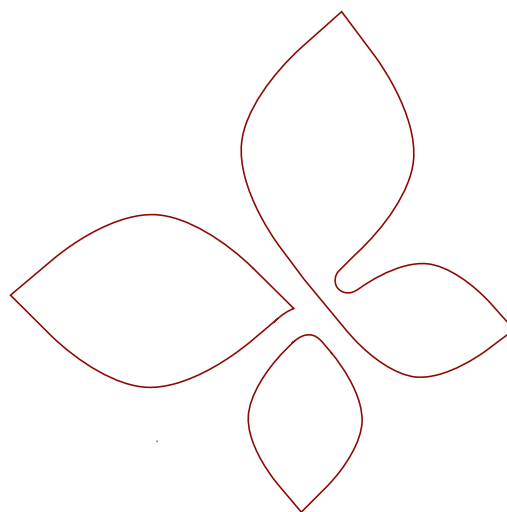


Norfund

The Norwegian Investment Fund for Developing Countries – Norfund – was created by the Storting (parliament) in 1997. Its job is to contribute, through investment capital, loans and guarantees, to the development of profitable and sustainable business activities in countries which have limited access to commercial financing because they present a high level of risk.

Norfund is a hybrid state-owned company established by law with limited liability, owned on behalf of the state by the Ministry of Foreign Affairs with Erik Solheim as the minister with constitutional responsibility. Its activities are conducted in accordance with the fundamental principles for Norwegian development cooperation. The board of directors is appointed by the government.

- Norfund's investments supported 248 000 jobs, half of them held by women
- No K 3.2 billion was paid in tax in developing countries
- 43 per cent of investment in 2008 went to the least-developed countries (LDCs)
- Norfund's equity totalled No K 5.3 billion.



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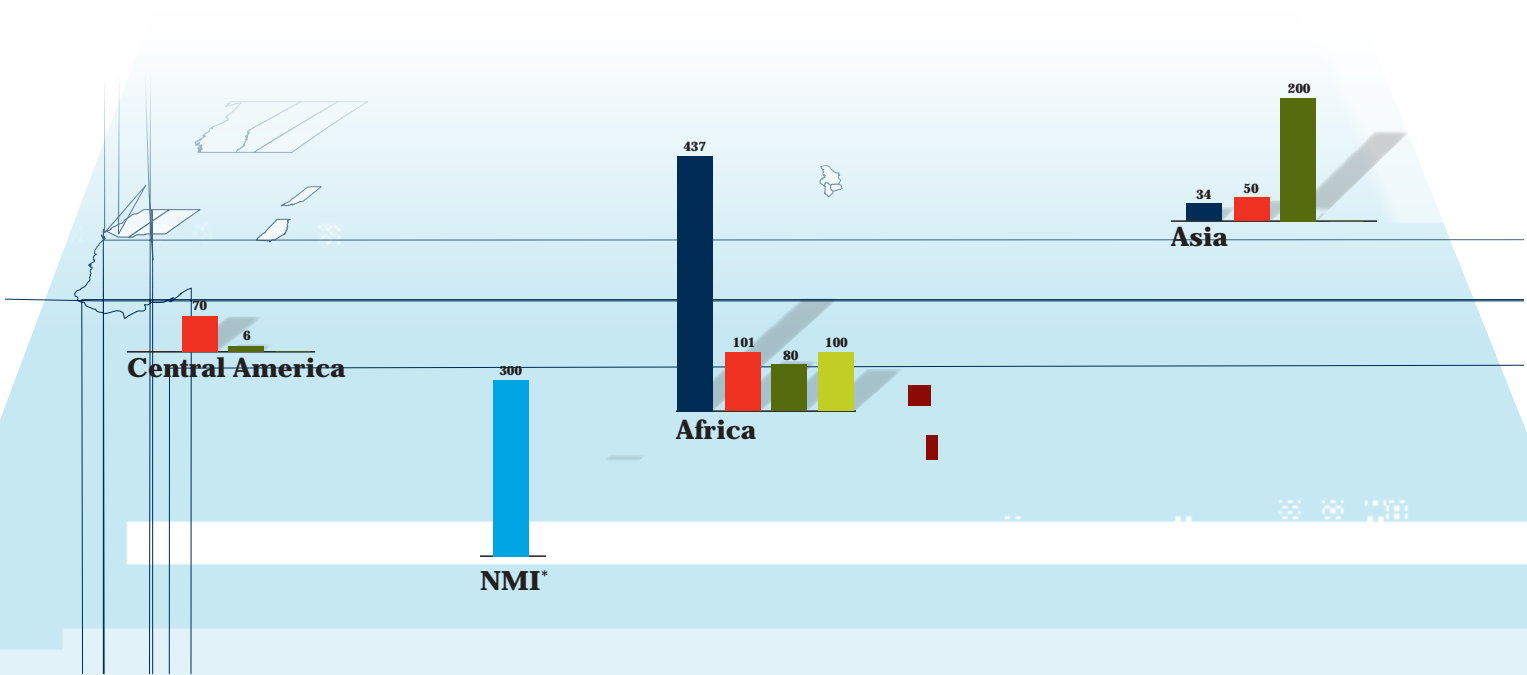
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New investment agreements in 2008

Total: NOK 1.4 billion



- Funds
- Financial institutions
- Renewable energy
- Other direct investments
- Global
- Norfund
- SN Power

*The Norwegian Microfinance Initiative (NMI) was established in 2008 and has yet to invest its capital. However, its investments will be concentrated in poor countries.

Events of 2008

HRH Crown Prince Haakon Magnus

lays the foundation stone for sN power's La Confuencía hydropower station in the Chilean Andes.

Kabul Serena Hotel, part-owned by Norfund, suffers a terrorist attack which affects the delegation accompanying foreign minister Jonas Gahr Støre.

January

February

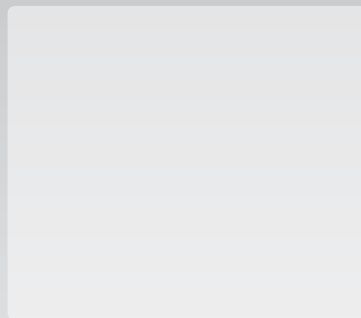
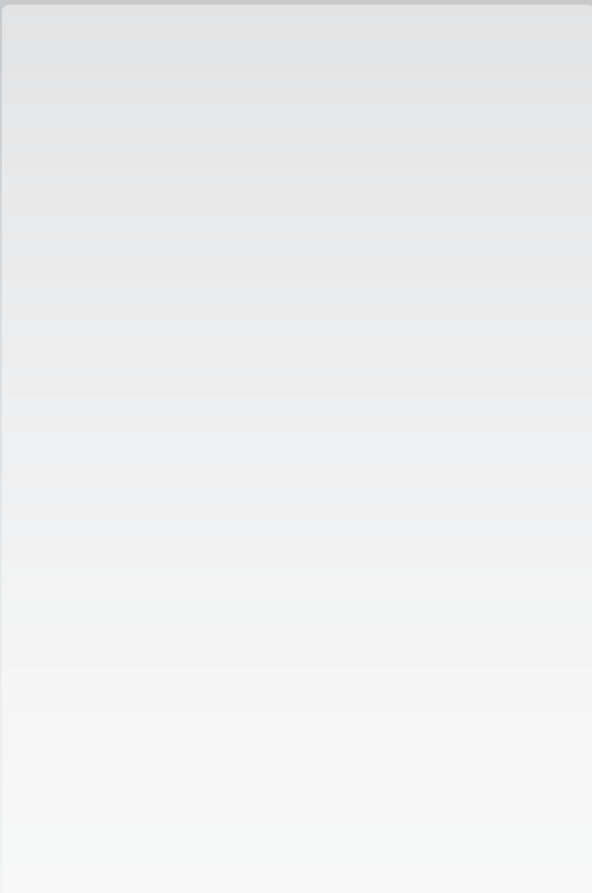
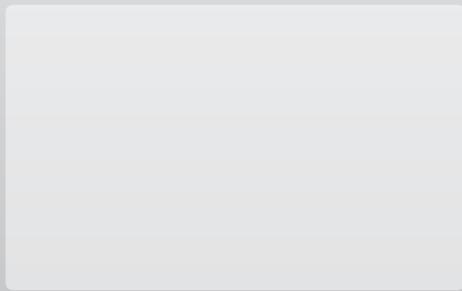
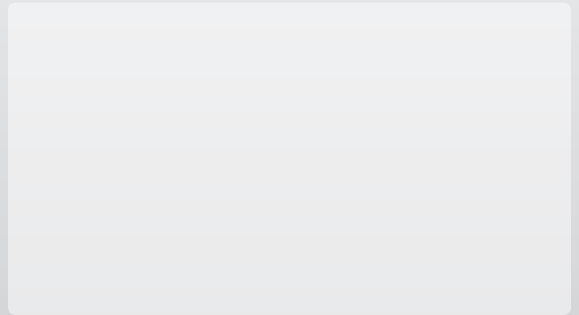
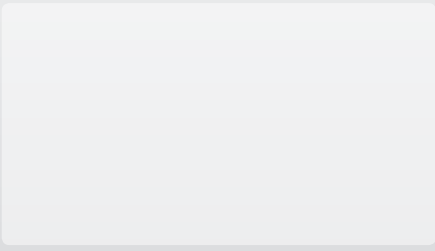
March

April

May

June

Norfund celebrates its **10th anniversary**



A loan is given to **Exim Bank Ltd** in Tanzania and additional liquidity provided for **CIFI** in Latin America.

Norfund explained

1.1 MANDATE AND STRATEGY

The Norfund Act of 1997 specifies that the fund will “establish viable, profitable business activities which would not otherwise be initiated because of high risk”. To achieve this while simultaneously mobilising funds from other investors, Norfund has adopted a strategy of concentrating geographically on selected extremely poor regions and on sectors with a high development effect. This is paralleled by building an organisation with substantial operational experience and good local networks.

MANDATE

The Norfund Act of 1997 specifies that the fund will “establish viable, profitable business activities which would not otherwise be initiated because of high risk”. To achieve this while simultaneously mobilising funds from other investors, Norfund has adopted a strategy of concentrating geographically on selected extremely poor regions and on sectors with a high development effect. This is paralleled by building an organisation with substantial operational experience and good local networks.

1997
A
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STRATEGY

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F

† Investment expertise embraces

Analysis of the portfolio

2.1 GEOGRAPHY – AFRICA AND LDCS TAKE PRIORITY

Norfund combats poverty by investing in some of the world's most difficult markets and LDCs. To succeed in this, the fund must know as much as possible about the countries in which it operates. As explained in section 1.1, its strategy gives priority to regions in which it has experience and networks. Southern and eastern Africa and certain poor countries in Central America and Asia are the main priorities. Norfund is investing more than ever in sub-Saharan Africa, and the share of LDCs in these investments accordingly increased significantly in 2008.

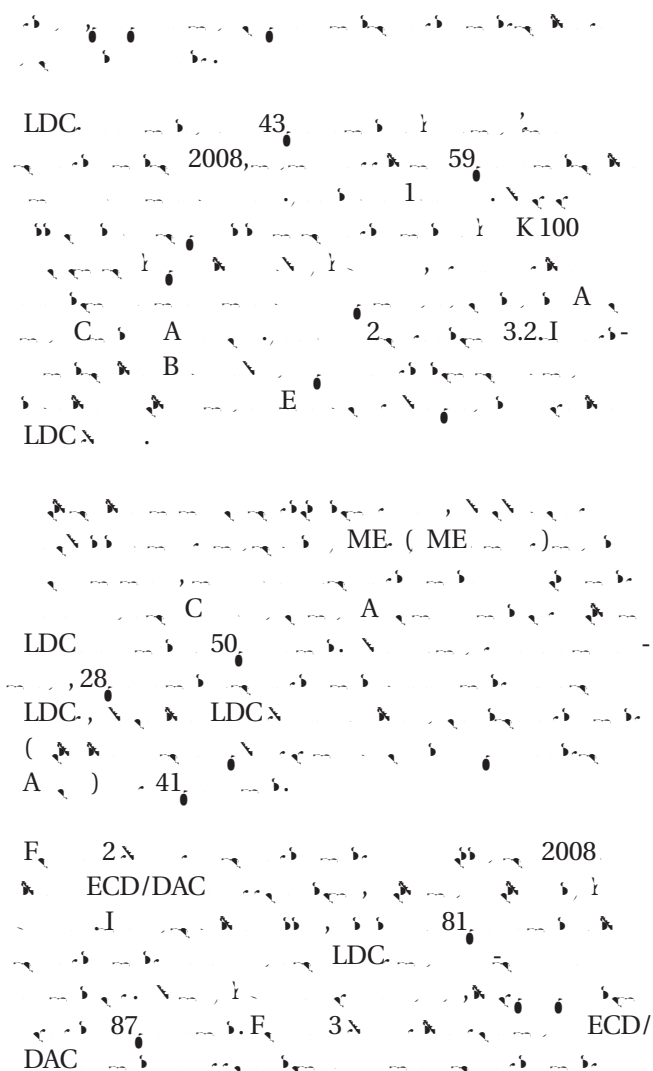
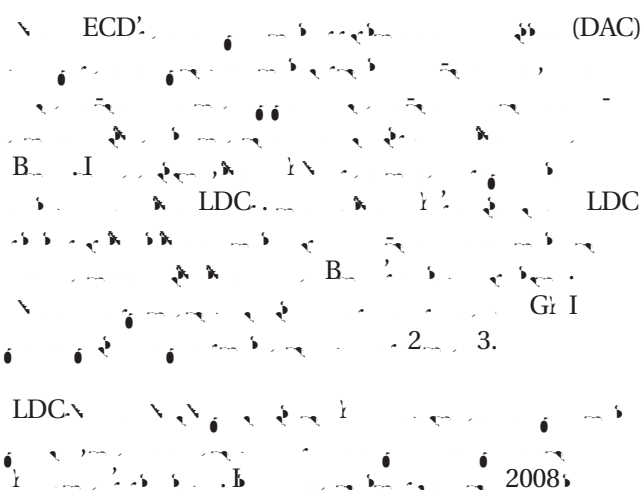
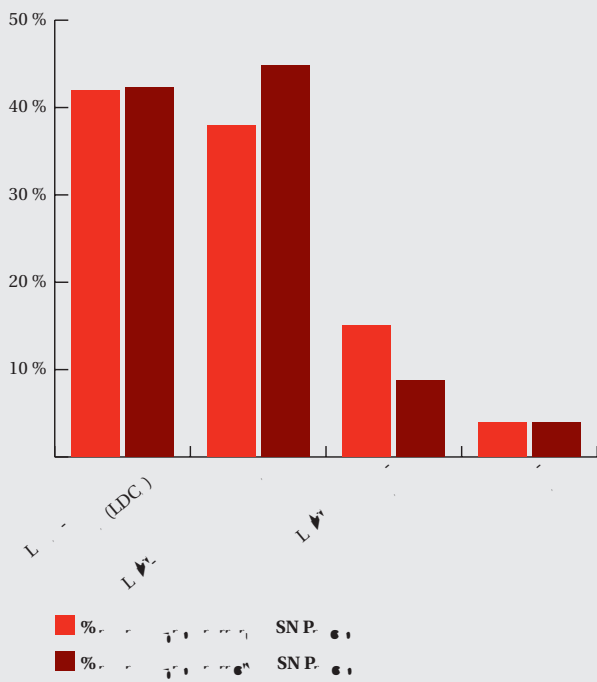


Table 1: LDC share of Norfund's portfolio

	Total portfolio			By investment area		
	Total	Excl SN Power	Funds	Financial institutions	Renewable energy	Other direct investments
Investment area	598	485	130	260	168	41
LDC share 2008	43 %	42 %	28 %	50 %	59 %	41 %
Total portfolio	1 096	893	232	441		

Figure 2 • New investment by recipient country's GNI per capita in relation to the OECD/DAC classification



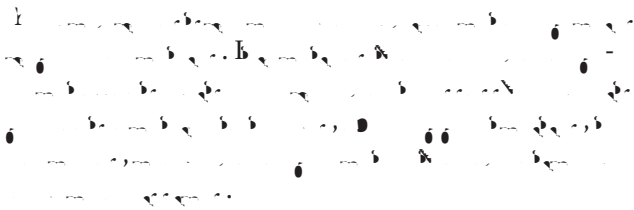
Explanation: Norfund's investments agreed in 2008 by 004225005y0042256(est7s)40 g Nped in part 2(k788 ita in r)20in0.01 f61

2008.
LDC A C
A

2.2 DEVELOPMENT EFFECTS AND CLIMATE

The fundamental idea behind Norfund's operations is that profitable companies create broad economic progress and development effects which persist after the fund has exited.

The 2000 *Voices of the Poor* study by the World Bank found that the majority of poor people surveyed saw paid work (either for others or self-employed) as the most important way of escaping from poverty.

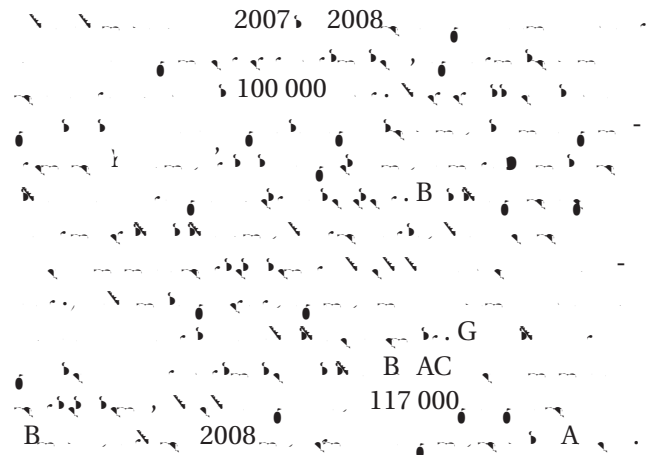
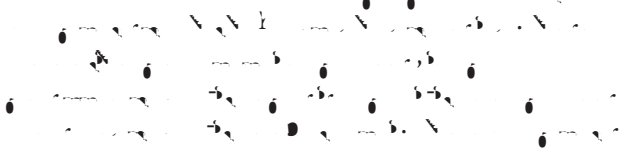


EXTENSIVE DATA GATHERING FOR 2008



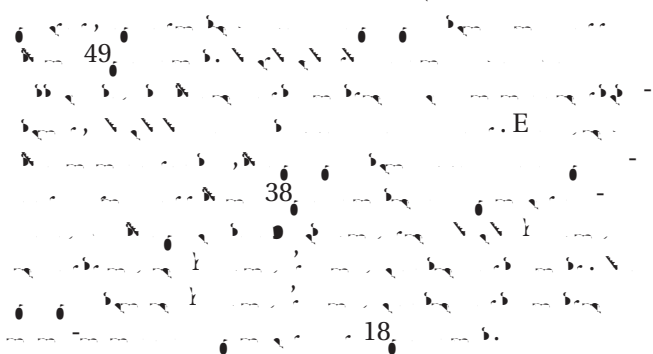
JOBS

A 31 D 2008, 248 182



WORK FOR WOMEN

A 121 350



TAX PAID

C K 3.2 2008



DEVELOPMENT EFFECTS - TOTAL PORTFOLIO

Jobs: 248 000 people
Female share: 49 per cent
Tax paid: No K 3.2 billion

2.3 KEY FINANCIAL FIGURES

Norfund achieved a profit in investment currencies of NOK 233 million for 2008. This positive result was primarily attributable to good profitability, the reduction in the SN Power holding, and increased revenues from the rest of the investment portfolio. This means that Norfund achieved a good result in a demanding market, even after making larger write-downs.

Income from operations	2008	K 264
Income from other operations	2008	K 84
Income from other operations	2007	K 63
Income from other operations	2008	K 147
Income from other operations	2008	K 422
Income from other operations	2007	K 189
Income from other operations	2008	K 64
Income from other operations	2008	K 422
Income from other operations	2007	K 202
Income from other operations	2007	K 477

Total operating income	2008	K 197
Total operating income	2007	K 85
Operating expenses	2008	K 32
Operating expenses	2007	K 32
Operating expenses	2008	K 80
Operating expenses	2008	K 18
Operating expenses	2007	K 18
Operating expenses	2007	K 14
Operating expenses	2008	K 74
Operating expenses	2008	K 14

Table 2 • Profit in 2008 (NOK million)¹

	2008	2007
Income from operations	39	14
Income from other operations	32	9
Income from other operations	26	37
Income from other operations	99	25
Total operating income	197	85
Operating expenses	-34	-33
Operating expenses	-40	-32
Total operating expenses	-74	-65
Operating profit in investment currencies	-84	63
Operating profit in investment currencies	39	83
Income from other operations	120	110
Income from other operations	69	72
Income from other operations	5	-2
Income from other operations	194	180
Net profit in investment currencies	233	264
Income from other operations	189	-62
Net profit (NOK)	422	202

¹ The currency effect of Norfund's liquid assets has been moved from currency effect portfolio to other financial items in 2008. Figures for 2007 have been restated in accordance with this reclassification.

3.1 OVERVIEW

Sections 3.2 to 3.5 of this report present each investment area (sector) separately, with the main emphasis on investment activity and development effects in 2008. This section provides a quick overview of all the investments made in 2008.

		31	
2008,	27		K
1.38		A 31 D	
		K 4.8	

Table 4 • Investment agreements in 2008

Name	NOK mill	Sector	Country/area
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A - A, E	274	E	A
G E, A, E	105	E	A
I -	100		I
I -	100		
CFI	70	B	C, A
A - A, I, F	57	E	A
B - H	55		
M -	38	A	M
B - A, M, L	35	M, - - -	E - A
E-IMB - L	35	B	
EAFB - G & F	34	E	
C -	31	A /	
E - B - L	31	M, - - -	
I - A, CA	31		A, C, A
M	28		I
AM E	22	M, - - -	C
	21	M, - - -	C

E 2007.
MI 2008.

E
A 31 D 2008, 57.

K 3.6 75
2008.
2007 K 2.9
80.

13 M
2008. H. E.

† *Small-scale commitment.* E+C
D
2008. E+C ME.

Box 2. Restructuring of SN Power and creation of a new energy company dedicated to Africa and Central America

Agreement was reached by Statkraft and Norfund in December 2008 on a new ownership structure for SN power. statkraft increased its holding from 50 to 60 per cent when the agreement was concluded, with an option to increase its stake to 67 per cent by 2015 at the latest. Norfund has been guaranteed an opportunity to exit wholly or partly during the same period. the sN power owners agreed on a new financing plan for the company up to 2015, under which statkraft will inject No K 2 billion in 2009 with subsequent annual equity injections from the owners of up to No K 1.6 billion (usd 235 million). at the same time, sN power established a separate company with Norfund to invest in Africa and Central America (his) be) TdCOEMC 2.2TctualTextEFF0020>BCHEFF0020>BC 0000

3.3 FUNDS –

Figure 10 • Fund portfolio by sector



† *Aureos Africa Fund*

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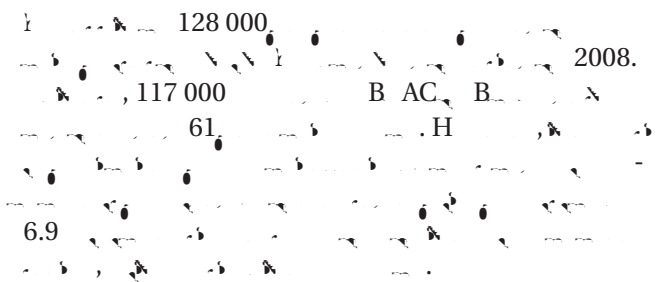
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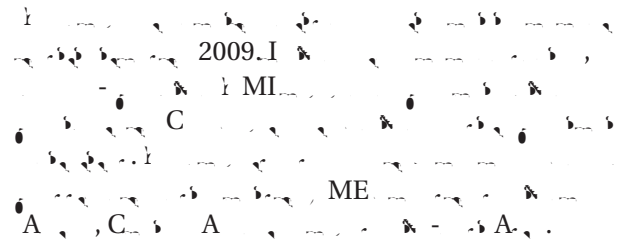
Box 4. The Norwegian Microfinance Initiative (NMI)

The NMI was launched in 2008 as a unique collaboration between state-owned and private players with a shared vision of strengthening the economic position of poor people and creating jobs and social progress in developing countries.

Norfund has contributed half the capital of No K 600 million, while the rest is invested by Ferd, Klipp storebrand and dnb Nor Vital. Norad will also contribute with professional support. The investors are represented on the company's board.



PROSPECTS FOR 2009



3.5 OTHER DIRECT INVESTMENTS

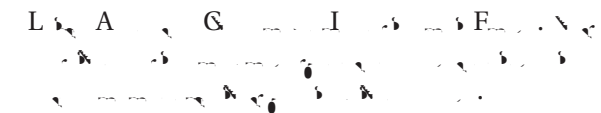
The strategy for other direct investments was changed in early 2008, and Norfund made new commitments within this area in eastern and southern Africa alone. Agriculture and related industries have been identified as an interesting sector with a big development effect, but requiring active ownership and a local presence. Norwegian companies have a potential to contribute to growth in Africa, and Norfund wants more partnerships with them.



ACTIVITY IN 2008



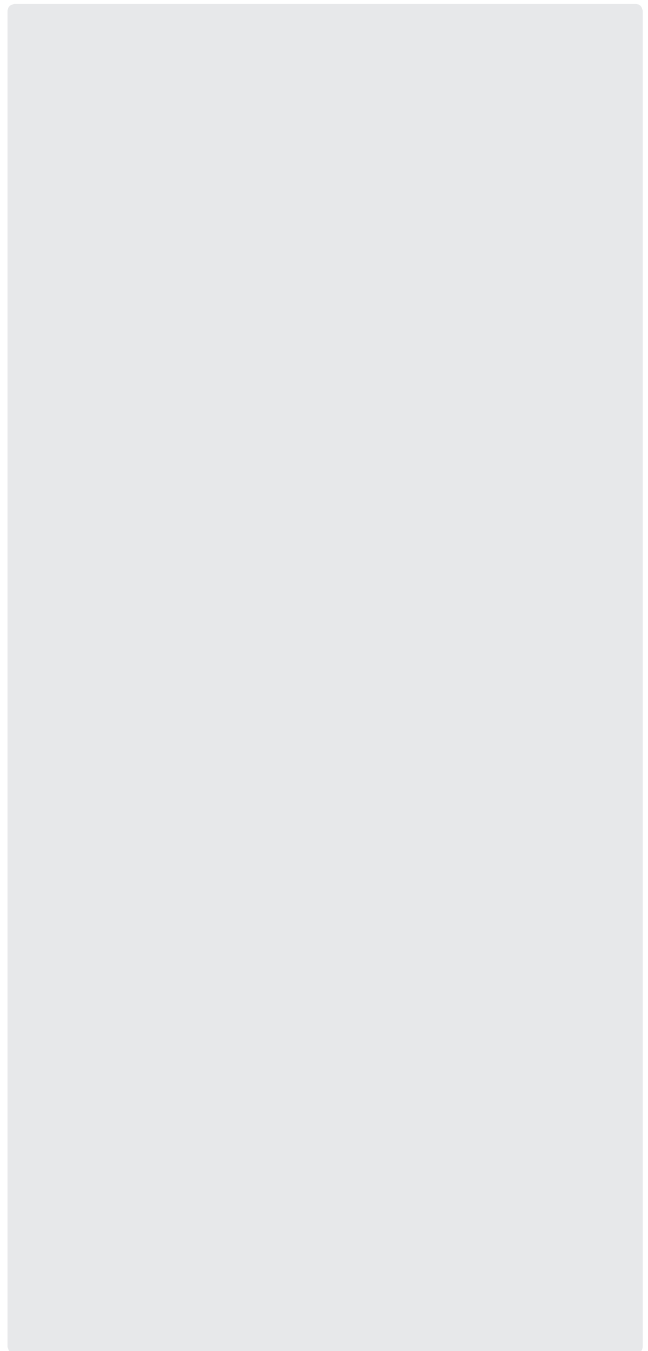
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DEVELOPMENT EFFECTS



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PROFESSIONAL SUPPORT

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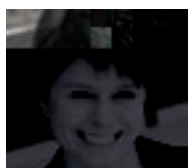
BALKANTRUST

chapter 4

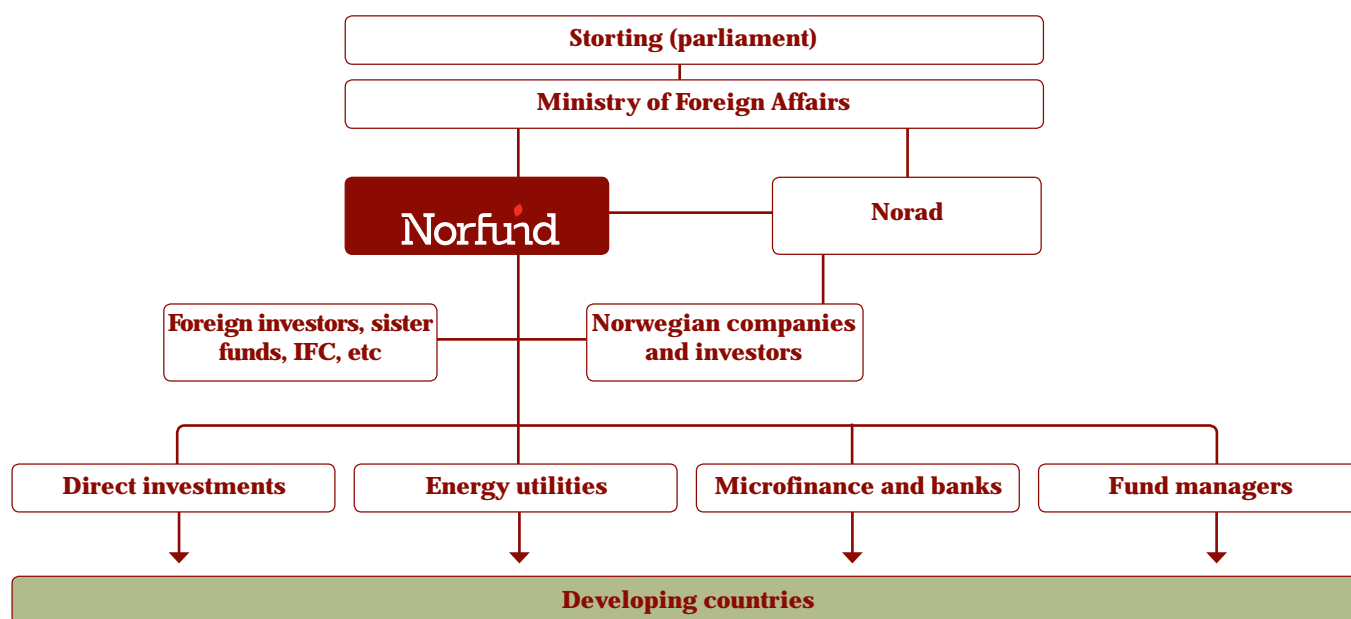
NORFUND'S BODIES AND EXTERNAL RELATIONS



KRISTIN CLEMET, CHAIR, OSLO



4.3 EXTERNAL RELATIONS



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