for agriculture	4 120 135	6 853	0,2 %	4 108 505	21 000
Total low risk	4 120 135	6 853	0,2 %	4 108 505	21 000
<b>Grand total</b>	<b>19 714 602</b>	<b>568 571</b>	<b>2,9 %</b>	<b>18 918 304</b>	<b>298 000</b>

\* **The high-risk group** includes innovation and high-risk loans and guarantees. For these loans and guarantee schemes, allocations are made to the loss reserve to cover future losses. See Note 32 concerning loss reserves. This entails that greater risks can be taken than are possible for other loan schemes. The loans must normally be secured with collateral and have underabsorption of between 25% and 80% on the approval date, depending on the expected risk associated with the individual commitment and structure of each loan scheme. Smaller loans can be approved without collateral security. Of gross lending, approximately NOK 1 billion was provided with a counter-guarantee from the European Investment Fund (EIF), where the EIF covers 50% of established losses in individual cases.

Included in risk guarantees are growth guarantees, which entail that Innovation Norway, in cooperation with the European Investment Fund (EIF), provides guarantees to banks for loans linked to fast-growing SMEs. Growth guarantees can amount to up to NOK 4 million and the banks can, in each instance, receive coverage of up to 75% of the loss that arises, but this is limited to 20% on a portfolio basis. As of 31 December 2021, the maximum guarantee liability under this growth guarantee scheme was NOK 328.9 million. EIF's share of potential loss within this guarantee liability is 50%.

\*\***The normal risk group** includes low-risk loans for industry and service provision and for fishing vessels. Low-risk loans for industry and service provision shall be secured with collateral and must normally be covered by a guarantee, but can have underabsorption of up to 25% on the date the loan is granted. Low risk loans for fishing vessels are secured with collateral in the vessels and presently have good coverage in the collateral and quota values.

\*\*\***The low-risk group** includes low-risk loans for agriculture. When approved, the loans are secured within 90% of the agricultural rate and the borrower normally has personal debtor liability.

Defaulted loans within the low and normal risk groups, as well as the high-risk group in accordance with the division above.

Gross default > 90 days	Low-risk loans (risk group - low and normal)		Innovation and high-risk loans and guarantees (risk group - high)	
	NOK million	of gross portfolio	NOK million	of gross portfolio
31.12.2017	144	1,0 %	137	4,3 %
31.12.2018	155	1,1 %	141	3,7 %
31.12.2019	198	1,4 %	200	4,5 %
31.12.2020	133	1,0 %	113	2,1 %
31.12.2021	69	0,5 %	152	2,6 %

Risk guarantees, cf. Note 38. Individual write-downs, cf. Note 16.

**NOTE 24****SHARES AND UNITS**

(Amounts in NOK 1,000)

Name of company	% ownership stake	Acquisition price	Write-down/ change in value	Book value
Scandinavian Tourist Board Aps	50	274	-274	-
Balance as of 31 December		274	-274	-

The company is not listed on stock exchanges and therefore no known market values exist.

**NOTE 25****OWNERSHIP INTERESTS IN SUBSIDIARIES**

(Amounts in NOK 1,000)

Name of company	Acquired	Office	Ownership stake	Acquisition price
VisitNorway AS	1.7.1999	Oslo	100 %	300
Investeringsfond for Nordvest-Russland og Øst-Europa AS*	6.3.2019	Kirkenes	100 %	262 807
				<b>263 107</b>

Name of company	Share capital	Number shares	Equi capital	Result
VisitNorway AS	300	300	365	04
Investeringsfond for Nordvest-Russland og Øst-Europa AS	1 026	1	236 605	-14 795

\*Innovation Norway's ownership in Investeringsfond for Nordvest-Russland og Øst-Europa AS is financed with investment funds from the State. Following the transfer of the scheme to the subsidiary, results for Innovation Norway will only consist of adjustments to the value of the shares in the subsidiary and any dividends.

**NOTE 26****OTHER ASSETS**

(Amounts in NOK 1,000)

	2021	2020
Accounts receivable	18 876	12 611
Receivables from the Norwegian State	586	1 928
Other receivables	54 333	35 559
Total	73 794	50 098



**NOTE 27****COSTS NOT YET INCURRED AND EARNED INCOME NOT YET RECEIVED**

(Amounts in NOK 1,000)

	2021	2020
Accrued, unmatured interest on loans	80 813	79 519
Accrued, non-invoiced operating revenue	33 999	13 231
Non-accrued operating expenses (paid in advance)	45 087	40 480
<b>Total</b>	<b>159 900</b>	<b>133 230</b>

**NOTE 28****BORROWINGS FROM THE STATE**

(Amounts in NOK 1,000)

	Maturity	Borrowings	Effective interest rate		Maturity	Borrowings	Effective interest rate
Low-risk loans	2022	10 375 000	0,4 %	Innovation and			
	2023	60 000	2,1 %	high-risk loans	2022	5 780 000	0,4 %
	2024	155 000	1,4 %				
	2025	90 000	1,5 %				
	2026	1 105 000	1,0 %				
	2027-2030	130 000	1,0 %				
<b>Total</b>	<b>Total</b>	<b>11 915 000</b>	<b>0,5 % *</b>	<b>Total</b>	<b>Total</b>	<b>5 780 000</b>	<b>0,4 %</b>

\* Total effective interest rate represents the average interest rate. This is calculated as an average of the effective interest per year in relation to total borrowings as of 31 December 2021.

Innovation Norway have the opportunity to renew the borrowings upon maturity. This applies to borrowings with both variable and fixed interest. New borrowings are renewed to adapt to the loan portfolio. All Innovation and high-risk loans mature in 2022 and have variable interest rates. Loans that fall due after 2022 have a fixed interest rate with a fixed period as shown by the maturity year.

**NOTE 29****OTHER LIABILITIES**

(Amounts in NOK 1,000)

	2021	2020
Accounts payable	102 783	82 377
Undisbursed grants	492 991	428 606
Allocated dividends	221 607	130 975
Liabilities to the Norwegian State	399 006	311 276
Public duties owing	31 688	32 936
Provisions for restructuring costs 2022-2024	97 790	-
Miscellaneous liabilities	7 097	25 802
<b>Total</b>	<b>1 352 962</b>	<b>1 011 972</b>

See Note 10 for information on provisions for restructuring costs.

**NOTE 30****COSTS INCURRED AND UNEARNED INCOME RECEIVED**

(Amounts in NOK 1,000)

	2021	2020
Accrued, unmatured interest on borrowings	22 991	15 443
Accrued fees on borrowings that have not fallen due	72 382	67 553
Accrued holiday pay	55 883	56 790
Accrued other operating expenses	20 882	21 552
Operational and grant appropriations not recognised as income	390 243	316 307
Other non-accrued income received	47 025	30 909
<b>Total</b>	<b>609 405</b>	<b>508 554</b>

**NOTE 31****PENSION COMMITMENTS**

(Amounts in NOK 1,000)

Innovation Norway is obligated to have an occupational pension scheme in accordance with the Act relating to compulsory occupational pensions.

Innovation Norway established a defined contribution pension scheme for its employees effective from 1 January 2020. The contribution plan amounts to 7% of salary of up to 7.1G and 20% of salary between 7.1G and 12G. The scheme entails that all new employees after 1 January 2020 are included in the defined contribution scheme, while employees prior to 1 January 2020 were given the choice of whether to change pension scheme.

As of 31 December 2021, the defined contribution scheme includes 293 members, while the closed defined benefit pension schemes include 359 active members and 405 pensioners. The obligations related to the defined benefit schemes are covered through insurance companies, principally the Norwegian Public Service Pension Fund and Gabler Pensjonstjenester AS. The pension schemes satisfy the requirements in this Act.

There are presently four different pension schemes at Innovation Norway. The schemes cannot be transferred between one another and are therefore not entered as a net amount. Employees at Innovation Norway are also affiliated with AFP schemes.

	2021	2020
<i>Economic assumptions:</i>		
Discount rate	1,90 %	1,70 %
Expected return on pension assets	3,10 %	2,70 %
Expected wage growth	2,75 %	2,25 %
Expected adjustment of pensions being paid, public scheme	1,75 %	1,25 %
Expected adjustment of pensions being paid, private scheme	2,50 %	2,00 %
Expected adjustment of National Insurance base amount (G)	2,50 %	2,00 %
<i>Demographic assumptions</i>		
Mortality table used	K2013	K2013
Disability rate used	200% x K63	200% x K63
Voluntary withdrawal	3% / 2%	3% / 2%
Likelihood of drawing on AFP	5% / 7%	5% / 7%
<i>The pension costs for the year are as follows:</i>		
Present value of current year's pension benefits earned	50 902	70 457
Interest cost of pension liabilities	32 467	38 502
Return on pension assets	-35 559	-48 155
Administration costs	2 206	2 478
Employers' contributions on pension costs	7 052	8 923
Recognised actuarial losses	49 744	23 664
Recognised deduction/settlement during the period	-	-25 419
<b>Total net pension costs</b>	<b>106 812</b>	<b>70 448</b>
<i>Pension commitments and pension assets are as follows:</i>		
	Assets < Commitments	Assets < Commitments
Accrued pension commitments	2 094 831	1 938 828
Value of pension assets	-1 330 618	-1 319 718
Accrued employers' contributions	107 754	87 294
Unrecognised effect of actuarial gains/losses	-802 209	-642 288
<b>Net capitalised pension commitments</b>	<b>69 758</b>	<b>64 116</b>

## NOTE 31

### PENSION COMMITMENTS - CONTINUED

The unrecognised effect of actuarial gains/losses is accrued over 12 years or the remaining earnings period in the relevant scheme

#### Actuarial assumptions

The assumptions from NRS 6 Pension Costs as of 31 December 2021 are used as actuarial assumptions for demographic factors and withdrawal.

#### Economic assumptions

The pension assumptions are updated based on the market situation as of 31 December 2021 and the applicable recommendation from the Norwegian Accounting Standards Board (NRS).

The pension scheme's assets at Gabler Pensjonstjenester AS have been invested in a portfolio with a moderate investment profile and with a low equity portion. Some is invested in property, however the majority is invested in bonds with a high credit rating. For the pension scheme with the Norwegian Public Service Pension Fund, a fictitious fund has been established for the calculation of returns since the scheme is directly financed in the national budget.

#### Contractual early retirement scheme (AFP)

Employees at Innovation Norway have two different AFP schemes depending on whether they are associated with the pension scheme for the Norwegian Public Service Pension Fund or whether they are associated with the AFP scheme in the private sector.

The employees at Innovation Norway who have their pension scheme with the Norwegian Public Service Pension Fund, the AFP scheme is continued, cf. Act relating to contractual early retirement pension for members of the Norwegian Public Service Pension Fund. The obligation relating to this scheme is calculated and is included in the pension commitment.

The closed scheme at Gabler Pensjonstjenester AS is managed for accounting purposes as a defined-contribution pension scheme for which premium payments are recognised as costs on an ongoing basis and no provisions are made in the accounts. This is because there is no reliable means of measuring and allocating the commitments and funds in the scheme.

## NOTE 32

## LOSS RESERVES

(Amounts in NOK 1,000)

Loan, guarantee and share schemes	2021			2020		
	Remaining loss reserves	Net loans, guarantees and shares	Commitments, loans and guarantees	Remaining loss reserves	Net loans, guarantees and shares	Commitments, loans and guarantees
Nationwide innovation loans and guarantees	2 450 239	3 166 498	1 233 673	2 298 777	2 892 121	1 333 171
European Investment Fund Nationwide	267 778	1 148 720	53 219	241 326	859 809	296 600
High-risk loans and guarantees targeting the districts	736 907	1 029 058	326 786	698 042	1 101 813	324 535
European Investment Fund targeting the districts	21 949	172 894	29 000	25 376	158 693	95 275
High-risk loans for agriculture	38 090	142 946	22 946	37 251	141 338	22 378
Package holiday scheme	103 257	184 793	0	103 500	264 022	-
<b>Total</b>	<b>3 618 221</b>	<b>5 844 908</b>	<b>1 665 624</b>	<b>3 404 272</b>	<b>5 417 795</b>	<b>2 071 958</b>

## Description of loss reserves for high-risk loans and guarantees

Loss reserves have been established for innovation loans, high-risk loans and guarantees. The purpose of loss reserves is to make it possible for 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. This entails that Innovation Norway can provide loans and guarantees with better terms than the risks associated with the projects would otherwise warrant.

For commitments associated with innovation loans, high-risk loans and guarantees, allocations are made to the loss reserve to cover future losses. Confirmed losses are charged to loss reserves, including lost interest and expenses, and changes in provisions for losses. The remaining loss reserves will cover losses from net loans and approved, but not yet disbursed, commitments. Net loans/net guarantees are gross loans/guarantees reduced by provisions for losses. The funds in the loss reserve will be placed in earmarked accounts at Norges Bank and do not earn interest for Innovation Norway.

For all innovation loans, high-risk loans and guarantees, Innovation Norway must ensure that there is an adequate ratio between the size of the loss reserve and the assessed risk in the portfolio. For nationwide innovation loans, high-risk loans targeted at the districts, and guarantees, Innovation Norway is responsible for replenishing the loss reserve if the calculated portfolio risk has a negative deviation of more than 10 per cent of the loss reserve. As a basis for the assessment, the potential loss (calculated risk) is compared with the remaining loss reserve in the part of the portfolio where individual write-downs and unpaid commitments are not made.

In January 2017, Innovation Norway entered into an agreement with the European Investment Fund (EIF) under the instrument InnovFin SME Guarantee in the EU Framework Programme for Research and Innovation - Horizon 2020. This contributed to strengthening Innovation Norway's lending capacity through risk sharing with the EIF. The agreement entailed that Innovation Norway could approve loans to companies that met defined criteria for growth and innovation, with a guarantee from the EIF. The guarantee entails that the EIF covers 50% of any loss on the individual loan and 50% is charged to Innovation Norway's loss reserve. The contract period for entering into new loans has now expired and the final loan was approved in February 2021.

Innovation Norway has also entered into an agreement with the EIF under the same framework programme in which Innovation Norway guarantees for loans granted by Norwegian banks. The scheme, known as the Growth Guarantee, has the objective of strengthening the ability of innovative or rapidly-growing small and medium-sized companies to access bank financing. The guarantee is an additional form of security in situations in which the borrower is considered creditworthy, but has inadequate security for receiving bank financing. Innovation Norway's guarantee is 75% in certain cases, but has a limit for coverage of losses at portfolio level of 20%. Innovation Norway has entered into partnership agreements with 14 Norwegian banks within a lending framework totalling NOK 2 billion. The agreement for risk mitigation with the EIF entails that the EIF is obligated to cover 50% of Innovation Norway's losses under the Growth Guarantee Scheme.

As of 31 December 2021, the calculated portfolio risk was assessed as being 35% for all nationwide innovation loans and guarantees, while the remaining loss reserves amount to 50%. The calculated risk for all high-risk loans and guarantees targeted at the districts is 25%, while the loss reserve amounts to 50%. The calculated risk for high-risk loans for agriculture is 19%, while the loss reserve amounts to 23%. The loss reserves are therefore considered to be at a satisfactory level when viewed in relation to the risk calculated for the portfolio.

**NOTE 33****INTEREST SUPPORT FUNDS** (Amounts in NOK 1,000)

	2021	2020
Opening balance as of 1.1	321 532	48 562
Allocated interest support contributed to fund	-	310 000
Interest support recognised as income charged to fund	-59 537	-37 030
Closing balance as of 31.12	261 995	321 532

Innovation and high-risk loans can be interest-free for a defined period. An interest support fund has been established to cover the lost income from interest-free loans.

**NOTE 34****GRANT FUNDS** (Amounts in NOK 1,000)

	Appropriation	2021	2020
Ministry of Trade, Industry and Fisheries	Chapter 2421.50	3 196 810	2 477 608
Ministry of Local Government and Regional Development	Chapter 550.70	13 088	24 075
Ministry of Local Government and Regional Development	Chapter 552.72	137 257	137 289
Ministry of Local Government and Regional Development	Chapter 553.60	12 471	14 371
Ministry of Local Government and Regional Development	Chapter 553.65	7 411	6 746
Ministry of Local Government and Regional Development	Chapter 553.74	218 189	201 918
County Councils	Chapter 550.62	150 924	233 563
County Councils	Chapter 551.60/6	62 777	98 655
Ministry of Local Government and Regional Development	Chapter 0553.61	712 321	518 709
County Councils	Chapter 0553.63	26 065	17 480
Ministry of Agriculture and Food	Chapter 1150.50	93 495	89 344
Total		4 630 810	3 819 758

NOK 4.5 billion in grants was paid out in 2021.

**NOTE 35****LOAN AND INVESTMENT FUNDS** (Amounts in NOK 1,000)

<b>Investment fund for Northwest Russia and Eastern Europe:</b>	2021
Contributed capital 1.1	270 000
Contributed capital 31.12	<b>270 000</b>
Retained earnings 1.1	-14 826
Return for the year	7 692
Retained earnings as of 31.12	<b>-7 134</b>
Total capital 31.12	<b>262 866</b>

Contributed capital from the State consists of funds earmarked to provide loans and for investments in companies that invest in Northwest Russia and Eastern Europe.

**NOTE 36****EQUITY**

(Amounts in NOK 1,000)

The various schemes have different rules for equity and the allocation of profits. The ratio between the owners and distribution of dividends is regulated in the ownership agreement

*High-risk loans and guarantees*

The entire profit/loss is transferred to the owners. Dividends to the counties are based on the county councils' share of the loan portfolio relating to high-risk loans targeted at the districts.

*Investment Fund*

Dividends from the subsidiary, Investeringsfond for Nordvest-Russland og Øst-Europa AS, shall be returned without deductions to the Ministry of Trade, Industry and Fisheries.

*Low-risk lending scheme*

The profit from the scheme exceeding the equity capital requirement of 10.5% will be distributed as dividends. The equity capital requirement is considered to be the ratio between net low-risk loans as of 31 December and the equity in the scheme as of 31 December.

*Service deliveries and grant administration*

No dividend is paid for the scheme.

	Joint	High-risk loans, guarantees and investment funds	Low-risk lending scheme	Service delivery and grant administration:	Total
Paid-up equity	19 600	-	619 788	26 257	<b>665 645</b>
Retained earnings	-	-	856 365	79 503	<b>935 868</b>
Total equity 1.1.	19 600	-	1 476 154	105 760	<b>1 601 514</b>
Share of the profit (loss) for the	-	65 281	164 018	-	<b>229 299</b>
Transfer/dividends to owners	-	-57 589	-164 018	-	<b>-221 607</b>
earnings in loan and investment funds	-	-7 692	-	-	<b>-7 692</b>
Paid-up equity	19 600	-	619 788	26 257	<b>665 645</b>
Retained earnings	-	-	856 365	79 503	<b>935 868</b>
Total equity 31.12	19 600	-	1 476 154	105 760	<b>1 601 514</b>

**NOTE 37****OWNERS**

(Amounts in NOK 1,000)

Owner	Share of contributed capital
The State, represented by the Ministry of Trade, Industry and Fisheries	51,0 %
Agder County Council	5,16 %
Innlandet County Council	5,16 %
Møre og Romsdal County Council	2,58 %
Nordland County Council	2,58 %
The City of Oslo	2,58 %
Rogaland County Council	2,58 %
Troms og Finnmark County Council	5,16 %
Trøndelag County Council	5,16 %
Vestfold og Telemark County Council	5,16 %
Vestland County Council	5,16 %
Viken County Council	7,74 %
Total	100,0 %

There is an ownership agreement of 24 March 2010.

**NOTE 38****CONTINGENT LIABILITIES**

(Amounts in NOK 1,000)

**Guarantees**

	2021	2020
High-risk guarantees targeting the districts	12 000	12 951
Nationwide high-risk guarantees	37 500	39 625
Nationwide guarantees European Investment Fund <sup>1</sup>	328 883	178 117
<b>Total</b>	<b>378 383</b>	<b>230 693</b>

<sup>1</sup> The guarantee commitment is contractual in such a way that Innovation Norway shall cover the entire guarantee commitment in relation to the banks that have entered into an agreement associated with the scheme. Innovation Norway can then make a request to the European Investment Fund for coverage of half the guarantee amount.

The stated guarantee amount is the maximum commitment that can be payable.

Losses on guarantees are covered by loss reserves for each of the schemes, cf. Note 32.

**Disputes**

As of 31 December 2021, Innovation Norway was not involved in any disputes that would likely result in significant loss in excess of the provisions made in the accounts.



To the general meeting of Innovation Norway

## INDEPENDENT AUDITOR'S REPORT

### *Conclusion*

We have audited the financial statements for Innovation Norway, which comprise the balance sheet as at 31 December 2021, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### *In our opinion*

- the financial statements are prepared in accordance with the law and regulations and
- give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the provisions of the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### *Basis for Opinion*

We conducted the audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are described below in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws, regulations and the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA rules), and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

The Board of Directors and the Managing Director (management) are responsible for the information in the annual report. Other information includes information in the annual report, but does not include the financial statements and our auditor's report thereon. Our conclusion on the financial statements above does not cover the information in the annual report.

In connection with our audit of the financial statements, our responsibility is to read the annual report. The purpose of this is to consider whether there is material inconsistency between the annual report and the financial statements or our knowledge obtained in the audit of the financial statements or whether information in the annual report otherwise appears to be materially misstated. We have a duty to report if the annual report appears to be materially misstated. We have nothing to report in this regard.

Based on the knowledge we have obtained in the audit, we are of the opinion that the annual report

- is consistent with the financial statements and
- contains the information that must be disclosed pursuant to applicable legal requirements.

### *The management's responsibilities for the financial statements*

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

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

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

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

As part of an audit conducted in accordance with the ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Oslo, 17 March 2022 Deloitte AS

**Henrik Woxholt** State Authorised Public Accountant

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*"With my signature I confirm all the dates and content of this document."*

## Henrik Johannes Woxholt

State Authorised Public Accountant

Serial number: 9578-5999-4-1368035

IP: 88.88.xxx.xxx

2022-03-30 08:52:49 UTC



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