

ANNUAL ACCOUNTS INNOVATION NORWAY ¹ 2022

¹ Innovation Norway is a translation of Innovasjon Norge

Innovation Norway

Income Statement

(Amounts in NOK 1,000)

	Notes	2022	2021
Interest on loans	3	673 187	575 895
Interest on bank deposits		20 966	4 120
Total interest income		694 154	580 015
Interest on borrowings	4	234 052	55 090
Borrowing commission	5	71 652	75 155
Total interest expenses		305 703	130 245
Net interest income		388 450	449 770
Dividends and net gains/losses on securities	6	-43 125	7 782
Income from public sources	7, 10	1 202 010	1 247 614
External revenues	8	92 295	39 792
Miscellaneous operating income		18 504	13 406
Total operating income		1 312 808	1 300 812
Payroll expenses	9, 10	871 976	936 639
Depreciation on tangible fixed assets and intangible assets	11, 12	12 459	10 409
Direct project costs	13	373 327	315 091
Other operating expenses	10, 14, 15	307 504	274 685
Total operating expenses		1 565 265	1 536 823
Profit before losses		92 868	221 541
Losses on loans and guarantees	16	283 040	113 811
Coverage of losses	16, 17	-285 264	-121 569
Total net losses on loans and guarantees	16	-2 224	-7 758
Profit (loss) for the year		95 093	229 299
Dividend and transfers to owners	36	138 217	221 607
Transferred to/from retained earnings in loan and investment funds	35, 36	-43 124	7 692
Total transfers and allocations	36	95 093	229 299

Innovation Norway

Assets

(Amounts in NOK 1,000)

	Notes	2022	2021
Ordinary bank deposits	18, 21	1 717 275	1 978 610
Restricted deposits in Norges Bank	18, 21	8 274 776	8 886 799
Total bank deposits		9 992 051	10 865 409
Low-risk loans	19, 21, 23, 27	13 441 465	13 612 724
Innovation and high-risk loans	19, 21, 23, 27	5 741 072	5 737 098
Other loans	20, 21	141 771	208 283
Total gross lending		19 324 308	19 558 104
- Write-downs on individual loans	16	-641 190	-539 801
- Write-downs on groups of loans	16	-298 000	-298 000
Total net lending		18 385 118	18 720 303
Shares and units	24	-	-
Shares in group companies	25	219 982	263 107
Intangible assets	11	40 702	20 340
Fixed assets	12	37 367	33 850
Other assets	26	148 675	73 794
Costs not yet incurred and earned income not yet received	27	192 311	159 900
Total assets		29 016 207	30 136 704

Innovation Norway

Liabilities and Equity

(Amounts in NOK 1,000)

	Notes	2022	2021
Borrowings from the Norwegian state, low-risk loans	21, 28	11 780 000	11 915 000
Borrowings from the Norwegian state, innovation and high-risk loans	21, 28	5 810 000	5 780 000
Total borrowings from the Norwegian State		17 590 000	17 695 000
Other liabilities	10, 29	1 075 367	1 352 962
Costs incurred and unearned income received	30	551 274	609 405
Pension liabilities	31	64 873	69 758
Write-downs on guarantees	16	57 926	34 173
Loss reserves	32	4 108 451	3 618 221
Interest support funds	33	209 562	261 995
Grant funds	34	3 537 498	4 630 810
Total provisions for liabilities and charges		7 978 311	8 614 957
Capital contributions to loan and investment funds	35	270 000	270 000
Retained earnings in loan and investment funds	35	-50 258	-7 134
Total capital in loan and investment funds	35	219 742	262 866
Paid-in capital	36, 37	665 645	665 645
Retained earnings	36	935 868	935 868
Total equity	36	1 601 514	1 601 514
Total liabilities and equity		29 016 207	30 136 704

Oslo, 31 December 2022

21 March 2023

The Board of Directors of Innovation Norway

Gunnar Bovim
Chair

Kristin Misund
Deputy Chair

Kristine Nore

Merete Nygaard Kristiansen

Heine Østby

Arvid Andenæs

Thomas Breen

Arne Ingebrigtsen

Kristine Falkgård

Mari Dorte Jønland Michaelsen
Employee Representative

Håkon Øveland Nyhus
Employee Representative

Håkon Haugli
CEO

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

	2022	2021
Profit (loss) for the year	95 093	229 299
Ordinary depreciation	12 459	10 409
-Profit/+ loss on sale of tangible fixed assets	-	-64
Change in provisions for losses on loans	101 390	-45 997
Change in write-downs on investments	43 125	-6 732
Difference expensed/paid pensions	-4 885	5 643
Change in other accruals	182 517	580 504
Amounts received on loans	2 564 978	3 378 368
Amounts paid on loans	-2 468 628	-3 180 709
Amounts received from principals for grant activities	3 520 734	5 174 913
Grants disbursed	-4 778 803	-4 467 614
A - Net cash flow from operations	-732 020	1 678 019
B - Refunded/contributed investment funds to/from owner	-	-
New loans, borrowings	65 120 000	69 050 000
Repayment of loans, borrowings	-65 225 000	-69 290 000
C - Net cash flow from financing activities	-105 000	-240 000
D - Net cash flow from securities	-	-
Amounts received from sale of tangible fixed assets	-	213
Amounts paid for the purchase of tangible fixed assets	-36 338	-30 097
E - Net cash flow from investment activities	-36 338	-29 884
A+B+C+D+E = net change in liquidity	-873 358	1 408 134
Liquidity as of 01.01	10 865 409	9 457 275
Liquidity as of 31.12	9 992 051	10 865 409

Innovation Norway

Notes to the 2022 Annual Accounts

NOTE 1

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

The visiting address of the head office is Grev Wedels plass 9, Oslo, Norway.

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 and discretionary assessments

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, contingent and uncertain liabilities (see Note 38), pensions to own employees, and restructuring costs.

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

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.

Currency

Transactions in foreign currencies are converted at the exchange rate on the transaction date. Monetary items in foreign currencies are converted to Norwegian kroner by using the exchange rate on the balance sheet date. Non-monetary items measured at historic rates expressed in foreign currencies are converted into Norwegian kroner using the exchange rate on the transaction date. Non-monetary items measured at fair value expressed in foreign currencies are converted at the exchange rate determined on the measurement date. Changes in the exchange rate are recognised on an ongoing basis during the accounting period.

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. In addition, an unspecified provision is made for other receivables to cover expected losses on claims.

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.

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.

Subsidiaries/associated companies

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.

Subsidiaries and associated companies are recognised in the accounts using the cost method.

The investment is valued at acquisition cost for the shares unless a write-down has been necessary. A write-down to fair value is made

when a fall in value is due to reasons that cannot be expected to be temporary and must be considered as necessary in accordance with good accounting practice. Write-downs are reversed when the basis for the write-down is no longer present.

Dividends received and other distributions from subsidiaries are recognised as income in the same year as provisions are made for this in the distributing company's accounts.

Specific information regarding shares in Investeringsfond for Nordvest-Russland og Øst-Europa AS

Innovation Norway's ownership in the subsidiary is financed with investment funds from the Norwegian State.

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

Loans 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.

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. 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

High-risk loans have a relatively high degree of risk and are, at times, approved with 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 approved without collateral security, while larger loans have collateral security that can have underabsorption of between 25% and 100% on the date 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. The 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 entails that profits from the scheme are repaid to the state and counties in their entirety.

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.

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 Regional Development 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.

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".

Loan and investment funds

The investment funds for Northwest Russia and Eastern Europe were originally two separate funds. These were consolidated into a single fund in 2019 and transferred to the company Investeringsfond for Nordvest-Russland og Øst-Europa AS.

Innovation Norway owns 100% of the investment fund. The fund will co-invest with Norwegian investors on commercial terms. The mandate is to promote business cooperation between Norway and the area of operation. The

investment fund can make investments in 18 countries and companies within Nordland, Troms and Finnmark county councils, and adheres to the applicable investment strategy.

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.

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.

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.

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 3

	Low-risk lending schemes		High-risk loans targeting the districts		Innovation and high-risk loans and other schemes		Service deliveries and grant administration		Investment Fund for Northwest Russia and Eastern Europe		Joint equity		Total	
	Accounting		Accounting		Accounting		Accounting		Accounting		Accounting		Accounting	
	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21
Interest on loans	403	346	66	64	199	160	4	5	-	-	-	-	673	576
Interest on bank deposits	3	1	1	0	4	1	13	3	-	(-)	-	-	21	4
Total interest income	407	347	67	65	203	161	18	8	-	(-)	-	-	694	580
Interest on borrowings	151	38	17	3	60	8	5	6	-	-	-	-	234	55
Borrowing commission	46	49	6	7	20	19	-	-	-	-	-	-	72	75
Total interest expenses	197	88	23	9	80	27	5	6	-	-	-	-	306	130
Net interest income	209	259	45	55	122	134	12	2	0	-0	-	-	388	450
Income from public sources	-	-	-	-	-	-	1 202	1 248	-	-	-	-	1 202	1 248
External revenues etc.	-	-	-	-	13	11	97	42	-43	8	-	-	68	61
Total operating income	-	-	-	-	13	11	1 299	1 290	-43	8	-	-	1 270	1 309
Total operating expenses	107	103	32	37	115	106	1 311	1 291	-	-	-	-	1 565	1 537
Profit before losses	102	156	13	19	21	38	0	0	-43	8	-	-	93	222
Losses on loans and guarantees	2	8	-68	-26	-214	-96	-2	(-)	-	-	-	-	-283	-114
Coverage of losses	-	-	68	26	214	96	2	-	-	-	-	-	285	122
Total net losses on loans and guarantees	2	8	-	-	-	(-)	(-)	(-)	-	-	-	-	2	8
Result	105	164	13	19	21	38	(-)	-	-43	8	-	-	95	229
Allocation of profit:														
Dividends/transfer to owner	105	164	13	19	21	38							138	222
From loan and investment funds									-43	8			-43	8
To retained earnings													-	-
Total allocated	105	164	13	19	21	38	-	-	-43	8	-	-	95	229

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		Investment Fund for Northwest Russia and Eastern Europe		Joint equity		Total	
	Accounting		Accounting		Accounting		Accounting		Accounting		Accounting		Accounting	
	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21	31.12.22	31.12.21
Assets														
Bank deposits	320	355	932	958	3 900	3 357	4 840	6 196	-	-	-	-	9 992	10 865
Gross lending	13 441	13 613	1 245	1 294	4 496	4 443	142	208	-	-	-	-	19 324	19 558
Write-downs for losses	-417	-420	-148	-97	-375	-321	-	-	-	-	-	-	-939	-838
Net lending	13 024	13 192	1 098	1 197	4 121	4 123	142	208	-	-	-	-	18 385	18 720
Shares and units	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ownership interests in group companies	-	-	-	-	-	-	-	-	220	263	-	-	220	263
Intangible fixed assets	41	20	-	-	-	-	-	-	-	-	-	-	41	20
Tangible fixed assets	37	34	-	-	-	-	-	-	-	-	-	-	37	34
Other assets	-	-	17	8	91	-94	94	60	-	-	20	20	222	-7
Costs not yet incurred and earned income not yet received	92	61	10	8	23	11	68	80	-	-	-	-	192	160
Total assets	13 515	13 663	2 056	2 170	8 135	7 396	5 143	6 544	220	263	20	20	29 089	30 055
Liabilities and equity														
Borrowings from the State	11 780	11 915	1 275	1 480	4 535	4 300	-	-	-	-	-	-	17 590	17 695
Other liabilities	249	259	9	-146	85	105	1 298	1 561	-	-	-	-	1 642	1 778
Provisions for liabilities	9	13	773	836	3 515	2 991	3 739	4 878	-	-	-	-	8 036	8 718
Loan and investment funds	-	-	-	-	-	-	-	-	220	263	-	-	220	263
Equity	1 476	1 476	-	-	-	-	106	106	-	-	20	20	1 602	1 602
Total liabilities and equity	13 515	13 663	2 056	2 170	8 135	7 396	5 143	6 544	220	263	20	20	29 089	30 055

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

Balance sheet total - sub-accounts	29 089	30 055
Balance sheet total - annual accounts	29 016	30 137
Difference	73	-81
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.	-61	-48
Reclassification between other assets and other liabilities in the sub-accounts.	-12	129
Total	-	(-)

NOTE 3**INTEREST ON LOANS**

(Amounts in NOK 1,000)

	2022	2021
Interest on ordinary low-risk loans	107 144	90 971
Interest on fishing vessel loans	181 922	159 841
Interest on agricultural loans	114 352	95 208
Interest support for and interest on innovation and high-risk loans	265 417	224 750
Interest on other loans	4 352	5 124
Total	673 187	575 895

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

NOTE 4**INTEREST ON BORROWINGS**

(Amounts in NOK 1,000)

	2022	2021
Interest on borrowings for low-risk loans	151 434	38 178
Interest on borrowings for innovation and high-risk loans	77 367	10 613
Other interest expenses	5 251	6 299
Total	234 052	55 090

NOTE 5**BORROWING COMMISSION**

(Amounts in NOK 1,000)

	2022	2021
Borrowing commission for low-risk loans	45 998	49 431
Borrowing commission for innovation and high-risk loans	22 899	22 951
Total borrowing commission to the Norwegian State	68 898	72 382
Commission on growth guarantee loan scheme - EIF	2 754	2 773
Total borrowing commission	71 652	75 155

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)

	2022	2021
Change in the value of shares	-43 125	7 782
Total	-43 125	7 782

The loss for the year was due to the write-down of the value of shares in the subsidiary Investeringsfond for Nordvest-Russland og Øst-Europa AS as a result of declining market values of comparable listed companies in a similar sector to the fund's portfolio.

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	2022	2021
Ministry of Trade, Industry and Fisheries		
Chapter 2421 Item 50 Grants to entrepreneurs and companies, including provisions for losses	61 227	104 965
Chapter 2421 Item 70* Basic costs	211 235	260 658
Chapter 2421 Item 71 Innovative business clusters	12 083	24 630
Chapter 2421 Item 72 Research and development contracts	22 512	24 072
Chapter 2421 Item 74 Tourism, promotion and expertise	531 268	455 074
Chapter 2421 Item 75 Green platform	8 984	6 369
Chapter 2421 Item 76 Environmental technology	46 196	51 489
Chapter 2421 Item 79 Disposal grants	-	824
Chapter 2421 Item 80 Business initiatives in Svalbard	924	122
Ministry of Local Government and Regional Development		
Chapter 550 Item 62 Business-oriented loans and grants to rural areas	2 084	3 150
Chapter 550 Item 70 Business-oriented programmes in the districts	466	5 287
Chapter 551 Item 60 Grants to county councils for regional development	1 133	1 474
Chapter 551 Item 61 Funds for regional development targeted at business and industry, compensation for increased employers' contributions	-	18
Chapter 552 Item 72 National initiatives for regional development	894	6 224
Chapter 553 Item 61 Mobilising and qualifying business development	72 372	74 861
Chapter 553 Item 63 Arctic 2030	4 343	2 371
Chapter 553 Item 65 Restructuring programmes in the labour market	7 032	10 124
Chapter 553 Item 74 Measures for clusters and innovation environments	9 250	23 721
Chapter 9999 Item 99 County municipal development funds	3 545	1 927
Ministry of Agriculture and Food		
Chapter 1137 Item 71 Grants for Bioeconomy Programme	-	86
Chapter 1142 Item 78 Restructuring of fur farming	158	389
Chapter 1149 Item 72 Grants for increased use of wood	-	133
Chapter 1150 Item 50 For implementing agricultural agreement	78 945	69 806
Chapter 1151 Item 51 For implementing reindeer husbandry agreement	1 957	1 922
Ministry of Foreign Affairs		
Chapter 117 Item 76 EEA financing schemes	20 407	32 573
Chapter 140 Item 21 Humanitarian Innovation Programme - Adm. hours (direct transfer)	5 026	-
Chapter 150 Item 70 Humanitarian Innovation Programme - direct project costs (direct transfer)	1 963	-
Chapter 140 Item 21 Humanitarian Innovation Programme - Adm. hours (debit authorisation)	20	3 980
Chapter 150 Item 70 Humanitarian Innovation Programme - direct project costs (debit authorisation)	94	706
Chapter 160 Item 70 Health	989	1 355
Chapter 161 Item 70 Education	973	876
Chapter 169 Item 70 Vision 2030	-	160
Ministry of Education and Research		
Chapter 285 Item 53 Strategic initiatives	12 771	16 965
Ministry of Culture and Equality		
Chapter 325 Item 71 Cultural and creative industries	7 943	5 221
Ministry of Climate and Environment		
Chapter 1400 Item 50 Green solutions	11 813	8 225
Ministry of Transport		
Chapter 1301 Item 50 Pilot-T	795	1 217
Other income from public sources	62 605	46 641
Total recognised income from public sources	1 202 009	1 247 614

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

*Of the basic costs, in 2021 NOK 75 million was received and recognised as income in extraordinary grants to cover restructuring costs from 2021 to 2024. NOK 7.3 million was also recognised as income in 2021 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	2022	2021
Ministry of Trade, Industry and Fisheries		
Chapter 2421 Item 50 Grants to entrepreneurs and companies, including provisions for losses	947 136	2 652 500
Chapter 2421 Item 70 Basic costs	168 500	247 131
Chapter 2421 Item 71 Innovative business clusters	46 940	119 400
Chapter 2421 Item 72 Research and development contracts	-	325 500
Chapter 2421 Item 74 Tourism, promotion and expertise	522 270	525 700
Chapter 2421 Item 75 Green platform, can be used under Items 50, 71 and 76	114 000	-
Chapter 2421 Item 76 Environmental technology	205 080	577 800
Chapter 2421 Item 77 Grants for companies that have experienced a loss of income in connection with the war in Ukraine	55 000	-
Chapter 2421 Item 78 Administrative support for seed capital funds targeting the districts	1 530	3 500
Chapter 2421 Item 79 Disposal grants for ships	-	146 500
Chapter 2421 Item 80 Business initiatives in Svalbard	-	220
Chapter 0900 Item 21 Special operating expenses	-	3 330
Chapter 0900 Item 79 Compensation scheme for expenses for statutory maintenance at seasonal companies	-	2 400
Chapter 0900 Item 82 Temporary support scheme for events open to the public	13 500	300 000
Ministry of Local Government and Regional Development		
Chapter 541 Item 22 Development, implementation and coordination of IT and electronic communications policy	2 000	2 500
Chapter 553 Item 61 Mobilising and qualifying business development	100 000	-
Chapter 553 Item 65 Restructuring programme in connection with critical changes in the labour market	11 400	13 046
Chapter 553 Item 74 National initiative for clusters and innovation environments	47 515	140 515
Ministry of Agriculture and Food		
Chapter 1100 Item 21 Special operating expenses	-	100
Chapter 1142 Item 78 Restructuring funds for fur farming industry	15 220	58 500
Chapter 1150 Item 50 For implementing agricultural agreement	1 076 800	852 800
Chapter 1151 Item 51 For implementing reindeer husbandry agreement	8 200	8 200
Ministry of Foreign Affairs		
Chapter 117 Item 76 EEA financing schemes	280 000	280 000
Chapter 140 Item 21 Administration and implementation costs for HIP	5 434	4 000
Chapter 150 Item 70 Humanitarian Innovation Programme (HIP)	100 000	52 856
Chapter 169 Item 70 Enterprise Development for Jobs (Assignment from Norad)	-	3 000
Ministry of Education and Research		
Chapter 285 Item 53 Strategic initiatives	26 600	27 200
Ministry of Culture and Equality		
Chapter 325 Item 71 Cultural and creative industries	31 113	31 214
Ministry of Climate and Environment		
Chapter 1400 Item 50 Green solutions	10 757	10 785
Ministry of Transport		
Chapter 1301 Item 50 Transport and Communications Research (Pilot-T)	31 000	31 000
Norwegian Ministry of Defence		
Chapter 1700 Item 52 Transfers to state administrative bodies	3 300	-
The County Councils		
Chapter 553 Item 61 Mobilising and qualifying business development	521 619	567 081
Chapter 553 Item 63 Arctic 2030	18 000	12 500
County municipal development funds (Invest IN, COVID-19 initiatives, etc.)	36 733	7 100
Total	4 399 647	7 006 378

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)

	2022	2021
User fees - promotion of Norway as a travel destination	19 918	9 290
User fees - Joint Norwegian stands abroad	37 443	8 224
Revenues from partners	1 963	2 489
International market advisory services	15 014	11 798
Other user fees	17 958	7 989
Total	92 295	39 792

Geographical distribution

	2022	2021
Norway	56 074	17 130
Europe	10 829	5 726
America	13 702	8 029
Asia	11 220	7 832
Africa	470	1 074
Total	92 295	39 792

NOTE 9

PAYROLL EXPENSES

(Amounts in NOK 1,000)

	2022	2021
Wages	598 937	591 513
Employers' national insurance contributions	87 269	84 714
Pension expenses	138 621	121 010
Other benefits	61 549	61 170
Restructuring costs 2022-2024	-14 400	78 232
Total	871 976	936 639

In 2022, NOK 3.6 million of payroll expenses was classified as direct project costs. This share was NOK 3.7 million in 2021. See Note 10 for information on restructuring costs 2022-2024.

Loans to employees	542	328
Average number of full-time equivalents	702	739

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 executives:	Number of months		Wages/fees		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Management:								
Håkon Haugli, CEO	12	12	2 428	2 349	13	12	2 440	2 361
Hans Martin Vikdal, Deputy CEO	12	12	1 917	1 860	13	12	1 929	1 872
Per Eckehard Niederbach	12	12	1 735	1 677	13	12	1 747	1 689
Leon Bakkebø	12	12	1 574	1 505	13	12	1 587	1 517
Elisabeth Svanholm Meyer	12	12	1 495	1 447	13	12	1 508	1 459
Ingelin Drøpping	12	12	1 862	1 687	13	12	1 875	1 699
Helle Øverbye	12	12	1 735	1 576	13	12	1 748	1 588
Eva Camerer	12	1	1 333	115	13	1	1 346	116
Marianne Kurås	0	11	0	1 289	0	11	0	1 300
Vigdís Harsvik ¹	4	4	536	529	4	4	541	533
Total			14 616	14 033	106	101	14 721	14 134

¹ Acting Divisional Director

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

	Fees	
	2022	2021
Board of Directors:		
Gunnar Bowim, Chair	344	334
Kristin Misund, Deputy Chair	194	166
Merete Nygaard Kristiansen	172	166
Arvid Andenæs	172	166
Kristine Falkgård	172	107
Heine Østby	172	107
Kristine Nore	111	-
Arne Ingebrigtsen	111	-
Thomas Breen	111	-
Jørund Ødegård Lunde	101	200
Helene Falch Fladmark	61	166
Jan Løkling	84	166
Sigbjørn Johnsen	-	59
Eirik Wærness	-	59
Håkon Øveland Nyhus, Employee Representative	111	107
Karin Ammerud Sørensen, Employee Representative	92	107
Mari Dorte Jønland Michaelsen, Employee Representative	19	-
Total directors' remuneration paid	2 024	1 914

Declaration regarding stipulation of pay and other remuneration to senior executives.

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 executives.

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 executives 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 were also used in the preceding financial year.

Reporting

The board is presented with an annual overview of the total pay and other remuneration to senior executives 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, the national budget for 2022 set an efficiency target totalling NOK 100 million for Innovation Norway by the end of 2024. Innovation Norway will need to cut operating expenses by NOK 100 million, and NOK 25 million of this needed to be realised in 2022, and a further NOK 25 million in 2023 and NOK 50 million in 2024. The cuts must be permanent and include Innovation Norway's combined activities.

At year-end 2021, Innovation Norway considered NOK 100 million to be a realistic estimate of the overall restructuring costs. There will always be uncertainty associated with assessments and future estimates. New information emerged during 2022 which entails that, as of 31 December 2022, the estimate that was provided for in the accounts for 2021 was considered somewhat excessive. The updated estimate for total restructuring costs amounts to NOK 82 million, and NOK 18 million of the provision for the previous year has therefore been reversed in the accounts for 2022. Innovation Norway itself is covering 20% of the restructuring costs, while the remainder (limited to NOK 75 million) is financed by the Ministry of Trade, Industry and Fisheries (NFD).

The reversal entails that the original funding from an extraordinary grant appropriation to cover restructuring costs will be reduced by NOK 9.4 million (NFD Item 70), including a reduction of NOK 6.2 million from previously transferable funds from NFD Item 70. The reduction in appropriations recognised as income appears as "Income from public sources" in the income statement. The effect on earnings for the loan schemes in the accounts for 2022 is the recognition of NOK 3.2 million as income due to reversed provisions in accordance with the distribution key for the sub-accounts. The provisions for restructuring will be followed-up and assessed at least once a year going forward.

	2022
Total estimated restructuring costs (2021-2024) as of 31 December 2021	100 000
Restructuring costs incurred 2021	-2 210
Restructuring costs incurred 2022	-26 563
Reversed provisions due to reassessment	-18 000
Remaining provisions for restructuring costs 31 December 2022	53 227
	2022
Reduction in grant from the Ministry of Trade, Industry and Fisheries to cover restructuring costs	-9 400
Reduction in recognition of own funds as income	-6 220
Total expensed	-15 620
Payroll expenses recognised against provisions	20 232
Reversed provisions due to reassessment - payroll expenses	14 400
External assistance* and other operating expenses recognised against provisions	6 331
Reversed provisions due to reassessment - external assistance and other operating expenses	3 600
Total recognised as income	44 563
Effect on earnings	28 943

*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.

The development is slightly behind the original plan and is expected to be completed in spring 2023.

	Licenses	Application development	Total
Acquisition cost as of 1.1	4 687	16 565	21 252
Additions	-	21 924	21 924
Disposals	-	-	-
Acquisition cost as of 31.12	4 687	38 489	43 176
Accumulated depreciation as of 1.1	911	-	911
Depreciation for the year	1 562	-	1 562
Accumulated depreciation for disposals	-	-	-
Accumulated depreciation as of 31.12	2 474	-	2 474
Book value as of 31.12	2 213	38 489	40 702
Rates of depreciation	33,33 %	20 %	

NOTE 12**FIXED ASSETS**

(Amounts in NOK 1,000)

	Equipment and fixtures	Buildings and real estate	Total
Acquisition cost as of 1.1	41 465	67 338	108 803
Additions	12 550	1 864	14 414
Disposals	15 902	-	15 902
Acquisition cost as of 31.12	38 112	69 203	107 315
Accumulated depreciation as of 1.1	26 795	48 157	74 953
Depreciation for the year	8 686	2 211	10 897
Accumulated depreciation for disposals	15 902	-	15 902
Accumulated depreciation as of 31.12	19 579	50 368	69 948
Book value as of 31.12	18 533	18 834	37 367
Rates of depreciation	17-25%	2-20%	
Investment profile			
2022	12 550	1 864	14 414
2021	8 706	139	8 845
2020	7 742	1 693	9 435
2019	6 418	-	6 418
2018	15 350	665	16 014

An agreement for the sale of the property at Akersgata 13-15 was signed in 2022. The buyer will take over the property in April 2023. The sale will be recognised in the accounts in the year in which the property is taken over.

NOTE 13**DIRECT PROJECT COSTS**

(Amounts in NOK 1,000)

	2022	2021
Profiling and marketing costs	187 249	135 579
External services	120 521	140 409
Office and communication expenses	38 718	30 960
Travel expenses	26 839	8 143
Total	373 327	315 091

NOTE 14**OTHER OPERATING EXPENSES**

(Amounts in NOK 1,000)

	2022	2021
Costs for premises	84 622	80 983
IT operations, maintenance, licenses and IT consultants	137 009	113 435
External services	41 794	24 974
Restructuring costs 2021-2024	-3 600	21 768
Miscellaneous operating expenses	47 678	33 526
Total	307 504	274 685

Auditor's fee (excluding VAT):	2022	2021
Statutory audit	654	521
Other certification services	150	15
Total	804	536

See Note 10 for more information on restructuring costs.

NOTE 15**EXPENSED LEASE AGREEMENTS**

(Amounts in NOK 1,000)

	2022	2021
Rental of premises	79 946	76 885
Total	79 946	76 885

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

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.

Despite significant geopolitical turmoil, high inflation and rising interest rates, the Norwegian economy maintained a high level of activity during 2022. Furthermore, the growth of the Norwegian economy is expected to slow in the period ahead, and the macroeconomic situation still represents some uncertainty and an increased risk of loss in the loan portfolio. However, it is difficult to fully identify which companies this will apply to, and it is our assessment that this risk is not fully reflected in the risk coding in the risk classification system as of 31 December 2022. Therefore, when determining group write-downs, for 2022 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 2022 being at the same level as in 2021. 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 macroeconomic uncertainty. The assessments used as a basis for the group write-downs reflect a general risk in the portfolio.

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
Write-downs						
Individual write-downs on loans as of 1.1, principal amount	122 111	412 288	-	534 398	34 173	568 571
Increased and new, individual write-downs on the principal amount	10 969	240 453	-	251 423	32 536	283 958
Reversed individual write-downs on principal amount	-12 418	-74 764	-	-87 182	-4 795	-91 977
Realised loss on principal amount with individual write-downs	-2 000	-62 031	-	-64 031	-3 988	-68 019
Total individual write-downs on loans as of 31.12, principal amount	118 661	515 946	-	634 608	57 926	692 533
Individual write-downs on loans as of 1.1, interest owing and outlays	168	5 234	-	5 402	-	5 402
Change in individual write-downs on interest overdue and outlays	292	889	-	1 180	-	1 180
Total individual write-downs on loans as of 31.12, principal amount, interest overdue and outlays	119 121	522 069	-	641 190	57 926	699 116
Collective write-downs as of 1.1	298 000	-	-	298 000	-	298 000
Change in collective write-downs	-	-	-	-	-	-
Total collective write-downs as of 31.12	298 000	-	-	298 000	-	298 000
Book loss						
Increased and new, individual write-downs on the principal amount	10 969	240 453	-	251 423	32 536	283 958
Reversed individual write-downs on principal amount	-12 418	-74 764	-	-87 182	-4 795	-91 977
Realised loss on principal amount with individual write-downs	-2 000	-62 031	-	-64 031	-3 988	-68 019
Total changes in individual write-downs on principal amount	-3 449	103 658	-	100 209	23 753	123 962
Changes in individual write-downs on outlays	-2	-19	-	-21	-	-21
Change in collective write-downs	-	-	-	-	-	-
Recognised loss on principal amount and outlays, including paid in for previous write-downs	1 225	134 326	2 375	137 927	21 171	159 098
Total recognised losses on loans and guarantees	-2 226	237 965	2 375	238 115	44 924	283 040
Coverage of losses from loss reserves, ref. Note 17	-	-237 965	-2 374	-240 340	-44 924	-285 264
Net losses on loans *	-2 226	0	1	-2 224	-	-2 224
Recognised loss on principal amount						
Recognised loss on principal amount without individual write-downs	-800	-74 371	-2 388	-77 560	-17 387	-94 947
Realised loss on principal amount with individual write-downs	-2 000	-62 031	-	-64 031	-3 988	-68 019
Total recognised loss on principal amount	-2 800	-136 403	-2 388	-141 591	-21 375	-162 966

*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)

	2022	2021
Nationwide innovation loans	-167 308	-68 197
High-risk loans targeting the districts	-68 205	-22 628
Rural development high-risk loans for agriculture	-2 453	1 397
Total innovation and high-risk loans	-237 965	-89 428
Loans to package tour operators	-2 021	-240
Investment loans for agriculture (BU-loans)	-353	209
Total loans from Investment loans for agriculture and package tour operators	-2 374	-31
Nationwide guarantees	1 697	-2 500
Nationwide guarantees European Investment Fund	-46 382	-26 459
Guarantees targeting the districts	-240	-3 150
Total guarantees	-44 924	-32 109
Total coverage of losses on loans and guarantees	-285 264	-121 569

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

NOTE 18**RESTRICTED BANK DEPOSITS**

(Amounts in NOK 1,000)

	2022	2021
For disbursement of grants	3 644 320	4 862 631
For coverage of loss on loans and guarantees	4 630 457	4 024 168
Total restricted deposits at Norges Bank	8 274 776	8 886 799

Ordinary bank deposits which are restricted:

Tax withholding funds	37 780	33 659
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Restricted 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	2022	2021
Ordinary low-risk loans	3 561 274	3 464 087
Loans for agriculture	3 889 150	4 122 428
Loans for fishing vessels	5 991 041	6 026 209
Total	13 441 465	13 612 724

Innovation and high-risk loans	2022	2021
Nationwide innovation loans	4 364 479	4 296 481
High-risk loans targeting the districts	1 245 248	1 293 653
High-risk loans for agriculture	131 345	146 964
Total	5 741 072	5 737 098

NOTE 20**OTHER LOANS**

(Amounts in NOK 1,000)

	2022	2021
Loan scheme for package tour operators	132 201	184 832
Rural development loans for agriculture	9 028	23 123
Loans to employees	542	328
Total	141 771	208 283

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 2022	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	1 717 275	-	-	-	-	-	1 717 275
Restricted deposits in Norges Bank	8 274 776	-	-	-	-	-	8 274 776
Low-risk loans	7 469	741	979	14 342	513 011	12 904 923	13 441 465
Innovation and high-risk loans	32 286	10 127	25 387	168 528	2 626 119	2 878 626	5 741 072
Other loans	562	307	320	2 355	137 507	720	141 771
Total assets	10 032 368	11 176	26 686	185 225	3 276 637	15 784 269	29 316 360
Borrowings from the Norwegian state, low-risk loans	-	3 600 000	6 210 000	440 000	1 400 000	130 000	11 780 000
Borrowings from the Norwegian state, innovation and high-risk loans	-	2 000 000	3 810 000	-	-	-	5 810 000
Total liabilities	-	5 600 000	10 020 000	440 000	1 400 000	130 000	17 590 000

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

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
High risk*					
High-risk loans/Innovation loans	5 731 599	515 946	9,0 %	5 048 690	-
Risk guarantees	510 234	57 926	11,4 %	452 308	-
Total high risk	6 241 833	573 872	9,2 %	5 500 998	-
Normal risk**					
Loans for industry and service provision	3 560 216	103 290	2,9 %	3 357 765	134 000
Loans for fishing fleet	5 988 981	3 110	0,1 %	5 980 625	143 000
Total normal risk	9 549 197	106 400	1,1 %	9 338 390	277 000
Low risk***					
Loans for agriculture	3 886 185	12 261	0,3 %	3 859 377	21 000
Total low risk	3 886 185	12 261	0,3 %	3 859 377	21 000
Grand total	19 677 215	692 533	3,5 %	18 698 765	298 000

*The high-risk group includes innovation loans, 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 100% on the approval date, depending on the expected risk associated with the individual commitment and structure of each loan scheme. 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 2022, the maximum guarantee liability under this growth guarantee scheme was NOK 466.4 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
31.12.2018	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 %
31.12.2022	104	0,8 %	193	3,3 %

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	0
Balance as of 31 December 2022		274	-274	0

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

NOTE 25**SHARES IN SUBSIDIARIES**

(Amounts in NOK 1,000)

Name of company	Acquired	Office	Ownership stake	Acquisition price	Write-down/change in value	Book value
VisitNorway AS	1.7.1999	Oslo	100 %	300	-	300
Investeringsfond for Nordvest-Russland og Øst-Europa AS*	6.3.2019	Kirkenes	100 %	261 757	-42 075	219 682
Balance as of 31 December 2022				262 057	-42 075	219 982

Name of company	Share capital	Number shares	Equi capital	Result
VisitNorway AS	300	300	379	08
Investeringsfond for Nordvest-Russland og Øst-Europa AS	1 026	1	201 006	-35 599

*Innovation Norway's ownership in Investeringsfond for Nordvest-Russland og Øst-Europa AS is financed with investment funds from the State. See Note 35.

NOTE 26**OTHER ASSETS**

(Amounts in NOK 1,000)

	2022	2021
Accounts receivable	47 186	18 876
Receivables from the Norwegian State	12	586
Claims for coverage of losses from the European Investment Fund	89 946	42 417
Other receivables	11 530	11 915
Total	148 675	73 794

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

(Amounts in NOK 1,000)

	2022	2021
Accrued, unmatured interest on loans	125 207	80 813
Accrued, non-invoiced operating revenue	25 040	33 999
Non-accrued operating expenses (paid in advance)	42 064	45 087
Total	192 311	159 900

NOTE 28**BORROWINGS FROM THE STATE**

(Amounts in NOK 1,000)

	Maturity	Borrowings	Effective interest rate		Maturity	Borrowings	Effective interest rate
Low-risk loans	2023	10 250 000	2,8 %	Innovation and			
	2024	155 000	1,4 %	high-risk loans	2023	5 810 000	2,8 %
	2025	90 000	1,5 %				
	2026	1 105 000	1,0 %				
	2027	50 000	2,7 %				
	2028-2030	130 000	1,0 %				
	Total	11 780 000	2,6 % *	Total		5 810 000	2,8 %

* 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 2022.

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 2023 and have variable interest rates. Loans that fall due after 2023 have a fixed interest rate with a fixed period as shown by the maturity year.

NOTE 29**OTHER LIABILITIES**

Amounts in NOK 1,000)

	2022	2021
Accounts payable	78 162	102 783
Undisbursed grants	568 015	492 991
Allocated dividends	138 217	221 607
Liabilities to the Norwegian State	214 747	399 006
Public duties owing	15 450	31 688
Provisions for restructuring costs 2022-2024	53 227	97 790
Miscellaneous liabilities	7 549	7 097
Total	1 075 367	1 352 962

See Note 10 for information on provisions for restructuring costs.

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

Amounts in NOK 1,000)

	2022	2021
Accrued, unmatured interest on borrowings	81 750	22 991
Accrued fees on borrowings that have not fallen due	68 898	72 382
Accrued holiday pay	54 509	55 883
Accrued other operating expenses	35 312	20 882
Operational and grant appropriations not recognised as income	274 478	390 243
Other non-accrued income received	36 327	47 025
Total	551 274	609 405

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 2022, the defined contribution scheme includes 291 members, while the closed defined benefit pension schemes include 302 active members and 398 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.

	2022	2021
<i>Economic assumptions:</i>		
Discount rate	3,00 %	1,90 %
Expected return on pension assets	4,70 %	3,10 %
Expected wage growth	3,5%/5%	2,75 %
Expected adjustment of pensions being paid, public scheme	2,60 %	1,75 %
Expected adjustment of pensions being paid, private scheme	3,25 %	2,50 %
Expected adjustment of National Insurance base amount (G)	3,25 %	2,50 %
<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	48 776	50 902
Interest cost of pension liabilities	39 270	32 467
Return on pension assets	-42 102	-35 559
Administration costs	2 496	2 206
Employers' contributions on pension costs	6 830	7 052
Recognised actuarial losses	69 326	49 744
Total net pension costs	124 596	106 812
<i>Pension commitments and pension assets are as follows:</i>		
	Assets < Commitments	Assets < Commitments
Accrued pension commitments	2 098 100	2 094 831
Value of pension assets	-1 426 732	-1 330 618
Accrued employers' contributions	94 663	107 754
Unrecognised effect of actuarial gains/losses	-701 157	-802 209
Net capitalised pension commitments	64 873	69 758

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 2022 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 2022 and the applicable recommendation from the Norwegian Accounting Standards Board (NRS). Higher wage growth of 5% has been used for the Norwegian Public Service Pension Fund (SPK) scheme due to a higher increasing trend in connection with more people having switched to the defined contribution scheme, left or retired.

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 and guarantee schemes	2022			2021		
	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 guarantee	2 918 415	3 293 831	1 527 759	2 450 239	3 166 498	1 233 673
European Investment Fund Nationwide	332 464	1 148 586	54 206	267 778	1 148 720	53 219
High-risk loans and guarantees targeting the districts	705 679	949 650	279 358	736 907	1 029 058	326 786
European Investment Fund targeting the districts	12 435	150 962	7 500	21 949	172 894	29 000
High-risk loans for agriculture	38 231	124 932	27 627	38 090	142 946	22 946
Package holiday scheme	101 228	132 157	0	103 257	184 793	0
Total	4 108 451	5 800 118	1 896 450	3 618 221	5 844 908	1 665 624

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.

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

	2022	2021
Opening balance as of 1.1	261 995	321 532
Interest support recognised as income charged to fund	-52 433	-59 537
Closing balance as of 31.12	209 562	261 995

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	2022	2021
Ministry of Trade, Industry and Fisheries	Chapter 2421.50	2 045 904	3 196 810
Ministry of Local Government and Regional Development	Chapter 550.70	7 946	13 088
Ministry of Local Government and Regional Development	Chapter 552.72	137 257	137 257
Ministry of Local Government and Regional Development	Chapter 553.60	10 086	12 471
Ministry of Local Government and Regional Development	Chapter 553.65	7 161	7 411
Ministry of Local Government and Regional Development	Chapter 553.74	142 001	218 189
County Councils	Chapter 550.62	87 192	150 924
County Councils	Chapter 551.60/6	45 166	62 777
Ministry of Local Government and Regional Development	Chapter 0553.61	957 838	712 321
County Councils	Chapter 0553.63	37 885	26 065
Ministry of Agriculture and Food	Chapter 1150.50	59 062	93 495
Total		3 537 498	4 630 810

NOK 4.8 billion in grants was paid out in 2022.

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

	Investeringsfondet for Nordvest-Russland og Øst-Europa
Paid-in capital 1.1	270 000
Paid-in capital 31.12	270 000
Retained earnings 1.1	-7 134
Return for the year	-43 124
Retained earnings as of 31.12	-50 258
Total capital 31.12	219 742

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. Lending and investment activities are carried out through the subsidiary Investeringsfond Nordvest-Russland og Øst-Europa AS. See Note 25.

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-in capital	19 600	-	619 788	26 257	665 645
Retained earnings	-	-	856 365	79 503	935 868
Total equity 1.1.	19 600	-	1 476 154	105 760	1 601 514
Share of the profit (loss) for the year	-	-9 522	104 615	-	95 093
Transfer/dividends to owners	-	-33 602	-104 615	-	-138 217
Transferred from retained earnings in loan and investment funds	-	43 124	-	-	43 124
Transferred to retained earnings	-	-	-	-	-
Paid-up equity	19 600	-	619 788	26 257	665 645
Retained earnings	-	-	856 365	79 503	935 868
Total equity 31.12	19 600	-	1 476 154	105 760	1 601 514

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 AND UNCERTAIN LIABILITIES**

(Amounts in NOK 1,000)

Guarantees

	2022	2021
High-risk guarantees targeting the districts	9 500	12 000
Nationwide high-risk guarantees	34 375	37 500
Nationwide guarantees European Investment Fund ¹	466 359	328 883
Total	510 234	378 383

¹ 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 2022, Innovation Norway was not involved in any disputes that would likely result in significant loss in excess of the provisions made in the accounts.

Clarification of the rules for deductions for input VAT for grant-funded activities

Most activities carried out under the direction of the company are activities which, by their nature, are covered by the Norwegian VAT Act. Full right of deduction is practised for input VAT for activities that are wholly or partly funded by grants. The company has submitted a request to its State owner to provide clarification on the right to deduct input VAT for grant-financed activities. The request has been forwarded to the Ministry of Finance for their assessment and clarification. As of the date the accounts were presented, the Norwegian Tax Administration was conducting a limited audit of a specific VAT return. There are no unsettled obligations related to this audit, other than the Norwegian Tax Administration having communicated that the audit has not been finally completed.

ANNUAL REPORT 2022

OBJECTIVE AND BUSINESS

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 offers funding services, advisory services, expert services, networking services and promotional services.

Innovation Norway was founded on 19 December 2003, has its head office in Oslo, regional offices throughout the country and a presence in 22 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 results. 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 domestic and foreign offices 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. Business and industry can spend their time on developing new products and services, and do not need to be familiar with the various 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 2022, Innovation Norway received appropriations and assignments 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 and Equality, Ministry of Foreign Affairs, Ministry of Transport, Ministry of Defence, the county councils, 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.

In order to assess Innovation Norway's contribution to the main goals and sub-goals, a performance management and result management system (MRS)¹ has been established.

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

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 in specific sectors and target groups.

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

RESTRUCTURING IN A TURBULENT WORLD

Emerging from the pandemic

The impact of the coronavirus pandemic could still be felt in Norway during the first part of 2022 and we entered the year working from home offices and with corona measures. However, optimism had returned to the business sector, as activity in the markets was almost back to normal in many parts of the world. Innovation Norway's special assignments related to the consequences of COVID-19 were largely scaled down.

Willingness to invest during turbulent times

The war that followed Russia's invasion of Ukraine quickly became the cause of many of the challenges faced during 2022. The war and resulting sanctions primarily contributed to a complete about-face for Europe's food and energy markets, which involved moving away from Russian gas and to all other sources. High electricity and gas prices impacted the Norwegian economy by providing Norway with record export revenues while at the same time causing tighter finances for both businesses and households. Security of supply for food and grain has contributed to there being a greater focus on the importance of capacity in our own agricultural sector.

During 2022, the Norwegian economy was generally characterised by a high level of activity, low unemployment and strong inflation. Innovation Norway is concerned about the impact this has on the willingness to invest and access to capital for our clients. Preliminary surveys show that many companies are postponing or stopping innovation projects when the framework conditions are so uncertain.

Both the coronavirus pandemic and the war in Ukraine have highlighted weaknesses in many global value chains, and that there may be serious risks associated with some goods. This has, not least, resulted in uncertainty concerning food supply and grain stocks. The consequence of this is that several Western countries are now investing more in their own development and production of vulnerable resources and products, and implementing a greater degree of protectionism in their trade policies. One example of this is the EU's launch of the European Chips Act to support the manufacturing of semiconductors in Europe. One of the EU's policy instruments for these types of major initiatives is IPCEI (Important projects of common European interest). 2023 is expected to be characterised by the formation of regional blocs and new directions in trade and state aid policy.

Green transition

As a result of the war, the EU launched its "REpowerEU" plan, which has accelerated Europe's transition to green energy. The plan is in addition to the existing "European Green Deal" strategy. In order to become independent of Russian gas, the EU is now investing heavily in hydrogen, wind and solar power, as well as other suppliers of gas and LNG. Both of these initiatives have created

significant market opportunities for green projects in Norway. In 2022, Innovation Norway emphasized directing more funds towards green projects. Two new pilot schemes were started, which involved green investment grants in rural areas and green growth loans. For both of these new instruments, Innovation Norway sets the condition that the project qualifies for the requirements for the environmental objectives in the EU taxonomy, which is a stricter assessment of green projects. These two pilot projects have further strengthened Innovation Norway's green portfolio, in addition to funding schemes such as Green Platform, Pilot E and the Environmental Technology Scheme. The companies tell us that the greatest barrier to the green transition is the major shortage of skilled labour in these new industries.

The "equipped for export" strategy is delivered

In order to succeed with the green transition, solutions need to both scale and reach the international market. Norway already has many of these solutions. In order to realise these solutions, during 2022 Innovation Norway continued the work on the "equipped for export" strategy and focussed this work on export promotion in global markets. This has resulted in a number of initiatives in markets with a high demand for Norwegian solutions (High Potential Opportunities/HPO), in addition to active mobilisation of companies with major export potential to use Innovation Norway's instruments. In addition, a much larger group of companies have used our digital courses and expertise services to acquire basic knowledge about international growth.

In December 2022, the Minister for Trade and Industry launched an export initiative for offshore wind. The initiative is a public-private partnership and will assist Norwegian operators in being able to acquire a larger share of the global offshore wind market. The initiative is the first to be recommended to the Government by the National Export Council. Innovation Norway will be responsible for implementing the initiative in close cooperation with Team Norway, and this will build upon the HPO projects in offshore wind that are underway in the European and American markets. Innovation Norway anticipates a letter of assignment from the Ministry of Trade, Industry and Fisheries in connection with this, and the Board is looking forward to more of the National Export Council's initiatives being approved and implemented. Business sector ownership is crucial if an initiative is to succeed.

Growth and scaling

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. However, an evaluation of Innovation Norway's start-up instruments identified the need for both more expertise and capital during the scaling phase of early-stage companies, and this particularly applies to companies that work with green and high-tech solutions. Many of these companies originate from research, and the commercialisation of research is an area which Norway has historically failed to adequately exploit the potential of. If we are to succeed with the green transition, more of the valuable solutions developed through research need to find their way onto the market. The scaling phase is still very demanding. However, the Board would note that an increasing number of Norwegian companies are achieving "unicorn" status. The trend of Norway doing well in the EU European Innovation Council (EIC) accelerator programme is testament to the fact that the companies are able to compete on an international level.

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 2022, the county councils' collegium of business sector managers established a working group to assess joint missions. Innovation Norway, the Research Council of Norway and Siva participated in this work, which was headed by Vestland county council (together with Innlandet county council and Troms og Finnmark county council). In June, the working group presented the report "Proposals for targeted initiatives (missions) with a regional starting point". All of the county councils have since committed to realising at least two new circular-based (industrial) projects by 2030. This is also called industrial symbiosis. These ambitions now form the basis for increased cooperation and specific joint initiatives in 2023. The Board of Innovation Norway has identified this regional and national interaction as an example of how a coordinated and comprehensive business support system can pool its efforts.

Agriculture is an important industry in rural areas, and the value chains in this industry make an important contribution to settlement, employment, value creation and green restructuring. Innovation Norway has an important assignment within agricultural and food policy in relation to food safety and emergency preparedness, agriculture throughout the country, increased value creation and sustainable agriculture. Innovation Norway's sub-goals of more successful entrepreneurs, more companies with growth potential and more innovative business clusters are important for achieving agricultural and food policy objectives.

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. The large proportion of green projects consolidates Innovation Norway's role as an important and proactive financial stakeholder, which is crucial for Norway succeeding with the green transition. 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 business support system, and that do not impose unnecessary coordination costs on the companies nor on the business support agencies.

DELIVERIES AND EFFECTS IN 2022

The Board of Innovation Norway laid out a new strategy for the company in 2019. Together with management, the Board continually assesses the relevance of the strategic goals and has adjusted elements of the strategy, such as a more strategic approach to the EU and more active mobilisation of green industrial projects. However, it is the Board's assessment that the strategy remains relevant despite the crises that we have experienced. 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 2022. Innovation Norway's objective is to contribute towards establishing more successful 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.

The Norwegian Parliament and the county councils allocated a total of NOK 4.4 billion to Innovation Norway. Together with the loan schemes, Innovation Norway contributed NOK 8.2 billion to the business sector in 2022. 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 24.2 billion.

Nine out of ten enterprises² 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 1.9 kroner³ 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 2022 (development for 2003-2021) from Samfunnsøkonomisk Analyse AS (SØA) indicate that the impact of support from Innovation Norway remains at a high level. Despite somewhat lower estimates for value creation and productivity growth in the 2022 survey, the variation was within what Samfunnsøkonomisk Analyse AS considers to be annual variations with new data, and requires no special follow-up.

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 10.3 percentage points (2021: 10.4 percentage points), an annual increase in value creation of 8.6 percentage points (2021: 9.0 percentage points), and an annual increase in productivity of 3.6 percentage points (2021: 4.0 percentage points).

More successful entrepreneurs

In 2022, Innovation Norway committed NOK 1.5 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.

The total amount of NOK 1.5 billion allocated to startups (0-3 years) consisted of NOK 692 million in grants, NOK 620 million in loans and NOK 228 million in guarantees. We see that startups still make up a significant proportion of financing services. In 2022, 38 per cent of the allocations (in terms of amount) went from the Environmental Technology Scheme to start-ups, compared with 29 per cent in 2021. Correspondingly, 34 per cent of commitments to Innovation Contracts went to start-ups, which was about the same level as in 2021.

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. Innovation Norway has used various digital channels to reach out to entrepreneurial companies. 2022 was the first year in which Innovation Norway was responsible for the StudENT scheme, and we are continuing to work on obtaining more projects from other parts of academia.

This year's survey (SØA) shows that, on average, these customers had annual growth in sales revenues that was 17.1 percentage points more than comparable companies without support. The

²In 2022, an attempt was made to measure additionality using multiple questions instead of the one question used previously. Experiences with the questions that were used in 2022 suggest that Innovation Norway will go back to asking one question from 2023. Efforts have been made to make the figures as comparable as possible over time. The survey was conducted by Oslo Economics.

³ Innovation Norway is switching its funding system, and because of this there is still some work to be done to obtain figures from the new system related to the funding plan. However, this represents only 4 per cent of the amount allocated for 2022, and the source of error is thus considered negligible.

corresponding figure for value creation was 17.4 percentage points and was 10.2 percentage points for productivity.

More companies with growth potential

In 2022, Innovation Norway committed funding of NOK 4.4 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 retail customers in agriculture and the value of Innovation Norway’s advisory services, expert services, networking services and promotional services.

Financial services totalling NOK 4.4 billion consisted of NOK 2.5 billion in grants, NOK 1.5 billion in loans and NOK 375 million in guarantees. The Growth Guarantee Scheme has also established itself as an attractive alternative for companies in the scaling and growth phase. In this scheme, Innovation Norway provides guarantees to commercial banks that provide credit to borrowers.

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 (2.0 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 (import competitors) 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 2022 show that companies which received international marketing advice from Innovation Norway’s foreign offices experienced a 9.2 percentage point higher increase in revenues, 5.5 percentage point higher growth in value creation and 3.4 percentage point higher growth in productivity than comparable enterprises that did not use the service.

Innovation Norway has increased our efforts on working with the EU with more regional resources and people responsible for our six EU assignments. The follow-up work has primarily been assigned to the portfolio departments, while services to customers are provided by the regional offices, which now have dedicated resources for mobilising collaborative projects in Horizon Europe. The important premise provider function in Brussels has also been strengthened.

In 2022, Innovation Norway played a key role as a “sparring partner”, application advisor and trainer for SMEs that were “pitching” to participate and raise money through the EIC Accelerator⁴ in Horizon Europe. These are companies with a high degree of innovation that contribute to solving one or more of the United Nations sustainability goals. 96 companies submitted complete (Step 2) applications, and of these, 27 made it to the final. Five of the 27 companies⁵ ended up being awarded a total of NOK 125 million in grants and NOK 445 million in equity.

More innovative business clusters

Green industry and restructuring, circular economy and clean energy are key priority areas within the sub-goal of more innovative business clusters. Innovation Norway works to achieve this sub-goal through interaction with other governmental business support agencies and through its role as a “sparring partner” for companies and networks throughout the country. The cluster programme, business network scheme and regional restructuring are schemes that are of vital importance to

⁴ [EIC Accelerator \(europa.eu\)](https://europa.eu)

⁵ These five companies were: Iris AI AS, Invivo Bionics AS, Oivi AS, Glucoset AS and Hemispherian AS.

Innovation Norway's work on developing more innovative business clusters. These instruments effectively contribute to collaborative development at a large number of companies.

Innovation Norway has a strong national network of leading business clusters, with 2,500 participating companies. 39 clusters received services from the cluster programme in 2022, and 96 business networks received services from the business network scheme. There are also 11 agriculture-related networks, and 20 regions have received services from regional restructuring.

In 2022, work commenced on further developing the portfolio of services that will support more innovative business clusters. There is a need to further strengthen links across different instruments and governmental business support agencies.

In the national budget for 2022, the Ministry of Local Government and Rural Affairs allocated the cluster programme, Norwegian Innovation Clusters (NIC), almost NOK 60 million less than in 2021. This reduction was equivalent to a cut of about 30 per cent. Innovation Norway was unable to call for applications for new clusters to become part of the programme. All of the allocations went towards maintaining the funding of contracts that have already been entered into. The 2022 level was continued in the national budget for 2023. There is a need to consider a restructuring of the cluster programme. Of key importance is the need for an increased change of pace in the building of new, green industry and value creation. The goal is to have a new programme in place in 2023, with a new call for applications in 2024.

Innovation Norway has nevertheless worked actively with the clusters in the programme, and there has been "sparring" and a number of skills development initiatives through the Learning and Development Platform (LUP) programme. The application and reporting process was digitised in 2021 and this was further developed in 2022 with the aim of simplifying, improving efficiency and providing a better basis for knowledge and data. Innovation Norway also has an instrument that finances EU advisers in the clusters. This scheme is financed through separate funds from the Ministry of Education and Research (KD). Participation in European collaborative projects and accelerator programmes may contribute to more funding and access to new networks and major new markets for Norwegian companies.

At the end of 2022, the business network scheme had projects with a total of more than 950 participating companies. This involves a wide range of projects across the country, and in different industries. There are also agriculture-related networks with close to 100 participants.

The Regional Restructuring Programme has been evaluated by the Ministry of Local Government and Regional Development. Any changes to the restructuring scheme will be set out in the White paper on Regional Policy and implemented from 2024. Telemark Research Institute, which evaluated the restructuring scheme, has recommended placing more emphasis on attractive local communities and less emphasis on measuring jobs.

For companies participating in the cluster programmes, this year's survey (SØA) shows significant growth in the first three years for sales revenues (18.3 percentage points), value creation (17.2 percentage points), productivity (7.2 percentage points) and number of fulltime equivalents (FTEs) (3.6 percentage points), compared with similar companies that do not use Innovation Norway's services. The restructuring areas reported to Innovation Norway that they contributed to creating 232 new jobs and secured 371 jobs for 2022.

Innovation policy adviser

During this strategy period, Innovation Norway has taken on a more active and knowledge-based role as innovation policy adviser to owners and clients. Owners and clients are continually informed

about the status of the Norwegian business sector through the “sounding board reports”, in addition to knowledge-based input for other major strategic processes. Innovation Norway uses both qualitative and quantitative methods in this role to ensure that we provide sound, knowledge-based advice. This includes methodological approaches for selecting strategic focus areas, and making greater use of the knowledge that is available throughout the entire organisation. Investments have therefore been made in new methods for collecting customer impact data to be used in developing services and innovation policy advice in an automated and data-driven manner. In addition, an algorithm-driven search engine has been developed to make it easier to collect information about Innovation Norway’s case portfolio. The Board is focussed on Innovation Norway continuing to further develop the work on being data-driven and knowledge-based when exercising its role as innovation policy adviser.

In 2022, Innovation Norway strengthened its strategic work vis-à-vis the EU. This work included establishing a dedicated position for coordinating Norwegian participation in IPCEI, an increased presence in Brussels and closer links to the EU's premise-providing role within industrial policy through the EU's “European Green Deal”. The Board emphasises the need for Norway and Innovation Norway to work strategically vis-à-vis the EU as a premise provider. The EU will continue to be a key premise provider for future industrial policy.

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. For 2023 to 2026, Innovation Norway has entered into a framework agreement with Oslo Economics AS, in cooperation with the Nordic Institute for Studies in Innovation, Research and Education (NIFU), for the production of estimates that measure impact in accordance with Innovation Norway's measurement result management system and the further development of impact measurement. There was an additional focus in 2022 on whether it is possible to develop better means of measuring results and effects in the areas of exports and the green transition.

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

PARTICULAR ISSUES IN 2022

Easier access to the public business support system

One of our goals is that customers experience Innovation Norway and the entire Norwegian public business support system as seamless and uniform. That is not presently the case. Innovation Norway, Export Finance Norway, Siva, the Research Council of Norway and the Norwegian Centre for Design and Architecture (DOGA) have therefore worked together to develop a package of measures for developing a future-oriented, public business support system.

This was a follow-up to the Government's review of the public business support system, which dealt with how companies can attain easier access to the public business support system, how public business support agencies could work together more closely and how the public business support system can improve its existing services to the companies.

The report was submitted to the Ministry of Trade, Industry and Fisheries on 1 December and identified three principal measures: establish “one point of entry” to the business support system, develop a common framework for green reporting, and a new collaborative model for coordinated

efforts relating to green restructuring.

Innovation Norway is leading the work on developing the digital solution “En vei inn” (one point of entry). The solution will simplify and improve user-friendliness for companies in their contact with the public business support system.

The Board has been closely involved in this work and shares the goals that have been set: Increased user-friendliness, more effective support systems, better and more extensive expert communities and improved cost-efficiency. The Board’s focus during this entire process was that previous area reviews had already provided an extensive knowledge base, and that it was important to avoid double work or collecting knowledge that was already available. The many ongoing processes of assessing the public business support systems have required significant resources, and the Board has always stressed that Innovation Norway’s most important task is to deliver value to its customers. The Board is pleased that conclusions have now been drawn and a good foundation has been established for continuing and strengthening cooperation in a future-oriented business support system.

Bionova

Bionova, which is the Government's new national initiative for bioeconomy and climate initiatives for agriculture, forestry and aquaculture, will be part of Innovation Norway from 2023. Innovation Norway already has a professional community for bio-based industries, with knowledge of forestry and wood-based industries, aquaculture, fisheries and agriculture, and works closely together with other businesses and organisations within the bio-based industries. Incorporating Bionova into Innovation Norway will provide customers with access to all of Innovation Norway's services and the new organisation will be able to get up-and-running more quickly.

Bionova will be a tool for achieving Norway's climate goals for 2030 and the goal of being a low-emission society in 2050 by contributing to reduced greenhouse gas emissions and increased carbon capture and storage, as well as value creation through the transition to a more circular bioeconomy that is based on renewable biological resources.

The Board would note that incorporating Bionova into Innovation Norway provides better options for effective coordination with other assignments and for utilising potential synergies, without the need for major adjustments.

Closure of the Moscow office

Innovation Norway had been considering closing the Moscow office as part of the company's IN 2022 restructuring project. Following the invasion of Ukraine in early 2022, the Government suspended all bilateral cooperation with Russian authorities until further notice. In line with this, all further processes and activities at Innovation Norway's office in Moscow were also suspended. During the year, Innovation Norway made the decision to close the Moscow office. We have endeavoured to find good solutions for our employees, who have made an important contribution to the Norwegian business sector for many years.

Efficiency

The Board monitors the company's operations throughout the year with an emphasis on *achieving goals, efficient operations and responsible administration* of public funds. The Board is focussed on assessing both effectivity and cost-efficiency in the company’s operations. Innovation Norway must have satisfactory effectivity in the services it provides and ensure that this triggers increased investments in the business sector, creates effects that would otherwise not have occurred and contribute to increased value creation, sales revenues and productivity. Secondly, Innovation Norway must document satisfactory cost-efficiency by ensuring that the costs of delivering on Innovation

Norway's assignments and goals are as low as possible. The Board's assessments are carried out on the basis of ongoing four-monthly reports with associated goals, indicators and targets in these areas.

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. The goal is to balance effectivity and cost-efficiency.

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. The major restructuring programme (IN2022) was concluded in 2022, and costs have been reduced significantly up until 31 December 2024.

It is the view of the Board that the company demonstrates a good balance between effectivity and cost-efficiency in its ongoing operations, and the expectation is that this will be strengthened in line with the measures in the restructuring programme.

ANNUAL FINANCIAL STATEMENTS

Innovation Norway's balance sheet total at the end of 2022 was NOK 29.0 billion, which was a decrease of NOK 1.1 billion compared to the end of 2021 (NOK 30.1 billion). Net lending amounted to NOK 18.4 billion as of 31 December 2022 (NOK 18.7 billion as of 31 December 2021). NOK 2.5 billion in new loans was disbursed in 2022 (NOK 3.2 billion in 2021) and NOK 4.8 billion in grants (NOK 4.5 billion in 2021). 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 2022 was NOK 95 million, compared with NOK 229 million in 2021. The profit before losses was NOK 93 million in 2022, compared with NOK 222 million in 2021. Both operating costs and costs for customer-oriented activities were higher in 2022 than in 2021 as a result of increased activity following the coronavirus pandemic. Write-downs for losses in the loan portfolio showed an increase for part of the portfolio most exposed to risk.

As part of the work on a more efficient and simplified public business support system, Innovation Norway was set an efficiency target in the 2022 national budget totalling NOK 100 million by the end of 2024. NOK 25 million of the cut was to be realised in 2022, a further NOK 25 million during 2023 and the remaining NOK 50 million in 2024. In connection with this, provisions for restructuring costs of NOK 100 million were made in the accounts for 2021. New information emerged during 2022 which entails that, as of 31 December 2022, the estimate that was provided for in the accounts for 2021 was considered somewhat excessive. The updated estimate for total restructuring costs amounts to NOK 82 million, and NOK 18 million of the provision for 2021 has been reversed in the accounts for 2022. NOK 27 million was charged to provisions for restructuring in 2022. For more detailed information see Note 10.

Net interest income was NOK 388 million in 2022, compared with NOK 450 million the previous year. The reduction in net interest income of NOK 62 million was primarily due to relatively higher borrowing costs when compared with the previous year. Borrowing rates increased throughout 2022. Increased interest rates normally result in an increase in the borrowing rate before lending rates can be adjusted accordingly. Dividends and profits/losses on securities showed a loss of NOK 43 million in 2022, compared with a profit of NOK 8 million in 2021. The loss was due to the write-down of the value of shares in the subsidiary Investeringsfond for Nordvest-Russland og Øst-Europa AS as a result

of declining market values for comparable listed companies in equivalent sectors to the fund's portfolio.

Total operating income in 2022 was NOK 1,313 million, compared with NOK 1,301 million in 2021. The NOK 12 million increase was due to an increase in external income of NOK 53 million, NOK 5 million in miscellaneous income and a reduction of NOK 46 million in income from public sources. If one disregards the effect of appropriations relating to restructuring, the actual change in income from public sources was an increase of NOK 51 million in comparison with 2021. The increase in income from public sources was the result of income recognition in line with the cost burden relating to the share of operating costs that are not covered by external revenues and miscellaneous operating income. The increase in external revenues was due to increased activity in the aftermath of the coronavirus pandemic. The increase in miscellaneous operating income of NOK 5 million was primarily due to an increase in net commission income from European Investment Fund (EIF) guarantees of NOK 3 million, increased rental income of NOK 1 million, and a reduction in net foreign exchange losses of NOK 1 million compared to 2021.

Operating costs were NOK 1,565 million, compared with 1,537 million in 2021, a net increase of NOK 28 million. Payroll expenses amounted to NOK 872 million in 2022, compared with NOK 937 million in 2021. The reduction of NOK 65 million was primarily due to changes in provisions for restructuring, for which the effect allocated to payroll expenses was NOK 78 million in 2021, while the effect of NOK 14.4 million in the accounts for 2022 was a reversal. For more detailed information see Note 9.

Wages and employers' National Insurance Contributions showed an increase of NOK 10 million and pension expenses showed an increase of NOK 18 million in comparison with 2021. Reference is made to Note 31 for a more detailed presentation of calculated pension costs and assumptions for 2022. Other payroll expenses were at the same level as in 2021. The average number of FTEs in 2022 was 702, compared with 739 in 2021. Depreciation increased by NOK 2 million compared to 2021, and this change was primarily the result of increased IT investments. Direct project costs increased by NOK 58 million from 2021. Other operating costs were NOK 33 million higher than in 2021, and when adjusted for provisions for restructuring, the increase was NOK 58 million. The increase in operating costs was also the result of increased activity in 2022 following two years characterised by the coronavirus pandemic. The company has ongoing communication with government authorities regarding clarification of the rules for deducting input VAT for grant-financed activities. For more detailed information see Note 38.

There is still a relatively low level of default in the loan portfolio. However, the macroeconomic situation entails some uncertainty and risk of loss in the loan portfolio. Net losses on loans (which represent low-risk loans) were recognised as income of NOK 2 million in 2022, compared with NOK 8 million recognised as income in 2021. The positive net loss in 2022 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 2021. Annual losses in the low-risk loan scheme over a 10-year period shall be equivalent to a maximum of 0.5 per cent of the portfolio. In 2022, the loss percentage was 0 per cent of the portfolio. Losses on loans related to Innovation Norway's innovation and high-risk loan schemes being 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 285 million, compared with NOK 122 million in 2021. These lending activities are expected to involve a higher risk profile than the low-risk loan scheme. From a ten-year perspective, annual losses in the portfolio for high-risk loans/guarantees shall be a maximum of 5 per cent of the portfolio. The losses in 2022 amounted to 5.0 per cent of the portfolio (2.1 per cent in 2021).

It is the Board's assessment that there are relatively few customers in Innovation Norway's funding portfolio that have direct and significant exposure to Russia and Ukraine. However, the duration and

direct and indirect implications of the war mean that, like much of the Norwegian business sector, many of our customers are facing significant challenges that require continuous measures. The Board is nevertheless of the opinion that this does not constitute significant negative exposure for Innovation Norway's funding activities.

The Board considers the company to have adequate equity as of 31 December 2022.

Innovation Norway has a framework agreement with a consortium of research institutions that research innovation policy issues that are of importance to the company. External evaluations and analyses of the company's activities and use of measures are also carried out in cooperation with external consultants and researchers. The company uses the knowledge these provide in the development of services, organisation and work processes. The company otherwise incurred no costs and made no investments related to research and development in 2022.

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.

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 2022, 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 exposure to credit and operational risk is within the stipulated risk tolerance. Legal risk is reported to the Board on an annual basis. In 2022, 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 decisive to Innovation Norway's long-term goal attainment in relation to goals, sub-goals and the ministries' priorities and the organisation's strategic ambitions. The Board performs (at a minimum) an annual "stress test" of Innovation Norway's strategy, with an emphasis on overarching risk factors (external and internal) that influence the company's ability to achieve its main goals and sub-goals. Extraordinary risk assessments are conducted in the event of other significant changes that impact 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, interest rate risk, foreign exchange risk, and liquidity 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. Just under 45 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.

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.

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: 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.

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 (organisational security, physical security and personnel security), digital information security risk, client risk, operating risk (financial management and efficiency) and legal risk (compliance risk and contractual risk). Innovation Norway is governed by the Norwegian Security Act.

In 2022, Innovation Norway continued our emergency preparedness work relating to the coronavirus pandemic. The company's socially critical role 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.

The internal audit carried out two internal audit projects in accordance with the Board-approved audit plan and did not reveal any serious internal control deficiencies.

INTERNAL RESTRUCTURING AND ORGANISATION

A comprehensive restructuring process (IN 2022)

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. During the first half of 2022, Innovation Norway implemented a restructuring programme, IN 2022, which had the objective of realising the cost-cutting measures. The work of reducing costs placed an emphasis on safeguarding the organisation's ability to deliver on the strategy and specific guidelines from clients. In addition to implementing the process in a proper manner, Innovation Norway was asked to consider both customers and jobs at the regional offices. The overarching organisation of Innovation Norway was retained throughout the process, however certain organisational adjustments were made:

- Simplification for customer advisers: The introduction of new digital tools, such as a new case management system for funding cases, helps to streamline work processes and reduce the need for FTEs in connection with the processing of funding cases.
- Establishment of portfolio management through three customer portfolios.
- A unified marketing department.
- More efficient staff in partnership with the customer divisions.

In order to safeguard jobs in rural areas, the decision was made to move some head office functions out of Oslo. Tourism development was relocated to Bodø, Technology and domain knowledge were added to Trondheim, the Data Intelligence Centre was established in Stavanger together with further strengthening of the existing IT developer community there, and the goal is to have future export-related positions in Ålesund. More than 20 full-time equivalents will be moved out of Oslo as a consequence of these changes.

The IN 2022 restructuring programme was discontinued as a separate programme midway through 2022. It is the Board's assessment that the programme succeeded with its objectives, and that Innovation Norway is now well-equipped for a permanent reduction in operating costs of NOK 100 million by the end of 2024. The effect of the restructuring process is not yet visible, however, in the

coming years, Innovation Norway will provide its services to the Norwegian business sector with a leaner and more decentralised organisation.

Digital development

The digital change is continuing at a good pace at Innovation Norway, and the company has become one of the more digital enterprises in the Norwegian public sector. Digitalisation is of significant importance in terms of simplifying customer services, and also impacts the daily work of many employees. New digital tools and automation of manual processes also play an important role in realising the cost-cutting measures described under IN 2022.

Culture building

After several years characterised by pandemic, working from home, crisis management and cost cutting, it was necessary to consolidate the internal culture for all employees at Innovation Norway. The company's culture-building program — IN Reboot — was launched in the autumn of 2022 with regional gatherings for all employees, which led to IN Summit in February 2023 when all employees from around the world met in person for the first time in six years. The objective was to have the company's employees agree on customer goals and shared values, unleash the strength of our diversity and forge bonds between employees in all parts of our decentralised organisation.

WORKING ENVIRONMENT

The first half of the year was largely characterised by the restructuring process, and this affected the employees' perception of the working environment. A predictable timeline for the restructuring process and frequent information to employee representatives, safety delegates, and employees during this period served as important risk-reducing measures to ensure that employees still consider Innovation Norway to be a meaningful, safe and enjoyable place to work. The option of psychological assistance through, among other things, insurance schemes combined with activity campaigns that promote employee health, have been important measures for preventing the negative effects of the change process.

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 between management and employee organisations 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. Financial contributions to better facilitate home office use have been continued from previous years, and most employees take advantage of the opportunity to work from home up to two days per week, and have entered into agreements for this. Working from home is voluntary and based on mutual trust between the employee and employer.

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. The company has established links to external occupational health services at both the head office and the regional offices, and the safety delegate service held several meetings during the past year.

The sick leave rate was 3.5 per cent in 2022, compared with 3.8 per cent in 2021. 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 2022. One injury was reported in 2022.

The breakdown of those who were on parental leave in 2022 was 54 per cent women and 46 per cent men. Women took an average of 21 weeks of leave in 2022, while men took an average of 13 weeks.

Employee turnover was 14.6 per cent in 2022. This includes temporary employees and employees on assignment. Turnover of permanent employees (excluding retirees) was 11.1 per cent.

85 new employees were recruited externally and 71 of these are permanent positions. 45 internal recruitments were conducted during the same period.

The company's annual employee survey was conducted in May 2022. The survey had a response rate of 85 per cent. On the whole, the results show a good level of enthusiasm at the company. The results were presented in June 2022 and the company actively worked with measures during the second half of 2022. 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 2023.

Innovation Norway is considered an attractive workplace by both the company's employees and potential job seekers. In a survey conducted by Universum, Innovation Norway was voted the fourth most attractive workplace in the Norwegian business sector in 2022.

EQUALITY, DIVERSITY AND INCLUSION

Innovation Norway seeks to have a diverse workforce and to contribute towards inclusion. 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. In 2022, Innovation Norway started work on a Gender Equality Plan (GEP). All government organisations, research institutes and educational institutions that apply for funding from the EU are obligated to have a GEP. The company has revised established routines and guidelines in its diversity work, with the involvement of the employee representatives.

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 there is a broader range of candidates among potential applicants, expanded perspectives and thus increased expertise for the company.

Innovation Norway has collaborated with external partners to give applicants for digital positions with limited formal education and/or professional experience the opportunity of a job interview. Newly employed digital resources have also had the opportunity to combine their new job at the company with studying and further education.

The company has also chosen to accept participants from initiatives run by the Norwegian Labour and Welfare Administration (NAV) for immigrants with higher education under the auspices of Oslo Adult Education Rosenhof. Under this scheme, Innovation Norway offers people who are not in the workforce the opportunity to obtain relevant work experience from Norway, while also providing the company with useful expertise and experience from those participating in the scheme.

The company complies with the guidelines for terms of employment for managers in government enterprises and corporations. At the end of 2022, the proportion of women in the executive management group was four out of eight (50 per cent). The Board of Directors consists of eleven members, of whom five are women and six are men. The proportion of women at Innovation Norway

was 55 per cent at the end of 2022. The proportion of new employees who are female during 2022 was 44 per cent.

The proportion of women by position level:

Job category	2022	2021	2020
Director	58%	63%	68%
Lawyer	43%	50 %	43%
Head of Department	58%	53%	56%
Special Adviser	41%	40%	38%
Senior Adviser	54%	55%	54%
Adviser	73%	77%	72%
Consultant	62%	68%	75%

The pay ratio for women compared to men; **all of Innovation Norway:**

Position level	Difference in average salary (women/men)*		
	2022***	2021	2020
Director	-3.6%	-0.4%	-6.5%
Head of Department	1.1%	3.0%	-1.7%
Special Adviser	2.0%	2.0%	1.8%
Senior Adviser	-0.4%	-5.0%	-4.9%
Adviser	-10.7%	-11.0%	0.1%
Consultant**	6.2%	3.0%	3.0%
Total	-1.1%	-3.0%	-1.7%

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

** Employees in Norway only.

*** For 2022, overtime is included as part of average salary.

The table shows the difference in average pay between 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 Innovation Norway, 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.

Out of 708 employees as of 31 December 2022, 21 people work in part-time positions, of which 85 per cent are women. None of these people are in defined part-time positions. As of 31 December 2022, 4.8 per cent of the employees were in temporary positions and 44 per cent of the temporary employees were women.

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

2022 will be the first year in which Innovation Norway will submit climate accounts to our owners. This milestone marks a watershed moment in terms of how the organisation works to understand and reduce its impact on the external environment. Innovation Norway's head office and the regional offices are Eco-Lighthouse certified, and a dedicated guide for sustainable operations provides guidelines and strengthens the company's basis for decision-making within operational matters such as property and equipment management, travel and procurement. The company's travel policy was updated in 2022 to emphasise 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 guidelines in the travel agreements for public entities that were renegotiated in 2022, and which place an emphasis on environmental factors. In 2022, work was commenced on future reporting on relevant climate and nature risk for Innovation Norway. This work will continue in 2023.

CORPORATE SOCIAL RESPONSIBILITY

Innovation Norway actively works to promote responsible business conduct⁶, 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 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 special topics in the company's procedure for training new employees. Innovation Norway 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 a requirement that all parties that receive services from Innovation Norway must comply with

⁶ At Innovation Norway, the term "responsible business conduct" is used instead of corporate social responsibility. Responsible business conduct is the systematic effort that companies make to identify and manage the risk of a negative impact on people, society and the environment.

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 separate digital "sparring" tool was developed in 2022 to identify and manage relevant sustainability risks for Innovation Norway's customers. 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.

Innovation Norway is governed by the Norwegian Transparency Act, which entered into force on 1 July 2022. In 2022, the company conducted its first due diligence assessment to identify, assess and manage the risk of adverse impact on people, society and the environment. The due diligence assessment includes both the requirements relating to social issues in the Transparency Act, as well as environmental, social, and governance (ESG) risks. The conclusion from the due diligence assessment was that Innovation Norway generally has a large number of measures in place, and that work is being carried out on risk-reducing measures in some areas. Innovation Norway will comply with the reporting requirement in the Act, and a new due diligence assessment will be published on the company's website by 30 June 2023.

In 2022, Innovation Norway applied a risk-based approach when reviewing the portfolio of suppliers. Suppliers within a wide range of goods and services were followed up, and Innovation Norway received responses to how they work 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. The dialogue provided more detailed information about the requirements and expectations that are set for Innovation Norway's suppliers.

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 Innovation Norway's website and allows the company to communicate with anonymous whistleblowers.

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

ALLOCATION OF PROFIT

The 2022 accounts show a profit of NOK 95 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	104 615 017
To be transferred to the Ministry of Trade, Industry and Fisheries from:		
Innovation loans and guarantees	NOK	20 698 990
To be transferred to the county councils as owners, from:		
High-risk loans and guarantees	NOK	12 903 123
Distributed as follows:		
Troms og Finnmark County Council	NOK	3 700 833
Nordland County Council	NOK	1 988 605
Møre og Romsdal County Council	NOK	1 984 934
Vestland County Council	NOK	1 535 767
Innlandet County Council	NOK	1 417 775
Trøndelag County Council	NOK	1 215 650
Vestfold og Telemark County Council	NOK	462 463
Agder County Council	NOK	293 331
Viken County Council	NOK	291 777
Rogaland Council Council	NOK	11 988
		12 903 123
Transferred to retained earnings:		
Investment Fund for Northwest Russia and Eastern Europe	NOK	-43 124 420
Grand total		95 092 710

OUTLOOK FOR 2023

As we enter 2023, we are starting to see the results from the research projects that were initiated to monitor the effects of COVID-19 on the business sector. These results show that it was the companies that were already well-equipped for innovation that took advantage of the period of closed markets to gear up their innovation activities. It also gave small and digital companies the opportunity to disrupt certain business models as a direct consequence of the pandemic. The results also show that it appears some companies were kept artificially alive as a result of the crisis packages and this may influence the bankruptcy figures as we move into the coming year.

The war in Ukraine continues to impact Europe into 2023. The energy market is more subdued now than it was for most of 2022, however the generally strong rise in prices will be of major significance to the business sector in 2023 in the form of increased costs. Innovation Norway will pay particular attention to how this impacts the willingness to invest and access to capital for our customers. Preliminary surveys show that many companies are postponing or stopping innovation projects when the framework conditions are so uncertain.

The serious need for energy in Europe has created a high level of activity in the Norwegian oil and gas sector. The strong demand has resulted in new export records for Norway, but also makes work on

the green transition more demanding. In an already pressured labour market it is therefore challenging for new industries to compete for the best minds. However, these are good times for new green energy solutions in Europe. There are a number of initiatives and good framework conditions in the EU for projects that are contributing towards solving the energy challenges. This is a particularly difficult balance when there is a shortage of people and it is difficult to find the right expertise. Trade policy is changing rapidly, with stronger regional blocs increasingly initiating protectionist measures. At the start of 2023, the EU has been frantically working to respond to the major green growth package, the Inflation Reduction Act (IRA), that was launched by the USA in the summer of last year. This new legislation has raised fears of less investment in the green value chains in Europe because it will become very attractive to establish a business in the USA. While the IRA may limit green investment in Europe in the short term, it may also provide a springboard for global green technology that will also benefit the European market.

Regionalisation of trade policy and increased protectionism is a trend we have been witnessing over time and which has intensified after COVID-19. This is particularly impacting the relationship between China and Europe/the USA, where we are seeing an increasing degree of protectionism that limits the free trade that we have been accustomed to in recent decades. China in particular was a market that attracted a great deal of attention after experiencing formidable economic growth year-after-year. However, given the geopolitical situation, this market is now considered demanding and unpredictable for business and industry. This is something we will be following closely during the coming year.

As a result of the IRA and increased formation of regional blocs, closer and faster processes with the EU are required. Examples of processes in which Norway has arrived late to the table are IPCEI, and the fact that InvestEU programmes have yet to be signed. The Board would emphasise the importance of following up these processes to enable corporate Norway to acquire a share of the major financial restructuring packages that the EU is making available.

Irrespective of how the EU decides to respond to the major growth package, Norway and Innovation Norway need to be closely involved with the initiatives that are being implemented. Opportunities arise quickly, and it is therefore necessary that we closely follow EU initiatives, and make prompt decisions when required. New framework conditions and a high tempo also generate opportunities for more active industrial policy to boost green industry, for example, through Norwegian participation in several IPCEI initiatives.

The Board would like to express its gratitude for the trust shown in the organisation by customers, clients and partners during 2022 and would particularly like to thank the company's employees, who made an exceptional effort in the best interests of the Norwegian business sector.

Oslo, 21 March 2023
The Board of Directors of Innovation Norway

Gunnar Bovim
Board Chair

Kristin Misund
Deputy Chair

Merete Nygaard Kristiansen

Arvid Andenæs

Heine Østby

Kristine Falkgård

Kristine Nore

Arne Ingebrigtsen

Thomas Breen

Håkon Øveland Nyhus
Employee representative

Mari Dorte Jønland Michaelsen
Employee representative

Håkon Haugli
CEO

To the General Meeting of Innovasjon Norge

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Innovasjon Norge (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other Information

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

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

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with 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, 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

Oslo, 21 March 2023
Deloitte AS

Henrik Woxholt
State Authorised Public Accountant

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