

## INTRODUCTION

# 2015 WAS A YEAR OF TRANSFORMATION

Change requires greater focus on innovation.

**ANITA KROHN TRAASETH**  
Administrerende direktør

## 2015 was a year of transformation

2015 was an important and demanding year of transformation, both nationally and internationally. It was almost as if the ground rules for politics, economics and culture were rewritten from one day to the next.

It is not easy to relate to all the changes or to see how they are interrelated. Change requires learning and a well-developed ability to do things in new ways. Change also requires greater focus on innovation. At Innovation Norway, this has been the starting point for everything we have done in 2015, both internally and externally.

This is not just a matter of handling the transition from a unique oil-based Norwegian economy to transformation, but also of developing content and giving a new direction leading to a new unique profile. To achieve this, we must have a vision of the future. We need to identify various cultural, economic, technological, environmental and political trends and discuss where these will take us. We can use this insight in planning our next moves.

This was why we carried out the Dream Commitment in 2015, which was a major brainstorming project with over 80 events and 3,500 participants, where people discussed challenges, opportunities and needs for innovation in Norwegian business and industry, and society in general. The Dream Commitment report was submitted to the Minister of Trade and Industry on 21 May 2015. The report and the results of this work are available [here](#).

We actively use the learning from the Dream Commitment in the development of our instruments and in our dialogue with owners, clients, partners and others with an interest in innovation and business development. We have become more focused on social and environmental challenges that present significant market opportunities for Norwegian business and industry.

Innovation Norway plays a proactive role in identifying these opportunities, so that we can assist new and established companies in winning related markets. If we succeed, we can develop the business sector we need to replace reduced oil revenue and to ensure the welfare of our own and future generations.

We have kept these challenges and opportunities in mind when drawing up the new strategy for Innovation Norway. The strategy will be presented in 2016.

## **Everyone needs to adjust**

The national budget for 2015 gave Innovation Norway an additional NOK 864 million for innovation and the development of Norwegian business and industry. The budget also represented a clear request for Innovation Norway to streamline and transform its own organisation. This meant that we had to work differently and more effectively, in order to be able to carry out the assignment required by the government.

When summing up the company's first ten years, we identified four drivers relevant to Innovation Norway's ongoing transformation:

- We must ensure future relevance via increased customer focus and customer orientation.
- We need greater transparency and availability as regards the company's programmes and services.
- Operations must be more cost effective.
- We must generate enthusiasm for a unified Innovation Norway among our employees.

2015 has been a critical and demanding year of change for Innovation Norway. We undertook the following five parallel processes:

- We met the expectations in the national budget for 2015, which required increased deliveries to customers and a reduction of administrative costs.
- We implemented a new customer-oriented organisation of the company based on input from the "time thief" survey.
- We improved and combined a range of internal work processes.
- We revised the company's strategy and brand platform for 2020.
- We carried out a reduction of the the staff based on a mapping of internal competences.

We also had clear objectives with regard to our customers, such as reducing the case processing time for Start-up grants Phase 1, and developing the first digital "My Page" for entrepreneurs.

I am pleased with the financial results; despite a decline in revenue we delivered a NOK 263 million surplus. This means that we can transfer NOK 235 million as dividend and profit sharing to our owners. It is also positive that for Start-up grants Phase 1 we have reduced the average case processing time at the offices in Norway to 13 days at the end of the year, from an average of 60 days.

The employee survey for 2015 shows that the organisation is ready for year two of the transformation. The survey shows that our employees are very dedicated to their work, with an overall score across the organisation of four out of five. On two of the key drivers for a good working life, job autonomy and inner motivation, we score 4.3 out of five. The same score is given to the statement "I am proactive

and take the initiative for change, in step with Innovation Norway's objectives". We must preserve this commitment and make active use of it in 2016.

I would like to thank our owners for the confidence they have shown in us in 2015, giving us more responsibility and freedom to transform Innovation Norway into the instrument Norwegian industry needs in the future. I would like to thank my colleagues all over the world, who in achieved very good results in a year of demanding transformation.

**Omstilling krever økt fokus på innovasjon. I Innovasjon Norge har dette vært utgangspunktet for alt vi har gjort i 2015.**

ANITA KROHN TRAASETH

## STRATEGY &amp; ORGANISATION

# STRATEGY AND ORGANISATION

In December 2015, Innovation Norway's Board of Directors adopted a revised strategy for the company. The strategy states the direction and priorities of the company towards 2020 at a time when Norway is facing major changes.

## Strategy 2016 - 2020

The challenges that Norway faces are structural and more fundamental than during the financial crisis in 2008. Climate challenges, new technology, an increased influx of refugees, more elderly people, the sharing economy and the circular economy are examples of driving trends which challenge established business models, terms of competition and power structures. These changes are taking place at the same time as Norway is affected by oil price drops, lost export revenue and increasing unemployment. This is creating challenges, but also new opportunities.

Innovation Norway must be a key partner for companies and regions that are undergoing transformation. Our work has three key objectives: more successful entrepreneurs, more companies with growth potential, and more innovative business communities and clusters. The strategy for 2016–2020 must help us to achieve these objectives and ensure that we fulfil our assignments. We are and will be a relevant, competent and worthwhile partner for the regions, companies and entrepreneurs that are to create the workplaces and companies of the future.

Our work is increasingly driven by sustainability. As from 2016, and for all projects, such factors as environmental impact and impact on society will be assessed on an equal footing with economic effects.

Norway has great opportunities to develop new businesses and strengthen existing activities. Every region of Norway is rich in natural resources and a competent workforce, and has various different business advantages. Companies and entrepreneurs must target the global markets, since often the domestic market is too small to generate growth. Norway has a number of international competitive advantages in terms of raw materials, competences and production methods that can be further developed. A strong, joint national brand will strengthen Norway's international competitiveness and contribute to the greater internationalisation of the business community.

Innovation Norway's new strategy has six key messages that set the direction for the work towards 2020:

1. We will prioritise areas where Norway has international competitive advantages
2. We will elevate the challengers with global growth potential
3. We will strengthen entrepreneurial and cooperative culture to fuel the jobs of the future
4. We will develop a strong national brand, to increase our competitiveness
5. We trigger value creation based on regional advantages
6. We advice and provide knowledge on future-oriented innovation and industry policy

To implement the strategy, the Board of Innovation Norway adopted five development programs

- **Digitisation programme**  
to improve purpose and cost effectiveness via digitisation.
- **Sustainability programme**  
to implement sustainability as the bearing value in everything we do.
- **The Brand Norway programme**  
to strengthen Norwegian competitiveness by developing a national brand.

- **Innovation policy programme**  
to further develop innovation policy analyses and advisory services and develop an innovation policy think-tank.
- **Competence and culture programme**  
to increase employee involvement, cooperation and a sharing culture throughout Innovation Norway's global and national networks.

## **New organisation**

Innovation Norway was reorganised during the winter of 2015. The aim was to achieve an organisation that works on an even more streamlined basis. All of the offices in Norway and abroad were restructured as one division, Division Regions and Financing. In 2015, Innovation Norway made the employees' roles more specialised, in order to use competences and resources across offices and regions. This work is continuing in 2016. It must be easier to find the right competence and to gain an overview of the services offered by each office.

One division was created for entrepreneurs, and one division for growth companies and clusters. The work of these divisions is described under Innovation Norway's objectives. Divisions were also established for Sustainability, Brand Norway, and IT and Digitisation.

## **Sustainability**

Innovation Norway must drive and promote innovation and the development of new competitive and sustainable solutions, and give priority to projects that promote sustainable development. Division Sustainability will develop Innovation Norway's strategic efforts to strengthen the business community's transition to a more sustainable economy. The Division is also responsible for coordinating and further developing the work related to special tasks within agriculture, sustainable tourism, the environment and the bioeconomy.

In 2015, Innovation Norway worked to develop sustainability assessment tools. In 2016, sustainability in terms of impacts on society and the environment will be

described and assessed in all financing cases, on a par with economic issues. Minimum good business practice requirements must be fulfilled in order to qualify, and positive impacts on the environment or society will be the basis for the priority given to different cases.

In 2015, we identified areas that present special opportunities for new business activities, and which Innovation Norway will prioritise with development activities. This work will continue in 2016. The six areas of opportunity are:

- Clean energy
- Marine environment/Marine technology
- Bioeconomy
- Smart society
- Healthcare and welfare
- Tourism and the experience economy

## **Greater internationalisation and a strong national brand**

During the last two years, Norway has lost major export shares and revenue. We need to compensate for this by developing new industries, giving existing industries a boost, increasing exports and attracting more international investments. To succeed in the global competition, Norway needs a strong, shared national brand. This will be of common benefit to all of business and industry. Division Branding Norway is responsible for developing a strong national brand to increase the competitiveness of Norwegian business and industry. This work will involve a number of key operators in the business community and in society in general.

## **Digitising our activities**

In 2015, Innovation Norway began to work on the digitisation of our activities. We are lagging behind in technical terms, which has reduced our capacity for adjustment. Now we are in the process of changing this. The aim is that in the course of four years we will have good digital platforms for all of our customers. In 2015, we completed the roll-out of our new customer relationship management (CRM) system, as the basis for good information sharing about our customers. We are also pilot testing a digitised solution for Start-up grants in phase 1. In



2016, we will continue to develop our portal solutions for new customer groups, as well as our internal information sharing, through our CRM system.

Digitisation involves changes to the organisation, process and technology, and must therefore be in step with the rest of the company's development and transformation. The challenging aspect is not the technology, but the changes that digitisation will require of every employee of the company. One objective of digitisation is to be able to effectively share the knowledge in various parts of the organisation, both internally and externally. We will continue to work on this in 2016.



**Anita Krohn Traaseth**  
CEO



**Toril Bariusdotter Ressem**  
Deputy CEO



**Kristin Welle-Strand**  
Communication



**Rodin Lie**  
ICT and Digitalisation



**Hans Martin Vikdal**  
Finance, Performance management  
and Funds



**Yvonne Fosser**  
Human Resources



**Bård Stranheim (to oct)**  
**Anne Mette Hoel (from nov)**  
Entrepreneurs and startups



**Mona Skaret**  
Growth Companies and clusters



**Per Niederbach**  
Regions and Financing



**Cathrine Pia Lund**  
Brand Norway



**Inger Solberg**  
Sustainability

# FACTS AND FIGURES

## About Innovation Norway

Innovation Norway is the State and regional county authorities and governors tool for realizing value creating development throughout the country. With regional presence both in Norway and abroad, Innovation Norway has a unique position to trigger profitable business and industry based on the regions' advantages and industry opportunities.

Innovation Norway has many principals, but common to all is that we will contribute to long-term sustainable value creation in Norway and work with businesses, both individually and in networks.

Innovation Norway has a broad social mission. The core of this mission is to create value through creating corporate - and economically profitable business development throughout the country.

Innovation Norway's services aim to create more successful entrepreneurs, more companies with growth potential and more innovative business environments.

Our target groups range from entrepreneurs, entrepreneurs in the early start-up phase and small businesses to large corporations with a capacity for growth in the whole range of sectors and industries. They all see opportunities in making use of the expertise and assistance administered by Innovation Norway on behalf of a society where new progressive and sustainable business development is important

With its nationwide office network, Innovation Norway is able to meet its customers in their business environment. Internationally, customers are followed up by our offices in the most important markets worldwide.

Innovation Norway is owned by the Ministry of Trade, Industry and Fisheries (51%) and the county authorities (49 percent).

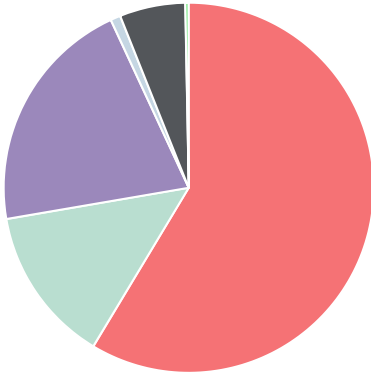
# Appropriations, allocations and triggered investments in 2015

## WE RECEIVE

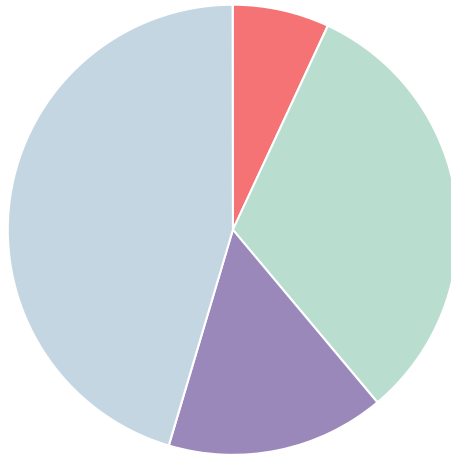


## WE PROVIDE

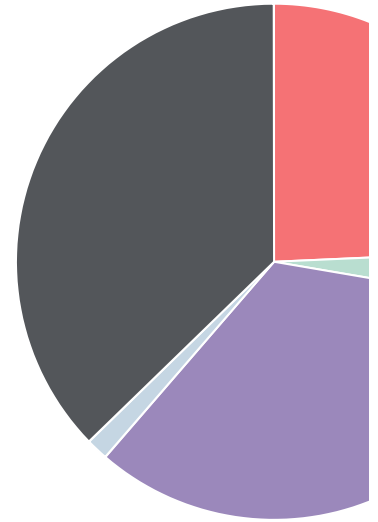
## WE TRIGGER



Ministry of Trade, Industry and Fisheries  
 County councils  
 Ministry of Agriculture and Foods  
 Ministry of Foreign Affairs  
 Ministry of Local Government and Modernization  
 Ministry of Climate and Environment



Advisory services and profiling  
 Low risk loans  
 Innovation Loans  
 Grants



Banking and other private financing  
 Other public financing  
 Partner financing  
 Innovation Norway

### 3,4 billion

From the Storting, county councils and county governors

Through Innovation Norway, the Storting (Parliament) and county councils allocated more than NOK 3,4 billion kroner in funding to value-creating business development activities all over Norway in 2015.

Service Target group Sektor

### NOK 6.1 billion

To business and industries

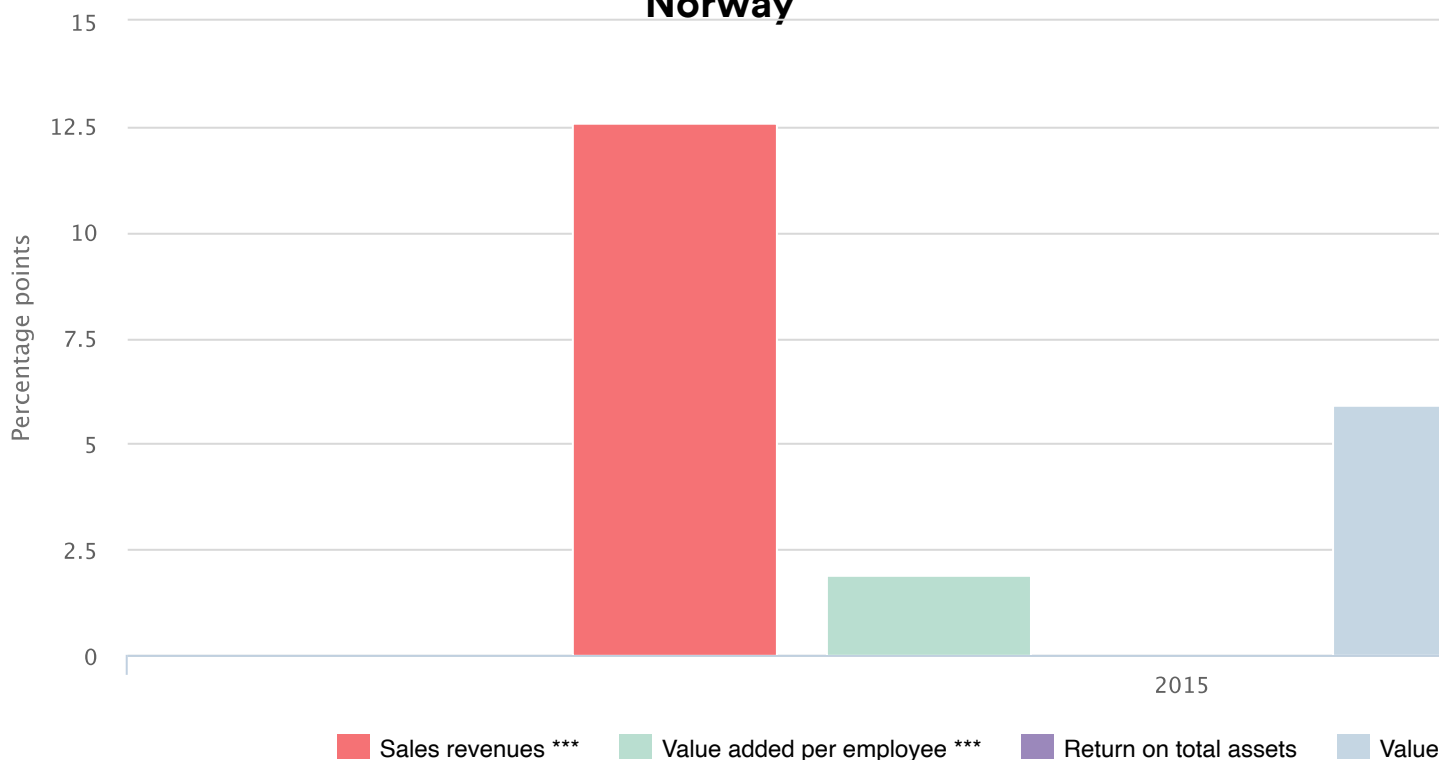
The funds made available by the Storting and the county authorities, in combination with loan schemes, resulted in a total of more than NOK 6 billion in business-related funding under the protection of Innovation Norway. The figure shows allocations broken down by service, target group and sector.

### NOK 16.3 bn or billion

Released

Innovation Norway's support helped to trigger nearly twice that amount from business and industry. NOK 16.3 bn/billion were invested in innovation activities in 2015, including the money from Innovation Norway.

## Effect on firm performance of support from Innovation Norway



This table shows the percentage points additional growth in companies assisted by Innovation Norway, compared to comparable businesses without that assistance. This gives an indication of the effects of our support.

### Significance (\*\*, \*\*, \*)

The stars behind the numbers in the figure above shows the level of significance, a measure of our certainty of an actual difference between our clients and the control group we compare with.

\*\*\*: 99 prosent sannsynlighet for at det er en forskjell mellom de to gruppene

\*\* : 95 prosent sannsynlighet at det er en forskjell mellom de to gruppene

\* : 90 prosent sannsynlighet at det er en forskjell mellom de to gruppene

Ingen stjerner: Her ligger sannsynligheten for en forskjell mellom de to gruppene på under 90 prosent og man kan derfor ikke si noe sikkert om det er en forskjell mellom våre kunder og kontrollgruppen.

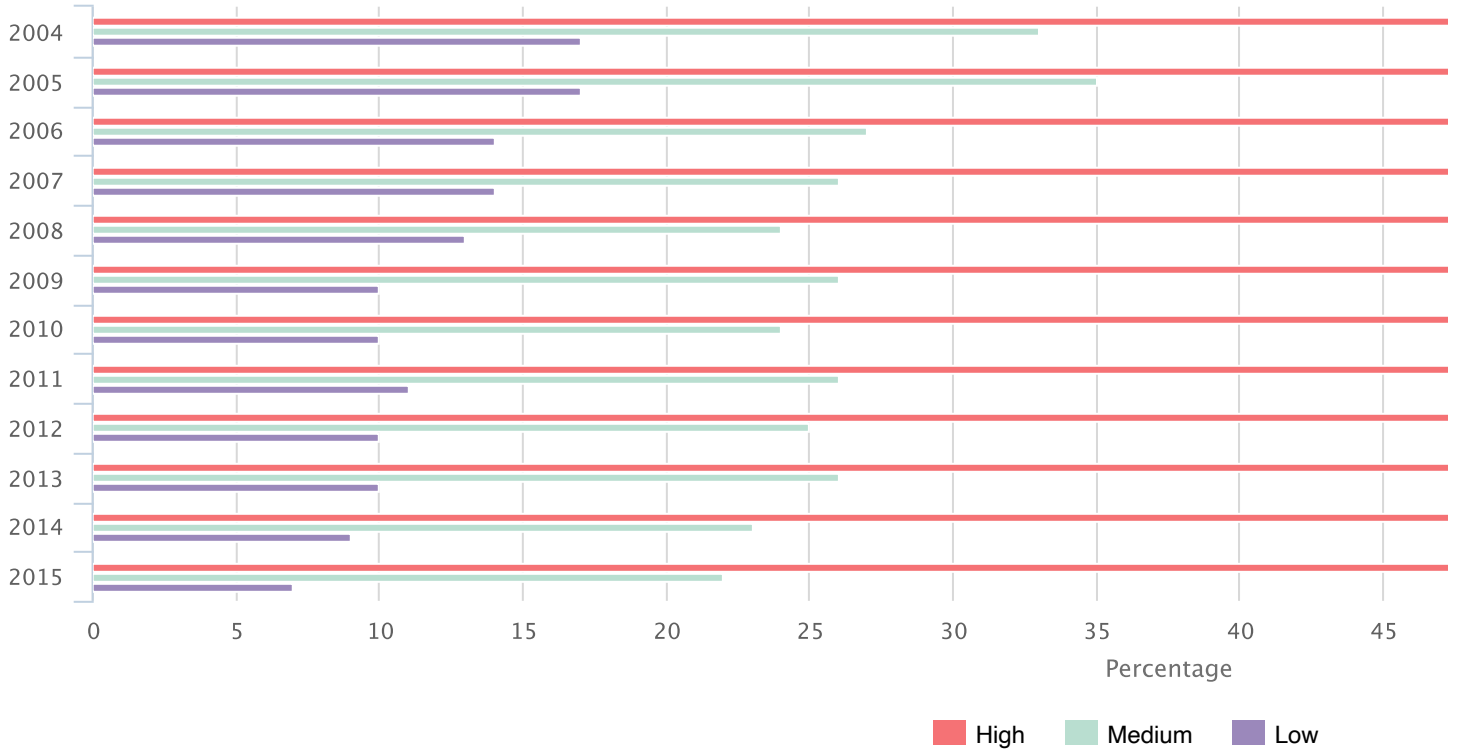
**Higher growth in sales revenues:** Companies supported by Innovation Norway achieve 12.6 percentage points higher annual growth compared to equivalent companies that do not receive support.

**Value added per employee:** Companies supported by Innovation Norway achieve 1.9 percentage points higher annual productivity growth compared to equivalent companies that do not receive support.

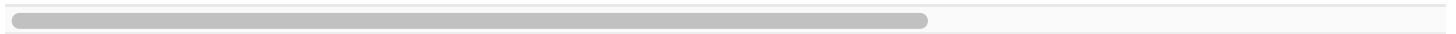
**Return on total assets:** Companies supported by Innovation Norway do not achieve higher growth in profitability than equivalent companies that do not receive support.

**Growth in number of employees and value added:** Companies supported by Innovation Norway achieve 5.4 and 5.9 percentage points higher annual growth in employee numbers and value added, respectively, than equivalent companies that do not receive support. Growth in employee numbers and value added will often show a degree of co-variation, because salaries are an important element of value added.

## Innovation Norway trigger projects



This table shows on what level Innovation Norway has been influential for the implementation of the project. Red column shows the share where Innovation Norway has been largely influential for the implementation for the implementation of the project. The purple column shows the share of projects where Innovation Norway has been influential to a small degree for the implementation.



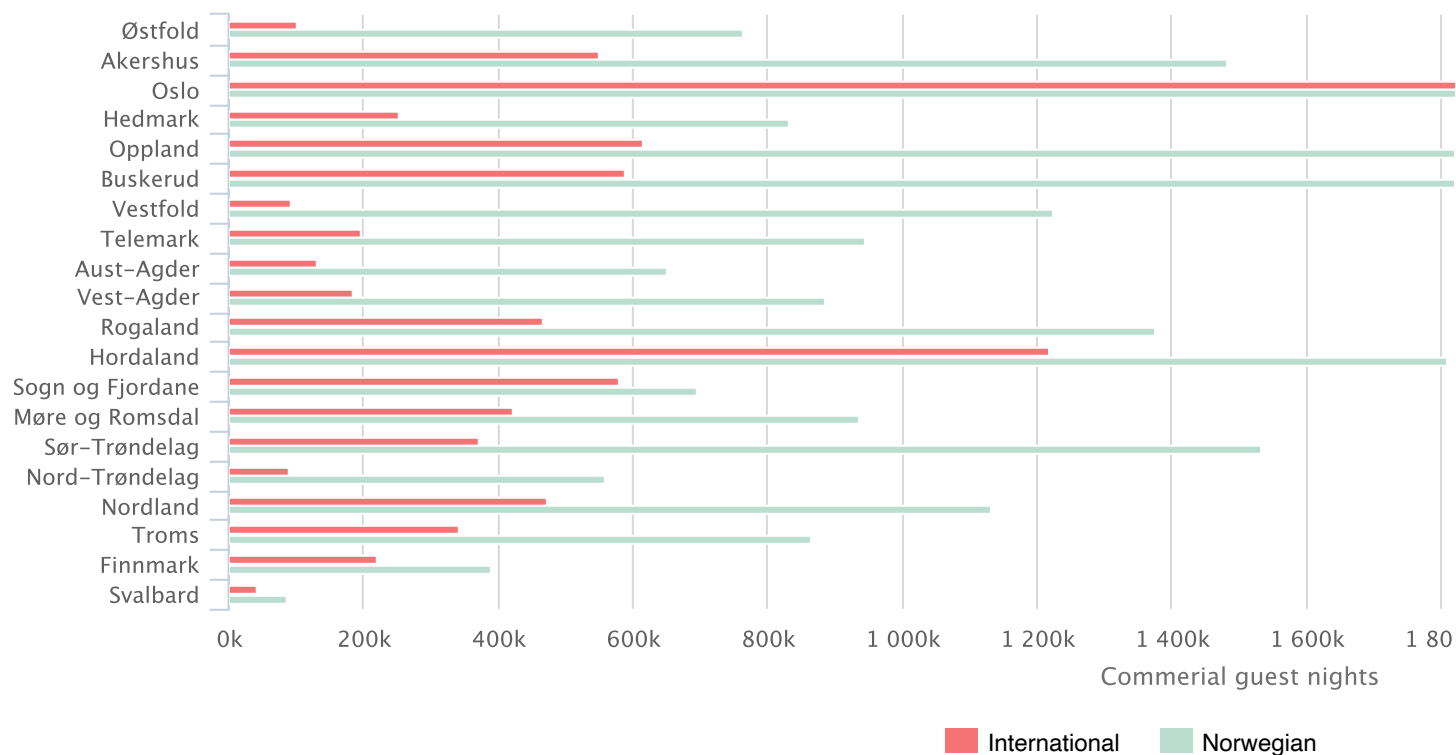
## Tourism

Source: Statistics Norway

The purpose of the service is to contribute to improved profitability in the tourism industry and to increase Norway's market share internationally. To achieve these goals we will increase knowledge of Norway as a tourist destination and create wanderlust among target groups in priority markets.

### Commercial guest nights – counties

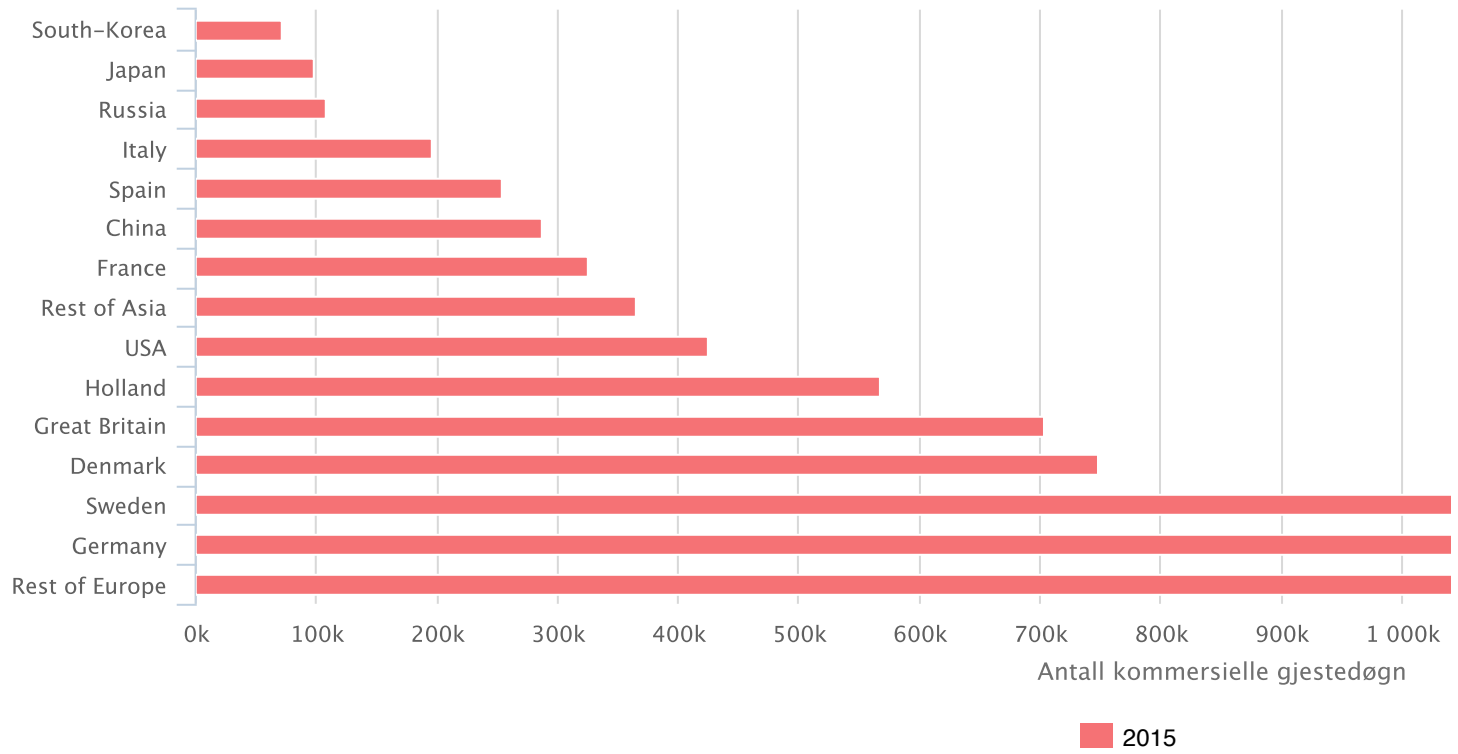
This figure shows the number of overnight stays in hotels, campsites, cabins and hostels in Norway, distributed between Norwegian and foreign guests.



The tourism industry can look back on the second consecutive year with an increase in the number of commercial guest nights and an increase in tourism spending. There were 31.6 million guest nights at commercial accommodations in 2015. The increase of four percent represent 1.3 million more guest nights. Norwegians increased by three percent, while the number of foreign guests increased by eight percent. What makes 2015 special is that it was a good increase of Norwegian and foreign guests in both winter and summer, and with one exception the growth was in all markets where Innovation Norway has a tourism initiative.

## Commercial guest nights in Norway distributed by nationality

This figure shows the number of guest nights in hotels, campsites, cabins and hostels in Norway, distributed by nationality.



The number in brackets behind each country indicates the change from 2014.

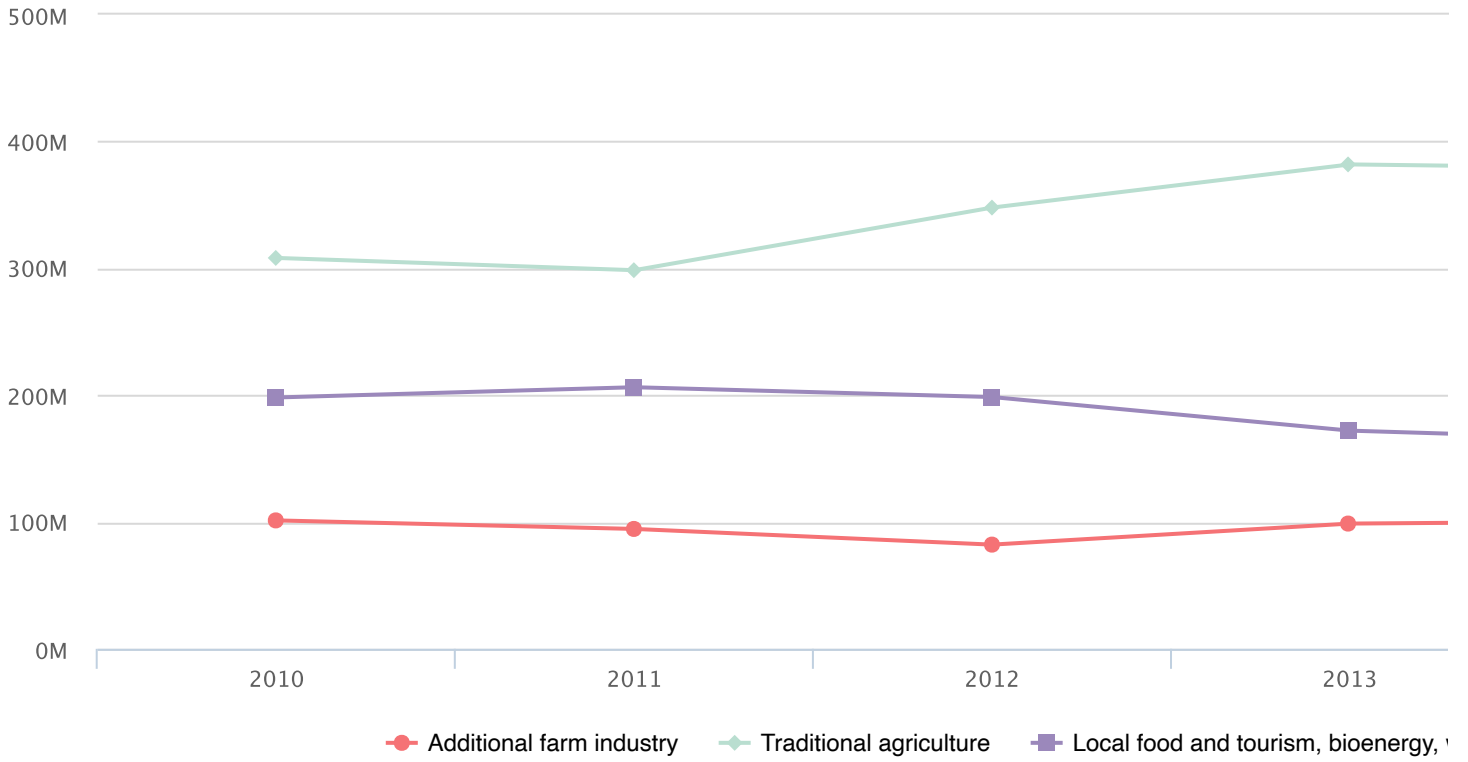
## Norway took shares of international tourism

Surveys conducted by Innovation Norway shows that interest in Norway as a holiday destination has increased steadily in recent years. The increased interest created through marketing activities, meant that the number of arrivals to Norway increased more than was the average for the world and Europe. This means that Norway took shares of international tourism in 2015. Figures from the tourist survey for the whole year are not yet available, but from what we know about the increase in the number of commercial guest nights and consumption among tourists per day, a conservative calculation suggests that consumption will increase by about 7 billion. From 60.4 billion to 67.4 billion kroner. This is consumption related to the Norway journey. About half of the increase is due to increase in volume and half due to an increase in consumption per day.

## Agriculture

### Grants for agricultural investments and development

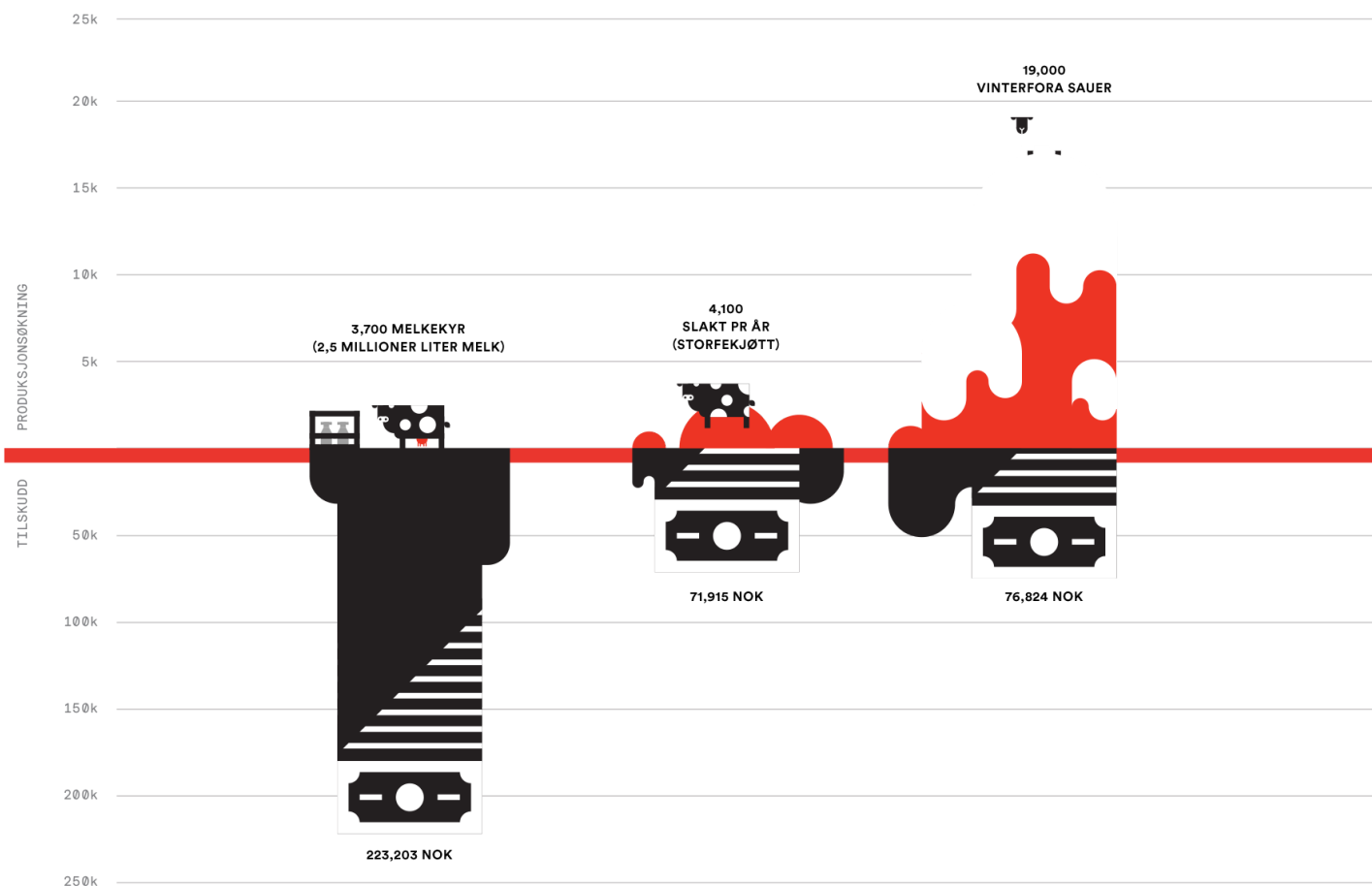




Innovation Norway provides grants and loans for investments in both traditional agriculture and development of new agriculture-based industries. Funding for traditional agriculture is granted mainly for investments in advanced production facilities aiming to increase production and profit at the farm. Tourism, local food production, bioenergy and the forestry-based value chain are some of the prioritized areas for the development of new agriculture-based industries.

The figure shows the amount of agricultural grants, loans are not shown.

## Increase in the production capacity of milk and meat



The main purpose of the grants and loans for investment in traditional agriculture managed by Innovation Norway is to increase Norwegian food production through increased productivity and profitability on the farm. Increased production of milk and meat (bovine and mutton) are prioritized. The figure shows the planned increase in dairy cows, meat adult cattle and mutton from funded farms (columns over the red line) and the financial support that these farms have received in total (columns under the red line).

## Assignments sorted by county and instrument

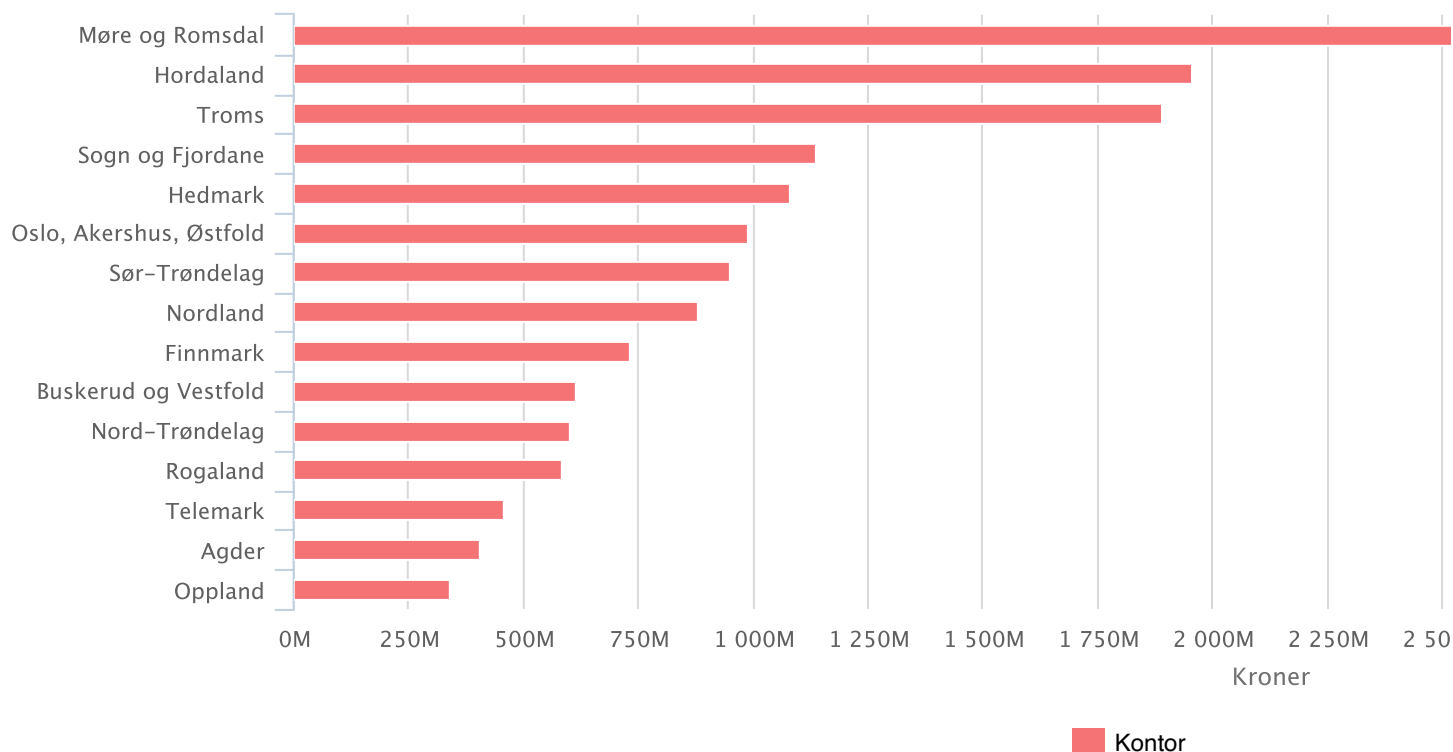
### Loans and grants

The distribution of assignments of Low Risk Loans, Risk loans and Guarantees, and grants. The grants are distributed by instrument and instrument groups. Click table to enlarge and get the ability to zoom in on the numbers.

2015	Low risk loans			Innovation loans and guarantees	Grants								SUM
	Industry and services	Agriculture	Fishing vessels and Quotas	Industry, services and Agriculture	Regional development	Start-up grants	Environmental Technology Program	Research and Development Contracts	Clusters and network	Agriculture	Other		
	MNOK	MNOK	MNOK	MNOK	MNOK	MNOK	MNOK	MNOK	MNOK	MNOK	MNOK		
01 Østfold	3 000 000 (-)	3 325 000 (-92 %)	38 150 000 (857 %)	36 400 000 (245 %)	2 002 000 (38 %)	8 687 000 (88 %)	44 830 000 (-)	3 400 000 (-56 %)	8 267 935 (25 %)	33 084 250 (21 %)	3 582 000 (-54 %)		
02 Akershus	- (-)	- (-)	- (-)	38 300 000 (-56 %)	675 000 (-)	16 192 223 (73 %)	12 005 000 (212 %)	22 149 000 (-27 %)	5 800 000 (10 %)	35 136 632 (77 %)	6 095 000 (-32 %)		
03 Oslo	- (-)	- (-)	- (-)	89 500 000 (197 %)	- (-)	37 599 800 (0 %)	105 000 (-95 %)	34 689 000 (-5 %)	8 480 000 (233 %)	5 557 000 (73 %)	27 026 000 (-45 %)		
04 Hedmark	7 000 000 (-41 %)	57 115 000 (-58 %)	- (-)	29 595 000 (15 %)	19 239 276 (-18 %)	12 272 600 (52 %)	19 285 000 (356 %)	470 000 (-80 %)	3 110 000 (176 %)	54 060 697 (-4 %)	12 192 000 (-53 %)		
05 Oppland	11 100 000 (96 %)	8 800 000 (-63 %)	- (-)	34 221 000 (48 %)	23 049 365 (-20 %)	9 800 303 (46 %)	4 850 000 (-)	6 485 000 (-68 %)	8 600 000 (20 %)	54 497 063 (25 %)	12 754 604 (-16 %)		
06 Buskerud	22 500 000 (221 %)	34 865 000 (175 %)	- (-)	5 550 000 (-37 %)	5 348 000 (-34 %)	11 730 000 (39 %)	13 000 000 (-29 %)	8 285 000 (-26 %)	5 577 000 (-30 %)	45 164 893 (25 %)	3 467 836 (-56 %)		
07 Vestfold	- (-)	30 300 000 (25 %)	- (-)	6 250 000 (-25 %)	- (-)	11 107 500 (15 %)	8 800 000 (-)	9 450 000 (-53 %)	3 605 000 (-66 %)	21 087 027 (12 %)	7 610 000 (-97 %)		
08 Telemark	8 300 000 (152 %)	6 550 000 (-24 %)	4 000 000 (-)	25 150 000 (-20 %)	7 906 250 (22 %)	10 785 700 (38 %)	11 706 200 (-69 %)	10 900 000 (-35 %)	4 965 000 (101 %)	25 999 912 (-3 %)	4 924 000 (-59 %)		
09 Aust-Agder	- (-)	4 800 000 (-72 %)	- (-)	5 375 000 (115 %)	4 685 000 (26 %)	13 061 872 (115 %)	4 600 000 (39 %)	1 250 000 (285 %)	5 100 000 (285 %)	21 581 199 (30 %)	951 000 (-72 %)		
10 Vest-Agder	- (-)	- (-)	37 450 000 (106 %)	26 175 000 (39 %)	3 560 000 (-3 %)	17 952 500 (72 %)	18 400 000 (-24 %)	35 895 000 (48 %)	1 915 732 (-90 %)	19 577 527 (11 %)	8 348 500 (3 %)		
11 Rogaland	- (-)	16 475 000 (-76 %)	3 458 125 (-16 %)	79 550 000 (133 %)	1 772 100 (-43 %)	59 036 100 (86 %)	41 520 600 (197 %)	63 726 500 (-1 %)	7 300 000 (29 %)	56 863 650 (1 %)	21 194 500 (142 %)		
12 Hordaland	257 830 000 (193 %)	30 196 190 (26 %)	183 190 000 (86 %)	64 835 000 (477 %)	14 496 354 (-27 %)	37 813 728 (62 %)	45 259 000 (140 %)	61 255 000 (62 %)	27 900 000 (50 %)	46 399 783 (26 %)	14 656 975 (-22 %)		
14 Sogn Og Fjordane	44 500 000 (-7 %)	- (-)	77 200 000 (-58 %)	73 200 000 (142 %)	20 202 000 (-38 %)	14 755 152 (133 %)	7 185 000 (163 %)	6 186 000 (-15 %)	4 621 000 (134 %)	51 996 704 (4 %)	23 587 500 (72 %)		
15 Møre Og Romsdal	178 896 795 (-31 %)	32 257 000 (-26 %)	129 109 001 (-58 %)	168 963 000 (70 %)	25 586 500 (-37 %)	25 217 732 (38 %)	27 824 000 (58 %)	59 648 100 (23 %)	13 240 000 (15 %)	44 955 854 (22 %)	20 326 000 (-19 %)		
16 Sør-Trøndelag	56 200 000 (53 %)	53 067 000 (18 %)	23 600 000 (98 %)	53 600 000 (-18 %)	19 556 500 (-31 %)	24 937 035 (27 %)	49 845 000 (29 %)	59 270 000 (95 %)	6 584 733 (17 %)	55 646 103 (10 %)	7 011 500 (-12 %)		
17 Nord-Trøndelag	34 270 000 (147 %)	40 792 000 (-55 %)	- (-)	51 585 000 (66 %)	29 428 200 (11 %)	18 512 750 (17 %)	- (-)	6 536 149 (-8 %)	2 555 000 (57 %)	58 563 317 (-8 %)	9 991 000 (74 %)		
18 Nordland	39 100 000 (76 %)	12 557 000 (-19 %)	107 500 000 (-43 %)	59 075 000 (198 %)	84 361 141 (0 %)	11 774 999 (46 %)	17 972 000 (1449 %)	2 627 500 (-56 %)	9 644 000 (66 %)	60 037 574 (71 %)	36 671 104 (99 %)		
19 Troms	25 581 429 (79 %)	53 739 000 (-11 %)	105 890 000 (-17 %)	76 113 000 (67 %)	50 449 540 (10 %)	10 266 044 (-7 %)	9 880 000 (798 %)	6 670 000 (-25 %)	5 435 000 (118 %)	29 513 551 (7 %)	61 049 952 (10 %)		
20 Finnmark	30 025 000 (-53 %)	28 967 000 (-22 %)	116 141 000 (-5 %)	37 202 000 (18 %)	42 707 811 (-8 %)	11 382 000 (66 %)	2 220 000 (-41 %)	5 764 000 (3667 %)	1 150 000 (-52 %)	21 591 951 (-15 %)	16 480 693 (8 %)		
21 Svalbard	- (-)	- (-)	- (-)	- (-)	- (-)	4 220 000 (22 %)	- (-)	- (-)	- (-)	- (-)	393 825 (-91 %)		
99 Other counties/International	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)		
SUM													

## Total loan portfolio

The distribution of active loans per 31.12.2015.



The distribution of active loans per 31.12.2015.

Fylkesvis fordeling av aktive lån pr. 31.12.2015.

The portfolio includes loans that are granted long ago, and 3 percent of appropriations are older than 30 years. The portfolio at the end of 2015 comprised just under 10,700 grants total.

## Changed effect measurement method – "from first to largest" and now with "exact match"

Innovation Norway uses various indicators are determined in Innovation Norway's goals and operationalized in the Performance Management system and the indicators is based both on reviews of our customer advisors, questionnaires to customers and econometric analysis based on accounting data (economic effects). Statistics Norway (SSB) is our method partner for calculating economic effects. The method they use is standard in the literature for comparisons between companies. The analysis looks at changes, for instance in revenues, in the same firms over time and compare it with a control group. Stable, enterprise-specific differences between Innovation Norway-enterprises and the control group is therefore not a problem in the SSB analysis. However, it is not possible to control for unobservable variables that may affect results. One should therefore be cautious in interpreting the causality of the results, ie as expressions of exact effect measurements. Impact Indicators are just that: indications of effects. SSB has developed methods in 2015 and the new estimates are not directly comparable with the figures from last year. The main change from the steps last year are documented in the SSB report 2015/35 , is the method referred to as "matching with stratification" in the report used in this year's calculations.

MAIN TARGET

# INNOVATION NORWAY CREATES RESULTS



Nine out of ten companies believe that Innovation Norway's support has been crucial to the achievement of their projects. An analysis by Statistics Norway (SSB) indicates that this support has an effect. Companies supported by Innovation Norway have over 12 percentage points higher annual revenue growth compared to equivalent companies that do not receive this support.

## Purpose and key objectives

Innovation Norway is the Norwegian state and counties' key instrument to achieve value-adding business development throughout the country. Innovation Norway must achieve profitable business development for companies and society and generate business opportunities for the regions by increasing the numbers of good entrepreneurs, companies with growth potential, and innovative business environments.

It is of great value to business and industry that they have access to an offensive, risk-taking partner and pathfinder, which also has the patience and dedication to achieve results for the customer. This is even more important at a time of demanding and comprehensive realignment and transformation.

With a regional presence both in Norway and abroad, Innovation Norway is uniquely positioned to generate profitable business development based on the

regions' various preconditions and the opportunities within business and industry. Innovation Norway has many clients, yet they all require us to contribute to long-term, sustainable value creation in Norway, and to work with companies, both individually and within networks. Business development competence is required for all tasks and effects, sectors and geography.

This makes Innovation Norway a central player in the implementation of the business and innovation policy. Via customer meetings and a presence in key arenas in Norway and abroad, Innovation Norway is in contact with a broad cross-section of Norwegian business and industry, which gives insights into the challenges and opportunities faced by the business community at any time. This insight is the basis for our role as innovation policy adviser to the authorities on policies and initiatives to promote innovation and business development throughout the country.

**Nine out of ten companies believe that Innovation Norway's support has been crucial to the achievement of their projects. An analysis by Statistics Norway (SSB) indicates that this support has an effect.**

# Increased value creation is the key for all tasks

By increasing value creation and its ripple effects we can serve society in several ways. These tasks can be grouped into four main missions: an innovation assignment, a regional assignment, a lending assignment complementing the banking sectors and an assignment developing the agricultural sector. In 2015, Innovation Norway had 41 principals, distributed on five ministries, county authorities and county governors.

The ministries are Ministry of Trade, Industry and Fisheries, Ministry of Local Government and Modernisation, Ministry of Agriculture and Foods, Ministry of Foreign Affairs and Ministry of Climate and Environment.

The Innovation assignment ranges from research and development, entrepreneurship and clusters, to export promotion, network building and knowledge gaining, humanitarian responses and social and economic growth and development in demanding markets, and in the new EU member states. Developing more innovative business environments is a vital task. Innovation Norway also has a role to play within tourism, which comprises many small providers of accommodation and attractions. Innovation Norway assists with coordinating and professionalising market activities and increasing business expertise. Branding Norway is important if we are to succeed in retaining and attracting foreign investment, competence and tourists. Branding Norway is a public good that Innovation Norway is responsible for developing and managing on behalf of the community, in close collaboration with a number of other entities.

Internationalisation is becoming more and more important, especially since foreign exchange revenue is declining and the trade balance has been permanently weakened as a consequence of dwindling oil revenue. The Norwegian business community's ambitions must be increased so that more companies can grow within global value chains. We can see more and more companies joining forces in international promotion drives.

The regional assignment is also a key task for Innovation Norway. There are several reasons for an extra policy initiative in rural areas. The aim is to contribute to value creation throughout Norway. Companies in the districts face stronger, additional and new forms of market failure and disadvantages due to the long distances and low property resale values. Increased value creation will have greater ripple effects in less densely populated areas. Large elements of the oil and gas supplier industry are located in the districts, and many of these face considerable adjustments. Innovation Norway also has the important task of assisting selected municipalities with their adjustment process, for example if a cornerstone company discontinues its activities. Extra focus on women's participation and diversity in work and business is important from a diversity and equal opportunities perspective and is especially important in the rural areas, where working opportunities for both partners or spouses will be vital to their choice of location in which to settle.

The lending assignment is related to the market failure in the capital markets. Evaluations show that Innovation Norway operates more intensively in areas where the banks are less active. There is often also a need for risk sharing for major projects, and Innovation Norway provides private capital for projects that are economically important to society. Contingency measures to counteract crises are also an important reason.

The agricultural assignment ranges from traditional agriculture, working to generate investments for sustainable production and productivity growth, to developing additional businesses around the farms. Timber-based innovation is also a key input area.

## **Trigger innovation**

Innovation Norway is receiving NOK 3.4 billion from Parliament, county authorities and county governors to release innovation and increase value added. Adding the loan schemes, the total amount of financing business and industry in 2015, reached NOK 6.1 bn. This released other sources of financing of additional NOK 10.2 bn, mostly private.



## Results and effects

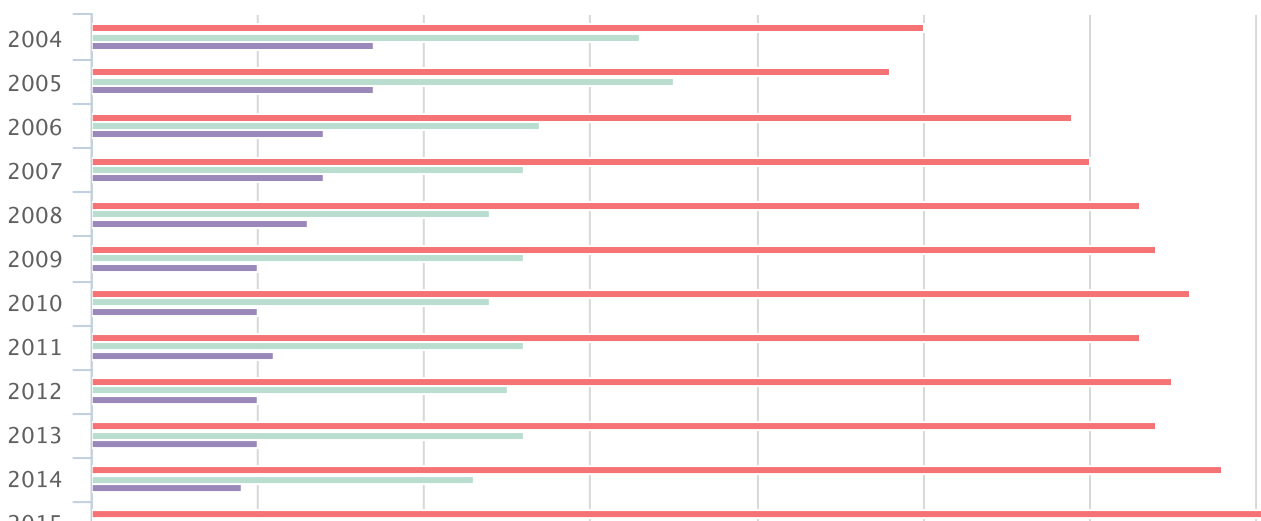
A key objective of Innovation Norway's work is to make a difference for our customers. According to customer effect surveys performed by Oxford Research for Innovation Norway, more than nine out of ten respond that Innovation Norway's contribution was vital to realizing the project. The indicator we use to measure this is called additionality. It measures the extent to which the help has been of significance to achieving a project. High and medium effects have increased steadily since the establishment of Innovation Norway in 2004.

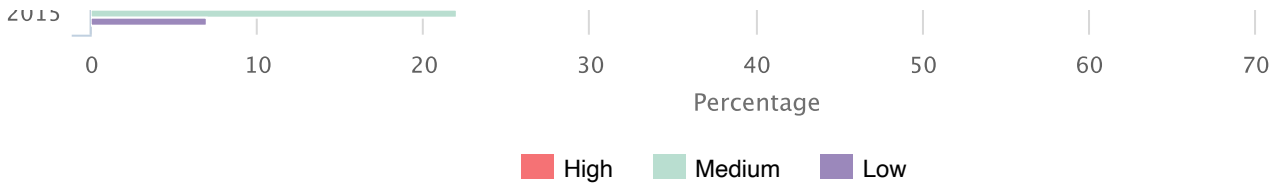
Customers that received a service in 2015 more often believe that the project has helped to increase competence than customers from the previous year. Entrepreneurial companies score higher on the competence indicator than

growth companies. Areas in which competences are now being strengthened are the development of goods and services and the development of organisation and management, while strategy and market development play a smaller role than before. This may be a consequence of the more constrained economy and greater focus on what companies see as basic activities.

The innovation level of the projects is increasing. Our data shows an increase in the innovation ratio at international level again in 2015. Innovation Norway is also taking on more risk in 2015, in terms of customers' accounting figures.

### INNOVATION NORWAY IS INCREASINGLY REALIZING PROJECTS





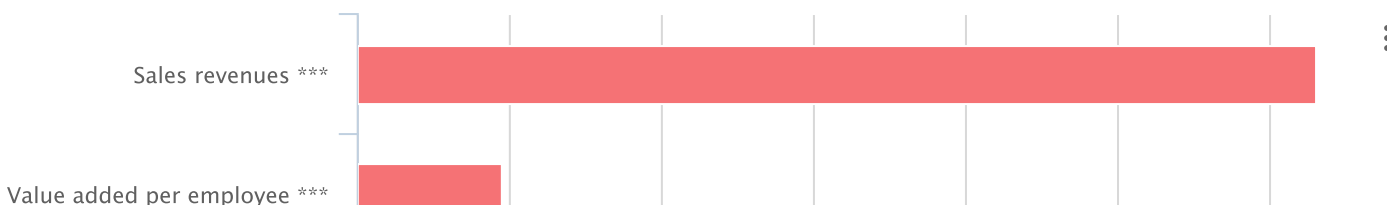
This figure shows the extent to which Innovation Norway has had an impact on project implementation.

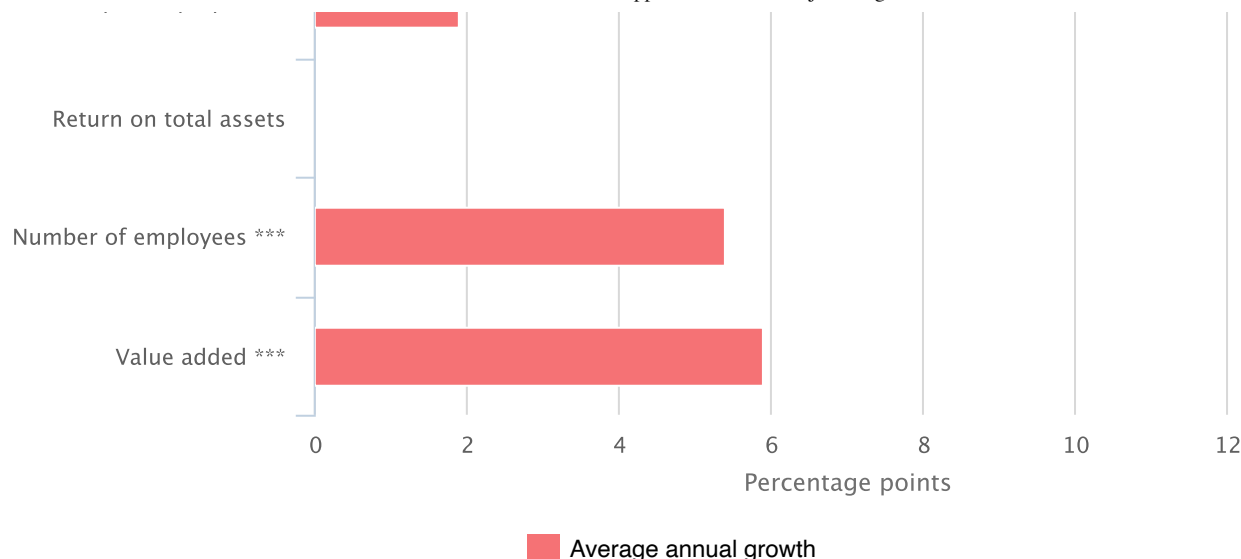
The red bar shows the proportion in which Innovation Norway has had a high level of impact (71 percent in 2015), while the green bar shows the percentage of medium impact (22 percent in 2015). The purple bar shows the percentage of projects where Innovation Norway has had a low impact on the implementation of the projects.

For 2015 in a total of 93 percent said the support from Innovation Norway has had high or medium decisive importance for the implementation of the projects . The proportion corresponding high and medium power has increased steadily since the establishment of Innovation Norway in 2004. Source: Oxford Research.

The annual figures from Statistics Norway (SSB) indicate that support from Innovation Norway has a significant effect. With the exception of operational profitability, Innovation Norway's customers develop differently from the control group. We can use a fictive example to illustrate what the indicators can tell us in practice. If the average company had 30 employees before using Innovation Norway, during a three-year period it will grow by around five employees more than equivalent companies that have not used Innovation Norway's services. In theory, this difference, or additional growth as we call it, will last for the duration of the investment.

A few customers within traditional agriculture are limited liability companies, and therefore fall outside Statistics Norway's analysis. Tourism campaigns are not measured either, since the customer is usually a destination company or joint project that does not itself reap the benefits of the marketing campaigns. The real beneficiaries are the owners of the destination companies and other contributors and partners within tourism.





#### Higher growth in sales revenues:

Companies supported by Innovation Norway achieve 12.6 percentage points higher annual growth compared to equivalent companies that do not receive support.

#### Value added per employee:

Companies supported by Innovation Norway achieve 1.9 percentage points higher annual productivity growth compared to equivalent companies that do not receive support.

#### Return on total assets:

Companies supported by Innovation Norway do not achieve higher growth in profitability than equivalent companies that do not receive support.

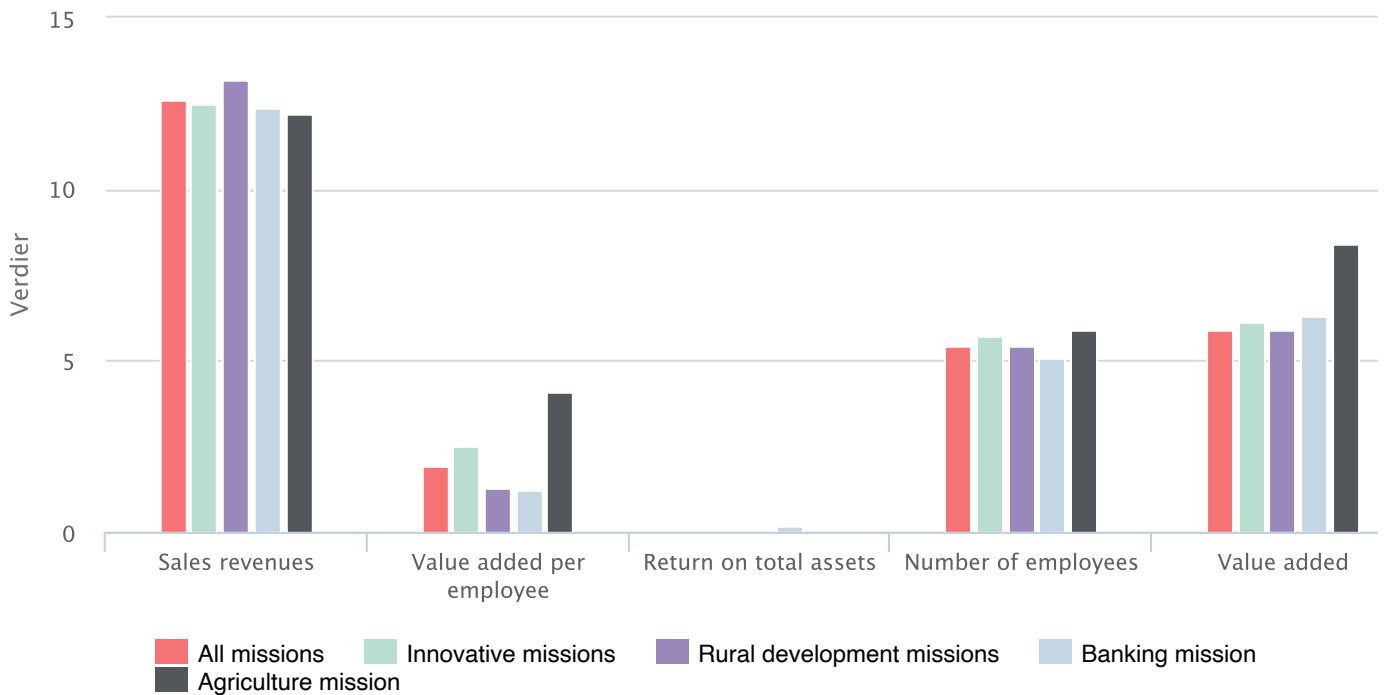
#### Growth in number of employees and value added:

Companies supported by Innovation Norway achieve 5.4 and 5.9 percentage points higher annual growth in employee numbers and value added, respectively, than equivalent companies that do not receive support. Growth in employee numbers and value added will often show a degree of co-variation, because salaries are an important element of value added.

Statistics Norway has also analysed the indicators across the four main assignments. The assignments match the division by ordering ministry, i.e. the Ministry of Trade, Industry and Fisheries for the Innovation assignment and the lending assignment (Low-risk loans), and the Ministry of Local Government and Modernisation/the counties for the regional assignment, and the Agriculture assignment (Timber-based innovation programme). There are very small differences between the levels of output from the different missions.

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## EFFECT NUMBERS SORTED BY MISSION



Felles for alle resultater og effekter er at gründerne scorer noe høyere på de fleste indikatorene enn bedrifter eldre enn tre år. Dette vil vi se nærmere på under delmålene.

### Changed effect measurement method – «from first to largest» and now with «exact match»

The method is a standard in the literature for comparisons between companies. Analyses by Statistics Norway consider changes in outcome variables, such as the revenue of the same companies over time, and non-static level differences between companies supported by Innovation Norway and a control group of companies. Stable, company-specific differences between Innovation Norway companies and the control group therefore do not constitute a problem in Statistics Norway's analysis. However, it is not possible to control unobservable variables that can influence the results. Caution should therefore be exercised in interpreting the results causally, i.e. as an expression of exact effect measurements. Effect indicators are, in fact, indications that there are effects. Statistics Norway further developed the methods in 2015 and the new estimates are therefore not directly comparable with the previous year's figures. The most important changes from the procedure documented in Statistics Norway's report 2015/35 "Effect on firm performance of support from Innovation Norway". The method referred to as "matching with stratification" in the report is used in the year's calculations.

## SUB TARGET 1

# MORE GOOD ENTREPRENEURS



Innovation and entrepreneurship are vital for Norway's transformation. The challenge for Innovation Norway is to find the start-ups that have the best potential for development. Every year, around 50,000 new companies are established in Norway, but very few of them grow into large companies. Our task is to release the power of the companies with the potential to grow, also internationally.

## **Ecosystem for entrepreneurs**

To develop successful entrepreneurs, we need more global entrepreneurs, more viable eInnovation Norway plays a key role in the ecosystem for innovation and entrepreneurship. The services and instruments offered by Innovation Norway are intended to complement this ecosystem.

Capital, competence, network and culture are vital ingredients for success, especially when combined. Matching public and private capital is also an important instrument for companies during the start-up phase. In 2015, Innovation Norway lent pre-seed capital to incubators, TTOs (Technology Transfer Office) and investment companies which use this as equity in start-up companies. This is a new financial instrument that, for each investment, will be matched with equivalent private liable capital.

## **Surging ahead**

The aim for all entrepreneurs who contact Innovation Norway, even those who do not qualify for our support schemes, is to gain valuable insights. To make it even easier for entrepreneurs to contact Innovation Norway, in 2015 the helpline for entrepreneurs was moved to the newly established Entrepreneur Centre in Førde. During 2015, the number of enquiries received by the phone helpline service for entrepreneurs almost doubled, from 4,332 in 2014 to 8,186 in 2015. Innovation Norway's district offices also mobilise initiatives via the 'From idea to market' day-long courses for entrepreneurs.

## ENTREPRENEURS HELPLINE



The division of the startup grant into two phases has also helped to simplify and streamline the selection and follow-up of entrepreneurs. Phase 1 support is related to market clarification and was capped at NOK 150,000 in the first half of 2015, which was then adjusted in June to maximum NOK 100,000. Phase 2 support is related to commercialisation and in the first half of 2015 was subject to a maximum limit of NOK 800,000. This was also adjusted for the second half of 2015, to maximum NOK 500,000 for each applicant. The maximum amounts were reduced due to the high demand and the wish to support more enterprises.

To ensure effective processing of the phase 1 applications, they are all now handled by the Entrepreneur Centre in Førde. In 2015 Innovation Norway's objective was to reduce the case processing time for applications for startup grants. The average case processing time has been reduced from 60 to 13 days.

## **Competence programme**

Just as much as capital, a lack of business or market competence can prevent a company's survival and growth. In recent years, Innovation Norway has therefore given priority to competence-building programmes for entrepreneurs. The programmes have increased in scale by almost 80 per cent, and in 2015 were attended by 158 companies, at 17 courses. The courses emphasise the upscaling and internationalisation of all elements of business operations. There is also focus on market orientation and close contact with customers.

### **COMPETENCE PROGRAMMES IN 2015:**

Tech incubator (TINC) in Silicon Valley

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Tech incubator (TINC) in Singapore

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Global Entrepreneurship Training (GET) at Babson College i Boston

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Business Bootcamp in cities in Norway

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Tech City Executive Accelerator (TEA) in London

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Entrepreneurial Marketing in New York

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Entrepreneurship in Emerging Markets in New Dehli

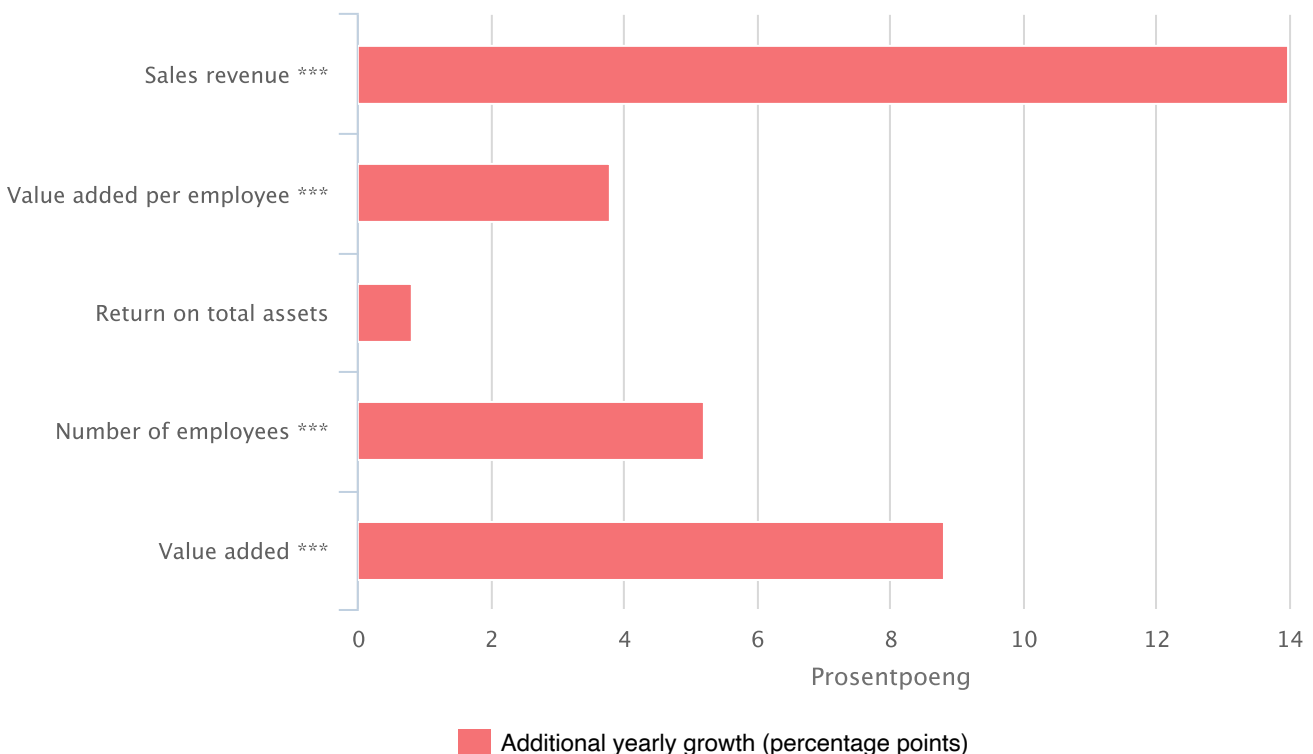
## **Good results**

The entrepreneur's enhanced status, the division of startup grants into two



phases, and faster case processing, are all elements that we believe will make it easier to start up a company, and increase the number of successful entrepreneurs.

Around 27 per cent of all grant commitments made by Innovation Norway in 2015 were given to entrepreneurs and newly established companies (three years and younger). Startup grants accounted for 22 per cent of the support given. Just over half of the projects were related to innovation at international level. Figures from Statistics Norway indicate that Innovation Norway's initiatives for entrepreneurs are continuing to have a good impact. The startups supported by Innovation Norway had an average of 14 percentage points higher annual revenue growth compared to a control group consisting of comparable start-ups that did not receive support from Innovation Norway. In the same way, the increase in value creation was almost 9 percentage points higher than for the control group.



The stars in the figure above show the level of significance, a measure of our certainty of an actual difference between our clients and the control group we compare with.

#### Higher growth in sales revenues:

Entrepreneurs that received support from Innovation Norway achieve 14.0 percentage points higher annual growth compared to equivalent entrepreneurs that did not receive support.

**Value adder per employee:**

Entrepreneurs that received support from Innovation Norway achieve 3.8 percentage points higher annual productivity growth compared to equivalent entrepreneurs that did not receive support.

**Return on total assets:**

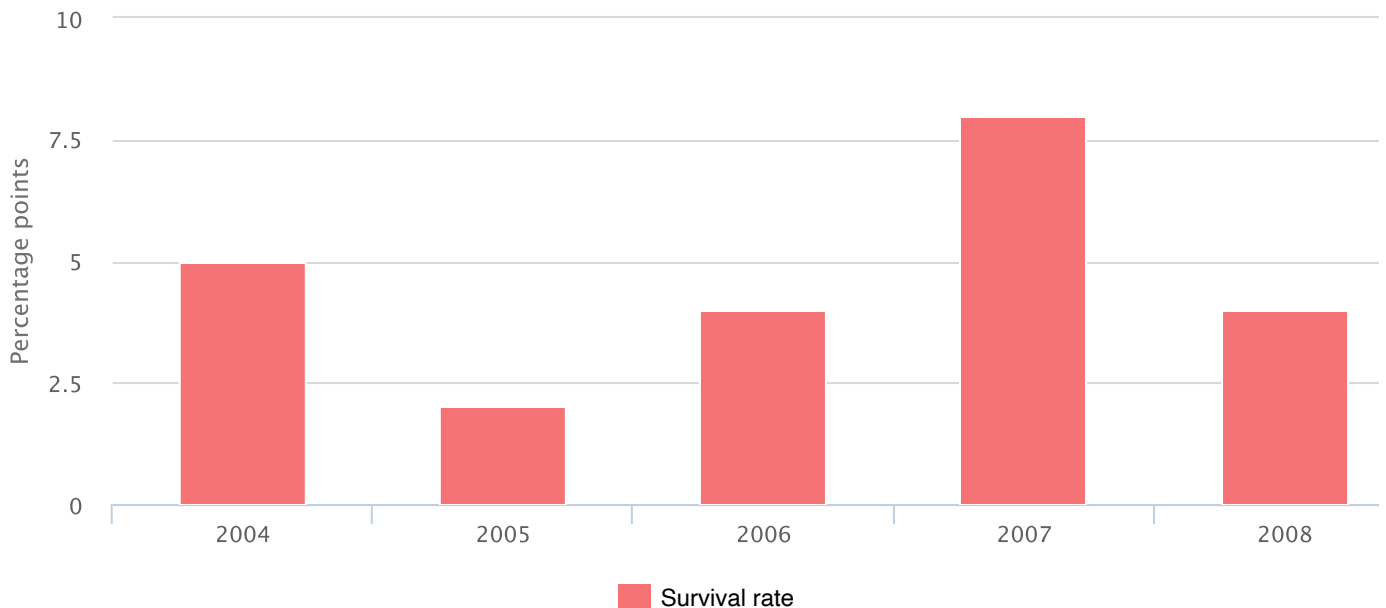
Entrepreneurs that received support from Innovation Norway achieve 0.8 percentage points higher annual profitability growth compared to equivalent entrepreneurs that did not receive support.

**Growth in number of employees and value creation:**

Entrepreneurs that received support from Innovation Norway have 5.2 and 8.8 percentage points higher annual growth in the number of employees and value creation, respectively, than equivalent entrepreneurs that did not receive support. There will often be co-variations in the number of employees and value creation, because salaries are an important element of value creation.

## Overlevelse

**THE DIFFERENCE IN SURVIVAL RATES BETWEEN ENTREPRENEURS SUPPORTED BY IN AND OTHER, SIMILAR ENTREPRENEURS WITHOUT IN SUPPORT AS A CONTROL GROUP, FIVE YEARS AFTER.**



Indikatoren er ikke avansert statistikk, bare en enkel sammenlikning av ulike årgangers overlevelse etter fem år. Etter fem år er alle IN-årgangene «bedre enn» kontrollgruppen, men forskjellene er relativt små. Sammenliknet med tall for alle nyetableringer i hele landet er det likevel gode resultater både for våre kunder og kontrollgruppen som vi sammenliknes mot, ettersom rundt sju av ti overlever etter fem år, mot kun om lag tre av ti når det gjelder alle nyetableringer i Norge. Veldig mange blant de sistnevnte faller bort allerede første året. Vi arbeider m.a.o. ikke med «gjennomsnittsgründerne».

## Applied and granted Start-up grants

## NFD og KMD

2013, 2014 og 2015

County	2013				2014				2015			
	NOK		Number		NOK		Number		NOK		Number	
	Applied	Granted	Applied	Granted	Applied	Granted	Applied	Granted	Applied	Granted	Applied	Granted
01 Østfold	8 717 000	3 600 000	23	14	12 989 791	4 620 000	35	17	17 872 354	8 687 000	74	32
02 Akershus	18 789 750	8 530 000	53	34	25 590 814	9 335 000	81	34	52 514 957	16 192 223	177	61
03 Oslo	42 897 161	15 755 000	111	56	85 640 288	37 622 000	233	104	96 520 404	37 599 800	410	146
04 Hedmark	11 124 270	8 953 644	35	37	12 011 112	8 087 890	43	32	17 355 250	12 272 600	64	54
05 Oppland	17 913 700	11 276 387	45	33	17 073 269	6 722 000	43	23	15 968 710	9 800 303	71	47
06 Buskerud	17 377 708	9 500 000	40	31	15 505 870	8 431 000	48	29	28 030 572	11 730 000	101	44
07 Vestfold	14 658 900	6 664 553	32	22	19 808 100	9 640 000	63	37	25 250 175	11 107 500	108	48
08 Telemark	16 702 500	10 862 500	44	37	13 879 860	7 793 160	50	31	16 658 725	10 785 700	57	40
09 Aust-Agder	4 500 000	4 775 000	15	15	12 035 737	6 077 000	42	29	18 078 100	13 061 872	69	53
10 Vest-Agder	14 081 900	8 340 000	40	29	19 431 500	10 457 000	57	41	33 965 818	17 952 500	124	87
11 Rogaland	29 707 566	18 865 000	70	65	56 093 600	31 815 000	153	97	103 448 432	59 036 100	373	220
12 Hordaland	25 341 500	15 867 070	57	43	136 893 557	23 340 000	101	75	60 691 110	37 813 728	234	135
14 Sogn Og Fjordane	6 265 431	1 307 000	10	5	8 831 882	6 335 000	26	21	21 848 500	14 755 152	64	51
15 Møre Og Romsdal	18 287 220	14 613 340	42	42	29 163 736	18 320 500	69	50	41 938 046	25 217 732	159	99
16 Sør-Trøndelag	20 746 150	14 940 000	49	45	28 478 382	19 605 556	85	69	38 822 347	24 937 035	146	105
17 Nord-Trøndelag	14 896 324	10 538 500	45	40	22 415 454	15 874 284	81	62	25 709 074	18 512 750	103	85
18 Nordland	17 606 500	4 457 500	52	16	24 371 250	8 067 745	77	33	20 881 379	11 774 999	94	62
19 Troms	15 740 100	9 755 750	37	32	17 872 980	11 080 500	56	46	27 230 082	10 266 044	94	58
20 Finnmark	9 230 950	5 308 000	29	23	9 870 917	6 872 500	38	28	15 242 087	11 382 000	64	52
21 Svalbard	2 906 000	2 846 000	7	8	3 950 000	3 463 030	8	7	7 530 000	4 220 000	18	11
99 Other counties/International	166 488 619	6 000 000	432	1	64 004 953	13 540 000	165	2	66 379 874	31 700 000	173	8
<b>SUM</b>	<b>493 979 249</b>	<b>192 755 244</b>	<b>1 268</b>	<b>628</b>	<b>635 913 052</b>	<b>267 099 165</b>	<b>1 554</b>	<b>867</b>	<b>751 935 996</b>	<b>398 805 038</b>	<b>2 777</b>	<b>1 498</b>

TARGET 2

# MORE COMPANIES WITH GROWTH

# POTENTIAL



Norway's export revenue has declined strongly during the past year, due to falling oil prices. No other OECD country has lost international market shares on the same scale as Norway during the last decade. Norway must find profitable new uses for its technology and key competences, to ensure increased value creation.

## **More companies must successfully grow and scale up their activities**

The current structural challenge faced by Norwegian business and industry is to become more differentiated. In a small, well-developed economy like ours, future growth depends on our ability to find new specialised, niche-based production directed at global markets and value chains. The public sector should therefore pay most attention to advanced, knowledge-based industry, professional services, and producers of the enabling technologies required by tomorrow's business and industry, and society in general.

## **Growth ambitions**

Business and industry face international competition both at home and abroad, and for companies with the ambition to grow, innovation, market orientation and internationalisation are vital. Local knowledge and networks are crucial to international success. The earlier market orientation and internationalisation are built into the business model, the greater the opportunities to achieve growth. Innovation Norway is present in the key markets, and via our own internationalisation programmes we arrange global learning arenas and joint initiatives directed at new markets for export companies to target. The number of deliveries in the form of international market advisory services under the auspices of Innovation Norway's international offices increased from 394 deliveries in 2014 to 562 in 2015. This is related to an increased influx of customers and additional referral and intermediation services for business partners.

## **Green transformation and other key challenges presents new opportunities**

The world faces key challenges in terms of our climate, energy, healthcare, transport, safety and food, and creating an inclusive society. These are major challenges, and by creating sustainable solutions we will achieve significant market opportunities – also for Norwegian business and industry. Using the areas in which Norway has advantages can create more Norwegian solutions to the global challenges. Innovation Norway is therefore helping companies to achieve long-term investment in sustainable solutions, even though this often entails considerable risk. In this regard, support for the testing of new environmental technology is a key instrument.

The realignment of Norwegian business and industry has increased demand for our financing schemes, especially the environmental technology scheme, research and development contracts and venture capital loans. Several companies that are ready to adjust wish to launch development projects, in order to ensure that they have a more diversified platform. In 2015, we saw several examples of 'cross-overs', which are companies that have developed technology for the oil sector and which are now seeking to use this technology in other areas, such as renewable energy, energy savings, civil protection and healthcare.

## Three measures to increase fulfilment of our objectives in 2015

In order to ensure more companies with growth potential, in 2015 emphasis was given to developing more future-oriented and relevant capital instruments, utilising the EU programmes better, and more effective advisory and competence-building services.

### Relevant capital instruments

There has been high and increasing demand for all types of financing in 2015. Companies need risk relief, to be able to grow and create new jobs. In the work of developing the capital instruments of the future, we can see potential for greater use of loans in the upscaling and growth phases, both for entrepreneurs and growth companies. Statistics Norway's analyses indicate that innovation loans are having good effects. We believe that loans will give companies better incentives. We see the increased demand for venture capital loans to build up companies' capacity for upscaling and international growth as an indication of this.

### Utilising the EU's programmes and network

Participating in EU and EEA programmes is important to Norwegian companies' internationalisation, networks and growth. More Norwegian companies should use the EU programmes' opportunities, especially the SME instrument in Horizon 2020, to finance their projects. This is not only of economic value, since it also gives opportunities for interaction with European companies and thereby insight, competence and experience in our most important markets.

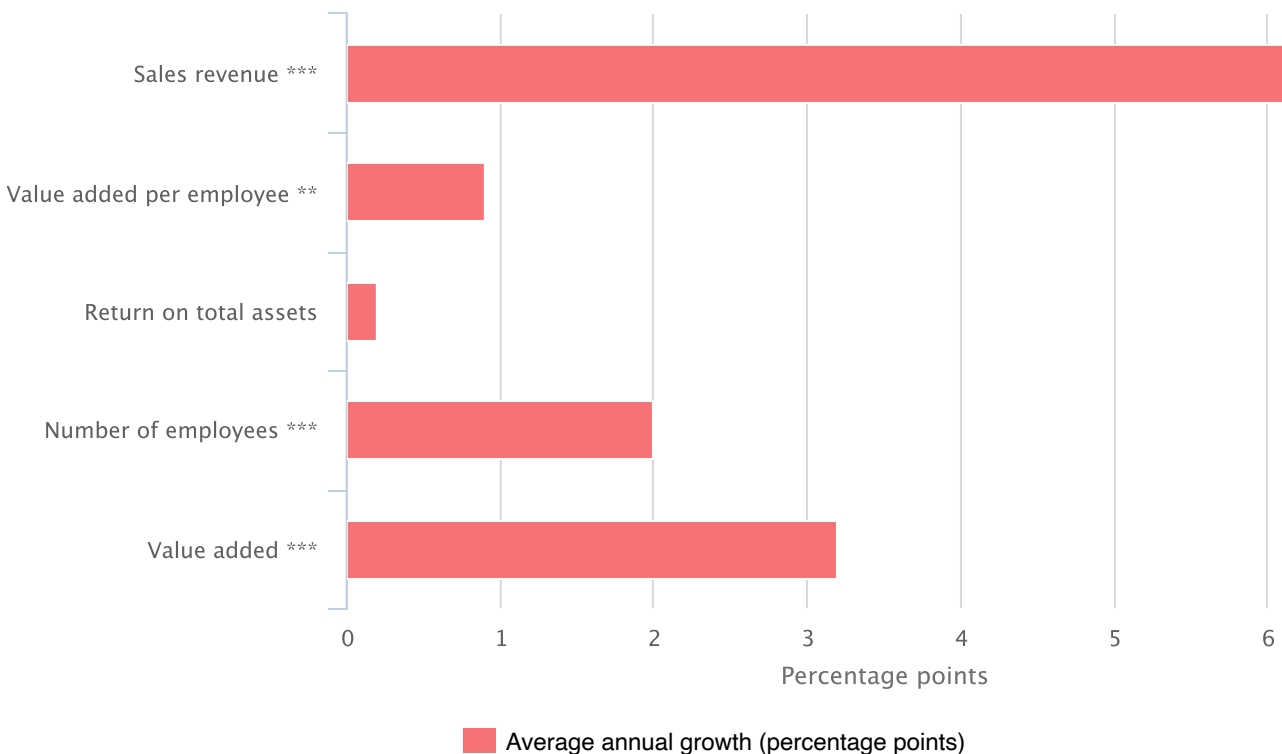
### Effective international advisory services

Digitisation and developing self-help tools for customers can streamline and simplify their access to competences and advisory services. Competence programmes whereby many companies learn together are highly effective. The companies also have access to individual advisory services. An example is the FRAM Market and another Business Network, which helps to reduce the risk and increase the pace of international market initiatives. We also connect Norwegian companies with key innovation and competence environments around the world. In 2015, the Export Handbook became available free of charge online. The Export Handbook is a digital service providing up-to-date information on technical trading conditions for relevant international markets. After the Export Handbook was made generally available to everyone, its use has quintupled.

# Results and effects

Innovation Norway's objective is to contribute to creating more companies with growth potential. The effect analysis undertaken by Statistics Norway in cooperation with Innovation Norway shows that growth companies supported by Innovation Norway on average achieve 6.1 percentage points higher annual revenue growth compared to a control group consisting of equivalent companies that do not receive this support.

Statistics received by Innovation Norway from Statistics Norway concerning high-growth companies and growth in the number of workplaces show that 90 per cent of the net job creation amongst the high-growth companies takes place in companies that are more than five years old. For a country that is undergoing adjustment, and which needs to replace lost jobs, it is vital to stimulate growth and exports in established business and industry.



The stars behind the numbers in the figure above shows the level of significance, a measure of our certainty of an actual difference between our clients and the control group

we compare with.

\*\*\*: 99% probability for difference between the two groups

\*\* : 95% probability for difference between the two groups

\*: 90% probability for difference between the two groups

No stars: The probability of a difference between the two groups are under 90%.

#### **Higher growth in sales revenues:**

Companies supported by Innovation Norway achieve 6.1 percentage points higher annual growth compared to equivalent companies that do not receive this support. Even though the relative growth rate in this case is lower than for entrepreneurs, companies that grow will contribute to much of the overall job creation.

#### **Value added per employee:**

Companies that received support from Innovation Norway achieved 0.9 percentage points higher annual productivity growth compared with equivalent companies that did not receive this support.

#### **Return on total assets:**

Companies that received support from Innovation Norway did not achieve higher growth in profitability than equivalent companies that did not receive this support.

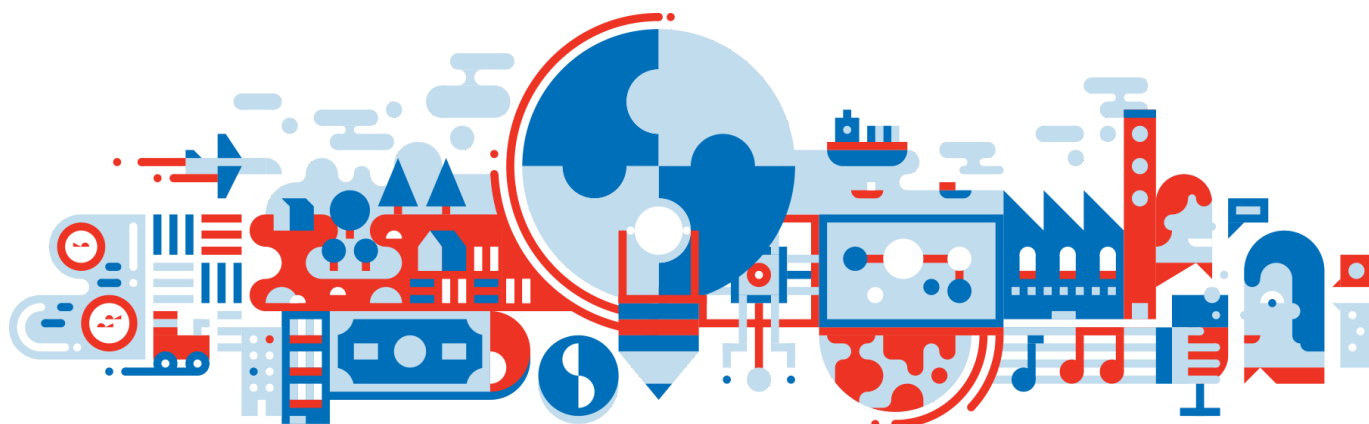
#### **Growth in number of employees and value added:**

Companies that received support from Innovation Norway achieved 2.0 and 3.2 percentage points higher annual growth in employee numbers and value creation, respectively, than equivalent companies that did not receive this support. There will often be co-variation in the number of employees and value creation, because salaries are an important element of value creation.



## TARGET 3

# MORE INNOVATIVE BUSINESS ENVIRONMENTS



Companies are increasingly committed to cooperate on innovation and business development in order to strengthen their competitiveness. Clusters and networks are important drivers of the renewal and transformation of businesses and industries.

## More innovative business environments

Companies that collaborate are more innovative, more productive and more competitive. The majority of Norwegian companies are small. If Norwegian businesses and industry are to face up to the global marketplace and social challenges, the best companies and business environments must work together. Innovation Norway is therefore working to strengthen the cooperation between companies and knowledge institutions through our cluster and network services. Via these services, Innovation Norway reaches around 2,500 companies across the country.

## **Stronger cluster initiatives**

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Norwegian Innovation Clusters consists of three levels; Arena, Norwegian Centres of Expertise (NCE) and Global Centres of Expertise (GCE). The programme is a cooperation between Innovation Norway, Siva and the Research Council of Norway.

The call for proposals in 2015 resulted in one new GCE project, three new NCE projects, and three new Arena projects. In addition, three ongoing Arena projects' periods were renewed by two years. Four Arena projects were concluded in 2015. At the end of 2015, there were three GCE, 14 NCE and 22 Arena projects in the programme portfolio.

In 2015, the programme placed greater emphasis than before to the clusters' contributions to renewing the value chain/sector and developing new business areas. In order to strengthen the clusters' efforts to transform Norwegian business and industry, in September 2015 a new initiative was established: Clusters as vehicles for transformation. The purpose is to further develop methods and technology areas that are important for innovation and transformation, and to contribute to spreading technology across established clusters and sectors. As part of this initiative, Innovation Norway has, in collaboration with three cluster organisations, started up two pilot projects:

- technology and methods for higher productivity and innovation rates, with NCE Systems Engineering Kongsberg and NCE Raufoss as

- partners; and
- Big Data and Internet of Things, with NCE Smart Energy as partner.

**It Norwegian businesses and industry are to face up to the global marketplace and social challenges, the best companies and business environments must work together.**

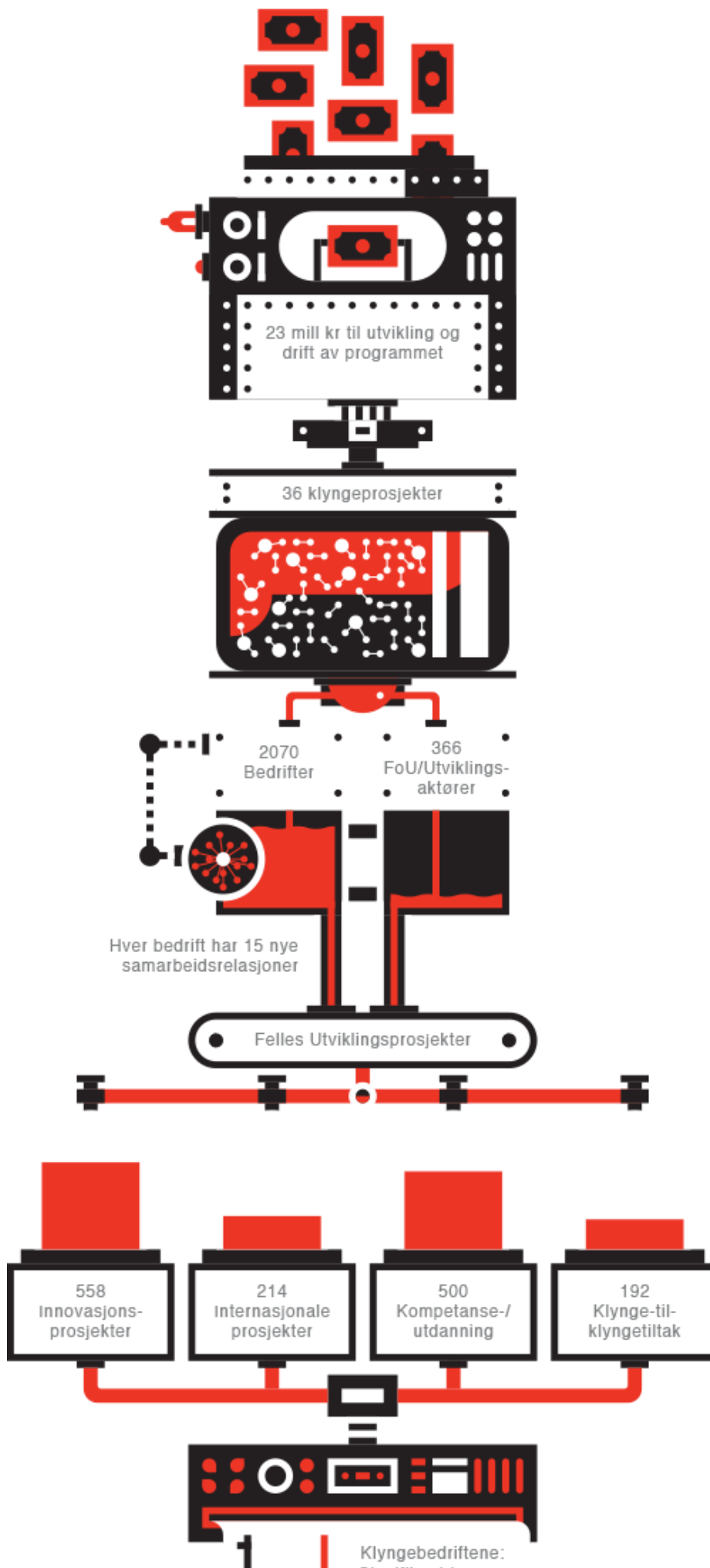
## **Business networks and competence development**

Business networks are a service from Innovation Norway to support small and medium size companies that join forces to successfully commercialise new solutions and international growth. 35 company networks were started up in 2015, while the aim was 30 new projects. At the end of 2015, there were a total of 73 company networks, with 675 participating companies in total.

The purpose of the program Competence development in regional business communities, is to strengthen their access to relevant competences, via cooperation with higher educational institutions. At the end of 2014, the project portfolio comprised 18 projects. The call for proposals in 2015 resulted in ten new projects for start-up in 2016. Three projects were completed in 2015. At the end of 2015 the portfolio consisted of 24 projects.

Innovation Norway is also a national competence centre for local transformation initiatives (Regional Development Programme). Innovation Norway assist selected municipalities and regions where, over time, too few jobs are being created, or if a cornerstone enterprise is discontinued. At the end of 2015, Innovation Norway was engaged as adviser for 27 municipal and regional transformation programmes.

140 million kr  
til utvikling av klynger



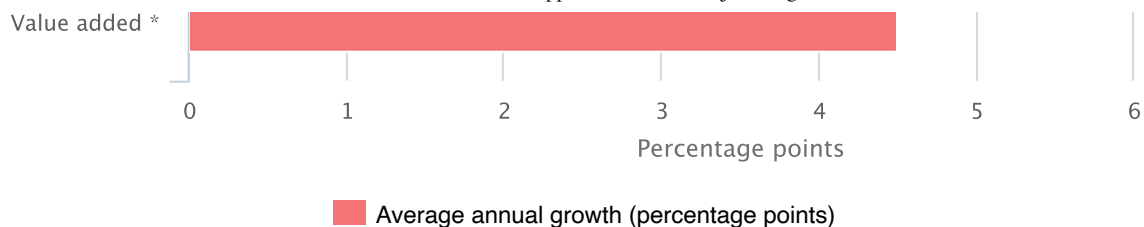


## Results and evaluations

### Higher revenue and value creation in clusters

Effect analyses from Statistics Norway indicate that there are significant differences in revenue and profitability between companies involved in a cluster project (Arena, NCE or GCE) and a control group consisting of comparable companies that do not participate in cluster projects. The analysis shows that companies involved in a cluster project achieve higher annual growth in revenue of 6.6 percentage points on average during the first three years. There is also higher growth in the number of employees, at 4.9 percentage points. For value creation, the analysis indicates additional growth of 4.5 percentage points in cluster companies compared with companies in the control group. For all companies that are part of cluster projects, irrespective of how long they have been part of the cluster project, the analysis shows higher revenue growth of 5.4 percentage points, and higher value creation of 3.8 percentage points, compared to the control group.





The stars behind the numbers in the figure above shows the level of significance, a measure of our certainty of an actual difference between our clients and the control group we compare with.

\*\*\*: 99% probability for difference between the two groups

\*\* : 95% probability for difference between the two groups

\*: 90% probability for difference between the two groups

No stars: The probability of a difference between the two groups are under 90%.

#### **Higher growth in sales revenues:**

Companies that participated in a cluster project for three years achieved 6.6 percentage points higher annual growth, compared with equivalent companies that did not participate.

#### **Value per added employee:**

Companies that participated in a cluster project for three years did not achieve significantly higher annual growth in productivity compared with equivalent companies that did not participate.

#### **Return on total assets:**

Companies that participated in a cluster project for three years did not achieve significantly higher profitability growth than equivalent companies that did not participate.

#### **Growth in number of employees and value creation:**

Companies that participated in a cluster project for three years achieved 4.9 and 4.5 percentage points higher annual growth measured in terms of number of employees and value creation, respectively, than equivalent companies that did not participate. There will often be co-variation in the number of employees and value creation, because salaries are an important element of value creation.

## **Regional ripple effects**

SINTEF was commissioned by Innovation Norway to analyse the regional ripple effects of five cluster projects in five regions. The analysis shows that four out of the five regions have seen positive development in overall regional competitiveness after the establishment of the cluster project, compared to the reference period.

The Regional Development Programme contributes to safeguarding and creating workplaces in regions with weak economic growth. In a survey by Innovation Norway of participants in 22 restructuring projects in 2015, it was seen that the transformation projects contributed to safeguarding and creating 600 workplaces in the transformation areas.

Via Competence development in regional business communities, so far 15 new training and education programs have been established. A survey done by Oxford Research in 2015 refers to how the projects managed to identify competence requirements in business and industry. The greatest challenges identified were related to involving educational institutions that lack the incentives and resources to work with the development of new competences.

## **Contributing to innovation and cooperation**

According to surveys by Innovation Norway of companies that are part of the Business network, taking part in these networks makes a significant contribution to innovation. Around 50 per cent of the companies state that the cooperation has contributed to innovation to some or to a great extent. More than 50 per cent of the companies believe that participation will have some or a great positive effect on competitiveness, revenue, profitability and/or the number of employees.



Innovation Norway's objective is also to strengthen the cooperation between the cluster participants, and with companies and knowledge institutions outside the cluster. The number of new and stronger collaborative relationships is thus an indicator of the results achieved. Surveys show that companies in cluster projects and Business networks program on average established 14 new collaborative relationships in 2015. This is approximately the same number as last year.

# NEW CHALLENGES AND NEW OPPORTUNITIES

Innovation Norway must contribute to achieving greater added value in Norwegian business and industry, enabling them to contribute to making Norway a good country to live in, and resolving many of the challenges we face, nationally and internationally.

**PER OTTO DYB**  
Chairman of the Board

Innovation Norway must contribute to achieving greater added value in Norwegian business and industry, enabling them to contribute to making Norway

a good country to live in, and resolving many of the challenges we face, nationally and internationally.

We therefore attach great weight to measuring the effects of what we do, besides seeking new knowledge of how our services impact society.

This is not an easy task, since most of our services are intended to contribute to innovation and learning, and the effects of this learning are disseminated among people, companies and institutions in ways that are not easy to track. We also know that it can take a long time for business innovation to have an impact on the national accounts. However, we are working continuously to identify reliable indicators and to develop the methods we use, working closely with external experts in this area. For example, Statistics Norway has made significant contributions to the development of even more relevant and reliable indicators and measurement methods.

Furthermore, Oxford Research has carried out so-called customer effect studies. The results of these measurements are presented in this Annual Report. In general, we can see good effects from our support to companies. For example, an increasing proportion of our customers report that the cooperation with Innovation Norway makes a difference. In 2015 93 percent of our customers reported that Innovation Norway had a high or medium effect on whether the relevant project was implemented. The percentage of firms reporting high or medium effect has increased continuously since the establishment of Innovation Norway in 2004. I would like to emphasise that we do not measure our success by the number of "successful" projects. If every project co-financed by Innovation Norway were to succeed, and every company survived, we would not have taken the necessary risks. Innovation is a risky game and Innovation Norway is to stimulate more companies into daring to invest in innovation. Even "failed" projects can contribute to learning, which can lead to innovation in other contexts.

Norway is a small country with a small domestic market, which means that we need to stimulate export growth and greater interaction with foreign companies and knowledge environments. This is especially important in a global economy that is subject to dramatic technological, economic and social upheavals, and in a national economy that must replace lost oil and gas revenue with new exports. Innovation Norway is well-prepared to assist, since we can connect the

competences of our 35 international offices, with insights from our 15 regional offices. However, we have not yet managed to fully utilise this potential. In 2015 we therefore gathered all of these offices into one division.

We are pleased that we are receiving enquiries from entrepreneurs and established companies that can see opportunities and wish to invest within all sectors. 2015 was a special year as we have now begun to see the effects of plunging oil and gas prices. When petroleum cluster companies increase their focus on economies and rationalisation measures, while reducing their rate of expansion, this also has consequences for other industries.

This has an effect on the demand for our services. For example, appropriations for innovation loans increased from around NOK 570 million in 2014 to around NOK 870 million in 2015. The number of grants under the scheme for nationwide establishment subsidies more than doubled, while the number of environmental technology subsidies granted increased by 160 per cent. We have managed to keep up with this increased demand, not at least because Norwegian government has increased our funding. Overall, we saw a 10 per cent increase in the number of subsidies and loans (low risk loans excluded) granted by Innovation Norway to Norwegian companies and entrepreneurs in 2015.

We continue to strive to achieve shorter processing times for all customers, but especially entrepreneurs. We have focused strongly on digitising our own services. In 2016, a new e-application and My site for entrepreneurs will be introduced.

In 2015, Innovation Norway had greater focus on the need for sustainable and responsible innovation, for the benefit of society and the environment, but also because we believe that the major challenges the world faces present new market opportunities. We would now like all projects to assess the three dimensions of sustainability: finances, social conditions and environmental impact. The increased funding for the environmental technology scheme in 2015 gave us greater scope to be able to take a position within green growth and sustainability.

While Innovation Norway has gained more funding aimed at assisting companies, the owners have reduced the company's internal budget, with expectation of rationalisation, transformation and downscaling of the workforce. Innovation Norway has naturally followed up on these requirements, and we believe that we

have carried out this assignment in a responsible way. When industry and society in general are required to adjust to a world that is undergoing major upheavals, Innovation Norway must do the same. Yet there is no reason to hide the fact that it has been a challenge to undergo such a downscaling process while at the same time increasing the level of activity, reorganising our activities and developing our understanding of Innovation Norway's role in the innovation system. Our employees, with their patience, competence and enthusiasm, have made this possible.

# BOARD OF DIRECTORS REPORT

## The nature of the business

Innovation Norway was formed on 19 December 2003 and has its head office in Oslo. The company is owned by the Ministry of Trade, Industry and Fisheries (51%) and the county councils (49%). Innovation Norway is organised as an enterprise established by special legislation, whose Board of Directors has an independent responsibility for its activities and the results achieved.

The Board is responsible for the administration and appropriate organisation of Innovation Norway's activities. The Board appoints the 15 regional boards for the district offices. They are accountable to the Board through the CEO. The owners exercise supreme authority in the company through the enterprise meeting.

## Objectives and goals

Innovation Norway's objective is to be the State and the county councils' policy instrument 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 to realise their potential for business development. This goal is to be achieved through the sub-goals of more successful entrepreneurs, more expansive companies and more innovative business communities.

Innovation Norway receives annual letters of assignment from ministries, county councils and county governors. Based on the national budget, the letters of assignment provide a combined overview of our principals' expectations and requirements for Innovation Norway's activities. The letters also set out Innovation Norway's allocation framework and guidelines relating to initiatives, programmes and services.

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 the goal structure and the company's activities shall contribute to goal attainment.

Innovation Norway offers five types of services: funding services, competence services, advisory services, networking services and promotional services. Most of the company's staff are located close to customers in offices situated in all the counties in Norway or close to the market in more than 30 countries worldwide.

# Continued positive effects

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In 2015, Innovation Norway received allocations and assignments in letters of assignment from the Ministry of Trade, Industry and Fisheries, the Ministry of Local Government and Modernisation, the Ministry of Agriculture and Food, the Ministry of Climate and Environment, the Ministry of Foreign Affairs, the county councils, the county governors and other public bodies. The common denominator in all our assignments is that we should contribute to value creation and business development in the entire country.

Appropriations from the Storting and county councils totalled NOK 3.4 billion. These finance loans, grants, advisory services, promotion and networking through Innovation Norway's various services. Innovation Norway contributed NOK 6.1 billion to business and industry in 2015. The funds triggered investments totalling NOK 16.3 billion. Nine out of ten enterprises stated that Innovation Norway's support was a determining factor for their projects to a high or medium high degree. The proportion of high degree increased from 2014 to 2015. In addition, Innovation Norway also triggers many other innovation and internationalisation activities by mobilising and providing expertise and networking.

It is important for Innovation Norway as a company that manages public funds to document the effect of the services the company offers. Measuring effect is methodologically demanding and can always be improved. Therefore, together with the Ministry of Trade, Industry and Fisheries, the company has taken important steps to establishing new methods for measuring effect. Among other things, the company has entered into a collaboration with the research department at SSB (Statistics Norway) to operationalise effect indicators in the performance management and result monitoring system.

The figures from SSB for 2015 indicate that the effect of support from Innovation Norway is good. On the whole, the figures show that enterprises that received support experienced 12.6% higher growth in turnover and 1.9% higher growth in productivity per year over a three year period than the control group. The methodology has been further developed since 2014 and the figures are therefore not directly comparable with previous years. The development in commercial

profitability is not different to the control group. The number of employees and value created increased by 5.4% and 5.9% respectively.

The increase in the share of innovation at an international level continued in 2015. NOK 2.2 billion went towards projects with innovations at international level in 2015, compared with NOK 1.3 billion in 2013.

A goal is to have good documentation of the effect of all services that are offered. The company focusses on documenting the effect of competence and advisory services to contribute to providing a more accurate total picture of the company's overall activities.

The Board is satisfied that Innovation Norway has a continual focus on acquiring knowledge about the services and schemes that are most effective in business and innovation policy. At the same time, the Board acknowledges that it is difficult to document short and long-term effects. After several years, there are many factors other than Innovation Norway's support that influence success. There is therefore a need to clarify that the measurements can only indicate effects, but that these indicators constitute important management information for the different services that the company supplies and that the company must continue with this work and also communicate the effects with this as the starting point.

## **The owners' expectations**

Innovation Norway's Board of Directors is responsible for following-up the owners' expectations for the company. The Board of Directors reports annually on how the owners' expectations have been followed-up, which includes a meeting between the owners and the Chairman of the Board regarding current status and goal achievement.

The owners have prepared four goals that define the direction in which Innovation Norway should develop:

- A greater focus on internationalisation work.

- Simplification of the policy instrument portfolio.
- Good customer dialogue.
- A clearer innovation policy adviser role.

In 2015, the administration has strongly focused on these four goals.

Internationalisation is important for Norwegian business and industry presently undergoing a restructuring phase. Companies and entrepreneurs often have to venture out into the global markets because the home market is too small to create growth. Opportunities for growth in international markets are therefore an ongoing topic in all of the company's dialogue with customers - both at home and abroad. With offices in important international markets and a nationwide network of offices in Norway, Innovation Norway has an excellent starting point for contributing to international expansion for Norwegian business and industry.

In 2015, Innovation Norway implemented its new organisational structure. 35 foreign offices and 15 district offices were combined under one joint management and into one division. This strengthens the collaboration between our offices and improves the connection of international market opportunities with the requirements of business and industry at home. In 2015, the company streamlined the international work and improved benefits to business and industry by working more with groups of companies rather than providing individual market advice. The company has seen the effect of this through an increase in the number of internationalisation services and good feedback from customers.

Innovation Norway is not represented in all countries and in 2015 the company therefore further developed its collaboration with the Ministry of Foreign Affairs and the embassies. This will strengthen initiatives that promote business in markets where Innovation Norway itself does not have a presence.

In autumn 2015, the company carried out an assessment of its international role and received a great deal of input from customers and partners. During spring 2016, the company will also conduct an assessment of its international presence. This is to ensure that, in future years, the company's international presence will be adapted to the needs of business and industry and the assignments the company has received.

Simplification of the company's processes and policy instrument portfolio has been a goal of the work with the new organisational structure and new strategy.



The need for clearly-defined services, new expectations from our customers for digital coordination and, not least, increased assignment volume together with reduced administration costs, have been key driving forces.

The number of services has been relatively stable since the restructuring in 2012, however feedback from business and industry shows that the policy instrument portfolio can still be perceived to be complicated. Further simplification of the service portfolio is therefore required to make it easier for customers to identify the services offered.

Good customer dialogue and positive customer experience were given high priority in 2015. The company continues the active use of customer service questionnaires as a basis for improving the active customer dialogue. The goal is to become better at challenging customers and providing expertise in the actual customer dialogue. This is based on a desire to make a greater contribution to customers' market orientation, internationalisation, environmental and corporate social responsibility (sustainability), and that the company is better able to connect customers to relevant partners.

The work on reducing case processing times for all customers, but particularly entrepreneurs, was intensified in 2015. The company reduced the case processing time for start-up grant phase 1 from 60 to 13 days by the end of the year. The case processing time for other services has also been reduced.

Innovation Norway shall be an innovation policy advisor for its owners by developing good and relevant knowledge and expertise for developing own strategies and service development. Innovation Norway wants to be a key contributor in the general debate concerning innovation and business development. On the whole, this requires that the company is able to attain, understand and make use of relevant knowledge for innovation policy development and that the company is able to measure and analyse the effects of its own operations. The Board believes that the dialogue with our principals and owners in 2015 was constructive and characterised by a shared desire and ambition of achieving learning and development in the best interests of Norwegian business and industry.

In 2015, the company intensified the development of the data and methods used for measuring effects of own services and of the interaction between these.

Innovation Norway has conducted extensive customer effect surveys for 20 years.

These methods are not as effective at measuring the effects of the company's non-financial services (advisory services) or support to recipients that are not organised as limited liability companies (something that applies, not least, to customers involved in agriculture). Therefore, in 2016 these customers will be assigned increased focus in the continued development of indicators and methods.

Innovation Norway is becoming increasingly more involved in the public sphere and public debate and has contributed towards encouraging debate about innovation policy. This was, not least, embodied by the "Dream Commitment" whereby Innovation Norway invited companies, organisations and individuals to discuss innovation for restructuring relating to national and global challenges. This resulted in over 80 events both in Norway and abroad which were attended by more than 3,500 people. This again resulted in many specific written contributions that Innovation Norway submitted to the secretaries of state at the Ministry of Trade, Industry and Fisheries.

## **Cost-effective operation**

The Board monitors the company's operations throughout the year and focusses on achieving goals, efficient operations and responsible administration of public funds.

During 2015, the Board and the company's management have prioritised the work on implementing the new organisational structure and developing a revised strategy. With this in place, Innovation Norway will be able to meet the new needs of customers, partners and principals, as well as facilitate more efficient collaboration with these parties. The basis for the company being able to develop more targeted and cost-effective operations in the years ahead will be strengthened through this.

In 2015 we also worked systematically with streamlining and digitalising work processes. Among other things, this work has included a new digital application process with MinSide (MyPage) for start-up grants and the coordination and co-

location of some back office functions performed both at district offices and offices abroad. In 2015, this resulted in efficiency gains through reduced use of resources, faster processing, increased specialisation and improved quality.

Together with the company's principals and owners, Innovation Norway has facilitated a digitalisation programme that involves increased investments in digital solutions in the next three years, something that will contribute to making the company more efficient.

It is difficult to see from the annual accounts how the company's costs have developed, because the accounts include the company's delivery costs and customer-oriented activities and projects. The administration has therefore worked with indicators that will in future provide the Board with necessary information about the development of the company's cost-efficiency.

## **Cooperation with other public funding agencies**

Innovation Norway, the Research Council of Norway and the Industrial Development Cooperation of Norway (SIVA), are the three main agencies in the government's system of policy instruments targeting business and industry. Both separately and together, these three agencies provide a significant and effective contribution to Norwegian business and industry's innovative power, internationalisation and value-creation. The three agencies have different roles, responsibilities, expertise and tasks, and are intended to complement each other throughout the value chain, from the birth of an idea up until the product/service is launched on the market.

In 2015, there has been extensive cooperation at strategic level which has been formalised through a works council with managers from the three organisations. There are four meetings per year with the topics: a shared and comprehensive customer perspective, regional coordination, coordination of our international work and a common knowledge base. There is increasingly more cooperation at

executive management level in the organisations. Several joint arrangements have been planned that will be realised in 2016, including the three agencies jointly conducting Innovation Speech 2016 for the first time.

In connection with the work within the environment in general and the environmental technology scheme in particular, Innovation Norway also has extensive cooperation with Enova. Joint information and customer meetings are conducted in addition to the organisations meeting regularly to review the management of grey areas in order to have as clear a role and division of responsibility as possible.

The county councils play a vital role as regional development players. Innovation Norway has developed close cooperation with each of the county councils at strategic and operative level which seeks to safeguard the need for a coordinated effort within the framework of regional and national prioritise.

Innovation Norway will continue to strengthen this cooperation in terms of both customer-oriented and innovation policy advisory work.

The Board finds that Innovation Norway cooperates well with the other public funding agencies. This will help us realise the ambition of having clear and coordinated agencies whose policy instruments complement and support each other and that are perceived as parts of a whole by business and industry, R&D institutions and the public authorities.

## **Overview of the annual accounts**

The profit for 2015 was NOK 263 million, compared with NOK 298 million in 2014. In 2015, the profit before losses was NOK 284 million, compared with NOK 312 million in 2014. Net interest income was NOK 426 million in 2015, compared with NOK 417 million the previous year. Dividends and net gains/losses on securities were NOK 14 million in 2015, compared with NOK - 1 million in 2014. The increase was related to net gains from the sale of shares in the investment funds in Northwest Russia and Eastern Europe.

Total operating income amounted to NOK 1,231 million, compared with NOK 1,321 million in 2014. The decrease was related to somewhat lower activity in 2015 compared with 2014. This must be viewed in connection with the fact that 2015 was a year of restructuring. External revenues decreased by NOK 31 million. The decrease was related to reduced revenues from user-pay services.

Operating expenses amounted to NOK 1,387 million, compared with 1,425 million in 2014, a reduction of NOK 38 million. Payroll expenses amounted to NOK 713 million in 2015, compared with NOK 671 million in 2014. Among other things, the increase was related to ordinary wage growth and wage drift due to redefined roles and responsibilities and altered composition of the workforce. In addition, there was a significant increase in ordinary pension expenses adjusted for the one-off effect that occurred in 2014. The previous year's payroll expenses were characterised by one-off effects such as plan changes in connection with pensions (NOK 64 million in reduced costs) and restructuring costs (NOK 46 million in increased costs). Other operating expenses amounted to NOK 190 million in 2015, compared with NOK 188 million in 2014. Rent and costs of premises have decreased slightly, while consultancy costs have increased. The increase in consultancy costs is related to an increased focus on IT. Other costs have decreased, but adjusted for reimbursed value added tax received in the Netherlands of NOK 12 million, this item has had an underlying increase. Direct project costs amounted to NOK 481 million in 2015, compared with NOK 562 million in 2014. The decrease was related to lower activity.

Net losses on loans amounted to NOK 21 million, compared with NOK 14 million in 2014. Losses on loans largely relate to the low-risk scheme. The losses incurred represented 0.1 % (0.1 % in 2014) of the loan portfolio.

Losses on loans related to Innovation Norway's high-risk loan schemes and seed capital funds are covered by loss reserves, and are therefore not reflected in Innovation Norway's financial performance figures. Losses on loans relating to high-risk loan and guarantee schemes amounted to NOK 25 million in 2015, compared with NOK 85 million in 2014. These lending activities are expected to involve a higher risk profile than the low-risk loan scheme and with losses over time of close to 5% of the portfolio per year. In 2015, the losses incurred represented 0.9% (3.2% in 2014) of the portfolio. Seed capital funds had losses of NOK 45 million in 2015, compared with NOK 56 million in 2014. The losses

amounted to 4.1% in 2015 (5.4% in 2014). The loans were granted during the period from 2006 to 2008.

Changes in losses are closely linked to fluctuations in the economy. Our loan customers have enjoyed good operating conditions for some time, which has resulted in lower losses on loans. Losses on loans were also low in 2015 despite uncertainty in the Norwegian economy due to the fall in the price of oil and cutbacks in the oil industry. Innovation Norway is not directly exposed to oil and gas extraction, but has loans to subcontractors that are affected by the challenges facing the offshore sector. On the other hand, the low interest rates and weak Norwegian krone have strengthened the competitiveness of other industries in the loan portfolio. It is uncertain as to how this development will affect the overall credit risk in the future, however the Board is of the view that the company is well equipped for somewhat more challenging times for business and industry in 2016.

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 from lending activities being refinanced approximately every three months. Gross payments received in connection with borrowings amounted to NOK 44 billion, which is somewhat less than in 2014. Net liquidity increased by NOK 173 million, compared with a decrease of NOK 338 million in 2014.

Innovation Norway's balance sheet total at year end was NOK 23.6 billion, which was virtually the same level as in 2014 (NOK 23.7 billion). The most important changes were bank deposits that increased by NOK 173 million, which was offset by a decrease in net loans of NOK 302 million.

Net loans amounted to NOK 16.9 billion as of 31 December 2015 (NOK 17.2 billion as of 31 December 2014). In 2015, NOK 2.4 billion was paid out in new loans (NOK 2.7 billion in 2014) and NOK 2.7 billion in grants (NOK 2.2 billion in 2014).

The company did not incur any costs or make investments related to R&D in 2015. External evaluations and analyses are carried out of the company's activities and use of policy instruments. The company uses the knowledge they provide in the development of our services, organisation and work processes.

# **Risk management**

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Innovation Norway is exposed to a complex risk situation. Sound risk management is an important prerequisite if Innovation Norway is to be capable of achieving its goals at different levels over time. Innovation Norway bases its risk assessment and management on the methodology document "Risk management in the government administration". A risk management committee has been established for the coordination of risk management in the company

## **Strategic business risk**

Strategic risk relates to factors that are important in relation to Innovation Norway's long-term goal attainment.

The company makes annual assessments of factors important for the company's goal attainment at the overall level. Based on Innovation Norway's strategy, an "Overall risk assessment for the company" is submitted for consideration by the Board each year, and measures to mitigate risk are identified and implemented. Extraordinary risk assessments are conducted in the event of significant changes in the Norwegian economy or the company's assignment situation, or if the four-monthly reports on goal attainment show significant deviations. When necessary, risk assessments of critical functions and limited areas are carried out at a lower level.

After the annual national budget has been presented, the company reports to the Norwegian Ministry of Trade, Industry and Fisheries about the risk of not achieving the company's goals and on the need for potential measures.

## **Financial risk**

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

## **Liquidity risk**

Innovation Norway has a borrowing arrangement with the Norwegian State. The lending limits are defined in the annual letter of assignment from the Ministry of Trade, Industry and Fisheries. The lending limits stipulate how much liquidity the company has available for new loans. As a result of this arrangement, Innovation Norway has no liquidity risk in practice.

## **Credit risk**

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

Low-risk loans are granted on market conditions. Projects must only be associated with a moderate risk to receive funding. The risk is therefore limited by relatively stringent security requirements.

Innovation and high-risk loans are a form of lending that primarily aims to help small and medium-sized enterprises that need risk mitigation in investment projects by providing top-up finance for such 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 for these types of loans is relatively high.

Loans to seed capital companies are subordinated loans to seed capital companies that are equivalent to private equity and loan capital. The loans have a high risk profile.

Loss reserves have been established for innovation and high-risk loans and guarantees, and for loans to seed capital fund companies. Hence, Innovation Norway does not bear the risk for these loans, as any losses will be covered by the loss reserves or additional appropriations. The purpose of the loss reserves is to enable Innovation Norway to mitigate risks for innovative projects with growth potential and thus help to realise more profitable projects that would otherwise find it difficult to find sufficient venture capital in the market.

## **Interest rate risk**

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

## **Operational risk**

Operational risk consists of all the potential sources of loss related to Innovation



Norway's ongoing operations. Examples of such sources include procedural failures, computer system failures, lack of expertise and breach of trust on the part of the employees. Internal control is an important tool for reducing the operational risk. The Board has established an internal audit function in order to strengthen internal control. Innovation Norway has contingency plans and carries out exercises on a regular basis. The ethical guidelines emphasise impartiality and the duty of confidentiality, dilemma training and corporate social responsibility (CSR). There is also focus on authorisation structures and procedures to ensure responsible processing in Innovation Norway.

## **Going concern**

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

## **Working environment**

Innovation Norway is an Inclusive Workplace (IW) enterprise and has a corporate health service at both its head office and the district offices. Regional safety representatives have been elected for our offices abroad, and our biggest offices also have a works council and working environment committee.

A control system has been established for matters relating to health, safety and the environment (HSE) as an integrated part of the organisation's overall quality assurance. Procedures for notification (whistle-blowing) have been established.

Cooperation with the employee unions is good.

In 2015, absence due to sickness was 3.3%, compared with 3.4% in 2014. Female employees account for 56 % of the total absence due to sickness. Two injuries resulting in admission to hospital were reported in 2015.

In 2015, we have had a downsizing process and a restructuring process that have taken place concurrently. Employee representatives have been involved in the entire process and the provisions for collective redundancies have been followed. Employers' Association Spekter has provided ongoing input to the management regarding the implementation of this process. The result of the process meant that 51 employees were not found positions in the first stage. Following an assessment in relation to available positions and discussion meetings, 37 redundancies were sent out. At year's end, 17 of the 51 employees had been given new job opportunities at the company and there were 3 cases that had not been resolved.

## Gender equality and diversity

Gender equality and diversity are implemented into the company's routines and guidelines and awareness of this must be included as a natural part of the manner in which the company operates.

The Board of Directors consists of eleven members, of whom six are women and five are men. In 2015, the proportion of women in the executive management group was seven out of eleven (64%).

At year-end 2015, the proportion of female employees in Innovation Norway was 52%. 36% of the applicants for available positions at Innovation Norway in 2015 were women. 21 (62%) of the total of 34 new employees during 2015 were women.

The table below shows the proportion of women at the various position levels in the company.

<b>STILLINGSKATEGORI</b>	<b>2015</b>	<b>2014</b>
Direktør	44%	42%

Advokat	63%	63%
Avdelingsleder	48%	56%
Spesialrådgiver	30%	28%
Seniorrådgiver	47%	53%
Rådgiver	78%	81%
Konsulent	75%	84%

The table below shows the relationship between women and men's pay at each position level.

STILLINGSNIVÅ	GJENNOMSNIITT AVVIK LØNNSFORHOLD	
	2015	2014
Direktør	4,8%	-1,6%
Avdelingsleder	0,3%	-0,2%
Spesialrådgiver	-6,1%	-8,4%
Seniorrådgiver	-2,6%	-3,2%
Rådgiver	0,2%	-3,6%
Konsulent	-8,5%	-5,4%

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

Innovation Norway has a clear goal to reduce the pay differences in the organisation. In 2015, we have taken steps in the right direction across several position levels

Of the company's total number of 716 employees, 30 work part time. Of these, 73% are women and 27% men. For those who work less than full time, the average percentage position for women is 67% and 60% for men.

Innovation Norway includes a diversity statement in all job advertisements. It emphasises that our recruitment process aims to ensure diversity with respect to gender, age and cultural background. Innovation Norway has implemented general measures to promote diversity (ethnicity, age, gender, functional impairment).

Annual reports are submitted to the Directorate of Integration and Diversity on the status of recruitment and the appointment of new employees from immigrant backgrounds.

# **The natural environment**

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

# **Corporate social responsibility**

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Sustainability shall be a constant factor in Innovation Norway's activities. In 2015, a separate division for sustainability was established and the Board approved of a new strategy for this area. Together with Innovation Norway's anti-corruption policy, this strategy guides customer-oriented work with corporate social responsibility.

The UN Global Compact has been the most important platform for Innovation Norway's work with corporate social responsibility. From 2015, the OECD's guidelines for multinational companies and the UN framework for human rights have also been included. In addition, Innovation Norway has good cooperation with the organisations Transparency International and the Ethical Trading Initiative Norway.

## **Human rights**

The Norwegian Government's Action Plan for Business and Human Rights was launched in autumn 2015. It provides guidelines for Innovation Norway's work with corporate social responsibility in relation to customers. Innovation Norway's role as a mentor for Norwegian companies when concerning the risk of pitfalls when conducting business abroad has been described. The work on assessing corporate social responsibility in financing matters is also referred to and emphasised as being important.

## **The relationship between Innovation Norway's business strategy and corporate social responsibility**

Innovation Norway is a driving force for greater corporate social responsibility

among its customers. The company highlights this by placing expectations on customers to take their corporate social responsibility seriously, and we give priority to customers who can demonstrate a good understanding of what this implies and show that they have implemented relevant measures. Corporate social responsibility is assessed and scored in all applications for financing and, until the summer of 2015, the competence services had a compulsory module for corporate social responsibility. This has now been continued in a new sustainability module.

In agreements, Innovation Norway expects the activities of customers and suppliers to be based on stringent ethical requirements and to avoid contributing to corruption, violation of human rights, poor working conditions or harmful impacts on local communities and the environment.

In the service survey conducted in 2015, 47% of customers that used services in Norway stated that Innovation Norway made them reflect on their corporate social responsibility. This is a slight increase compared to 2014 and is closer to the goal of at least 50%.

### **Combating corruption**

Innovation Norway works actively to maintain a strong focus on the risk of corruption, including among the company's employees, employee representatives, suppliers and customers.

Corruption is central to the company's ethical guidelines and is further elaborated on in a separate anti-corruption policy. Innovation Norway requires a high ethical standard of its employees and employee representatives, and has a zero tolerance policy in relation to corruption. The guidelines deal with different topics relating to corruption and establish clear frameworks for, among other things, receiving gifts, representation and cost coverage. Innovation Norway also has more detailed guidelines for impartiality, the right to hold honorary positions and secondary occupations, as well as rules for ownership and securities trading.

Innovation Norway's compliance function monitors and regularly reports the company's exposure to corruption. Annual assessment activities are carried out to identify the services and company processes that are exposed and the measures that should be implemented to reduce the risk. This approach has, for example in 2015, resulted in the establishment of new and stricter routines for procurements with compulsory screening of the corruption risk.

The company has an electronic reporting channel for employees and employee representatives which enables anonymous notification to the compliance function. The notification procedure emphasises that employees have both a right and sometimes even a duty to report breaches of legal or ethical obligations, either through the line organisation or by using the reporting channel. All such notifications will be treated confidentially, and whistle-blowers at Innovation Norway are protected against reprisals etc. as a consequence of them reporting such breaches.

Employees at Innovation Norway cannot accept board positions at other business enterprises without written consent from Innovation Norway. Secondary occupations also require written consent. The positions are registered together with employee and employee representatives' holdings of unlisted shares in an impartiality database that is directly connected to the company's processing tool in financing matters.

Knowledge about and vigilance surrounding the risk of corruption are among the most important measures for preventing and combating corruption in the company and among suppliers and customers. Therefore, in autumn 2015 Innovation launched a programme for anti-corruption training which all managers in Norway and abroad were requested to complete with their staff during the year. The anti-corruption training and the internal newsletter "Compliance Focus" have created increased knowledge about and awareness of the risk of corruption in the organisation. This is demonstrated through, among other things, the types of inquiries that are directed to the compliance function and in feedback that appears in the reporting forms after training has been completed.

Corruption is an issue in e-applications on the internet and in agreements with customers and suppliers. When customers have activities in markets that are particularly exposed to risk, they receive access to information about this and guidelines on how corruption can be avoided. Corruption has been identified as one of four risk areas for customers within corporate social responsibility. In 2015, a project was established in cooperation with the Ministry of Foreign Affairs to further improve information and guidance to Norwegian companies abroad.

In the future, the corporate social responsibility work will be viewed in connection with a new sustainability strategy. Innovation Norway shall be the driving force for commercial opportunities that contribute to more sustainable

development, while requirements are also set for the companies to safeguard their corporate social responsibilities. Reports from internal training with proposals for continued development of the anti-corruption efforts will be used in a collaborative project with the Ministry of Foreign Affairs to provide better information and guidance to Norwegian companies in high-risk markets.

## Application of the profit

The accounts for 2015 show a profit of NOK 263 million. In 2015, the low-risk scheme had a change in the dividend rules which meant that the Ministry of Trade, Industry and Fisheries has a considerable increase in its dividend compared to previous years. For further details about the dividend rules reference is made to Note 34. The Board proposes the following allocation of the profit for the year:

### **AVSATT UTBYTTE TIL EIER NÆRINGS- OG FISKERIDEPARTEMENTET FRA:**

Lavrisikordningen	kr 189 178 557
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### **AVSATT UTBYTTE TIL EIER NÆRINGS- OG FISKERIDEPARTEMENTET FRA:**

Innovasjonslån og garantier	kr 24 417 097
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### **AVSATT UTBYTTE TIL EIERE, FYLKESKOMMUNENE, FRA:**

Risikolån og garantier	kr 18 644 783
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### **FORDELT PÅ:**

Møre og Romsdal fylkeskommune	kr 4 070 487
Troms fylkeskommune	kr 3 039 714
Nordland fylkeskommune	kr 1 678 951
Nord-Trøndelag fylkeskommune	kr 1 534 124
Sogn og Fjordane fylkeskommune	kr 1 512 910
Finnmark fylkeskommune	kr 1 458 138
Hedmark fylkeskommune	kr 1 292 059
Sør-Trøndelag fylkeskommune	kr 1 275 306
Hordaland fylkeskommune	kr 1 042 848

Telemark fylkeskommune	kr 884 689
Oppland fylkeskommune	kr 524 266
Aust - Agder fylkeskommune	kr 162 401
Buskerud fylkeskommune	kr 129 130
Vest - Agder fylkeskommune	kr 36 376
Rogaland fylkeskommune	kr 3 384
	<hr/>
	18 644 783

**AVSATT UTBYTTE TIL EIER NÆRINGS- OG FISKERIDEPARTEMENTET FRA:**

Investeringsfondet for Nordvest- Russland	kr 1 725 000
Investeringsforndet for Øst- Europa	kr 1 380 000

**AVSATT TIL OPPTJENT KAPITAL:**

Investeringsfondet for Nordvest-Russland	kr 4 148 746
Investeringsfondet for Øst-Europa	kr 550 842
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	4 699 588

**AVSATT TIL OPPTJENT EGENKAPITAL:**

Lavrisikordningen	kr 14 198 910
Tjenesteleveranser og tilskuddsforvaltning	kr 8 617 052

**Sum totalt** **262 860 988**

## Prospects for 2016

In December 2015, Innovation Norway adopted a revised strategy for the company. The strategy specifies the direction and priorities for the company until 2020 at a time when Norway is facing major restructuring. The restructuring is structural and more pervasive than what was experienced during the financial crisis. New technology, increasing numbers of displaced people, the elderly wave, sharing economy and circular economy are examples of driving forces that are challenging established business models, competitive conditions and power structures. These major changes are occurring at the same time as Norway is experiencing a fall in the oil price, lost export revenues and increasing unemployment. This creates challenges, but also new opportunities.



Innovation Norway shall be an important partner for companies and regions that are undergoing restructuring. The strategy for 2016-2020 is intended to produce greater success and ensure that the company delivers on its social assignments. The company is and will remain a relevant, competent and beneficial partner for regions, companies and entrepreneurs that will create the sustainable workplaces and companies of the future. Sustainability in the form of financial, environmental and social sustainability will increasingly guide the company's work.

Norway has major opportunities to develop new industries and to strengthen existing industries. All regions in Norway are rich in natural resources, skilled manpower and have different commercial advantages. Companies and entrepreneurs have to venture out into the global markets because the home market is often not big enough to create growth. Norway has a number of international competitive advantages in the form of raw materials, expertise and production methods that can be further developed. A strong, joint national brand will strengthen Norway's competitive position internationally and contribute to increased internationalisation of business and industry.

Innovation Norway's new strategy has six messages that define the direction for the work until 2020:

- We shall prioritize areas where Norway has international competitive advantages.
- We shall prioritize the challengers and new, global growth companies.
- We shall strengthen a culture of entrepreneurship and cooperate to create the jobs of the future.
- We shall develop a strong national brand for increased competitiveness.
- We shall trigger value creation based on regional advantages.
- We shall provide advice and the knowledge base for future-oriented innovation and industry policy.

The new strategy will better enable the company to achieve goals and ensure that it delivers on its social assignment at a time when Norway is facing major restructuring.

At the start of 2016, Innovation Norway has been given renewed confidence from the Government. The national budget presented for 2016 makes more funds

available to focus on successful entrepreneurs, growth enterprises and innovative business clusters during a demanding period of restructuring. This is recognition of Innovation Norway's work and role in the restructuring process. At the same time, it will also be a challenge to manage the increased volume of assignments with fewer resources in 2016

The Act relating to Innovation Norway is in the process of being amended. One of the Storting's guidelines is that the present comprehensive owner guarantee for the company's obligations (Section 9 of the Act) will end. However, this presupposes that each principal will be responsible for the company safeguarding obligations relating to the loan and guarantee schemes assigned to the company. The amendments will entail that the company becomes more responsible for its own obligations. This will particularly apply to obligations relating to the operation of the company.

The Government will now conduct a review of the boundaries between Innovation Norway, the Research Council of Norway, the Industrial Development Cooperation of Norway (SIVA), and the county councils. The goal is to contribute to a better defined division of roles, improved user friendliness, and better effects from and more efficient operation of the activities.

OSLO, 17. MARS 2016  
I STYRET FOR INNOVASJON NORGE

  
PER OTTO DYB  
STYRELEDER

  
TONE LINDBERG  
NESTLEDER

  
MARTHA KOLD BAKKEVIG

  
REIDAR BYE

  
JAN LØKLING

  
JØRAND ØDEGÅRD LUNDE

  
WENCHE KJØLÅS

  
EINAR ENGER

  
HEIDI WANG

  
OVE HAAVERSEN-WESTHASSEL

  
TOINI H. A. NESS

  
ANITA KROHN TRAAETH  
ADMINISTRERENDE DIREKTØR