

ANNUAL REPORT
2007

SN|POWER



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OUR VISION

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

In 2002, the leading Norwegian hydropower company, Statkraft, and the Norwegian investment fund for emerging markets, Norfund, decided to found a company combining their hydropower competence and investment expertise. Statkraft Norfund Power Invest, SN Power, was set up to develop hydropower in the emerging markets of Asia, Africa and Latin America.

5 years later, SN Power has developed into a robust organization, counting more than 400 employees and having projects and operations in India, Nepal, Sri Lanka, the Philippines, Peru and Chile.

2007 AT A GLANCE

- Net profit increase from NOK 29 million in 2006 to NOK 221 million
- Tripling of gross company portfolio of installed capacity to 806 megawatts
- Equity investment of NOK 2.5 billion
- Major acquisitions in the Philippines and Peru
- Construction start of major hydropower project in Chile
- Rapid expansion of the SN Power organization
- Long term ambition established: 4000 megawatts of installed capacity by 2015

MESSAGE FROM
THE CEO

A YEAR OF EXPANSION

2007 marked the five-year anniversary of SN Power. During this short period, we have delivered on our mandate and established SN Power as an investor, developer and operator of sustainable hydropower projects in emerging markets.

In 2007 we delivered beyond expectations, investing more than 2.5 billion NOK in equity and bringing 439 new megawatts to financial close. Net profit reached NOK 221 million, up from 29 in 2006. This makes 2007 the most successful year in SN Power history. On a different note, our joint venture companies experienced accidents resulting in 5 fatalities on construction sites, something of great concern to SN Power's management.

EXPANSION | SN Power's strategy is to be a long-term supplier of renewable energy in selected markets in Asia and Latin America, and secure a growth base in Africa.

We delivered on our strategy in Asia. We strengthened our presence in India, Nepal and the Philippines through acquisitions, project development and a rapidly expanding organization. Highlights were the successful take-over, refinancing and operation of Magat hydropower plant and placing the winning bid on Ambuklao and Binga hydropower plants in the Philippines in partnership with Aboitiz Equity Ventures.

We made SN Power history in Latin America through our largest investment to date. SN Power acquired the Peruvian hydropower company Electroandres, and took up the position as the 4th largest private power generator in the country. In Chile, we continued our greenfield expansion. The foundation stone of the La Confluencia run-of-river project, SN Power's second greenfield construction project in partnership with Pacific Hydro, was ceremonially uncovered by His Royal Highness Crown Prince Haakon in January 2008.

PRESENCE | Expansion requires a robust and capable organization. In 2007, we began implementing a new organizational structure. We aim to facilitate the exchange of knowledge and best practice, step-up pooling and sharing of resources, and further develop key capabilities in the areas most critical to ensure growth and value creation.

We strengthened our presence in all our selected markets. On 4 February 2008, the Norwegian Prime Minister Jens Stoltenberg inaugurated our new India office outside Delhi. From January 2008, we also established an office in Brazil, as the starting point for business development in one of the world's largest hydropower markets. SN Power doubled the workforce throughout 2007. I am proud of our driven organization, counting more than 400 employees and representing 14 nationalities. The entrepreneurial and international work-culture makes us an attractive employer, able to attract top-class personnel.

COMMITMENT | Our commitment to sustainability remains a top priority. UN Global Compact's 10 principles are embedded into our business model as we expand in a socially and environmentally responsible manner. Our role in combating climate change as a significant supplier of renewable energy was reinforced in 2007 when our second project got registered under the Kyoto Protocol's Clean Development Mechanism. Improving Health and Safety performance at construction sites is also a high priority for SN Power.

AMBITIONS | Looking ahead, we have set ambitious targets: By 2015 we aim to increase our portfolio of generating assets to 4,000 megawatt of installed capacity, from the current 820 megawatt. This giant leap requires significant additional capital and increase in organizational capability going forward.

In the course of just five years, we have established a solid platform for long-term growth. We started take-off in 2007, and in 2008 we will continue this exciting and challenging journey.


Øistein Andresen
President & CEO

“In the course of just five years, we have established a solid platform for long-term growth.”

HYDROPOWER – UNITING THE NEED FOR RENEWABLE ENERGY AND DEVELOPMENT

We are witnessing the beginning of a transition in the global economy in terms of energy production and consumption. Multiple forces are driving towards a low carbon economy, the most prominent of them being growing concerns over climate change and a lack of energy security in many countries around the world.



“How can we unite the need for continued growth and poverty reduction with a transition to a global low carbon economy?”

The appetite for energy is increasing with astonishing speed among the world’s growth economies. A 57 per cent increase in global energy consumption is projected in the period 2002–2025. Emerging markets count for approx. 60 per cent of this growth, with Asia leading the way. More than 2 billion people still have no access to modern energy services. Research indicates that well-being and level of development correlate with the degree of modern energy services consumed per capita. This implies that the lack of access to energy frustrates the aspirations of many developing countries. Without improvements in energy access, the United Nations’ Millennium Development Goal of halving the proportion of people living on less than a dollar a day by 2015 will be difficult to meet.

How can we unite the need for continued growth and poverty reduction with a transition to a global low carbon economy? This seems to be the big question of this century. SN Power is committed to being a part of the answer through providing a stable supply of renewable energy in emerging markets. We believe that our activities can play a key role in achieving development based on climate-friendly and sustainable solutions.

HYDROPOWER IS PART OF THE ANSWER | The question of a new energy paradigm is being discussed among governments, corporations, investors, academic institutions and non-governmental organisations worldwide. There are many uncertainties surrounding what a low carbon economy will look like. Some are related to technology, others to regulations and market mechanisms. At SN Power we believe that the technologies and markets we are involved in are future-oriented and highly compatible with the dynamics of a low carbon economy. Developing half of the world’s economically feasible hydropower potential could reduce greenhouse gas emissions by about 13 per cent. Also, hydropower has certain properties that make it the perfect match together with other sources of renewable energy, such as wind and solar

power. Designed, built and operated the right way, hydropower provides a combination of stability, efficiency and safety that probably no other energy source can compete with. Hydropower can therefore constitute the cornerstone and “buffer” in a power system supplied by different energy sources. The multiple benefits of hydropower, including irrigation and water supply, resource creation, recreational lakes and flood control need to be taken into account for any given development project.

CARBON EMISSIONS TRADING | The trading systems for carbon emissions are maturing and provide key incentives for new investments in the renewable energy sector. The Clean Development Mechanism (CDM) is a tool under the Kyoto Protocol designed to encourage investments in emerging markets. SN Power seeks to register projects under the CDM regime, and thus be able to produce Certified Emissions Reductions or so called “carbon quotas”. To get a project registered, we need to show that it reduces greenhouse gas emissions, such as CO₂.

Through our joint venture companies, we have been able to successfully register the run-of-river projects Hidroeléctrica La Higuera in Chile and Allain Duhangan in India with the Clean Development Mechanism Executive Board. La Higuera is the first hydropower project in Chile, and Allain Duhangan was the largest hydropower project approved in the world when it was registered under the CDM in May 2007. When the hydropower plants become operational in 2009, they can produce CERs equivalent to around 1 million tonnes of CO₂ annually.

HIGH SUSTAINABILITY STANDARDS | In order to be registered with the CDM Executive Board, projects are required to meet high standards with regard to social and environmental impact management. This is an important clause to ensure sustainable development. We believe it is possible to develop hydropower projects in a way

that reduces their long-term environmental impacts to a minimum. It is equally possible to develop projects that thoroughly involve affected populations and strengthen local communities. This is hydropower done the right way. Throughout this report you will find evidence of our efforts to ensure that our projects remain good for development and good for our climate.



RENEWABLE
ENERGY

NORWAY

SN POWER HEADQUARTERS

INDIA

SN POWER INDIA

MALANA POWER COMPANY

NEPAL

SN POWER NEPAL

HIMAL POWER LIMITED

PERU

SN POWER PERU

BRAZIL

SN POWER BRAZIL

CHILE

SN POWER CHILE

TINGUIRIRICA ENERGÍA

TRAYENKO S.A.

NORVIND S.A.

SRI LANKA

NIVIDHU PRIVATE LIMITED

PHILIPPINES

SN POWER PHILIPPINES

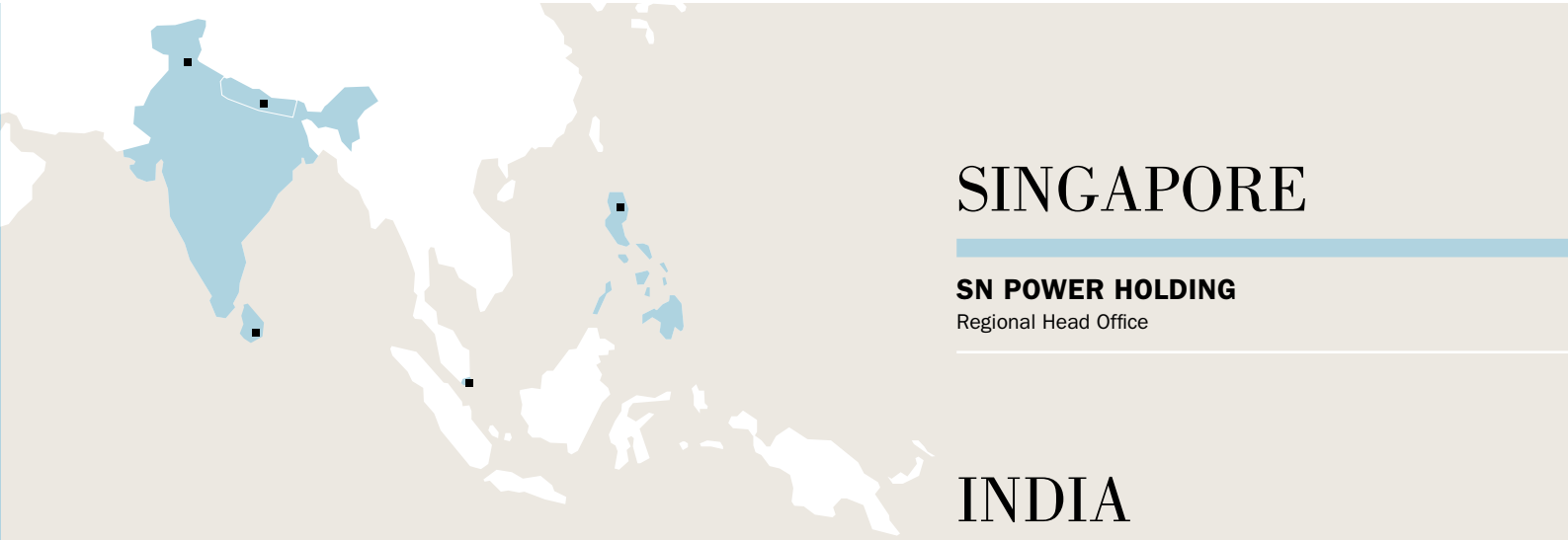
SN ABOITIZ POWER INC.

SINGAPORE

REGIONAL HEAD OFFICE

SN POWER IN ASIA

In 2007, SN Power further strengthened the company’s foothold in selected Asian markets. In India, we established a new office as a platform for further growth and in Nepal we doubled our staff working on business development. In the Philippines, our joint venture company took over and started operating the country’s largest conventional hydropower plant and successfully bid for two additional hydropower plants. As part of our regional approach, we continued to look at adjacent markets.



SINGAPORE

SN POWER HOLDING	
Regional Head Office	

INDIA

MALANA POWER COMPANY	
SN Power ownership	
49%	
Malana Hydropower Plant	
Installed capacity	86 MW
Generation in 2007	337 GWh
Allain Duhangan Hydropower Project	
Installed capacity	192 MW
Est. annual generation	800 GWh
Commissioning	2009
Bara Bangahal Hydropower Project	
Installed capacity	200 MW
Under development	

PHILIPPINES

SN ABOITIZ POWER INC.	
SN Power economic interest	
50%	
Magat Hydroelectric Power Plant	
Installed capacity	360 MW
Average annual generation	920 GWh
Ambuklao and Binga Hydroelectric Power Plant	
Installed capacity	175 MW
Take-over	Mid-2008

SRI LANKA

NIVIDHU PRIVATE LIMITED	
SN Power ownership	
30%	
Assupiniella and Belihuloya hydropower plants	
Installed capacity	6.1 MW
Average annual generation	26 GWh

NEPAL

SN POWER NEPAL	
SN Power ownership	
100%	
Tamakoshi Hydropower Projects	
Estimated capacity	450–650 MW
Est. construction start	2010
HIMAL POWER LIMITED	
SN Power ownership	
50.4%	
Khimti Hydropower Plant	
Installed capacity	60 MW
Generation in 2007	396 GWh

BECOMING A SIGNIFICANT HYDROPOWER COMPANY IN THE PHILIPPINES

2007 was a year of great achievements for SN Power in the Philippines. Through the joint venture SN Aboitiz Power, we succeeded with the take-over, refinancing and profitable operation of the Magat hydropower plant. In turn, SN Aboitiz Power made a successful bid for the Ambuklao and Binga hydropower plants.

SN Aboitiz Power continues to deliver on the goal set out in 2005: Successful participation in the privatisation of the power sector as a key to lowering the national debt and strengthening the Philippines' economy. The Magat, Ambuklao and Binga privatisations are significant contributions in the Government's effort to reach its 70 per cent privatisation target by 2008, and achieve a balanced budget.

EFFICIENT OPERATION AND HIGH REVENUES

When SN Aboitiz Power took over the Philippines' largest conventional hydropower plant Magat in April 2007, innovative thinking was key to ensuring the plant's operation and financing. Only 25 per cent of Magat's output had purchase contracts—driving the remaining electricity generated to be sold in the spot market. In addition, the plant reservoir's main role as an irrigation source to serve 850 square kilometres of rice fields led to operational restrictions. Consequently, the irrigation requirements dictate the water release patterns from the reservoir and when and how we can generate electricity.

To ensure successful commercial operation, SN Aboitiz Power set up a technical team to assess the physical condition of the near 25 year-old power plant. A trading team was established to analyse the local power sector and set up a trading desk. The traders' task is to ensure optimum use of water, operating Magat mainly during peak hours when it can meet the need for electricity and at the same time maximise revenues taking irrigation requirements into account. Magat's 2007 results surpassed expectations. SN Aboitiz Power outperformed the Philippines' power market by 25 per cent. This was largely due to production efficiency, proactive trading strategies and improved technical operations leading to low levels of down time. The result was a MUSD 80 profit after only eight months of operation.

SWIFT REFINANCING | The refinancing of the

Magat plant was awarded several prizes, including the prestigious Project Finance International (PFI) Asian Power Deal

of the Year for 2007 prize. Magat is the first power sector privatisation to be successfully concluded with significant foreign participation, and the first financing in the Philippines where lenders accepted significant electricity market risk. Another remarkable achievement was the record time in which the financing closed, especially when considering the high number of lenders and the fact that the Philippines' power market had been deregulated for just one year. Only four months separated the signed mandates and the financial close on 25 October 2007. Lenders are the International Finance Corporation, Nordic Investment Bank, HSBC and local banks.

BECOMING A LARGE EMPLOYER OVERNIGHT

Upon the Magat takeover, SN Abotiz Power successfully addressed the immediate challenge of effectively managing the transition from a workforce of 15 employees to 70. The company decided to retain almost the entire workforce of Magat, and strengthened the focus on workplace safety, labour rights, and social and environmental responsibility. The former state-employed workforce was motivated to continue and to take part in changing the Magat plant and its organisation in order to achieve improved performance.

PAVING THE WAY FOR AMBUKLAO AND BINGA

In November 2007, SN Aboitiz Power went on to submit the winning MUSD 325 bid for the 175 MW Ambuklao and Binga hydropower plants in Benguet Province. This demonstrated the confidence of SN Aboitiz Power in combining local power expertise, strong hydropower capability and experience with deregulated markets. Built in the late 1950's, Ambuklao hydropower plant was damaged in an earthquake and has not been operational since 1999. The Binga plant, downstream of the Ambuklao plant, has been operational since its commissioning in 1960. The planned rehabilitation and up-grade will increase the plants' combined capacity to 225 MW within the next few years. The take-over and financing of the plants is expected to close mid-2008.



“SN Aboitiz Power
outperformed the
Philippines’ power
market by 25 per cent.”

BUILDING GOOD RELATIONS WITH HOST COMMUNITIES

Driven by strong corporate social responsibility principles, SN Aboitiz Power immediately took on the challenge of building good relations with the numerous host communities around the Magat, Ambuklao and Binga plants.

When SN Aboitiz Power secured the bid for Magat, the company started on an extensive information and stakeholder dialogue involving the communities around the plant. A socio-economic baseline study was carried out in order to get updated in-depth knowledge about living conditions in the area and define where and how to direct community support funds. Environmental management, Livelihood & Eco-tourism, Primary Health Care, Education and Social Infrastructure were identified as the most important areas for us to focus our support. A Corporate Social Responsibility (CSR) Fund was established to enable the company to do strategic development projects in all the host communities. The approval and implementation of a CSR project is not only dictated by its number of beneficiaries and measurable impact, but also its sustainability in a long-term perspective.

The CSR Fund has become an important vehicle not only to reach company goals on social and environmental responsibility, but also to create mutual respect and unity between SN Aboitiz Power and Magat's many host communities. The host communities have expressed appreciation of the company's stance as a development partner and welcomed our presence.

AMBUKLAO AND BINGA COMMUNITIES | The Ambuklao and Binga communities had high expectations when they learned that SN Aboitiz Power won the bid for the plants. The company's good reputation for responsible and considerate behaviour during the Magat take-over had reached them long before our arrival. The community related efforts conducted around the Magat plant will be replicated here; adjusted to local conditions and needs.

In the process of transferring the plants from state to private ownership, SN Aboitiz Power wanted to establish a good dialogue with the local indigenous groups. We participated in a process leading to the signing of free, prior and informed consents and Memoranda of Agreements between SN Aboitiz Power, the government and the indigenous people's organisations of Ambuklao and Binga. SN Aboitiz Power is committed to a regular dialogue with the indigenous people in the area.



“Being a project director in SN Power is similar to being an entrepreneur.”



CONTRIBUTING TO SUCCESS IN A FOREIGN COUNTRY

Torbjørn, a Norwegian by birth, has worked for SN Power in the Philippines for one year. In this short period of time, he has been responsible for managing the process leading up to the successful bid for the Ambuklao and Binga plants.

“Being a project director in SN Power is similar to being an entrepreneur with access to the necessary capital, technology and resources to build a new business. My role is to try and merge all these aspects in the best way to conclude the project successfully. I find that an inspiring challenge,” he says.

As a Project Director, Torbjørn is involved in all stages of the project life cycle. Delivering a successful bid is just the start. He is now working on how to finance the acquisition, on the rehabilitation and refurbishment and on getting the operations of the Binga plants going.

“I have no doubt that our track record from the Magat acquisition adds to our good reputation among the authorities and the employees at Ambuklao and Binga. At a recent meeting with the local communities we were told: ‘We know about your work at Magat. This is a company that cares and delivers on promises’. Reaching this mutual respect and a “social licence to operate” demonstrate that we deliver on our values. This is the best and most inspiring feedback we can possibly get.”

On a more personal note, Torbjørn states that a rewarding part of his job is meeting people from all over the world who have something new to bring to the table.

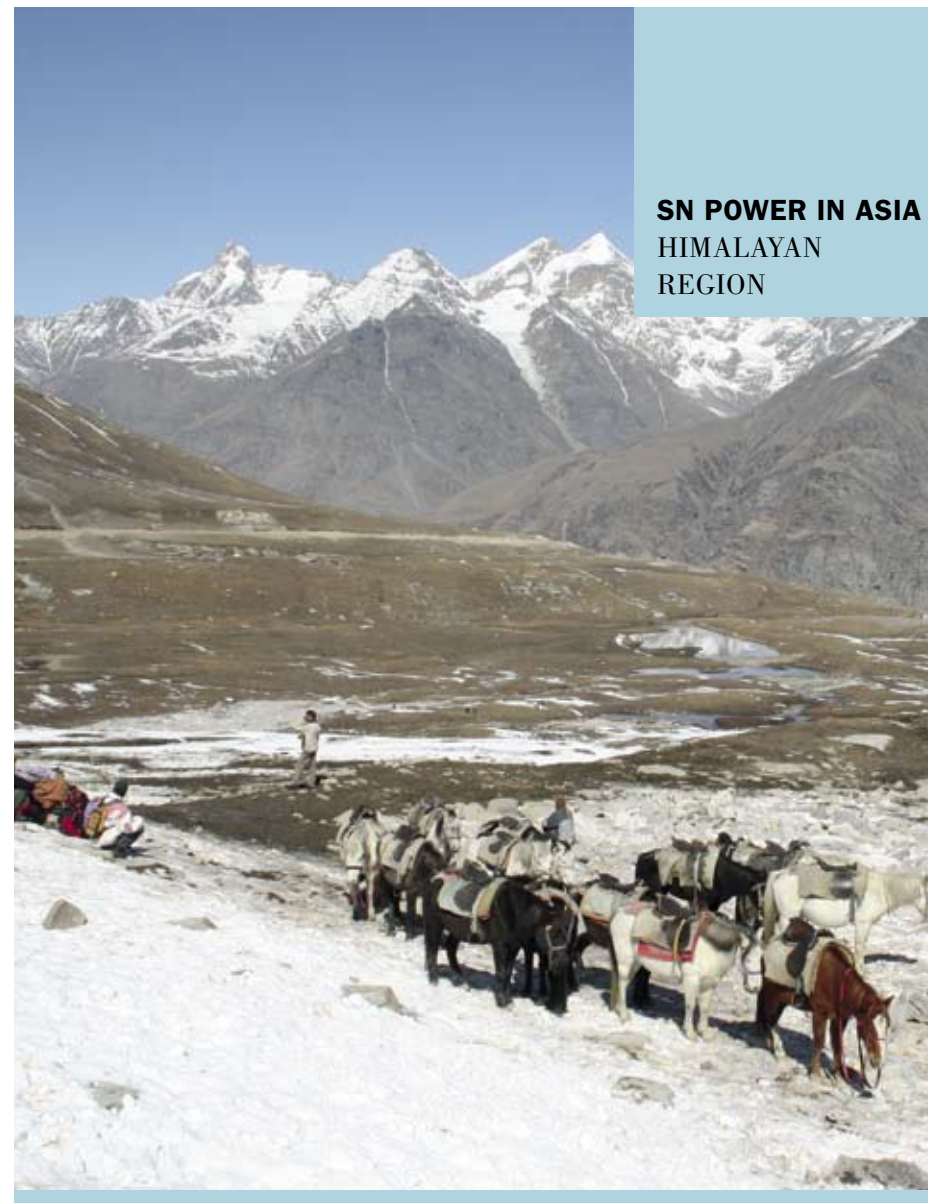
“The tropical lifestyle and the opportunity to travel to areas you normally would not think of going to are also positive elements. The most challenging part is being away from family and friends,” he adds.



TORBJØRN KIRKEBY-GARSTAD
Project Director
SN Power Philippines

A REGIONAL APPROACH TO THE HIMALAYAS

Nepal, India and Bhutan have a vast hydropower potential in the Himalaya mountains that can be used to generate much needed energy to fuel development and growth. SN Power is well positioned to take part in realising this potential through an integrated regional approach.



The Himalayan Mountains with their steep rivers, glacial melt water, and monsoon rains provide India, Nepal and Bhutan with some of the best conditions in the world for hydropower generation. Only fractions of the countries' potential have been developed.

India is one of the largest electricity markets in the world. The country is experiencing rapid economic growth accompanied by major power deficits. Nepal is also suffering from serious problems with load shedding during the dry season, and needs to strengthen its energy supply to cover demand. For Bhutan and Nepal, hydropower also represents a significant revenue potential through exports to India. However, this requires transmission lines to be developed and extended in order to evacuate the power. SN Power actively supports initiatives to extend or expand transmission lines both within the countries and across the borders.

SEEKING COMPETENT PARTNERS | SN Power started exploring potential cooperation with one of India's largest companies, Tata, in 2007, resulting in the signing of a Memorandum of Understanding with Tata Power Trading Company in 2008. Under this agreement, the partners will explore the possibility of cooperating on hydropower projects in Nepal, Bhutan and on the border between India and Nepal. Tata Power Trading Company has ownership shares in the transmission line between Bhutan and Delhi. This line will be crucial to the evacuation of power from new hydropower projects in Bhutan and Nepal to the Indian market, a top priority for SN Power. We believe our two companies have a strong foundation for future co-operation, and will work to explore this in 2008.

PROJECTS IN PROGRESS | SN Power was awarded survey licenses for two hydropower projects in the Nepalese Tamakoshi River in 2007, and is in the process of exploring their feasibility. The evacuation of power to India is key, in order to make these projects viable. On the other side of the

border, the Malana Power Company, in which SN Power has a 49 per cent minority share, secured the license for Bara Bangahal project in 2007. This is a run-of-river hydropower project in Himachal Pradesh, with a generation potential estimated to be 800 GWh. Malana Power Company is now in the process of defining the terms of the project with the government of Himachal Pradesh, and will continue investigating the feasibility of the project.

SN Power also continued to explore other business opportunities in Nepal and India, and monitored developments in Bhutan. Bhutan considers opening up its hydropower sector for foreign investment, and SN Power is seeking to position itself as a partner in this.

EXISTING PORTFOLIO | In addition to new projects, we are also looking at upgrades of the existing assets. The 86 MW Malana plant, which we own with Bhilwara Energy through Malana Power Company, is planning an upgrade that will yield increased annual production. Another turbine will be added to the Khimti plant in Nepal, which is estimated to almost double the capacity of the plant.

The Allain Duhangan construction project, also owned through Malana Power Company, faced delays and cost overruns in 2007. The complexity of the project, the difficult geological conditions and the rise in world prices of construction commodities, have proved challenging.

Another challenge is the difficult geological conditions and rough terrain of the project site, causing health and safety risks for the construction labour. In 2007, accidents causing 4 fatalities occurred on the construction site. Measures are taken to ensure a safe workplace, and to avoid such tragic accidents to occur. SN Power is working through the joint venture company to improve this situation. The plant will be commissioned in 2009.



HILDE GILLEBO
Project and business
development manager Asia
SN Power Oslo

NAVIGATING IN A MULTI-CULTURAL CONTEXT

Since Hilde joined SN Power one year ago, she has taken up a variety of different tasks ranging from exploring the Himalayan mountains and culture to developing corporate management systems. She also organized the Norwegian Prime Minister's opening of SN Power's India office.

"This year has been a long learning exercise for me, involving all sorts of exciting challenges. I have been project manager for establishing our India office, learning how to do business in an Indian context, and I have been actively involved in our headquarter follow-up of projects in the Asia region. I have also used my management consulting background in SN Power's build-up of project management systems," she says.

Hilde has worked mostly towards SN Power's Nepal and India businesses, and been responsible for SN Power's initial studies of the Kingdom of Bhutan. She has seen the added value and at the same time the difficulties of operating and trying to navigate in a multi-cultural context.

"Working on Bhutan has been a glimpse into something unique. This closed and secluded country is in the process of opening up for foreign investments. They are still at an early stage in developing the necessary frameworks. To explore opportunities in countries like Nepal and Bhutan, unites what I find most motivating with SN Power; we are commercial, but we are also development oriented in our investments. To take part in, and maybe facilitate, development in a country, based on their own preferences and strategies, is rewarding."

Hilde wants her learning process to continue, and is open to new challenges:

"Within the business strategy, management is very open to people taking own initiative and focusing energy on ideas they believe in. That is motivating and challenging at the same time," she says.

SN POWER IN LATIN AMERICA

The economic growth and increasing need for energy in Latin America continued to motivate SN Power’s business expansion on the continent in 2007. The acquisition of the hydropower company Electroandes was a major step towards securing our position in Peru’s energy sector. In Chile, the construction start of the La Confluencia hydropower project was an important milestone not just for SN Power, but also for the country; facing large energy deficits. We took the first steps into the world’s largest hydropower market through setting up an office in Brazil to do business development.



PERU

SN POWER PERÚ

Arcata Hydropower Plants	
Installed capacity	5 MW
Generation in 2007	33 GWh
Cahua Hydropower Plants	
Installed capacity	43 MW
Generation in 2007	291 GWh
Gallito Ciego Hydropower Plants	
Installed capacity	38 MW
Generation in 2007	176 GWh
Pariac Hydropower Plants	
Installed capacity	4.9 MW
Generation in 2007	27 GWh
La Oroya Hydropower Plants	
Installed capacity	9 MW
Generation in 2007	73GWh
Yaupi Hydropower Plants	
Installed capacity	108 MW
Generation in 2007	592 GWh
Malpaso Hydropower Plants	
Installed capacity	54.4 MW
Generation in 2007	262 GWh
Pachachaca Hydropower Plants	
Installed capacity	9 MW
Generation in 2007	48 GWh
Cheves Hydropower Project	
Estimated capacity	168 MW
Est. average annual output	837 GWh
Under development/est. construction start	2009

BRAZIL

SN POWER BRAZIL

Country Office Rio de Janeiro

CHILE

TINGUIRIRICA ENERGÍA

SN Power ownership 50%

La Higuera Hydropower Project

Installed capacity 155 MW
Estimated annual output 728 GWh

La Confluencia Hydropower Project

Installed capacity 156 MW
Estimated annual output 645 GWh

Colmito Thermal Back-up Plant

Installed capacity 60 MW

TRAYENKO S.A.

SN Power ownership 80%

Maqueo, Liquiñe, Reyehueico and Pellaifa

Hydropower projects under development

Estimated capacity 566 MW
Estimated annual output 2600 GWh

NORVIND S.A.

SN Power ownership 80%

Totoral wind farm

Installed capacity 50 MW
Estimated annual output 100 GWh
Under development/est. construction start 2008

CHALLENGING THE ENERGY CRISIS IN CHILE

Chile is facing a severe energy crisis, challenging the country’s economic growth and prosperity. SN Power makes a significant contribution to alleviating this through our investments in the construction of two run-of-river hydropower plants in the Tinguiririca Valley.

“The plants will supply the equivalent of 800,000 households in Chile.”



In a ceremony in the Andean mountains in January 2008, His Royal Highness Crown Prince Haakon of Norway laid the foundation stone of the hydropower plant La Confluencia. The project is the second run-of-river plant developed by the 50/50 joint venture company of SN Power and Pacific Hydro, Tinguiririca Energía.

A 12 per cent energy deficit is projected by 2010, and will continue beyond 2013 when large coal, LNG and hydropower plants are expected to come on line. The La Higuera plant, which will start generating electricity in 2009, and the La Confluencia plant, which starts production in 2010, will be the only hydropower plants to start generation in that period. Their estimated production of 1,400 gigawatt hours per year is equivalent to around 5 per cent of the total electricity demand in 2007 and the supply of around 800,000 households in Chile. Hydropower also contributes to the stabilisation of the electricity market and helps reduce Chile’s dependency on imported fuels.

The Chilean Minister of Energy, Mr Marcelo Tokman, emphasised the importance of the two run-of-river projects in alleviating the energy crisis in Chile during the ceremony to mark the laying of the foundation stone of La Confluencia. The Norwegian Minister of Trade and Industry, Mr Dag Terje Andersen, highlighted the importance of making the growth in Chilean energy supply through renewable sources. The La Higuera project is registered under the Kyoto protocol’s Clean Development Mechanism, and will produce Certified Emission Reductions equivalent to almost 500,000 tonnes of CO₂ once it is commissioned.

INJECTING VITALITY AND GROWTH | The area where the Tinguiririca hydropower projects are constructed is not inhabited, but the nearest villages and the city of San Fernando have blossomed since the projects started. Employment, local service contracts and a community support programme contributes to changing the face of the district.

For SN Power, making sure that local communities and districts hosting our hydropower projects gain development benefits from the activities is key. This is evident when visiting the Municipality of San Fernando, which hosts the Tinguiririca projects. The unemployment rate in the Municipality was 8.8 per cent in 2004, but as of January 2008, it is down to 4.2 per cent. In comparison, the unemployment rate for Chile is 7 per cent.

LOCAL EMPLOYMENT | When the La Higuera project construction started in 2004, clear goals were established to ensure local employment and use of local service providers. The Contractor was requested to ensure that 30 per cent of the workers are local. Today, this number has doubled to more than 60 per cent. So far, the project has lead to employment of around 2,000 people and given 800 local service providers contracts with the project. La Confluencia will create more than 1,200 jobs, and 500 service contracts locally.

In order for local politicians, administration and the public in general to stay informed about the project, the Tinguiririca Energía invites journalists and politicians to visit the site and see the work in progress. The local communities and the local authorities are working with Tinguiririca Energía to improve the quality of life in the rural communities. One example of this is that the school at Puente Negro is one of two rural schools out of the 2,000 rural schools in Chile that have an information centre with computers connected to the Internet freely available for the students and the community. This is a result of co-operation between Tinguiririca Energía, the school administration and the Municipality.

TINGUIRIRICA PARTICIPA! | Tinguiririca Energía has set up the Tinguiririca Participa community support programme, to benefit the 6,000 people living in nearby villages. The programme provides support to different projects focusing on education, health and environmental management. A committee, including representatives from the communities >>

<< and authorities, decide what projects to support or initiate. Approximately NOK 350,000 was handed out in 2007, and the funding increases to NOK 550,000 in 2008.

ENVIRONMENTAL MANAGEMENT | Constructing hydropower projects, even run-of-river, have an impact on the environment. This can be due to reduced water flow in parts of the river, removal of vegetation, disturbance of fauna or other activities that affect biodiversity. In the Tinguiririca Energía projects, such impacts are controlled and mitigated via compensatory actions aimed at protection and rehabilitation. An environmental management office is in charge of monitoring the construction work with regard to the environment.

STRENGTHENING FOCUS ON HEALTH AND SAFETY

The health and safety of those working at construction sites is a major focus area for SN Power and our partner Pacific Hydro. Tinguiririca Energía has implemented an extensive Health and Safety Management System aiming at results in accordance with the highest international standards.

Tinguiririca Energía works closely alongside the contractors on site to ensure control and overview of the construction work. As part of the safety programme, the company has staff exclusively dedicated to safety supervision on site. Training is offered to employees on a regular basis. This is particularly important given the high proportion of unskilled labour with limited experience from construction work. Personal incentives are offered to those who take a leading role in health and safety work, looking after the conditions in their areas, protecting their peers, and teaching good practice.

However, we are still not pleased with the results of these efforts; in 2007 the projects had 12 accidents per million work hours, which is twice as many as for example the Chilean mining industry.

In 2007, the company developed two road safety campaigns jointly with the Chilean police. These campaigns centred on enhancing road safety to prevent accidents on Highway I-45, which is the Andean stretch providing access to the hydroelectric works of Tinguiririca Energía. The campaigns were mainly aimed at creating awareness and responsible behaviour among drivers to reduce the frequency of traffic accidents and their consequences.

Reforestation is an important rehabilitation effort. A nursery with 220,000 plants of 14 native species will be used to bring back the original flora of the area affected by construction. The endangered Tricahue parrot, inhabiting the area, is also monitored by the best experts in the country, in order to ensure that construction activities do not harm its food supply and habitat. A pilot project of fish reproduction, with the native fish *Diplomystes*, will start soon, providing important scientific knowledge about the fish and its habitat.



**SN POWER IN
LATIN AMERICA
CHILE**



JORGE PAREDES
Health and Safety Manager
Tinguiririca Energía

KEEPING PEOPLE SAFE

Jorge, a Chilean mining engineer with 35 years of construction experience, is responsible for managing Health and Safety at the La Higuera and La Confluencia construction sites. This means working with contractors to try to reduce the frequency and severity of accidents. This involves training workers and auditing the projects to ascertain that work is done according to the established regulations, and implementing industry best practices for Health and Safety.

“Health and Safety is becoming more important than ever in construction, particularly when our shareholders come from abroad, from countries where Health and Safety standards are high. Investors demand that their projects are in compliance with applicable laws, and use the best industry practices. In Tinguiririca Energía, we are not only striving to protect the life of workers, but also to ensure that they can use their Health and Safety knowledge in other hydro power projects in the future.”

In his job, Jorge encounters challenges constantly. “On such a large construction site, fighting accidents is an uphill battle. We have to cover all the weak spots where something can go wrong and cause harm to people, or damage equipment and materials. Specific challenges are to make sure workers are properly trained to do their jobs, and are able to follow work procedures and instructions. It is also challenging convincing the contractor’s managers to spend more time with their workers on site. Visible leadership really contributes to accident prevention when workers feel their managers care about them; it helps improve conditions at work.”

- *Is there anything you especially enjoy about your job?*

“When I hear young workers say that they like what they are doing, and when I see them doing things right. I enjoy watching workers coming out of the tunnels, power house, penstock, and shops, at the end of a shift to go home where someone is waiting for them. A family waiting for every Tinguiririca Energía employee is motivation enough to enjoy my job, because we somehow have contributed to their well being and safety.”

BECOMING A MAJOR ENERGY COMPANY IN PERU

In 2007, SN Power undertook its largest single investment to date. The acquisition of the Peruvian hydropower company Electroandes positions SN Power as the fourth largest private power producer in Peru, and provides a solid platform for continued growth in the country.



SN POWER IN LATIN AMERICA PERU

Peru is one of the fastest growing economies in Latin America, with an expected GDP growth of close to 10 per cent for 2008 and low inflation rates. In April 2008, Peru was upgraded to investment grade by Fitch Ratings, making it easier to secure international financing for project development in the country. The demand for electricity grew by more than 10 per cent in 2007, and is expected to continue at the same pace. This is mirrored in the financial performance of SN Power's companies in 2007, showing a 33 per cent increase in net revenues from Cahua S.A.

SN Power has been active in Peru since 2003, starting with the acquisition of Cahua S.A and the development of new hydropower projects. The inclusion of Electroandes in the portfolio almost triples the generation capacity to 198 MW and adds a competent organization to the SN Power family. Electroandes has a portfolio of four operating plants, all situated in the Departments of Junin and Pasco in the Central Andean region. The plants are located at an altitude of up to 4,000 meters above sea level.

CREATING A COMMON PLATFORM | The effort involved in integrating the operations of Electroandes into our existing portfolio is well underway, and the aim is to successfully establish one united SN Power Peru organisation by mid-2008. This organisation will be the largest within the SN Power Group, contributing significantly with its strong hydropower expertise.

Acquisitions and mergers are challenging processes for everyone involved, but also create new opportunities for personal development and growth. Since Electroandes was acquired, there has been continuous communication with both employees and key stakeholders in order to reduce potential uncertainty and communicate the vision of SN Power Peru. A joint team, comprised of external integration experts and internal resources, has worked with management to ensure that the new organisation will bring business

continuity as well as achieve commercial and operational synergies. The new organisation will also have a clear focus on growth, which requires great flexibility and adaptability at all levels. The new management team, with professionals from SN Power Peru, Electroandes and new external recruits, is bringing to the table the best knowledge and experience from both organizations, as well as top industry expertise from Peru and abroad.

SN Power Peru has also worked to establish the company among other Electroandes stakeholders, such as the local communities surrounding the plants. The company's social and environmental standards and eagerness to be a good neighbour have been communicated and will be developed into community support programmes.



MARIA CRISTINA COUTURIER
Corporate Finance Manager
SN Power Peru

CHANGE AND NEW CHALLENGES

Maria Cristina, an economist by training, transferred to SN Power Peru from the position as Chief Financial Officer of Electroandes. She has developed extensive international experience during more than ten years of working in the energy sector, and will play an important role in SN Power Peru's consolidation and growth. For Maria Cristina and her colleagues at Electroandes, 2007 was very much focused on the change of owners and the integration with SN Power Peru.

"The most important challenge we had to face during this period was the uncertainty that is typical of the immediate period after an acquisition. Since the first steps of the integration process is completed with clear and transparent communication, most of this uncertainty is now gone. We are again able to focus on our regular work duties, and are ready to work very hard to contribute to the company's consolidation and growth," she says. For Maria Cristina, the acquisition process entailed going from a position with responsibility of managing the internal support functions in Electroandes, including accounting, logistics, treasury, planning and administration, to take up new challenges in corporate finance.

"I will be responsible for raising funds for the development and growth of the Group's assets in Peru. In addition, I will work closely with SN Power's headquarters to establish policies and procedures for developing financial solutions," she says.

-What is your motivation for working with SN Power?

"I feel that SN Power is committed to its organization and to the hydropower business in Peru. I believe the company is driven to obtain a prominent role in the fast-growing energy industry, developing projects and running world-class operations. As Corporate Finance Manager, this will be a great opportunity for me to mature professionally as part of SN Power's growth story in Peru," she says, and adds that what she enjoys most with her job is being involved in and learning from all areas of the company, and being part of the management team.

"As provider of financial solutions, I have to understand the business and keep abreast with the changes and developments in the industry. This is a continuous learning process for me, and what I enjoy most in my job."

ATTRACTING TOP PROFESSIONALS ACROSS ALL MARKETS

Our success as a business depends heavily on our ability to recruit, develop and retain the right people. During 2007 we welcomed a number of new colleagues to our teams around the world. These individuals are recognised for their professional edge and international experience, and will be key in realizing SN Power’s ambitious growth strategy in the years to come.

OUR PEOPLE



NUMBER OF PEOPLE IN SN POWER AND
SUBSIDIARIES

	2006	2007
Oslo	19	23
Internationally	192	415
Non-consolidated companies	630	700

In 2007, the new long-term strategy for SN Power was concluded; targeting an increase of five times today’s portfolio of generation capacity. To achieve this, attracting and retaining top professionals is a prerequisite. We started on this journey in 2007, broadening our teams in Asia and Latin America across all areas of our business. We were able to welcome new colleagues through the acquisition of Electroandes, the take-over of the Magat plant and through an increase in our organisations in Nepal, Singapore, Peru and Chile. We prepared for setting up new offices in India and Brazil, and have started building up teams in these locations.

In 2008, we are embarking on the final stage of development and construction start of greenfield projects both in Asia and Latin America. To ensure that we have a central hub for engineering and project management services, we extended the Management Team to include an Executive Vice President for Projects & Operations who is building a team of technical experts that will add value across the company. Having world leading expertise within our organization is an integral part of SN Power’s mission to be a long-term industrial investor.

SN Power has a successful track record in acquiring operating companies, but in order to reach our ambitious growth targets, we need to further strengthen our Mergers and Acquisitions (M&A) capabilities. A separate M&A department, including functional areas such as Legal, Financial and Market Analysis and Climate Programmes will be headed by an Executive Vice President for Mergers & Acquisitions (M&A).

IN SEARCH OF THE ENTREPRENEURIAL SPIRIT

Finding people who represent “the right fit” in relation to skills, experience and company culture may prove to be a challenge in today’s competitive markets for talent. SN Power is pleased to recognize that our strong employer brand and positive reputation attracts people who actively seek

opportunities with green companies operating in emerging markets. We need commercial minds which can identify interesting markets and develop business opportunities. The entrepreneurial spirit, dedication towards common goals and a strong desire to leave a positive footprint are qualities we value.

SN Power’s culture has three main dimensions. For one, the entrepreneurial character of our business means that we encourage excellence, creativity and educated risk taking. Secondly, the international nature of our operations demands a culturally sensitive workforce with the ability to thrive in different environments, to integrate, and to tackle challenges head on. Thirdly, we need people who share our ambition to provide sustainable energy solutions and contribute to sustainable development in order to fulfil our aim of becoming a leading hydropower company in emerging markets.

TRUE DIVERSITY | SN Power is a diverse organization, that incorporates over 14 nationalities, where we have senior and younger people, men and women and people from different cultural backgrounds working together on complex challenges. Our ability to facilitate learning and the transfer of knowledge is important in order to develop new generations of hydropower experts that can contribute to SN Power’s long-term growth and success.

Our people will continue to be the primary resource for growth and development across all areas of our business. We maintain a high focus on on-the-job opportunities, skills development, personal growth opportunities, international mobility and cross-cultural experience, and career advancement. SN Power is committed to being a great place to work and to develop the organisation in ways that make the relationship between the company and its people more than just another job.



MANAGING OUR SOCIAL AND ENVIRONMENTAL IMPACT

Developing a hydropower project can have significant impacts on the environment and communities near project sites. In order to manage these impacts, social and environmental considerations have to be taken into account from the very beginning.

When SN Power identifies an interesting project opportunity, some of the first questions we ask are: Will this project have major impacts on local communities or on the environment? Are we able to handle these impacts in a suitable manner? Will it, for example, require the resettlement of people, threaten unique biodiversity, disturb sacred holy places or require major deforestation? Some questions can be easily answered, but most questions have to be thoroughly investigated by undertaking an environmental and social impact assessment (ESIA). Such assessments are usually a statutory requirement when developing a hydropower project, but in order to ensure the highest international standards, SN Power uses the International Finance Corporation (IFC) Performance Standard for Social and Environmental Sustainability for all projects.

The ESIA defines which geographical areas are directly and indirectly affected by a project and thus need to be studied. A socio-economic baseline study is carried out to provide basic knowledge about development levels and other important features of the area concerned. Systematic consultations and

meetings with the affected communities are held. Biodiversity, cultural heritage, landscaping, water flow, forest management, local livelihood, health and safety and a wide range of other issues are analysed by experts. Based on the impact assessment report, a plan that outlines what needs to be done in order to manage impacts is developed. In addition, SN Power develops community programmes, focusing on supporting areas defined as being important during stakeholder consultations and in the impact assessment.

SN Power stipulates clear requirements for the contractors carrying out the construction of our hydropower projects. They must adhere to SN Power's business principles and additional guidelines in order to secure high social, environmental, health and safety standards. Compliance is monitored and audited regularly.

ASSESSING IMPACT IN PERU | The Cheves run-of-river hydropower project is located in the Churin district of the Andean mountains of Peru. Extensive stakeholder consultations have been carried out, informing communities about who we are and what we plan to do. Information from an early stage is key to establishing good relations. During 2007, a reputable international consultancy carried out an ESIA for the project. Through this process, the local communities' concerns and views were included in the study, such as how water flow in the river would be affected, the influx of construction workers and whether or not land would be flooded. All concerns are taken seriously. Some are based on typical misconceptions and fears that naturally emerge when big projects are presented. Others reflect genuine challenges and risks that need to be mitigated. The local population generally welcomes the project as an opportunity for employment and local economic growth, and wants the company's support in order to improve their agricultural techniques and market access. The fact that the ESIA does not identify any social or environmental impacts that cannot be satisfactory managed will be important for SN Power in making the final investment decision.



SOCIAL AND ENVIRONMENTAL IMPACT

LOCAL CONSULTATIONS IN CHILE | In the Trayenko hydropower projects in Chile, we also started consultations with local communities from the moment we acquired the water rights to develop four run-of-river projects. For the local communities, foreign investors and hydropower projects brought negative connotations from previous projects developed elsewhere. This gave rise to scepticism and negative attitudes and created a challenging climate for dialogue. Indigenous Mapuche Indians in the area regard the entire district as their ancestral lands, and some are sceptical about the effects of such projects on water, soil and mountains. We want to engage in a constructive dialogue with local groups to learn more about their concerns, find out how the projects could affect them and seek ways of tackling potential challenges. A working committee consisting of indigenous and company representatives is working towards achieving this aim. Information offices have been set up, numerous meetings have been held and people with key competence on indigenous culture and rights have been hired as members of the project team. A thorough impact assessment is being carried out, with local input through consultation being a key factor.

TRACKING OUR PERFORMANCE | SN Power has a set of business principles and a social and environmental policy. We are also guided by the UN Global Compact's 10 principles and the IHA Sustainability Protocol. To ensure compliance and to track our performance, we have developed a set of key indicators on which we measure performance and can report externally. These cover human rights, labour standards, corruption and integrity, local community support, environmental management and health and safety.





SN POWER
MANAGEMENT

1. EINAR STENSTADVOLD

Executive Vice President, Asia

Einar has 28 years experience in marketing and administration within international companies. Prior to joining SN Power, Einar held senior management positions in Mobil Oil Corp., Norsk Hydro ASA and Norske Skogindustrier ASA, both in Norway and internationally.

Einar holds a Masters in Economics from the Norwegian School of Economics and Business Administration, Bergen.

2. ØISTEIN ANDRESEN

President and Chief Executive Officer

Øistein has 19 years experience from the international power sector. Prior to joining SN Power, Øistein held senior management positions in ABB, Akershus Power Company and Statkraft Engineering.

Øistein holds a Masters in Electrical Engineering from the Norwegian Institute of Technology, Trondheim.

3. JARL KOSBERG

Executive Vice President, Projects & Operations

Jarl has 24 years of experience from leading various business units and companies and from execution of large international projects. Prior to joining SN Power, Jarl was with Aker Kvaerner/Kvaerner and Exxon. He has spent 8 years living abroad on various international assignments in Eastern Europe, America and Asia.

Jarl holds a masters in Mechanical and Naval Engineering from the Norwegian Institute of Technology, as well as a Business & Administration degree from Trondheim College of Economics.

4. NILS M. HUSEBY

Executive Vice President, Latin America

Nils has 16 years of international experience in energy and finance, and has worked as Project Director and Managing Director of SN Power Chile before taking up his current position. He has previously been an associate with McKinsey & Co. and held various positions with Shell International.

Nils holds a Masters in Mechanical Engineering from the Norwegian Institute of Technology, Trondheim.

5. NADIA SOOD

Executive Vice President Organization and
Corporate Social Responsibility

Nadia has 9 years experience in communications, and corporate social responsibility within international companies and organizations. Prior to joining SN Power, Nadia held senior management positions at Nestlé and worked for Strategy XXI Group Ltd, and the United Nations.

Nadia holds a Masters in International Affairs from Columbia University, New York.

6. TOR STOKKE

Executive Vice President and CFO

Tor has 27 years of experience in finance. Prior to joining SN Power, Tor held various CFO positions in major Norwegian and international companies, including ExClay International, Raufoss ASA and Posten Norway BA.

Tor holds a Master of Science from Lund University, Sweden, and a HAE from the Norwegian School of Business Administration and Economics, Bergen.

KEY FIGURES

(Figures in 1 000)

	UNIT	2007	2006	2005	2004	2003
GROSS POWER PORTFOLIO ^{A)}						
Gross installed capacity	MW	806	267	207	203	117
Capacity under construction	MW	565	347	347	4	00
Production, annual mean (existing plants)	GWh	3 266	1 195	845	843	4870
Production, actual	GWh	2 162	1 200	845	709	4900
Net production (SN Power share)	GWh	1 470	813	652	451	47
FINANCIALS						
Gross operating revenue	MNOK	465	328	156	151	21
Income from associated companies	MNOK	180	18	21	0	0
Cash and cash equivalents	MNOK	728	756	532	731	831
Equity	MNOK	4 331	1 896	1 136	929	964
EBITDA	MNOK	223	149	20	5	-24
Net earnings after tax	MNOK	281	72	-9	-32	-32
Cash flow from operational activities	MNOK	167	97	-8	34	-76
Equity investments from SN Power	MNOK	2 302	382	366	349	209
New equity	MNOK	2 400	505	800	0	200
Interest bearing debt/equity ratio ¹⁾	%	23	28	20	26	25
Return on equity after tax ²⁾	%	9	5	-0.4	-3	-6
Equity ratio ³⁾	%	77	72	75	72	72
HUMAN CAPITAL						
Sickness absence	%	0.2	0.2	2	1	6
Lost-time injury frequency		2	6	5	4	N/C
Employees	Number	415	220	122	110	114
ENVIRONMENT						
Environmental fines	MNOK	0	0	0	0	0
Carbon dioxide emissions	Tonnes	269	400	400	1 800	0

A) All figures are gross results for the full year, except "Net production" which show SN Power's share of production from time of acquisition

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

2) Net income for the year x 100
Average equity

3) Equity x 100
Assets

COMMENTS TO THE ACCOUNTS

SN Power's business activities are divided into three main areas with very different measurement standards and challenges.

The operational activities are consolidated according to the equity method where a controlling influence is needed for consolidation. The consequence of this is that joint venture companies will appear only in the line "income from associated companies" in the Profit and Loss statement. A pro-rata consolidation will over time give a broader picture regarding the SN Power group's financial performance and status. The EBITDA for SN Power's operational companies (Cahua, Electroandes, Magat, Himel Power Limited, Malana Power Company and Nividhu) amounted on a pro-rata basis to MNOK 487 in 2006. Total pro-rata EBITDA was MNOK 328.

SN Power has three projects under construction. They are all accounted for using the equity method. SN Power's commitment towards the completion of the projects is limited to ca MNOK 515.

A third important part of SN Power's business activity is business development. Expensed costs directly related to business development amounted to MNOK 84. In addition, MNOK 37 were capitalized costs on projects under development.

BOARD OF DIRECTORS’ REPORT

1. HIGHLIGHTS

- 2007 was a profitable year for SN Power, with net earnings after tax and minority interest reaching MNOK 221, up from MNOK 29 in comparative 2006 figures.
- The Board of Directors decided on a long-term strategy for the company, aiming at expanding net generation capacity to at least 4000 MW within 2015.
- The company continued its expansion in all selected markets, and undertook its largest investment to date with the acquisition of the Electroandes hydropower company in Peru. The construction start of the La Confluencia hydropower project in Chile, the take-over of the Magat hydropower plant and the successful bid for the Binga and Ambuklao hydropower plants in the Philippines were other important achievements.
- The organisation was strengthened with new recruitment and a new organisational structure designed to cater for the envisioned growth, including two new Executive Vice President positions in the management team and the establishment of new country offices in Brazil and India.
- The approval of the Allain Duhangan hydropower project in India under the Clean Development Mechanism established the company as a major producer in the market for Certified Emissions Reductions.
- The construction sites of SN Power's joint venture companies experienced accidents resulting in five fatalities in 2007 and three fatalities in early 2008. This is of great concern to the Board, and corrective measures to strengthen health and safety performance will be taken in 2008.

2. FINANCE

PROFIT EXCEEDED EXPECTATIONS IN 2007

SN Power generated a net profit of MNOK 280 in 2007. The company improved its net earnings after tax and minority interest by MNOK 192, from MNOK 29 in 2006 to MNOK 221 in 2007. Comparative figures in 2006 are restated according to IFRS.

These very positive results can mainly be attributed to a profitable year in subsidiaries and associated companies. SN Power also made new investments in 2007 that contributed significantly to the increase in net profits compared to the previous year, with the acquisitions of the Magat hydropower plant in the Philippines and the hydropower company Electroandes in Peru.

The group's operating revenues reached MNOK 465 as compared to MNOK 328 in 2006. EBITDA increased from MNOK 150 to MNOK 223. In addition, the group's operating profit increased from MNOK 89 in 2006 to MNOK 161 in 2007.

The group's assets totalled MNOK 5,658 on 31 December 2007 (2006: MNOK 2,621), of which MNOK 728 was cash and cash equivalents. Interest bearing debt amounted to MNOK 983, while equity amounted to MNOK 4,331 (2006: MNOK 1,886).

Net cash flow from operating activities in 2007 was MNOK 167. Net cash flow from operating activities in 2006 was MNOK 97. The increase from 2006 was mainly due to a profitable year in subsidiaries and also the contribution from new investments. Net cash used in investing activities for 2007 was MNOK 2,384, including both the Magat and Electroandes investments.

SNPI has issued guarantees of MNOK 230 towards subsidiaries and associated companies.

It is the opinion of the Board of Directors, that the consolidated financial statements provide a true and fair view of the group's financial performance during 2007 and its financial position on 31 December 2007. According to section 3-3 of the Norwegian Accounting Act, we confirm that the consolidated financial statements have been prepared based on the going-concern assumption and that it is appropriate to use this assumption.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) | The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Effects due to transi-

tion to IFRS produce an increase of net income on MNOK 7 in 2006 mainly due to change in depreciation. The accounting policies and details regarding implementation and transition are disclosed in notes to the financial statements. The parent company, Statkraft Norfund Power Invest AS (SNPI) will convert to USD as its functional currency and the group will use USD as reporting currency from 1 January 2008.

STATKRAFT NORFUND POWER INVEST AS (SNPI)

Statkraft Norfund Power Invest AS (SNPI) recorded an operating loss of MNOK 40, compared to MNOK 47 in 2006. Net financial items were MNOK -66 (2006: MNOK 12) and the loss after tax was MNOK 106 (2006: MNOK 34).

In connection with the acquisition of the Magat plant in the Philippines and Electroandes in Peru and with the construction start of La Confluencia in Chile, SNPI's owners injected additional capital totalling MNOK 2,400 during 2007. As of year-end the paid-in equity amounted to MNOK 4,105.

The Board has proposed that no dividend be paid, and has proposed the following coverage of the net loss for the year in SNPI:

UNCOVERED LOSS	MNOK 106
TOTAL ALLOCATED FROM EQUITY	MNOK 106

3. OPERATIONS 2007

SN POWER'S OPERATIONS SHOWED SOLID PROGRESS IN 2007

OVERVIEW OF REVENUES, EBITDA AND NET PROFIT

	Revenue	EBITDA	Net profit after minority share
.....			
Consolidated companies			
Nepal, Himel Power Limited	198	162	49
Peru, Cahua SA	164	94	47
Peru, Electroandes SA	80	45	22
Other	23	(78)	(77)
Associated companies			
Philippines, SN Aboitiz Power (Magat)			208
India, Malana Power Company Ltd			54
Other			(80)
TOTAL	465	223	221



THE BOARD OF
DIRECTORS

1. MARK DAVIS

Investment Manager, Energy Sector, Norfund

Extensive experience from energy and infrastructure consulting especially from projects in Southern and East Africa, as well as selected countries in Asia and Latin America. Mark came to Norfund from a position in ECON Analysis.

PhD in energy economics from the University of Sussex, and degrees in mathematics and applied science from the University of Cape Town.

2. STEIN DALE

Executive Vice President, Strategy, M&A and Legal in Statkraft

Senior management positions in the Telia Group and Tandberg ASA. Board member in E.ON Sverige AB, and board member of Fjordkraft AS.

Masters in Business Economics from the Norwegian School of Management, Oslo.

3. TONE WILLE

Director, Finance and Business Support at Norway Post, Mail Division

Senior management positions in the Elkem ASA, General Electric, the Kværner Group and in Norfund.

Master in Business from the Norwegian School of Economics and Business Administration, Bergen.

4. KJELL ROLAND (CHAIRMAN)

Managing Director, Norfund

Co-founder, CEO and President of the Norwegian consulting company ECON. Adviser to the Norwegian government and international institutions. Research officer in the Research Department of Central Bureau of Statistics.

Lower degree in Philosophy, University of Tromsø, Master in Economics from the University of Oslo. Visiting scholar at Stanford University.

5. TORE HAGA

Senior Vice President Finance, Statkraft New Energy

Senior management positions in Aker AS, the Kværner Group and Lindorff Holding AS. Chairman of the board of Smøla Vind, Hitra Vind and Kjøllefjord Vind, and board member of Fuglesangs Limited AS.

Master in Accounting and Finance from the Norwegian School of Economics and Business Administration, Bergen.

6. SIRI HATLEN

Executive Vice President, Statkraft New Energy

Senior management positions in Statoil and various board directorships, including chair of AS Vinmonopolet and Samlaget, director of Kongsberggruppen ASA, the Norwegian University of Science and Technology, Det Norske Teatret and the Norwegian Glacier Museum.

Master in Chemistry from the Norwegian University of Science and Technology and an MBA from INSEAD.

The largest single factor to explain the significant increase in net profit compared to 2006, is the investment in SN Aboitiz Power in the Philippines. The Group's share of Net Profit from SN Aboitiz Power in 2007 includes a gain on foreign exchange of MNOK 119.

INDIA | The Malana Power Company Ltd (MPCL), SN Power's joint-venture company with LNJ Bhilwara Group, owns and operates the Malana hydropower plant in Himachal Pradesh. Malana has a mean annual generation of 370 GWh. During the 2007 calendar year Malana generated 337 GWh. Net profit after tax in 2007 increased sharply during the second half of the year, due to a substantial increase in the power price as a result of Malana's new power purchase agreement.

Through its subsidiary AD Hydro Power Ltd, MPCL is responsible for the development of the 192 MW Allain Duhangan run-of-river hydropower project which is expected to have a mean annual generation of 800 GWh. The construction on the Allain Duhangan project started in the summer of 2005, and the first stage of the project is expected to be commissioned one year behind schedule in 2009. The project is facing challenging geological conditions in the tunnelling work, and has experienced major cost overruns.

MPCL was awarded the license to develop the Bara Banga-hal hydroelectric project in Himachal Pradesh in 2007. The license is a long term investment and construction is likely to start between 2010 and 2015. Capacity is estimated at 200 MW, and annual generation at 800 GWh.

MPCL is consolidated in accordance with the equity method and contributed MNOK 54 to SN Power's earnings after tax. SN Power's pro rata share of the EBITDA amounted to MNOK 80.

In February 2008, SN Power and Tata Power Trading Company Limited signed a Memorandum of Understanding to jointly develop hydropower projects in Nepal, Bhutan and on the border between India and Nepal.

NEPAL | SN Power has a 50.4 per cent voting share in Himal Power Limited (HPL). HPL's 60 MW Khimti hydropower plant has a mean annual generation of 350 GWh. During the calendar year, the plant generated 396 GWh, the highest annual production ever for Khimti.

HPL contributed MNOK 49 to SN Power's earnings after tax and minority interest. SN Power's pro rata share of the EBITDA amounted to MNOK 71.

SN Power Nepal continued project development of the Tamakoshi 2 and 3 survey licenses, which were granted in February 2007.

PHILIPPINES | Aboitiz Equity Ventures, Inc. (AEV) and SN Power formed the 50/50 joint venture SN Aboitiz Power in 2006 to jointly bid for and develop hydropower projects in the Philippines.

On 25 April 2007, the 360 MW Magat hydropower plant was transferred to SN Aboitiz Power after a successful bid in 2006. The refinancing of the sellers' credit in Magat was successful, and closed on 25 October.

The Magat plant is expected to generate approximately 920 GWh in an average year. In 2007, it generated 661 GWh after it was transferred to SN Aboitiz Power. The plant is vital for the power grid in the Philippines as it is designed to supply power when demand is at its highest or stability needs to be maintained.

The plant contributed MNOK 208 to SN Power's earnings after tax of which MNOK 119 was gained on foreign exchange. SN Power's pro rata share of the EBITDA amounted to MNOK 193.

On 28 November, SN Aboitiz Power Hydro Inc placed a successful bid of 325 MUSD for the 100 MW Binga and the 75 MW Ambuklao hydropower plants. These are rehabilitation projects and takeover is expected in mid-2008. Once rehabilitated, the plants are expected to have an average annual generation of 766 GWh.

SRI LANKA | SN Power's jointly owned Nividhu Private Limited (30% SN Power ownership) and the hydropower plants Assupinella and Belihuloya are consolidated in accordance with the equity method and contributed MNOK 0.2 to SN Power's earnings after tax.

CHILE | SN Power and Australian-based Pacific Hydro Limited have two hydropower projects under construction in the Tinguiririca Valley in Chile's VI region. The projects are owned on a 50/50 basis through the companies Hidroeléctrica La Higuera S.A ("HLH") and Hidroeléctrica La Confluencia S.A ("HLC"). Construction of the La Higuera plant started in October 2005. It will have an installed capacity of 155 MW and an annual generation of 728 GWh when it enters into operation in 2009, almost one year later than originally scheduled. Due to the delay and HLH's obligation to supply energy to a local distribution company from October 2008 under a long term power purchase agreement (PPA), SN Power has made a provision in its accounts to cover possible losses deriving from this PPA. Construction of the 156 MW La Confluencia plant started in 2007 and it is expected to enter into operation in 2010. This plant will contribute 645 GWh to the Chilean Central Grid.

HLH is also constructing a 60 MW dual fuel back-up turbine to mitigate the market risk associated with dry periods. The Colmito plant is located in Chile's V region and will be operational during the first half of 2008.

Hidroeléctrica Trayenko, 80%-owned by SN Power and 20% by its Chilean partner Centinela, continued the development of four greenfield hydropower projects with a generation potential of approx. 600 MW in the Los Rios Region in Chile. Some of the projects, located in the Panguipulli municipality, have been met with opposition from local stakeholder groups. Following this, activities in the project area were temporarily put on hold during late 2007, with the aim to establish better dialogue with local communities. Stakeholder relations have improved as a result of this and other activities.

Norvind SA, also 80%-owned by SN Power and 20% by Centinela, is developing the 50 MW Totoral Wind farm in Chile's IV region. The project development is going according to plan, and an investment decision is expected in 2008.

PERU | SN Power Peru's subsidiary Cahua S.A, generated 528 GWh in 2007 and contributed MNOK 47 to SN Power's earnings after tax. EBITDA amounted to MNOK 94. The Pacasmayo thermal back-up plant was taken out of service from June 2007 as it was no longer profitable.

Electroandes S.A was purchased from PSEG in October 2007 for MUS\$ 284 and was consolidated from the date of control, 17 October. Electroandes has a mean annual generation of 1106 GWh. It generated 240 GWh in 2007 after takeover, and contributed MNOK 22 to SN Power's earnings after tax. EBITDA amounted to MNOK 45.

SN Power Peru is now the fifth largest power producer in Peru and it is in the process of integrating the management structure and operations of the two companies, Cahua and Electroandes.

SN Power is also developing a number of greenfield hydropower projects in Peru, of which the 170 MW/837 GWh Cheves project is at the most advanced stage of development. A thermal back-up project is also being developed, in order to mitigate the market risk associated with dry periods and to replace the Pacasmayo thermal plant.

MOZAMBIQUE | In February 2007, SN Power signed a Heads of Agreement with the state-owned generation and distribution company Electricidade de Mocambique, EdM. The companies intend to form a joint venture to upgrade and operate two hydropower plants in the Manica province of Mozambique. Once upgraded, the plants Mavuzi and Chicamba, are expected to have total capacity of 72 MW and a mean annual generation of 328 GWh.

4. CORPORATE GOVERNANCE AND BUSINESS PRINCIPLES

In 2005, SN Power developed and implemented a robust set of corporate governance principles, which outlines the way the company is governed. Since 2003 it has also had a set of business principles which set the standard for its world-wide activities. These were revised and strengthened in 2007. SN Power's business principles are made publicly available, and the company expects its employees, representatives, partners, subsidiaries and suppliers to adhere to these principles.

SN Power has a strong focus on ethics and business integrity, and does not engage in any form of corrupt practices. An integrity programme is initiated to ensure a systematic focus on compliance with the company's business principles.

GOVERNING BODIES | SN Power's owners, Statkraft AS and Norfund, nominate directors to represent them on the board of the company. Directors of the board are elected for two-year terms during the general shareholders meeting. The Chairperson is also elected for a two-year period and alternates between representatives from the two owners. At the end of 2007, the board consisted of Kjell Roland (Chairman), Siri Hatlen (Vice-Chair), Tone Wille, Stein Dale, Tore Haga, and Mark Davis.

Directors of the board of SNPI have extensive experience in international equity investment and the energy sector. None of the directors of the board have private business interests which are related in any way to SNPI or any of its subsidiaries. The company's management team is not represented on the board of directors of SNPI.

5. ORGANISATION

SN Power's organisation has expanded significantly during 2007, both at the headquarters in Oslo and internationally.

New liaison offices of SN Power Holding Singapore were established in India during 2007, and in Brazil from January 2008.

ORGANISATIONAL CAPACITY | The Group's consolidated companies and representative offices had a total of 415 employees at the end of 2007. 23 are based in Norway

at the company's headquarters in Oslo, 303 in Peru, 56 in Nepal, 4 in the Philippines, 3 in Singapore and 26 in Chile.

SN Power's non-consolidated companies had approx. 700 employees at the end of 2007.

SN Power is continuously working to develop its organisational capacity and improve its management systems.

DIVERSITY | SN Power has a strong commitment to diversity, and does not discriminate on the basis of gender or race. The group's employees and associates represent more than 14 different nationalities, reflecting the group's widespread international presence.

Two out of six of the Directors of the Board of SNPI are women. One of the six management team members is female and 11% of SN Power's overall workforce is made up of women. This is an increase from 3.6% last year.

HEALTH AND SAFETY | Lost time injury frequency (the LTI rate is defined as the number of injuries with lost time per million hours worked) for consolidated companies was 2 as compared to 5.8 in 2006. Absenteeism owing to sickness for the group was 326 days, amounting to 0.2% of total working days. This is the same level as in 2006. SNPI had 80 days absenteeism due to sickness, amounting to 2% of total work days.

Five fatalities occurred at construction sites of SN Power's joint venture companies in 2007. One fatality took place at the site of the La Higuera project in Chile, when a falling rock killed a man employed by a contractor when he was carrying out tunnelling work. Four fatalities occurred at the Allain Duhangan construction site. Two men working for subcontractors were killed by falling boulders, one was killed by a landslide and another when he was hit by a rock inside a tunnel.

The Allain Duhangan project also experienced three fatalities during heavy snowfall in early 2008. One contractor employee died when his car slipped off the road during icy conditions, and two were caught by an avalanche outside of working hours.

SN Power management and Board of Directors are very concerned about the health and safety situation at Allain Duhangan, and have taken steps to improve procedures. Experts from the Norwegian Geotechnical Institute have been sent to India in order to assist in avalanche mitigation.

SN Power is committed to high occupational health and safety standards in all its operations. SN Power works closely with its joint venture companies to take steps to reinforce com-

pliance with health and safety procedures at construction sites. The resource situation has been improved through the establishment of a new position as HSE Director at the corporate headquarters.

In 2006, SN Power formalized a global Operational Health and Safety policy and continues to work on implementing this throughout its consolidated companies and on introducing the policy to its non-consolidated joint ventures. The consolidated Cahua S.A has taken a further step through certification in accordance with the ISO 14000 and OHSAS 18001 international HSE standards.

6. RISK MANAGEMENT

SN Power is exposed to a number of risk factors through its operations and greenfield development. The company has a risk evaluation methodology in place which is applied both to new developments as well as throughout the project and asset lifecycles for the monitoring and mitigation of risk.

SN Power has a balanced portfolio of investments including operating assets and greenfield projects under construction. These are distributed between different markets and geographic regions.

Debt financing is obtained at project or country holding level with limited recourse to the parent company. Market risk is managed by seeking to obtain an optimum balance between contract and spot market exposure, utilizing hedging instruments where applicable. Further risk mitigation measures include hedging parts of its foreign exchange exposure related to equity investments (exposures related to the operational activities are managed by the local companies in which SN Power has invested), and evaluating equity and taking out insurance against political risk on a case-to-case basis. Further information about financial, political and market risk can be found in note 3 in the financial statements.

SN Power has decided it will carry out internal audits in all its engagements on a rotational basis. These internal audits form part of its risk control system.

7. SUSTAINABLE DEVELOPMENT

Since SN Power's establishment in 2002, its focus has been on developing hydropower projects which are environmentally and socially sustainable. The company's long term investments in renewable energy generation contribute to economic development in the markets in which we operate. In addition, SN Power's projects contribute to infrastructure improvement, tax revenues, direct and indirect employment, increased local economic activity and skills, technology and competence transfer and development.

ENVIRONMENTAL AND SOCIAL IMPACT | Prior to investment decision, all projects go through rigorous social and environmental impact assessments which are in compliance with the IFC's Performance Standards on Social and Environmental Sustainability and well as national legislation. All investment decisions on greenfield and acquisition projects take the potential environmental and social impacts of the projects into consideration. Project design is also reviewed and adjusted to reduce any potential negative environmental and social impacts of the projects to a minimum. Environmental and social mitigation programmes are introduced on all projects and reviews carried out throughout the life-cycle of the projects to ensure that these plans are being adequately implemented. A social and environmental policy to formalise these procedures was developed in 2007.

COMMUNITY RELATIONS | During 2007, a number of community engagement programmes were initiated in SN Power companies and subsidiaries. In Nepal, Himal Power Limited entered into a partnership with United Nations Development Programme to continue rural electrification and capacity building programmes around the Khimti plant. In the Philippines, SN Aboitiz Power initiated programmes focusing on environmental management, education and infrastructure development. In Chile, the Tinguiririca Joint Venture set up the Tinguiririca Participa fund, to support local projects focused on health, education and the environment. In Peru, SN Power entered into an agreement with local authorities to work on watershed management and local economic development in partnership with WWF and other NGOs.

ENVIRONMENTAL EMISSIONS | The company's hydropower plants in Peru, India, Sri Lanka and the Philippines produce very minor emissions. The Pacasmayo thermal plant in Peru emitted 269 tonnes of CO₂ and 5.2 tonnes of NOX from January to its decommissioning on 1 June 2007.

CLEAN DEVELOPMENT MECHANISM | SN Power actively seeks Certified Emission Reduction (CER) credits (so-called "carbon credits") related to the Clean Development

Mechanism (CDM) under the Kyoto Protocol. A new CDM strategy has been developed, which will strengthen the CDM capabilities both at the Oslo office and through the establishment of a Global CDM Team.

In March 2007, the Allain Duhangan run-of-river hydropower project in India was registered with the CDM Executive Board, and approved for the creation of CERs when it becomes operational in 2009. At the time of registration, Allain Duhangan was the largest hydropower project in the world to be registered under the CDM framework. The Allain Duhangan project and the La Higuera project (registered in 2006) will be able to sell almost 1 million CERs in total, placing SN Power as a major CDM player.

SN Power has a number of potential CDM projects in the pipeline in Asia and Latin America, out of which one new hydropower project in Peru entered the validation stage in 2007.

8. MARKET OUTLOOK

High fossil energy prices continue to increase the global demand for renewable energy. Still, the instability in the global financial markets needs to be monitored closely because of the potential impact it can have on the energy sector in emerging markets and on the ability to raise capital for new project developments. The emerging carbon market for reductions in greenhouse gas emissions makes investing in renewable energy like hydropower increasingly interesting, but there are also uncertainties in how this will develop further.

In Latin America, the increasing need to develop renewable energy sources in Chile to reduce dependency on imported fuel continues to make the market attractive. The steady growth of the Peruvian economy and the positive effects on the power market also continue to make Peru's electricity sector interesting to invest in. In April 2008, Fitch Ratings raised Peru's foreign currency debt rating to investment grade.

In Asia, high economic growth, the restructuring of energy sectors, and the active effort by several countries to attract private investors, make investing in this region a continued priority for the company. The energy deficit in most major Asian countries increased during 2007 and we have seen raising energy prices as a result of this.

In Africa, a careful entry into selected markets in the sub-Saharan region is a goal. In particular, Mozambique has been identified as an investment opportunity because of its growing demand for electricity and its untapped hydropower potential.

9. PRIORITIES 2008 AND ONWARDS

In 2007 SN Power conducted a strategy process, setting ambitious growth targets for the period up until 2015. Asia and Latin America will continue to be the main regional platforms for SN Power's activities, while a careful entry into selected markets in Africa remains a target. The company will continue to prioritise investments in existing markets, while also looking at synergies in adjacent markets. SN Power will pursue selective M&A-driven entries into a few step-out markets where initial investments can serve as the platform for future growth.

In 2008, focus will be on:

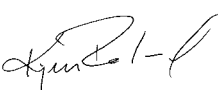
- Finalisation of construction projects in India and Chile
- SN Aboitiz Power's take-over and rehabilitation of the Ambuklao and Binga plants in the Philippines
- Strengthening procedures and systems on Health and Safety and on project management
- Build-up of organisational capacity
- Integration of the Electroandes and Cahua companies in Peru
- Financial closing of the Cheves hydropower project in Peru

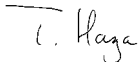
The owners are expected to continue their contribution to the company's expansion, in line with SN Power's ability to close new projects.

The current pipeline of projects is expected to meet the company's goals for new investments in terms of both profitability and local development effects.

Oslo, 22 April 2008


The Board of Directors of Statkraft Norfund Power Invest AS


Kjell Roland
Chairman



Tore Haga
Director


Siri Hatlen
Vice-Chair


Mark Davis
Director


Tone Wille
Director


Stein Dale
Director


Øistein Andresen
President & CEO

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INCOME STATEMENT
(Figures in 1 000)

	NOTE	2007 USD ¹⁾	2007 NOK	2006 NOK
OPERATING REVENUES AND EXPENSES				
Sales revenues	7	85 798	464 924	328 204
Total operating revenues		85 798	464 924	328 204
Cost of goods sold	8	5 749	31 154	50 741
Salary and personnel costs	9	16 504	89 434	49 607
Ordinary depreciation and amortization	12, 13	9 987	54 116	51 718
Write-downs	12, 13	1 376	7 457	8 907
Other operating costs	10	22 448	121 641	78 445
Total operating costs		56 064	303 802	239 418
OPERATING PROFIT/LOSS		29 734	161 122	88 786
FINANCIAL INCOME AND EXPENSES				
Income from investments in associates	6, 11	33 299	180 438	18 417
Interest income	11	7 494	40 606	18 944
Other financial income	11	2 538	13 753	14 196
Interest expenses	11	-9 451	-51 213	-47 093
Other financial expenses	11	-7 328	-39 711	-7 593
Net financial items		26 551	143 873	-3 129
PROFIT/LOSS BEFORE TAX		56 285	304 995	85 657
Tax	21	-5 494	-29 771	-16 327
Changes in deferred tax	21	972	5 269	2 514
Tax		-4 522	-24 502	-13 813
NET PROFIT/LOSS FOR THE YEAR		51 763	280 493	71 844
Minority interests		-11 024	-59 739	-43 041
NET PROFIT FOR THE YEAR AFTER MINORITY		40 739	220 754	28 803

¹⁾ Figures presented in USD are the figures from the accounts denominated in NOK converted at the exchange rate as of 31 December 07. The exchange rate applied was 5.4188.

BALANCE SHEET AT 31 DECEMBER
(Figures in 1 000)

	NOTE	2007 USD	2007 NOK	2006 NOK
ASSETS				
Fixed assets				
Intangible fixed assets				
Deferred tax asset	21	1 452	7 868	0
Road and land rights	13	1 054	5 712	5 297
Project development	13	3 143	17 032	7 971
Software licences	13	677	3 666	1 066
Total intangible fixed assets		6 326	34 278	14 334
Tangible fixed assets				
Land	12	4 380	23 737	5 326
Water rights	12	263 821	1 429 593	24 973
Plants and machinery	12	290 631	1 574 870	1 015 306
Fixtures and fittings, vehicles, other equipment	12	10 725	58 119	22 704
Total tangible fixed assets		569 558	3 086 319	1 068 309
Financial fixed assets				
Investment in associates	6	293 323	1 589 457	660 630
Investment in shares		618	3 351	3 311
Other long term receivables		1 604	8 693	0
Total financial fixed assets		295 545	1 601 501	663 941
TOTAL FIXED ASSETS		871 429	4 722 098	1 746 584
Current assets				
Spare parts				
		957	5 187	5 119
Receivables				
Accounts receivables	16	16 174	87 641	84 834
Other receivables	17	21 143	114 568	25 109
Total receivables		37 316	202 209	109 943
Financial current assets				
Financial instruments (FX hedge contracts)	15	0	0	3 570
Total financial current assets		0	0	3 570
Bank deposits, cash and cash equivalents	18	134 403	728 301	756 281
TOTAL CURRENT ASSETS		172 676	935 697	874 913
TOTAL ASSETS		1 044 105	5 657 795	2 621 497

¹⁾ Figures presented in USD are the figures from the accounts denominated in NOK converted at the exchange rate as of 31 Dec 2007. The exchange rate applied was 5.4188

BALANCE SHEET AT 31 DECEMBER
(Figures in 1 000)

	NOTE	2007 USD ¹⁾	2007 NOK	2006 NOK
EQUITY AND LIABILITIES				
Equity				
Paid-in equity				
Share capital (20 525 000 shares at NOK 100)	19	378 774	2 052 500	852 507
Share premium reserve	19	378 774	2 052 500	852 507
Total paid-in equity		757 548	4 105 000	1 705 014
Retained earnings				
Other equity		-2 831	-15 343	-69 589
Minority interests		44 458	240 910	260 905
Total retained earnings		41 627	225 567	191 315
TOTAL EQUITY		799 175	4 330 567	1 896 329
Liabilities				
Provisions				
Pension commitments	20	683	3 700	4 211
Deferred tax	21	19 163	103 843	74 642
Other long-term provisions	22	6 070	32 892	6 176
Total provisions		25 916	140 435	85 029
Other long-term liabilities				
Interest-bearing long-term debt	23	167 511	907 711	471 655
Total other long-term liabilities		167 511	907 711	471 655
Current liabilities				
Current portion long term debt	23	13 864	75 127	56 657
Accounts payable		11 077	60 024	20 595
Tax payable		3 526	19 104	8 178
Public tax payable		409	2 218	881
Dividends payable		0	0	23 780
Financial instruments (FX hedge contracts)	15	3 584	19 419	0
Other current liabilities	24	19 043	103 190	58 393
Total current liabilities		51 503	279 082	168 484
TOTAL LIABILITIES		244 930	1 327 228	725 168
TOTAL EQUITY AND LIABILITIES		1 044 105	5 657 795	2 621 497

¹⁾ Figures presented in USD are the figures from the accounts denominated in NOK converted at the exchange rate as of 31 Dec 2007. The exchange rate applied was 5.4188.

Oslo, 22 April 2008
The Board of Directors of Statkraft Norfund Power Invest AS



Kjell Roland
Chairman



Tore Haga
Director



Siri Hatlen
Vice-Chair



Mark Davis
Director



Tone Wille
Director



Stein Dale
Director



Øistein Andresen
President & CEO

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY AT 31 DECEMBER
(Figures in 1 000)

	Attributable to equity holders of the parent company					Minority	Total
	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve	interests	equity
AT 1 JANUARY 2006	600 000	600 000	-94 304	33 024	-3 106	0	1 135 614
Recognised through Equity							
Issue of share capital	252 507	252 507					505 014
Issue of share capital in Subsidiaries – Minority Share						243 622	243 622
Paid dividend						-23 780	-23 780
Recognised through Equity	252 507	252 507	0	0	0	219 842	724 856
Recognised through Profit and Loss							
Profit for the year			21 830			42 356	64 186
Exchange rate adjustments				-44 741	10 735	-1 962	-35 968
IFRS implementation effects			6 973			669	7 642
Recognised through Profit and Loss			28 803	-44 741	10 735	41 063	35 860
AT 31 DECEMBER 2006	852 507	852 507	-65 501	-11 717	7 629	260 905	1 896 329
Recognised through Equity							
Issue of share capital	1 199 993	1 199 993					2 399 986
Issue of share capital in Subsidiaries – Minority Share						1 224	1 224
Paid dividend						-46 662	-46 662
Recognised through Equity	1 199 993	1 199 993	0	0	0	-45 439	2 354 547
Recognised through Profit and Loss							
Profit for the year			220 754			59 739	280 493
Exchange rate adjustments				-175 435	8 927	-34 295	-200 803
Recognised through Profit and Loss			220 754	-175 435	8 927	25 444	79 690
AT 31 DECEMBER 2007	2 052 500	2 052 500	155 253	-187 152	16 556	240 910	4 330 567

CASH FLOW STATEMENT
(Figures in 1 000)

	2007 USD ¹⁾	2007 NOK	2006 NOK
CASH FLOW FROM OPERATIONAL ACTIVITIES			
Profit/loss before tax	56 285	304 995	85 659
Tax paid	-9 014	-48 848	-7 694
Ordinary depreciation	9 987	54 116	51 730
Write-downs	1 376	7 457	8 905
Difference between this year's pension expense and pension premium	-23	-127	1 132
Income from investments in associates	-33 299	-180 438	-18 417
Effect of exchange rate changes (agio/disagio)	1 260	6 828	-8 748
Change in accounts receivable	2 743	14 864	-6 748
Change in accounts payable	5 620	30 455	9 186
Change in inventories	548	2 972	105
Change in other long-term provisions	292	1 584	0
Change in other current assets and liabilities	-5 011	-27 154	-17 828
Net cash flow from operational activities	30 764	166 705	97 282
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investment in tangible and intangible fixed assets	-21 000	-113 794	-6 051
Investment in subsidiaries	-284 298	-1 540 553	0
Investment in financial fixed assets	-146 735	-795 130	-139 954
Net effect of cash and cash equivalents from acquisitions	6 177	33 472	141 174
Proceeds from realised FX hedge contracts	5 890	31 915	13 440
Net cash flow from investment activities	-439 966	-2 384 090	8 609
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term debt	-12 900	-69 905	-152 872
Repayment of short-term debt	0	0	-4 877
Payment of dividend	-8 611	-46 662	0
New paid-in equity	442 900	2 399 986	285 409
Net cash flow from financing activities	421 388	2 283 419	127 660
Effect of exchange rate changes on cash and cash equivalents	-17 350	-94 014	-9 501
Net change in cash and cash equivalents	-5 164	-27 980	224 050
Cash and cash equivalents at 1 January	139 566	756 281	532 231
CASH AND CASH EQUIVALENTS 31 DECEMBER	134 403	728 301	756 281

¹⁾ Figures presented in USD are the figures from the accounts denominated in NOK converted at the exchange rate as of 31 December 2007. The exchange rate applied was 5.4188.

NOTES
(Figures in 1 000)

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

The consolidated financial statements of the SN Power Group for the year ended 31 December 2007, and were authorised for issue in accordance with a resolution of the Board of Directors on 22 April 2008.

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

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. This is the Group's first annual statement in accordance with IFRS and the effect of the implementation is described in note 28 to the Financial Statements. Comparative figures for 2006 have also been converted to IFRS.

The consolidated financial statements have been prepared on a historical cost basis. For 2007, they are presented in Norwegian Kroner (NOK), which is also the functional currency for the parent company. From 2008 and onwards, SN Power Group will present its financial statements in USD.

All values are rounded to the nearest thousand (NOK 1000) unless otherwise stated.

Corresponding figures | All figures in the income statement, the balance sheet, the cash flow statement and additional information are presented with one year corresponding figures. The corresponding figures are based on the same principles as figures for the current period.

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 recognised 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 recognise a provision in the financial statements. Management must make estimates and use judgement in determining the expected probability of an outflow of resources and a reliable estimate of the amount. See note 22 for further details.

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 judgement in defining and allocating fair values of assets, liabilities and direct costs attributable to the combination. See note 4 for further details on this year's investments.

Capital management | The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise 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 the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2007 and 31 December 2006. The Group's policy is in the long run to keep the gearing ratio in investment companies around 50%. The gearing ratio is defined as *Total liabilities* divided by *Total equity and liabilities*:

MNOK	2007	2006
Total liabilities	1 327	725
Total equity and liabilities	5 658	2 621
Gearing ratio	23.4%	27.6%

Consolidation | The consolidated financial statements are comprised of the financial statements of the parent company Statkraft Norfund Power Invest AS and its controlling interests in other companies as of 31 December 2007.

Elimination of transactions
Intra-group balances, unrealised profit and losses or income and expenses resulting from intra-group transactions are eliminated in full.

Subsidiaries
Subsidiaries are all entities where the Group has 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.

The 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, as appropriate.

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. Cost exceeding fair value of identified assets and liabilities are recorded as goodwill, and judgements are made annually whether the carrying amount can be justified based on future earnings.

Minority interest is the share of the profit and equity that is not held by the Group. This is reported separately in the income statement and under equity in the consolidated financial statement.

All subsidiaries registered outside Norway are assessed as independent entities. The accounts of these subsidiaries are converted to the Group's reporting currency (NOK) 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
Investments in associated companies where the Group holds or controls from 20% to 50% of the voting rights, and has significant influence, but not actual control, are accounted for by the equity method. This means that the Group's share of the net result in the associated companies, adjusted for depreciation of added value, is shown on a separate line in the consolidated income statement. The investments are shown in the consolidated balance sheet as fixed assets, recorded at the value which equal the historical cost price corrected for the accumulated share of results 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 in 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 and after eliminated sales within the Group. Revenue is recognised in accordance with the earned income principle. This means that all income is recorded as and when earned.

(a) Power sales
Revenues from power sales and transmission are recognised as income when delivered.

(b) Sales of services
Sales of services are recognised in the accounting period in which the services are rendered.

(c) Dividend income

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

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.

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

Foreign currency | The consolidated financial statements are presented in NOK, which is the parent Company's functional and presentation 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. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Income and expenses for each income statement are translated at average rate for the period. All resulting exchange differences are recognised as a separate component of equity.

Balance sheet items in foreign currency are assessed at the exchange rate at the balance sheet date. Exchange rate effects are recognised 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 recognised directly in equity as long as the hedge is deemed effective. The ineffective portion of a hedge is recognised in profit and loss. On disposal of a foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the profit and loss along with accumulated exchange differences on the net investment.

Financial instruments | Financial instruments are initially allocated to one of the categories of financial instruments as described in IAS 39. The different categories relevant for the SN Power Group and the management that follows the instruments recognised 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 are financial instruments that have to be measured at fair value in the balance sheet. Other financial instruments held for trade also has to be measured at fair value through profit or loss. Except for hedging purposes, changes in value are taken to profit or loss. For derivatives that are hedging instruments in a hedge accounting, the change in value of the effective part of the hedge, following from a change in the value of the hedged risk, are 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 recognised at fair value as if the derivative was an independent contract.

2) Loans and receivables

Loans and receivables are initially recognised at fair value including transaction costs. In subsequent periods, loans and receivables are measured at amortised 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 recognised at fair value including transaction costs. In subsequent periods, financial liabilities are measured at amortised 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 Certified Emissions Reductions (CERs) always have to be considered as derivative financial instruments. Physical contracts regarding purchase and sale of energy and CERs entered into as authorized by trading, or settled financially are considered as if they where financial instruments and has to be measured at fair value. Physical contracts regarding purchase and sale of energy and CERs 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 does not contain written options in terms of volume flexibility. Contracts entered into for different purposes are recorded in separate books.

Financial instruments included in hedge accounting

Identification of financial instruments designated as a hedge instrument or a hedge object in a hedge account are based on the intention of the acquisition of the financial instrument. If financial instruments acquired with the intention to obtain an economic hedge effect, a closer consideration of the possibilities to document a hedge account is made. Such considerations are normally not made on an ongoing basis even though the intention of the acquisition is a hedge by nature.

Presentation of derivatives in profit or 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 exists, 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 presented on separate lines. Changes in the value of energy derivatives are presented on a separate line under revenue, while changes in value of financial derivatives are presented on a separate line under financial items.

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

Deferred tax and deferred tax assets

Deferred income tax is provided, using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised 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 utilised. 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 utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised 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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. 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 realised/settled, or is intended for sale or consumption, in the Group's normal operating cycle. Or, it is held primarily for the purpose of being traded, or it is expected/ due to be realised or settled, within twelve months after the balance sheet date. 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 instalment is classified as a short-term item. All derivatives are presented as short-term items.

Intangible assets | *Road and land rights*

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

Development costs

Research costs are expensed as incurred. Development costs are capitalised only if future economic benefits from the development of an intangible asset is probable. Development costs will often be capitalised when a construction project is more likely to happen than not, but no formal investment decision is taken.

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 capitalised. 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 recognised in the balance sheet.

Depreciation is made on a straight line basis over the useful lives of the asset. The normal useful lives for different groups of assets are:

Land	Eternal
Water rights	Individual assessment
Plants and machinery	
Rock-fill dams, concrete dams	75
Tunnel systems	75
Rock rooms/chambers	75
Technical machine installations	40
Misc. technical machine parts	10
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

Water rights are not depreciated since no 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 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.

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 capitalised 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, the capitalised value is derecognised and any loss or gains are taken to profit or loss. If new components are capitalised, the components that where substituted are removed and any remaining recognised value are recorded as a loss.

Leases | A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. With financial lease agreements, the asset is recognised 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 (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Impairment of assets and intangible assets | Fixed assets 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 are discounted to their 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 recognised in the income statement in those expense categories consistent with the type of the impaired asset. Previously recognised 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 had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Trade and other receivables | Trade receivables are recognised initially at fair value and subsequently measured at amortised 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 recognised 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 recognised 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 at the time the dividend payments are approved by the general shareholder's meeting.

Provisions, contingent assets and liabilities | Provisions are recognised 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 recognised with the amount which is the best estimates 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.

Employees without full vesting period will have their pension reduced relatively.

The liability recognised 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 unrecognised 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 outflows using a risk free interest rate. The obligation is annually calculated by an independent actuary using the straight-line earnings method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the higher of 10% of the value of the pension assets or 10% of the pension obligation, are recognised in the income statement over the expected average remaining working life of the employees.

Changes in the defined benefit obligations due to changes in pension plans with retrospective effect, i.e. where the earning of the right is not contingent by future vesting period, are taken directly through profit or loss. Changes not given retrospective effect are taken through profit or loss over the vesting period.

Net pension assets for over-funded plans are recognised 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 debt.

Net pension costs for the period is included in salary and other personnel costs and consists 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 recognised as employee benefit expense when due.

Cash flow statement | The cash flow statement is prepared using the indirect method. This means presenting, on the basis of the annual results, cash flow provided by operating, investing and financing activities. Dividend paid to shareholders and minority interests is presented under financing activities.

NOTE 2

MAJOR TRANSACTIONS IN 2007

The Peruvian company Electroandes SA was purchased from PSEG in October 2007 for MUSD 284 and was consolidated from the date of control. Electroandes has an average annual generation of 1106 GWh.

SN Power and Aboitiz Equity Ventures Inc established the joint venture SN Aboitiz Power Inc. In 2006, the company acquired the largest hydropower plant in the Philippines, Magat (360 MW) for USD 530 million. Takeover was in April 2007.

SN Power and the Philippine Aboitiz Equity Ventures Inc have established the joint venture SN Aboitiz Power Hydro Inc. In 2007, the company placed a successful bid of USD 325 million on the 100 MW Binga and the 75 MW Ambuklao hydropower plants. These are rehabilitation projects and takeover is expected in June 2008.

NOTE 3

FINANCIAL, POLITICAL AND MARKET RISK

SN Power is through its operations and greenfield development exposed to a number of risk factors. A risk evaluation is carried out both for new developments and operating assets.

SN Power’s future return is closely related to its ability to measure and manage risk exposure.

Political, hydrological and market 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. SN Power is working continuously to improve its method for measuring and evaluating political risk in the various countries. Together with Global Insight, the company has developed a tool for continuous evaluation of political risk at country level. 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.

The company invests in enterprises where generating and selling hydropower are the principal activities. Access to water and general hydrological conditions will significantly affect the Group’s cash generating capacity and the prices it can obtain in hydropower markets. This means that its 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 optimising the balance between contractual and spot market sales wherever 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.

Foreign currency exposure | SN Power Group’s presentation currency for 2007 is NOK. From 1 January 2008, this will be changed to USD. Simultaneously, the functional currency for Statkraft Norfund Power Invest AS’s will be changed from NOK to USD. The change comes as a result of increased exposure from investments in USD. The investments in Chile and Nepal have USD as their functional currency, the investments in India have INR, and the Philippines have PHP. For the Group’s investments in Peru, functional currency is company specific, and is either USD or PEN. For SN Power, future 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 fluc-

tuations 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 accordance with Group policy, the hedged amount will vary between 40 and 80% of the carrying value of the equity investments with a maturity of 1-10 years. The currency contracts are valued at fair value, based on the spot elements of the contracts, and recorded as hedging. Variations in the value of the contracts owing to changes in exchange rates are therefore not recorded in the income statement but directly towards equity.

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

	Currency	Increase/decrease in currency rate	Effect on profit before tax
2006	USD	+/- 10%	+/- 40.073
2007	USD	+/- 10%	+/- 48.989
2006	PEN	+/- 10%	+/- 1.179
2007	PEN	+/- 10%	+/- 17.750

Interest and liquidity risk | Statkraft Norfund Power Invest AS’s financing is based on equity; additional financing will be carried out when the company takes on commitments in relation to new investments.

Excess liquidity is placed according to guidelines for the placement of money market funds. These placements have an average duration of three months or less and are therefore classified as bank deposits in the balance sheet.

Both greenfield projects and operational activities are financed on the basis of non-recourse project financing. SN Power is extending limited and capped guarantees primarily during construction.

The Group is exposed to interest and credit risk via the financing and customer portfolios held by subsidiaries and affiliates. Interest rate exposure related to the subsidiaries and

affiliated companies’ debt financing are secured through fixed interest rate for a major part of the loans. SN Power’s goal for the Group’s interest risk is to minimise interest costs, reduce fluctuations in these, and limit changes in the value of the Group’s net debt.

The following table shows the sensitivity of financial instruments to a reasonable possible change in interest rate for the Group, with all other variables held constant:

	Increase/decrease in interest rate	Effect on profit before tax
2006	+/- 1%	+/- 6.065
2007	+/- 1%	+/- 9.197

Insurance risk | SN Power has a substantial 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 several different emergency plans and procedures. Monitoring of operational risk has high priority. SN Power Group has established insurances covering all types of severe damages.

NOTE 4

CHANGES IN THE GROUP'S STRUCTURE

Business combinations:

On 17 October, SN Power acquired 100% of the voting shares in the Peruvian hydropower company Electroandes S.A. for MUSD 284, corresponding to MNOK 1 570. This is the largest single investment SN Power has undertaken and it positions the company among the largest privately owned power generators in Peru. Electroandes S.A. owns and operates four hydro-power plants of a total of 180 MW, and with additional expansion potential. This adds to SN Power's current portfolio of 90 MW through the Cahua S.A company.

Effect on the SN Power Group's financial position:	Fair value at date of purchase	Carrying amount at date of purchase
Cash and cash equivalents	33 380	33 380
Other short term receivables	52 905	52 905
Tangible fixed assets	742 940	732 121
Intangible fixed assets	683	683
Other short term liabilities	-51 631	-51 631
Interest-bearing debt	-585 116	-585 116
Provisions and other debt	-60 526	-60 526
Goodwill	0	718 022
Water rights (reclassified from Goodwill in company accounts)	720 028	0
Water rights	687 890	
Net identifiable assets and liabilities	1 540 553	839 838

COST OF ACQUISITION	1 540 553
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Cash outflow on acquisition of the subsidiary	
Net cash acquired with the subsidiary	33 472
Cash paid	-1 540 553
NET CASH OUTFLOW	-1 507 081

From the date of acquisition Electroandes S.A. has contributed 22 MNOK to the net profit and 80 MNOK to revenue of SN Power Group. If the combination had taken place at the beginning of the year, net profit of SN Power Group would have been 68 MNOK higher and sales revenues would have been 237 MNOK higher.The acquisition cost includes 4 MNOK in directly attributable costs including legal, audit and other professional fees. The purchase agreement includes provisions about purchase price adjustment on basis of working capital, and negotiations are not yet completed. The cost of acquisition includes a best estimate of the outcome of the negotiations.

NOTE 5

SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements:

Company	Date of establ./ acquisition	Business office	Main operations	Parent company	Voting share	Owner share
Statkraft Norfund Power Invest AS	27 May 2003	Oslo, Norway	Investment			
SN Power Holding AS	27 May 2003	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	100%	100%
SN Power Holding Singapore Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding AS	100%	100%
SN Power Holding Peru Pte. Ltd	26 Aug 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100%	100%
SN Power Holding Chile Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding Singapore Pte.Ltd	100%	100%
SN Power Holding Brazil Pte. Ltd *	12 Aug 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100%	100%
SN Power Peru Holding S.R.L	07 Oct 2003	Lima, Peru	Investment	SN Power Holding Peru Pte. Ltd	100%	100%
Empresa de Generacion Electrica Cahua S.A	21 Nov 2003	Lima, Peru	Power production	SN Power Peru Holding S.R.L	99.99%	99.99%
Empresa de Generacion Electrica Cheves S.A	01 June 2007	Lima, Peru	Power plant under construction	SN Power Peru Holding S.R.L	100%	100%
Inversiones Electricas de Los Andes S.A.C	17 Oct 2007	Lima, Peru	Investment	SN Power Peru Holding S.R.L	100%	100%
Transamerica Energy Company Ltd **	17 Oct 2007	Cayman Islands	Investment	Inversiones Electricas de Los Andes S.A.C	100%	100%
Electroandes S.A.	17 Oct 2007	Lima, Peru	Power production	Inversiones Electricas de Los Andes S.A.C (20,4%) and Transamerica Energy Company Ltd (79,6%)	100%	100%
SN Power Chile Inversio- nes Eléctricas Ltda	09 Dec 2004	Santiago, Chile	Investment	SN Power Holding Chile Pte. Ltd	100%	100%
SN Power Chile Tinguericirica y Cia.	17 Dec 2004	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	100%	100%
SN Power Chile Valdivia y Cia.	15 Feb 2006	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	100%	100%
Hidroelectrica Trayenko S.A	17 Jan 2006	Santiago, Chile	Power plant under construction	SN Power Chile Valdivia y Cia.	80%	80%
Norvind S.A	06 Aug 2007	Santiago, Chile	Power plant under construction	SN Power Chile Valdivia y Cia.	80%	80%
Himal Power Ltd	01 Mar 2006	Kathmandu, Nepal	Power production	SN Power Holding Singapore Pte. Ltd	50.4%	44.8%

* Former SN Power Holding Sri Lanka Pte. Ltd.
** Transamerica Energy Company Ltd was aquired from PSEG as a part of the purchase of the shares in Electroandes S.A. and is currently relocating to Peru.

NOTE 6

ASSOCIATED COMPANIES

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

Company ***	Date of establ./ acquisition	Business office	Main operations	Parent company	Voting share	Owner share
Hidroelectrica La Higuera S.A *	03 Jun 2004	Santiago, Chile	Power plant under construction	SN Power Holding Chile Pte. Ltd	50%	50%
Hidroelectrica La Confluencia S.A *	23 Sep 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguericra y Cia.	50%	50%
Nividhu (Pvt) Ltd *	27 Oct 2003	Colombo, Sri Lanka	Power production	SN Power Holding Singapore Pte. Ltd	30%	30%
Malana Power Company Ltd *	17 Jun 2005	New Dehli, India	Power production	SN Power Holding Singapore Pte. Ltd	49%	49%
Allain Duhangan Hydro Power Ltd	17 Jun 2005	New Dehli, India	Power plant under construction	Malana Power Company Ltd	90%	90%
SN Aboitiz Power Inc	29 Nov 2005	Manila, Philippines	Power production	SN Power Holding Singapore Pte. Ltd	40%	40%
SN Aboitiz Power Biomass Inc	29 Nov 2005	Manila, Philippines	Project development	SN Power Holding Singapore Pte. Ltd	40%	40%
SN Aboitiz Power Hydro Inc	29 Nov 2005	Manila, Philippines	Power production/ rehabilitation	SN Power Holding Singapore Pte. Ltd	40%	40%
Manila-Oslo Renewable Enterprise Inc. **	29 Nov 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	17%	17%

* The companies with a diverging financial year are: 31 March for India and Sri Lanka, and 30 June for Chile. The figures specified in the note represent the 2007 calendar year.
** Manila-Oslo Renewable Enterprise has a 60% owner share in SN Aboitiz Power Inc, SN Aboitiz Power Biomass Inc and SN Aboitiz Power Hydro Inc.
*** None of the companies are listed

Book value associated companies

Company	Country	Book value 31 Dec 2006	Additions/ disposals	Share of profit/loss	Foreign currency translation difference	Book value 31 Dec 2007
Hidroelectrica La Higuera S.A	Chile	329 315	35 222	53	-43 488	321 102
Hidroelectrica La Confluencia S.A	Chile	11 325	191 286	323	-1 523	201 411
Nividhu (Pvt) Ltd	Sri Lanka	5 369	0	245	-761	4 853
Malana Power Company Ltd	India	314 620	74 869	53 735	-7 642	435 582
SN Aboitiz Power Inc	Philippines	0	394 948	207 568	6 728	609 244
SN Aboitiz Power Biomass Inc *	Philippines	0	0	0	0	0
SN Aboitiz Power Hydro Inc	Philippines	0	0	-13	0	-13
Manila-Oslo Renewable Enterprise Inc.	Philippines	0	98 757	-191	-6	98 560
Consolidation entries and other effects		0	0	-81 282	0	-81 282
TOTAL		660 630	795 082	180 438	-46 692	1 589 457

* SN Aboitiz Power Biomass Inc had no operation during the financial year 2007.

Significant movements in book value associated companies | In Chile, the Group has through cash contributions invested 227 MNOK during 2007 divided by 35 MNOK on Hidroelectrica La Higuera and 191 MNOK on Hidroelectrica La Confluencia. The La Higuera plant will enter into operation in 2009, and the La Confluencia plant is expected to enter into operation in 2010. Foreign currency translation difference on 45 MNOK for the two companies is explained by the decrease in USD-rate compared with NOK during 2007, as the Chilean companies have functional currency in USD.

In India, the Group has invested 75 MNOK in Malana Power Company, dedicated to the construction of the Allain Duhangan hydropower plant. The project is expected to enter into operation in 2009. SN Power Group's share of the profit in Malana Power Company was 54 MNOK, and foreign currency translation difference on 8 MNOK due to the decrease in INR-rate compared with NOK.

In the Philippines, the Magat hydropower plant was transferred to SN Aboitiz Power after a successful bid of 530 MUSD in 2006. The total cash contribution from SN Power Group, was 494 MNOK, of which 395 MNOK was injected through SN Aboitiz Power Inc and 99 MNOK was injected through Manila-Oslo Renewable Enterprise Inc. This investment generated a profit share of 208 MNOK from the date of purchase. Included in the profit share is a gain on foreign exchange on 119 MNOK. SN Aboitiz Power Hydro Inc placed a successful bid of 325 MUSD on the two power plants Binga and Ambuklao in the Philippines. Both plants are rehabilitation projects and transfer of control is expected to be in June 2008.

Financial information from associated companies (100%)*

Company	Assets	Liabilities	Revenue	Net profit
Hidroelectrica La Higuera S.A	1 293 853	663 181	0	117
Hidroelectrica La Confluencia S.A	438 104	35 280	0	646
Nividhu (Pvt) Ltd	16 478	2 912	2 450	817
Malana Power Company Ltd	993 427	299 309	181 960	85 712
SN Aboitiz Power Inc *	3 705 875	2 383 585	466 041	421 225
SN Aboitiz Power Biomass Inc **	0	0	0	0
SN Aboitiz Power Hydro Inc ***	3 579	3 604	0	-25
Manila-Oslo Renewable Enterprise Inc.	628 470	37 231	3 841	-1 146

* Assets and Liabilities are converted to NOK using the closing balance rate per 31 December 2007. Revenue and Net Profit are converted using average rate for 2007.

NOTE 7

SALES REVENUES

By business area	2007	2006
Power sales	438 693	324 929
Services	26 231	3 275
TOTAL	464 924	328 204

By geographical market	2007	2006
Norway	539	1 209
Latin America	256 451	162 467
Asia	202 233	164 200
Africa	5 701	328
TOTAL	464 924	328 204

NOTE 8

COST OF GOODS SOLD

	2007	2006
Transmission costs	20 080	34 176
Other production costs and fees	2 725	13 588
Other accrued costs	8 349	2 977
TOTAL COST OF GOODS SOLD	31 154	50 741

NOTE 9

EMPLOYEE BENEFIT EXPENSES AND MANAGEMENT REMUNERATION

Salary and personnel costs	2007	2006
Salary expenses	71 157	38 530
Social security costs	4 053	2 398
Pension costs (note 20)	2 590	4 495
Other personnel costs	11 634	4 184
TOTAL SALARY AND PERSONNEL COSTS	89 434	49 607

The average number of man-years	2007	2006
SN Power Group consolidated companies	415	189
SN Power Group associated companies (100%)	700	630
TOTAL	1 115	819

Expensed management remuneration	2007	2006
President & Chief Executive Officer		
Salary	1 422	1 258
Paid pension premium	29	288
Other	54	23
Management Group		
Salary	6 256	5 895
Paid pension premium	42	56
Other	715	574
TOTAL REMUNERATION	8 518	8 094

SN Power Corporate Management Group, has defined members and consists of 5 people in addition to the President & CEO. The Management Group has a supplementary pension scheme with a right to a pension of 66% of the salary up to a specific level from the age of 65 years. The plan requires 30 years vesting period and is from 1 January 2007 and onwards funded by the company. In 2006 this scheme was funded by Nordea. The Management Group has no contingent liabilities related to end of employment.

No remuneration was paid to the Board of Directors in Statkraft Norfund Power Invest AS in 2007.

Audit fee 2007, SN Power Group	2007
Statutory audit	964
Other assurance services	853
Tax services	403
Non-audit services	0
TOTAL FEES FROM AUDITORS	2 220

NOTE 10

OTHER OPERATING COSTS

	2007	2006
Leasing premises	5 496	2 538
External services	55 485	41 515
Travel expenses	11 469	8 225
Other costs	49 191	26 167
OTHER OPERATING COSTS	121 641	78 445

NOTE 11

FINANCIAL INCOME AND EXPENSES		
Financial income	2007	2006
Income from associated companies	180 438	18 417
Interest income	40 606	18 944
Gain on foreign exchange	13 630	9 096
Other financial income	123	5 100
Total other financial income	13 753	14 196
TOTAL FINANCIAL INCOME	234 797	51 557
Financial expenses	2007	2006
Interest expenses	51 213	47 093
Loss on foreign exchange	20 458	348
Other financial expenses	19 253	7 245
Total other financial expenses	39 711	7 593
TOTAL FINANCIAL EXPENSES	90 924	54 686
NET FINANCIAL INCOME	143 873	-3 129

NOTE 12

PROPERTY, PLANT AND EQUIPMENT					
	Land	Water rights	Plants and machinery	Fixtures and fittings, vehicles, other equipment	Total
Book value 1 January 2006	4 410	0	360 166	3 267	367 843
Additions	1 036	17 586	726 576	33 187	778 385
Reclassification	0	0	8 591	-8 591	0
Disposals at book value	0	0	-3 098	-933	-4 031
Depreciation for the year	0	0	-46 161	-3 391	-49 552
Impairment for the year	0	0	-8 907	0	-8 907
Exchange differences for the year	-120	7 387	-21 861	-835	-15 428
BOOK VALUE 31 DECEMBER 2006	5 326	24 973	1 015 306	22 704	1 068 309
Acquisition cost 31 December 2006	5 571	26 295	1 512 469	46 586	1 590 921
Reclassification	0	0	8 591	-8 591	0
Accumulated depreciation	0	0	-458 937	-13 784	-472 721
Accumulated impairment losses	0	0	-9 331	0	-9 331
Accumulated Exchange differences	-245	-1 322	-37 486	-1 507	-40 559
BOOK VALUE 31 DECEMBER 2006	5 326	24 973	1 015 306	22 704	1 068 309
Book value 1 January 2007	5 326	24 973	1 015 306	22 704	1 068 309
Additions	18 911	1 464 461	718 940	45 823	2 248 135
Depreciation for the year	0	0	-46 999	-5 541	-52 540
Impairment for the year	0	0	-6 448	-1 009	-7 457
Exchange differences for the year	-500	-59 841	-105 929	-3 858	-170 128
BOOK VALUE 31 DECEMBER 2007	23 737	1 429 593	1 574 870	58 119	3 086 319
Acquisition cost 31 December 2007	24 478	1 490 756	2 300 680	100 477	3 916 391
Accumulated depreciation	0	0	-567 090	-35 873	-602 963
Accumulated impairment losses	0	0	-15 779	-1 009	-16 788
Accumulated Exchange differences	-741	-61 163	-142 941	-5 476	-210 321
BOOK VALUE 31 DECEMBER 2007	23 737	1 429 593	1 574 870	58 119	3 086 319

The operations of the La Oroya and Pachachaca hydropower plants, which generate 11% of the Electroandes’ supply, might be terminated by the year end of 2012 due to an agreement with local government. Local government plans to use water at the two plants for drinking water, and power production must therefore stop. No writedowns have been made in the accounts as of 31 December 2007. Carrying amount for the above-mentioned plants as of 31 December 2012 is calculated to MNOK 56 (MUSD 10).

NOTE 13

INTANGIBLE ASSETS				
	Road and land rights	Project development	Software licences	Total
Book value 1 January 2006	7 237	9 778	0	17 015
Additions–acquired separately and transferrals	19	5 696	1 169	6 884
Disposals	0	-7 366	0	-7 366
Amortisation	-2 063	0	-103	-2 166
Exchange differences	104	-137	0	-33
BOOK VALUE 31 DECEMBER 2006	5 297	7 971	1 066	14 334
Acquisition cost at 31 December 2006	30 278	8 108	1 175	39 561
Accumulated amortisation and impairment	-23 774	0	-109	-23 883
Exchange differences	-1 207	-137	0	-1 344
BOOK VALUE 31 DECEMBER 2006	5 297	7 971	1 066	14 334
Book value 1 January 2007	5 297	7 971	1 066	14 334
Additions–acquired separately and transferrals	2 296	13 640	2 966	18 902
Disposals	0	-4 579	0	-4 579
Amortisation	-1 244	0	-332	-1 576
Exchange differences	-637	0	-34	-671
BOOK VALUE 31 DECEMBER 2007	5 712	17 032	3 666	26 410
Acquisition cost 31 December 2007	33 322	17 169	4 141	54 632
Accumulated amortisation and impairment	-25 766	0	-441	-26 207
Exchange differences	-1 844	-137	-34	-2 015
BOOK VALUE 31 DECEMBER 2007	5 712	17 032	3 666	26 410

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

NOTE 14

LEASES				
The lease costs were as follows:				
Ordinary lease payments		2007		2006
		5 496		2 538
The future minimum rents related to non-cancellable leases fall due as follows:				
Office lease, lease of office equipment etc	2008	2009–2013	2014–>	Total
	5 722	8 156	215	14 093

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. The fair value of loans has been calculated by discounting the expected future cash flows at prevailing interest rates and is not material different from balance sheet values.							
Foreign currency risk 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 accordance with group policy the hedged amount will vary between 40 and 80% of the carrying value of the equity investments with a maturity of 1–10 years. The currency contracts are valued at fair value based on the spot elements of the contracts and recorded as hedging. Variations in the value of the contracts owing to changes in exchange rates are therefore not recorded in the income statement but directly towards equity.							
SN Power Group's reporting currency is Norwegian Kroner (NOK) in 2007. From 2008 and onwards, reporting currency for the Group will be USD. The change in reporting currency has also affected the ongoing forward contracts, and all contracts with an exposure against NOK will either be cancelled or a new instrument with the inverse currency pair will be added. Future contracts will be between functional currency of the investment and USD.							
The following table sets out the Group's forward contracts that are considered hedging instruments:							
Forward contracts	Hedge amount (currency)	Currency	Effective date	Maturity date	Currency pair	Carrying amount 2007	Carrying amount 2006
Malana Power Company Ltd, India	460 080	INR	13 Dec 2004	13 Dec 2011	INR-NOK	-3 749	889
Malana Power Company Ltd, India	450 953	INR	20 Jun 2005	13 Dec 2011	INR-NOK	-1 636	2 754
Malana Power Company Ltd, India	546 620	INR	30 Jun 2005	13 Dec 2011	INR-NOK	-1 014	4 273
Hidroelectrica La Higuera SA, Chile	20 000	USD	04 Nov 2005	04 Nov 2010	USD-NOK	9 310	-631
Hidroelectrica La Higuera SA, Chile	20 000	USD	20 Dec 2007	04 Nov 2010	NOK-USD	-3 545	0
Hidroelectrica La Higuera SA, Chile	10 000	USD	20 Dec 2007	22 Jun 2011	NOK-USD	-1 715	0
Hidroelectrica La Higuera SA, Chile	10 000	USD	24 May 2006	24 May 2011	USD-NOK	0	-3 864
Hidroelectrica La Higuera SA, Chile	10 000	USD	22 Jun 2006	22 Jun 2011	USD-NOK	2 242	-2 309
Empresa de Generasion Electrica Cahua, Peru	15 000	USD	09 Nov 2006	09 May 2007	USD-NOK	0	2 459
SN Aboitiz Power Inc (Magat), Philippines	900 000	PHP	11 Jan 2007	13 Jan 2014	PHP-USD	-19 311	0
TOTAL CARRYING AMOUNT						- 19 419	3 570

The currency contracts are valued at fair value based on the spot element of the contracts and recorded as hedging. 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 equity.

The interest elements of the contracts are separated and charged to the income statement. For 2007 this amounted to TNOK 7 817.

FX Hedge contracts 31 December 2006	3 570
FX Hedge contracts 31 December 2007	-19 419
Movement in market values of FX contracts in 2007	-22 989
Realized contracts in 2007	31 915
Recorded against equity	8 927

Interest rate risk | The following table sets out the carrying amount by maturity of the Group's financial instruments that are exposed to interest rate risk. Figures at closing date.

	2008	2009	2010	2011	2012	2013	2014	2015	After 2015
Fixed interest rate									
Bank loan	216 969	189 544	162 120	134 695	107 271	79 846	52 421	24 997	0
Bonds	385 678	305 035	224 393	143 750	63 107	9 559	4 779	0	0
Floating interest rate									
Bonds	304 650	285 722	273 162	260 601	248 040	165 360	82 680	0	0
TOTAL	907 297	780 302	659 674	539 046	418 418	254 765	139 881	24 997	0
Yearly payments	75 148	126 995	120 628	120 628	120 628	163 653	114 884	114 884	24 997

Interest rate swaps | The Group has entered into an interest rate swap to convert a part the exposure on a floating interest rate loan in USD into fixed interest. The maturity date of the swap is 16 November 2015, and the fixed interest rate is 4.92%. Carrying amount of the loan per 31 December 2007 is USD 27,382 (TNOK 148,378) and the swapped amount is USD 10,873 (TNOK 58,919). Fair value of the swap at 31 December 2007 is TNOK 1,591 and change in fair value is recognised in income statement.

NOTE 16

ACCOUNTS RECEIVABLES

	2007	2006
Trade receivables	87 793	84 834
Provisions for loss on trade accounts receivable	-152	
ACCOUNT RECEIVABLES	87 641	84 834

NOTE 17

OTHER RECEIVABLES

	2007	2006
Prepayments to suppliers	14 928	10 258
Earned but not invoiced operating income	28 405	0
Short term receivable from associated companies	27 820	0
Other short term receivables	39 658	13 845
Settlement account VAT	3 757	1 006
TOTAL OTHER RECEIVABLES	114 568	25 109

NOTE 18

CASH AND CASH EQUIVALENTS

	2007	2006
Investments in money market certificates	150 967	144 537
Bank deposits, Cash and cash equivalents	501 552	526 962
Bank deposits - tax restricted	1 581	952
Other bank deposits - restricted	74 201	83 830
CASH AND CASH EQUIVALENTS 31 DECEMBER 2007	728 301	756 281

NOTE 19

SHARE CAPITAL, SHAREHOLDER INFORMATION AND DIVIDEND

	Share capital	Share premium reserve
Equity 1 January 2007	852 507	852 507
Capital increase	675 000	675 000
Unregistered capital increase 31 December 2007*	524 993	524 993
EQUITY 31 DECEMBER 2007	2 052 500	2 052 500

* Unregistered capital increase was registered in the Register of Business Enterprises on 7 January 2008.

Shareholders in Statkraft Norfund Power Invest AS 31 December 2007	Number of shares	Owner and voting share
Statkraft AS	10 262 500	50%
Norfund	10 262 500	50%
TOTAL	20 525 000	100%

NOTE 20

PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

Statkraft Norfund Power Invest AS has pension plans which cover a total of 24 staff members. The pension plan confer the right to defined future benefits, that mainly depends 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 and through a group pension scheme with Nordea Liv. In addition, executive employees have a supplementary plan. This plan confer a right to a pension of 66% of the salary up to a specific level as from the age of 65 years. The plan requires 30 years vesting period and is from 2007 and onwards funded by the company. Due to the change in funding, the scheme is disclosed as an unfunded plan in 2007.

Transitional effects of changes in assumptions related to the closed plan in the Norwegian Public Service Persion Fund is amortized over 9 years. The annual effect is NOK 169 100. This is based on the average remaining vesting period for the 7 employees covered by this plan.

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

	2007	2006
Discount rate	4.5%	4.5%
Expected rate of return	5.5%	5.5%
Regulation of salary	4.5%	4.5%
Regulation of pension	2.0%	2.0%
Regulation of base rate	4.0%	4.0%
Turnover	5.0%	5.0%

Pensions costs	Funded	Unfunded	2007	2006
Net present value of the current year’s pension earnings	2 874	121	2 995	3 427
Interest rate and administrative costs	797	0	797	866
Gross pension costs	3 671	121	3 792	4 293
Return on pension plan assets	-764	0	-764	-702
Amortization of passed service costs and gains/losses	154	-987	-833	349
Administration costs	73	0	73	0
Accrued social security cost	444	-122	322	555
NET PENSION COSTS	3 578	-988	2 590	4 495

Pension liabilities	Funded	Unfunded	2007	2006
Pension liabilities	20 133	119	20 252	20 656
Pension plan assets	15 201	0	15 201	14 182
Calculated pension liabilities	4 932	119	5 051	6 474
Past service cost	-677	0	-677	-846
Unrecognised actuarial gains/losses	-1 122	2	-1 120	-1 929
Social security cost	428	17	445	512
NET PENSION LIABILITIES	3 561	138	3 700	4 211

NOTE 21

TAX

Tax expense	2007	2006
Taxes payable	29 771	-16 327
Change in deferred tax asset	0	0
Change in deferred tax liability	-5 269	7 538
Change in deferred tax liability due to implementation of IFRS	0	-5 024
THIS YEAR’S TAX EXPENSE	24 502	-13 813

Tax expense is related to foreign subsidiaries.

Taxes payable	2007	2006
Profit before tax	386 277	72 975
Entities without tax	-226 038	
Permanent differences	-46 549	-43 004
Change in temporary differences	-3 610	24 285
TAX BASIS FOR THE YEAR	110 080	54 256
Tax rate	30%	30%

Deferred tax	2007	2006
Fixed assets	-190 962	233 331
Pension	-3 700	-4 211
Other temporary differences	-169 385	0
Loss carried forward	-257 233	-134 427
Temporary differences 31 December	-621 280	94 693
Tax rate	28%-30%	28%-30%
DEFERRED TAX LIABILITY 31 DECEMBER	103 843	31 172
DEFERRED TAX ASSET 31 DECEMBER	7 868	0
Deferred tax benefit not recognized in the balance sheet	71 668	38 596

Deferred tax benefit not recognised in the balance sheet is related to loss carried forward in Statkraft Norfund Power Invest 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 operations imply that future profits will not primarily be taxable. The benefits of deferred tax accordingly cannot be justified for 2007 and have not been recognised in the company’s balance sheet.

NOTE 22

PROVISIONS AND CONTINGENT LIABILITIES

	Dismantling	Claims	Total
Balance sheet 31 December 2006	0	6 176	6 176
Effect of foreign exchange differences in 2007	0	1 584	1 584
Additions 2007	2 498	22 634	25 132
Unused amounts reversed 2007	0	0	0
BALANCE SHEET 31 DECEMBER 2007	2 498	30 394	32 892

Additions in 2007 relates to provisions made in Electroandes S.A. There has been no movement on these after acquisition of the company.

	USD	NOK
Additions 2007		
EDEGEL S.A.A.	3 950	21 404
ARO	461	2 498
Other	227	1 230
Total Electroandes S.A.	4 638	25 132
Provisions related customs claims and claims from regulators	1 432	7 760
TOTAL LONG-TERM ACCRUALS - PROVISION	6 070	32 892

EDEGEL S.A.A. USD 3,950 (NOK 21,404), corresponds to the provision made by Electroandes S.A to cover the claims relating to the operations of the National Interconnected System and the manner of recalculating firm power. In February 2007, the Arbitral Tribunal issued a resolution favorable to the counterpart. The resolutions have been questioned before the judicial power. In management’s opinion, it is not possible to foresee the final result of the lawsuit. Management and the legal advisors consider, in accordance with the provisions of the Regulations of the Electrical Concessions Law, that the provision recorded for the claims would accrue interests only as from the due dates of the invoices issued when the claims are resolved. Therefore, a provision for interests has not been recognized, because the amount of the obligation cannot be reliably estimated.

ARO – USD 461 (NOK 2,498), is a provision made for dismantling cost related to Electroandes’ La Oroya and Pachachaca hydropower plants, which might be taken out of operation in 2012 due shift in water use to drinking water.

Contingent liabilities | In Chile, the construction of La Higuera plant has been subject to completion delays. The project contractor has so far posted a number of significant monetary and extension of time claims, plus variation orders relating to design changes, primarily for construction work yet to be performed. Detailed consultant studies have been commissioned and legal advice taken to ascertain reasonable final values of the variation orders that are in process. The SN Power management considers the significant contractor claims to be without foundation and as such, there is uncertainty as to whether a future liability will arise in respect of these items. As such, management do not believe that it is probable that there will be an outflow of resources to settle these claims. SN Power Group’s share of the La Higuera project is 50% through the company Hidroelectrica La Higuera S.A.

The Contractor has also issued legal proceedings against Hidroelectrica La Confluencia S.A and their common shareholder companies relating to the first right of refusal for the construction of the La Confluencia power plant. Again, management do not believe that it is probable that there will be an outflow of resources to settle these claims.

NOTE 23

LONG-TERM DEBT

Lender (Specification)	Borrower	Effective interest rate	Maturity date	Original currency of the loan	Balance 31 Dec 07 in original currency	Balance 31 Dec 06 in original currency	Carrying amount 2007	Carrying amount 2006
2006								
International Finance Corp.	Himal Power	11.48%	2011	USD	14 261	16 937	77 278	105 744
International Finance Corp.	Himal Power	13.73%	2011	USD	1 574	2 024	8 529	12 638
Asian Development Bank	Himal Power	10.50%	2011	USD	13 814	16 934	74 855	105 722
Asian Development Bank	Himal Power	13.73%	2011	USD	1 582	2 034	8 573	12 696
Eksportfinans	Himal Power	5.95%	2012	USD	12 163	14 595	65 909	91 119
Norad	Himal Power	5.50%	2011	NOK	9 545	13 509	9 545	13 509
Corporate Bond “Cahua”	Cahua	Libor 3 mth+1.75	2015	USD	25 907	28 456	140 483	177 657
Project “Jequetepeque - Zaña”	Cahua	6.00%	2011	USD	1 475	1 478	7 993	9 227
EA Bonds: First Issuance	Electroandes	6.4375%	June 2013	USD	50 000	0	270 940	0
EA Bonds: Third Issuance	Electroandes	5.8750%	Dec 2013	USD	20 000	0	108 376	0
EA Bonds: Second Issuance	Electroandes	6.00% + VAC	Sept 2015	PEN	116 343	0	210 358	0
Total secured long-term debt							982 838	528 312
1st year’s principal repayments on long-term debt							75 127	56 657
TOTAL LONG-TERM DEBT EXCLUDING THE 1ST YEAR’S PRINCIPAL REPAYMENTS							907 711	471 655

VAC = Valor Adquisitivo Constante – Inflation adjustment

The rate of interest is a calculated weighted average.

The effective interest rate include the effect of interest rate derivatives treated as hedging of the different loans.

See Note 3 Financial, political and market risk and note 25 Financial instruments for description of interest rate risk.

Pledged as security | The SN Power Group only has non-recourse debt reported on its balance sheet which is used to fund investments and capital expenditures for construction and acquisition of our power plants at our subsidiaries. This debt is secured by the capital stock in certain cases, physical assets, contracts and cash flows of the related subsidiary. The risk is limited to the respective business and is without recourse to the parent company, Statkraft Norfund Power Invest AS, and other subsidiaries.

The terms of the SN Power Group’s non-recourse 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 and limitations on incurring additional indebtedness

As of 31 December 2007 and 2006, approximately 74 MNOK and 84 MNOK, 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 accompanying consolidated balance sheets.

Various lender and governmental provisions restrict the ability of the SN Power Group’s subsidiaries to transfer their net assets to the parent company, Statkraft Norfund Power Invest AS. Such restricted net assets of subsidiaries amounted to approximately 2,188 MNOK at 31 December 2007.

NOTE 24

SPECIFICATION OF OTHER CURRENT LIABILITIES

Other current liabilities	2007	2006
Payables to employers and shareholders	11 363	1 099
Accrued salary and vacation expense	7 965	2 947
Accrued costs and deferred revenue	44 535	44 500
Other current liabilities	39 327	9 847
TOTAL OTHER CURRENT LIABILITIES	103 190	58 393

NOTE 25

TRANSACTIONS WITH RELATED PARTIES

Specification of related parties for SN Power Group

Related parties for SN Power Group	Relation
Statkraft Group	Owner in Statkraft Norfund Power Invest AS
Norfund	Owner in Statkraft Norfund Power Invest AS
Hidroelectrica La Higuera S.A	Associated company
Hidroelectrica La Confluencia S.A	Associated company
Nividhu (Pvt) Ltd	Associated company
Malana Power Company Ltd	Associated company
Allain Duhangan Hydro Power Ltd	Associated company
SN Aboitiz Power Inc	Associated company
Manila-Oslo Renewable Enterprise, Inc.	Associated company

Other shareholders (Partners) in associates and subsidiaries are not defined as related parties.

All the transactions with related parties have been carried out as part of the ordinary operations and at arms length prices.

Transaction type	Related party	2007	2006
Purchase of goods and services			
Operation and maintenance services	Statkraft Group	5 436	3 765
Sale of goods and services			
Sale of project development services	Hidroelectrica La Higuera S.A	3 354	2 791
Sale of project development services	Hidroelectrica La Confluencia S.A	387	0
The balance sheet includes the following amounts resulting from transactions with related parties		2007	2006
Account receivable - Related parties		1 225	1 550
Short term receivable - Related parties		27 820	0
Account payable - Related parties		7 348	6 492

NOTE 26

EXPLANATION OF TRANSITION TO IFRS

This is the company’s first consolidatd accounts presented in accordance with IFRS.

The accounting principles in note 1 have been used to prepare the company’s consolidated accounts for 2007, comparable figures for 2006 and an IFRS opening balance sheet as of 1 January 2006, which is the Group's date of transition from Norwegian accounting principles (NGAAP) to IFRS.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations had no effect on the financial statements of the Group. They did, however, give rise to additional disclosures

IAS 19 Employee Benefits | The Group adopted the amendments to IAS 19 as of 1 January 2007. As a result, additional disclosures are made providing information about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. This change has resulted in additional disclosures, but has not had a recognition or measurement impact, as the Group has chosen not to apply the new option offered to recognize actuarial gains and losses outside of the income statement.

IAS 39 Financial Instruments: Recognition and Measurement | Amendment for financial guarantee contracts – amended the scope of IAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recog-nized initially at fair value and to be re-measured at the higher of the amount determined in accordance with IAS 37 Provi-sions, Contingent Liabilities and Contingent Assets and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 Revenue. This amendment did not affect the financial statements.

Amendment for the fair value option – IAS 39 was first amended to change the definition of financial instruments classified at fair value through profit or loss and restricted the ability to designate financial instruments as part of this category. It was further amended in June 2005 to restrict the use of the fair value option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group did not previously use this option, therefore the amendment did not affect the financial statements.

Amendment for hedges of forecast intra-group transactions – amended IAS 39 to permit the foreign currency risk of a highly probable intra-group forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the for- eign currency risk will affect the consolidated income statement. The amendment did not affect the financial statements.

IAS 21 The Effects of Changes in Foreign Exchange Rates | The Group adopted the amendments to IAS 21 as of 1 January 2007. As a result, all exchange differences arising from a non-monetary item that forms part of the Group’s net investment in a foreign operation are recognized in a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. This change had no significant impact as of 31 December 2007 or in 2006.

IFRIC 4 Determining Whether an Arrangement Contains a Lease | The Group adopted IFRIC 4 as of 1 January 2007, which requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. This change in accounting policy had no impact on the Group as of 31 December 2007 or in 2006.

IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | The Group adopted IFRIC 5 as of 1 January 2007, which establishes the accounting treatment for funds established to help finance decommissioning for a companies assets. As the Group does not currently operate in a country where such funds exist, this interpretation has had no impact on the financial statements.

In connection with the preparation of the IFRS opening balance, the Group made some adjustments to the accounting figures compared to those reported earlier in the Group’s annual accounts that were prepared according to NGAAP. The effect of the transition from NGAAP to IFRS on the Group's financial position, the Group's results and the Group's cash flow, is explained in greater detail in this note.

The material effects of the translation from NGAAP to IFRS are due to:
– Coordination of useful life on fixed assets among companies in the group.
– Decomposing of fixed assets.

Specification of effects on Profit and Loss and Balance Sheet | No adjustments were identified on date of transition 1 January 2006.

Reconciliation of equity 1 January 2006	Amount		
Retained earnings NGAAP 31 December 2005			-64 386
IFRS adjustments 1 January 2006			0
Net effect on deferred tax from implementation of IFRS			0
RETAINED EARNINGS IFRS 1 JANUARY 2006			-64 386

Income statement 1 January – 31 December 2006	NGAAP 2006	IFRS 2006	Change
OPERATING REVENUES AND EXPENSES			
Sales revenues	328 204	328 204	0
Total operating revenues	328 204	328 204	0
Cost of goods sold	50 741	50 741	0
Salary and personnel costs	49 607	49 607	0
Ordinary depreciation and amortization	64 412	51 730	-12 682
Write-downs	8 905	8 905	0
Other operating costs	78 435	78 435	0
Total operating costs	252 100	239 418	-12 682
OPERATING PROFIT/LOSS	76 104	88 786	12 682
FINANCIAL INCOME AND EXPENSES			
Income from investments in associates	18 417	18 417	0
Interest income	18 944	18 944	0
Other financial income	14 196	14 196	0
Interest expenses	-46 747	-47 093	-346
Other financial expenses	-7 939	-7 593	346
Net financial items	-3 129	-3 129	0
PROFIT/LOSS BEFORE TAX	72 975	85 657	12 682
Tax	-16 327	-16 327	0
Changes in deferred tax	7 538	2 514	-5 024
Tax	-8 789	-13 813	-5 024
NET PROFIT/LOSS FOR THE YEAR	64 186	71 843	7 657
Minority interests	-42 356	-43 041	-685
NET PROFIT FOR THE YEAR AFTER MINORITY	21 830	28 802	6 972

Specification of effects on Profit and Loss and Balance Sheet

BALANCE SHEET 31 December 2006	NGAAP 31 Dec 2006	IFRS 31 Dec 2006	Effect on transition to IFRS
ASSETS			
Fixed assets			
Intangible fixed assets			
Water rights	24 973	0	-24 973
Road and land rights	5 299	5 299	0
Project development	7 971	7 971	0
Software licences	1 065	1 065	0
Total intangible fixed assets	39 308	14 335	-24 973
Tangible fixed assets			
Land	5 363	5 326	-37
Water rights	0	24 973	24 973
Plants and machinery	993 243	1 015 314	22 071
Fixtures and fittings, vehicles, other equipment	32 423	22 704	-9 719
Total tangible fixed assets	1 031 029	1 068 309	37 288
Financial fixed assets			
Investment in associates	660 630	660 630	0
Investment in shares	3 303	3 311	8
Total financial fixed assets	663 933	663 941	8
TOTAL FIXED ASSETS	1 734 270	1 746 584	12 323
Current assets			
Inventories	5 119	5 119	0
Receivables			
Accounts receivable	84 853	84 834	-19
Other receivables	25 090	25 109	19
Total receivables	109 943	109 943	0
Financial current assets			
Financial instruments (FX hedge contracts)	3 570	3 570	0
Total financial current assets	3 570	3 570	0
Bank deposits, cash and cash equivalents	756 281	756 281	0
TOTAL CURRENT ASSETS	874 913	874 913	0
TOTAL ASSETS	2 609 183	2 621 497	12 323

Specification of effects on Profit and Loss and Balance Sheet

BALANCE SHEET 31 December 2006	NGAAP 31 Dec 2006	IFRS 31 Dec 2006	Effect on transition to IFRS
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	852 507	852 507	0
Share premium reserve	852 507	852 507	0
Total paid-in equity	1 705 014	1 705 014	0
Retained earnings			
Other equity	-76 361	-69 589	6 772
Minority interest	260 236	260 905	669
Total retained earnings	183 875	191 315	7 440
TOTAL EQUITY	1 888 889	1 896 329	7 440
Liabilities			
Provisions			
Pension commitments	4 211	4 211	0
Deferred tax	69 768	74 642	4 874
Other long-term provisions	6 176	6 176	0
Total provisions	80 155	85 029	4 874
Other long-term liabilities			
Liabilities to financial institutions	471 655	471 655	0
Total other long-term liabilities	471 655	471 655	0
Current liabilities			
Liabilities to financial institutions	56 657	56 657	0
Accounts payable	20 595	20 595	0
Tax payable	8 178	8 178	0
Public tax payable	881	881	0
Dividends payable	23 780	23 780	0
Other current liabilities	58 393	58 393	0
Total current liabilities	168 484	168 484	0
TOTAL LIABILITIES	720 294	725 168	4 874
TOTAL EQUITY AND LIABILITIES	2 609 183	2 621 497	12 314

Reconciliation of equity 31 December 2006	Amount
Retained earnings NGAAP 31 December 2006	183 875
IFRS adjustments 31 December 2006	
Change in depreciation rates – Empresa de Generacion Electrica Cahua	10 972
Change in depreciation – Himal Power Ltd.	1 342
Net effect on deferred tax from implementation of IFRS	-4 874
RETAINED EARNINGS IFRS 31 DECEMBER 2006	191 315

INCOME STATEMENT
(Figures in 1 000)

	NOTE	2007 NOK	2006 NOK
OPERATING REVENUES AND EXPENSES			
Sales revenues	2	28 684	16 652
Total operating revenues		28 684	16 652
Salary and personnel costs	3	30 418	24 514
Ordinary depreciation and amortization	6	317	185
Other operating costs	4	38 334	38 691
Total operating costs		69 070	63 390
OPERATING PROFIT/LOSS		-40 385	-46 738
FINANCIAL INCOME AND EXPENSES			
Interest income		26 298	11 545
Other financial income	5	0	13 549
Interest expenses		-75	-45
Other financial expenses	5	-92 133	-12 619
Net financial items		-65 910	12 430
PROFIT/LOSS BEFORE TAX		-106 295	-34 308
Tax	8	0	0
NET PROFIT/LOSS FOR THE YEAR		-106 295	-34 308

BALANCE SHEET AT 31 DECEMBER
(Figures in 1 000)

	NOTE	2007 NOK	2006 NOK
ASSETS			
Fixed assets			
Intangible fixed assets			
Project development	6	5 883	3 400
Software licences	6	620	316
Deferred tax asset	8	0	0
Total intangible fixed assets		6 503	3 716
Tangible fixed assets			
Fixtures and fittings, vehicles, other equipment	6	357	158
Total tangible fixed assets		357	158
Financial fixed assets			
Investment in subsidiaries	9	3 529 750	1 144 250
Total financial fixed assets		3 529 750	1 144 250
TOTAL FIXED ASSETS		3 536 610	1 148 124
Current assets			
Receivables			
Accounts receivable		752	707
Intra-group receivables	12	80 925	32 122
Other receivables		39 690	9 155
Total receivables		121 367	41 984
Financial current assets			
Financial instruments (FX hedge contracts)	11	0	3 570
Total financial current assets		0	3 570
Bank deposits, cash and cash equivalents	10	259 677	387 528
TOTAL CURRENT ASSETS		381 044	433 082
TOTAL ASSETS		3 917 653	1 581 206

BALANCE SHEET AT 31 DECEMBER
(Figures in 1 000)

	NOTE	2007 NOK	2006 NOK
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital (20 525 000 shares at NOK 100)	11	2 052 500	852 507
Share premium reserve	11	2 052 500	852 507
Total paid-in equity		4 105 000	1 705 014
Retained earnings			
Other equity	11	-240 241	-142 872
Total retained earnings		-240 241	-142 872
TOTAL EQUITY		3 864 759	1 562 142
Liabilities			
Provisions			
Pension commitments	7	3 700	4 211
Total provisions		3 700	4 211
Current liabilities			
Accounts payable		5 292	3 783
Intra-group payables	12	8 291	0
Public tax payable		2 541	881
Financial instruments (FX hedge contracts)	11	19 419	0
Other current liabilities		13 653	10 189
Total current liabilities		49 195	14 853
TOTAL LIABILITIES		52 895	19 064
TOTAL EQUITY AND LIABILITIES		3 917 653	1 581 206

Oslo, 22 April 2008

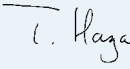
The Board of Directors of Statkraft Norfund Power Invest AS


Kjell Roland
Chairman



Siri Hatlen
Vice-Chair


Tone Wille
Director


Stein Dale
Director


Tore Haga
Director


Mark Davis
Director


Øistein Andresen
President & CEO

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER
(Figures in 1 000)

	Share capital	Share premium	Other equity	Total equity
AT 1 JANUARY 2006	600 000	600 000	-116 193	1 083 807
Capital increase	252 507	252 507	-	505 014
Foreign currency effects on FX-hedges recognised directly against equity	-	-	7 629	7 629
Net profit/loss 2006	-	-	-34 308	-34 308
AT 31 DECEMBER 2006	852 507	852 507	-142 872	1 562 142
Capital increase	1 199 993	1 199 993	-	2 399 986
Foreign currency effects on FX-hedges recognised directly against equity	-	-	8 927	8 927
Net profit/loss 2007	-	-	-106 296	-106 296
AT 31 DECEMBER 2007	2 052 500	2 052 500	-240 241	3 864 759

CASH FLOW STATEMENT
(Figures in 1 000)

	2007 NOK	2006 NOK
CASH FLOW FROM OPERATIONAL ACTIVITIES		
Profit/loss before tax	-106 295	-34 308
Tax paid	0	0
Ordinary depreciation	317	185
Difference between this year's pension expense and pension premium	-127	1 132
Effect of exchange rate changes	0	5 856
Change in accounts receivable	-45	-697
Change in accounts payable	1 509	1 092
Change in intra-group accounts	-40 512	-14 253
Change in other current assets and liabilities	-25 795	7 523
Net cash flow from operational activities	-170 948	-33 470
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investment in tangible and intangible fixed assets	-3 304	5 934
Investments in subsidiaries	-2 385 500	-259 645
Proceeds from realised FX hedge contracts	31 915	13 440
Net cash flow from investment activities	-2 356 889	-240 271
CASH FLOW FROM FINANCING ACTIVITIES		
New paid-in equity	2 399 986	285 409
Net cash flow from financing activities	2 399 986	285 409
Effect of exchange rate changes on cash and cash equivalents		-15 237
Net change in cash and cash equivalents	-127 851	-3 569
Cash and cash equivalents at 1 January	387 528	391 097
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	259 677	387 528

NOTES

(Figures in 1 000)

NOTE 1

ACCOUNTING POLICIES

Summary of significant accounting policies | The financial statements have been presented in compliance with regulation regarding simplified IFRS dated 21 January 2008. There have been no effects in the financial statements of the transition to simplified IFRS. The financial statements consist of the income statement, balance sheet, cash flow statement and notes to the accounts.

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

Revenue recognition | Sale of services is 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 | 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 in the line items *Other financial income* or *Financial expenses*.

The company uses 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. 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 is separated and charged to the income statement.

Investments | Investments in subsidiaries are accounted for using the cost method, and are recorded at the acquisition price of the shares. Impairment is implemented at real value

when a fall in value is due to reasons that cannot be assumed to be transient and is deemed necessary according to generally accepted accounting principles. Write-downs are reversed when there is no longer a basis for depreciation. Dividends from subsidiaries are taken to income in the parent company in the year earned and not in the year payment occurs. 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 capitalised only if future economic benefits from the development of an intangible asset is probable. Development costs will often be capitalised when a construction project is more probable than not, but no formal investment decision has been made yet.

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. Tangible fixed assets held under financial lease agreements are recognised in the balance sheet and depreciated over the estimated useful life of the asset. The present value of lease payments is included in long-term interest-bearing debt. The debt is reduced by the amount of lease payments less the effective interest rate. Other lease agreements are classified as operational and the annual leasing fee is charged as a leasing expense.

Trade receivables | Trade receivables are measured at realisable 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. 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 unused tax losses. Deferred tax assets are recognised only when it is expected that the benefit can be utilised 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. This are calculated based on assumptions for 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 personnel expenses. 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 included in net pension expense over the average remaining working lives of participants for that part of the accumulated effect that exceeds 10% of the greater of plan assets or pension liabilities. 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 2

SALES REVENUES

By business area	2007	2006
Services	28 684	16 652
TOTAL	28 684	16 652

By geographical market	2007	2006
Norway	409	8 002
Latin America	12 962	3 296
Asia	9 612	5 026
Africa	5 701	328
TOTAL	28 684	16 652

NOTE 3

EMPLOYEE BENEFIT EXPENSES AND MANAGEMENT REMUNERATION		
Salary and personnel costs	2007	2006
Salary expenses	18 426	16 452
Social security costs	3 519	2 379
Pension costs (note 7)	2 590	4 495
Other employee benefits	517	0
Other personnel costs	5 365	1 188
TOTAL SALARY AND PERSONNEL COSTS	30 418	24 514

Average number of man-years	2007	2006
SN Power Invest AS	26	21

Remuneration to leading employees | The President & Chief Executive Officer received a salary of NOK 1.421.529, paid pension premium of NOK 29.292 and other remuneration of NOK 54.088 in 2007. There are no contingent liabilities related to end of employment. No remuneration has been paid by Statkraft Norfund Power Invest AS to any of its Board Directors in 2007.

Auditor	2007
Fees to Ernst & Young for audit and audit-related services	249
Fees to Ernst & Young for other services	150
TOTAL FEES TO ERNST & YOUNG	399

NOTE 4

OTHER OPERATING COSTS		
	2007	2006
Leasing premises	2 576	2 033
External services	19 089	24 004
Travel expenses	7 148	5 974
Other costs	9 521	6 680
OTHER OPERATING COSTS	38 334	38 691

NOTE 5

FINANCIAL INCOME AND EXPENSES		
Other financial income	2007	2006
Group contribution	-	13 549
OTHER FINANCIAL INCOME	-	13 549

Other financial expenses	2007	2006
Foreign exchange differences	75 730	5 856
Interest element om FX hedges	16 403	6 763
OTHER FINANCIAL EXPENSES	92 133	12 619

Functional currency | Statkraft Norfund Power Invest AS’ functional and reporting currency is Norwegian Kroner (NOK) in 2007. From 2008, both reporting and functional currency will be changed to US Dollar, USD. The reason for change in reporting currency, is change in reporting currency to USD for SN Power Group. The reason for change in functional currency is due to the fact that most of the Group’s activities are in USD. Hedging strategy in Statkraft Norfund Power Invest AS will also be changed to reflect this.

NOTE 6

FIXED ASSETS			
Tangible assets	Furnitures, Office Fixtures	Office Equipment	Total
Acquisition cost at 1 January 2007	43	820	863
Additions	98	213	310
Disposals	-	-	-
ACQUISITION COST 31 DECEMBER 2007	141	1 033	1 173
Accumulated amortization 31 December 2007	-43	-773	-816
BOOK VALUE 31 DECEMBER 2007	97	260	357
Amortization for the year	0	111	112
Estimated economic life	3–10 yrs	3–10 yrs	
Depreciation method	linear	linear	

Intangible assets	Project Development*	Software Licences	Total
Acquisition cost at 1 January 2007	3 400	363	3 763
Additions	2 483	510	2 993
Disposals	-	-	-
ACQUISITION COST 31 DECEMBER 2007	5 883	873	6 756
Accumulated amortization 31 December 2007	-	(253)	(253)
BOOK VALUE 31 DECEMBER 2007	5 883	620	6 503
Amortization for the year	0	205	205
Estimated economic life	N/A	3–5 yrs	
Depreciation method	N/A	linear	

* Project Developement includes capitalised costs on projects that have 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 capitalised in the project developement company.

NOTE 7

PENSIONS

Statkraft Norfund Power Invest AS has pension plans which cover a total of 24 staff members and are in compliance with Norwegian legislation on mandatory pension. The pension plan confer the right to defined future benefits, mainly depending 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 and through a group pension scheme with Nordea Liv. In addition, executive employees have a supplementary plan. This plan confer a right to a pension of 66% of the salary up to a specific level as from the age of 65 years. The plan requires 30 years vesting period and is from 2007 and onwards funded by the company. Due to the change in funding, the scheme is disclosed as an unfunded plan in 2007. Transitional effects of changes in assumptions related to the closed plan in the Norwegian Public Service Persion Fund is amortized over 9 years. The annual effect is NOK 169 100. This is based on the average remaining vesting period for the 7 employees covered by this plan.

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

	2007	2006
Discount rate	4.5%	4.5%
Expected rate of return	5.5%	5.5%
Regulation of salary	4.5%	4.5%
Regulation of pension	2.0%	2.0%
Regulation of base rate	4.0%	4.0%
Turnover	5.0%	5.0%

Pensions costs	Funded	Unfunded	2007	2006
Net present value of the current year’s pension earnings	2 874	121	2 995	3 427
Interest rate and administrative costs	797	-	797	866
Gross pension costs	3 671	121	3 792	4 293
Return on pension plan assets	(764)		(764)	(702)
Amortization of passed service costs and gains/losses	154	(987)	(833)	349
Administration costs	73	-	73	
Accrued social security cost	444	(122)	322	555
NET PENSION COSTS	3 578	-988	2 590	4 495

Pension liabilities	Funded	Unfunded	2007	2006
Pension liabilities	20 133	119	20 252	20 656
Pension plan assets	15 201	-	15 201	14 182
Calculated pension liabilities	4 932	119	5 051	6 474
Past service cost	(677)	-	(677)	(846)
Unrecognised actuarial gains/losses	(1 122)	2	(1 120)	(1 929)
Social security cost	428	17	445	512
NET PENSION LIABILITIES	3 561	138	3 700	4 211

NOTE 8

INCOME TAX

	2007	2006
Profit before tax	-106 295	-34 308
Permanent differences	436	1 362
Changes in temporary differences	487	-66
Tax basis for the year	-105 372	-33 012
Tax rate	28%	28%
Tax payable	0	0
Changes in capitalized deferred tax assets	0	0
Changes in capitalized deferred tax liabilities	0	0
THIS YEAR’S TAX EXPENSE	0	0

	2007	2006
Fixed assets	-202	-330
Pensions	-3 699	-3 084
Financial investments	5 177	
Tax loss carried forward	-239 799	-134 427
Temporary differences at 31 December	-238 523	-137 841
Tax rate	28%	28%
DEFERRED TAX ASSET AT 31 DECEMBER 2007	-	-

Deferred tax asset is recognised based on an expectation about future taxable profit. Based on Statkraft Norfund Power Invest AS’ operations, future income will primarily not be taxable. Accordingly, deferred tax asset can not be utilized in 2007 and have not been recognised in the company’s balance sheet.

NOTE 9

LIST OF 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 03	Oslo	Norway	Investment	Statkraft Norfund Power Invest AS	100%	100%

Shares in subsidiaries are recorded in accordance with the cost method in the balance sheet of Statkraft Norfund Power Invest AS. Paid in capital to SN Power Holding AS was NOK 3 529 750 at 31 December 2007.

NOTE 10

GUARANTEES, CASH AND CASH EQUIVALENTS ETC.

Guarantees | Guarantees for greenfield projects under construction amounts to 27 MUSD, equivalent to 145 MNOK with closing rate 31 December 2007. Other guarantees amounts to 18 MUSD, equivalent to 94 MNOK.

Cash and cash equivalents	2007	2006
Cash in hand and at bank	258 095	386 576
Restricted bank deposits – withholding tax employees	1 581	952
CASH AND CASH EQUIVALENTS 31 DECEMBER 2007	259 677	387 528

NOTE 11

SHARE CAPITAL, SHAREHOLDER INFORMATION AND FX HEDGE CONTRACTS

	Share capital	Share premium	Other equity	Total equity
Equity at 1 January 2007	852 507	852 507	-142 872	1 562 142
Capital increase	675 000	675 000	-	1 350 000
Unregistered capital increase at 31 December 2007*	524 993	524 993	-	1 049 986
Foreign currency translation effects on FX-hedges	-	-	8 927	8 927
This year’s net profit/loss	-	-	-106 296	-106 296
EQUITY AT 31 DECEMBER 2007	2 052 500	2 052 500	-240 241	3 864 759

* Unregistered capital increase was registered in the Register of Business Enterprises on 7 January 2008.

Nominal value per share is NOK 100. All issued shares have equal voting rights and are equally entitled to dividend.

FX hedge 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 the SN Power Group. The currency contracts are valued at fair value based on the spot element of the contracts and recorded as hedging. 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 equity.

The interest elements of the contracts are separated and charged to the income statement. For 2007 this amounted to NOK 7 817.

FX Hedge contracts at 31 December 2006	3 570
FX Hedge contracts at 31 December 2007	-19 419
Movement in market values of FX contracts in 2007	-22 989
Realized contracts in 2007	31 915
Recorded against other equity	8 927

Shareholders 31 December 2007	Number of shares	Owner and voting share
Statkraft AS	10 262 500	50%
Norfund	10 262 500	50%
TOTAL	20 525 000	100%

No dividends will be paid for 2007.

NOTE 12

TRANSACTIONS WITH RELATED PARTIES

	2007	2006
Intercompany short-term receivables		
SN Power Holding AS	70 444	12 549
SN Power Holding Singapore Pte. Ltd.	6 292	2 225
Himal Power Ltd.	548	3 678
SN Power Peru Holding S.R.L	651	5 517
Empresa de Generacion Electrica Cahua S.A.	277	111
SN Power Chile Inversiones Electricas Ltda.	2 713	7 042
TOTAL	80 925	31 122

	2007	2006
Intercompany short-term payables		
SN Power Holding AS	8 291	0
TOTAL	8 291	0

AUDITOR'S REPORT



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Medlemmer av Den norske Revisorforening

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

Auditor's report for 2007

We have audited the annual financial statements of Statkraft Norfund Power Invest AS as of 31 December 2007, showing a loss of NOK 106.295.000 for the Parent Company and a profit of NOK 280.493.000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. Simplified IFRSs pursuant to the Norwegian Accounting Act § 3-9 have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2007, and the results of its operations and cash flows and the changes in equity for the year then ended, in accordance with simplified IFRSs pursuant to the Norwegian Accounting Act § 3-9
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with law and regulations.

Oslo, 22 April 2008
ERNST & YOUNG AS
Olve Gravråk
State Authorised Public Accountant (Norway)
(sign.)

Note: The translation to English has been prepared for information purposes only.

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