



SN Power

The power of water

Annual report
2010

www.snpower.com

OVERVIEW

Hydropower contributes to sustainability

The Norwegian hydropower industry has a long and proud tradition and is still one of the world's largest producers of hydropower. When produced responsibly, hydropower production also impacts positively on local communities, benefits the local infrastructure, creates jobs and contributes generally to sustainable regional development. Using the energy of flowing water, without depleting it, means all hydropower projects meet the definition of renewable.

1 140^{MW} 1 752^{MUSD}

Total MW Net
installed capacity
2010

Total Assets 2010

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5 000^{GWh}

SN Power's total
GWh Annual Mean
Generation

427

Total number of
employees in SN
Power

12

SN Power is present
with offices in 12
countries

Our business at a glance

SN Power is a commercial investor and developer of hydropower projects – the only one in the world to operate exclusively in emerging markets. SN Power was established in 2002. Its owners are the Norwegian state entities Statkraft (60%) and Norfund (40%).

16 plants

SN Power current number of operating hydropower plants

100 years +

Norwegian experience of developing, owning and operating hydro-power plants

427

Number of employees in SN Power

1 140

Net installed capacity with a mean annual generation of 5,000 GWh

The estimates are extracted from Norfund
AAO = average annual output

South America

BRAZIL

SN Power opened an office in Rio de Janeiro in 2008

CHILE

LA CONFLUENCIA
Installed capacity (MW): 158
AAO (GWh): 672
SN Power ownership (%): 50

LA HIGUERA
Installed capacity (MW): 155
AAO (GWh): 761
Potential power supply (people)* 254.000
SN Power ownership (%): 50

TOTORAL WIND FARM
Installed capacity (MW): 45
AAO (GWh): 109
Potential power supply (people)* 36.000
SN Power ownership (%): 80

COLMITO
Installed capacity (MW): 60
AAO (GWh): 350
SN Power ownership (%): 50

PERU

ARCATA
Installed capacity (MW): 5
AAO (GWh): 37
SN Power ownership (%): 100

CAHUA
Installed capacity (MW): 43
AAO (GWh): 280
SN Power ownership (%): 100

GALLITO CIEGO
Installed capacity (MW): 37
AAO (GWh): 150
Potential power supply (people)* 190.000
SN Power ownership (%): 100

LA OROYA
Installed capacity (MW): 9
AAO (GWh): 65
SN Power ownership (%): 100

MALPASO
Installed capacity (MW): 54
AAO (GWh): 200
SN Power ownership (%): 100

PACHACHACA
Installed capacity (MW): 9
AAO (GWh): 43
SN Power ownership (%): 100

PARIAC
Installed capacity (MW): 5
AAO (GWh): 24
SN Power ownership (%): 100

YAUPI
Installed capacity (MW): 108
AAO (GWh): 800
SN Power ownership (%): 100

CHEVES
Installed capacity (MW): 168
AAO (GWh): 837
SN Power ownership (%): 100

Central America

COSTA RICA

SN Power opened an office in Costa Rica in June 2010



South Asia

NORWAY

SN POWER
HEAD OFFICE

INDIA

ALLAIN DUHANGAN

Installed capacity (MW): 192
AAO (GWh): 800
Potential power supply (people) 1,717,000*
SN Power ownership (%): 43

MALANA

Installed capacity (MW): 109
AAO (GWh): 375
Potential power supply (people) 730,000*
SN Power ownership (%): 49

NEPAL

KHIMTI I

Installed capacity (MW): 60
AAO (GWh): 350
SN Power ownership (%): 57,1

KIRNE

Survey license granted to expand Khimti in a new plant

TAMAKOSHI

At 880 MW the plant would nearly double Nepal's installed capacity

SRI LANKA

ASSUPINIELLA

Installed capacity (MW): 4
AAO (GWh): 17
SN Power ownership (%): 30

BELIHULOYA

Installed capacity (MW): 2
AAO (GWh): 10
SN Power ownership (%): 30

Southeast Asia

THE PHILIPPINES

AMBUKLAO

Installed capacity (MW): 105
AAO (GWh): 332
SN Power ownership (%): 50

BINGA

Installed capacity (MW): 124
AAO (GWh): 419
SN Power ownership (%): 50

MAGAT

Installed capacity (MW): 381
AAO (GWh): 929
Potential power supply (people) 1,799,000*
SN Power ownership (%): 50

SINGAPORE

SN Power has an office in Singapore

VIETNAM

SN Power opened an office in Hanoi, Vietnam in April 2010

Africa

SOUTH AFRICA

SN Power opened an office in May 2010

Vision

SN Power's vision:
Powering
development
through renewable
energy.

OVERVIEW

About SN Power

ABOUT THE COMPANY

SN Power is a renewable energy company that invests in emerging markets. SN Power was established in 2002. Its owners are the Norwegian state entities Statkraft (60%) and Norfund (40%). The company's vision is to become a leading hydropower company in emerging markets, contributing to economic growth and sustainable development.

SN Power has invested more than USD 1100 million in equity through acquisitions and the development of new hydropower projects in Asia and Latin America. Currently, SN Power is involved in hydropower and wind generation in the Philippines, Nepal, India, Chile, Sri Lanka and Peru. Hydropower projects are under construction and/or assessment in Peru, Brazil, Nepal, India, Vietnam and the Philippines. SN Power's share of installed capacity in these operating plants and construction projects amounts to 1 140 MW, and an annual mean generation of almost 5 TWh. A new company was established in January 2009 to focus on hydropower development in Africa and Central America.

SN Power and its subsidiaries had 427 employees worldwide at year-end 2010. 584 people were employed through non-consolidated joint venture companies in which SN Power is a partner. More than 5 000 people were employed at the construction projects where SN Power is an investor.

As part of the Statkraft Group, SN Power has a strong industrial foundation that builds on more than 100 years of developing, owning and operating hydropower in Norway. Statkraft is the largest renewable energy company in Europe with about 57 TWh in annual electricity production. In 2010, Statkraft's gross operating revenues reached 28.8 billion NOK.

Norfund is a Norwegian development financial institution (DFI) which invests risk capital in profitable private enterprises in Africa, Asia, Latin America and the Balkans. Through Norfund, SN Power has access to significant experience and expertise in conducting investments in emerging markets.

Strategy

SN Power's overall business concept is to develop, build, acquire, own and operate sustainable hydropower projects in emerging markets on commercial terms.

This positions SN Power at the intersection of two global mega trends: the growth in emerging markets and in renewable energy. SN Power plans to increase its equity generation capacity from 1 140 MW to over 2500 MW by 2015. This growth is envisioned through the construction of new hydropower projects and through the acquisition of existing assets. This ambition includes the development of 700 MW of generation capacity in Africa and Central America, in which SN Power will hold 51 per cent. The owners of SN Power have committed capital to fund the company's ambitious expansion.

Key to SN Power's strategy is the company's aim to be a long-term industrial investor, capitalizing on Norwegian and international hydropower competence and expertise, and to seek a controlling influence in all business activities.

It is part of SN Power's vision to contribute to sustainable development through its investments. All projects we enter into should have minimal adverse impact on society and the environment, and yield positive benefits for both local communities and society at large through the increased generation of renewable energy.

Mission

SN Power's mission:

To become a leading hydropower company in emerging markets, contributing to economic growth and sustainable development.

Core values

SN Power's core values:

COMPETENCE: using knowledge and experience to achieve ambitious goals and be recognized as a leader.

RESPONSIBILITY: creating value while showing respect for employees, customers, the environment and society.

INNOVATION: thinking creatively, identifying opportunities and developing effective solutions.

Key figures

	UNIT	2010	2009	2008	2007	2006	2005
GROSS POWER PORTFOLIO							
Net installed capacity	MW	838	667	630	630	383	169
Net installed capacity under construction	MW	300	292	320	284	160	160
Gross production, actual	GWh	4 250	3 800	3 435	2 162	1 200	845
Net production (SN Power share)	GWh	2 858	2 700	2 492	1 470	813	652
FINANCIAL							
Gross operating revenue	MUSD	114	119	161	79	51	24
Income from associated companies	MUSD	84	31	28	31	3	3
Cash and cash equivalents	MUSD	297	347	192	134	121	78
Equity	MUSD	1 305	1 215	863	802	304	167
EBITDA	MUSD	29	46	60	37	23	3
Net earnings after tax	MUSD	53	41	52	47	11	-1
Cash flow from operational activities	MUSD	32	17	38	30	15	-1
Equity investments from SN power	MUSD	107	6	111	425	61	54
New equity	MUSD	-	281	79	409	81	118
Interest bearing debt/equity ratio ¹⁾	%	24	26	36	23	28	20
Return on equity after tax ²⁾	%	4	3	6	6	5	-0
Equity ratio ³⁾	%	76	75	70	77	72	75
HUMAN CAPITAL							
Employees	Number	427	466	479	415	220	122
Sickness absence	%	1.5	1.2	0.2	0.2	0.2	1.5
Total recordable injury rate – Operations		3	1	4	N/A	N/A	N/A
Total recordable injury rate – Projects		4	6	16	N/A	N/A	N/A
ENVIRONMENT							
Environmental fines	MUSD	0	0	0	0	0	0
Carbon dioxide emissions	TONNES	744	3 498	2 992	269	400	400

¹⁾ Long-term and short term liabilities to financial institutions / Total equity

²⁾ Net income for the year / Average equity

³⁾ Equity / Assets

Gaining and breaking ground

Message from the CEO

Tor Stokke
CEO



2010 was a year of consolidation and continued expansion in all strategic areas. Milestones were reached at both an operational and strategic level, safety indicators improved significantly and the company was encouraged by the increasing awareness of the SN Power employer brand in our international field of business. The main challenges ahead, as a respected developer and producer of hydropower, are now to sustain further growth and to promote efficiency in all core regions.

With three major plants about to complete the cost-, time- and management-intensive development and construction phase, the forward-looking cash flow situation was also positively impacted. Net profit was up, year on year, and this, plus new injected capital from our owners will give the company maneuverability to pursue new investments.

PROJECT HIGHLIGHTS

In Chile, plants La Higuera and La Confluencia, were inaugurated by President Piñera in October thereby making the strategic transition from construction to operation, as did the Allain section of Allain Duhangan in India. In Nepal, the Khimti plant celebrated ten years of successful operation.

In Peru, financial close was secured for Cheves, one of few hydropower projects to be developed in the country during the past ten years. Cheves is fully owned by SN Power and represents a huge opportunity for us to showcase our breadth of competence from project initia-

tion, through preparation and socio environmental considerations, to operation.

Elsewhere, business also continued to gather momentum. In the Philippines, progress was made at the Ambuklao plant. High market spot prices and provision of ancillary services to the grid contributed to strong results. On the African continent, the SN Power AfriCA organisation was strengthened, with activities centred around negotiations concerning both greenfield and rehabilitation projects in Panama and Southern Africa. During 2010 we also opened offices in Costa Rica and Vietnam with other key markets in view.

Permeating all activities in 2010 was an even tighter grip on health and safety issues. Despite the regrettable fatality early in the year at the Allain Duhangan site, there was a significant improvement in safety indicators and damage mitigation remains a constant priority, with transportation a key focus area.

“I would also like to take this opportunity to thank all our employees and shareholders who make the development of projects that are so resource intense and complex possible.”

TOR STOKKE
CEO

STABLE GROWTH

In financial terms, while the figures for 2010 first appear modest, they also reveal the underlying strengthening of our situation. For 2010, net profit, in round figures, was MUS\$ 50 million, plus, effectively, MUS\$ 20 million that was written off to project development and a further 30 million expensed to business development. When the Ambuklao and Portillo branch projects come into operation in 2011, four major hydropower projects will recently have made the important transition to operations, thereby releasing capital for future investments.

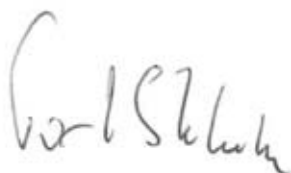
COPING WITH THE UNEXPECTED

At an organisational level, the company continued to strengthen its multicultural workforce and to streamline its governance system and decision-making process. This was also put to the test. The test highlighted the strength of our project and management teams in keeping focused on business as usual despite having to cope with the unexpected. In June 2010, President and CEO Øistein Andresen was injured in a cycling accident. With so many projects at a critical phase of development, his subsequent three month absence could have been significant. What's more, during his recuperation he was invited to join Statkraft's own corporate management team as Executive Vice President, International Hydropower. It is testimony to both his leadership and the organisation's strength, that the effect on SN Power's business was minimal. He returned to SN Power in November 2010 as chairman of the Board. The process to find a

new CEO started at the end of the year, and it was announced in March 2011 that the successor will be Torger Lien.

LOOKING FORWARD

Looking ahead to 2011 and beyond, economic growth in emerging markets is expected to accelerate, but at different rates. We must therefore adapt our own growth plans accordingly, but confidently, secure in the knowledge that we are now well-positioned to help meet the demand for more renewable energy. No longer a newcomer, SN Power is steadily, but surely, building a reputation as a reliable, responsible partner, with our null tolerance to corruption, experience and solid backing helping new doors to open all the time.



TOR STOKKE
CEO

OVERVIEW

Key Events 2010

11 million people

In 2010, the homes of almost 11 million people were powered by electricity from SN Power's plants.

1.2 tonnes CDM

SN Power's four registered CDM projects have the potential to issue carbon credits amounting to more than 1.2 million CERs annually.

1.17 million work hours

The SNAP organisation in the Philippines demonstrated excellent HSE performance with Magat Plant achieving a record 1.17 mill man-hours without Lost Time Injury (LTI) from April 2007 to December 2010.

745 000

Funds in NOK (USD 130 000) raised by employees at Statkraft and SN Power following the devastating earthquake that hit Haiti in January.

2010

This was the year when several of our major projects came into operation both in Asia and Latin America. In addition, many prospects were identified and assessed and, as a result, there are now several significant new ventures in the pipeline.

JANUARY



January 20: The President of Chile, Michelle Bachelet, inaugurates SN Power's first wind farm located in Canela, near Santiago. Totoral contributes around 100 GWh of electricity to the Chilean central grid each year, reducing some 65 000 tons of CO₂ emissions from the air.

MARCH



March 24: The Norwegian Ambassador to Nepal, Thor Gislesen, hands over a 635 kW mini-hydropower plant from Himal Power Limited (in which SN Power is the majority owner) to the Khimti Rural Electric Co-operative (KREC).

APRIL



April 6: SN Power's Representative office in Hanoi, Vietnam opens. The Hanoi office's purpose is to conduct business development and identify growth opportunities in the Vietnamese power market.

4 thousand GWh

Nepal's Khimti I plant has generated over 4 thousand GWh since 2000.

Fatal accident on transmission line in India

March 8: A subcontractor employee at the Allain Duhangan hydropower project in India, suffers a fatal head injury. He had fallen from a transmission tower while working on the transmission line. SN Power's senior management immediately went to the site when the accident became known. SN Power is

deeply sorry for this tragic accident. "The safety of our workers is our main concern, and one accident is one too many," said CEO Øistein Andresen. "We are working continuously to strengthen HSE work, and this accident shows that we can never rest in our efforts to provide a safe workplace for our employees."

Norway Cup

July 19: SN Power, in conjunction with BBK and Statkraft, invites a team of 11 fourteen-year-old boys from Nepal to participate in the world's largest soccer tournament, Norway Cup. The Cup takes place each year in Oslo at the end of July. Many of the team members were travelling outside their village for the first time.



Power to Vietnam

July 2: SN Power and the International Finance Corporation (IFC) enter into a Joint Development Agreement to provide sustainable renewable energy in order to meet Vietnam's growing demand for electricity. Seen here signing the agreement, are Bernard Sheahan, IFC Director for Infrastructure, and Erik Knive, Executive Vice President at SN Power.

JUNE



June 7: Himal Power Limited (HPL), SN Power's daughter company in Nepal, celebrates its tenth year of successful operation of the 60 MW Khimti I Hydropower Project. This is the first private sector project in Nepal, and contributes over 15% of the national electricity output.

SEPTEMBER



September 16: The Allain Duhanan project starts to produce electricity. The rated output of the plant's two turbine generators is approximately 200 MW when operating at full capacity. This greenfield run-of-river project is expected to meet the power shortages in the northern region of India.

SEPTEMBER



September 30: SN Power decides to invest USD 400 million (approximately MNOK 2 350) in the 168 MW Cheves hydropower project in Peru after a PPA contract was signed with the Peruvian state. Construction begins in 2011, and will be finalised in 2014.

OCTOBER



October 26: SN Power's two large Chilean hydropower plants are inaugurated. Together, "La Higuera" and "La Confluencia" will contribute with more than 310 MW of clean energy, enough to supply more than 900 thousand Chilean households with renewable electricity.

Local Earth Day celebration

April 5: Close to 150 participants and volunteers from local communities conduct a clean-up drive within the Binga and Magat dam reservoirs in the Philippines and their vicinities on the initiative of SN Aboitiz Power (SNAP, a joint Venture between SN Power and Aboitiz). CEO Emmanuel Rubio says the efforts are part of the company's corporate social responsibility programme as well as a declaration of support to Earth Day.

Green wind

December 7: The 45 MW Totoral Wind Farm in Chile is registered as a Clean Development Mechanism (CDM) project with the united Nations Framework Convention on Climate Change (UNFCCC).

The background of the entire page is a close-up, high-magnification photograph of numerous water droplets. The droplets are of various sizes, some in sharp focus and others blurred, creating a sense of depth. They are illuminated from above, showing highlights and shadows that give them a three-dimensional appearance. The overall color palette is a range of blues, from deep navy to light sky blue.

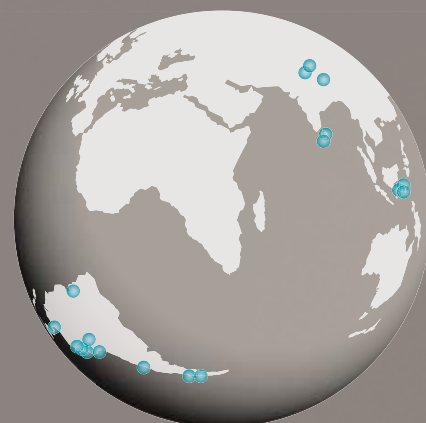
SN POWER

Outlook

About 80 per cent of energy today is provided from coal, gas and oil. Concerns over a volatile fossil fuel market and the imperative environmental consequences of thermal energy sources have placed emphasis on sustainable energy policies that include the significant development of renewable energy supplies. Yet the largest source of renewable energy comes from a proven technology, hydropower.

49% Forecast for global energy increase by 2035*

54% Projected increase in global hydroelectricity increment*



No. 1

Hydropower has the best CO₂ performance of all power generating technologies

* Source: IEO (International Energy Outlook) 2010, published by US Energy Information Administration, July 2010

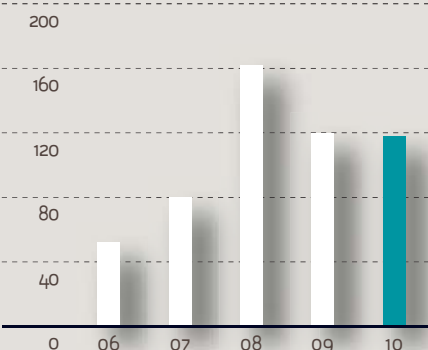


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Drive and innovate

With profitability a prerequisite in order to create jobs, buy services, pay taxes and continue to invest and grow, how does SN Power, operating exclusively in developing countries, with the challenges this poses, achieve success? How is a balance of risk and reward maintained and managed?

SN POWER GROSS CONSOLIDATED
OPERATING REVENUES 2006–2010
(MUSD)



SN Power's gross operating revenues the last five years have improved steadily, with an all-time high for the year 2008.


Erik Knive, SN Power's Executive Vice President, Southeast Asia explains: "Our bottom line is helping to better the living standard and development potential in areas where many still do not have access to a reliable source of electricity — powering development through renewable energy. Profit comes as a result of doing this well."

Since the company started in 2002, the business context in many regions has evolved considerably. Knive comments: "So have we. The fundamentals are our know-how and experience in hydropower projects around the world and through experience, expansion, acquisitions and selected partnerships, we have evolved from there. But, as the markets in which we operate continue to deregulate and further open up to private investment, then the competition increases. But this is a good thing. It keeps us on our toes and to continue to succeed, we must both drive and innovate."

For several reasons, 2010 was an interesting year. Major greenfield projects have transitioned from development to operation and several upgrade and rehabilitation projects were completed or are close to completion. The company also entered, or continued preparation for, entry into new markets. While the operating structure in each country is adapted to the local market situation, there are common aspects of business strategy:

- **Build on competitive advantage**

SN Power is known for its leading competence and experience in project development, structuring and financing. The focus is now also on adding to this, further down the hydropower value chain, in areas such as operations, through best practice methodologies and global standardisation. An established reputation in regions such as Chile and the Philippines provides also a solid springboard into adjacent markets, with the company able to capitalise on its proven

A group of children in yellow uniforms with red accents are celebrating. One child in the foreground is waving, while others hold up yellow paper fans and pink flowers. A child in the background wears a red hat with a white star. The background shows a chain-link fence and a clear sky.

10 years Children part-take in the Khimti 10 year anniversary in Nepal

credibility. High ethical, environmental and CSR standards are also leveraged in securing new business opportunities.

- **Develop relationships**

Recognised as a reliable business partner with robust principles and high standards, SN Power seeks to develop its strategic operational partnerships. These are based on shared business ethics, core values, complementary skills and business alignment. Close cooperation with multilateral institutions like the IFC and other development institutions, who enjoy the credit rating of their host countries, is also important,

as are relationships with government bodies and NGOs.

- **Exploit synergies**

Synergies can be exploited, both in terms of project execution and business expansion. The goals are world class project execution and entry into adjacent and new markets, many of which are defined by their current interconnection to existing markets.

- **Risk management**

In order to fulfil its ambitions, SN Power will take risk, but only where there is a thorough under-



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standing of it and where it can be controlled. A risk management framework and a systematic approach to monitor and control risk are in place. Moreover, investment activities are based on the principle that no country or region will negatively influence the investment opportunities of other regions.

• **Diversification and innovation**

With its solid understanding of market fundamentals, SN Power will continue to diversify and innovate. New services in the areas of transmission, energy management and power trading,

for example, are under evaluation, for the commercial opportunities they provide.

• **Profitability**

Equity investments in developing countries are not guaranteed. However, the provision of clean, renewable electricity usage to rural communities acts as a catalyst for development. With governments turning to independent power producers for help, SN Power's position, at the intersection of two megatrends – growth in emerging markets and in renewable energy – is validated. The risks, rewards and profits benefit all.

2 600 000 ^{GWh}

Total technically feasible potential in South America

7 700 000 ^{GWh}

Total technically feasible potential in Asia

1 200 000 ^{GWh}

Technically feasible potential in Africa

The power of water

Over 1.6 billion people the world over, more than a quarter of the world's population, still lack access to electricity. Without access to modern commercial energy, poor countries can be trapped in a vicious circle of poverty, social instability and underdevelopment.

In addressing this imbalance, the worldwide demand for primary energy will increase by 49% between 2008 and 2035, with emerging economies accounting for almost all this additional demand. However, while fossil fuels will remain the dominant source of energy, their share in the energy mix is falling due to the demand

for energy from renewable sources. The most significant and viable of these non-polluting alternatives is hydropower. Hydropower has the best CO₂ performance, highest energy efficiency rate and longest lifespan of all power generation technologies.

Today hydropower supplies around 1/6 of the world's total electricity supply but the potential for further investments to increase this is enormous. Most of this potential is in Latin America, Asia and Africa, SN Power's home markets.

According to the World Bank, the total economically feasible potential hydropower capacity in developing countries exceeds 1 900 GW. An estimated 70% of this (1 330 GW), nearly four times the current installed capacity of Europe and North America, is not yet exploited.*

WHY HYDROPOWER?

Hydropower provides a clean, flexible, long term and relatively low cost supply of energy. The potential to develop it is also greatest in the regions where energy supply deficits are high.

Benefits of hydropower

• Flexible, reliable supply

Hydropower facilities offer operational flexibility, because water can be stored in reservoirs and released when most needed, thus responding to fluctuating electricity demand. Hydropower can also be produced in a broad range of project scales and types.

• Supports other renewables

Flexibility and storage capacity means it can support the use of intermittent renewables such as wind or solar power.

• Price stability

Unlike fuel or natural gas, hydropower is not subject to market fluctuations.

• Improves grid stability and reliability.

While it takes a long time to start a coal or nuclear plant and other renewable sources lack the same supply guarantee, a hydropower plant can ramp up to maximum output rapidly and predictably. This makes hydropower well-suited to meeting changing loads and providing ancillary electrical services to the electricity grid, maintaining the balance between electricity supply and demand.

• Helps fight climate change

The hydropower lifecycle produces no air pollutants and shows the best greenhouse gases (GHGs) emission performance of all power generation technologies. By offsetting GHG emissions from gas, coal and oil fired power plants, hydropower can help slow global warming. Where replacing fossil-fuelled generation, acid rain and smog can be reduced.

• Contributes significantly to development

Hydropower facilities bring electricity, roads, industry and commerce to communities, thereby developing the economy, improving access to health and education, and enhancing the quality of life.

• Contributes to freshwater storage

Hydropower reservoirs collect rainwater, which can then be used for drinking or irrigation.

• Long term investment

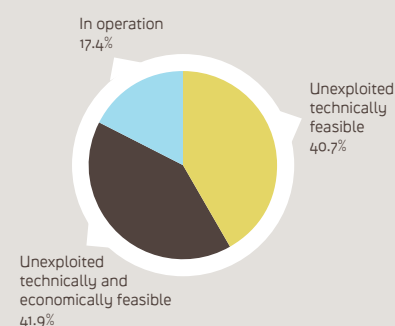
Hydropower projects can benefit several generations. They have low operation and maintenance costs and can easily be upgraded to incorporate the latest technologies.

• Multiple uses for stored water

Reservoirs can also be used for drinking, irrigation, protection from dry periods and to stop glacier flooding.

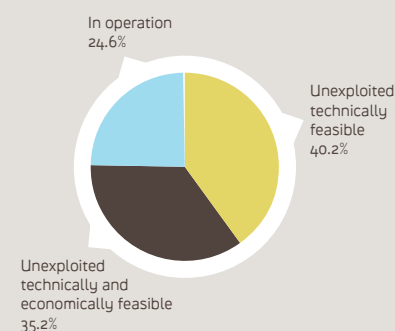
However, while hydropower undoubtedly plays an important role in the energy and sustainable development strategies of developing countries, developing natural resources in rural areas also has its challenges. Social and environmental impacts are inevitable. They can, however, be mitigated. Good governance at a national and international level are also prerequisites to successful sustainable development as are thorough strategic assessments prior to any investments being made.

HYDROPOWER POTENTIAL IN ASIA



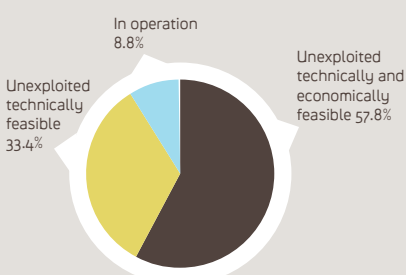
Source: Journal on hydropower and dams 2009 – recent hydropower generation as a percentage of total GWh/yr

HYDROPOWER POTENTIAL IN SOUTH AMERICA



Source: Journal on hydropower and dams 2009 – recent hydropower generation as a percentage of total GWh/yr

HYDROPOWER POTENTIAL IN AFRICA



Source: Journal on hydropower and dams 2009 – recent hydropower generation as a percentage of total GWh/yr

“At SN Power, the commitment we have to CSR is the glue, if you like, that binds our operations together.”

Our social responsibility

In order to bring long term, tangible and sustainable benefits to the communities and markets where hydropower is generated, social and environmental issues must receive bottom line attention. Corporate social responsibility (CSR) is a strategic and integrated aspect of project development and needs to be applied from an inside-out perspective. SN Power believes this is the only way to ensure that the benefits created are fairly shared amongst all stakeholders and that the value created is long term.



ELSBETH TRONSTAD
EVP, COMMUNICATION
AND CSR

“At SN Power, the commitment we have to CSR is a crucial aspect of our success and reputation. It’s the glue, if you like, that binds our operations together,” says Elsbeth Tronstad, SN Power’s Executive Vice President, Communication and SR.

The benefits to regional development that hydropower generation brings, go far beyond a contribution to domestic power generation and water management. Multiple opportunities arise for local economic and social development in the areas of welfare, health services, education, training and skills sharing. In the belief that monetary compensation for those affected by plant construction can tempt rural-to-urban migration to already overcrowded cities, SN Power is firmly committed to creating sustainable growth and long term development at the local level. This involves initiating or becoming involved with projects and programs that will improve living conditions, provide better jobs and improve the prospects of the local population.

Long before plant construction or rehabilitation starts, CSR-related issues are researched and evaluated then integrated into SN Power’s project management system PROMAS, before the process and methodology for the entire value chain of the project is defined.

SOCIAL RESPONSIBILITY IN 2010

While CSR activities are on-going, here are some of the highlights of 2010.

MULTI-PROGRAMME SUPPORT IN NEPAL

In July, Himal Power Ltd (HPL) celebrated ten years of operation at the Khimti I hydropower plant near Kathmandu. During this time electricity has been provided to over 4 600 rural households through this 635KW mini plant. An additional 3 800 households are now being added and another 400KW power plant has been planned. Infrastructure created during the implementation of rural electrification programmes has been handed over to the Khimti Rural Electric Cooperative (KREC), a member-owned and democratically managed cooperative.

HPL has also supported several schools in the local districts of Dolakha and Ramechhap, with the Khimti Project School showing excellent results in the School Leaving Certificate exams. Other projects relating to drinking water, sanitation, bio-gas, agriculture and forestry, income generation training, women’s empowerment and irrigation have also been supported.

One example is the Halua Khola Irrigation System which supplies the village of Gogantar, with approximately 100 households, with water for agriculture.

FLOOD WARNING SYSTEM IN THE PHILIPPINES

In 2010, the Philippines’ weather forecasting agency and Norway’s water resources and energy directorate (NVE) signed an agreement

55

Number of CSR projects allocated by SN Aboitiz Power (SNAP)

ABC Meeting at the nursery site at Allain Duhangan in India's Kullu district.



for the improvement of the flood forecasting and warning system (FFWS) for Magat Dam, aimed at reducing flood damage to downstream communities. SN Aboitiz Power (SNAP) will handle the information, education and communication aspects of the project.

INFORMATION SHARING

Also in 2010 SNAP and Social Action for Development Center (an Ifugao province-based non-government organisation) entered into a partnership to implement a program in the Magat dam area that will provide viable alternatives to unsustainable practices and protect watershed areas from further denudation. A second local project, will equip fishermen and farmers with techniques aimed at more efficient water use, especially through the dry season, while sustaining productivity of farmlands and fishpond operations.

SCHOOL MAKEOVER IN THE PHILIPPINES

Also in the Philippines, three elementary schools in the Benguet region received a makeover from SN Aboitiz Power Group (SNAP) in time for the opening of the 2010-2011 school year. SNAP employees joined teachers and parents and other community residents in volunteering to clean and paint the schools, with materials donated by SNAP, benefitting some 750 pupils. Due to the success of this "School Brigade" project, SNAP has now decided to make this an annual programme. Each year, together with host communities, a new recipient school will

be identified and used as a platform to support local education and to serve the community.

TOURISTS RESCUED IN INDIA

At the Allain Duhangan plant in the Kullu district of Himachal Pradesh in India, a team of people showed their spontaneous concern for the welfare of others when in October some 2500 tourists became stranded by snow in the mountains. Following a request from the local administration a team consisting of a doctor, engineers, 4x4 vehicles and snow clearing equipment conducted a successful rescue operation providing medical attention and ensuring safe passage down the mountain

With CSR so ingrained in the SN Power business model, a win-win situation arises. Locally, social and economic standards are improved and SN Power creates a healthy business culture which also adds to the company's credibility as a serious long term investor in the region. All of this can be leveraged for further future and sustainable growth.

The background of the entire page is a close-up photograph of water bubbles. The bubbles are of various sizes, from small specks to larger, more defined spheres, and are scattered across the frame. The lighting creates highlights and shadows on the bubbles, giving them a three-dimensional appearance. The overall color palette is a range of blues, from deep navy to light, airy whites.

SN POWER

Operations and locations

With its long term investment strategy and commitment to safeguarding the environment and delivering values to host communities, SN Power seeks to exploit its competitive advantage in a number of markets.

21 Number of plants in
SN Power's portfolio

12 Number of countries where
SN Power has offices



1 140 **5 000**
MW GWh

Total installed
effect

Total GWh Annual
Mean Generation
in 2010

SOUTH AMERICA

Operations and opportunities in South America



Nils Morten Huseby
EXECUTIVE VICE PRESIDENT, SOUTH AMERICA

“With the inauguration and start up of two major hydropower plants, as well SN Power’s only wind farm in Chile, long term funding for a 168 MW greenfield project secured in Peru, and business development activities in Brazil, 2010 was a series of milestones,” says Nils M. Huseby, Executive Vice President, South America.

“It was a significant year for us,” he continues, “as we made the transition from project development and construction, to operation. For 2011, our aim is to use the strong base we have in Chile and Peru to continue to grow and to expand into other markets. At the same time we must maintain a firm focus on operational efficiency and profit.”

Chile, with its stable economy, well-functioning electricity market and stable outlook is a core market for SN Power. With the start-up of three key facilities in 2010, the focus was twofold, the initiation of operation and management best practices, alongside the pursuance of further growth opportunities.

In 2010 the Peruvian market experienced reductions in wholesale power prices and, while the economy is growing fast, with a 6% per annum GDP growth forecast to 2015, efficiency is a key challenge here too. In its first year operating as SN Power Peru S.A since the merger of the operating companies Cahua and Electronandes, the company undertook significant restructuring

and investments, to consolidate its operations. The reliability centered maintenance (RCM) strategy was introduced and significant steps taken to optimise the workforce through implementation of remote control.

KEY 2010 ACHIEVEMENTS Chile

In the O'Higgins region of Chile, the run-of-river plant La Higuera supplies 155MW of renewable energy to the Chilean national grid from the Tinguiririca river. La Confluencia, SN Power's second run-of-river plant in the same river will supply a further 158 MW. The total of more than 310 MW of clean energy they contribute is enough to supply more than 900 000 Chilean households with renewable electricity. The two hydropower plants, in which USD 800 million has been invested, will reduce Chile's CO₂ emissions by more than 900 000 tons per year, the equivalent of removing more than 250 000 vehicles from circulation. Both plants were inaugurated by Chile's president Sebastián Piñera, in October 2010.

“2010 was a significant year for SN Power, as we made the transition from project development and construction, to operation.”

NILS MORTEN HUSEBY

EXECUTIVE VICE PRESIDENT, SOUTH AMERICA

Confirming his country's ambitious growth plans for renewable energy, in his inauguration speech the president revealed that; “Chile has an ambitious goal of combining an economic growth of 6% per year, while at the same time reduce the country's CO₂ emissions by 20 % by 2020. In order to reach these goals, we need 12 100 MW of new energy capacity installed by the end of this decade”.

More than 14 000 people benefited from the construction through direct and indirect jobs, contributing to the regional, local and national development. The developer and owner of the two plants is Tinguiririca Energía, a joint venture between Australian Pacific Hydro and SN Power. In 2007 Tinguiririca Energía established the Tinguiririca Participa program. Through this initiative, projects identified by the community in the areas of health, education and community development are funded. 98 projects have so far been funded, to the benefit of the 6 000 people that live in proximity of the plants.

Peru

In September 2010 SN Power announced it is to invest MUS\$ 400 in the hydropower project Cheves in Peru, an investment secured by IFC backing in December. Cheves is one of the largest hydropower plants to be developed in the country in recent years and represents a cornerstone in Peru's goal to exploit its significant untapped renewable energy resources.

TARGETS FOR 2011

Chile

For all operations in Chile the focus will be on profitable operations and commercialisation of the existing portfolio. The company will also actively seek new growth opportunities.

Peru

A key focus in the Peruvian market will be the start of the construction phase at Cheves which is expected to employ more than 700 local workers. Furthermore, continued efforts will be undertaken to improve operations efficiency at existing plants. This will be sought through benchmarking and the implementation of best practices.

Brazil

As the second largest producer of hydroelectricity in the world, Brazil represents a significant growth potential for SN Power. The key goal for 2011 is to see the company establish a foothold in Brazil, through the acquisition of a hydro-power asset.

SOUTH AMERICA

Chile

Plants

LA CONFLUENCIA
LA HIGUERA
TOTORAL WIND FARM
COLMITO

LA CONFLUENCIA AND LA HIGUERA

For the projects a 55 km high voltage transmission line and a 25 km medium voltage transmission line were required.



SN Power has been present in Chile since 2004, and is currently engaged in the operation, construction and development of renewable energy projects through joint venture companies with local and international partners. During 2010 health, safety and environment has continued to be a top priority of management which has diligently worked with the joint venture companies to ensure this area receive the focus required.

TINGUIRIRICA ENERGÍA

La Higuera and La Confluencia

SN Power and Australian-based Pacific Hydro Limited have two hydropower projects in completion in the Tinguiririca Valley, 250 km southeast of the capital Santiago. The 50/50 joint venture is called Tinguiririca Energía. Construction of the La Higuera plant started in October 2005. During the fourth quarter of 2010, La Higuera commenced to generate revenue while still undergoing completion testing.

Construction of the 158 MW La Confluencia plant started in 2007 and the first phase started operations in the early part of 2011 while the balance of the facility will commence later the same year. Together, the two plants will contribute approximately 1400 GWh/year to the Chilean central grid.

The power produced by La Higuera and La Confluencia is sold through long-term

Power Purchase Agreements with a local distribution company Chilectra and in the spot market.

To mitigate the market risks associated with dry periods, Tinguiririca Energía constructed a 58 MW dual fuel back-up turbine called Colmito in 2008. The Colmito plant is located in central Chile. Although hydrology has been drier than normal due to high fuel prices, the unit has hardly been dispatched and generated most revenues from capacity payments in 2010.

On 26 October 2010, President Piñera of Chile (who came into office March 2010) and other senior members of the Chilean government joined the boards of SN Power and Pacific Hydro as well as many guests and the Tinguiririca team for the inauguration of the two facilities. This activity marked an important step in ensuring the energy demand of Chile is met into the future.

1st

La Higuera is Chile's 1st CDM registered hydropower plant

370^{MW}

La Confluencia, La Higuera and Colmito's total of 370 MW enough to supply more than 900 000 Chilean households with electricity

45^{MW}

Capacity of the Norvind wind farm

TRAYENKO

Hidroeléctrica Trayenko S.A., 80%-owned by SN Power and 20%-owned by its Chilean partner Centinela comprises four hydropower projects in the Los Rios region of Southern Chile.

NORVIND

Construction of SN Power's first wind farm was completed and the facility put into operation in early 2010. The unit is held in a special purpose company, Norvind, 80%-owned by SN Power and 20%-owned by Centinela. The 45 MW Totoral wind farm is located approximately 300 km north of Santiago in a semi-desert area on the coast. 2010 saw a successful first year of operations with annual generation of 70 GWh. The wind farm was formally inaugurated by Chile's then President Michelle Bachelet on 20th January 2010.

TOTAL WIND FARM

Totoral Wind Farm is located in the central region of Chile. This coastal location is one of the windiest regions in Chile.



SOUTH AMERICA

Peru

Plants

ARCATA
CAHUA
GALLITO CIEGO
LA OROYA
MALPASO
PACHACHACA
PARIAC
YAUPÍ
CHEVES

CAHUA

Cahua is located 200 km to the north of Lima. The plant has an annual output of 280 GWh.



SN Power has been established in Peru since 2003 when the company acquired 100 per cent of the shares in Cahua S.A., a Peruvian hydropower company. In 2007, SN Power further strengthened its presence in the country through the acquisition of Electroandes S.A.

OPERATING PLANTS

Following the acquisition of Electroandes S.A., a process was undertaken to consolidate the management structure and operations of SN Power in Peru. This was completed 1 January 2010, when the two operating subsidiaries, Cahua S.A. and Electroandes S.A. were merged to form SN Power Peru S.A. Since then the main focus has been on developing a common platform based on shared values and principles, as well as extracting synergies from the merged operation. A strong and efficient organisation has been built up, to take on the operation and maintenance of existing plants and to develop new business opportunities.

Major activities undertaken in 2010 include automation and remote control projects relating to the four largest power plants coupled with capacity and capability optimisation of the existing portfolio. These projects are expected to be completed during 2011.

13 FACILITIES

SN Power Peru has thirteen hydropower facilities grouped in eight production centres with

a total installed capacity of 271 MW, all connected to the central grid. Four of these production centres are former Electroandes plants, which were built to supply energy for the mining sector. These are located in the provinces of Junín and Yauli in the Central Andean region, at altitudes of up to 4 000 meters above sea level. The Cahua plants are scattered around the country. SN Power has undertaken numerous activities to optimise commercial and technical operations, such as refurbishment and the reorganization of resources at the plants.

CONCESSIONS

SN Power Peru also holds a number of both permanent and temporary concessions for the development of greenfield hydropower projects in Peru with a total of 500 MW. The most advanced project is the 168 MW Cheves project which will have an expected mean annual generation capacity of 837 GWh when completed in 2014. Construction of the Cheves project started in 2010, after SN Power reached financial close for the MUSD 400 project. SN Power Peru is focused on being a responsible developer, and supports a number of local com-

9

Number of SN Power hydropower plants in Peru

439^{MW}

SN Power Peru total installed capacity

2 436^{GWh}

SN Power Peru total annual output

400^{MUSD}

Investment in Cheves project in September 2010

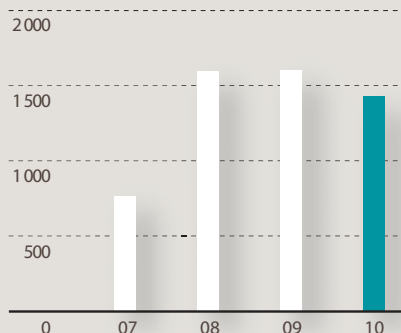
munity initiatives, ranging from education and health to livelihood development and environmental management.

> **Arcata** hydropower facility is located in the Arequipa region in southern Peru, at a height of 4,500 meters above sea level. It consists of four plants with 5 MW of total installed capacity.

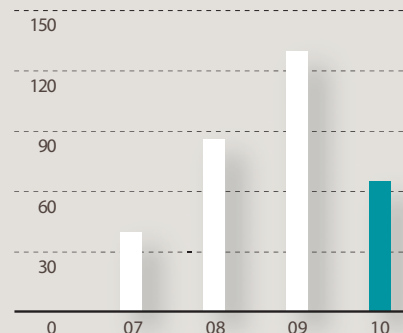
> **Cahua** is a 43 MW hydropower plant located about 200 km north of Lima on the Pativilca River. > **Gallito Ciego** is a 37 MW hydropower plant located 600 km north of Lima. This plant is situated downstream of the Gallito Ciego dam, which is primarily used for irrigation purposes. The dam is operated by the water authorities.

> **Pariac** hydropower facility consists of three plants with a combined capacity of 4.9 MW. Pariac is located in Peru's Ancash region just outside the city of Huaraz and takes water from the Pariac River. > **La Oroya** is a hydropower plant located in the Yauli province, at a height of 3,694 meters above sea level. The plant consists of three generation units with a total capacity of 9 MW. > **Malpaso** is a hydropower plant located in the Yauli province, at a height of 3,870 metres above sea level. The plant has four units and a total installed capacity of 54.41 MW. > **Pachachaca** is a hydropower plant located in the Yauli province, at a height of 4,031 metres above sea level. The plant consists of three generation units with a total capacity of 9 MW. > **Yaupi** is a 108 MW hydropower plant located in the province of Junin. This is the largest hydropower facility in SN Power Peru's portfolio.

AVERAGE ANNUAL OUTPUT
2007–2010 (GWh)



OPERATING REVENUES
2007–2010 (IN MUSD)



YAUPI

The Yaupi HPP is the plant with the largest capacity in SN Power Peru. It is located at 1,328 masl in the village of Yaupi.



SOUTH ASIA

Optimism and opportunities in South Asia



Knut Reed
ACTING EXECUTIVE VICE PRESIDENT, SOUTH ASIA

Established as an SN Power region in 2009, the company is currently present in the markets of India, Nepal and Sri Lanka and investigating opportunities in Bhutan. Working closely with local partner Tata Power since October 2009, activities in India in 2010 centred around transitioning the Allain Duhangan project to commercial operation, and, at an organisational level, around health and safety issues. In Nepal, ten years of operation was celebrated at the Khimti plant and the Tamakoshi III project was progressed.

"South Asia, in particular India, Nepal and Bhutan, represent tremendous growth opportunities; India an electricity hungry and underserved market and Nepal and Bhutan at their nascent phase with more than 100 GW of undeveloped potential. SN Power is further strengthening its foothold in the region and invests with a long term perspective," says Knut Reed, Acting Executive Vice President, South Asia.

The demand for hydropower in South Asia continues to escalate as governments seek to reduce power deficits while exploiting the economic and social advantages of sustainable energy. India is one of the largest and fastest growing electricity markets in the world, with peak demand expected to grow from 118 GW in 2009 to 218 GW by 2017 and total generation capacity expected to increase from 160 GW to 290 GW by 2017. In Nepal, only 700 MW has been developed with a potential of more than 45 000 MW.

The combination of partner Tata Power's local knowhow and experience, combined with SN Power's expertise in project development, construction and financing, puts SN Power in a position of strength as further deregulation is anticipated along with the opportunities this brings for private investment.

KEY 2010 ACHIEVEMENTS

India

At the Malana base load plant, work continued to enhance the capacity from 109 MW to 112 MW, with completion expected in 2011.

The safety of our employees continues to be at the forefront of all activities, but in spite of this, in March 2010 a fatality occurred at the Allain Duhangan Transmission Line project. While an investigation confirmed the man was wearing personal protection equipment and safety equipment was in place, safety measures, procedures and routines continue to be

“Safety measures, procedures and routines continue to be of the utmost priority.”

KNUT REED

ACTING EXECUTIVE VICE PRESIDENT, SOUTH ASIA

of the utmost priority. With “no injuries to anyone, ever,” the goal at all operations; on-going measures includes more training, best practice sharing and audits to further improve the health and safety culture.

In July 2010, commercial operation started at the Allain part of the Allain Duhangan hydropower plant. Operation at the Duhangan part is expected to start in 4Q 2011. This project has also been granted credits under the Clean Development Mechanism (CDM) and is among the largest hydropower plants in the world to be registered.

In October 2010, showing spontaneous concern for the welfare of those around them, a team from the Allain Duhangan plant rushed to the rescue of 2500 tourists trapped by snow, ensuring their safety, welfare and safe passage down the mountain.

The relationship with Tata Power was also further cemented during 2010, with several new business prospects actively pursued on the back of our respective expertise, shared ethical framework and growth ambitions.

Nepal

In March 2010, SN Power completed the feasibility study and Environmental and Social Impact Assessment of the Tamakoshi III project and the detailed engineering phase is now underway. Once operational, the 880 MW, 2 700 GWh hydropower plant is expected to

bring a wealth of direct and indirect benefits to Nepal. A final decision whether it will be built has yet to be made as this depends on the social-economic stability of Nepal.

In November 2010, the 60 MW Khimti I plant celebrated 10 years of successful operation. With a mean annual generation of 350 GWh, it provides over 17% of Nepal's electricity supply. Through a rural electrification project, a total of 4,600 rural households have now been provided with electricity with an additional 3,800 in the process of being added. SN Power has a 57.1% ownership stake in plant operator Himal Power Limited.

At Kirne, a 67 MW project that will utilise the existing Khimti I infrastructure, the Environmental Impact Assessment was continued in 2010 and reached its final stages.

TARGETS FOR 2011

In India, SN Power production targets – together with Tata Power – are 2 000 MW by 2015 and 4 000 MW by 2020. At both Malana and Allain Duhangan the focus will be on operation and maintenance to optimise revenue streams. Best practice procedures and international standards will continue to be implemented. In terms of health and safety at all facilities, “No injuries to anyone ever” remains the constant goal towards which all improvements and mitigation strive.

In Nepal, the political situation permitting, key

goals will include the negotiation of a Project Development Agreement for the Tamakoshi III project and Kirne in 2011.

In Bhutan, which is a tenth of the size of Norway, but with the same hydropower potential, SN Power continues to explore and prepare for commercial opportunities that may arise.

SOUTH ASIA

India

800^{GWh}

Average annual
output of the Allain
Duhangan plant

375^{GWh}

Average annual
output of the
Malana plant

SN Power entered the Indian market in 2004 when it acquired 49% of the shares in Malana Power Company Limited (MPCL), where Indian LNJ Bhilwara Group is the majority owner. In October 2009 SN Power signed a partnership agreement with Tata Power Corporation to develop new hydropower projects in the South Asia region.

Plants

ALLAIN DUHANGAN
MALANA

MALANA HYDROPOWER PLANT

Malana Hydropower Plant utilises the water from the Malana river in the state of Himachal Pradesh. Water is collected at the plant's intake, consisting of a barrage head regulator, a desilter and a small concrete dam reservoir. It is then transferred via an underground headrace tunnel and steel surface penstock into the powerhouse at Chauki village.

Malana is operated as a base load plant during the summer and rainy season (June-October), and as a peaking plant the rest of the year. The plant helps meet power shortages in the northern region, presently estimated at about 1500 MW.

Construction of Malana Hydropower Plant was commenced in January 1999 and included several Indian contracts for civil works. BHEL supplied major electromechanical works. The plant was commissioned in July 2001.

The project provided considerable employment for the local population during the construction phase. Presently 96 people are employed at the site, most of them recruited from local communities.

ALLAIN DUHANGAN HYDROPOWER PLANT

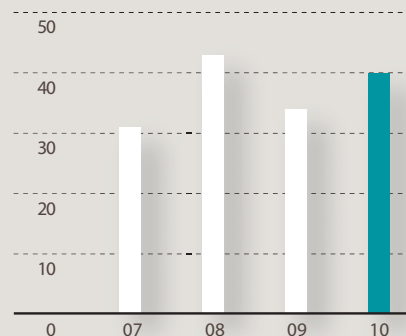
The Allain Duhangan Hydropower Limited (ADHPL) is a greenfield run-of-river project with no dam attached. The high head underground

ALLAIN DUHANGAN

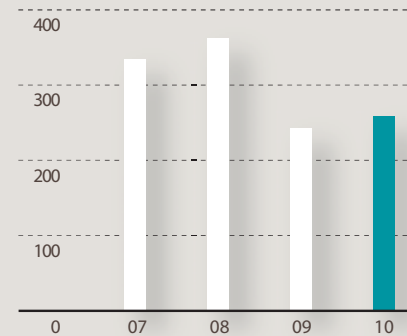
The project is among the largest CDM-registered hydropower projects. Below: Underground powerhouse under construction.



OPERATING REVENUES 2007-2010 (IN MUSD)



AVERAGE ANNUAL OUTPUT 2007-2010 (GWh)



SOUTH ASIA

Sri Lanka

power plant utilises water flows from a combination of glacial snowmelt and monsoon rains. The 192 MW hydropower plant lies at the confluence of Allain and Duhangan rivers in the Kullu district of Himachal Pradesh.

Allain Duhangan will operate as a base load plant during the summer and rainy season (June–October), and as a peaking plant the rest of the year.

Construction of Allain Duhangan Hydropower Plant was commenced in January 2005. Commercial operation started in July 2010 for Allain and is scheduled to start in fourth quarter 2011 for Duhangan. The project has been granted credits under the Clean Development Mechanism (CDM) and is among the largest hydropower projects to be registered under the CDM, UN Framework Convention on Climate Change. The process of issuance of certified emission reductions (CERs) under CDM has been initiated and the CER credits are expected by the end of 2011.

The project provides significant employment opportunities for local communities and also contributes to develop the infrastructure in the Kullu district.

Plants

ASSUPINIELLA
BELIHULOYA

ASSUPINIELLA
Assupiniella is a 4 MW run-of-river hydropower plant providing renewable energy to the Sri Lankan grid.



SN Power holds a 30% stake in Nividhu Private Limited, which owns and operates the Assupiniella and Belihuloya hydropower plants.

The **Assupiniella** plant is located North East of Colombo, and generates an average annual output of 17 GWh. Construction work commenced in May 2003 and was completed in September 2005. During construction phase, the project provided employment opportunities for the local communities and continues to do so during operation. Commercial operations started in November 2005. There are currently about 15 people employed at the site, many of them recruited from the local community.

The **Belihuloya** plant is a 2.1 MW run-of-river plant providing renewable energy to the Sri Lankan grid. The plant utilises water from the Belihuloya River to supply renewable energy to the grid in Sri Lanka. Belihuloya is located south-east of Colombo and has been operating since 2002. The plant generates an average annual output of 10 GWh.

Construction work at Belihuloya commenced in April 2000 and was completed as planned, both with respect to cost, time and quality. Commercial operation started in May 2002. There are currently 13 people employed at the site, many of them recruited from the local community.

SOUTH ASIA

Nepal

Plants

KHIMTI I

KHIMTI I

Khimti I is a run-of-river hydropower plant with a capacity of 60 MW and an annual production of 350 gigawatt hours.



SN Power entered Nepal in 2006 through the acquisition of Statkraft's majority share in Himal Power Limited (HPL), which operates the Khimti I 60 MW run-of-river hydropower plant. SN Power is currently carrying out project development and feasibility studies for an expansion of this plant in addition to a much bigger (880 MW) plant in the Tamakoshi valley.

KHIMTI I

As a majority owner of HPL (57.1%), SN Power is the operator of the Khimti I hydropower plant which supplies almost 17% of Nepal's total electricity output.

HPL is also engaged in several community development programs in the area surrounding Khimti. These include: rural electrification of eventually over 8 000 households; community managed small hydropower generation; support for enterprise development; support for irrigation; drinking water and other rural infrastructure projects; operation of a local school for 400 children and a clinic catering to more than 12 000 local patients annually. HPL is currently collaborating with the United Nations Development Program (UNDP), through the Khimti Neighbourhood Development Project, to incorporate a community mobilisation approach in the local development programmes.

On 27 November 2010, Khimti I plant celebrated its 10th year of successful operation.

KIRNE

In January 2009, SN Power was granted a survey license by the Government of Nepal to conduct a feasibility study and environmental impact assessment for 67 MW Kirne hydropower project which utilises excess water in the Khimti Khola during the wet season, via the existing water conveyance system of Khimti I Hydropower Plant.

Currently, Khimti I only uses about half of the available water in the headrace tunnel during the wet season. The Kirne hydropower plant plans to utilise the additional flow and the investment will nearly double the wet season energy production with minimum negative environmental impacts. The feasibility study of the project was completed in November 2009 and the environmental impact assessment is at its final stage.

TAMAKOSHI III

Significant progress has been made in 2010 in the feasibility studies of the Tamakoshi III hydropower project which has been optimised

350^{GWh}

Khimti I total
annual output

67^{MW}

Kirne total
installed capacity

2 700^{GWh} 15%

Tamakoshi III total
future annual
output

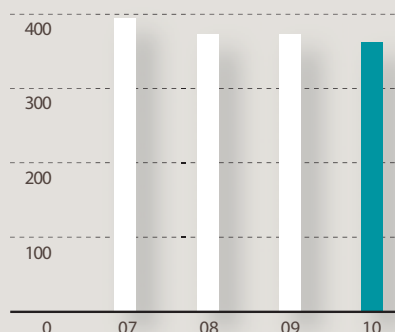
Khimti's percent-
age of Nepal's
electricity output

at 880 MW, and in April 2010, the Government of Nepal amended the survey license to reflect this change.

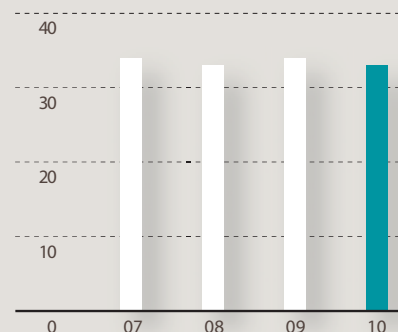
The technical feasibility study has been completed and the environmental and social impact assessment (ESIA) report has been submitted to the Government for approval. The survey license for the Nepal side of the transmission line has been obtained and the feasibility study and ESIA will begin soon. "Tamakoshi Vision", a comprehensive community development program in the Tamakoshi Valley has been formulated.

As in all SN Power projects, taking the social and environmental aspects of project development into consideration from an early stage is key. Throughout 2010 SN Power has worked closely with national and local stakeholders to ensure that community concerns are integrated during project planning and that a plan for sustainable local development is developed. This work has translated into further refinement of the Tamakoshi Vision.

AVERAGE ANNUAL OUTPUT
2007–2010 (GWh)



OPERATING REVENUES
2007–2010 (IN MUS\$)



KIRNE

The project has a capacity of 67 MW. The Kirne project shares resources with the existing Khimti 1 hydropower plant.



Prominent pioneer in Southeast Asia



Erik Knive
EXECUTIVE VICE PRESIDENT, SOUTHEAST ASIA

Business in Southeast Asia continued to prosper in 2010 with strong continued growth in the Philippines and presence established in Vietnam. The outlook for 2011 is positive with Laos a country to watch.

According to Erik Knive, Executive Vice President, Southeast Asia: "2010 was a good year. Milestones were achieved at existing assets in the Philippines, where our relationship with exclusive partner Aboitiz Equity Ventures (AEV)/Aboitiz Power (AP) continues to prosper, growth prospects in Vietnam and Laos were progressed and a new initiative was launched in Singapore."

KEY 2010 ACHIEVEMENTS

The Philippines

Operating as SN Aboitiz Power (SNAP), the joint venture company set up with AEV/AP, SN Power attributes its continuing success in the Philippines to its balanced commercial strategy and willingness to innovate. In addition to the role as owner and operator of three major hydropower plants, the company capitalised in 2010 on its know-how to be the first private provider of ancillary services. In addition, around 34% of revenues now come from trading on the spot market, with the Philippines among the first emerging economies to have a deregulated power market.

From early March to mid-June, the 381 MW Magat plant suffered a shutdown due to extremely dry weather. By the end of 2010

however, performance recorded was above forecast. With a net profit of MUSD 76.7 for SN Power's Philippine operations, the Philippines contributed substantially to SN Power's overall profit. Key to this success was the sale of ancillary services to the local grid, necessary to help maintain safety and reliability in the transmission of electric power. Magat is one of the few hydropower plants in the Philippines that can be used to provide ancillary services and therefore makes a valuable contribution to the country's main power grid.

At the 75 MW Ambuklao plant, currently undergoing rehabilitation and upgrade, the year also got off to a challenging start. An unprecedented volume of silt and sediment in the headrace tunnel, caused by a typhoon in October 2009, made the planned technical solution for plugging it untenable. However, the team came up with a viable alternative solution, which, while complex, was implemented quickly and on schedule, with high standards of health and safety maintained throughout.

Binga, among the oldest hydropower plants in the country, continued to operate with excellent availability and in April 2010 work started

“SN Power plans to leverage its success in the Philippines and other markets to play a similar pivotal role in Vietnam’s power market.”

ERIK KNIVE

EXECUTIVE VICE PRESIDENT, SOUTHEAST ASIA

to upgrade the plant. Completion is expected in 2014. In the three years since SNAP took over operation, new input, tools and improved performance have increased the availability of the plant to over 95%.

Singapore In 2010 SN Power launched its Global Services initiative, an internal consulting group designed to attract, develop and retain global expert resources. The Global Services team will work on issues such as quality assurance and training to improve the quality of services provided to contracted employees on a global basis.

Vietnam

SN Power aims at becoming an industrial investor in Vietnam within the next two years. Demonstrating long term commitment to the market, a representative office was established in Hanoi in March 2010. As a first step acquisition prospects will be evaluated with greenfield opportunities to follow.

In June 2010, SN Power signed a Joint Development Agreement with IFC InfraVentures. The partnership, called SN Power Vietnam, an 80:20 structure with SN Power in a majority position, is currently looking into several interesting acquisition targets.

TARGETS FOR 2011

The Philippines

In the Philippines, in conjunction with AEV/AP, SN Power will continue to ensure state-of-

the-art operation of existing assets, continue the rehabilitation work at Binga and start full operation of Ambuklao. Other focus areas will include the pre-construction and construction of the 90 MW expansion project at Magat. All opportunities to acquire additional assets and independent power producer administrator (IPPA) contracts, as a result of the government continuing the privatisation process, will also be pursued. We have also established a greenfield development program.

Vietnam

Energy demand in Vietnam is expected to continue to grow at a high pace over the next years from 86 TWh in 2009 to over 260 TWh by 2020. During 2011, a country manager will be appointed and investment opportunities further progressed. As the power sector is being reformed and deregulated, SN Power plans to leverage on its success in the Philippines and other markets to play a similar pivotal role in Vietnam’s power market by 2011.

Laos

SN Power continues to pursue investment opportunities in Laos with a thorough market study underway and aims to close its first transaction by the end of 2011/early 2012. The company also backs regional power sector integration through the creation of a Mekong power pool between Laos, Thailand and Vietnam, similar to the Nordic model, to encourage long term growth in the region.

SOUTHEAST ASIA

The Philippines

Plants

AMBUKLAO
BINGA
MAGAT

MAGAT

The 381 MW Magat hydropower plant has a strategic role in Luzon, the Philippines.



Since SN Power and Aboitiz Equity Ventures (AEV)/Aboitiz Power (AP) formed the 50–50 joint venture company SN Aboitiz Power (SNAP) in 2006, the company has acquired three major hydro-power plants on Luzon, making SNAP among the largest private renewable energy companies in the Philippines.

MAGAT HYDROPOWER PLANT

SNAP acquired the 360 MW Magat hydropower plant, the largest in the Philippines, in 2007. In 2010 SNAP increased this to 381 MW, leaving the plant with extra capacity to capitalise on ancillary services. In 2010, 53 per cent of revenues came from sales of 843 GWh reserved ancillary services. 316 GWh was traded on the Philippine spot market, WESM, representing 26% of revenues. In addition, 357 GWh accounting for 20% of revenues came from sales of bilateral contracts.

SNAP has an established stakeholder engagement program and actively supports a range of projects that benefit local communities. Two new ones were launched in 2010. SNAP and Social Action for Development Center (an Ifugao province-based NGO), jointly implemented a program to protect watershed areas from further denudation. Project Daloy Magat will equip fishermen and farmers with techniques for more efficient water use, while sustaining productivity of farmlands and fishpond operations.

Magat is a multi-purpose dam which, in addition

to generating hydroelectric power, provides irrigation water for ca. 85 000 hectares of agricultural land and plays an important role in flood regulation. In 2010 The Philippines' weather forecasting agency and Norway's water resources and energy directorate (NVE) signed an agreement for the improvement of the flood forecasting and warning system (FFWS), aimed at reducing flood damage to downstream communities. SNAP will handle the information, education and communication aspects of the project.

Also in 2010, Magat received its third straight Safety Milestone Recognition (SMILE) award from the Department of Labour and Employment for recording over 1 173 000 man-hours without lost time incident (LTIs) since takeover. Magat furthermore maintained the Certification to Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 it received in 2009, and passed its first ISO 9001:2008 Certification Audit. In addition, the plant received its Certificate of Compliance from the Energy Regulatory Commission, a certificate valid for five years.

381^{MW}Magat total
installed capacity124^{MW}Binga total installed
capacity (under
rehabilitation)105^{MW}Ambuklao total
installed capacity
(rehabilitation)

1 173 000

Man-hours without lost
time incident at Magat
between 4/2007–12/2010

AMBUKLAO AND BINGA HYDROPOWER PLANTS

In 2010, SNAP continued to focus on the full-scale rehabilitation of Ambuklao and Binga in the Benguet province. On completion, their combined capacity will increase by 50 MW. Ambuklao from 75 to 105 MW and Binga from 100 to 124 MW. Ambuklao has not been operational since 1999 due to major earthquake damage suffered in 1990.

In 2010, Binga generated 197 GWh of power traded on the WESM, while 201 GWh was used for sales and provision of ancillary services. This corresponds to a breakdown of 53% and 33% of revenues for spot and ancillary services respectively. An additional 68 GWh, representing 14% of revenues, came from sales of bilateral contracts.

In March 2010, the implementing agreement for the Indigenous Peoples' accord of 2009 was signed. As a result, the use and administration of certain areas near the Binga plant were turned over to the indigenous community of Barangay Tinongdan. This resolved 50 years of conflict between National Power Corporation (NPC) and the local population. A similar implementing agreement is also being prepared for Ambuklao.

In April 2010, work began to upgrade the Binga plant. As the plant is in operation the four units will be upgraded one unit at a time, with completion expected in 2014. Total rehabilitation

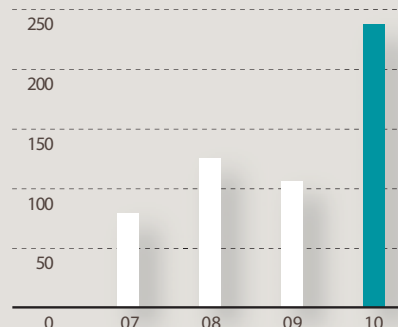
cost and capital expenditure for the expansion of both Ambuklao and Binga is estimated at MUSD 299.

In July 2010, the SNAP rehabilitation team faced challenges in plugging the existing headrace tunnel at the Ambuklao plant, caused by an unexpected volume of sediments in it compounded by the effects of a typhoon in 2009. The solution found was to build a new extended headrace tunnel to allow water to flow through to the new turbines. This work is expected to be completed and the plant to become fully operational again during 2011.

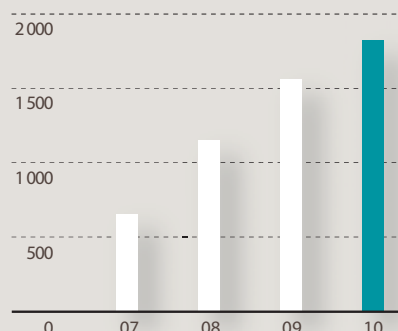
In December 2010, Binga posted 978 000 man-hours without LTIs and also received the 2010 Safety Milestone Recognition (SMILE) award. The plant was also conferred with the Confirmation of Certification to the standard set in the OHSAS 18001:2007 and the Certificate of Compliance from the Energy Regulatory Commission.

As a condition of the Environmental Compliance Certificate held and a key feature of the Philippine environmental impact assessment system, a Multi-Partite Monitoring Team (MMT) for both Ambuklao and Binga were established in 2010 to monitor the projects. In addition to SNAP and the Environmental Management Bureau, the MMT is composed of government agencies, local government unit and stakeholders.

OPERATING REVENUES 2007–2010 (IN MUSD)



AVERAGE ANNUAL OUTPUT 2007–2010 (GWh)



From pioneer to player



Einar Stenstadvold
CHIEF EXECUTIVE OFFICER,
SN POWER AfriCA

Despite continued structural and political constraints in some parts of the continent, Africa has shown good economic progress over the past few years. While new power generation capacity has been difficult to finance, there is also an urgent need to develop additional capacity generation.

SN Power AfriCA spent 2010 in negotiations to pursue entry in several key markets primarily through a combination of greenfield projects and rehabilitation, with acquisitions also prioritised as and when opportunities arise. In Central America, a region also managed by SN Power AfriCA, Panama remains the prime focus.

“Considerable ground was covered in Africa and Central America during 2010, which helped the company transition from pioneer to player,” says Einar Stenstadvold, Chief Executive Officer, SN Power AfriCA. “By the end of the year several key contracts were in the latter stages of negotiation, putting the company in a strong position for 2011.”

For SN Power AfriCA, 2010 was only the company's second complete year of operation. Set up to pursue sustainable hydropower business opportunities throughout Africa and Central America, initial activities have focused on establishing local presence and evaluating project and partnership options, specifically in Panama, Costa Rica and in Southern Africa.

Despite continued structural and political

constraints in some parts of the continent, the Southern African region has shown good economic progress over the past years. With its central geographical location, and interconnection with the East African grid at an advanced stage of planning, some selected countries are expected to play a strategic role. The Sub-Saharan countries current installed electric power capacity is about 50 000 MW. The total useable hydropower development potential for the Sub-Saharan countries is more than 1 000 TWh/year.

Central America has a hydropower potential of 22 000 MW, of which approximately 4 000 MW has been developed.

In late July 2010, the first substation of the Central American Electrical Interconnection System (SIEPAC) opened in Costa Rica with a substation in Panama opened shortly afterwards. Once the whole 1 800 km transmission line is fully operational, it will include 15 substations and, with a capacity of 300 MW. This will create a regional electricity market in Central America. As a result, the overall cost of electricity in the region can be expected to drop as a

“In only its second full year of operation, SN Power AfriCA activities in 2010 essentially centred around establishing local presence and evaluating project and partnership options, specifically in Panama, Costa Rica and Southern Africa.”

EINAR STENSTADVOLD

CHIEF EXECUTIVE OFFICER, SN POWER AfriCA

result of efficiency gains of having an integrated energy market.

KEY ACHIEVEMENTS IN 2010

In January 2010 Norwegian energy companies BKK and TrønderEnergi joined SN Power and Norfund as owners of SN Power AfriCA, with a combined ownership stake of 39%.

In Mai 2010, SN Power AfriCA opened its regional office in Central America in the Costa Rican capital of San Jose.

Throughout the year, SN Power AfriCA continued negotiations surrounding its first project in Central America as part of a strategic alliance formed in 2009 with the Panamanian Credicorp Group. As a result of this cooperation, SN Power AfriCA acquired a controlling interest of 50.1% in the Bajo Frio project. Bajo Frio is a greenfield hydropower project which is at an advanced development stage and is planned for completion in 2013. Construction is due to start in May 2011 and will include a 58 MW hydropower plant with an open canal, dam and two power houses.

TARGETS FOR 2011

In Panama, the prime focus for 2011 will be construction of the Bajo Frio hydropower plant with rigorous control of health and safety issues.

In Southern Africa, SN Power AfriCA will continue to assess joint venture and acquisition prospects with a view to strengthening its strategic position in the region.

In South Africa, which dominates the southern region in terms of both demand and expected growth, SN Power AfriCA will continue to evaluate opportunities in the market with plans to establish local presence as soon as is feasible.

Overall SN Power AfriCA's goal is to build a portfolio of 700 equity MW by 2015.



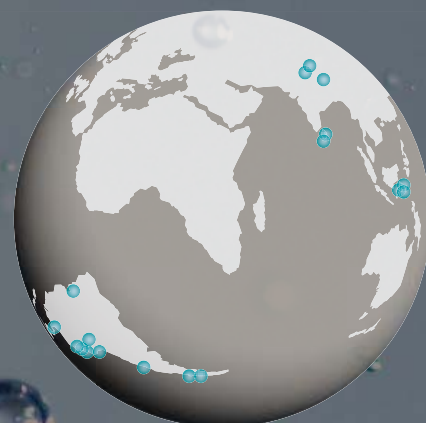
SN POWER

Organisation

SN Power complies with international corporate governance practices. We are committed to transparency and openness throughout our business and have integrated corporate responsibility and sustainable development into our governance structures and procedures.

427 Number of SN Power employees

17 Number of SN Power nationalities




60%

Share of Statkraft ownership in SN Power

40%

Share of Norfund ownership in SN Power

 [LEARN MORE /snpower.com](https://snpower.com)

Management team



Tor Stokke
CEO

BACKGROUND

Over 15 years' experience in CFO positions at major Norwegian and international companies including ExClay International, Raufoss ASA and Posten Norway BA. Has also worked as a consultant and has also worked extensively with strategy and business development, including merger and acquisition and change management processes.

Tor holds an MSc in business and finance from Lund University and a post-graduate business qualification from the Norwegian School of Business Administration and Economics.

Erik Knive
EVP, SOUTH-EAST ASIA

BACKGROUND

Substantial international experience in business development. Has worked with start-ups and operational entities within multinational telecom industries, service providers, international finance institutions and government ministries in the USA, Asia, Europe and the Middle East. Prior to joining SN Power he gained executive experience from Norconsult Telematics and Teleplan, having been responsible for global business development and all European and Asian operations.

Erik holds a BSc in Business Management from the University of New Orleans and a GMP from the Harvard Business School.

Knut Reed
ACTING EVP, SOUTH ASIA

BACKGROUND

Extensive executive experience from several industries and broad international experience. Has lived and worked abroad for 15 years, predominately as top manager. Prior to joining SN Power 2 years ago, worked for Dyno Nobel, Telenor and Blom where main focus was international growth and expansion.

Knut holds a degree (honours) in Civil and Structural Engineering from University of Manchester (UMIST).

Jan Erik Felle
ACTING CFO

BACKGROUND

Nine years' experience in the audit branch of PricewaterhouseCoopers mainly from public sector companies and energy sector. He has also worked on several consulting assignments in the same company related to IFRS implementation, cost allocation and training of new hires. Jan Erik joined SN Power in September 2007.

Jan Erik holds an M.Sc from Norwegian School of Management (BI) and is State Authorized Public Accountant.



Elsbeth Tronstad
EVP, COMMUNICATION AND CSR

BACKGROUND

Came to SN Power from position as Executive Director for Communication at NHO (Confederation of Norwegian Enterprise) and has previous ten years' experience from ABB, working with oil, gas and petrochemicals. She has also held positions in NORAD and DNV.

Elsbeth has a political science background from the University of Oslo and she has twice held positions in the Norwegian Government, most recently for the Deputy Minister in the Norwegian Ministry of Foreign Affairs.

Nils Morten Huseby
EVP, SOUTH AMERICA

BACKGROUND

Extensive international experience in energy and finance. Prior to joining SN Power, Nils was VP of the Norwegian Futures and Options Clearinghouse, responsible for new business development. He has also been an associate with McKinsey & Co and has held various international positions with Shell International.

Nils Morten holds an MSc in Mechanical Engineering from the Norwegian Institute of Technology.

Jarl Kosberg
EVP, PROJECTS AND OPERATIONS

BACKGROUND

Over 24 years' experience heading up business units and companies and from the execution of large international projects. Prior to joining SN Power, Jarl was with Aker/Kvaerner and Exxon. He spent eight years living abroad on various international assignments in Eastern Europe, America and Asia.

Jarl holds a Masters degree in Mechanical and Naval Engineering from the University of Technology in Trondheim (NTNU) and a Business & Administration degree.

Nicolas Delaunay
EVP, STRATEGY AND M&A

BACKGROUND

Came to SN Power from world-leading shipbuilder Aker Yards where, as VP Business Development he worked on strategic development and global investment opportunities including acquisitions, spin-offs and divestments. Prior to that his career spans from trading and shipping operations with Geogas and Shell/Bergesen, to business development and commercial strategy for Norsk Hydro. He has worked in Ecuador, the Persian Gulf, India and Singapore.

Nicolas has an MSc in Mechanical Engineering, a 1st Class Merchant Marine Captain degree, an MBA from Theseus EdHEC and has a post-graduate degree from the Harvard Business School.

Corporate governance

SN Power complies with international corporate governance practices and its principles are based on the Norwegian Code of Practice for Corporate Governance (NUES). Non-compliances are attributable to the fact that SN Power is not a publicly listed company as it is owned by Statkraft and Norfund, and restrictions contained in the Articles of Association.

A statement concerning follow-up of the items in the Norwegian Code of Practice for Corporate Governance is given below.

1. Corporate governance statement

The basis for the board of SN Power's corporate governance work is the Norwegian Code of Practice for Corporate Governance.

The code has been applied to the extent permitted by the company's organisation and ownership. Non-compliances are attributable to the fact that SN Power is not a publicly listed company, that it is owned by Statkraft and Norfund, as well as restrictions contained in the Articles of Association. The non-compliances relate to non-discrimination of shareholders, tradability of shares, the annual general meeting, nomination committee, the corporate assembly, and take over.

SN Power's policy for corporate governance establishes the relationship between the company's owners, board of directors, and management.

2. Business

SN Power's Articles of Association state that: "The object of Statkraft Norfund Invest AS is, alone, or through participation in or cooperation with other companies, to plan, design, construct and operate energy production facilities, undertake financial and physical energy trading, and operate businesses which are naturally associated with the same".

SN Power Invest AS is registered in Norway and its management structure is based on Norwegian company law and the Limited Companies Act. In addition, the company's Articles of Association, vision, values, code of conduct, corporate governance policies and ethical guidelines are guiding for the company's business.

A summary of the vision, values, and code of conduct can be viewed at www.snpower.com.

3. Share capital and dividend

SN Power Invest AS has a share capital of thousand USD 476 768 divided among 26 710 343 shares, each with a face value of NOK 100 .

It is the joint intention and purpose of the shareholders that SN Power shall be a going concern and shall be independently viable in all possible aspects. The shareholders shall exert their individual best efforts to make the company viable and profitable.

The company's long term goal is to have an annual payout ratio of at least 40% of net profit.

See note 23 for more information about the management of the capital structure and note 19 for shares and shareholder information.

4. Equal treatment of shareholders and transactions with related parties

60% of the shares in SN Power Invest AS are owned by the state-owned enterprise Statkraft AS and the remaining 40% by the Norwegian investment fund for developing countries NORFUND. The Shareholder Agreement, dated 22nd of December 2008, defines the treatment of shareholders and transactions with related parties.

See note 25 for further information about related parties.

5. Freely negotiable

N/A, shares are not traded in the open market.

6. General meeting

The shareholders exercise supreme authority over SN Power Invest AS through the annual general meeting. In accordance with the Articles

of Association the annual general meeting shall be held annually before the end of June.

In accordance with the Articles of Association of SN Power Invest AS the annual accounts and auditor's report shall be presented and the following issues dealt with and decided:

- Adoption of the income statement and balance sheet, including the allocation of profit or the covering of any loss
- Adoption of the consolidated income statement and consolidated balance sheet
- Other issues in accordance to the law or the Articles of Association lie with the general meeting

7. Nomination committee

N/A. There is no nomination committee.

8. The corporate assembly and board of directors, composition and independence

Pursuant to the Norwegian Public Limited Liability Companies Act, SN Power Invest AS does not have a corporate assembly as it has fewer than 200 employees.

SN Power Invest shall have up to 8 directors. Four directors, including the chairperson, are nominated by Statkraft, two are nominated by Norfund, and two directors are elected by the employees of SN Power Invest in accordance with the regulations of the Norwegian Companies' Act. The directors shall be elected for periods of two years.

The board members are evaluated on the basis of their expertise and independence. The board shall furthermore be independent of the company's executive employees. The current challenges facing the company are taken into consideration in establishing the composition of the board.

9. The work of the board of directors

The board has established rules of procedure for the board of SN Power Invest AS that lay down guidelines for the board's work and decision-making procedures. The board's tasks are described in general by Norwegian company law and the company's Articles of Association. The rules of procedure also define the tasks and obligations of the Chairman and CEO in relation to the board.

Due to its size and that SN Power Invest is not

publicly listed, SN Power Invest does not have an audit committee nor a compensation committee. The board will undertake an annual evaluation of its own performance. The purpose of the evaluation is to improve board effectiveness. The chair will act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board. The annual general meeting determines the remuneration of the board members.

See Report from the Board of Directors for more information about the work of the board of directors.

10. Risk management and internal control

SN Power's investments are made in emerging markets in Asia, Africa and Latin America, and are to a great extent exposed to high level of risk in terms of their future return. SN Power is continuously working to improve its methods for risk management to measure, mitigate, and manage this risk exposure.

Comprehensive risk analysis techniques covering financial, economical, social, environmental, and political factors have been established in the company's project management system. The methods identify risk at an early phase in valuation process and implement appropriate mitigation plans which are monitored through the projects.

As part of the Group's internal control system, Statkraft's corporate audit function assist the SN Power board and management in making an independent and impartial evaluation of the Group's key risk management and control procedures. Statkraft's Corporate Audit shall also contribute to ongoing quality improvement in internal management and control systems. The annual corporate audit report and auditing plan for the coming year shall be laid before the board.

Risk management and internal control has been further discussed in the Report from the Board of Directors and note 3.

11. Board remuneration

The board's remuneration is not related to the company's results.

See Parent company note 3 for information about the board remuneration.

12. Remuneration to executive employees

The salary and other remuneration of the CEO are decided by a convened meeting of the board. The remuneration of other executive management is decided by the CEO, based on a structure agreed by the board to enhance value creation by the company through shared goals.

The board reviews the CEO's performance in meeting agreed goals and objectives on an annual basis.

See note 9 for information about the remuneration to executive employees.

13. Information and communication

SN Power emphasises open and honest communications with all its stakeholders and places the greatest focus on the stakeholders who are directly affected by SN Power's business. The information the company provides to its owner, lenders and the financial markets in general shall permit an evaluation of the company's underlying values and risk exposure. To ensure predictability, the owner and the financial markets shall be treated equally, and information shall be communicated in a timely manner. SN Power's financial reports shall be transparent, and provide the reader with a broad, relevant and reliable overview of its strategies, targets and results, as well as its consolidated financial performance.

14. Take-over of the company

N/A. Shares not traded.

15. Auditor

The annual general meeting appoints the auditor based on the board's proposal and approves the auditor's fees. The auditor serves until a new auditor is appointed. The external auditing contract is normally put out to tender at regular intervals.

The board has meetings with the external auditor to review the annual financial statements and otherwise as required. The board evaluates the external auditor's independence and has established guidelines for the use of the external auditor for consultancy purposes. In accordance with the requirement to maintain the auditor's independence, SN Power will only make limited use of the external auditor for tasks other than statutory financial audits.

Board of directors



Anne Vera Skrivarhaug BOARD MEMBER

EXTERNAL POSITION

Vice President Market Analysis and member of Statkraft Investment Committee

BACKGROUND

Formerly adviser to the CEO of Statoil, manager in Statoil's gas market analysis department. Held several board memberships (Naturkraft, TEV, Skagerak Kraft, Windsea, Norwegian Gas union).

Halvor Fossum Lauritzen BOARD MEMBER

EXTERNAL POSITION

Vice President CSR and Environment, SN Power, elected by the employees

BACKGROUND

Former director of the international department of the Red Cross and senior adviser to the United Nations. Director of various global relief operations and former CEO of Response Centre Group AS. Member of the boards of Scan Water AS, Fibrex Technology AS, Never.no AS and Compact AS.

Hilde Bekier-Larssen BOARD MEMBER

EXTERNAL POSITION

Vice President Business Control Asia, SN Power, elected by the employees

BACKGROUND

Former field engineer for Schlumberger in Brazil and Indonesia, consultancy roles at PA Consulting and McKinsey and senior product manager for Hilti AG in Liechtenstein.

Mark Davis BOARD MEMBER

EXTERNAL POSITION

Investment Director Renewable Energy, Norfund

BACKGROUND

Senior management positions at Norfund and ECON Analysis. Postgraduate director, EDRC, University of Cape Town. Member of the board of Tronder Power Ltd.

SN Power's two owners, Statkraft and Norfund, nominate directors to represent them on the board of the company. Four directors, including the board Chair, are nominated by Statkraft, two are nominated by Norfund. In addition, two directors are elected by the employees of SN Power.



Øistein Andresen
CHAIR

EXTERNAL POSITION

Executive Vice President, International Hydropower, Statkraft

BACKGROUND

Previously CEO of SN Power from 2002 to June 2010. Held previous positions at Akershus Energi, Statkraft, ABB and the Norwegian Ski Association.

Eli Skrøvset
BOARD MEMBER

EXTERNAL POSITION

Senior Advisor Statkraft AS

BACKGROUND

Member of the boards of BKK, Statkraft Development, Statkraft Energi, Småkraft, Energy Future Invest and Secora AS.

Former senior management positions at Statkraft.

Egil Reinhard Gjesteland
BOARD MEMBER

EXTERNAL POSITION

Chairman of the Board of Directors of Gjesteland Consulting AS. Member of the board of Umoe Solar AS

BACKGROUND

Former project director at Statoil

Tore Haga
BOARD MEMBER

EXTERNAL POSITION

Senior Vice President International, Statkraft.

BACKGROUND

Former senior management positions with Aker AS, the Kværner Group and Lindorff Holding AS. Member of the boards of Theun Hinboun Power Company Limited, Nordic Hydro Power AB, Asia Power Invest AB, and Fuglesangs Limited AS.

The background of the entire page is a close-up photograph of water bubbles. The bubbles are of various sizes, from small specks to larger, more defined spheres, and are scattered across the frame. The lighting creates highlights and shadows on the bubbles, giving them a three-dimensional appearance. The overall color palette is dominated by shades of blue and white.

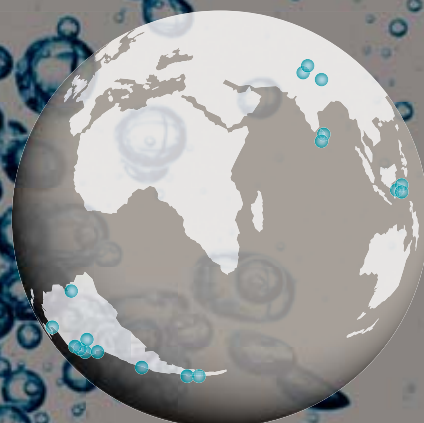
SN POWER

Our results

SN Power delivered its best result ever in 2010 and continued to expand on its growth initiatives in all strategic areas. Net profit amounted to MUS\$ 53, up from MUS\$ 41 in 2009. The main drivers behind the strong result are high prices and provision of ancillary services in our joint venture companies in the Philippines.

30% Total recordable injury (TRI) frequency reduction in our projects

1 752 MUSD
Total Assets



53 MUSD

Net Profit

114 MUSD

Operating Revenues



LEARN MORE /snpower.com

Board of directors' report

1. Highlights

> Financial results

SN Power delivered its best result ever in 2010 and continued to expand on its growth initiatives in all strategic areas. Net profit amounted to MUS\$ 53, up from MUS\$ 41 in 2009. The main drivers behind the strong result are high prices and provision of ancillary services in our joint venture companies in the Philippines.

> Production starts in 2010

In January 2010 SN Power inaugurated its first wind farm, the 45 MW Totoral wind farm in Chile.

In July 2010 the Allain part of the Allain Duhangan project in Himachal Pradesh, India started to produce electricity. The rated output of the plant's two turbine generators is approximately 192 MW when operating at full capacity. This first run-of-river project in the area will help mitigate power shortages in the northern region of India.

In October 2010 the two Chilean hydropower plants La Higuera and La Confluencia were inaugurated. Together the projects will contribute with more than 310 MW of power to the grid, enough to supply more than 900 000 Chilean households with renewable electricity.

> Investment decision for Cheves project in Peru

In September 2010 SN Power decided to invest MUS\$ 400 in the 168 MW Cheves hydropower project in Peru after a power purchase agreement was signed with the Peruvian state. Construction begins in 2011 and will be finalized in 2014.

> Improved safety performance

Despite the regrettable fatality in early 2010 at

the Allain Duhangan site in India, we are pleased to see that the safety indicators have improved significantly in 2010. From April 2007 to December 2010 1 173 000 man-hours without lost time incident (LTI) were recorded at Magat in the Philippines. At Binga, since SNAP took over operations there in July 2008, over 978 000 man-hours without LTIs were recorded at the end of December 2010.

> Joint development agreement with International Finance Corporation (IFC) in Vietnam

In July 2010 SN Power and IFC entered into a joint development agreement to provide sustainable renewable energy in order to meet Vietnam's growing demand for electricity.

> Ten years of success for Khimti in Nepal

In June 2010 Himal Power Limited (HPL), SN Power's subsidiary company in Nepal, celebrated its tenth year of successful operation of the 60 MW Khimti I hydropower project. This is the first private sector project in Nepal and contributes over 15% of the national power production.

2. Finance

The SN Power group generated a net profit of MUS\$ 53 in 2010, compared with MUS\$ 41 in 2009. Net profit after minority interest increased from MUS\$ 33 in 2009 to MUS\$ 52 in 2010. The most significant single items affecting the profit and loss statement are:

- Income from investments in our Philippine joint venture companies amounted to MUS\$ 77 in 2010. This is MUS\$ 60 higher than in 2009, due to high prices and provision of ancillary services. These investments are accounted for according to the equity method and thus

included in the line item "Income from investments in associated companies and joint ventures" in the profit and loss statement.

- A decision was made to not continue the development of the projects in Trayenko, Chile and a write down of MUS\$ 24 has been recognized in 2010.
- A full year operation of Totoral wind farm (Norvind) in Chile.
- Approximately MUS\$ 11 in lower profit from our Peruvian operations where the main reason is a large off taker closing down its production. The consequence for SN Power Peru was to sell the power on the spot market at lower prices in 2010.

The group's operating revenues decreased to MUS\$ 114 (MUS\$ 119), and the main reasons are lower operating revenues from Peru due to lower achieved prices on the spot market in 2010, partly offset by revenues from the first full year of operations by the Totoral wind farm (Norvind). Personnel cost, depreciation and other operating costs increased by MUS\$ 44. Of this, MUS\$ 24 is related to a write down of the Trayenko projects in Chile, and the remaining MUS\$ 20 cost increase stems from operating the Totoral wind farm and increased headcount and activity level in business development in holding companies.

SN Power's business model is to a large extent built on joint ventures with local partners and these investments are not consolidated but accounted for under the equity method in our financial statements. Income from investments in associates increased from MUS\$ 31 in 2009 to MUS\$ 84 in 2010, and includes our operating assets in Philippines, India, Sri Lanka and also our joint ventures in Chile. As a result of the above mentioned effects, the earnings before

financial items and tax increased by MUS\$ 6 to MUS\$ 69 in 2010.

Net financial items were MUS\$ -14 in 2010 compared with MUS\$ -11 in 2009. The lower result derives mainly from other financial income, financial expenses and interest costs. Tax expense in 2010 is MUS\$ 3, a decrease from 2009 of MUS\$ 8. The reason is lower taxable profit in Peru as well as a merger that provided the Peruvian companies with the final year of a concessionary tax rate. This tax concession expired in 2010.

The group's assets totalled MUS\$ 1 752 per 31 December 2010 (MUS\$ 1 655), of which MUS\$ 297 (MUS\$ 347) is cash and cash equivalents, and MUS\$ 42 capitalized as project development. The group's interest bearing debt amounted to MUS\$ 358 (MUS\$ 353), while equity amounted to MUS\$ 1 305 (MUS\$ 1 215). Significant effects in the balance sheet compared to 2009 are an increase in financial fixed assets as a result of net increase in investment in associates of MUS\$ 120. This is mainly due to new investments, strong results and currency conversion in the Philippines and increased long term receivables to associated companies in Chile of MUS\$ 34. Fixed and intangible assets show a slight decrease this year as investments in fixed and intangible assets are offset by depreciation and write-off.

The group's net cash flow from consolidated operating activities in 2010 was MUS\$ 32 (MUS\$ 17). The increase in cash flow from operations is mainly due to a full year of operations for our wind park Totoral (Norvind) and changes in current assets. These positive effects have been reduced due to lower results in Peru. Net cash used in investing activities in 2010 was MUS\$ 106 (MUS\$ 182), largely spent on investments in tangible and intangible assets, loans and equity contributions to associated companies. In addition the group received dividends from associates and joint ventures on MUS\$ 21. Cash flow from financing activities in 2010 was MUS\$ 25 (MUS\$ 318). There was no injection of equity from the owners in 2010 (MUS\$ 281 in 2009).

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated financial statements are prepared in accordance with International Finan-

cial Reporting Standards (IFRS) as adopted by the EU. The SN Power Group's presentation currency is USD.

STATKRAFT NORFUND POWER INVEST AS

The parent company Statkraft Norfund Power Invest AS (SNPI) recorded an operating loss of MUS\$ 19 compared to a loss of MUS\$ 17 in 2009. Net financial items were MUS\$ 3 (MUS\$ 0) and the loss after tax was MUS\$ 15 in 2010 (from a loss of MUS\$ 17).

Statkraft Norfund Power Invest AS and SN Power Holding AS have issued various guarantees to subsidiaries, associated companies and joint ventures, refer to notes 14 and 23 in the SN Power Group financial statements. The board has proposed that no dividend will be paid, and has proposed the following coverage of the net loss for the year in Statkraft Norfund Power Invest AS:

Net loss for the year	MUS\$ -15
Total allocated from other equity	MUS\$ -15

It is the opinion of the Board of directors that the financial statements provide a true and fair view of the Group's financial performance during 2010 and its financial position on 31 December 2010. According to the Norwegian Accounting Act, the board confirms that the financial statements have been prepared based on the going-concern assumption, and that it is appropriate to use this assumption.

3. Health and safety

The health and safety of SN Power's employees and the employees of contractors and consultants working for SN Power is a key priority. Our objective is to meet current international health, safety and environmental (HSE) standards in all our activities.

Despite these ambitions, one fatality occurred in 2010. In March 2010, a contractor employee died as the result of a fall from a transmission line tower at the Allain Duhangan project in India, where SN Power is a minority owner. SN Power's senior management closely followed the accident investigation to ensure that the root cause of the accident was revealed. The investigation resulted in a reorganization of that part of the

project to ensure improved management control and follow-up by the HSE department.

Overall, the health and safety performance of SN Power's projects improved in 2010. The Total Recordable Injury (TRI) frequency was reduced by 30% in projects and the TRI rate for operating plants in 2010 remained within targeted levels. The overall performance improved significantly and is aligned with good international standard.

In order to reinforce SN Power's emphasis on HSE, during 2010 a program was launched in order to train all personnel in HSE awareness. In addition to a general training session for all employees, business development, project execution and operations personnel have participated in dedicated workshops highlighting the specific HSE issues and mitigation principles relevant to their respective part of the value chain.

4. Operations 2010

The diversification of SN Power's operations into several markets proved beneficial in 2010. Overall, the Group's operational assets continued to deliver good results.

Operations in the Philippines delivered very good results because of spot market operations and the provision of ancillary services related to stabilising the grid. In Peru, more power had to be sold in the market at lower average spot prices. Operations in India, Nepal and Chile performed as expected, although with significant local variations in hydrology and market prices compared with a normal year. The Group management continues to implement measures to contain costs.

Four greenfield power plants commenced operations in 2010. The Totoral wind farm was inaugurated in January and the La Higuera and La Confluencia hydropower plants in Chile were inaugurated in October. The two hydropower plants generate about 1 400 GWh in an average year and are developed in a 50/50 joint venture between SN Power and Australian-based Pacific Hydro. The 192 MW Allain Duhangan project in India, which is developed together with the LNJ Bhilwara Group, commenced operation in July 2010. Further, in Peru the Cheves project reached financial close at the end of the year and pre-construction has started. The company continued to improve its HSE performance on construction projects.

Overview of revenues, EBITDA and net profit			2010	2009
(MUSD)	Revenue	EBITDA	Net profit after minority share	Net profit after minority share
Peru	65	34	14	22
Nepal	33	25	10	10
Chile	13	10	-1	
Holding companies and other effects	3	-40	-55	-31
Associated companies and joint ventures			84	31
Income statement	114	29	52	33

PERU

SN Power is the fifth largest electricity producer in Peru, operating eight hydropower plants with a total of 271 MW and 1 599 GWh mean annual production. SN Power Peru has also a significant transmission business, with over 700 km of high voltage transmission lines and 25 substations. As of 1 January 2010 the company operates as SN Power Peru S.A following the merger of the operating companies Cahua and Electroandes.

The Peruvian market has experienced a reduction in wholesale power prices as a result of extensive expansion of gas fired generation based on cheap domestic gas. This has affected SN Power Peru as the company has sold significant volumes at market prices. In 2010 the company took steps to improve efficiency of its operations by adopting the reliability centred maintenance (RCM) strategy and optimizing the work force.

In September 2010 SN Power decided to invest MUSD 400 in the 168 MW Cheves hydropower project after winning a power purchase agreement and concession in a bid process held by the Peruvian state. Financial close was reached in December 2010 with IFC backed funding. This is the IFC's first investment in Peru's power generation sector. Construction begins in 2011 and is expected to be finalized in 2014. The plant will be fully owned by SN Power.

Cheves is one of very few hydropower projects developed in Peru in the last decade and therefore represents a milestone in the country's efforts to promote the use of largely untapped renewable energy resources.

SN Power Peru (100%)	2010	2009
Energy Production GWh	1 433	1 602
Revenues MUSD	65	86
EBITDA MUSD	34	52

CHILE

SN Power entered the Chilean market in 2004 and is involved with the operations and development of several hydropower projects and operation of the company's only wind farm, Totoral.

Through the 50-50 Tinguiririca Energía joint venture with Pacific Hydro, SN Power had two hydropower projects under construction in the Tinguiririca Valley in Chile at the start of 2010 – La Higuera and La Confluencia.

Operation at the 155MW La Higuera plant started late 2010. La Higuera also received registration as a Clean Development Mechanism (CDM) and in doing so became the first hydropower project in Chile to be registered.

In October 2010 President Piñera of Chile and other senior government members joined the boards of SN Power and Pacific Hydro for the inauguration of the two facilities. La Confluencia is expected to start operations early in 2011. Together, the two plants will contribute approximately 1 400 GWh/year to the Chilean central grid.

A decision was made to not continue the development of the Trayenko projects, and a write down of MUSD 24 has been recognized in 2010.

Chile – Norvind and La Higuera (100%)	2010	2009
Energy Production GWh	255	0
Revenues MUSD	32	4
EBITDA MUSD	21	9

BRAZIL

Business development initiatives continued during 2010, through the subsidiary SN Power Energiá do Brasil Ltda., which is headquartered in Rio de Janeiro.

THE PHILIPPINES

SN Power has played a major role in the privatization of the Philippine power sector, and has acquired three major hydropower plants in the northern island of Luzon since its market entry in 2006. The plants are owned by SN Aboitiz Power (SNAP), a 50-50 joint venture with Aboitiz Power Corporation, now among the largest private renewable energy companies in the country.

The positive results posted in 2010 are attributable, in significant part, to the provision of ancillary services to the grid. Such services are essential to provide stability to the grid and ensure the integrity of energy supply. At the 380 MW Magat hydropower plant, the largest in the country, ancillary services accounted for 53% of gross revenue and SN Power's plants in the Philippines are uniquely positioned and designed to provide such essential services to the electricity system. The majority of the power generated by the plant is traded on the Philippine Wholesale Electricity Spot Market.

During 2010 SNAP continued to focus on the rehabilitation of the Ambuklao and Binga hydro-

power plants in the Benguet province. Binga is currently in operation and planned rehabilitation will upgrade the plant one unit at a time with completion expected in 2014. Ambuklao has not been operational since 1999 due to damage suffered in a major earthquake at that time. In July 2010 SNAP encountered challenges in completing a new extended headrace tunnel due to an unexpected volume of sediments in the tunnel compounded by the effects of typhoon Parma in October 2009. Rehabilitation will be completed in 2011. Once the whole project is complete the combined capacity of the Ambuklao and Binga plants will increase by 50 MW to a total of 229 MW and expected annual production of 751 GWh.

Throughout 2010 SNAP has continued its strong culture of safety in the workplace. From April 2007 to December 2010 1 173 000 man-hours without a lost time incident (LTI) were recorded. At Binga, since SNAP took over operations there in July 2008, over 978 000 man-hours without LTIs were recorded at the end of December 2010.

Philippines – SN Aboitiz Power (100%)	2010	2009
Energy Production GWh	1 824	1 563
Revenues MUSD	237	106
EBITDA MUSD	190	85

VIETNAM

SN Power moved into Vietnam with the opening of an office in Hanoi in April 2010. First phase activities are looking at acquisition prospects whilst greenfield opportunities will be evaluated once local presence has been secured. The Vietnamese market represents significant opportunities in light of the government's decision to deregulate the market.

In July 2010, SN Power and the IFC entered into a Joint Development Agreement (JDA) to help meet the growing demand for electricity in Vietnam through renewable energy generation. The JDA will enable the two parties to develop an investment strategy, policy, and guidelines to address Vietnam's growing demand for power. This is SN Power's first partnership in Vietnam.

INDIA

In July 2010 commercial operation started at the Allain part of the Allain Duhangan hydropower

plant. A total of 122 GWh were generated during July – December 2010. Operation is expected to start in 2011 at the Duhangan site. This 192 MW project is being developed by Malana Power Company Ltd., as the 88% majority shareholder and the remaining 12% held by IFC. SN Power owns 49% of Malana Power Company and LNJ Bhilwara Group own 51%. The project has also been registered under the Clean Development Mechanism (CDM) and is among the largest hydropower projects to be registered. The process of issuance of certified emission reductions (CERs) under CDM has been initiated and the CER credits are expected by end 2011.

At existing plants, work continued at the 109 MW Malana base load plant to enhance the capacity to 112 MW. Completion is due in March 2011.

Through its partnership with Tata Power, in 2010 SN Power continued to pursue new investment opportunities.

India – Malana/ADHPL (100%)	2010	2009
Energy Production GWh	361	244
Revenues MUSD	40	34
EBITDA MUSD	33	30

NEPAL

SN Power holds 57.1% of Himal Power Limited (HPL), which operates the 60 MW Khimti hydropower plant with a mean annual generation of 350 GWh. In November 2010 the plant celebrated 10 years of successful operation.

SN Power together with its HPL partners also holds a survey license for the Kirne project, a 67 MW project which will utilize the existing Khimti infrastructure. The feasibility study was completed in November 2009 and the Environmental Impact Assessment has been submitted to the Nepali government for approval.

In March 2010 SN Power completed the feasibility study and Environmental and Social Impact Assessment of the Tamakoshi III project. A detailed technical assessment and negotiation on a Project Development Agreement with the government is now underway. The 880 MW/ 2 700 GWh hydropower plant can bring a number of direct and indirect benefits to Nepal, at both a local and national level.

Nepal – Himal Power Ltd. (100%)	2010	2009
Energy Production GWh	363	373
Revenues MUSD	33	34
EBITDA MUSD	25	27

SRI LANKA

SN Power holds a 30% stake in Nividhu Private Limited, which owns and operates the Assu-pinella and Belihuloya hydropower plants. The company is accounted for in accordance with the equity method and contributed MUSD 0.5 to SN Power's earnings after tax in 2010.

AFRICA AND CENTRAL AMERICA

The joint venture established by SN Power and Norfund, SN Power AfriCA, had its second full year of operation in 2010. Activities centred around negotiations concerning both green-field and rehabilitation projects in Panama and Southern Africa.

5. People and organization

SN Power continues to strengthen its growth capabilities through recruitment of talented people and continuously training the people in the organization.

The total number of employees in consolidated companies was 427 by year-end, down from 466 in December 2009. 53 are based at the company headquarters in Oslo, 227 in Peru, 52 in Chile, 5 in Brazil, 56 in Nepal, 11 in India, 3 in the Philippines, 3 in Vietnam and 17 in Singapore. The decrease in overall number of employees is explained by merger and restructuring of operating companies in Peru.

SN Power's non-consolidated companies had 584 employees at year-end 2010 of which 105 in Chile, 261 in India and 218 in the Philippines. The decrease stems from partly completion of the Allain Duhangan project in India, and thus lower number of construction workers on site.

Sick leave in SN Power Group 2010 amounted to 1562 days, equivalent to 1.5% of total working days. SN Power Invest AS reported 408 days of absenteeism due to illness, which represented 3.7% of total working days. The increase from 1.7% in 2009 is largely due to recovery following non-work related accidents. Sick leave rate

exclusive of specific incidents are at par level or lower than the previous year.

SN Power continues to further develop its HR strategy to ensure recruitment and development of leaders and experts with the experience and competence needed to match the company's growth and operational needs. International leadership skills and technical and commercial experience from infrastructure development and hydropower continues to be the focal point. We are encouraged by the increasing awareness of our employer brand amongst experienced leaders and international expertise within our field of business. SN Power fosters a work environment based on values, ethics and integrity that, in combination with commercial drive and proven ability to deliver on challenging tasks, represents a compelling proposition for international professionals. The company does not discriminate on the basis of gender, religion or ethnic background.

Three of the eight board members are women at year end. One of eight senior management team members is a woman and 20% of SN Power's overall workforce is female, compared to 15% in 2009.

6. Society and the environment

Focus on Corporate Social Responsibility (CSR) and the environment are important in both new and ongoing projects in SN Power. Mitigating negative environmental impacts and supporting sustainable development in the communities where we operate, were key priorities for SN Power in 2010.

Creating a sustainable platform in the societies and among our stakeholders where we are operating, founded on positive development and based on a bottom up approach has proven to be one of the competitive advantages for SN Power.

CSR highlights include:

> At the Khimti plant in Nepal, which celebrated 10 years of operation in June 2010, a total of 4 600 rural households have been provided with electricity and an additional 3 800 households are in the process of being connected to the grid.

> In the Philippines, SNAP has allocated a total of more than TUSD 650 to 55 CSR projects covering reforestation, education, social infrastruc-

ture and indigenous peoples concerns. In 2010, several CSR projects were implemented. SNAP entered into a six-month joint program with the National Irrigation Administration and the Bureau of Fisheries and Aquatic Resources that aims to secure the productivity of farmlands and fishpond operations despite climate change's impact on water supply. Furthermore, SNAP entered into two projects to curb deforestation and other environmental problems through community based agro-forestry. The programs have an estimated budget of TUSD 101.

> In October a team from the Allain Duhangan plant in India rescued 2500 tourists trapped by snow, ensuring their safety, welfare and safe passage down the mountain.

> In December 2009, SN Power Peru won the first prize for its CSR Applied Tools and CSR Policy in the National Social Responsibility Contest organized by the NGO Peru 2021 and the Pontificia Universidad Católica del Peru.

> Climate

SN Power's business provides low carbon power supporting sustainable development in emerging markets. SN Power recognizes the role that the CDM plays as an enabler of investments in renewable energy projects. A global team is actively working with the CDM and carbon markets, and will further strengthen SN Power's knowledge and capabilities in our target countries.

SN Power and its partners have obtained CDM registration for three hydropower projects (La Higuera, Allain Duhangan and Cheves) and one wind project (Totoral). Once all plants are operational, they will issue CERs representing more than 1.2 million tonnes of CO₂ emission reductions each year.

7. Market outlook

The world economy continued its recovery during 2010, and is expected to continue to grow in 2011 at a rate of 4.2% (IMF). Economic growth in emerging markets is expected to accelerate, but at different rates for SN Power's key markets. While Latin America is expected to grow at a slower pace compared to 2010 at 4.0%, developing Asia is expected to grow at close to 10.0%. The disparate growth prospects and strong pressure on the US dollar, continue to challenge emerging econo-

mies and put pressure on the local currencies to appreciate in SN Power's key markets.

The rise in oil, gas and particularly coal prices during the last quarter of 2010 have resulted in higher electricity prices, and a continued strong commodity environment will have a positive impact in SN Power's key markets. The prices for CERs continue to remain stable and are expected to continue to do so for the remaining of the Kyoto period until 2012.

The international financial crisis is further abating, notwithstanding the turmoil experienced in European sovereign debt markets, and we see increased willingness from banks to lend long term to infrastructure projects. Investors continue to show a strong interest in renewable energy. Several large transactions took place in the sector in 2010, and the activity is expected to continue to be strong.

SN Power is well positioned to meet the demand for more development of renewable energy in order to meet the world's energy and climate challenges.

8. Risk management

SN Powers ambitions as well as the nature of the business makes it important to continuously update risk pictures at all levels, and there have been established and implemented a comprehensive global risk management framework integrated in all part of business activities.

The key risk factors for SN Power are connected to finance, market, safety, external environment and business ethics.

The central treasury department coordinates and manages the financial risk associated to foreign currencies, interest rates and liquidity. The most important instruments in managing this area are forward currency contracts and interest rate swap agreements, used mainly to hedge future cash flows related to foreign currencies and to convert parts of loans with floating interest into fixed. The central treasury department is also responsible for the group finance policy. The group seeks to optimize the capital structure in order to maximize shareholder value and manages its capital structure by taking up new debt, controlling dividend payment to shareholders, pay back capital to shareholders or issues of new

shares. At the end of 2010 SN Power's equity totalled MUSD 1 305 and this corresponds to 74% of total assets. The Group's policy is to a largest possible extent to use local project financing in all investments, and this implies that lenders do not have any right to recourse from the parent company or sister companies. Lenders will anyhow request guarantees from the parent company to cover construction risk.

SN Power invests in companies with main activities in production and sale of power. In all markets where SN Power has operations, both energy price and local hydrology are significant factors that will impact the financial results. A geographical diversification will to some extent reduce this exposure for the group. Other important instrument in managing market risks are the shaping of commercial strategy and mix of contract sales and spot market sales, in addition to procedures on credit risk. In some of the countries where SN Power operates, the exposure to political and economical risk is considered to be higher than normal due to unstable governmental conditions in the past or present. This risk might have a significant impact on our investments. To be able to mitigate and minimize this risk, all markets are subject to continuously monitoring. Country risk is also included in all financial models.

Health, safety and environment are key priorities for SN Power and risks related to these areas are managed mainly by means of policies, detailed requirements to the HSE standard in our investments and active follow up through our representatives on the boards and owner audits. A comprehensive system has also been established to map, record and report injuries,

and unwanted occurrences, and these are continuously analyzed and followed up. SN Power complies with approved international standards on environmental issues (IFC) as well as guiding protocols from International Hydropower Association. SN Power has a substantial risk exposure related to potential damages to assets, production losses and third-party life and property damages. This risk is handled through implementation of safety barriers, emergency plans and procedures as well as insurances covering significant damages and loss of revenues.

SN Power emphasizes business ethics in all aspects, both with employees, partners and contractors. The largest single risk related to business ethics is deemed to be corruption since some of the countries SN Power operate in are ranked poorly on corruption indexes. To mitigate this risk, focus has been on the implementation of ethical values in our business principles through training, Code of conduct, policies and procedures. SN Power is very conscious on this matter and seeks to prevent corruption in all aspects of its business.

9. Priorities for 2011 and onward

During the company's eight years of operation, SN Power has demonstrated its ability to grow and the company has earned the trust and respect of partners, governments, NGOs, lenders and its owners. In some of its core markets, the company has successfully transitioned from investor/developer to operator/developer.

While leveraging its growing reputation, the main challenges currently facing SN Power are

sustaining further growth and promoting efficiency. The ambition is to achieve world class standards for project execution and plant operation across our entire portfolio, and to increase the company's net portfolio through a mix of greenfield, rehabilitation and expansion projects as well as through mergers and acquisitions.

SN Power's project portfolio is prioritized based on markets, technology and energy price levels with an aim to develop a balanced and risk-adjusted portfolio.

SN Power will continue to prioritize investments in existing markets, while exploring opportunities in adjacent markets.

Focus areas for 2011 are:

- > Transition from construction to operations – achieve full operations at projects in Philippines, Chile and India, and optimize the performance of these assets.

- > Continuous improvement of our construction activities, particularly focused on the construction of the Cheves project in Peru.

- > Together with our business partners, pursue new investment opportunities in existing markets, as well as entry opportunities in Brazil, Vietnam, Central America and Africa.

- > A further strengthening of the HSE culture in SN Power. Special HSE efforts targeted towards transportation has been implemented in addition to continued health and safety improvements at construction projects as well as in all SN Power's investments and operations.

Oslo, 15 March 2011

Theboard of directors of Statkraft Norfund Power Invest AS



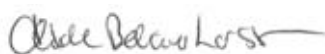
Øistein Andresen
Chairperson



Mark Davis
Director



Anne Vera Skriverhaug
Director



Hilde Bekier-Larssen
Director



Tore Haga
Director



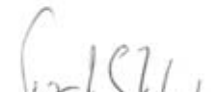
Halvor Fossum Lauritzen
Director



Eli Skrøvet
Director



Egil Reinhard Gjesteland
Director



Tor I. Stokke
CEO

SN Power Group

Income statement

FIGURES IN USD 1,000	NOTE	2010	2009
OPERATING REVENUES AND EXPENSES			
Sales revenues	7	114 298	118 664
Cost of goods sold	8	-7 926	-9 560
Salary and personnel costs	9	-35 962	-29 874
Ordinary depreciation and amortization	12, 13	-43 388	-14 177
Other operating costs	10	-41 692	-33 447
Income from investments in associated companies and joint ventures	6	83 940	31 429
Earnings before financial items and tax		69 270	63 035
FINANCIAL INCOME AND EXPENSES			
Interest income	11	4 584	2 227
Other financial income	11	5 274	15 111
Interest expenses	11	-18 158	-16 237
Other financial expenses	11	-5 204	-12 518
Net financial items		-13 504	-11 417
Earnings before taxes		55 766	51 618
Tax expense	21	-2 521	-10 230
NET PROFIT FOR THE YEAR		53 245	41 388
Attributable to:			
Majority owner		51 644	32 518
Non-controlling interests		1 601	8 870
NET PROFIT FOR THE YEAR		53 245	41 388

Statement of Comprehensive Income

FIGURES IN USD 1 000	NOTE	2010	2009
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Net gain/losses on hedging instruments	15	-3 270	-6 545
Non-controlling interests		-57	220
Net gain/losses on cash flow hedges in associated companies and joint ventures	6	-5 427	24 929
Currency translation differences		21 036	12 524
Non-controlling interests		-25	-82
Pensions	20	1 012	-1 302
Other adjustments		1 386	-1 005
Other comprehensive income for the year, net of tax		14 655	28 739
Total comprehensive income for the year, net of tax		67 900	70 127
Attributable to:			
Majority owner		66 381	61 119
Non-controlling interests		1 519	9 008
Total comprehensive income for the year, net of tax		67 900	70 127

Balance Sheet at 31 December

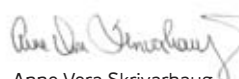
FIGURES IN USD 1 000	NOTE	2010	2009
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Deferred tax asset	21	10 412	5 502
Road and land rights	13	2 087	7 420
Project development	13	42 057	33 454
Software licenses	13	503	534
Total intangible fixed assets		55 059	46 910
Tangible fixed assets			
Land	12	10 342	6 292
Water rights	12	302 230	301 677
Plants and machinery	12	388 716	394 638
Fixtures and fittings, vehicles, other equipment	12	8 682	9 552
Total tangible fixed assets		709 970	712 159
Financial fixed assets			
Investment in associated companies and joint ventures	6	529 498	409 964
Investment in shares		283	283
Long term derivatives	15	2 295	-
Other long term receivables	17	114 649	80 510
Total financial fixed assets		646 725	490 757
Total fixed assets		1 411 754	1 249 826
CURRENT ASSETS			
Spare parts		619	655
Receivables			
Accounts receivables	16	12 980	15 759
Other receivables	17	27 328	39 431
Total receivables		40 308	55 190
Financial current assets			
Current derivatives	15	2 185	2 624
Total financial current assets		2 185	2 624
Bank deposits, cash and cash equivalents	18	297 196	346 580
Total current assets		340 308	405 049
TOTAL ASSETS		1 752 062	1 654 875

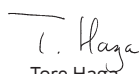
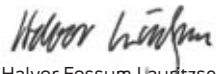
Balance Sheet at 31 December

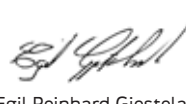
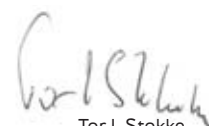
FIGURES IN USD 1 000	NOTE	2010	2009
EQUITY AND LIABILITIES			
EQUITY			
Paid-in equity		1 116 652	1 116 652
Other equity		96 212	30 699
Non-controlling interests		91 962	67 318
Total equity	19	1 304 826	1 214 669
LIABILITIES			
Provisions			
Pension commitments	20	2 128	2 776
Deferred tax	21	49 130	46 924
Non-current derivatives	15	2 321	524
Other long-term provisions	22	2 569	3 233
Total provisions		56 148	53 457
Other long-term liabilities			
Interest-bearing long term debt	23	318 107	315 825
Total other long-term liabilities		318 107	315 825
Current liabilities			
Current portion long term debt	23	38 318	37 404
Current interest-bearing debt		1 295	-
Accounts payable		12 009	7 369
Tax payable	21	321	-
Public tax payable		2 338	2 033
Current derivatives	15	2 257	95
Other current liabilities	24	16 443	24 023
Total current liabilities		72 981	70 924
Total liabilities		447 236	440 206
TOTAL EQUITY AND LIABILITIES		1 752 062	1 654 875

Oslo, 15 March 2011


Øistein Andresen
Chair person

Mark Davis
Director

Anne Vera Skrivarhaug
Director

Hilde Bekier-Larsen
Director

Tore Haga
Director

Halvor Fossum Launtzen
Director

Eli Skrøvset
Director

Egil Reinhard Gjesteland
Director

Tor I. Stokke
Chief Executive Officer

Consolidated Statement of Changes in Equity at 31 December

FIGURES IN USD 1 000	ATTRIBUTABLE TO MAJORITY OWNERS					NON-CONTROLLING INTERESTS	TOTAL EQUITY
	PAID IN EQUITY		OTHER EQUITY				
	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TRANSLATION RESERVE	HEDGING RESERVE		
At 1 January 2009	418 064	418 064	69 661	-81 602	-12 221	51 323	863 289
Transactions with shareholders							
Issue of share capital	58 704	221 820					280 524
Issue of share capital in subsidiaries - minority share						13 545	13 545
Increased owner share in subsidiary			-1 709		-4 549		-6 258
Paid dividend						-6 558	-6 558
Transactions with shareholders	58 704	221 820	-1 709	-	-4 549	6 987	281 253
Total comprehensive income for the year, net of tax			9 416	45 320	6 383	9 008	70 127
At 31 December 2009	476 768	639 884	77 368	-36 282	-10 387	67 318	1 214 669
Transactions with shareholders							
Issue of share capital							
Issue of share capital in subsidiaries - minority share						26 406	26 406
Increased owner share in subsidiary			-868			2 635	1 767
Paid dividend						-5 916	-5 916
Transactions with shareholders	-	-	-868	-	-	23 125	22 257
Total comprehensive income for the year, net of tax			54 042	21 036	-8 697	1 519	67 900
At 31 December 2010	476 768	639 884	130 541	-15 246	-19 083	91 962	1 304 826

Cash Flow Statement

FIGURES IN USD 1 000	NOTE	2010	2009
CASH FLOW FROM OPERATIONAL ACTIVITIES			
Profit/loss before tax		55 766	51 618
Tax paid		-9 235	-14 156
Ordinary depreciation	12/13	43 388	14 177
Gain/loss on disposal of fixed assets		212	1 052
Difference between this year's pension expense and pension premium		364	1 072
Income from investments in associated companies and joint ventures	6	-83 940	-31 429
Effect of exchange rate changes (agio/disagio)	23	9 985	11 220
FX hedges in profit and loss with no cash effect	15	-1 224	-8 843
Change in accounts receivable		2 779	209
Change in accounts payable		4 640	-5 492
Change in spare parts		36	51
Change in non-current receivables		960	-2 035
Change in other long-term provisions		-664	-2 104
Change in other current assets and liabilities		9 206	1 287
Net cash flow from operational activities		32 273	16 626
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investment in tangible and intangible fixed assets	12/13	-49 578	-130 074
Realised forward exchange rate contracts recognized in balance sheet (construction cost)	15	-	-2 047
Investment in subsidiaries		-	-6 269
Proceeds from sale of fixed assets		4 832	-
Dividends from associated companies and joint ventures	6	20 894	100
Investment in financial fixed assets	6/17	-82 386	-40 983
Realised forward exchange rate contracts	15	-	-2 589
Net cash flow from investment activities		-106 238	-181 862
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term debt	23	132 000	61 500
Paid installments long-term debt	23	-130 883	-30 710
Change in short-term debt		1 295	-
Payment of dividend		-5 916	-6 558
New paid-in equity from non-controlling interests		28 173	13 545
New paid-in equity		-	280 524
Net cash flow from financing activities		24 669	318 301
Effect of exchange rate changes on cash and cash equivalents		-88	1 184
Net change in cash and cash equivalents		-49 384	154 249
Cash and cash equivalents at 1 January		346 580	192 331
Cash and cash equivalents at 31 December		297 196	346 580

Notes to the accounts

Figures in USD 1000

Note

1

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Statkraft Norfund Power Invest AS, including subsidiaries (SN Power Group), is an international renewable energy company with projects and operations in Asia, Africa and Latin America. The company invests on commercial terms and is committed to social and environmental sustainability throughout the business. The company's headquarters is in Oslo.

The consolidated financial statements of the SN Power Group for the year 2010 were authorized for issue in accordance with a resolution of the Board of Directors on 15 March 2011.

The following discussion describes the most important accounting principles used in the consolidated accounts. These principles have been applied consistently to all reporting, unless otherwise stated.

BASIC PRINCIPLES

The consolidated financial statements for the Group have been prepared in accordance with the International Financial Reporting Standard (IFRS) as adopted by the EU.

The following new and revised or amended Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard/ Interpretation	Title	Date of issue	Applicable to accounting periods commencing on
IFRS 3	Business Combinations	2008	1 January 2010
IAS 27	Consolidated and Separate Financial Statements	2008	1 January 2010
IAS 39 amendment	Financial Instruments: Recognition and Measurement: Eligible Hedged items	July 2008	1 July 2009
Improvements to IFRSs (Various Standards and Interpretations)	Improvements to IFRSs	April 2009	1 July 2009 ¹
IFRIC 12	Service Concession Arrangements	November 2006	29 March 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	July 2008	1 July 2009
IFRIC 17	Distributions of Non-Cash Assets to Owners	November 2008	1 November 2009
IFRIC 18	Transfers of Assets from Customers	January 2009	1 November 2009

¹ The implementation dates for the various improvements vary; the earliest mandatory date is 1 July 2009.

The consolidated financial statements have been prepared on a historical cost basis. The functional currency of the parent company is US Dollars (USD), and the Group accounts are presented in US Dollars (USD). All values are rounded to the nearest USD thousand unless otherwise stated.

CORRESPONDING FIGURES

All figures in the income statement, the balance sheet, the cash flow statement and additional information are presented with the previous year's corresponding figures. The corresponding figures are based on the same principles as figures for the current period, but some reclassifications have been made to increase comparability.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates will be recognized in the period they occur only if applicable in that period. If changes also concern future periods, the effect is distributed over both current and future periods. However, uncertainty about these assumptions and estimates could result in outcomes requiring a material adjustment to the carrying amount of the asset or liability affected in the future. The areas in the financial statements of SN Power Group that are most affected by significant accounting judgments, estimates and assumptions are:

Useful life of tangible and intangible fixed assets

Depreciation is based on management estimates of the useful lives of the assets and their residual values. Estimates may change due to changes in scrap value, technological development, environmental and legal requirements. Management reviews the future useful lives of each component and the residual value annually, taking into account the above mentioned factors.

Provisions and contingent liabilities

IAS 37 defines when to recognize a provision in the financial statements. Management must make estimates and use judgment in determining the expected probability of an outflow of resources and a reliable estimate of the amount. This principle has been used for provisions described in note 22.

Purchase price allocation related to new investments in subsidiaries and associated companies

When entering into new investments in subsidiaries or associated companies, the Group will measure the cost of the business combination according to IFRS 3. Management must use judgment in defining and allocating fair values of assets, liabilities and direct costs attributable to the combination.

Development costs

Development costs are recognized in the balance sheet when it is probable that these will result in future economic benefits. Establishing such probability involves extensive use of assessments based on previous results and experiences.

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to optimize the use of equity to maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust debt exposure, the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group's policy is to a largest possible extent to use local project financing in all investments and in the long run to keep the gearing ratio in investment companies above 50%. The gearing ratio is defined as Total liabilities divided by Total equity and liabilities:

TUSD	2010	2009
Total liabilities	447 236	440 206
Total equity and liabilities	1 752 062	1 654 875
Gearing ratio	25.5%	26.6%

CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent company Statkraft Norfund Power Invest AS and its controlling interests in other companies as of 31 December 2010.

Elimination of transactions

Intra-group balances, unrealized profit, income and expenses resulting from intra-group transactions are eliminated in full.

Subsidiaries

Subsidiaries are all entities where the Group has a controlling interest. Controlling interest is normally attained when the Group holds, directly or indirectly, more than 50% of the voting rights and is capable of exercising financial and operational control over the company.

Subsidiaries are consolidated from the date on which control is transferred to the Group. Correspondingly, they are deconsolidated from the date control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The purchase method implies that the cost of acquisition is allocated to the acquired assets and liabilities according to fair value on the acquisition date. Costs exceeding fair value of identified assets and liabilities are recorded as goodwill, and judgments are made annually whether the carrying amount can be justified based on future earnings.

Non-controlling interest is the share of profit and equity that is not held by the majority owners. This is reported separately in the income statement and on a separate line under equity in the consolidated financial statements.

Functional currency is assessed for each subsidiary based on company specific indicators. The accounts of these subsidiaries are converted to the Group's presentation currency (USD) by calculating all balance sheet items at the closing rate at the year end, whilst all income statement items are converted at the average rate for the year. Any conversion differences affecting balance sheet items are recorded directly against equity.

Associated companies and joint ventures

Shares in companies in which the Group exercises a significant, but not controlling influence, and shares in companies with joint control are treated in accordance with the equity method. Significant influence normally means that the Group owns between 20% and 50% of the voting capital. The Group's share of the companies' net results adjusted for amortization of excess value, are shown on a separate line in the consolidated income statement. The investments are shown in the consolidated balance sheet as fixed assets, recognized at the value which equals the historical cost price adjusted for the accumulated share of results adjusted for depreciation and amortization of excess values during the period of ownership, dividend received and possible exchange rate adjustment. Any conversion differences are recorded directly against equity.

The consolidated financial statement includes the Group's share of profit or loss from the date on which significant influence is attained and until such influence ceases.

REVENUE RECOGNITION

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts. Intra-group sales are eliminated in the group accounts. Revenue is recorded as and when earned.

(a) Power sales

Revenues from power sales and transmission are recognized as income when delivered.

(b) Sales of services

Sales of services are recognized in the accounting period in which the services are rendered.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established, normally when approved by the General Meeting.

(d) Income from associated companies

The Group's share of the net result in associated companies is recorded in the Group's accounts in accordance with the equity method described in IAS 28.

GOVERNMENT GRANTS

Grants from the government are recognized gross in the income statement and in the balance sheet. Government grants related to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants related to projects recognized in the balance sheet are presented as deferred income and recognized as income along with depreciation of the corresponding asset.

EMISSION RIGHTS

SN Power Group will in some cases receive emission rights through production of environmentally friendly energy and sell them to a third party. Revenue will be recognized in line with production and CERs will be recognized in the balance sheet as inventories at net realized value. Net realized value is defined as sales value deducted for expected sales cost.

FOREIGN CURRENCY

The consolidated financial statements are presented in USD, which is also the parent Company's functional currency.

Each entity in the Group determines its own functional currency based on local operations, and items included in the financial statement of each entity are measured using that functional currency.

Balance sheet items in other currencies than the functional currency are assessed at the exchange rate at the date of the balance sheet. Exchange rate effects are recognized as financial items.

Gains and losses on hedges in net investments in foreign operations, including a hedge of a monetary item that is accounted for as part of the net investment, are recognized directly in equity as long as the hedge is deemed effective. On disposal of a foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to the profit and loss along with accumulated exchange differences on the net investment.

FINANCIAL INSTRUMENTS

Generally

Financial instruments are initially allocated to one of the categories of financial instruments as described in IAS 39. The different categories relevant to the SN Power Group and the management that follow the instruments recognized in the respective categories are described below.

Valuation principles for different categories of financial instruments

1) Instruments at fair value through profit or loss

Derivatives and financial instruments held for sale have to be measured at fair value in the balance sheet with corresponding change in fair value through profit and loss statement. For derivatives that are hedging instruments in a hedge accounting relationship, the change in value of the effective part of the hedge, following from a change in the value of the hedged risk, is not taken to profit or loss.

In a fair value hedge such effects are carried against the value of the hedging object. For hedging of cash flow and hedging of net investments in foreign operations such effects are taken directly to equity. Derivatives consist of both independent derivatives and embedded derivatives that are separated from the host contract and recognized at fair value as if the derivative was an independent contract.

2) Loans and receivables

Loans and receivables are initially recognized at fair value including transaction costs. In subsequent periods, loans and receivables are measured at amortized cost using the effective interest method, so that the effective interest rate becomes equal over the term of the instrument.

3) Financial liabilities

Financial liabilities are initially recognized at fair value including transaction costs. In subsequent periods, financial liabilities are measured at amortized cost using the effective interest method so that the effective interest rate becomes equal over the term of the instrument.

Principles for designation of financial instruments to different categories of instruments

Below is a description of the guidelines applied by the SN Power Group for designation of financial instruments to different categories of financial instruments in cases where an instrument can qualify for recognition under more than one category.

Instruments at fair value through profit or loss

Derivatives must always be assessed under the category "to fair value through profit or loss". Financial contracts regarding purchase or sale of energy and CO₂-quotas always have to be considered as derivative financial instruments. Physical contracts regarding purchase and sale of energy and CO₂-quotas entered into as authorized by trading, or settled financially are considered as if they were financial instruments and have to be measured at fair value. Physical contracts regarding purchase and sale of energy and CO₂-quotas entered into according to authorization related to own requirements or provision for own production, are normally not covered by IAS 39 as long as the contracts do not contain written options in terms of volume flexibility.

Financial instruments included in hedge accounting

Identification of financial instruments designated as a hedge instrument or a hedge object in a hedge account is based on the intention of the acquisition of the financial instrument. If financial instruments are acquired with the intention to obtain an economic hedge effect, a closer consideration of the possibilities to document a hedge account will be made.

Presentation of derivatives in profit and loss and in the balance sheet

Derivatives not related to hedging are presented on separate lines in the balance sheet under assets and liabilities, respectively. Derivatives with positive and negative fair value, respectively, are presented gross in the balance sheet as long as no legal rights to set off different contracts exist, and such rights to offset actually will be applied in the current cash settlement following the contracts. In the latter case, the particular contract will be presented net in the balance sheet. In the income statement, changes in fair value of derivatives not

classified as hedge accounting are classified as financial items. Value changes in energy derivatives are presented under revenue, while value changes in financial derivatives are presented under financial items.

INCOME TAX

Tax payable for the current and prior periods is measured at the amount expected to be paid to the tax authorities in each country. The tax rates and laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred tax and deferred tax assets

Deferred income tax is calculated based on temporary differences between the tax basis of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the date of the balance sheet. Deferred tax assets and deferred tax liabilities are offset within the same legal tax subject.

CURRENT/NON-CURRENT

An asset/liability is classified as current when it is expected to be realized or settled, is intended for sale or consumption within the Group's normal operating cycle, is held primarily for the purpose of being traded, or is expected to be realized or settled within twelve months after the date of balance sheet.

The presentation of financial instruments in current and non-current items respectively, is made according to general guidelines for such classification. For long-term debt, the first year installment is classified as a short-term item.

INTANGIBLE ASSETS

Road and land rights

Expenses for intangible assets, comprising road and land rights, are recognized at historic cost to the extent that the criteria for capitalization are satisfied.

Development costs

Development costs are capitalized only if future economic benefits from the development of an intangible asset are probable, according to IAS 38. Development costs will often be capitalized when a construction project is more likely to happen than not, but before the formal investment decision has been made.

TANGIBLE ASSETS

Tangible assets are stated at cost, including expenses completing the asset for use, less accumulated depreciation and any accumulated impairment in value. Borrowing costs for significant investments are capitalized. Expenses accrued after the asset has been taken into use, such as maintenance costs, are taken to profit or loss, while other expenses expected to generate economic benefits are recognized in the balance sheet.

Water rights are not depreciated if no right of reversion exists and the value is deemed to be perpetual.

Time limited rights are depreciated over the license period. Water rights acquired in a separate transaction are measured initially at cost. Water rights acquired in a business combination is measured at fair value based on the estimated excess earnings of the acquired power plant. The excess earnings are the difference between the after-tax operating cash flow and the required cost of invested capital on all other assets used in order to generate those cash flows. These contributory assets include property, plant and equipment, other identifiable intangible assets and net working capital for the power plant. The allowance made for the cost of such capital is based on the value of such assets and a required rate of return reflecting the risks of the particular assets.

Depreciation is made on a straight line basis over the useful life of the asset. Useful life is assessed on an individual basis and there might be variations within the group based on given local conditions. The normal useful lives for different groups of assets are presented in the table below:

LAND	ETERNAL
WATER RIGHTS	LICENSE PERIOD
PLANTS AND MACHINERY	
Rock-fill dams, concrete dams	75
Tunnel systems	75
Rock rooms/chambers	75
Mechanical machine installations	40
Remaining technical machine parts	15
Generator (primary part)	40
Transformer (secondary part)	40
Switchgear (high-voltage)	35
Control gear	15
Electro technical auxiliary gear	15
System control centre	15
Telecommunication circuit	10
Administration building	50
Power plant (outdoor)	75
Other buildings related to operation	50
Buildings: Technical installations	30
Buildings: Tele- and automatics	10-20
FIXTURES AND FITTINGS, VEHICLES, OTHER EQUIPMENT	
Office- and computer equipment	3
Furniture and fixtures	5
Means of transport	10

Each part of a fixed asset that is significant to the total cost of the item will be depreciated separately. Residual value is taken into account when calculating the annual depreciation. Land is not subject to depreciation. Periodic maintenance is capitalized with depreciation over the time period until the next maintenance is expected to be carried out. Estimated useful life, depreciation method and remaining value are reviewed annually.

When assets are sold or disposed of, the capitalized value is derecognized and any loss or gain is taken to profit or loss. If new components are capitalized, the components that were replaced are removed and any remaining recognized value is recorded as a loss.

LEASES

A lease is classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership. With financial lease agreements, the asset is recognized in the balance sheet and depreciated.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Payments made under operating leases are charged to the income statement on a straight-line basis over the leasing period.

IMPAIRMENT OF ASSETS AND INTANGIBLE ASSETS

Tangible and intangible assets are assessed for impairment at each reporting period and always when events occur or changes in circumstances indicate that the carrying value of the asset may not be recoverable. When impairment is considered, the assets are grouped at the lowest level for which there are separate identifiable cash generating units. Impairment is calculated as the difference between the assets' carrying value and the recoverable amount. The recoverable amount is the highest of the assets' net selling price and the value in use for the company. In assessing value in use, the estimated future cash flow is discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When it is assumed that the asset's value is lower than its carrying value, the asset is written down to recoverable amount. The impairment amount is recognized in the income statement in the expense categories consistent with the type of the impaired asset. Previously recognized impairment loss is reversed only if there have been changes in the estimates used to determine the recoverable amount. The reversed amount cannot exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

TRADE AND OTHER RECEIVABLES

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

INVENTORIES/SPARE PARTS

Spare parts purchased for use in power station operation are classified as current assets and valued in the balance sheet at the lower of weighted average historical cost and fair value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank deposits, other short-term liquid investments and bank overdrafts. Cash and cash equivalents are recognized at current values. Restricted deposits are included in cash and cash equivalents.

EQUITY

Proposed dividend is classified as equity. Dividends are reclassified to short term liabilities when approved by the General Meeting.

PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation has to be settled and that a reliable estimate of the obligation can be made.

Provisions are recognized with best estimate of the expenses required to settle the existing obligation at the balance sheet date. If significant, the time value of money is taken into account when calculating the size of the provision.

PENSIONS

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension that an employee will receive upon retirement, normally set as a share of the employee's salary.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The present value of the defined benefit obligation at the balance sheet date is determined by discounting the estimated future cash outflow using a risk free interest rate. The obligation is calculated annually by an independent actuary using the linear accruals method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in comprehensive income.

Changes in the defined benefit obligations due to changes in pension plans are taken directly through income statement over the vesting period.

Net pension assets for over-funded plans are recognized at fair value and classified as long term assets. Net pension obligations for under-funded plans and non-funded plans covered by operations are classified as long term provisions.

Net pension costs for the period are included in salary and personnel costs and consist of the sum of pension earned in the period, interest costs on the estimated obligation and estimated return on the pension's fund.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity without further obligations after the contribution has been made.

The contributions are expensed as salary and personnel costs.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. This means presenting, on the basis of profit before tax, cash flow from operating, investing and financing activities.

Dividend paid to shareholders and non controlling interest is presented under financing activities.

Note 02

MAJOR TRANSACTIONS IN 2010, POST BALANCE DATE TRANSACTIONS

In September, SN Power approved building the hydropower plant Cheves in Peru. The power plant will have an installed capacity of 168 MW. The investment frame is MUSD 402, and completion of the power plant is expected in 2014.

Generation of power at La Higuera started up in October 2010. The plant is located in Chile, and has a total capacity of 155 MW. In the beginning of February 2011 La Higuera had damage on one of their two turbines which will involve a larger repair (a warranty issue).

In July 2010 production started in the Allain part of the 192 MW water plant Allain Duhangan in India.

In 2010 it was decided not to continue development of the licenses in the Chilean project company Trayenko. The projects were offered for sale, and based on received bids a write-down of MUS\$ 24 has been booked in the income statement for 2010.

Note 03

FINANCIAL, POLITICAL AND MARKET RISK

SN Power's strategic goals and ambitions as well as the geographical and cultural diversity in the countries of operation, makes it important to continuously update risk pictures at all levels. The company has a risk management framework in place, which includes policy and risk appetite, structure, methodology, skills, knowledge, culture and tools. This framework is applied to projects in all life cycles, both to new developments in construction and acquisition as well as for operating entities.

POLITICAL AND HYDROLOGICAL RISK

SN Power's main area of commitment is in regions of the world which have experienced considerable political and economic instability, both now and in the past. The risks posed have a substantial impact on the company's investments. For evaluation of political risk, the Global Insight risk factor at country level is used. This enables SN Power both to have the best possible overview of risk before making an investment decision, and continually to monitor risks in the companies in which it has invested. The company is evaluating equity insurance against political risk on a case to case basis.

SN Power has a risk exposure related to potential damages to assets, subsequent production losses and third party life and property damages. This type of risk is handled through different technical, organizational and administrative risk reducing measures as well as insurances covering severe damages and loss of revenues.

The company invests in enterprises where generation and sale of electricity are the principal activities. Access to water and general hydrological conditions will significantly affect the production and the prices that can be obtained in local hydropower markets, and thereby the group's cash generating capacity. This means that the group's results could vary significantly from one year to another. A geographical diversification will to some extent neutralize this risk.

SN Power's investment strategy is to pursue active ownership. In this context, the company maintains a high focus on optimizing the balance between contractual and spot market sales whenever possible. Electricity markets vary widely in their level of deregulation. Big differences exist in this respect, not only between Asia and Latin-America, but also between the various countries in these regions.

CREDIT RISK

Credit risk is defined as the risk of a party to a financial instrument inflicting a financial loss on the other party by not fulfilling its obligation.

Maximum credit risk exposure (TUSD)

	2010	2009
Account receivables	12 980	15 759
Other receivables	27 328	39 431
Cash and cash equivalents	297 196	346 580
Other long term receivables	114 649	80 501
Derivatives long term assets	2 295	-
Derivatives current assets	2 185	2 624
Total	456 633	484 904

Credit risk related to account receivables and other receivables in SN Power is limited by the fact that customers and counterparts are in different markets and in many cases are governmental institutions.

On the other hand, customers are few and large and we operate in emerging markets where counterpart risks might be assessed to be higher. Other long term receivables consist primarily of receivables from joint ventures (MUSD 110.5). SN Power's partners have similar receivables. The assessment of credit risk is part of the valuation of the joint venture. To control credit risk related to cash and cash equivalents, SN Power have a finance policy that regulates the maximum exposure per counterpart. Aging of account receivables is presented below, and all overdue account receivables are assessed to be collectible.

TUSD	CURRENT RECEIVABLES	LESS THAN 90 DAYS	MORE THAN 90 DAYS	TOTAL RECEIVABLES
Accounts receivables	3 176	4 523	5 281	12 980
Other receivables	27 328			27 328

LIQUIDITY RISK

Liquidity risk is defined as the risk that SN Power will encounter difficulties in meeting obligations associated with financial liabilities.

Statkraft Norfund Power Invest AS's financing is based on equity. Both construction projects and operational activities are financed on the basis of non-recourse project financing. SN Power is extending limited and capped guarantees primarily during project construction phase.

The following table sets out the installment profile by maturity of the Group's financial commitments.

TUSD	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	AFTER 2020	TOTAL
Fixed interest rate												
External loans in subsidiaries	21 988	2 432	-	-	-	-	-	-	-	-	-	24 420
Floating interest rate*												
External loans in subsidiaries	16 330	9 709	129 345	9 990	10 146	10 313	10 492	10 600	10 806	11 028	70 569	299 328
Loan from Statkraft	-	-	34 294	-	-	-	-	-	-	-	-	34 294
Interest payments												
Calculated interest payments	12 319	11 437	10 502	9 425	9 488	9 240	8 558	7 783	6 992	6 196	11 194	103 135
Total liabilities	50 637	23 579	174 141	19 415	19 634	19 553	19 050	18 383	17 798	17 224	81 763	461 177
Credit risk exposure												
Restricted cash	-	-	120 728	-	-	-	-	-	-	-	-	120 728
Account receivables	12 980	-	-	-	-	-	-	-	-	-	-	12 980
Other receivables	27 328	-	-	-	-	-	-	-	-	-	-	27 328
Other long term receivables	-	114 649	-	-	-	-	-	-	-	-	-	114 649
Total assets	40 308	114 649	120 728	-	-	-	-	-	-	-	-	275 685
Net	-10 329	91 070	-53 413	-19 415	-19 634	-19 553	-19 050	-18 383	-17 798	-17 224	-81 763	-185 492

* Original principal amounts without considering interest swaps

MARKET RISK

Market risk is defined as risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk.

Currency risk

SN Power Group's presentation currency is USD. The investments in Chile, Peru and Nepal have USD as their functional currency, the investments in India have INR, and the Philippines have PHP. Holding companies in Norway and Singapore have USD as functional currency, the Brazil subsidiary has BRL, and SN Power Africa has NOK. For SN Power returns will be affected by the exchange rate between USD and the investment currency. The various subsidiaries and affiliates in which SN Power invests are also subject to fluctuations between local currencies and USD. This especially applies to Latin America, where the pricing mechanism for electricity is partly tied to variations between local currencies and the USD. In most cases, the companies also have their financing in USD.

SN Power Group makes use of currency swaps and forward contracts to hedge part of the currency exposure related to the investments in subsidiaries and affiliated companies, in addition to significant cash flows in foreign currency.

The following table shows the sensitivity of financial instruments to a reasonable possible change in material currencies for the Group (consolidated companies), with all other variables held constant:

CURRENCY RISK	CURRENCY	INCREASE/ DECREASE IN CURRENCY RATE	EFFECT ON PROFIT BEFORE TAX (TUSD)
2009	PEN	+10%	- 4 308
2009	PEN	-10%	+ 4 308
2009	NOK	+10%	+ 2 195
2009	NOK	-10%	- 2 195
2010	NOK	+10%	+ 4 662
2010	NOK	-10%	- 4 662

Material currency changes in associated companies will also have consequences on the income statement through application of the equity method for such investments. This is especially valid for the Philippine companies with functional currency PHP and 31% of the debt denominated in USD.

Interest rate risk

SN Power Group is exposed to interest rate risk through financing and customer portfolios held by the different consolidated, associated companies and joint ventures. Interest rate exposure related to the subsidiaries, associated companies and joint ventures' debt financing is secured through interest rate swaps for a major part of the loans. SN Power's ambition for the Group's interest risk is to minimize interest costs, reduce fluctuations in these, and limit changes in the value of the Group's net debt. The Group's total debt exposed with floating interest rates, exclusive associates and joint ventures, are MUS\$ 105.

The following table shows the sensitivity of financial instruments to a reasonable possible change in interest rate for consolidated companies in the Group, with all other variables held constant. The positive effects from increased interest rate are due to the Groups total amount interest-bearing debt is larger than interest-bearing debt with fixed rate.

INTEREST RATE RISK EXPOSURE	INCREASE/ DECREASE IN INTEREST RATE	EFFECT ON PROFIT BEFORE TAX (TUSD)
2009	+1%	+ 1 774
2009	-1%	- 1 774
2010	+1%	+ 727
2010	-1%	- 727

Note 04

CHANGES IN THE GROUP'S STRUCTURE

SN POWER AFRICA

In January 2010, a share issuance was done against Statkraft Norfund Power Invest AS, Norfund, BKK Produksjon AS and Trønderenergi AS. In addition, Norfund sold shares to BKK Produksjon AS and Trønderenergi AS. After the share issuance and sale of shares, Statkraft Norfund Power Invest AS' ownership is 45,9% (reduced from 51%), Norfund' ownership is 19% (reduced from 49%), BKK Produksjon AS' ownership is 18,32% and Trønderenergi AS' ownership is 16,79%. Statkraft Norfund Power Invest AS voting right is still 51%, since Norfund also has B-shares without voting rights. SN Power AfriCA has in 2010 invested 6 MUSD in Fountain Intertrade Corporation, a joint venture in Panama, and is in final negotiations purchasing a controlling share in a hydropower company in Africa.

BRAZIL

SN Power Energia do Brasil Ltda has in 2010 been sold from SN Power Holding Singapore Pte. Ltd to SN Power Brasil AS. Also, as part of the development of a wind project in Brazil, two project companies has been bought; Central Eólica São Raimunda Ltda and Central Eólica Garrote Ltda to a cost price of MUSD 1.4 and approximately MUSD 1.2 in excess value beyond book value in the companies. Wind power is no longer a part of SN Power Group strategy and the project has been offered for sale.

RESTRUCTURING IN PERU

As a part of the planned restructuring in Peru, the companies Empresa de Generacion Electrica Cahua S.A and Electroandes S.A were merged as of 1 January 2010. Electroandes S.A. is the acquiring company and has changed name to SN Power Peru S.A. In addition, Inversiones Electricas de Los Andes S.A.C has merged with SN Power Peru Holding S.R.L as of 1 February 2010. SN Power Peru Holding S.R.L is the acquiring company. The merger is not treated as a business combination and has not affected consolidated figures.

INDIA

In July 2010 the subsidiary SN Power India Pvt. Ltd was established. The company will continue the business development in the region.

Note 05

SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements:

COMPANY	DATE OF ESTABL./ ACQUISITION	BUSINESS OFFICE	MAIN OPERATION	PARENT COMPANY	VOTING SHARE	OWNER SHARE
Statkraft Norfund Power Invest AS	26 June 2002	Oslo, Norway	Investment			
SN Power Holding AS	27 May 2003	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	100.0%	100.0%
SN Power AfriCA AS	13 January 2009	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	51.0%	45.9%
SN Power Brasil AS	7 April 2010	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	100.0%	100.0%
SN Power Holding Singapore Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding AS	100.0%	100.0%
SN Power Global Services Pte. Ltd	26 March 2009	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power Holding Peru Pte. Ltd	26 August 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power Holding Chile Pte. Ltd	12 August 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power International Pte Ltd. *	12 August 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power ACA Pte. Ltd	25 September 2009	Singapore	Investment	SN Power AfriCA AS	100.0%	100.0%
SN Power Energia do Brasil Ltda	31 December 2007	Rio de Janeiro, Brazil	Investment	SN Power Brasil AS	100.0%	100.0%
Central Eólica São Raimundo Ltda.	11 March 2010	Fortaleza, Brazil	Investment	SN Power Energia do Brasil Ltda	100.0%	100.0%
Central Eólica Garrote Ltda.	11 March 2010	Fortaleza, Brazil	Investment	SN Power Energia do Brasil Ltda	100.0%	100.0%
SN Power Peru Holding S.R.L. **	07 October 2003	Lima, Peru	Investment	SN Power Holding Peru Pte. Ltd	100.0%	100.0%
Empresa de Generacion Electrica Cheves S.A	01 June 2007	Lima, Peru	Power plant under construction	SN Power Peru Holding S.R.L	68.7%	68.7%
Empresa de Generacion Electrica Cheves S.A	01 June 2007	Lima, Peru	Power plant under construction	SN Power Peru S.A	31.3%	31.3%
SN Power Peru S.A***	17 October 2007	Lima, Peru	Power production	SN Power Peru Holding S.R.L	100.0%	100.0%
SN Power Chile Inversiones Eléctricas Ltda	09 December 2004	Santiago, Chile	Investment	SN Power Holding Chile Pte. Ltd	100.0%	100.0%
SN Power Chile Tinguiririca y Cia.	17 December 2004	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	99.9%	99.9%
SN Power Chile Valdivia y Cia.	15 February 2006	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	99.9%	99.9%
Hidroelectrica Trayenko S.A	17 January 2006	Santiago, Chile	Power plant under construction	SN Power Chile Valdivia y Cia.	80.0%	80.0%
Norvind S.A	06 August 2007	Santiago, Chile	Power production	SN Power Chile Valdivia y Cia.	80.0%	80.0%
SN Power India Pvt Ltd	27 July 2010	New Dehli, India	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
Himal Power Ltd	01 March 2006	Kathmandu, Nepal	Power production	SN Power Holding Singapore Pte. Ltd	57.1%	50.7%

* SN Power Holding Brazil Pte. Ltd has changed name to SN Power International Pte. Ltd.

** Inversiones Electricas de Los Andes S.A.C merged with SN Power Peru Holding S.R.L with effect from 1 February 2010.

*** Empresa de Generacion Electrica Cahua S.A and Electroandes S.A merged with effect from 1 January 2010. Electroandes S.A. is the acquiring company and has changed name to SN Power Peru S.A.

Note 06

ASSOCIATED COMPANIES AND JOINT VENTURES

The following associated companies and joint ventures are included in the consolidated financial statements:

COMPANY	DATE OF ESTABL./ ACQUISITION	BUSINESS OFFICE	MAIN OPERATIONS	PARENT COMPAN	VOTING SHARE	OWNER SHARE
Nividhu (Pvt) Ltd *	27 October 2003	Colombo, Sri Lanka	Power production	SN Power Holding Singapore Pte. Ltd	30.0%	30.0%
Malana Power Company Ltd *	17 June 2005	New Dehli, India	Power production	SN Power Holding Singapore Pte. Ltd	49.0%	49.0%
Allain Duhangan Hydro Power Ltd *	17 June 2005	New Dehli, India	Power plant under construction	Malana Power Company Ltd	88.0%	88.0%
SN Aboitiz Power – Magat Inc	29 November 2005	Manila, Philippines	Power production	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
Manila-Oslo Renewable *** Enterprise Inc.	29 November 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	16.7%	16.7%
SN Aboitiz Power Benguet Inc	29 November 2005	Manila, Philippines	Power production/ rehabilitation	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Hydro Inc **	29 November 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Nueva Ecija Inc **	14 January 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Pangasinan Inc **	14 January 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Cordillera Inc **	14 January 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power RES Inc **	23 December 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
Fountain Intertrade Corporation	04 October 2010	Panama City, Panama	Investment	SN Power ACA Pte. Ltd	50.0%	50.1%
Hidroelectrica La Higuera S.A	03 June 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguirirca y Cia.	50.0%	50.0%
Hidroelectrica La Confluencia S.A	23 September 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguirirca y Cia.	50.0%	50.0%

* The companies with a diverging financial year are: 31 March for India and Sri Lanka. The figures specified in the note represent the calendar year.

** Companies without activity.

*** Manila-Oslo Renewable Enterprise has a 60% owner share in SN Aboitiz Power Magat Inc, SN Aboitiz Power Benguet Inc, SN Aboitiz Power Hydro Inc, SN Aboitiz Power Nueva Ecija Inc, SN Aboitiz Power Pangasinan Inc, SN Aboitiz Power Cordillera Inc and SN Aboitiz Power RES Inc.

None of the companies are listed.

Book value associated companies and joint ventures

COMPANY	COUNTRY	BOOK VALUE 2009	ADDITIONS/ DISPOSALS	SHARE OF PROFIT/LOSS	DIVIDENDS	FOREIGN CURRENCY TRANSLATION DIFFERENCE	GAIN/LOSS ON HEDGES	BOOK VALUE 2010
Nividhu (Pvt) Ltd	Sri Lanka	1 259	-	473	-	5	-	1 737
Malana Power Company Ltd	India	47 624	-	12 196	-	4 055	-	63 875
Allain Duhangan Hydro Power Ltd	India	53 925	-	-5 786	-	-115	-	48 024
SN Aboitiz Power – Magat Inc	Philippines	114 013	-	51 187	-21 100	6 462	-2 758	147 804
Manila-Oslo Renewable Enterprise Inc	Philippines	29 593	8 265	119	-	1 316	13	39 305
SN Aboitiz Power Benguet Inc	Philippines	54 160	33 110	25 548	-	3 113	1 426	117 357
Fountain Intertrade Corporation	Panama	-	5 912	-	-	-	-	5 912
Hidroelectrica La Higuera S.A	Chile	51 971	-	2 566	-	-	-731	53 807
Hidroelectrica La Confluencia S.A	Chile	57 418	-	210	-	-	-3 378	54 251
Consolidating effects			-	-2 574	-	-	-	-2 574
Total		409 964	47 287	83 940	-21 100	14 836	-5 427	529 498

SIGNIFICANT MOVEMENTS IN BOOK VALUE ASSOCIATED COMPANIES AND JOINT VENTURES

In the Philippines it is expected that the rehabilitation of the hydropower plant Ambuklao will be completed in 2011. SN Power Group's share of the profit in Magat and Benguet (Binga and Ambuklao) was MUS\$ 76.6. Magat and Benguet have in 2010 had a negative effect on equity on MUS\$ -1.4 due to cash flow hedges. SN Power Group's share of foreign currency translation differences of MUS\$ 10.9 is caused by a strengthening of PHP against USD. The companies in The Philippines has PHP as functional currency.

In Chile, the La Higuera plant entered into operation at the end of 2010, and contributed to the Group's result with MUSD 2.6. The La Confluencia plant is expected to enter into operation during first half of 2011. La Confluencia has in 2010 had a negative effect on equity on MUSD -3.4 due to loss on cash flow hedges.

In India, the Allain Duhangan hydropower plant (Allain) entered into operation in July 2010, and had a negative contribution in 2010. Allain Duhangan is a 88% owned subsidiary of Malana and has until 2009 been shown as part of Malana in the table above. From 2010 Allain Duhangan is shown as a own item in the table. Malana's investment in Allain Duhangan is adjusted for in the opening balance respectively with MUSD -54 for Malana and MUSD 54 for Allain Duhangan. SN Power Group's share of the profit in Malana Power Company was MUSD 12, and a foreign currency translation difference of MUSD 4.0 is caused by a strengthening of INR against USD. The Indian companies have INR as functional currency.

Financial information from associated companies and joint ventures(100%) *

COMPANY	ASSETS	LIABILITIES	REVENUE	NET PROFIT
Nividhu (Pvt) Ltd	6 518	1 174	2 188	1 578
Malana Power Company Ltd	301 205	83 651	32 687	24 890
Allain Duhangan Hydro Power Ltd	441 311	329 937	7 383	-13 418
SN Aboitiz Power - Magat Inc	653 707	323 925	174 396	102 373
Manila-Oslo Renewable Enterprise Inc	241 333	5 547	4 490	713
SN Aboitiz Power Benguet Inc	689 729	410 634	62 990	51 095
Hidroelectrica La Higuera S.A	505 596	399 977	54 572	5 132
Hidroelectrica La Confluencia S.A	437 301	328 799	561	420

* Assets and liabilities are converted to USD using the closing balance rate per 31 December 2010. Revenue and Net Profit are converted using average rate for 2010. The financial information are adjusted from local reporting to comply with IFRS in the group reporting.

Note 07

SALES REVENUES

BY BUSINESS AREA	2010	2009
Power sales	113 163	117 211
Services	1 067	1 245
Gain on disposal of assets	68	208
Total	114 298	118 664

BY GEOGRAPHICAL MARKET	2010	2009
Norway	1 067	103
South America	80 422	85 442
Asia	32 809	33 119
Total	114 298	118 664

Note 08

COST OF GOODS SOLD

	2010	2009
Purchase of electric power	1 662	2 271
Transmission costs	4 831	5 570
Other production costs and fees	1 433	1 719
Total cost of goods sold	7 926	9 560

**Note
09****EMPLOYEE BENEFIT EXPENSES, MANAGEMENT
REMUNERATION AND AUDIT FEE**

SALARY AND PERSONNEL COSTS	2010	2009
Salary expenses	26 733	20 600
Social security costs	2 595	2 491
Pension costs other	177	177
Pension costs (note 20)	1 873	1 834
Other personnel costs	4 584	4 772
Total salary and personnel costs	35 962	29 874

THE AVERAGE NUMBER OF MAN-YEARS	2010	2009
SN Power Group consolidated companies	427	466
SN Power Group associated companies and joint ventures (100%)	584	784
Total	1 011	1 250

EXPENSED MANAGEMENT REMUNERATION	2010 NOK	2010 USD	2009 USD
Chief Executive Officer			
Salary	1 930	319	276
Paid pension premium	223	37	36
Other	154	25	20
Total Chief Executive Officer	2 307	382	332
Executive Management Team			
Salary	10 442	1 728	1 445
Paid pension premium	917	152	119
Other	3 234	535	661
Total Executive Management Team	14 593	2 415	2 225
Total remuneration CEO and Executive Management Team	16 900	2 796	2 557

Executive Management Team have defined members and consists of 7 people in addition to the CEO. The Executive Management Team has a supplementary pension scheme with a right to a pension of 66% of the salary from 12G up to 20G from the age of 65 years. The plan requires 30 years vesting period and is funded by the company. The management group has no right to severance pay related to end of employment.

The CEO is covered by the same bonus plan concerning all employees in Statkraft Norfund Power Invest AS. The plan is limited up to 20% of salary, and the remuneration is based on yearly goal achievements.

Remuneration of NOK 321 000 (USD 53 100) was paid to the Board of Directors in Statkraft Norfund Power Invest AS in 2010.

AUDIT FEE, SN POWER GROUP	2010	2009
Statutory audit	200	344
Other assurance services	2	7
Tax services	67	118
Non-audit services	40	109
Total fees to auditors	310	577

SN Power Group changed auditor to Deloitte in 2010. In Peru Ernst&Young was still our auditor. Their fee for 2010 was TUSD 81.

Note 10

OTHER OPERATING COSTS

	2010	2009
Leasing premises	3 260	2 915
External services	13 134	13 202
Travel expenses	5 737	3 876
Insurance expenses	3 911	3 104
Fees, licenses, e.g	2 392	396
Loss on disposal of assets	3 105	350
Repairs and maintenace	1 858	2 369
Office expenses	3 901	2 841
Other costs	4 394	4 394
Total other operating costs	41 692	33 447

Note 11

FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME	IAS 39 CATEGORY	2010	2009
Interest income bank	Amortized cost	3 441	2 227
Interest difference on forward exchange rate contracts	Amortized cost	1 143	-
Total interest income		4 584	2 227
Gain on foreign exchange	Fair value through profit and loss	2 635	8 148
Forward exchange rate contracts	Fair value through profit and loss	1 784	6 839
Other financial income	Amortized cost	855	124
Total other financial income		5 274	15 111
Total financial income		9 858	17 338
FINANCIAL EXPENSES	IAS 39 CATEGORY	2010	2009
Interest cost loans	Amortized cost	18 158	12 485
Interest difference on forward exchange rate contracts	Amortized cost	-	3 752
Total interest expenses		18 158	16 237
Loss on foreign exchange	Fair value through profit and loss	3 240	11 447
Forward exchange rate contracts	Fair value through profit and loss	560	197
Other financial expenses	Amortized cost	1 404	874
Total other financial expenses		5 204	12 518
Total financial expenses		23 362	28 755
Net financial income		-13 504	-11 417

**Note
12****PROPERTY, PLANT AND EQUIPMENT**

	LAND	WATER RIGHTS	PLANTS AND MACHINERY	FIXTURES AND FITTINGS, VEHI- CLES, OTHER EQUIPMENT	TOTAL
Book value 1 January 2009	6 297	297 677	297 459	9 660	611 093
Additions	-	4 000	109 795	2 316	116 111
Reclassification	-	-	-141	128	-13
Disposals at book value	-	-	-874	-178	-1 052
Depreciation for the year	-5	-	-11 601	-2 399	-14 005
Exchange differences for the year	-	-	-	25	25
Book value 31 December 2009	6 292	301 677	394 638	9 552	712 159
 Acquisition cost 31 December 2009	 6 316	 301 677	 507 021	 19 824	 834 838
Reclassification	-	-	-141	128	-13
Accumulated depreciation	-24	-	-112 242	-10 423	-122 689
Accumulated exchange differences	-	-	-	23	23
Book value 31 December 2009	6 292	301 677	394 638	9 552	712 159
 Book value 1 January 2010	 6 292	 301 677	 394 638	 9 552	 712 159
Additions	2 843	1 473	10 191	2 552	17 059
Reclassification	3 203	-	2 557	-	5 760
Disposals at book value	-1 991	-	-2 404	-649	-5 044
Depreciation for the year	-5	-865	-16 266	-2 774	-19 910
Exchange differences for the year	-	-55	-	1	-54
Book value 31 December 2010	10 342	302 230	388 716	8 682	709 970
 Acquisition cost 31 December 2010	 7 168	 303 150	 513 611	 20 569	 844 498
Reclassification	3 203	-	2 557	-	5 760
Accumulated depreciation	-29	-865	-127 452	-11 911	-140 257
Accumulated exchange differences	-	-55	-	24	-31
Book value 31 December 2010	10 342	302 230	388 716	8 682	709 970

The operations of the La Oroya and Pachachaca hydropower plants, which generate 10% of the SN Power Peru's supply, might be terminated in 2012 due to an agreement with local government. The background for this is that local government plan to use the water at the two plants for drinking water, and power production must therefore cease. No write-downs have been made in the financial statements as of 31 December 2010, since it is expected that the local government will postpone the termination. Carrying amount for the above mentioned plants as of 31 December 2012 is calculated to MUSD 9. A provision for dismantling (TUSD 537) is made for La Oroya and Pachachaca hydropower plants.

In 2010, it has been calculated deferred tax of MUSD 35.6 related to excess values on water rights in a subsidiary acquired in 2007. Previously reported net excess value is now reported gross (including deferred tax). Comparative figures have been adjusted so that the book value of water rights 1 January 2009 have increased with calculated deferred tax of MUSD 35.6.

Note

13

INTANGIBLE ASSETS

	ROAD AND LAND RIGHTS	PROJECT DEVELOPMENT	SOFTWARE LICENCES	TOTAL
Book value 1 January 2009	7 352	19 556	691	27 599
Additions – acquired separately	91	13 898	-26	13 963
Reclassification	1	-	17	18
Amortization	-24	-	-148	-172
Book value 31 December 2009	7 420	33 454	534	41 408
Acquisition cost 31 december 2009	10 197	33 454	894	44 545
Reclassification	1	-	13	14
Accumulated amortization	-2 778	-	-373	-3 151
Book value 31 December 2009	7 420	33 454	534	41 408
Book value 1 January 2010	7 420	33 454	534	41 408
Additions – acquired separately	452	31 975	92	32 519
Reclassification	-5 760	-	-	-5 760
Amortization	-24	-23 331	-123	-23 478
Exchange differences for the year	-1	-41	-	-42
Book value 31 December 2010	2 087	42 057	503	44 647
Acquisition cost 31 december 2010	10 650	65 429	973	77 052
Reclassification	-5 760	-	-	-5 760
Accumulated amortization	-2 802	-23 331	-470	-26 603
Accumulated exchange differences	-1	-41	-	-42
Book value 31 December 2010	2 087	42 057	503	44 647

PROJECT DEVELOPEMENT

Project development costs are capitalized only if future economic benefits from the development of an intangible asset is probable. Development costs will be capitalized as part of the construction cost of the plant and depreciation will start when the asset is put into operation.

Write down of MUSD 24 project development cost concerns projects in Chile. The capitalized project development cost is written down to net realizable value, sales value deducted for sales cost. The projects in Chile are laid out for sale and a binding offer is received and is used as a basis for the calculation of net realizable value.

Note

14

CONTRACTUAL COMMITMENTS AND
OPERATIONAL LEASES

In September, SN Power approved building the hydropower plant Cheves in Peru. The power plant will have an installed capacity of 168 MW and an expected average annual production of 837 GWh. The investment frame is MUSD 402, and SN Power is committed to contribute MUSD 152 in equity. Statkraft Norfund Power Invest AS will guarantee for the equity contribution and has granted a parent company guarantee for completion of MUSD 130.

SN Power has commitments related to completion of power plants under construction which is presented as associates and joint ventures in the accounts. The total investment frame for the projects (100%) is MUSD 1 275, of which remaining investments are estimated to MUSD 171. SN Power is committed to inject maximum MUSD 99 in equity to finance remaining investment in associated companies and joint ventures. The projects are located in India, the Phillippines and Chile.

OPERATIONAL LEASES:	2010	2009
Ordinary lease payments	3 260	2 915

THE FUTURE MINIMUM RENTS RELATED TO NON-CANCELLABLE LEASES FALL DUE AS FOLLOWS:	2011	2012-2016	2017 ->	TOTAL
Office lease, lease of office equipment etc	1 770	5 539	-	7 309
Other leases	204	407	-	611
TOTAL	1 974	5 946	-	7 920

Note 15

FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts of the Group's financial instruments have been determined by the Group, using appropriate market information and valuation methodologies. There has not been identified any financial instruments where book value is significantly different from fair value.

The carrying amount of cash and cash equivalents is a reasonable estimate of fair value. The fair value of derivatives is mark-to-market value issued by counterpart in the transaction (Category 2 valuation).

The fair value of loans has been calculated by discounting the expected future cash flow at prevailing interest rates and is not materially different from the balance sheet value (Category 3 valuation).

HEDGE ACCOUNTING

SN Power Group makes use of currency swaps and forward contracts to hedge currency exposure related to significant future cash flows and fair values. The forward contracts tied to net investments will be phased out during first half of 2011 according to SN Power's policy. SN Power Group will make use of interest swap contracts for a major part of the portfolio of loans. SN Power Peru and Norvind have entered into interest swap contracts converting floating interest to fixed.

Statkraft Norfund Power Invest AS has a MNOK 200 loan from Statkraft AS, which is hedged against USD by a forward contract NOK/USD.

The following table summarizes the Group's hedging instruments.

	CASH FLOW HEDGES	FAIR VALUE HEDGES	NET INVEST- MENT HEDGES	TOTAL
Forward exchange rate contracts 31 December 2009	-292	1 027	1 270	2 005
Forward exchange rate contracts 31 December 2010	-3 298	3 126	74	-98
Movement in market values of hedging instruments in 2010	-3 006	2 099	-1 196	-2 103
Realized contracts in 2010	-292	-932	-	-1 224
Net recorded against equity	-3 298	1 167	-1 196	-3 327

CASH FLOW HEDGES:

Cheves S.A has entered into foreign currency contracts to hedge the exposure related to payment for construction of the power plant in Peru. The hedged cash flows appears from the payment schedule in Euro (EUR), norwegian kroner (NOK) and Nuevo Soles (PEN) agreed with the contractors. To hedge the currency risk, foreign currency forward contracts between EUR/USD, NOK/USD and PEN/USD with corresponding amounts and due dates (as the payment schedule with the contractors), have been entered in to. The contracts are treated as hedge accounting and fair value (mark-to-market) of the contracts are recorded in comprehensive income until payment takes place.

	2010	2009
Cash flow hedging reserve 1 January	-	-1 098
Movement in market value 2010	-3 006	3 442
Recognized in income statement 2010	-292	-297
Recognized in balance sheet (fixed assets)	-	-2 047
Cash flow hedging reserve 31 December	-3 298	-

HEDGING OF NET INVESTMENTS

Contracts for hedging of net investments will be phased out first half of 2011 according to SN Power finance policy. The interest elements of the contracts are separated and charged to the income statement.

	2010	2009
Market value of net investment hedge contracts per 31 December	74	1 270
Interest element expensed in profit and loss	1 289	-3 752

Note 16

ACCOUNTS RECEIVABLES

	2010	2009
Trade receivables	14 714	15 898
Provisions for loss on trade accounts receivable	-1 734	-139
Total account receivables	12 980	15 759

Note 17

OTHER RECEIVABLES

OTHER LONG TERM RECEIVABLES	2010	2009
Loan to associated companies and joint ventures	110 474	75 375
Other long term receivables	4 175	5 135
Total other long term receivables	114 649	80 510

	2010	2009
Other current receivables		
Pre-payments to suppliers	6 390	4 433
Earned but not invoiced operating income	5 954	7 477
Current receivable from associated companies and joint ventures	1 896	17 164
Prepaid tax	4 150	-
Other current receivables	6 693	5 648
Settlement account VAT	1 907	4 381
Prepaid rent	134	172
Accrued interest	204	156
Total other current receivables	27 328	39 431

Note 18

CASH AND CASH EQUIVALENTS

	2010	2009
Bank deposits, cash and cash equivalents	163 805	213 191
Bank deposits – tax restricted	703	535
Other bank deposits – restricted	132 688	132 854
Total cash and cash equivalents 31 December	297 196	346 580

**Note
19**SHARE CAPITAL, SHAREHOLDER
INFORMATION AND DIVIDEND

	SHARE CAPITAL	SHARE PREMIUM RESERVE	PAID-IN CAPITAL
Paid-in equity 1 January 2010	476 768	639 884	1 116 652
Paid-in equity 31 December 2010	476 768	639 884	1 116 652

SHAREHOLDERS IN STATKRAFT NORFUND POWER INVEST AS 31 DECEMBER 2010	NUMBER OF SHARES	OWNER AND VOTING SHARE
Statkraft AS	16 026 206	60 %
Norfund	10 684 137	40 %
Total	26 710 343	100 %

No dividends will be paid out for 2010.

**Note
20**PENSIONS AND OTHER LONG-TERM
EMPLOYEE BENEFITS

Statkraft Norfund Power Invest AS has pension schemes that cover a total of 53 staff members, and comply with Norwegian regulations on mandatory pension. The pension plans confers the right to defined future benefits, that mainly depend on the vesting period, the level of pay at retirement and the size of state pension benefits. These obligations are partially covered by a closed plan for 7 employees in the Norwegian Public Service Pension Fund (SPK) and through a group pension scheme with Nordea Liv. In addition, the management team have a supplementary plan. This plan confers a right to a pension of 66% of the salary up to 20G from the age of 65 years. The plan requires 30 years vesting period and is funded by the company.

Actuarial gains/losses are recognized in equity, and the effect in 2010 amounts to TUSD 1 012.

ASSUMPTIONS

The following assumptions were used in calculating the current year's pension costs and liabilities:

	2010	2009
Discount rate	3.7%	4.4%
Expected rate of return	3.7%	5.6%
Regulation of salary	4.0%	4.5%
Regulation of pension, Nordea	0.2%	2.1%
Regulation of pension, SPK	3.0%	4.0%
Regulation of base rate	3.8%	4.0%
Turnover	3.5%	3.5%

PENSION COSTS	FUNDED	UNFUNDED	2010	2009
Net present value of the current year's pension earnings	1 580	158	1 737	1 588
Interest rate and administrative costs	272	12	284	244
Gross pension costs	1 852	170	2 022	1 832
Return on pension plan assets	-268	-	-268	-271
Amortization of passed service costs and gains/losses	-217	-	-217	48
Administration costs	34	-	34	2
Accrued social security cost	277	24	301	222
Net pension costs	1 679	194	1 873	1 834

PENSION LIABILITIES	FUNDED	UNFUNDED	2010	2009
Pension liabilities	7 251	486	7 737	7 111
Pension plan assets	5 800	-	5 800	4 589
Calculated pension liabilities	1 451	486	1 938	2 522
Past service cost	-33	-	-33	-67
Social security cost	155	69	224	320
Net pension liabilities	1 574	555	2 128	2 776

MOVEMENT IN ACTUARIAL GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY	FUNDED	UNFUNDED	2010	2009
Accumulated amount recognized directly in equity before tax 1 January	-1 185	-117	-1 302	-
Recognized in the period	957	54	1 012	-1 302
Accumulated amount recognized directly in equity			-291	-1 302

Note 21

TAX

TAX EXPENSE	2010	2009
Taxes payable	6 353	11 946
Adjustments relating to previous years	-900	905
Change in deferred tax liability	-2 932	-2 621
Tax expense	2 521	10 230

Tax expense is related to foreign subsidiaries.

TAX EXPENSE	2010	2009
Profit before tax	55 766	51 618
Expected tax expense at a nominal rate of 28%	15 614	14 453
Effect on taxes of:		
Differences in foreign tax rates	-1 958	-834
Income from associated companies and joint ventures	-23 503	-8 800
Tax-free income	-4 013	-5 384
Other permanent differences	-973	-
Tax loss carried forward	17 354	10 795
Tax expense	2 521	10 230
Tax rate	4.5%	19.8%

SPECIFICATION OF THE TAX EFFECTS OF TEMPORARY DIFFERENCES	01 JANUARY 2010	RECOGNIZED IN INCOME STATEMENT	31 DECEMBER 2010 OTHER	2010
Current receivables	-32	-3	-	-35
Current liabilities	-732	250	-	-482
Derivatives	-	-	-	-
Property, plant and equipment	47 740	1 297	251	49 288
Pension liabilities	-	-	-	-
Other long-term items	-35	813	-424	354
Tax losses carried forward	-5 519	-5 289	402	-10 406
Total net deferred tax liability/(asset)	41 422	-2 932	229	38 718
Deferred tax asset	5 502			10 412
Deferred tax	46 924			49 130
Total deferred tax in balance sheet	41 422			38 718

For 2010 it has been calculated deferred tax on MUSD 35.6 related to excess values on water rights in a subsidiary acquired in 2007. Previously reported net excess value is now reported gross (including deferred tax). Corresponding figures have been adjusted so that the book value have increased with calculated deferred tax of MUSD 35.6.

TEMPORARY DIFFERENCES OR UNUSED TAX LOSSES FOR WHICH NO DEFERRED TAX ASSET/LIABILITY IS RECOGNIZED IN THE BALANCE SHEET	2010	2009
Fixed assets	-102	27
Pension liabilities	-335	-3 785
Other long-term items	3 396	3 220
Tax losses carried forward	-97 149	-93 435
Temporary differences or unused tax losses for which no deferred tax asset/liability is recognized in the balance sheet	-94 190	-93 973

Deferred tax benefit not recognized in the balance sheet is related to losses carried forward in Statkraft Norfund Power Invest AS, SN Power Brasil AS and SN Power AfriCA AS. Deferred tax benefit is recorded on the basis of an expectation of a future taxable profit. The nature of Statkraft Norfund Power Invest AS's, SN Power Brasil AS's and SN Power AfriCA AS's operations imply that future profits will not primarily be taxable. The benefits of deferred tax accordingly cannot be justified in the foreseeable future and have not been recognized in the companies's balance sheets.

Note 22

LONG TERM PROVISIONS AND CONTINGENT LIABILITIES

	DISMANTLING	CLAIMS	TOTAL
Balance sheet 31 December 2009	511	2 722	3 233
New provisions	26	1 331	1 357
Amount used	-	-2 021	-2 021
Balance sheet 31 December 2010	537	2 032	2 569

Provision for dismantling (TUSD 537) relates to a provision made for the SN Power Peru plants La Oroya and Pachachaca hydropower plants, which might be taken out of operation due to usage of the water for drinking water.

Provision for claims (TUSD 2 032) is related to tax claims, custom claims, claims from regulators and restructuring cost in SN Power Peru. New provisions in 2010 derives mainly from restructuring cost regarding severance pay for employees in SN Power Peru. The reversal is mainly related to public duties and claims in Nepal. Accruals for losses has been carried out.

CONTINGENT LIABILITIES

In September 2009 a settlement was reached with contractor on the La Higuera project. If completion dates and other parameters in the settlement agreement are fulfilled, the contractor is granted a right to invoice a total of MUSD 41 to the project and to convert this amount to B-shares with preferred dividend rights and no voting rights. The existing owners have a call option expiring in 2015 to buy back the shares at a predefined price. The B-shares will be converted to ordinary shares in 2015. Based on the delayed completion of the plant caused by the contractor, negotiations regarding the final settlement with the contractor for La Higuera are still ongoing, including the issuance of the above mentioned B-shares.

**Note
23****LONG-TERM DEBT**

	AVERAGE INTEREST RATE	2010	2009
Bond loans in subsidiaries USD	5.8%	-	69 930
Bond loans in subsidiaries PEN	6.0%	-	43 083
Regular loans in subsidiaries	7.4%	202 631	86 093
Back-to-back loans *)	1.8%	119 500	119 500
Loan from Statkraft	3.2%	34 294	34 623
Total debt		356 425	353 229
First year installment long term debt		-38 318	-37 404
Interest-bearing long term debt		318 107	315 825

*) Back to Back loan have a corresponding cash deposit as collateral.

PLEDGED AS SECURITY AND RESTRICTED FUNDS

The SN Power Group has only non-recourse debt used to fund investments and capital expenditures for construction and acquisition of power plants in our subsidiaries. This debt is secured by the shares in subsidiaries in certain cases, physical assets, contracts and cash flows of the related subsidiary. The risk is limited to the respective subsidiary and is without recourse to the parent company, Statkraft Norfund Power Invest AS, or other subsidiaries.

The terms of the SN Power Group's debt, which is debt held at subsidiaries, include certain financial and non-financial covenants. These covenants are limited to subsidiary activity and vary among the subsidiaries. These covenants may include, but are not limited to maintenance of certain reserves, minimum levels of working capital, limitations on incurring additional debt and requiring SN Power to have indirect majority in the operating phase.

At 31 December 2010 and 2009, approximately MUSD 11.6 MUSD and MUSD 12.3, respectively, of restricted cash was maintained in accordance with certain covenants of the debt agreements, and these amounts were included in bank deposits, cash and cash equivalents in the group balance sheet. SN Power Holding AS has at 31 December 2010 MUSD 41.2 as deposit in Citibank and MUSD 79.5 as deposit in Santander. The deposit is a collateral for a loan on MUSD 40 from Citibank and MUSD 79.5 from Santander to SN Power Chile Inversiones Ltda. Interests of MUSD 0.3 are also classified as restricted cash.

Book value of pledged assets in the group amounts to MUSD 466 and the underlying commitment amounts to MUSD 313.

Investment commitments are described in Note 14 Contractual commitments and operational leases.

OFF BALANCE SHEET GUARANTEES AND OBLIGATIONS 31 DECEMBER	2010
Parent company guarantees	254 076
Property rental guarantees	551
Recourse guarantees	46 913
Remaining equity commitments, subsidiaries	68 000
Remaining equity commitments, associated companies and joint ventures	99 000
Sureties	42 000
Other	1 811
Total	512 351

Note**24**SPECIFICATION OF OTHER CURRENT
LIABILITIES

	2010	2009
Payables to employees	1 409	2 821
Accrued salary and vacation expenses	3 937	3 240
Accrued costs and deferred revenue	8 001	9 204
Accrued interest cost	1 329	2 073
Provision, current liabilities	430	4 122
Other current liabilities	1 337	2 563
Total other current liabilities	16 443	24 023

Note**25**

TRANSACTIONS WITH RELATED PARTIES

All subsidiaries, associated companies and joint ventures listed in Note 5 and Note 6 are related parties of SN Power. Balances and transactions between consolidated companies are eliminated in the consolidated accounts and are not shown in the note.

SN Power's Executive Management Team and board are also related parties of SN Power. SN Power is indirectly owned by the Norwegian government. There has not been identified significant transactions and balances with the Norwegian government or companies controlled by the Norwegian government.

All transactions with related parties have been carried out as part of the ordinary operations and at arm's length prices. There has not been identified significant transactions and balances with related parties other than what is listed in this note and in note 9.

The income statement includes the following amounts resulting from transactions with related parties.

TRANSACTION TYPE	RELATED PARTY	2010	2009
Sales revenue	Statkraft Group	61	94
Sales revenue	Hidroelectrica La Higuera S.A	1 073	965
Sales revenue	Hidroelectrica La Confluencia S.A	887	280
Sales revenue	Total	2 021	1 245
Other operating costs	Statkraft Group	1 190	1 307
Other operating costs	Total	1 190	1 307
Interest income	Statkraft Group	107	294
Interest income	Total	107	294
Interest and other financial expenses	Statkraft Group	1 236	1 273
Interest and other financial expenses	Total	1 236	1 273

The balance sheet includes the following amounts resulting from transactions with related parties.

TRANSACTION TYPE	RELATED PARTY	2010	2009
Bank deposits, cash and cash equivalents	Statkraft Group	50 657	-
Bank deposits, cash and cash equivalents	Total	50 657	-
Accounts receivable	Statkraft Group	32	22
Accounts receivable	Hidroelectrica La Higuera S.A	77 709	75 814
Accounts receivable	Hidroelectrica La Confluencia S.A	32 144	166
Accounts receivable	Allain Duhangan Hydro Power Ltd	68	1 904
Accounts receivable	SN Aboitiz Power Magat Inc	1 285	1 313
Accounts receivable	Manilla – Oslo Renewable Enterprise, Inc	1 187	4 247
Accounts receivable	SN Aboitiz Power Benguet Inc	45	10 976
Accounts receivable	Total	112 470	94 442
Accounts payable	Statkraft Group	-	539
Accounts payable	Total	-	539
Other short term liabilities	Statkraft Group	383	532
Other short term liabilities	Total	383	532
Long term debt	Statkraft Group	34 295	34 727
Long term debt	Total	34 295	34 727

Statkraft Norfund Power Invest AS

Income statement

FIGURES IN USD 1000

	NOTE	2010	2009
OPERATING REVENUES AND EXPENSES			
Sales revenues	2	5 529	3 470
Total operating revenues		5 529	3 470
Salary and personnel costs	3	11 205	9 278
Ordinary depreciation and amortization	6	437	320
Other operating costs	4	12 724	11 161
Total operating costs		24 366	20 759
Operating profit/loss		-18 837	-17 289
FINANCIAL INCOME AND EXPENSES			
Financial income	5	6 578	13 116
Financial expenses	5	-3 233	-13 154
Net financial items		3 345	-38
Profit/loss before tax		-15 492	-17 327
Tax expense	8	-	-
NET PROFIT/LOSS FOR THE YEAR		-15 492	-17 327

Statement of Comprehensive Income

FIGURES IN USD 1000	NOTE	2010	2009
Net gain/losses on hedging instruments	11	-1 197	-7 423
Pensions	7	1 119	-1 302
Other comprehensive income for the year, net of tax		-78	-8 725
Total comprehensive income for the year, net of tax		-15 570	-26 052

Balance Sheet at 31 December

FIGURES IN USD 1000

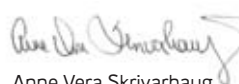
	NOTE	2010	2009
ASSETS			
Fixed assets			
Intangible fixed assets			
Project development	6	3 197	2 132
Software licences	6	36	88
Total intangible fixed assets		3 233	2 221
Tangible fixed assets			
Fixtures and fittings, vehicles, other equipment	6	319	357
Total tangible fixed assets		319	357
Financial fixed assets			
Investment in subsidiaries	9	981 768	898 526
Total financial fixed assets		981 768	898 526
Total fixed assets		985 320	901 104
Current assets			
Receivables			
Accounts receivable		89	247
Intra-group receivables	12	24 114	7 938
Current derivatives		1 858	2 297
Other receivables		1 668	1 305
Total receivables		27 730	11 786
Cash and cash equivalents	10	55 101	170 638
Total current assets		82 831	182 424
TOTAL ASSETS		1 068 151	1 083 527

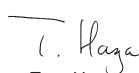
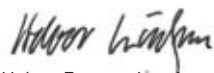
Balance Sheet at 31 December

FIGURES IN USD 1000	NOTE	2010	2009
EQUITY AND LIABILITIES			
EQUITY			
Paid-in equity			
Share capital	11	476 768	476 768
Share premium reserve	11	639 884	639 884
Total paid-in equity		1 116 652	1 116 652
Retained earnings			
Other equity	11	-91 510	-75 940
Total retained earnings		-91 510	-75 940
Total equity		1 025 142	1 040 712
LIABILITIES			
Provisions			
Pension commitments	7	1 443	2 522
Total provisions		1 443	2 522
Other long-term liabilities			
Interest-bearing long term debt	12	34 294	34 622
Total other long-term liabilities		34 294	34 622
Current liabilities			
Accounts payable		1 363	1 189
Intra-group payables	12	919	530
Public tax payable		711	477
Other current liabilities		4 278	3 476
Total current liabilities		7 271	5 672
Total liabilities		43 009	42 815
TOTAL EQUITY AND LIABILITIES		1 068 151	1 083 527

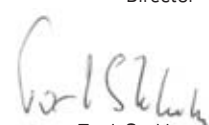
Oslo, 15 March 2011


Øistein Andresen
Chair person

Mark Davis
Director

Anne Vera Skrivarhaug
Director

Hilde Bekier-Larssen
Director

Tore Haga
Director

Halvor Fossum Laursen
Director

Eli Skrøvset
Director

Egil Reinhard Gjesteland
Director

Tor I. Stokke
Chief Executive Officer

Statement of Changes in Equity at 31 December

FIGURES IN USD 1000	NOTE	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
At 1 January 2009		418 064	418 064	-49 888	786 240
Transactions with shareholders					
Issue of share capital	11	58 705	221 820		280 525
Transactions with shareholders		58 705	221 820		280 525
Total comprehensive income for the year, net of tax				-26 052	-26 052
At 31 December 2009		476 768	639 884	-75 940	1 040 712
Total comprehensive income for the year, net of tax				-15 570	-15 570
At 31 December 2010		476 768	639 884	-91 510	1 025 142

Cash Flow Statement

FIGURES IN USD 1000	NOTE	2010	2009
CASH FLOW FROM OPERATIONAL ACTIVITIES			
Profit/loss before tax		-15 492	-17 327
Ordinary depreciation		437	320
Forward exchange rate contracts in profit and loss with no cash effect	11	-758	-8 546
Difference between this year's pension expense and pension premium	7	72	817
Effect of exchange rate changes	12	-328	6 289
Change in accounts receivable		157	-28
Change in accounts payable		174	-23
Change in intra-group accounts		-15 787	17 796
Change in other current assets and liabilities		637	-4 726
Net cash flow from operational activities		-30 887	-5 427
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investment in tangible and intangible fixed assets		-1 411	-326
Investments in subsidiaries		-83 242	-112 162
Proceeds from realized forward exchange rate contracts	11	-	-2 589
Net cash flow from investment activities		-84 653	-115 078
CASH FLOW FROM FINANCING ACTIVITIES			
New paid-in equity		-	280 525
Net cash flow from financing activities		-	280 525
Net change in cash and cash equivalents		-115 540	160 020
Cash and cash equivalents at 1 January		170 638	10 615
Cash and cash equivalents at 31 December		55 101	170 638

Notes to the accounts

Figures in USD 1000

Note

1

ACCOUNTING PRINCIPLES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been presented in compliance with regulation regarding simplified IFRS dated 21 January 2008. The financial statements consist of income statement, statement of comprehensive income, balance sheet, cash flow statement and notes to the accounts.

The financial statement gives a true and fair view of assets and liabilities, financial position and result.

CLASSIFICATION

Assets and liabilities related to the normal operating cycle are classified as current assets and current liabilities. Receivables and liabilities not related to the normal operating cycle are classified as current if they are of a short-term nature, normally due within one year. Shares and other investments not intended for continued use or ownership are classified as current assets. Other assets are classified as fixed assets and other liabilities as long term liabilities.

REVENUE RECOGNITION

Sales of services are recorded as income when delivered. Other operating revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

FOREIGN CURRENCY

Functional currency for the company is USD. Foreign currency monetary items are translated at the closing rate at the date of the balance sheet. Foreign currency gains and losses are reported in the income statement under the line items financial income or financial expenses.

The company makes use of currency swaps and forward contracts to hedge part of the currency exposure related to investments in subsidiaries and associated companies in the SN Power group, and hedges are made against USD. The currency contracts are valued at fair value based on the spot element of the contracts and recorded as hedging instruments. The fluctuation in value due to changes in exchange rates is recorded directly against equity. The interest element of the contracts are separated and charged to the income statement.

INVESTMENTS

Investments in subsidiaries are accounted for using the cost method. The investments are recorded at the acquisition price of the shares. When it is assumed that the asset value is lower than its carrying value, the asset is written down to recoverable amount. Previously recognized impairment loss is reversed only if there have been changes in the estimates used to determine the recoverable amount. Dividends from subsidiaries are recognized when earned and not in the year when payment takes place.

If an appropriation exceeds the proportion of retained profit after acquisition, the excess amount represents a repayment of invested capital, and the appropriation is deducted from the value of the investment in the balance sheet.

TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

Tangible fixed assets and intangible assets are measured at cost less accumulated depreciation and write-downs. Tangible fixed assets and intangible assets with limited useful lives are depreciated over the expected useful life. Tangible fixed assets and intangible assets are written down if the balance sheet value exceeds the recoverable amount. The recoverable amount is the higher of net sales value and the

present value of future cash flows expected to be generated. Write-downs are reversed if the basis for the write-down is no longer present.

Research costs are expensed as incurred. Development costs related to project development are capitalized only if future economic benefits from the development of an intangible asset is probable, and if the costs can be invoiced down to the project company. Development costs will often be capitalized when a construction project is more probable than not, but no formal investment decision has yet been made.

LEASING

Leasing agreements are classified as financial or operational based on the actual content of the agreement. Agreements transferring substantially all the financial rights and obligations related to the leased object to Statkraft Norfund Power Invest AS are classified as financial. Other lease agreements are classified as operational and the annual leasing fee is charged to expense as a leasing expense.

TRADE RECEIVABLES

Trade receivables are measured at realizable value. Provisions are made for bad debts.

INCOME TAXES

The tax charge is calculated from the profit (loss) before tax and comprises current taxes and the change in deferred taxes. On basis of an interpretation from Department of Finance, the taxes are calculated on basis of NOK as functional currency and not USD as in the financial statements. Deferred tax assets and liabilities are calculated in accordance with the liability method without discounting and provided for all differences between the carrying amount in the balance sheet and the tax base of assets and liabilities, and for unused tax losses. Deferred tax assets are recognized only when it is expected that the benefit can be utilized through sufficient taxable profits from expected future earnings.

PENSION COST

Pension liabilities related to defined benefit plans are measured at the net present value of future pension benefits earned at the balance sheet date and calculated on the basis of assumptions for, among others, the discount rate, expected future wage growth and pension adjustments. Plan assets are measured at fair value. Net pension liabilities related to under-funded plans are recorded as provisions, while the net assets of over-funded plans are recorded in financial fixed assets. Net pension expense, which is gross pension expense less the expected return on plan assets adjusted for past service cost and the effects of changes in estimates, are included in salary and personnel costs. Changes in pension liabilities due to amendments in pension plans are included in net pension expense over the vesting period or immediately if the benefits are immediately vested. Changes in pension liabilities and plan assets, due to changes in and deviations from the calculation assumptions, are recorded in equity. In the case of pension plans that are defined as contribution plans for accounting purposes the premiums are charged to pension expenses for the period.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

Note 02

SALES REVENUES

BY BUSINESS AREA	2010	2009
Services	5 529	3 470
Total	5 529	3 470

BY GEOGRAPHICAL MARKET	2010	2009
Norway	847	590
South America	49	1 214
Asia	4 633	1 666
Total	5 529	3 470

Note 03

EMPLOYEE BENEFIT EXPENSES, MANAGEMENT REMUNERATION AND AUDIT FEE

SALARY AND PERSONNEL COSTS	2010	2009
Salary expenses	8 043	6 135
Social security costs	1 277	1 019
Pension costs (note 7)	1 357	1 832
Other employee benefits	302	127
Other personnel costs	226	165
Total salary and personnel costs	11 205	9 278

THE AVERAGE NUMBER OF MAN-YEARS	2010	2009
Statkraft Norfund Power Invest AS	45	42

Remuneration to leading employees

The Chief Executive Officer received a salary of TNOK 1 930 (TUSD 319), paid pension premium of TNOK 223 (TUSD 37) and other remuneration of TNOK 154 (TUSD 25) in 2010. Average rate 2010 is used when conversion of NOK to USD. There are no contingent liabilities related to end of employment.

Remuneration paid by Statkraft Norfund Power Invest AS to its Directors in 2010 amounts to NOK 321 000 (USD 53 100).

AUDITOR	2010	2009
Statutory audit	74	79
Other assurance services	-	-
Tax services	65	-
Non-audit services	-	11
Total fees to auditors	139	90

Note 4

OTHER OPERATING COSTS

	2010	2009
OTHER OPERATING COSTS		
Leasing premises	776	911
External services	5 408	4 280
Group services	228	431
Travel expenses	2 474	2 446
Other costs	3 838	3 094
Total other operating costs	12 724	11 161

Note 5

FINANCIAL ITEMS

	2010	2009
OTHER FINANCIAL INCOME		
Group contribution	1 860	-
Interest income	115	522
Interest income on foreign exchange contracts	1 143	968
Gain on foreign exchange	577	5 271
Gain on settlement of foreign exchange contracts	2 126	-
Change in market value on foreign exchange contracts	758	6 355
Total other financial income	6 578	13 116

	2010	2009
OTHER FINANCIAL EXPENSES		
Interest expenses Statkraft loan	1 091	1 107
Loss on foreign exchange	732	6 828
Other financial expenses	131	140
Change in market value on foreign exchange contracts	1 283	-
Interest expenses on foreign exchange contracts	-3	5 078
Total other financial expenses	3 233	13 154

FUNCTIONAL CURRENCY

Statkraft Norfund Power Invest AS's functional currency and reporting currency is USD.

Note 6

FIXED ASSETS

TANGIBLE ASSETS	FURNITURES, OFFICE FIXTURES	OFFICE EQUIPMENT	TOTAL
Acquisition cost 1 January 2010	560	349	909
Additions	97	4	101
Disposals	-	-	-
Acquisition cost 31 December 2010	656	353	1 010
Accumulated amortization at 31 December 2010	-366	-325	-691
Book value 31 December 2010	291	28	319
Amortization for the year	83	56	139
Estimated economic life	3-10 yrs	3-10 yrs	
Depreciation method	linear	linear	

INTANGIBLE ASSETS	PROJECT DEVELOPMENT (*)	SOFTWARE LICENCES	TOTAL
Acquisition cost 1 January 2010	2 132	277	2 409
Additions	1 311	-	1 311
Disposals	-	-	-
Acquisition cost 31 December 2010	3 443	277	3 720
Accumulated amortization at 31 December 2010	-246	-240	-486
Book value 31 December 2010	3 197	36	3 233
Amortization for the year	246	52	298
Estimated economic life	N/A	3 - 5 yrs	
Depreciation method	N/A	linear	

*The category Project development above includes capitalized costs on projects that has a probability of more than 50% of being carried out, but where the formal decision has not been made yet. When the formal decision to carry out the investment has been made, the costs will in most cases be invoiced and capitalized in the project development company.

Note 07

PENSIONS

Statkraft Norfund Power Invest AS has pension schemes that cover a total of 46 staff members, and comply with norwegian regulations on mandatory pension. The pension plan confers the right to defined future benefits, that mainly depend on the vesting period, the level of pay at retirement and the size of state pension benefits. These obligations are partially covered by a closed plan for 7 employees in the Norwegian Public Service Pension Fund (SPK) and through a group pension scheme with Nordea Liv. In addition, executive employees have a supplementary plan. This plan confers a right to a pension of 66% of the salary from 12G up to 20G from the age of 65 years. The plan requires 30 years vesting period and is from 2007 funded by the company.

Actuarial gains/losses are recognized in equity, and the accumulated effect in 2010 amounts to TUSD - 184.

ASSUMPTIONS

The following assumptions were used in calculating the current year's pension costs and liabilities:

	2010	2009
Discount rate	3.7%	4.4%
Expected rate of return	5.6%	5.6%
Regulation of salary	4.0%	4.5%
Regulation of pension	0.2%	2.1%
Regulation of base rate	3.8%	4.0%
Turnover	3.5%	3.5%

PENSION COSTS	FUNDED	UNFUNDED	SPK	2010	2009
Net present value of the current year's pension earnings	1 032	129	180	1 341	1 588
Interest rate and administrative costs	112	9	149	269	244
Gross pension costs	1 143	139	329	1 611	1 832
Return on pension plan assets	-145	-	-112	-257	-271
Amortization of passed service costs and gains/losses	-	-	-217	-217	48
Administration costs	23	-	3	26	-
Accrued social security cost	144	20	31	195	222
Net pension costs	1 165	158	34	1 357	1 832

PENSION LIABILITIES	FUNDED	UNFUNDED	SPK	2010	2009
Pension liabilities	3 480	352	2 990	6 822	6 860
Pension plan assets	2 784	-	2 744	5 528	4 589
Calculated pension liabilities	696	352	246	1 294	2 268
Past service cost	-	-	-33	-33	-67
Social security cost	98	50	35	182	320
Net pension liabilities	795	402	247	1 443	2 522
MOVEMENT IN ACTUARIAL GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY	FUNDED	UNFUNDED	SPK	2010	2009
Accumulated amount recognized directly in equity before tax 1 January	-434	-117	-751	-1 302	-
Translation effects	4	1	7	13	-
Recognized in the period	473	53	581	1 106	-1 302
Accumulated amount recognized directly in equity before tax 31 December				-184	-1 302
Deferred tax related to actuarial gain/loss recognized directly in equity				-	-
Accumulated amount recognized directly in equity after tax				-184	-1 302

Note 8

TAX

	2010	2009
Profit before tax	-15 492	-17 327
Expected tax expense at a nominal rate of 28%	4 338	4 852
Effect on taxes of:		
Permanent profit and loss differences between USD accounts and tax accounts in NOK translated to USD at average rate 2010	-1 592	11 964
Exchange rate effect of closing balance rate vs. average rate (of the above)	100	1 494
Permanent differences	-57	-64
Change in market value on foreign exchange contracts	217	2 468
Tax loss carried forward	-2 778	-20 110
Group contribution	-523	-
Changes in temporary differences	295	-603
This year's tax expense	0	-0
Tax rate	0 %	0 %
Fixed assets	-121	-119
Pensions	-1 443	-2 522
Tax loss carried forward	-90 493	-81 343
Temporary differences 31 December	-92 057	-83 984
Tax rate	28 %	28 %
Deferred tax asset 31 December	-	-

Deferred tax asset is recognized based on an expectation about a future taxable profit. Based on Statkraft Norfund Power Invest AS's operations, future income will primarily not be taxable. Accordingly, deferred tax asset can not be utilized in 2010 and have not been recognized in the company's balance sheet. Tax loss carried forward at 31 December 2010 amounts to NOK 527 747 977.

**Note
09**

SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements:

COMPANY	DATE OF ESTABL.	BUSINESS OFFICE	COUNTRY OF REGISTRATION	MAIN OPERATIONS	PARENT COMPANY	VOTING SHARE	OWNERSHIP SHARE
SN Power Holding AS	27 May 2003	Oslo	Norway	Investment	Statkraft Norfund Power Invest AS	100.0 %	100.0 %
SN Power AfriCA AS	13 January 2009	Oslo	Norway	Investment	Statkraft Norfund Power Invest AS	51.0 %	45.9 %
SN Power Brasil AS	07 April 2010	Oslo	Norway	Investment	Statkraft Norfund Power Invest AS	100.0 %	100.0 %

Shares in subsidiaries are recorded in accordance with the cost method in the balance sheet of Statkraft Norfund Power Invest AS.

COMPANY	PAID-IN CAPITAL NOK	PAID-IN CAPITAL USD
SN Power Holding AS	5 484 374 000	945 921 553
SN Power AfriCA AS	162 945 000	26 710 265
SN Power Brasil AS	56 483 000	9 136 002

**Note
10**

GUARANTEES, CASH AND CASH EQUIVALENTS

GUARANTEES:

Statkraft Norfund Power Invest AS has on behalf of associates and subsidiaries granted guarantees for a total amount of MUSD 303 pr 31 December 2010. Guarantees related to projects under development amounts to MUSD 49 for associated companies and MUSD 237 for subsidiaries. The company has also a premises rent guarantee amounted to MUSD 0.5.

CASH AND CASH EQUIVALENTS:	2010	2009
Cash bank deposits	54 463	170 164
Restricted bank deposits – withholding tax employees	638	474
Total cash and cash equivalents	55 101	170 638

**Note
11**

SHARE CAPITAL, SHAREHOLDER INFORMATION AND FX HEDGE CONTRACTS

	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
Equity 1 January 2010	476 768	639 884	-75 940	1 040 712
Pensions			1 119	1 119
Foreign currency translation effects on forward exchange rate contracts			-1 197	-1 197
This year's net profit/loss	-	-	-15 492	-15 492
Equity 31 December 2010	476 768	639 884	-91 510	1 025 142

Nominal value per share is NOK 100. All issued shares have equal voting rights and are equally entitled to dividend. No dividend will be paid out for 2010.

FOREIGN EXCHANGE CONTRACTS

Statkraft Norfund Power Invest AS makes use of currency swaps and forward contracts to hedge part of the currency exposure related to the investment in subsidiaries and associated companies in SN Power Group. As a result of the changed finance policy in the Group, new investments will not be hedged without a closer evaluation.

The currency contracts are valued at fair value based on the spot element of the contracts and recorded as hedging instruments. Variations in the value of the contracts owing to changes in exchange rates are therefore not recorded in the income statement but directly against other comprehensive income.

The interest element in the contracts is separated and charged to the income statement. For 2010 this amounted to TUSD 1 143.

	2010	2009
Forward exchange rate contracts at 1 January	2 297	-1 416
Forward exchange rate contracts at 31 December	1 858	2 297
Movement in market values of forward exchange rate contracts	-438	3 712
Movement in market values of forward exchange rate contracts recognized in income statement	758	8 546
Movement in market values of forward exchange rate contracts recorded against other equity	-1 197	-4 833
Movement in market values of forward exchange rate contracts	-438	3 712
Movement in market values of forward exchange rate contracts recorded against other equity	-1 197	-4 833
Realized contracts recorded against other equity	-	-2 589
Net recorded against equity	-1 197	-7 423
Movement in market values of forward exchange rate contracts recognized in income statement	758	8 546
Loss on realized contracts recognized in income statement	-1 283	-
Gain on realized contracts recognized in income statement	2 126	-2 191
Net recognized in profit and loss	1 601	6 355
SHAREHOLDERS 31 DECEMBER 2010	Number of shares:	Owner and voting share
Statkraft AS	16 026 206	60 %
Norfund	10 684 137	40 %
Total	26 710 343	100 %

Note 12

TRANSACTIONS WITH RELATED PARTIES

All subsidiaries, associates and joint ventures are related parties of Statkraft Norfund Power Invest AS, refer note 25 of SN Power Group.

SN Power's Executive Management Team and board are also related parties of Statkraft Norfund Invest AS. Statkraft Norfund Invest AS is indirectly owned by the Norwegian government. There has not been identified significant transactions and balances with the Norwegian government or companies controlled by the Norwegian government.

All transactions with related parties have been carried out as part of the ordinary operations and at arm's length prices. There has not been identified significant transactions with related parties other than what is listed in this note and in note 3.

INTERCOMPANY SHORT TERM RECEIVABLES	2010	2009
SN Power Holding AS	21 311	-
SN Power Holding Singapore Pte. Ltd.	222	6 127
SN Power Peru Holding S.R.L	8	51
SN Power Peru S.A.	-	125
SN Power Chile Inversiones Electricas Ltda.	1 193	1 248
Norvind S.A.	-	-
SN Power India Pvt. Ltd.	505	-
Himal Power Ltd.	456	21
SN Power Global Services Pte. Ltd	161	46
SN Power Africa AS	258	320
Total	24 114	7 938

INTERCOMPANY SHORT TERM PAYABLES	2010	2009
SN Power Peru Holding S.R.L	1	-
SN Power AfriCA AS	35	-
SN Power Holding AS	813	93
SN Power Holding Singapore	64	32
SN Power Global Services Pte. Ltd	6	130
SN Power Chile Inversiones Electricas Ltda.	-	275
Total	919	530

INTEREST-BEARING LONG TERM DEBT	2010	2009
Statkraft AS	34 294	34 622
Total	34 294	34 622

(Translation from the original Norwegian version)

To the Annual Shareholders' Meeting of Statkraft Norfund Power Invest AS

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Statkraft Norfund Power Invest AS, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements for the parent company comprise the balance sheets as at 31 December 2010, the income statement, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements for the group comprise the balance sheets as at 31 December 2010, the income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Chief Executive Officer is responsible for the preparation and fair presentation of these financial statements in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9 for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as The Board of Directors and the Chief Executive Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our

audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company give a true and fair view of the financial position of Statkraft Norfund Power Invest AS as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group give a true and fair view of the financial position of the group Statkraft Norfund Power Invest AS as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the Board of Directors' report and the coverage of the loss

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the coverage of the loss complies with the law and regulations and that the information is consistent with the financial statements.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 15 March 2011

Deloitte AS

Aase Aa. Lundgaard (signed)

State Authorised Public Accountant
(Norway)



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annualreport2010.snpower.com

Design and production: Itera Gazette

Photo: ©Plattform/Johnér (cover, 1), ©Per Mäkitalo/
Johnér (8–9), iStockphoto (12, 16–17, 36–37, 44–45),
Yvonne Holth (14, 18, 24, 30, 34, 38–39, 42–43).

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