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SN Power

Annual report 2011

www.snpower.com

10 YEARS OF
PURE POWER
SN POWER 2002-2012

Our business at a glance

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

24 plants

SN Power's current number of operating plants and plants under construction

10 years

Since 2002, SN Power has built a strong position in emerging hydropower markets

494 people

Number of employees in SN Power

1 192 MW

Net installed capacity with a mean annual generation of 5.000 GWh

AAO = average annual output

South America

BRAZIL

The SN Power-owned energy company Enerpar has offices in Rio De Janeiro

CHILE

LA CONFLUENCIA
Installed capacity (MW): 158
AAO (GWh): 642
SN Power ownership (%): 50

LA HIGUERA
Installed capacity (MW): 155
AAO (GWh): 758
SN Power ownership (%): 50

TOTORAL WIND FARM
Installed capacity (MW): 46
AAO (GWh): 103
SN Power ownership (%): 100

COLMITO
Installed capacity (MW): 60
AAO (GWh): 526.6
SN Power ownership (%): 50

PERU

ARCATA
Installed capacity (MW): 5
AAO (GWh): 27
SN Power ownership (%): 100

CAHUA
Installed capacity (MW): 43
AAO (GWh): 292
SN Power ownership (%): 100

GALLITO CIEGO
Installed capacity (MW): 38
AAO (GWh): 88
SN Power ownership (%): 100

LA OROYA
Installed capacity (MW): 9
AAO (GWh): 40
SN Power ownership (%): 100

MALPASO
Installed capacity (MW): 48
AAO (GWh): 140
SN Power ownership (%): 100

PACHACHACA
Installed capacity (MW): 10
AAO (GWh): 34
SN Power ownership (%): 100

PARIAC
Installed capacity (MW): 5
AAO (GWh): 36
SN Power ownership (%): 100

YAUPI
Installed capacity (MW): 113
AAO (GWh): 734
SN Power ownership (%): 100

CHEVES
(Project under development)
Installed capacity (MW): 171
AAO (GWh): 812
SN Power ownership (%): 100

Central America

COSTA RICA

SN Power opened an office in Costa Rica in June 2010

PANAMA

BAJO FRIO
(Project under development)
Installed capacity (MW): 58
AAO (GWh): –
SN Power ownership via Agua Imara (%): 50.1

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NORWAY

SN POWER
HEAD OFFICE

South Asia

INDIA

ALLAIN DUHANGAN
Installed capacity (MW): 192
AAO (GWh): 802
SN Power ownership (%): 43

MALANA
Installed capacity (MW): 109
AAO (GWh): 350
SN Power ownership (%): 49

NEPAL

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

KIRNE
Plans to expand the Khimti plant into another plant called Kirne

TAMAKOSHI
Project under development

SRI LANKA

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

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

Africa

MOZAMBIQUE

SN Power opened an office in spring 2012

ZAMBIA

MULUNGUSHI
(Project under development)
Installed capacity (MW): 28,5
AAO (GWh): 238
SN Power ownership via Agua Imara (%): 51

LUNSEMFWA
(Project under development)
Installed capacity (MW): 18
AAO (GWh): 133
SN Power ownership via Agua Imara (%): 51

Southeast Asia

THE PHILIPPINES

AMBUKLAO
Installed capacity (MW): 105
AAO (GWh): 207
SN Power ownership (%): 50

BINGA
(Project under development)
Installed capacity (MW): 120
AAO (GWh): 260
SN Power ownership (%): 50

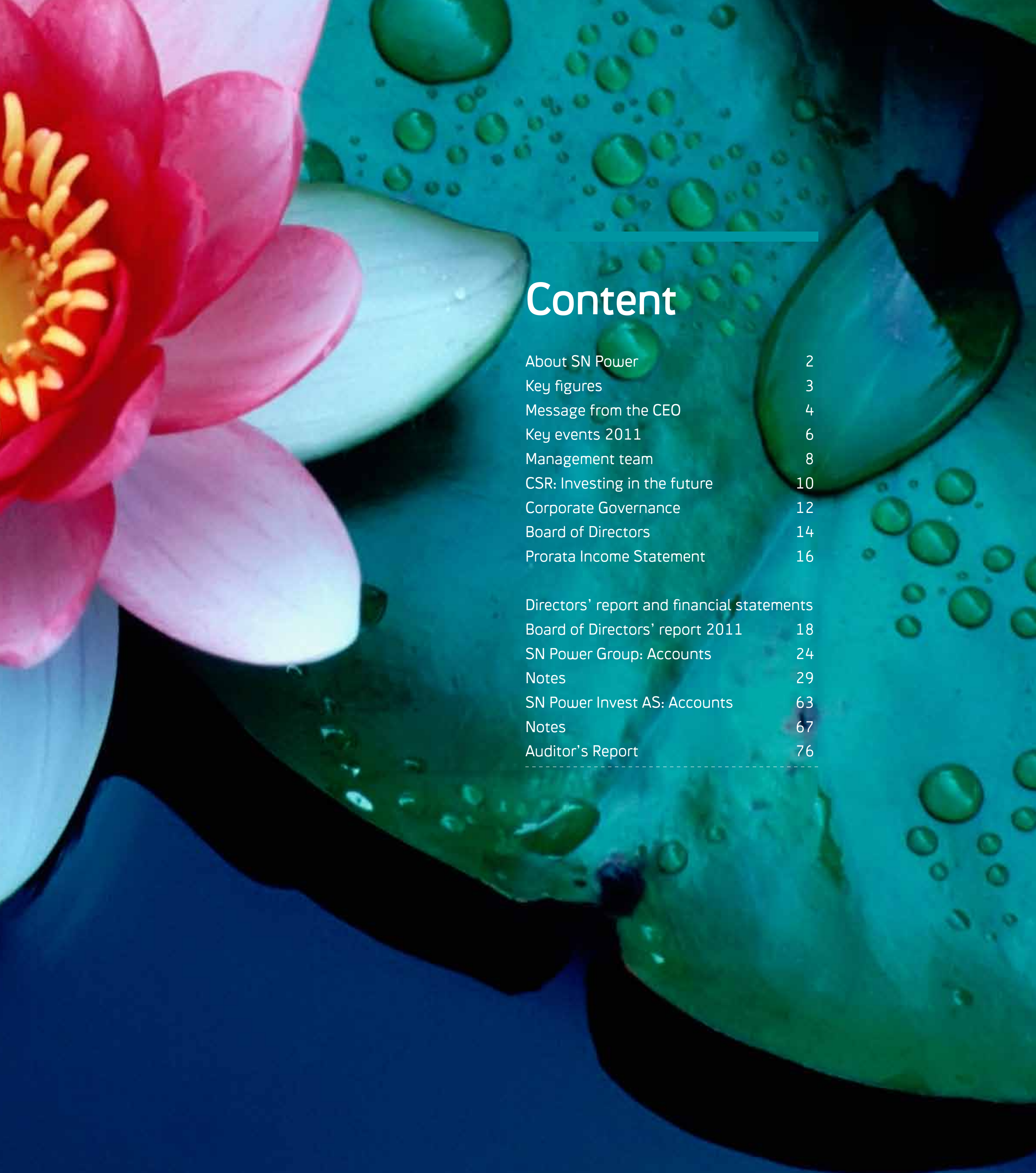
MAGAT
Installed capacity (MW): 360
AAO (GWh): 940
SN Power ownership (%): 50

SINGAPORE

Since 2003, SN Power has had an office in Singapore, and serve as a hub for business development and head office support in the region

VIETNAM

SN Power opened an office in Hanoi in April 2010



Content

10 YEARS OF
PURE
POWER
SN POWER 2002-2012

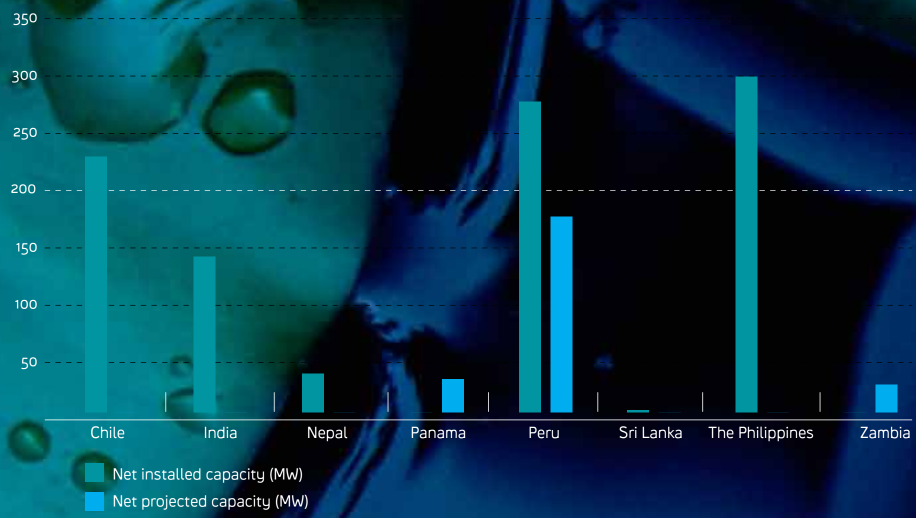
History

2012 marks the 10-year anniversary of SN Power. During this decade, we have delivered consistently on our mandate and established SN Power as an investor, developer and operator of sustainable hydropower projects in emerging markets in Latin America, Asia, and Africa.

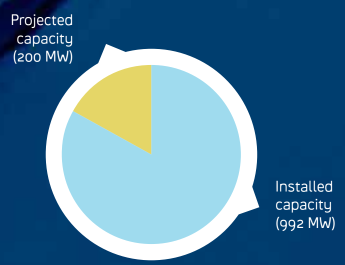
Diversified portfolio

SN Power has diversified its portfolio across different regions, focusing on projects and plants in emerging markets in Latin America, Asia, and Africa.

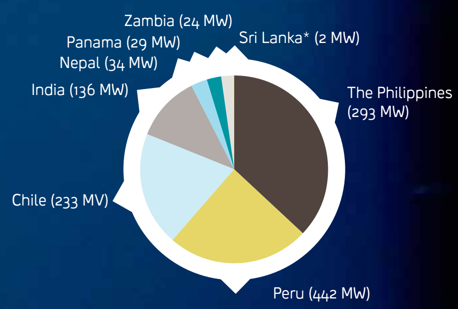
INSTALLED CAPACITY INCLUDING PROJECTS UNDER CONSTRUCTION (MW); AS OF DEC 2011



INSTALLED CAPACITY INCLUDING PROJECTS UNDER CONSTRUCTION (MW); AS OF DEC 2011



INSTALLED CAPACITY INCLUDING PROJECTS UNDER CONSTRUCTION (MW); BY COUNTRY AS OF DECEMBER 2011



2002 Statkraft Norfund Power Invest AS is established
2003 Entry into the Peruvian market
2004 Acquired two hydropower plants in India
2005 Construction start of La Higuera in Chile
2006 The Magat hydropower plant in Philippines is aquired
2007 Gross company portfolio increased with 340 MW
2008 SN Power marks first expansion into wind power
2009 SN Power AfriCA is established
2010 Decision to invest in Cheves hydropower project, Peru
2011 Establishment of vital foothold in Brazil, Zambia, Panama
2012 SN Power celebrates an eventful decade

OVERVIEW

About SN Power

ABOUT THE COMPANY

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

SN Power has invested more than USD 1100 million in equity through acquisitions and development of hydropower projects in Asia, Latin America and Africa. Currently, SN Power is involved in hydropower generation in the Philippines, Nepal, India, Chile, Sri Lanka and Peru and in addition SN Power owns one wind farm in Chile. Hydropower projects are under construction and/or assessment in Peru, Brazil, Nepal, India, Vietnam and the Philippines. SN Power's share of installed capacity in these operating plants and construction projects amounts to 1 192 MW, and an annual mean generation of almost 5 TWh.

A new company, now named Agua Imara, was established in January 2009 to focus on hydropower development in Africa and Central America.

SN Power and its subsidiaries had 494 employees worldwide at year-end 2011. In 2011, 715 people were employed through non-consolidated joint venture companies in which SN Power is a partner.

As part of the Statkraft Group, SN Power has a strong industrial foundation that builds on more than 100 years of developing, owning and operating hydropower in Norway. Statkraft is the largest renewable energy company in Europe with about 57 TWh in annual electricity production. In 2011, Statkraft's gross operating revenues (underlying) were 22.3 billion NOK.

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

Vision

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

Strategy

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

This positions SN Power at the intersection of two global mega trends: the growth in emerging markets and in renewable energy. SN Power plans to increase its equity generation capacity from 1 192 MW to over 3 000 MW by 2015. This growth is envisioned through the construction of new hydropower projects and through the acquisition of existing assets. This ambition includes the development of 700 MW of generation capacity in Africa and Central America, in which SN Power will hold 51 per cent. The owners of SN Power have committed capital to fund the company's ambitious expansion.

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

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

Mission

SN Power's mission:
To become a leading hydropower company in emerging markets, contributing to economic growth and sustainable development.

Core values

SN Power's core values:
COMPETENCE: using knowledge and experience to achieve ambitious goals and be recognized as a leader.

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

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

Key figures

	UNIT	2011	2010	2009	2008	2007	2006	2005
GROSS POWER PORTFOLIO								
Net installed capacity	MW	992	838	667	630	630	383	169
Net installed capacity under construction	MW	200	300	292	320	284	160	160
Gross production, actual	GWh	4 262	4 250	3 800	3 435	2 162	1 200	845
Net production (SN Power share)	GWh	2 933	2 858	2 700	2 492	1 470	813	652
FINANCIAL								
Gross operating revenue	MUSD	189	114	119	161	79	51	24
Income from associated companies/JVs	MUSD	83	84	31	28	31	3	3
EBITDA [1]	MUSD	45	29	46	60	37	23	3
Net earnings after tax	MUSD	31	53	41	52	47	11	-1
Cash flow from operational activities	MUSD	-36	32	17	38	30	15	-1
Cash and cash equivalents	MUSD	212	247	347	192	134	121	78
Equity	MUSD	1 761	1 305	1 215	863	802	304	167
Equity investments from SN power	MUSD	217	107	6	111	425	61	54
New equity	MUSD	473	-	281	79	409	81	118
Interest bearing debt/equity ratio [2]	%	25	24	26	36	23	28	20
Equity ratio [3]	%	71	76	75	70	77	72	75
HUMAN CAPITAL								
Employees	Number	494	427	466	479	415	220	122
Sickness absence	%	1.7	1.5	1.2	0.2	0.2	0.2	1.5
Lost-time injury frequency		2.4	7	6	-	2	6	5
Total recordable injury rate – Operations		2.5	3	1	4	N/A	N/A	N/A
Total recordable injury rate – Projects		6.9	4	6	16	N/A	N/A	N/A
ENVIRONMENT								
Environmental fines	MUSD	0	0	0	0	0	0	0
Carbon dioxide emissions [4]	TONNES	4 635	744	3 498	2 992	269	400	400

[1] Consolidated numbers, excluding income from associated companies/joint ventures.
[2] Long-term and short term liabilities to financial institutions / Total equity
[3] Equity / Assets
[4] Emissions from the Colmito back-up gas fired plant in Chile.

A solid year, an exciting decade

Message from the CEO

Torger Lien
CEO

2011 was a solid year for SN Power. With robust financial results and a series of important acquisitions, SN Power is positively positioned to take advantage of future possibilities in our different home markets.

From a financial perspective, Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) rose to MUSD 45, from MUSD 29 in 2010, while net profits declined to MUSD 31, from MUSD 53 in 2010 due to a currency hedge of MUSD 44. Our operations in the Philippines proved to be one of the key drivers for the economic results, while the problems in Chile had adverse economic consequences.

PROJECT HIGHLIGHTS

SN Power made its first significant inroad into the Brazilian market in May 2011, when we bought Enerpar (Energias do Parana Ltda), an energy commercialization company. Enerpar represents both an entry to the energy trading business and a foothold in the Brazilian marketplace. Our largest shareholder Statkraft has traded energy in the European region for years, and we are now in a position to leverage Statkraft's competence also in Brazil. Aside from the market entry potential, the purchase of Enerpar is also a sound financial transaction, with a promising forecast for future profitability.

In August we continued our expansion in Brazil when we agreed to buy a 40.65% shareholding in Desenvix, a renewable power company based in southern Brazil. The closing of the transaction will take place in the beginning of 2012. The acquisition marks the largest transaction SN Power has undertaken to date and represent a significant opportunity for growth.

In October we inaugurated, together with our partner Aboitiz Power, the 105 MW large Ambuklao hydroelectric power plant in the Philippines. Ambuklao was shut down in 1990 in the aftermath of a major earthquake. In the years that followed, the previous owners made several unsuccessful attempts to restore the capacity of the plant. It ranks as an achievement that our team managed to confront, and overcome, an array of technical challenges facing the project and restore Ambuklao. What's more, it was delivered on budget.

In addition to Ambuklao, we also started up electricity production at the first phase of the 158 MW large La Confluencia hydroelectric power plant in Chile. Both plants are now producing much needed renewable energy for the Chilean and Filipino markets.

On the topic of the Filipino market, our team has showed great entrepreneurial skills by using our

"In June SN Power will be celebrating its tenth anniversary. In the decade since the establishment of the company, our team has grown the business into an important player in the hydropower sector in key emerging markets across the globe."

TORGER LIEN
CEO

plants as providers of ancillary services to the local power grid. Since water can be stored in reservoirs and released when most needed, our plants provide backup power helping to maintain grid stability in times of fluctuating power supply.

Our subsidiary, SN Power Africa and Central America, changed its name in 2011 and is now operating under the Agua Imara brand.

2011 was an important year for Agua Imara on a number of fronts, as it also acquired its first company, as well as embarked on the construction of its maiden greenfield hydropower project. Agua Imara now owns the majority shareholding in Lunsemfwa Hydro Power Company Ltd (LHPC) in Zambia, a company that was earmarked due to its potential for further development in the market. In terms of greenfield construction, Agua Imara has started construction of the Bajo Frio Hydropower Project, a 58 MW run-of-river scheme located in western Panama.

Alongside the expansion of our portfolio of hydropower plants, the health and safety of our workers continued to be of paramount importance to the company. In 2011 there were no fatal accidents at any of our plants or projects, and the TRI figures were satisfactory.

CHALLENGES

Constructing and operating large hydropower plants is a complex business with inherent risks. In 2011 we faced several challenges within our asset portfolio.

In Chile we experienced a tunnel collapse at the La Higuera plant, which has resulted in a lengthy period of loss of production. Challenging repair work is needed before the plant can once again produce electricity.

Our Peruvian greenfield project Cheves has also been faced with unrest from within surrounding local communities. However, SN Power's team on the ground is working hard on finalising any remaining issues with the communities and construction is going well.

OUTLOOK FOR 2012

In June SN Power will be celebrating its tenth anniversary together with our owners, employees and partners. In the decade since the establishment of the company, our team has grown the business into an important player in the hydropower sector in key emerging markets across the globe. We now have around 1200 MW of renewable electricity in operation or under construction, offices in 14 countries and close to 500 dedicated employees. Key achievements well worth celebrating.

2012 will also see us make a concerted effort to acquire existing plants in our target markets, in tandem with further investments in greenfield projects. Our main focus areas will be Brazil, India and Vietnam, with the latter being a new market for us.

Several of our early-stage projects have now successfully matured into operating plants producing electricity. Thus, our goal going forward will be to ensure world class operations of the assets through optimization of our water resources, search for the best possible prices for our production, tight control of the cost efficiency, together with an improved management of the human resources.

In conjunction with our plant development and operation, SN Power will aim to strengthen its business footing in Brazil and India by building up Trading and Origination teams. Through their expert trading of both short and long-term energy contracts we can aim to get the best possible price for our electricity and the best possible returns for our owners.

TORGER LIEN
CEO

OVERVIEW

Key Events 2011

11 million people

In 2011, our plants had the capacity of providing almost 11 million people with electricity.

24 plants

SN Power has 24 plants across 8 countries on three continents.

4031 meters

The hydropower plant Malpaso in the Yauli province is at a height of 4,031 meters above sea level.

3000 MW

SN Power is working to develop a portfolio in the range of 3 000 MW of hydropower by 2015.

2011

Significant changes took place in SN Power during 2011, starting with the appointment of a new CEO and continuing with entries in three new markets; Brazil, Zambia, and Panama. In addition, the company's focus on health and safety brought good results.

MARCH

Torger Lien was appointed as new CEO in Statkraft Norfund Power Invest AS. Lien has a Master of Science degree in mechanical engineering from the Norwegian Institute of Technology in Trondheim and comes from the position as CEO in Fred. Olsen Renewables AS.

APRIL

As part of a strategy to reorganize a portion of its assets in Chile, SN Power entered into an agreement with its partner Centinela. Under this agreement, SN Power acquired the 20 percent participation of Centinela in Norvind S.A., increasing its ownership from 80 to 100 percent.

APRIL

The consortium comprising Tata Power and SN Power Norway won the bid for the development license for the Dugar Hydropower project (250 MW) in Himachal Pradesh, India. Tata Power and SN Power Norway entered into an exclusive partnership in 2009 to develop hydropower projects in India and Nepal.

500 people

SN Power has close to 500 people employed in 14 countries around the globe.

Smiles awarded

December 31: The Ambuklao, Binga, and Magat plants received the Safety Milestone Recognition (Smile) Awards from the Department of Labor and Employment's Bureau of Working Conditions (DOLE-BWC) in the Philippines for achieving record man-hours without a lost-time incident (LTI) during 2011. The Smile award is a recognition program for companies that have at least a million safe work-hours without LTI or at least a year of operation or construction activities without any cases of LTI.

New name, new logo

SN Power AfriCA changed its name to Agua Imara and announced new projects in Panama and Zambia. Agua Imara's first project is the Bajo Frio Hydro Electric Project in Panama. Agua Imara owns 50,1 percent of Bajo Frio and will be the industrial developer of the project.

AGUA IMARA
PART OF SN POWER GROUP

Ambuklao hydropower plant opened

October 27: The SN Aboitiz Power (SNAP), a daughter company of SN Power, fully commissioned the 105 MW Ambuklao hydroelectric power plant in the Philippines. The Ambuklao plant was registered under the Clean Development Mechanism (CDM) and is expected to generate 180,000 carbon credits.

With the theme "The Power to Renew," the inauguration of the Ambuklao plant highlighted SNAP's passion for innovation and excellence, renewing and honoring its pledge for the development of surrounding communities, and honor the rich indigenous culture of the residents of Benguet.

MAY

SN Power entered into an agreement to buy all the shares of the energy commercialization company Enerpar, a Brazilian subsidiary of the Norske Skog Group. The acquisition of Enerpar marked a significant event for SN Power, as it is both the first investment into Brazil, as well as the first investment in a pure energy commercialization company.

AUGUST

SN Power entered into an agreement to acquire a major shareholding in the Brazilian renewable power company Desenvix. The acquisition marked the largest transaction SN Power has undertaken to date. The assets are mainly hydropower, but also include two wind farms and a biomass plant under construction.

SEPTEMBER

The SN Power-owned company Agua Imara completed the acquisition of 51% of Lunsemfwa Hydro Power Company (LHPC) Ltd's shares in Zambia. LHPC currently owns two hydro power plants, Mulungushi Hydro Power Station and Lunsemfwa Hydro Power Station, and has a future potential of at least 120 MW.

NOVEMBER

Fountain Intertrade Corp. – a joint venture between Agua Imara and the Panamanian Credicorp Group Inc – started construction of the Bajo Frio hydropower project in Panama after having secured USD 155 million in debt financing.

Seven CDM registrations by 2011

2011: La Confluenica in Chile and Ambuklao and Binga in the Philippines were registered as Clean Development Mechanism projects by the United Nations Framework Convention on Climate Change. SN Power's seven registered CDM projects are expected to issue carbon credits amounting to more than 2 million CERs (Certified Emission Reduction) annually.

3 prizes

SN Power Aboitiz (SNAP) won three prizes at the Asian Power Awards in Malaysia. The awards recognize Asia's top power plant projects.

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Management team

Elsbeth Tronstad
EVP, CSER

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

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

Viggo Mossing
EVP, PRODUCTION & MARKET

BACKGROUND
Extensive executive experience from the hydropower industry as previous CEO/Production director at Akershus Kraft, Glomma & Lågen Kraftproduksjon, Halden Kraftproduksjon, Skien Kraftproduksjon and Øvre Hallingdal Kraftproduksjon, 1997–2008. Has also worked in Hydro Energy and was Plant Manager at the Sima Hydropower plant.

Viggo holds a degree in Electrical Engineering and a Business & Administration degree (partial) from BI Norwegian Business School.

Knut Reed
EVP, SOUTH ASIA

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

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

Torger Lien
CEO

BACKGROUND
President and CEO Nord Pool ASA, the Nordic Power Exchange from 2000 to 2009, then CEO of Fred. Olsen Renewables AS from January 2009 to 2011. CEO of Norwegian Oil Trading Holding AS from 1998 to 2000. Vice President Business development in Hydro Energy Internasjonal 1994 to 1998, Head of trading & commercial operation, including international operations in Hydro Energi 1992–1994. Several positions in Hydro Aluminium from 1989–1992 and Norsk Hydro Oil & Gas from 1982–1989.

Torger Lien holds an MSc in Mechanical Engineering from the Technical University of Trondheim (NTH).

Tor Stokke
CFO

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

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

Nils Morten Huseby
EVP, SOUTH AMERICA

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

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

Erik Knive
EVP, SOUTHEAST ASIA

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

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

Jarl Kosberg
EVP, PROJECTS AND CONSTRUCTIONS

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

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

Investing in the future

Here at SN Power we like to think long-term, says Elsbeth Tronstad, EVP, CSER. Each year's results are but one step upon a journey that we believe will take us, our investors and the communities that we operate in towards a brighter, more profitable and, crucially, more sustainable future.

ELSBETH TRONSTAD
EVP, CSER (CORPORATE SOCIAL ENVIRONMENTAL RESPONSIBILITY)

2011 has been an important step forward for the company's CSER initiatives (corporate, social, environmental responsibility).

CHANGES FOR THE BETTER

Hydropower, as a driver for positive change, brings obvious benefits to society. But, in the case of SN Power, it is just one of the development drivers.

As crucial as the supply of clean, renewable energy is the creation of societal infrastructure. As fundamental as power generation is the generation of local opportunities.

When we enter an emerging market we are making a commitment. That commitment is multi-faceted – with implications for all our stakeholders – but the most serious impacts are those that reverberate through the communities that we move into.

This gives us a unique responsibility, and one that we take very seriously.

Here you can get a taste of some of our key achievements in 2011.

CSER HIGHLIGHTS FROM 2011

- In Peru SN Power has given more than 13,000 people the opportunity to pass through various forms of vocational training, enhancing their career prospects.
- SN Power's Allain Duhangan Hydroelectric Project in India has sponsored local teachers and street lighting, while providing free medicine to impoverished local inhabitants. It has also made donations to religious and cultural activities, sport events for children and sponsored World Aids Day activities to counter the spread of HIV.
- In Nepal SN Power through HPL, with support from the Norwegian Foreign Ministry and the UN Development Programme, supported and enhanced a local energy cooperative to give it access to 400 kW of increased power, providing 3,700 locals with a stable source of electricity.
- Working with the same partners, the company built and renovated 900 toilets, 18 water sources, 11 irrigation systems and 11 schools in Nepal. It also awarded over 50 scholarships to girls, giving them the opportunity to enroll in secondary schools.
- Around 50 CSER projects were conducted in the Philippines. The Magat Daloy is an example of note, with SN Power successfully working with local fish breeders and farmers on improved utilization of water.

COMMUNICATION AND ACCOUNTABILITY

SN Power works hard to communicate the benefits of its projects to local inhabitants in our areas of operation – we have CSER responsible teams on the ground in every territory – fostering confidence and breeding long-lasting trust.

That trust and confidence is equally important to us when it comes to the business community and our investors.

That is why, with our majority owner Statkraft, SN Power committed to the GRI (Global Reporting Index) initiative three years ago.

This allows greater transparency – for investors, but equally importantly for the wider consumer – through all aspects of our CSER

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activity, providing us with a globally recognized 'quality stamp of approval' and allowing us to benchmark ourselves against other organizations. You can read more about our GRI profile in the featured side-box.

Alongside this external reporting we are working even harder on our internal standards going forward.

This year will see us radically redesigning our reporting structure, changing from annual internal reports on CSER to monthly reports throughout the organization.

This will lead to a clearer, more 'real-time' picture of our initiatives and embed CSER even more profoundly into our corporate being – it will become a matter of routine for everyone, opening our eyes even wider to the impacts, opportunities and challenges that we face.

As an organization we will be focusing even more on quality in 2012.

ACHIEVEMENTS AND AIMS

With our tenth birthday on the horizon it's tempting to look back at some of SN Power's achievements. Personally speaking, what the company has created in terms of its rural electrification programs - like the one we're currently developing in Khimti, Nepal – provides a real source of pride.

Establishing small hydropower plants through energy collectives, building distribution networks, training local people to run these plants and then seeing them create profits is hugely satisfying. To me, it almost provides a blueprint of how responsible businesses should operate.

The future will no doubt bring new challenges – developing hydropower plants in emerging markets is an inherently complex field of operation – but it will also open up new horizons and an array of opportunities.

Not just opportunities to make sustainable profits, but also to positively drive development in the societies that we come into contact with.

The journey has, in many ways, only just begun.

About Global Reporting Initiative (GRI)

SN Power has, along with its parent firm Statkraft, committed to using the Global Reporting Initiative (GRI) as one of the foundations of its sustainability reporting.
The GRI framework allows us to demonstrate our CSER principles and progress in an open and transparent manner, with key indicators measuring our performance across a range of environmental and social areas.
In total we report on 16 key indicators that take in our impact on issues such as biodiversity and natural resources, how we assist our workforce and local communities in handling outbreaks of disease and our approach with regard to hiring local suppliers and senior management across our projects.

IT COVERS ALL OF OUR AREAS OF OPERATION

The report also details how the company and its employees adhere to an established code of conduct and defined ethical policies.
SN Power has a diverse range of stakeholders and customers that are demonstrating an increasing interest in how the company conducts itself in the sustainability arena.
It is our aim to engage with these parties in a spirit of open dialogue and open reporting, clearly detailing our efforts across all our areas of business operation.

For more information on SN Power's commitment to CSER please visit www.snpower.com

Corporate governance

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

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

1. Corporate governance statement

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

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

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

2. Business

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

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

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

3. Share capital and dividend

Statkraft Norfund Power Invest AS has a share capital of thousand USD 571 349 divided among 31 846 443 shares, each with a face value of NOK 100.

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

See note 3 and 24 for more information about the management of the capital structure and note 20 for shares and shareholder information.

4. Equal treatment of shareholders and transactions with related parties

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

See note 26 for further information about related parties.

5. Freely negotiable

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

6. General meeting

The shareholders exercise supreme authority over Statkraft Norfund Power Invest AS through the annual general meeting. In accordance with the Articles of Association the annual general meeting shall be held annually before the end of June.

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

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

7. Nomination committee
N/A. There is no nomination committee.

8. The corporate assembly and board of directors, composition and independence
Pursuant to the Norwegian Public Limited Liability Companies Act, Statkraft Norfund Power Invest AS does not have a corporate assembly as it has fewer than 200 employees.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. Take-over of the company
N/A. Shares not traded.

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

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

Board of Directors

Anne Vera Skrivarhaug
BOARD MEMBER

EXTERNAL POSITION
Vice President of Market Analysis and a member of Statkraft Investment Committee

BACKGROUND
Former Advisor to the CEO of Statoil, Statoil's Head of Department for gas market analysis. Was previously a Director of several companies (Naturkraft, TEV, Skagerak Kraft, WindSea, Norwegian Gas Union).

Halvor Fossum Lauritzsen
BOARD MEMBER

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

BACKGROUND
Former Director of International Work for the Red Cross and Senior Advisor to the UN. Manager of several relief operations around the world and former CEO of Response Centre Group AS. Director of Scan Water AS, Fibrex Technology AS, Never.no AS and Compact AS.

Hilde Bekier-Larssen
BOARD MEMBER

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

BACKGROUND
Previously Field Engineer for Schlumberger in Brazil and Indonesia, consultant roles with PA Consulting and McKinsey and Senior Product Director at Hilti AG in Liechtenstein.

Mark Davis
BOARD MEMBER

EXTERNAL POSITION
Investment Director Renewable Energy, Norfund

BACKGROUND
Management positions with Norfund and ECON Analysis. Postgraduate Director, EDRC, University of Cape Town. Director of TronderPower Ltd.

SN Power's two owners, Statkraft and Norfund, nominate representatives to the Board. Four directors are nominated by Statkraft, while two are nominated by Norfund. In addition, two directors are elected by, and from among, the employees of SN Power. The Chairman is elected by the Annual General Meeting from among the directors nominated by Statkraft.

Øistein Andresen
CHAIR

EXTERNAL POSITION
Executive Vice President, International Hydropower, Statkraft

BACKGROUND
Former CEO of SN Power from 2002 to 2010. Previously worked for ABB, Statkraft Engineering, Akershus Energy and as Secretary General of the Norwegian Ski Federation.

Eli Skrøvset
BOARD MEMBER

EXTERNAL POSITION
Senior Advisor, Statkraft

BACKGROUND
Director of Agder Energi AS, Avinor AS, Småkraft AS, Statkraft Energi AS, Statkraft Development AS and Secora AS. Has previously held management positions in Statkraft.

Egil Reinhard Gjesteland
BOARD MEMBER

EXTERNAL POSITION
Board Chairman of Gjesteland Consulting AS

BACKGROUND
Former Project Director with Statoil

Tore Haga
BOARD MEMBER

EXTERNAL POSITION
Senior Vice President International, Statkraft

BACKGROUND
Previous management positions with Aker AS, the Kvaerner Group and Lindorff Holding AS. Director with Theun Hinboun Power Company Limited, Nordic Hydro Power AB, Asia Power Invest AB and Fuglesangs Limited AS

Prorata Income Statement 2011

SN Power Group

AMOUNTS IN 1 000	CONSOLIDATED 2011	MINORITY (-) 2011	ASSOCIATED COMPANIES/JV'S (+) 2011	DERIVATIVES 2011	PRORATA 2011	PRORATA 2010
OPERATING REVENUES AND EXPENSES						
Sales revenues	189	-25	293		457	262
Cost of goods sold	-48	-	-103		-152	-43
Salary and personnel costs	-44	4	-9		-49	-37
Ordinary depreciation and amortization	-29	3	-31		-56	-51
Other operating costs	-51	6	-25		-70	-48
Income from investments in associates	83	-	-		-	-3
EARNINGS BEFORE FINANCIAL ITEMS AND TAX	99	-11	124		130	80
Financial income	17	-1	2		18	17
Financial expenses	-25	0	-52		-76	-40
Gains and losses on derivatives	-51	-	-	51	-	-
NET FINANCIAL ITEMS	-58	-1	-50		-58	-23
PROFIT/LOSS BEFORE TAX	42	-12	75		72	58
This year's tax expense	-11	2	8		-1	-6
NET PROFIT/LOSS FOR THE YEAR	31	-11	83		71	52

(Prorata = multiplied with SN Power owner share)

In order to have a better and more complete picture of SN Power's financial status, prorated numbers adjusted for changes in fair value are used for internal reporting.

SN Power's business model is to a large extent built on development of joint projects with local partners and in such projects the power to govern financial and operational matters will be shared between the shareholders.

In the financial statements these investments are treated in accordance with the equity method, and presented as a single line item in the income statement and in the balance sheet. For internal reporting purposes, in order to have a better and more complete picture of the financial result, prorated numbers are used and these are also adjusted for effects from fair value changes in derivatives.

SN POWER

Board of Directors' report and financial statements 2011

Board of directors' report

1. Highlights

> The company's net profit in 2011 was MUSD 31 against MUSD 53 in 2010. The decrease is mainly due to losses on derivatives, recorded at fair value through profit and loss. Adjusted for these one-off items the Group showed a profit of MUSD 82 in 2011 against MUSD 53 in 2010.

> The completion and commissioning of the hydropower plant Ambuklao (105 MW) in the Philippines.

> The acquisition of the power trading company Energias do Parana Ltda (Enerpar) in Brasil from Norske Skog.

> An agreement to acquire a 40.65% stake in the energy company Desenvix in Brazil for MBRL 706.

> The acquisition of the majority of Lunsemfwa Hydro Power Company (LHPC) in Zambia through subsidiary Agua Imara.

> Commissioning of the greenfield project Bajo Frio in Panama through subsidiary Agua Imara.

> Winning the bid for the development license for Dugar Hydroelectric Project (250 MW) in Himachal Pradesh in India.

> Commissioning of La Confluencia in Chile based on water from one of two intake tunnels.

> Improved safety performance results as the TRI-rate (Total Recordable Injuries) has developed positively in operations and maintenance.

2. Finance

SN Power Group achieved an annual net profit of MUSD 31 in 2011, against MUSD 53 in 2010, and the majority's share of net profit decreased from MUSD 52 in 2010 to MUSD 20 in 2011. The main reason for the decrease is related to financial instruments recorded at fair value under financial items in the income statement, and the development in the underlying result is positive. The positive development in the underlying result was mainly due to higher revenues in Peru due to improved prices achieved in the market, the acquisition and consolidation of Lunsemfwa (Zambia) from 1 April 2011 and lower write-downs on projects under development when compared to 2010. The results from associated companies and joint-ventures are at the same level as last year but there are significant variations between the different countries. The Philippines contributed to an increase in the result portion of nearly MUSD 60, which is offset by decreased results in Chile and India, of MUSD 53 and MUSD 9 respectively.

Result adjusted for derivatives	**2010**	**2011**
Net profit	53	31
Gains and losses on derivatives	0	51
Result adjusted for derivatives	53	82

The most significant items in the income statement are:

> The associated companies in the Philippines delivered a result that was MUSD 60 better than the result in 2010. The increase is due in particular to contracts for the sale of ancillary services related to the stability of the energy grid.

> The joint venture companies in Chile, La Higuera and La Confluencia, have faced significant challenges in 2011. In June, the contract with the main contractor for La Higuera was terminated and the company entered into an arbitration process. In August, a section of the La Higuera intake tunnel collapsed and stopped production from the plant. In addition, 2011 was an extremely dry year in Chile, and the companies have obligations to supply electricity in accordance with existing power sales agreements. The combination of these factors resulted in a decrease of MUSD 53 in profit share when compared to 2010. There is uncertainty regarding the outcome of the arbitration process with the main contractor for La Higuera.

> In August 2011, SN Power entered into an agreement to purchase 40.65% of Desenvix in Brazil. The remaining purchase price was hedged with a currency forward for the BRL exposure that does not qualify as hedge accounting. The effect of the change in value of this derivative in the 2011 income statement is MUSD -44.

> The result from operations in Peru increased by MUSD 16 when compared to last year, mainly due to higher production volumes and an active commercial strategy.

> The development projects in Trayenko, Chile were sold in 2011, and resulted in a further write-down of MUSD 4. In addition, there were write-downs on the Tamakoshi 3 (Nepal) and Bara Bhangahal (India) projects of MUSD 5 and MUSD 4 respectively. Bara Bhangahal is included with approximately MUSD 2 in the result share from the associated company Malana (India), which is 49% owned.

> In 2011, SN Power bought out its partner in Norvind (Chile), thereby owning 100% of the Totoral wind farm.

> In May 2011, SN Power acquired all of the shares in Energias do Parana Ltda (Enerpar) in Brazil. The company's activities consist of managing the energy purchase agreements of approximately 140 MW. These contracts are classified as financial instruments. The effect of changes in fair value of these contracts in the 2011 income statement is MUSD -3.

The Group's sales revenue increased to MUSD 189 (MUSD 114), mainly due to increased sales revenue from new activities in the contract portfolio in Brazil and the acquisition of subsidiaries in Zambia. In addition, higher prices have been achieved in the Peruvian market. Energy purchase costs have also increased substantially as a consequence of the contract portfolio in Brazil.

Payroll and personnel costs and other operating costs increased by MUSD 8, mainly due to new business and increased activities in the holding companies in new markets and business areas. Depreciation and write-downs fell by MUSD 14, and most of the reduction is explained by the write-down of the Trayenko projects in Chile in 2010 of MUSD 24. In 2011, there were write-downs on projects in the consolidated operations in Nepal and Chile of MUSD 9.

SN Power's business model is largely built on the development of joint projects with local partners, and these investments are accounted for in accordance with the equity method in the Group accounts. Income from investments in associated companies amounted to MUSD 84 in 2010 and MUSD 83 in 2011, and includes associated companies and joint ventures in the Philippines, Sri Lanka, India and Chile. There have been significant variations in the results of associated companies and joint venture in 2011. The Philippines showed an increase of MUSD 60, when compared to last year. The associated companies in Chile showed a decrease of MUSD 53 as a result of the production shutdown and the drought, together with commitments to deliver a certain volume of energy in accordance with two power sales agreements.

As a result of the abovementioned conditions, the result before financial items and tax increased by MUSD 30 to MUSD 99 in 2011.

Net financial items amounted to MUSD -58 in 2011, compared to MUSD -14 in 2010. The lower result from financial items is mainly due to developments in the fair value of a currency forward between BRL and USD, which does not qualify for hedge accounting. Tax costs in 2011 were MUSD 11, an increase of MUSD 8 from 2010, which is mainly due to higher taxable income in Peru, in addition to the agreement with the Peruvian authorities on lower tax rates expiring in 2010 and thereby increasing the tax rate in Peru from 22% to 30%.

Total assets for the Group amount to MUSD 2,494 as at 31 December 2011 (MUSD 1,771), of which MUSD 212 (MUSD 247) are bank deposits and cash equivalents. The Group's interest-bearing debt is MUSD 446 (MUSD 356), while total equity, including the minority interest's share, represents MUSD 1,761 (MUSD 1,305). Significant changes to the balance sheet, compared to 2010, are:

> Non-current assets have increased from MUSD 1,430 to MUSD 1,698, mainly due to net inflow of assets of MUSD 204 in the form of acquisitions in Zambia and the construction of the Cheves project in Peru. In addition, the line for derivatives increased by MUSD 102 as a result of the acquisition of contract portfolios in Brazil.

> Current assets increased from MUSD 340 to MUSD 797, primarily due to cash from capital contributions from the owners in addition to increased short-term receivables with accrued dividends from associated companies and joint ventures, loan to Desenvix in connection with an agreement for the planned acquisition of 40.65%, and prepayments to suppliers for the construction of Cheves.

> Long-term liabilities increased from MUSD 393 to MUSD 528, and the acquisition of contract portfolios in Brazil explains the bulk of the increase in deferred tax. The line for derivatives also includes interest rate swap agreements from variable to fixed interest rates of loans in Cheves and Norvind of MUSD 34. In addition, new debt has been drawn in Peru and existing loans from Lunsemfwa have been consolidated from 1 April 2011.

> Current liabilities increased from MUSD 73 to MUSD 205. The bulk of the increase can be explained by the fact that a Statkraft loan of MUSD 91 matures in 2012 and is therefore included in current portion long term debt. In addition, the construction of Cheves resulted in higher accounts payable than in previous years.

The Group's net cash flow from operating activities (consolidated) for 2011 was MUSD -36 (MUSD 34). The reduced cash flow from operations was mainly due to an increase in other current assets/liabilities and currency effects. Net cash used for investment activities in 2011 was MUSD 563 (MUSD -13). This is primarily investments in tangible and intangible assets related to Cheves and the acquisition of new subsidiaries in Brazil and Zambia, as well as investments in associated companies and joint ventures. Deposits in Statkraft's cash pool system are presented under change in current financial receivables with an effect of MUSD 289 in 2011. The Group has also received payments of dividends from associated companies and joint ventures with MUSD 41 (MUSD 21) from Magat power plant in the Philippines. Cash flow from financing activities amounted to MUSD 564 in 2011 (MUSD 25). The increase stems from MUSD 473 in new equity to the company in 2011, and lower debt repayments in 2011.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated financial statements have been prepared in accordance with the IFRS, which have been adopted by the EU. SN Power Group's presentation currency is USD.

STATKRAFT NORFUND POWER INVEST AS

The parent company, Statkraft Norfund Power Invest AS (SNPI) has an operating loss of MUSD -22, compared to MUSD -19 in 2010. Net financial items amounted to MUSD -42 (MUSD 3), and the net loss for the year was MUSD -64 in 2011 (MUSD -15). The main reason for the negative result is a currency forward related to the planned acquisition of 40.65% of Desenvix in Brazil, which does not qualify for hedge accounting. The negative effect of the derivative in the income statement in 2011 is MUSD 44.

Revenue, EBITDA and the majority share of net profit			2011	2010
(MUSD)	Revenue	EBITDA	The majority's share of net profit	The majority's share of net profit
Consolidated companies				
Peru	85	50	22	14
Nepal	36	30	13	10
Chile	17	12	0	-2
Brazil	39	0	-2	0
Zambia	10	6	1	0
Holding companies and other effects	2	-53	-97	-54
Associated companies and joint ventures			83	84
Income statement	189	45	20	52

Statkraft Norfund Power Invest AS and SN Power Holding AS have issued various guarantees to subsidiaries, associated companies and joint ventures. Refer also to notes 14 and 24 in SN Power Group's financial statements. The Board has proposed that no dividends are paid for 2011, and the following coverage of the net loss of Statkraft Norfund Power Invest AS:

Net loss for 2011	MUSD -64
Total allocated from other equity	MUSD -64

It is the Board's belief that the financial statement gives a true and fair picture of the financial performance for 2011 and the Group's financial position as at 31 December 2011. In accordance to the Norwegian Accounting Act, the Board confirms that the financial statements have been prepared under the assumption of going concern.

3. Health and safety

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

SN Power's operational activities have shown a positive safety trend in 2011. There were no fatal accidents in SN Power's on-going operations, and the frequency of TRIs in operations and maintenance fell by 17%, from 3 to 2.5, compared to 2010. Unfortunately, there has been an increase in TRI`s of 47% in construction projects. This can largely be explained by the start-up of two new projects in Peru and Panama with a lot of activity in the initial phase.

Road safety has been the focus of SN Power in 2011. A campaign to increase awareness in traffic has been implemented in all countries.

4. Operations 2011

Activities in the Philippines delivered very good results. Activities in Chile faced significant challenges in the past year, as a result of production stoppages due to the tunnel collapse in La Higuera. A very dry year with high prices and the obligation to supply electricity under two power sales agreements resulted in large losses in 2011.

In India, operations were good and a new production record was set by the Malana power plant. The result is weaker than in 2010 due to lower market prices, higher finance costs on loans and the write-down of a project under development.

PERU

The energy market in Peru is still characterised by low prices because of overcapacity due to the large-scale expansion of gas-fired power plants in recent years and low prices on domestic gas. SN Power Peru produced approximately 10% more energy due to favourable hydrological conditions in 2011. As a result of an active commercial strategy, the company has entered into a number of power sales contracts and achieved higher electricity prices compared to 2010.

The Cheves project has experienced local unrest linked to local social conditions, which has caused delays to the schedule.

SN Power Peru (100%)	2011	2010
Energy Production GWh	1 574	1 433
Revenues MUSD	85	65
EBITDA MUSD	50	34

CHILE

SN Power's joint venture companies in Chile, La Higuera and La Confluencia, faced significant challenges in 2011. A very dry year with high prices and the obligation to supply electricity under two power sales agreements resulted in significant losses for both companies.

La Confluencia power plant (158 MW) was commissioned in early 2011, but with the use of only one branch of the intake tunnel; thus with less than half production. The other branch of the intake tunnel was commissioned on 4 February 2012.

La Higuera power plant (155 MW) experienced start-up problems and production stoppages in the first half of 2011. In June, the project company Hidroeléctrica La Higuera cancelled the contract with the main contractor, Queiros Galvao, simultaneously drawing the contractual bonds. The dispute with the contractor is likely to be resolved by arbitration and the final result is expected in 2013. Claims and counterclaims amount to approximately MUSD 100, and a positive outcome in the arbitration court will lead to significant revenue recognition in subsequent years as the company's claims are principally related to operating losses.

In August, a section of the intake tunnel in La Higuera collapsed, which stopped production from this plant. Operations are expected to resume in the second half of 2012. This has resulted in significant additional costs to cover the costs of repair and on-going operating costs.

SN Power signed an agreement to sell its 80% stake in the company, Trayenko, and has thus concluded its involvement in this company. As part of the same transaction, SN Power acquired the remaining 20%, to reach 100% stake in the company Norvind. In relation to these transactions, the company recorded a loss of MUSD 4.

Chile – La Higuera, La Confluencia, Norvind (100%)	2011	2010
Energy Production GWh	410	255
Revenues MUSD	150	32
EBITDA MUSD	-60	21

BRAZIL

In May 2011, SN Power purchased the energy trading company, Enerpar, from Norske Skog for MBRL 120, thus establishing business activities in Brazil. In August 2011, SN Power entered into an agreement to acquire a 40.65% stake in the energy company Desenvix for MBRL 706. Closing of the transaction is expected to happen during the first quarter of 2012.

THE PHILIPPINES

One of the biggest events for the joint venture company, SN Aboitiz Power (SNAP), in 2011 was the completion and opening of the 105 MW hydropower plant, Ambuklao, following total refurbishment. In July, all three units were at full production, and during the first six months of operations, 320 GWh were produced.

The upgrading of Ambuklao and Binga began in 2008 and when completed, total capacity will increase by 55 MW, from 175 MW to 230 MW. After three and a half years of technical challenges and natural disasters, the project still remains within budget.

Ancillary services, support services related to the stability of the energy grid, are expected to continue as an important revenue driver over the coming years.

Philippines – SN Aboitiz Power (100%)	2011	2010
Revenues MUSD	385	106
EBITDA MUSD	344	85

VIETNAM

SN Power Vietnam is 80% owned by SN Power and 20% owned by the International Finance Corporation (IFC). The two companies are working to establish themselves as industry players in the Vietnamese energy market. Vietnam has a great need for energy to sustain its ambitions for economic development, and the government has initiated a three-stage process to deregulate the energy market and to attract more private investors.

The first step towards deregulation, the creation of a market for energy production, is expected to happen in 2012. Until now, SN Power and IFC have identified several potential acquisitions, initiated an active dialogue with the most relevant companies and worked actively with the Vietnamese government to create an investor friendly framework.

INDIA

In 2011, the Malana power plant achieved a record production of 373 GWh (338 GWh in 2010). Allain Duhangan (192 MW), which has been operating with water from the Allain River throughout 2011, produced 518 GWh. Allain Duhangan Hydro Power Company Ltd. is owned by Malana Power Company Ltd. (88%) and IFC (12%). SN Power owns 49% of Malana Power Company Ltd.

The Allain Duhangan power plant is approved under the Clean Development Mechanism (CDM) and will receive Certified Emission Reduction Credits (CERs) from Q3 2012.

Through its partnership with Tata Power, SN Power continued to evaluate new investment opportunities in 2011. In March 2011, the joint venture won the bid for the development license for the Dugar Hydroelectric Project (250 MW) in Himachal Pradesh, and a feasibility study has been initiated.

India – Malana/ADHPL (100%)	2011	2010
Energy Production GWh	891	460
Revenues MUSD	63	40
EBITDA MUSD	44	33

NEPAL

The hydroelectric plant, Khimti I (60 MW), which is owned by Himal Power Limited (57.1% owned by SN Power) had a total annual production of 382 GWh in 2011.

In anticipation of a necessary clarification of the political situation in Nepal, and the framework conditions for the development of the project, it was decided to postpone further work on Tamakoshi III. The work required to extend the license period will be carried out. Development costs have been written down by MUSD 5.5 to MUSD 3.

Nepal – Himal Power Ltd. (100%)	2011	2010
Energy Production GWh	382	363
Revenues MUSD	35	33
EBITDA MUSD	30	25

SRI LANKA

SN Power owns 30% of Nividhu Private Limited, which owns and operates the hydroelectric power plants Assupinella and Belihuloya. The company contributed MUSD 0.5 after tax to SN Power's net profit in 2011.

AGUA IMARA AS – SN POWER IN AFRICA AND CENTRAL AMERICA

SN Power AfriCA changed its name on 25 May to Agua Imara (AI). The company is part of the SN Power Group, as 51% of Agua Imara's voting rights are owned by SN Power.

Agua Imara acquired 51% of Lunsemfwa Hydro Power Company (LHPC) in Zambia with effect from 1 April. LHPC owns two power plants and associated dams in central Zambia. Capacity is 46.5 MW, with an average annual production of almost 400 GWh. A minor expansion of one plant is expected to be completed in 2012, which will increase production by about 10%. In addition, AI and LHPC started work on expanding LHPC's production on the two rivers where the current power plants are located. The potential of such an expansion is significant.

Agua Imara owns 50.1% of Fountain Intertrade Corporation (FIC) in Panama. The company is developing the Bajo Frio project near the border of Costa Rica, in the far west of the country. Preparatory work was started in the summer of 2011 and the actual construction of the plant began in early November. The plant is expected to be completed in 2014.

2011 was Agua Imara's third full year of operations and the company is still in a build-up phase. Significant resources have been assigned to project development; both the two above-mentioned projects and other future feasible market opportunities.

5. Employees and organisation

SN Power continues to strengthen its capacity for growth by recruiting the best talent and by providing continuous training to the organisation's employees.

Consolidated companies had 494 employees at the end of 2011, up from 427 in December 2010. Of these, 54 worked at the company's headquarters in Oslo, 235 in Peru, 31 in Chile, 12 in Brazil, 58 in Nepal, 15 in India, 7 in the Philippines, 6 in Vietnam, 15 in Singapore and 61 in Zambia. The increase is mainly due to the inclusion of employees in Zambia after the acquisition through Agua Imara in 2011.

Including associated companies and joint ventures, SN Power's companies had a total of 715 employees at the end of 2011. Of these, 91 worked in Chile, 409 in India and 215 in the Philippines.

In 2011, sick leave in SN Power Group was 1,948 days, equivalent to 1.73% of the total number of working days. Statkraft Norfund Power Invest AS had 354 sick leave days, equivalent to 2.8% of the total number of working days. This absenteeism is due to various incidences of general illness and is not related to work-related accidents. Excluding non-specific events, absenteeism is level with, or below previous years.

At the end of the year, three of the eight Board members were female. One in eight of the top management is a female and 21% of SN Power's workforce is female. The Group does not discriminate on the basis of gender, religion or ethnic background. No special measures have been implemented to promote equality or diversity.

6. Society and the environment

The platform for sustainable development and a clean environment has been strengthened in 2011. Our strategy has been tested in practice, through positive yet highly challenging projects. We have implemented good sustainable projects in 2011.

With the strong support of its partners, SN Power has, in the past year, provided various forms of vocational training to more than 13,000 people in Peru. Good results have also been achieved in terms of repairing and constructing new infrastructure, such as bridges and roads, in order to enhance the ability of the civilian populations to access schools, hospitals and jobs.

New irrigation systems have been established to increase agricultural production in many of the countries, and SN Power has made a significant effort to improve living conditions for farmers in the various project areas.

In addition, 11 schools have been renovated, and a number of villages in Nepal, with a total of 3,700 recipients, have access to electricity through energy co-operatives.

In 2011, the hydro electrical company Benguet in the Philippines (owned by SN Power and Aboitiz) was voted the energy company with the best environmental performance in Asia.

There is no record of serious violations of SN Power's environmental standards for emissions or other environmental risks.

SN Power is committed to complying with international environmental and social standards set by the International Finance Corporation (IFC) and the UN Global Compact. The standards are integrated into the company's "Group CSR and Environmental Policy and Procedures" and into the PROMAS project management tool.

> Climate

In 2011, together with its partners, SN Power managed to register three new projects as Clean Development Mechanism (CDM) projects with the United Nations (La Confluencia, Ambuklao and Binga). SN Power's seven CDM registered projects will contribute a combined total of over 2 million tons of reduced CO2 emissions per year during normal operations. These projects will be entitled to receive and sell in the markets a corresponding number of emission credits (CERs) annually from the United Nations.

7. Market outlook

At the beginning of 2012, the macro-economic development and consumption growth in Asia and South America remains robust despite the increased uncertainty in the global economy. Global commodity prices remain at historically high levels and, like most analysts, SN Power expects high oil, gas and coal prices in 2012. This will most likely contribute to continued high power prices in SN Power's most important markets.

CER prices have fallen significantly in the second half of 2011 and, in line with perceptions among most analysts, SN Power lowered its long-term CER price expectations.

Due to the continued turmoil in international financial markets, the financing of infrastructural projects has been generally more difficult than before. Commercial banks are still willing to provide long-term project financing, particularly for investments in renewable energy such as wind and hydropower. However, the terms and conditions are tighter and interest margins generally higher than before.

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

8. Risk management

SN Power's growth targets and the nature of its business makes it important to update the risk picture continuously at all levels. A comprehensive global framework for risk management has been established and implemented in all business areas.

The most important risk factors for SN Power are related to hydrology, prices, finance, market, health and safety, the wider environment and business ethics.

The company's finance department is responsible for the implementation of the Group's financial strategy. The department coordinates and manages the financial risks associated with foreign currencies, interest rates and liquidity. The most important instruments for dealing with this are the currency forward contracts and interest rate swap agreements, primarily used to hedge future cash flows in foreign currencies and to convert part of the loan from variable to fixed rates.

Through the maximisation of dividends, repayment of previously contributed capital, share issues and the regular refinancing operations of the operative project companies, the capital structure is optimised to maximise the Group's value and reinvestment capability. The Group makes use of project financing in which lenders are not entitled to recourse against the parent or sister company. In some cases, parent company guarantees will still have to be issued in order to cover construction risks.

With production and energy trading in 8 different energy markets in Asia, Africa and Latin America, SN Power has a good balance in relation to the spread of regulatory, hydrological and market risk. The primary instruments for managing market risk are energy contracts with different profiles, maturity and indexation.

In some countries in which SN Power has operations, exposure to political and economic risks is considered higher than normal because of past or current unstable political conditions. In order to reduce and minimise this risk, all markets are closely monitored. Country risk is included in all financial models.

Risks associated with the health, safety and environment (HSE) are mainly managed with guidelines, detailed HSE requirements in our investments and active monitoring by our representatives on Boards, and with audits. A comprehensive system to identify, record and report personal injuries and adverse events has been further developed and incidents are continuously reported, analysed and followed up.

SN Power has a significant risk exposure in relation to damage to plants, production losses and injuries to third parties. This risk is managed through the introduction of safety barriers, contingency plans and procedures and insurance policies covering significant injuries and loss of income.

SN Power focuses on all aspects of business ethics for employees, business partners, consultants and suppliers. The greatest risk associated with this is corruption, as some of the countries in which SN Power operates rank badly in various corruption indexes. In order to limit this risk, we have focused on the inclusion of ethical values in our business principles through training, ethical guidelines, policies and procedures.

9. Priorities for 2012 and onward

The main challenges for the company going forward are to sustain growth and promote efficient and profitable operations. The goals are to achieve world class standards in project management and plant operations throughout the portfolio, and to increase the company's portfolio through a combination of new construction, refurbishment and expansion projects, and through mergers and acquisitions.

SN Power will continue to prioritise investments in existing markets, as well as assessing opportunities in neighbouring markets.

10. Targets 2012

In 2012, SN Power will focus primarily on the optimal operation of existing plants and the safe and optimal completion of all construction projects. The company will also seek new investment opportunities in existing markets. In addition, new opportunities in Vietnam, and in Central America and Africa through Agua Imara, will be assessed. The start-up and strengthening of the company's "Trading and Origination" teams will also be prioritised.

Oslo, 14 February 2012
The board of directors of Statkraft Norfund Power Invest AS

Øistein Andresen Chairperson	Mark Davis Director	Anne Vera Skrivarhaug Director
Hilde Bekier-Larssen Director	Tore Haga Director	Halvor Fossum Lauritzsen Director
Wenche Lund Øyno Director	Egil Reinhard Gjesteland Director	Torger Lien CEO

SN Power Group

Income Statement and Consolidated Statement of Comprehensive Income

FIGURES IN USD 1 000	NOTE	2011	2010
INCOME STATEMENT			
OPERATING REVENUES AND EXPENSES			
Sales revenues	7	188 962	114 298
Energy purchase and other costs related to power sales	8	-48 307	-7 926
Salary and personnel costs	9	-44 232	-35 962
Depreciation, amortization and write-downs	12, 13	-29 018	-43 388
Other operating costs	10	-51 056	-41 692
Income from investments in associated companies and joint ventures	6	83 113	83 940
Earnings before financial items and tax		99 462	69 270
FINANCIAL INCOME AND EXPENSES			
Financial income	11	17 256	8 238
Financial expenses	11	-24 565	-21 886
Gains and losses on derivatives	11, 15	-50 535	144
Net financial items		-57 844	-13 504
Profit/loss before tax		41 618	55 766
This year's tax expense	22	-10 640	-2 521
NET PROFIT/LOSS FOR THE YEAR		30 978	53 245
Attributable to:			
Equity holders of the parent		20 132	51 644
Non-controlling interests		10 846	1 601
NET PROFIT/LOSS FOR THE YEAR		30 978	53 245
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Net gain/losses on hedging instruments	15	-25 671	-3 270
Non-controlling interests		-	-57
Net gain/losses on cash flow hedges in associated companies and joint ventures	6	-21 571	-5 427
Currency translation differences		-42 260	21 036
Non-controlling interests		248	-25
Pensions	21	-1 938	1 012
Other adjustments		1 690	1 386
Other comprehensive income for the year, net of tax		-89 502	14 655
Total comprehensive income for the year, net of tax		-58 524	67 900
Attributable to:			
Majority owner		-69 618	66 381
Non-controlling interests		11 094	1 519
Total comprehensive income for the year, net of tax		-58 524	67 900

Balance Sheet at 31 December

FIGURES IN USD 1 000	NOTE	2011	2010
ASSETS			
Deferred tax asset	22	18 456	10 412
Intangible assets	13	14 958	44 647
Property, plant and equipment	12	943 849	728 470
Investment in associated companies and joint ventures	6	512 446	529 498
Non-current financial instruments (derivatives)	15	104 729	2 295
Financial assets	17	103 280	114 932
Total non-current assets		1 697 718	1 430 254
Spare parts		678	619
Receivables	18	575 612	90 965
Current financial instruments (derivatives)	15	8 649	2 185
Bank deposits, cash and cash equivalents (including restricted funds)	19	211 745	246 539
Total current assets		796 684	340 308
TOTAL ASSETS		2 494 402	1 770 562
EQUITY AND LIABILITIES			
Paid-in capital		1 589 558	1 116 653
Other equity		26 594	96 212
Non-controlling interests		145 333	91 962
Total Equity	20	1 761 485	1 304 827
Pension commitments	21	4 546	2 128
Deferred tax	22	136 551	67 630
Non-current financial instruments (derivatives)	15	46 869	2 321
Provisions	23	3 136	2 569
Interest-bearing long term debt	24	336 558	318 107
Total long-term liabilities		527 660	392 755
Current portion long term debt	24	108 695	38 318
Tax payable	22	9 906	321
Current financial instruments (derivatives)	15	16 799	2 257
Other current liabilities	25	69 857	32 084
Total current liabilities		205 257	72 980
TOTAL EQUITY AND LIABILITIES		2 494 402	1 770 562

Oslo, 14 February 2012

Øistein Andresen Chair person	Mark Davis Director	Anne Vera Skrivarhaug Director	Hilde Bekier-Larssen Director

Tore Haga Director	Halvor Fossum Lauritzen Director	Wenche Lund Øyno Director	Egil Reinhard Gjesteland Director	Torger Lien Chief Executive Officer

Consolidated Statement of Changes in Equity at 31 December

	ATTRIBUTABLE TO MAJORITY OWNERS					NON-CONTROLLING INTERESTS	TOTAL EQUITY
	PAID IN EQUITY		OTHER EQUITY				
FIGURES IN USD 1 000	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TRANSLATION RESERVE	HEDGING RESERVE		
At 1 January 2010	476 768	639 884	77 368	-36 282	-10 387	67 317	1 214 668
Transactions with shareholders							
Issue of share capital	-	-	-	-	-	-	-
Issue of share capital in subsidiaries - minority share	-	-	-	-	-	26 406	26 406
Increased owner share in subsidiary	-	-	-868	-	-	2 636	1 768
Paid dividend	-	-	-	-	-	-5 916	-5 916
Transactions with shareholders	-	-	-868	-	-	23 126	22 258
Other comprehensive income for the year, net of tax							
Net gain/losses on hedging instruments	-	-	-	-	-3 270	-57	-3 327
Net gain/losses on cash flow hedges in associated companies and joint ventures	-	-	-	-	-5 427	-	-5 427
Currency translation differences	-	-	-	21 036	-	-25	21 011
Pensions	-	-	1 012	-	-	-	1 012
Other adjustments	-	-	1 386	-	-	-	1 386
Other comprehensive income for the year, net of tax	-	-	2 398	21 036	-8 697	-82	14 655
Recognised through Profit and Loss							
Profit for the year	-	-	51 644	-	-	1 601	53 245
Recognised through Profit and Loss	-	-	51 644	-	-	1 601	53 245
Total comprehensive income for the year, net of tax	-	-	54 042	21 036	-8 697	1 519	67 900
At 31 December 2010	476 768	639 885	130 541	-15 246	-19 084	91 962	1 304 827
Transactions with shareholders							
Issue of share capital	94 581	378 325	-	-	-	-	472 906
Issue of share capital in subsidiaries - minority share	-	-	-	-	-	39 405	39 405
Reduced minority due to increased owner share	-	-	-	-	-	-19 192	-19 192
Increased minority due to purchase of subsidiary	-	-	-	-	-	33 540	33 540
Paid dividend	-	-	-	-	-	-11 475	-11 475
Transactions with shareholders	94 581	378 325	-	-	-	42 277	515 183
Other comprehensive income for the year, net of tax							
Net gain/losses on hedging instruments	-	-	-	-	-25 671	-	-25 671
Net gain/losses on cash flow hedges in associated companies and joint ventures	-	-	-	-	-21 571	-	-21 571
Currency translation differences	-	-	-	-42 260	-	248	-42 012
Pensions	-	-	-1 938	-	-	-	-1 938
Other adjustments	-	-	1 690	-	-	-	1 690
Other comprehensive income for the year, net of tax	-	-	- 248	-42 260	-47 242	248	-89 502
Recognised through Profit and Loss							
Profit for the year	-	-	20 132	-	-	10 846	30 978
Recognised through Profit and Loss	-	-	20 132	-	-	10 846	30 978
Total comprehensive income for the year, net of tax	-	-	19 884	-42 260	-47 242	11 094	-58 524
At 31 December 2011	571 349	1 018 209	150 425	-57 506	-66 325	145 333	1 761 485

Cash Flow Statement

FIGURES IN USD 1 000	NOTE	2011	2010
CASH FLOW FROM OPERATIONAL ACTIVITIES			
Profit/loss before tax		41 618	55 766
Tax paid		-4 971	-9 235
Depreciation	12,13	29 018	43 388
Gain/loss on disposal of fixed assets		810	212
Difference between this year's pension expense and pension premium		501	364
Income from investments in associated companies and joint ventures	6	-83 113	-83 940
Effect of exchange rate changes (agio/disagio)		-8 435	9 985
FX hedges in profit and loss with no cash effect	15	11 293	-1 224
Change in spare parts		-	36
Change in other long-term provisions		567	-664
Change in receivables and other current liabilities		-23 086	17 920
Net cash flow from operational activities		-35 797	32 608
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investment in tangible and intangible fixed assets	12,13	-112 700	-49 578
Investment in subsidiaries	2	-112 145	-
Proceeds from sale of fixed assets		3 405	4 832
Dividends from associated companies and joint ventures		41 375	20 894
Investment in associated companies and joint ventures	6	-40 742	-82 386
Change in non-current financial assets		11 652	960
Change in current financial receivables		-364 122	118 323
Net effect of cash and cash equivalents from acquisitions	2	10 433	-
Net cash flow from investment activities		-562 844	13 045
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term debt	24	120 750	132 000
Paid installments long-term debt	24	-41 188	-130 883
Payment of dividend	EQ	-11 475	-5 916
New paid-in equity from non-controlling interests	EQ	23 270	28 173
New paid-in equity	20	472 906	-
Net cash flow from financing activities		564 263	23 374
Effect of exchange rate changes on cash and cash equivalents		-415	-88
Net change in cash and cash equivalents		-34 794	68 939
Cash and cash equivalents at 1 January		246 539	177 600
Cash and cash equivalents at 31 December		211 745	246 539

Notes to the accounts

Figures in USD 1000

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

The consolidated financial statements of the SN Power Group for the year 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 14 February 2012.

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

BASIC PRINCIPLES

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

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

Standard/ Interpretation	Title	Date of issue	Applicable to accounting periods commencing on
Improvements to IFRSs (Various Standards and Interpretations)	Improvements to IFRSs	May 2010	1 January 2011

At the time of presentation of the financial statements, the following standards and interpretations are issued by IASB but not entered into force for the financial year 2011. Management assumes that these standards and interpretations will be applied in the Group financial statements from the financial year 2012 or later, and have not assessed the potential effect of these new standards.

Standard/ Interpretation	Title	Date of issue	Applicable to accounting periods commencing on
IFRS 9	Financial Instruments	November 2009	1 January 2015
IFRS 10	Consolidated Financial Statements	May 2011	1 January 2013
IFRS 11	Joint Arrangements	May 2011	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	May 2011	1 January 2013
IFRS 13	Fair Value Measurement	May 2011	1 January 2013
IAS 1 change	Presentation of Items of Other Comprehensive Income	June 2011	1 July 2012
IAS 12 change	Deferred Tax – Recovery of Underlying Assets	Desember 2010	1 January 2012
IAS 19 (revised in 2011)	Employee Benefits	June 2011	1 January 2013
IAS 27 (revised in 2011)	Separate Financial Statements	May 2011	1 January 2013
IAS 28 (revised in 2011)	Investments in Associates and Joint Ventures	May 2011	1 January 2013
IFRS 7 change	Disclosures - Offsetting Financial Assets and Financial Liabilities	December 2011	1 January 2013
IAS 32 change	Offsetting Financial Assets and Financial Liabilities	December 2011	1 January 2014

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

CORRESPONDING FIGURES

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Useful life of tangible and intangible fixed assets

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

Provisions and contingent liabilities

IAS 37 defines when to recognize a provision in the financial statements. Management must make estimates and use judgment in determining the expected probability of an outflow of resources and a reliable estimate of the amount.

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

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

Contracts related to purchase and sale of energy

Contracts related to purchase and sale of energy that meets the definition of financial instruments, are valued at fair value through profit and loss. The calculation of fair value on such contracts imply in most cases use of a wide range of estimates, of which the determination of future price curves in the market are the most significant.

Impairments

SN Power Group has significant investments in fixed assets, associated companies and joint ventures. These assets are tested for possible impairment where indications of loss of value are present. Such indicators might be changes in market prices on energy or capital, shift in production capacity or other economic and legal circumstances. Calculating the recoverable amount requires a series of estimates concerning future cash flows, of which price curves and rate of return are the most significant.

Development costs

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

CAPITAL MANAGEMENT

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

	2011	2010
Total interest bearing debt	445 253	356 425
Total equity and liabilities	2 494 402	1 770 562
Gearing ratio	17.9 %	20.1 %

CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent company Statkraft Norfund Power Invest AS and its controlling interests in other companies as of 31 December 2011.

Elimination of transactions

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

Subsidiaries

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

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

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

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

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

Associated companies and joint ventures

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

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

REVENUE RECOGNITION

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

(a) Power sales

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

(b) Sales of services

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

(c) Dividend income

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

(d) Income from associated companies

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

GOVERNMENT GRANTS

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

EMISSION RIGHTS

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

FOREIGN CURRENCY

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

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

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

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

FINANCIAL INSTRUMENTS

Generally

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

Valuation principles for different categories of financial instruments

1) Instruments at fair value through profit or loss

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

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

2) Loans and receivables

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

3) Financial liabilities

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

Principles for designation of financial instruments to different categories of instruments

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

Instruments at fair value through profit or loss

Derivatives must always be assessed under the category "fair value through profit or loss". Financial contracts regarding purchase or sale of energy and CO2-quotas always have to be considered as derivative financial instruments. Physical contracts regarding purchase and sale of energy and CO2-quotas entered into as authorized by trading, or settled financially are considered as if they where financial instruments and have to be measured at fair value. Physical contracts regarding purchase and sale of energy and CO_2-quotas entered into according to authorization related to own requirements or provision for own production, are normally not covered by IAS 39 as long as the contracts do not contain written options in terms of volume flexibility.

Financial instruments included in hedge accounting

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

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

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

INCOME TAX

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

Deferred tax and deferred tax assets

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

CURRENT/NON-CURRENT

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

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

INTANGIBLE ASSETS

Road and land rights

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

Development costs

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

TANGIBLE ASSETS

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

Water rights are not depreciated if no right of reversion exists and the value is deemed to be perpetual. Time limited rights are depreciated over the license period. Water rights acquired in a separate transaction are measured initially at cost. Water rights acquired in a business combination are measured at fair value based on the estimated excess earnings of the acquired power plant. The excess earnings are the difference between the after-tax operating cash flow and the required cost of invested capital on all other assets used in order to generate those cash flows. These contributory assets include property, plant and equipment, other identifiable intangible assets and net working capital for the power plant. The allowance made for the cost of such capital is based on the value of such assets and a required rate of return reflecting the risks of the particular assets.

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

LAND	ETERNAL
WATER RIGHTS	LICENSE PERIOD
PLANTS AND MACHINERY	
Rock-fill dams, concrete dams	75
Tunnel systems	75
Rock rooms/chambers	75
Mechanical machine installations	40
Remaining technical machine parts	15
Generator	40
Transformer	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	75
Other buildings related to operation	50
Buildings: Technical installations	30
Buildings: Tele- and automatics	10-20
FIXTURES AND FITTINGS, VEHICLES, OTHER EQUIPMENT	
Office- and computer equipment	3
Furniture and fixtures	5
Means of transport	10

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

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

LEASES

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

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

IMPAIRMENT OF ASSETS AND INTANGIBLE ASSETS

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

TRADE AND OTHER RECEIVABLES

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

INVENTORIES/SPARE PARTS

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

CASH AND CASH EQUIVALENTS

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

EQUITY

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

PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

Contingent assets and liabilities are not recorded in the financial statements.

PENSIONS

Defined benefit plans

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

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

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

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

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

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

Defined contribution plans
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity without further obligations after the contribution has been made. Expenses related to defined contribution plans are classified as salary and personnel costs.

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

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

Note 02

BUSINESS COMBINATIONS

I 2011 SN Power Group carried out business combinations in Brasil and Zambia. The Group also increased its owner share in the Norvind wind park in Chile against consideration in shares in the Trayenko project (Chile), and disposed a wind project in Brazil.

ENERGIAS DO PARANÁ LTDA (BRASIL)
SN Power Group acquired with effect from May 25 all the shares in Enerpar (Energias do Paraná Ltda), a company registered in the State of Paraná in Brazil. The company's business consists of managing the power purchase agreements maturing in 2025 of approximately 140 MW, and at the time of aquisition there were no employees in the company. The purchase price for the business consists of cash payment on MBRL 120 (MUSD 76). Book value of company assets at the acquisition date is considered to represent fair value, and no goodwill has been identified.

LUNSEMFWA HYDRO POWER COMPANY LTD (ZAMBIA)
SN Power Group's sub-group, Agua Imara, aquired with effect from 1 April 51% of the shares in Lunsemfwa Hydro Power Company Ltd in Zambia. The company have an installed capacity on 46,5 MW, distributed between the power stations Mulungushi (28,5 MW) and Lunsemfwa (18 MW), in addition to a 50% share in Muchinga Power Company Ltd with potential for development of additional 120 MW. The purchase price is MUSD 47, of which MUSD 36 is settled in cash and MUSD 10 is paid through a private placing. Excess values have been indentified on existing power plants and water rights in addition to goodwill.

NORVIND (CHILE)

As a part of the planned termination of the development projects in Chile (Trayenko SA), an agreement was entered into between SN Power Group and the non-controlling shareholder in Norvind SA, Inversiones Totoral (ITSA) where the main features were that SN Power Group should receive ITSA's 20% share in Norvind with consideration in 80% share in Trayenko. The transaction did not involve cash settlement and implied an additional write-off in 2011 on the Trayenko projects on MUSD 4,5. The increased share in Norvind is presented as purchase of non-controlling interests in the group accounts.

WIND PROJECT (BRAZIL)

SN Power made in 2010 a decision to terminate the development of a wind project in Brazil, consisting of the companies Central Eólica São Raimunda Ltda and Central Eólica Garrote Ltda. Both companies are in 2011 sold to the development partner at book value according to first right of refusal in the shareholders agreement.

Allocation of purchase price for business combinations in 2011

	ENERGIAS DO PARANÀ LTDA.	LUNZEMFWA HYDRO POWER COMPANY LTD	TOTAL
Acquisition date	26.05.11	01.04.11	
Voting rights/shareholding acquired through the acquisition	100 %	51 %	
Total voting rights/sharholding following acquisition	100 %	51 %	
Measurement of non-controlling interests	Proportional	Proportional	
Consideration			
Cash	75 910	36 235	112 145
Private placing	-	10 400	10 400
Fair value of earlier recognised shareholdings	-	-	-
Total acquisition cost	75 910	46 635	122 545
Book value of net acquired assets (see table below)	75 910	13 971	89 880
Identification of excess value, attributable to:			
Property, plant and equipemt	-	101 786	101 786
Intangible assets	-	-	-
Investment in associated companies and joint ventures	-	-	-
Gross excess value	-	101 786	101 786
Deferred tax on excess value	-	-35 625	-35 625
Net excess value	-	66 161	66 161
Fair value of net acquired assets, excluding goodwill	75 910	80 131	156 041
Of which			
Majority interests	75 910	40 905	116 815
Non-controlling interests	-	39 226	39 226
	75 910	80 131	156 041
Total acquisition cost	75 910	46 635	122 545
Fair value of net acquired assets, acquired by the majority through the transaction	75 910	40 905	116 815
Goodwill [1)]	-	5 730	5 730

[1)] Recognition of goodwill relates to synergies and expected future earnings capacity that have been identified without being able to link the value to other intangible assets, as well as the recognition of deferred tax liabilities at nominal value.

The allocation of purchase price is deemed to be provisional pending the completion of the final valuation of the acquired assets and liabilities.

BOOK VALUE OF NET ACQUIRED ASSETS	ENERGIAS DO PARANÀ LTDA.	LUNZEMFWA HYDRO POWER COMPANY LTD	TOTAL
Intangible assets			
Deferred tax assets	11 291	-	11 291
Property, plant and equipment	-	12 772	12 772
Investment in assosiated companies and joint ventures	-	-	-
Derivatives	145 816	-	145 816
Other non-current financial assets	-	-	-
Non-current assets	157 107	12 772	169 878
Cash and cash equivalents	1 549	8 884	10 433
Receivables	6 170	3 275	9 445
Inventories	-	-	-
Current assets	7 719	12 159	19 878
Acquired assets	164 826	24 931	19 878
Long-term interest bearing liabilities	-	12 250	12 250
Short-term interest bearing liabilities	-	7	7
Deferred tax	49 577	3 947	53 525
Other non-interest bearing liabilities	5 995	3 588	9 583
Taxes payable	135	1 568	1 703
Derivatives	33 208	-	33 208
Non-controlling interests	-	-	-
Liabilities	88 916	21 360	110 276
Net value of acquired assest	75 910	3 571	79 480
Net value of acquired assest, include the value of private placing	75 910	13 971	89 880
Total acquisition cost	75 910	46 635	122 545
Non-cash elements of acquisition cost	-	-10 400	-10 400
Deferred payment due to seller	-	-	-
Consideration and cost in cash and cash equivalents	75 910	36 235	112 145
Cash and cash equivalents in acquired companies	-1 549	-8 884	-10 433
Net cash payments in connection with the acquisitions	74 361	27 351	101 712
Fair value of acquired receivables			
Gross nominal value of acquired receivables	6 170	3 275	9 445
Expected impairment of acquired receivables	-	-	-
Gain/loss from derecognition of earlier recognised shareholding	-	-	-
Contribution to gross operating revenue since acqusition date	39 451	10 354	49 805
Contribution to net profit since acqusition date	-1 628	4 236	2 608
Gross operating revenue if consolidated from 1 January	67 630	13 513	81 143
Net profit if consolidated from 1 January	-1 628	5 296	3 668

Note 03

MARKET RISK, CREDIT RISK OG LIQUIDITY RISK

SN Power's strategic goals and ambitions as well as the geographical and cultural diversity in the countries of operation, makes it important to continuously evaluate risk factors at all levels. SN Power's core business are in regions that are, or have been political and financial unstable and the company has a risk management framework in place, including policy and risk appetite, structure, methodology, skills, knowledge, culture and tools/system support. This framework is applied to projects in all life cycles, both to new developments, projects under construction and acquisitions as well as for operating entities.

SN Power evaluate equity insurance against political risk and hedging of net investments against currency fluctuations on a case to case basis.

MARKET RISK

Market risk is defined as risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. SN Power is mainly exposed to market risk on financial instruments related to currency, interest rate and energy prices.

Currency risk

SN Power Group's presentation currency is US dollars (USD), and the functional currency of each subsidiary is determined from an evaluation of the primary economic environment of each company. The functional currency of each country are:

– USD: Peru, Chile, Panama, Norway, Nepal, Zambia and Singapore
– BRL: Brazil
– INR: India
– PHP: Philippines

SN Power Group is exposed to currency risk from transactions mainly from investments in and dividends from subsidiaries, associated companies and joint ventures. Companies with USD as functional currency are in many cases exposed to currency risk from local currency since a portion of the operating costs will typically be denominated in local currency. Currency risk related to the balance sheet will materialize when group companies with different functional currencies are converted to USD, like Brazil, India and the Philippines.

SN Power Group makes use of currency swaps and forward contracts to hedge part of the currency exposure related to the investments in subsidiaries and affiliated companies, in addition to significant cash flows in foreign currency. Guidelines for the management and monitoring of foreign exchange exposure is regulated by the Group Finance Policy owned by the Treasury Department, and the entity with foreign currency risk is responsible for compliance.

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

CURRENCY RISK	CURRENCY	INCREASE/ DECREASE IN CURRENCY RATE	EFFECT ON PROFIT BEFORE TAX (TUSD)
2010	NOK	+10%	4 662
	NOK	-10%	-4 662
2011	NOK	+10%	3 007
	NOK	-10%	-3 007
2011	ZMK	+10%	256
	ZMK	-10%	-256

Significant currency changes in associated companies will also have consequences on the income statement through application of the equity method for such investments.

Interest rate risk

SN Power Group is exposed to interest rate risk through financing in different consolidated, associated companies and joint ventures, in addition to indirect exposure through interest rates as input in valuations. Interest rate exposure related to the subsidiaries, associated companies and joint venture's debt financing is secured through interest rate swaps for a significant portion of the loans. SN Power's ambition for the Group's interest risk is to minimize interest costs, reduce fluctuations in these, and limit changes in the value of the Group's net debt. The Group's total debt exposed to floating interest rates, exclusive associates and joint ventures, amounts to MUSD 234.

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

INTEREST RATE RISK EXPOSURE	INCREASE/DECREASE IN INTEREST RATE	EFFECT ON PROFIT BEFORE TAX (TUSD)
2010	+1%	727
	-1%	-727
2011	+1%	2 924
	-1%	-2 924

Energy price risk

SN Power's exposure to changes in energy prices on financial instruments is mainly limited to the valuation of energy contracts in Brazil, where an essential factor will be the Group's expectations regarding future price development in the Brazilian market. Price curves are developed in cooperation between market analyses department in Norway, local analysts and consultants, and calculations are updated quarterly.

The following table shows the effect on net profit before tax of change in Brazilian energy prices, given that all other variables are held constant.

ENERGY PRICE RISK	INCREASE/DECREASE IN ENERGY PRICE	EFFECT ON NET PROFIT BEFORE TAX (TUSD)
2010	+10%	-
	-10%	-
2011	+10%	46 978
	-10%	-46 978

CREDIT RISK

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

Maximum credit risk exposure is:

	2011	2010
Short and long-term receivables on associated companies/JV's	165 117	112 370
Other long term receivables	1 829	4 175
Cash and cash equivalents	211 745	246 539
Cash pool Statkraft	339 162	50 657
Short term receivables	172 502	38 412
Derivatives non-current assets	104 729	2 295
Derivatives current assets	8 649	2 185
Total	1 003 733	456 633

Credit risk related to account receivables and other receivables in SN Power is limited by the fact that customers and counterparts are in different markets and in many cases are governmental institutions. On the other hand, customers are few and large and we operate in emerging markets where counterparty risk might be assessed to be higher. Handling of potential credit risk on receivables is primarily made through credit checks , establishment of bank guarantees and parent company guarantees in addition to ongoing monitoring of counterparts.

To mitigate credit risk related to cash and cash equivalents, SN Power have a finance policy that regulates the maximum exposure per counterpart. In addition, a large proportion of cash deposits are placed in Statkraft's cash pool system.

Aging of account receivables is presented below, provision for losses on receivables are made.

	CURRENT RECEIVABLES	LESS THAN 90 DAYS	MORE THAN 90 DAYS	IMPAIRED	TOTAL RECEIVABLES
Accounts receivables	6 838	10 114	6 314	-2 531	20 735
Other receivables	554 877				554 877

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

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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	AFTER 2021	TOTAL
Fixed interest rate												
External loans in subsidiaries	5 796	5 931	6 077	6 233	6 400	6 579	6 687	6 894	7 116	7 355	40 385	105 454
Floating interest rate *												
External loans in subsidiaries	11 122	134 121	14 559	13 496	13 496	12 496	32 205	3 913	3 913	3 913	18 913	262 148
Loan from Statkraft	91 778	-	-	-	-	-	-	-	-	-	-	91 778
Interest payments												
Calculated interest payments	16 498	10 675	9 784	8 860	8 003	7 074	5 755	4 580	4 051	3 486	9 149	87 914
Total liabilities	125 194	150 728	30 419	28 589	27 899	26 149	44 647	15 387	15 080	14 755	68 447	547 294
Credit risk exposure												
Restricted cash	70	131 098										131 168
Bank deposits, cash and cash equivalents	80 577											80 577
Cash Pool Statkraft	339 162											339 162
Receivables	236 450											236 450
Financial assets		103 280										103 280
Total assets	656 259	234 378	-	-	-	-	-	-	-	-	-	890 637
Net	531 065	83 650	-30 419	-28 589	-27 899	-26 149	-44 647	-15 387	-15 080	-14 755	-68 447	343 343

* Original principal amounts without considering interest rate swaps

Note 04

EVENTS AFTER THE BALANCE SHEET DATE

PURCHASE OF DESENVIX (BRAZIL)

In August 2011 SN Power Group entered into an agreement to purchase 40,65% of the shares in Desenvix (Brazil) for MBRL 706 (ca MUSD 440). According to the agreement, MBRL 120 of the purcase price was trasferred to seller as a loan awaiting closing, and remaining purchase price on MBRL 586 will be paid immediately after closing. The remaining payment in BRL was hedged against USD by entering into an currency swap according to SN Power policy for currency exposure, but the hedge does not qualify for hedge accounting and resulted in a loss recognized in Profit and loss statement on MUSD 44 in 2011. The loss is presented under the accounting line Gains and losses on derivatives, and the loan to seller is presented under Current Receivables in the Balance sheet. Closing of the transaction is expected to take place during first quarter 2012.

STEP-UP TO CONTROL IN BAJO FRIO (PANAMA, THROUGH AGUA IMARA)

According to shareholders agreement in Fountain Intertrade Corporation (FIC), SN Power Group will appoint one extra board member and thereby achieve control in the company when first draw on the ordinary loan takes place. FIC is in the financial statements for 2011 classified as an associated company, but will be consolidated when control is transferred to SN Power Group. Expected first draw on the ordinary loan and thereby achieved control is during first quarter 2012.

Note 05

SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements:

COMPANY	DATE OF ESTABL/ ACQUISITION	BUSINESS OFFICE	MAIN OPERATION	PARENT COMPANY	VOTING SHARE	OWNER SHARE
Statkraft Norfund Power Invest AS	26 June 2002	Oslo, Norway	Investment			
SN Power Holding AS	27 May 2003	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	100.0%	100.0%
Agua Imara AS*	13 January 2009	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	51.0%	45.9%
SN Power Brasil AS	7 April 2010	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	100.0%	100.0%
SN Power Holding Singapore Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding AS	100.0%	100.0%
SN Power Global Services Pte. Ltd	26 March 2009	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power Holding Peru Pte. Ltd	26 August 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power Holding Chile Pte. Ltd	12 August 2003	Singapore	Investment	SN Power Holding Singapore Pte.Ltd	100.0%	100.0%
SN Power International Pte Ltd.	12 August 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power ACA Pte. Ltd	25 September 2009	Singapore	Investment	SN Power AfriCA AS	100.0%	100.0%
SN Power Energia do Brasil Ltda	31 December 2007	Rio de Janeiro, Brazil	Investment	SN Power Brasil AS	100.0%	100.0%
SN Power Peru Holding S.R.L	7 October 2003	Lima, Peru	Investment	SN Power Holding Peru Pte. Ltd	100.0%	100.0%
Empresa de Generacion Electrica Cheves S.A	1 June 2007	Lima, Peru	Power plant under con-struction	SN Power Peru Holding S.R.L	68.7%	68.7%
Empresa de Generacion Electrica Cheves S.A	1 June 2007	Lima, Peru	Power plant under con-struction	SN Power Peru S.A	31.3%	31.3%
SN Power Peru S.A	17 October 2007	Lima, Peru	Power production	SN Power Peru Holding S.R.L	100.0%	100.0%
SN Power Chile Inversiones Eléctricas Ltda	9 December 2004	Santiago, Chile	Investment	SN Power Holding Chile Pte. Ltd	100.0%	100.0%
SN Power Chile Tingueririca y Cia.	17 December 2004	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	99.9%	99.9%
SN Power Chile Valdivia y Cia.	15 February 2006	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	99.9%	99.9%
Norvind S.A	6 August 2007	Santiago, Chile	Power production	SN Power Chile Valdivia y Cia.	80.0%	80.0%
SN Power India Pvt Ltd	27 July 2010	New Dehli, India	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power Markets Pvt.Ltd	13 December 2011	New Dehli, India	Trading	SN Power Holding Singapore Pte. Ltd	100.0%	100.0 %
Himal Power Ltd	1 March 2006	Kathmandu, Nepal	Power production	SN Power Holding Singapore Pte. Ltd	57.1%	52.7%
SN Power Vietnam Pte.Ltd	31 May 2010	Hanoi, Vietnam	Investment	SN Power Holding Singapore Pte. Ltd	80.0%	80.0%
Lunsemfwa Hydro Power Company Ltd	1 April 2011	Kabwe, Zambia	Power production	SN Power ACA Pte. Ltd	51.0%	51.0%
SN Power Participacões Ltda	25 May 2011	Rio de Janeiro, Brasil	Investment	SN Power Energia do Brasil Ltda	100.0%	100.0%
SN Power Comercializadora Ltda**	25 May 2011	Rio de Janeiro, Brasil	Trading	SN Power Participacões Ltda	100.0%	100.0%

* SN Power AfriCA AS changed name to Agua Imara AS.
** Energia do Parana Ltda (Enerpar) changed name to SN Power Commercializadora Ltda

Note 06

ASSOCIATED COMPANIES AND JOINT VENTURES

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

COMPANY	DATE OF ESTABL/ ACQUISITION	BUSINESS OFFICE	MAIN OPERATION	PARENT COMPANY	VOTING SHARE	OWNER SHARE
Nividhu (Pvt) Ltd *	27 October 2003	Colombo, Sri Lanka	Power production	SN Power Holding Singapore Pte. Ltd	30.0%	30.0%
Malana Power Company Ltd *	17 June 2005	New Dehli, India	Power production	SN Power Holding Singapore Pte. Ltd	49.0%	49.0%
Allain Duhangan Hydro Power Ltd *	17 June 2005	New Dehli, India	Power plant under construction	Malana Power Company Ltd	88.0%	88.0%
SN Aboitiz Power - Magat Inc	29 November 2005	Manila, Philippines	Power production	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
Manila-Oslo Renewable *** Enterprise Inc.	29 November 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	16.7%	16.7%
SN Aboitiz Power Benguet Inc	29 November 2005	Manila, Philippines	Power production/ rehabilitation	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Hydro Inc **	29 November 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Nueva Ecija Inc **	14 January 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Pangasnan Inc **	14 January 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Cordillera Inc **	14 January 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power RES Inc **	23 December 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
Fountain Intertrade Corporation	4 October 2010	Panama City, Panama	Investment	SN Power ACA Pte. Ltd	50.0%	50.1%
Dugar Hydro Power Ltd	21 April 2011	Himachal Pradesh, India.	Power plant under construction	SN Power Holding Singapore Pte. Ltd	50.0%	50.0%
Hidroelectrica La Higuera S.A	3 June 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguerirca y Cia.	50.0%	50.0%
Hidroelectrica La Confluencia S.A	23 Sepember 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguerirca y Cia.	50.0%	50.0%

* The companies with diverging financial year are India and Sri Lanka with 31 March as Balance sheet date. The figures specified in the note represent the calendar year.
** Companies without activity.
"*** Manila-Oslo Renewable Enterprise has a 60% owner share in SN Aboitiz Power Magat Inc, SN Aboitiz Power Benguet Inc, SN Aboitiz Power Hydro Inc, SN Aboitiz Power Nueva Ecija Inc, SN Aboitiz Power Pangasnan Inc, SN Aboitiz Power Cordillera Inc and SN Aboitiz Power RES Inc. None of the companies are listed.

Book value associated companies and joint ventures

COMPANY	COUNTRY	BOOK VALUE 2010	ADDITIONS/ DISPOSALS	SHARE OF PROFIT/LOSS	DIVIDENDS	FOREIGN CURRENCY TRANSLATION DIFFERENCE	GAIN/LOSS ON HEDGES	BOOK VALUE 2011
Nividhu (Pvt) Ltd	Sri Lanka	1 737	-	537	-	-78	-	2 196
Malana Power Company Ltd	India	63 875	-	-888	-	-10 997	-	51 990
Allain Duhangan Hydro Power Ltd	India	48 024	-	-1 406	-	-8 164	-	38 454
Dugar Hydro Power Limited	India	-	2 582	-130	-	18	-	2 470
SN Aboitiz Power - Magat Inc	Philippines	147 804	-	113 157	-97 945	-617	-2 368	160 031
Manila-Oslo Renewable Enterprise Inc	Philippines	39 305	3 925	-15	-	208	-	43 424
SN Aboitiz Power Benguet Inc	Philippines	117 357	15 699	22 341	-	266	-6 150	149 513
Fountain Intertrade Corporation	Panama	5 912	18 537	-696	-	-884	-2 124	20 745
Hidroelectrica La Higuera S.A	Chile	53 807	-	-32 392	-	-	-6 030	15 385
Hidroelectrica La Confluencia S.A	Chile	54 251	-	-17 388	-	-	-6 051	30 812
Consolidation effects		-2 574	-	-	-	-	-	-2 574
Total		529 498	40 742	83 113	-97 945	-20 248	-22 723	512 446

Significant movements in book value associated companies and joint ventures

The profit share for 2011 is negative in India, mainly as a result of low prices in the domestic market and write-down of the Bara Bhangahal-project in Malana Power Company Ltd. All entities in India have INR as functional currency and there has been a significant weakening against USD in 2011, resulting in a negative translation difference on MUSD 19. Development of Dugar Hydroelectric license started in 2011.

In the Philippines 2011 was a very good year mainly due to high revenues on ancillary services. The companies showed a profit share on MUSD 135 and declared MUSD 98 in dividends during the year. Refurbishment of Ambuklao is completed and refurbishment of Binga is planned to finish during 2013 (SN Aboitiz Power Benguet Inc), and these projects explain the additional investments in 2011. Loss on hedges in 2011 is related to interest- and currency derivatives qualifying for hedge accounting.

In Panama, Fountain Intertrade Corporation (FIC) continued the development of Bajo Frio project and construction started in November 2011. FIC did also enter into interest- and currency derivatives qualifying for hedge accounting.

Joint venture companies in Chile experienced significant challenges in 2011. The La Higuera intake tunnel collapsed in August and effectively stopped all production from this plant. Committments to deliver energy on power sales agreements combined with delayed start-up on both plants and a very dry year, resulted in a negative profit share on MUSD 50 in 2011. La Higuera is currently in arbitration with contractor, and if the outcome is successful it is expected to see significant positive effects in future income statements. The companies have also entered into interest derivatives that qualify for hedge accounting in order to convert floating-rate debt to fixed.

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

COMPANY	ASSETS	LIABILITIES	REVENUE	NET PROFIT
Nividhu (Pvt) Ltd	7 929	1 038	2 601	1 790
Malana Power Company Ltd	252 618	74 497	25 037	-1 813
Allain Duhangan Hydro Power Ltd	367 265	278 088	37 659	-3 260
Dugar Hydro Power Limited	4 964	25	-	-260
SN Aboitiz Power - Magat Inc	754 630	400 239	291 473	226 314
Manila-Oslo Renewable Enterprise Inc	335 430	74 937	4 671	-87
SN Aboitiz Power Benguet Inc	747 761	396 312	93 319	44 681
Fountain Intertrade Corporation	51 860	10 452	-	-1 391
Hidroelectrica La Higuera S.A	519 393	490 615	96 479	-64 784
Hidroelectrica La Confluencia S.A	465 470	403 841	43 616	-34 775

* Assets and liabilities are converted to USD using the closing balance rate per 31 December 2011. Revenue and Net Profit are converted using average rate for 2011. The financial information are adjusted from local reporting to comply with IFRS in the group reporting.

Note 07

SALES REVENUES

BY BUSINESS AREA	2011	2010
Power sales	182 447	113 163
Services	6 249	1 067
Gain on disposal of assets	266	68
Total	188 962	114 298

By geographical market

	2011	2010
Norway	847	1 067
South America	142 743	80 422
Asia	35 018	32 809
Africa	10 354	-
Total	188 962	114 298

Note 08

ENERGY PURCHASE AND OTHER COSTS RELATED TO POWER SALES

	2011	2010
Purchase of electric power	38 840	1 662
Transmission costs	7 292	4 831
Other production costs and fees	2 175	1 433
Total cost of energy purchase and other costs related to power sales	48 307	7 926

Note 09

EMPLOYEE BENEFIT EXPENSES, MANAGEMENT REMUNERATION AND AUDIT FEE

SALARY AND PERSONNEL COSTS	2011	2010
Salary expenses	33 288	26 733
Social security costs	3 138	2 595
Pension costs (note 21)	2 454	1 873
Other personnel costs	5 352	4 584
Total salary and personnel costs	44 232	35 962

THE AVERAGE NUMBER OF MAN-YEARS	2011	2010
SN Power Group consolidated companies	494	427
SN Power Group associated companies and joint ventures (100%)	715	759
Total	1 209	1 186

EXPENSED MANAGEMENT REMUNERATION	2011 NOK	2011 USD	2010 NOK	2010 USD
Chief Executive Officer				
Salary	1 926	344	1 930	319
Paid pension premium	149	27	223	37
Other	202	36	154	25
Total Chief Executive Officer	2 277	406	2 307	382
Executive Management Team				
Salary	12 139	2 165	11 621	1 923
Paid pension premium	1 075	192	917	152
Other	3 825	682	4 198	695
Total Executive Management Team	17 039	3 040	16 736	2 769
Total remuneration CEO and Executive Management Team	19 317	3 446	19 043	3 151

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

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

Tor I. Stokke was acting CEO from 1 January to 30 July and Torger Lien took up the position from 1 August.

Remuneration of TNOK 380 (TUSD 68) is paid to the Board of Directors in Statkraft Norfund Power Invest AS in 2011.

AUDIT FEE, SN POWER GROUP	2011	2010
Statutory audit	373	200
Other assurance services	20	2
Tax services	162	67
Non-audit services	446	40
Total fees to auditors	1 001	310

Deloitte is auditor for SN Power Group except one subsidiary in Zambia where Grant Thornton is auditor. Their fee for 2011 was TUSD 28.

Non-audit services from the auditor is primarily related to due diligence in connection with acquisitions in Brazil.

Note 10

OTHER OPERATING COSTS

	2011	2010
Leasing premises	3 547	3 260
External services	14 490	13 134
Travel expenses	7 495	5 737
Insurance expenses	4 483	3 911
Fees, licenses, e.g	885	2 392
Loss on disposal of assets, accounts receivable and contracts	2 497	3 105
Repairs and maintenace	5 306	1 858
Office expenses	6 462	3 901
Other costs	5 891	4 394
Total other operating costs	51 056	41 692

	2011	2010
Lease costs related to operational leases		
Ordinary lease payments	3 547	3 260

THE FUTURE MINIMUM RENTS RELATED TO NON-CANCELLABLE LEASES FALL DUE AS FOLLOWS:	2012	2013-2017	2018 ->	TOTAL
Office lease, lease of office equipment etc	2 237	3 510	378	6 124
Other leases	151	151	91	393
Total	2 388	3 661	469	6 518

Note 11

FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME	IAS 39 CATEGORY	2011	2010
Interest income financial institutions	Amortized cost	4 046	3 465
Realised currency gain	Fair value through profit and loss	3 446	431
Unrealised currency gain	Fair value through profit and loss	7 750	2 204
Other financial income	Amortized cost	2 014	2 138
Financial income		17 256	8 238

FINANCIAL EXPENSES	2011	2011	2010
Interest expenses loans	Amortized cost	-18 317	-17 039
Realised currency loss	Fair value through profit and loss	-3 01	-2 958
Unrealised currency loss	Fair value through profit and loss	-1 315	-282
Other financial expenses	Amortized cost	-1 915	-1 607
Financial expenses		-24 565	-21 886

GAINS AND LOSSES ON DERIVATIVES		2011	2010
Realised gains on derivates	Fair value through profit and loss	3 443	-
Realised loss on derivates *)	Fair value through profit and loss	-42 685	-
Unrealised gain on derivatives	Fair value through profit and loss	266	1 784
Unrealised loss on derivatives	Fair value through profit and loss	-11 559	-1 640
Gains and losses on derivatives		-50 535	144
Net financial items		-57 844	-13 504

*) Stems primarily from a currency swap related to the planned acquisition of 40.65% of Desenvix (Brazil). The currency contract does not qualify for hedge accounting and is recognized in the Profit and loss statement.

Note
12

PROPERTY, PLANT AND EQUIPMENT

	LAND	WATER RIGHTS	PLANTS AND MACHINERY	FIXTURES AND FITTINGS, VEHICLES, OTHER EQUIPMENT	TOTAL
Book value 1 January 2010	6 292	320 177	394 638	9 552	730 659
Additions	2 843	1 473	10 191	2 552	17 059
Reclassification	3 203	-	2 557	-	5 760
Disposals at book value	-1 991	-	-2 404	-649	-5 044
Depreciation for the year	-5	-865	-16 266	-2 774	-19 910
Exchange differences for the year	-	-55	-	1	-54
Book value 31 December 2010	10 342	320 730	388 716	8 682	728 470
Acquisition cost 31 December 2010	7 168	321 650	513 611	20 569	862 998
Reclassification	3 203	-	2 557	-	5 760
Accumulated depreciation	-29	-865	-127 452	-11 911	-140 257
Accumulated exchange differences	-	-55	-	24	-31
Book value 31 December 2010	10 342	320 730	388 716	8 682	728 470
Book value 1 January 2011	10 342	320 730	388 716	8 682	728 470
Additions	558	-0	104 452	2 975	107 985
Additions through business combinations	-	89 595	24 746	216	114 557
Reclassification	-	-	22 243	1 312	23 555
Disposals at book value	-277	-9 303	-504	-869	-10 953
Depreciation for the year	-5	909	-18 110	-2 390	-19 596
Exchange differences for the year	-	-157	-	-12	-169
Book value 31 December 2011	10 618	401 774	521 543	9 914	943 849
Acquisition cost 31 December 2011	10 652	401 944	649 779	22 259	1 084 634
Reclassification	-	-	22 106	1 312	23 418
Accumulated depreciation	-34	44	-150 342	-13 666	-163 998
Accumulated exchange differences	-	-214	-	9	-205
Book value 31 December 2011	10 618	401 774	521 543	9 914	943 849

The operations of the La Oroya and Pachachaca hydropower plants, which generate 10% of the SN Power Peru's supply, might be terminated in 2012 due to an agreement with local government. The background is that local government plan to use the water at the two plants for drinking water, and power production must therefore cease. No write-downs have been made in the financial statements as of 31 December 2011 since it is expected that the local government will postpone the termination. Carrying amount for the above mentioned plants as of 31 December 2012 is calculated to MUSD 10. A provision for dismantling (TUSD 568) is made for La Oroya and Pachachaca hydropower plants.

In 2011, it has been calculated additional deferred tax of MUSD 18,5 related to excess values on water rights from the aquisition of Electroandes in 2007 (SN Power Peru). This is an adjustment of previously reported deferred tax. Comparative figures have been restated and book value of water rights 1 January 2010 have increased with calculated deferred tax of MUSD 18,5.

The Cheves project (Peru) is under construction and is included under plants and machinery with MUSD 113.

Note 13

INTANGIBLE ASSETS

	GOODWILL	ROAD AND LAND RIGHTS	PROJECT DEVELOPMENT	SOFTWARE LICENSES	TOTAL
Book value 1 January 2010	-	7 420	33 454	534	41 408
Additions – acquired separately	-	452	31 975	92	32 519
Reclassification	-	-5 760	-	-	-5 760
Amortisation	-	-24	-23 331	-123	-23 478
Exchange differences for the year	-	-1	-41	-	-42
Book value 31 December 2010	-	2 087	42 057	503	44 647
Acquisition cost 31 December 2010	-	10 650	65 429	973	77 052
Reclassification	-	-5 760	-	-	-5 760
Accumulated amortisation	-	-2 802	-23 331	-470	-26 603
Accumulated exchange differences	-	-1	-41	-	-42
Book value 31 December 2010	-	2 087	42 057	503	44 647
Book value 1 January 2011	-	2 086	42 057	502	44 645
Additions	-	1 217	3 498	-	4 715
Additions through business combinations	5 730	-	-	-	5 730
Reclassification	-	-	-23 556	1	-23 555
Disposals at book value	-	-1 007	-5 825	-57	-6 889
Amortisation	-	-23	-9 131	-268	-9 422
Exchange differences for the year	-	1	-268	1	-266
Book value 31 December 2011	5 730	2 274	6 775	179	14 958
Acquisition cost 31 December 2011	5 730	6 013	36 176	864	48 783
Reclassification	-	-916	-23 556	1	-24 471
Accumulated amortisation	-	-2 822	-5 536	-686	-9 044
Accumulated exchange differences	-	-1	-309	-	-310
Book value 31 December 2011	5 730	2 274	6 775	179	14 958

PROJECT DEVELOPEMENT

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

Reclassification of MUSD 23.6 for 2011, is project development costs related to the Cheves project in Peru and is transferred to plant and machinery.

Note 14

CONTRACTUAL COMMITMENTS AND OPERATIONAL LEASES

In September 2010, SN Power approved construction of the hydro power plant Cheves in Peru. The power plant will have an installed capacity of 168 MW and an expected average annual production of 834 GWh. The investment frame is MUSD 402 with remaining MUSD 247 as of December 2011. SN Power is committed to contribute MUSD 152 in equity of which everything has been injected as planned. Statkraft Norfund Power Invest AS has granted a parent company guarantee for completion of MUSD 130.

SN Power have commitments related to completion of power plants under construction which is presented as associated companies and joint ventures in the financial statements. The total investment frame for the projects (100%) is MUSD 1 142, of which remaining investments are estimated to MUSD 221. SN Power is committed to inject maximum MUSD 10 in equity to finance remaining investment in associated companies and joint ventures. The projects are located in India, Chile and Panama.

A tunnel collapse in august in the La Higuera project (Chile) lead to production stop in the project. Delayed start-up together with the tunnel collapse and committment to sell energy under power sales agreements in a very dry year with high prices, gave rise to significant losses in 2011. The loss implied a liquidity need for La Higuera, and the owners chose to cover this by granting the company shareholder loans. Best estimate for remaining liquidity shortfall by year-end is MUSD 38 on SN Power share.

On La Confluencia project (Chile) delayed start-up on the Portillo branch from poor rock quality, in addition to committment to sell energy under power sales agreements in a year with high power prices also lead to significant losses in 2011. The loss implied a liquidity need for La Confluencia, and the owners chose to cover this by granting the company shareholder loans. Best estimate for remaining liquidity shortfall by year-end is MUSD 13 on SN Power share.

OFF BALANCE SHEET GUARANTEES AND OBLIGATIONS 31 DECEMBER	2011
Parent company guarantees	220 606
Financial power exchange agreements	5 283
Property rental guarantees	551
Regress guarantees	66 716
Remaining equity commitments, subsidiaries	-
Remaining equity commitments, associated companies and joint ventures	61 000
Sureties	42 299
Total	396 455

Note 15

DERIVATER

	2011	2010
Derivatives — non current assets		
Energy derivatives	103 967	-
Interest rate derivatives	-	-
Currency rate derivatives	762	2 295
Total non-current derivatives	104 729	2 295
Derivatives - current assets		
Energy derivatives	7 469	-
Interest rate derivatives	-	-
Currency rate derivatives	1 180	2 185
Total current derivatives	8 649	2 185
Derivatives - non current liabilities		
Energy derivatives	12 209	-
Interest rate derivatives	34 660	-
Currency rate derivatives	-	2 321
Total non-current derivatives	46 869	2 321
Derivatives - current liabilities		
Energy derivatives	6 208	-
Interest rate derivatives	3 838	-
Currency rate derivatives	6 753	2 257
Total current derivatives	16 799	2 257
Net energy derivatives	93 019	-
Net interest rate derivatives	-38 498	-
Net currency rate derivatives	-4 811	-98
Total net derivatives	49 710	-98

FAIR VALUE OF DERIVATIVES

The estimated fair value of financial instruments has been determined using relevant market information and valuation methods. The fair value of interest rate swaps and currency swaps is determined by discounting expected future cash flows to present values using observed market interest rates and exchange rates, while the valuation of forward exchange contracts is based on the observed exchange rates, of which forward exchange rates are derived. Estimated present values are tested for reasonableness against calculations made by the counterparties in the contracts (mark-to-market).

The fair value of energy derivatives are determined at quoted market prices when available, and if market prices are not available prices are calculated on the short, medium and long term with different input variables in separate models. The fair value of other energy derivatives are calculated by discounting expected future cash flows. Market price curve is determined based on in-house models in cases where one does not have market closing prices and these are updated continuously with major parameters such as inflation and interest rates. Market interest rate curve is assumed for discounting derivatives. Market interest rate curve calculated based on the published swap rates from major financial institutions and credit spreads are added to the market yield curve in cases where credit risk is relevant. Fair value measurements can be classified by using a fair value hierarchy that reflects the significance of the inputs used in the preparation of the measurements.

The fair value hierarchy has the following levels:
Level 1: Non-adjusted quoted prices in active markets for identical assets or liabilities.
Level 2: Other than the quoted prices included in Level 1 that are observable for the asset or liability either directly as prices, or indirectly derived from prices.
Level 3: Data for the asset or liability is not based on observable market data.

Fair value hierarchy and fair value changes in financial derivatives is presented below, while for the remaining financial instruments are discussed in the text above. Further analysis of market risk is discussed in note 3.

	ENERGY DERIVATIVES LEVEL 3	INTEREST DERIVATIVES LEVEL 2	CURRENCY DERIVATIVES LEVEL 2	TOTAL
Derivatives 1 January 2011	-	-	-98	-98
Additions derivatives 2011	96 041	-	-	96 041
Derivatives 31 December 2011	93 019	-38 498	-4 811	49 710
Change in fair value for derivatives	-3 022	-38 498	-4 713	-46 233
Changes in fair value recognized in income statement	-3 022	-	-8 271	-11 293
Changes in fair value recognized in other equity	-	-38 498	3 558	-34 940
Change in fair value for derivatives	-3 022	-38 498	-4 713	-46 233
Changes in fair value recognized in other equity	-	-38 498	3 558	-34 940
Deferred tax asset from hedging instruments recognized in other equity	-	8 866	-	8 866
Gain on realized contracts recognized in other equity	-	-	403	403
Recognized in other equity	-	-29 632	3 961	-25 671
Changes in fair value recognized in income statement	-3 022	-	-8 271	-11 293
Loss on realized contracts recognized in income statement	-	-	-42 685	-42 685
Gain on realized contracts recognized in income statement	-	-	3 443	3 443
Net recorded in income statement	-3 022	-	-47 513	-50 535

SENSITIVITY ANALYSIS OF FACTORS CLASSIFIED AS LEVEL 3	10% REDUCTION	10% INCREASE
Net effect of prices on energy derivatives	-46 978	46 978

HEDGE ACCOUNTING

SN Power have entered into interest rate swaps in Norvind, Cheves and SN Power Peru and currency swaps in Cheves. All contracts qualify for hedge accounting of future cash flows, and changes in fair value are recorded against equity until the payment is settled. Other hedging instruments that does not meet hedge accounting requirements are recorded at fair value over profit and loss statement. Previously SN Power Group hedged net investments, but these have been phased out in 2011 in line with group policy on currency exposure. Per 31 December a total of MUSD 37 of the groups hedging instruments qualify for hedge accounting.

Note 16

FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has been determined using the relevant market information and valuation methods. There are no identified financial instruments where the carrying value differs significantly from fair value. The carrying value of cash and cash equivalents is the best estimate of fair value. The fair value of loans is calculated by discounting expected future cash flows at prevailing interest rates and are not significantly different from book value.

FINANCIAL ASSETS VALUED AT AMORTISED COSTS	BOOK VALUE	FAIR VALUE
Loans to associated companies and joint ventures	101 169	101 169
Investment in shares	282	282
Other long term receivables	1 830	1 830
Account receivable	23 266	23 266
Prepayments to suppliers	33 306	33 306
Other current receivables	121 240	121 240
Accrued dividend	58 638	58 638
Cash pool Statkraft	339 162	339 162
Cash and cash equivalents (note 19)	211 745	211 745
Total financial assets at amoritized costs	890 638	890 638

FINANCIAL LIABILITIES VALUED AT AMORTISED COSTS		
Interest-bearing long term debt	336 558	336 558
Interest bearing short term debt	589	589
Current portion long term debt	108 695	108 695
Other current liabilities	25 690	25 690
Accounts payable	40 067	40 067
Tax	12 098	12 098
Total financial assets at amoritized costs	523 697	523 697

Note 17

FINANCIAL ASSETS

	2011	2010
Loans to associated companies and joint ventures	101 169	110 474
Investments in shares	282	283
Other long term receivables	1 829	4 175
Total financial assets	103 280	114 932

Note 18

RECEIVABLES

	2011	2010
Accounts receivables	23 266	14 714
Provisions for loss on receivables	-2 531	-1 734
Prepayments to suppliers	33 306	6 390
Earned but not invoiced operating income	7 294	5 954
Current receivable from associated companies and joint ventures	5 310	1 896
Prepaid tax receivable	-	4 150
Other current receivables	110 791	6 693
Settlement account VAT	247	1 907
Prepaid rent	81	134
Accrued interest	48	204
Approved, not paid dividend from associated companies/joint ventures	58 638	-
Cash Pool Statkraft	339 162	50 657
Total receivables	575 612	90 965

Note 19

CASH AND CASH EQUIVALENTS

	2011	2010
Bank deposits, cash and cash equivalents	80 091	113 148
Bank deposits – tax restricted	556	703
Other bank deposits – restricted *)	131 098	132 688
Total cash and cash equivalents 31 December	211 745	246 539

*) Back-to-back loan with bank deposits as collateral, refer note 24.

Note 20

SHARE CAPITAL, SHAREHOLDER INFORMATION AND DIVIDEND

	SHARE CAPITAL	SHARE PREMIUM RESERVE	PAID IN EQUITY
Paid-in equity 1 January 2011	476 768	639 884	1116 653
Capital increase	94 581	378 325	472 906
Paid-in equity 31 December 2011	571 349	1018 209	1 589 558

SHAREHOLDERS IN STATKRAFT NORFUND POWER INVEST AS 31 DECEMBER 2011	NUMBER OF SHARES	OWNER AND VOTING SHARE
Statkraft AS	19 107 866	60%
Norfund	12 738 577	40%
Total	31 846 443	100%

No dividends will be paid out for 2011.

Note 21

PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

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

Actuarical gains/losses are recognised in equity, and the effect in 2011 amounts to TUSD -1.938.

ASSUMPTIONS

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

	2011	2010
Discount rate	2.8%	3.7%
Expected rate of return	2.8%	3.7%
Regulation of salary	4.0%	4.0%
Regulation of pension, Nordea	0.0%	0.2%
Regulation of pension, SPK	3.0%	3.0%
Regulation of base rate	3.8%	3.8%
Turnover	3.5%	3.5%

PENSIONS COSTS	FUNDED	UNFUNDED	2011	2010
Net present value of the current year's pension earnings	1 979	171	2 150	1 737
Interest rate and administrative costs	248	18	265	284
Gross pension costs	2 227	189	2 416	2 022
Return on pension plan assets	-238	-	-238	-268
Amortization of passed service costs and gains/losses	32	-	32	-217
Administration costs	35	-	35	34
Accrued social security cost	184	27	210	301
Net pension costs	2 239	215	2 454	1 873

Pension liabilities	FUNDED	UNFUNDED	2011	2010
Pension liabilities	9 069	859	9 928	7 737
Pension plan assets	5 893	-	5 893	5 800
Calculated pension liabilities	3 175	859	4 034	1 938
Past service cost	-	-	-	-33
Social security cost	391	121	512	224
Net pension liabilities	3 566	980	4 546	2 128

MOVEMENT IN ACTUARIAL GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY			2011	2010
Accumulated amount recognised directly in equity before tax 1 January			-291	-1 302
Translation effects			8	-
Recognised in the period	-1 712	-226	-1 938	1 012
Accumulated amount recognised directly in equity			-2 220	-291

Note 22

TAX

TAX EXPENSE	2011	2010
Taxes payable	10 736	6 353
Adjustments relating to previous years	3 244	-900
Change in deferred tax liability	-3 340	-2 932
Tax expense	10 640	2 521

Tax expense is related to foreign subsidiaries.

TAX EXPENSE	2011	2010
Profit before tax	41 618	55 766
Expected tax expense at a nominal rate of 28%	11 653	15 614
Effect on taxes of:	-	-
Differences in foreign tax rates	776	-1 958
Income from associated companies and joint ventures	-23 272	-23 503
Tax-free income	-6 854	-4 013
Non-deductable costs	-211	-
Other permanent differences	-1 569	-973
Changes relating to previous years	1 923	-
Tax loss carried forward	28 194	17 354
This year's tax expense	10 640	2 521
Tax rate	25.6%	4.5%

SPECIFICATION OF THE TAX EFFECTS OF TEMPORARY DIFFERENCES	1 JANUARY 2011	RECOGNISED IN PROFIT AND LOSS	RECOGNIZED IN EQUITY	BUSINESS COMBINATIONS	OTHER	31 DECEMBER 2011
Current receivables	35	-39	-	6 213	-	6 209
Current liabilities	482	464	-	-38 867	-	-37 921
Derivatives	-	-	8 866	-	-	8 866
Property, plant and equipment	-67 481	-15 787	-	-35 830	305	-118 794
Pension liabilities	-	-	-	-	-	-
Other non-current items	71	-1 081	-	-5	-	-1 015
Tax losses carried forward	9 675	19 782	-	-4 898	-	24 560
Total net deferred tax liability/(asset)	-57 218	3 340	8 866	-73 387	305	-118 095
Deferred tax asset	10 412					18 456
Deferred tax	-67 630					-136 551
Total deferred tax in balance sheet	-57 218					-118 095

In 2011, it has been calculated additional deferred tax of MUSD 18,5 related to excess values on water rights from the aquisition of Electroandes in 2007 (SN Power Peru). This is an adjustment of previously reported deferred tax. Comparative figures for property, plant and equipment and deferred tax have thus increased with calculated deferred tax on MUSD 18,5.

TEMPORARY DIFFERENCES OR UNUSED TAX LOSSES FOR WHICH NO DEFERRED TAX ASSET/LIABILITY IS RECOGNISED IN THE BALANCE SHEET	2011	2010
Property, plant and equipment	103	106
Pension liabilities	1 924	1 778
Other long-term items	-3 859	-
Provisions for liabilities	-	159
Tax losses carried forward/compensation	113 693	93 146
Temporary differences or unused tax losses for which no deferred tax asset/liability is recognised in the balance sheet	111 861	95 190

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

Note 23

LONG TERM PROVISIONS AND CONTINGENT LIABILITIES

	DISMANTLING	CLAIMS	TOTAL
Balance sheet 31 December 2010	537	2 032	2 569
New provisions	31	536	567
Amount used	-	-	-
Balance sheet 31 December 2011	568	2 568	3 136

Provision for dismantling (TUSD 568) relates to a provision made for the SN Power Peru plants La Oroya and Pachachaca hydropower plants, which might be taken out of operation due to usage of the water for drinking water.

Provision for claims (TUSD 2 568) is related to tax claims, custom claims, claims from regulators and restructuring cost in SN Power Peru. New provisions in 2011 derives mainly from changes related to the requirements from regulatory authorities in SN Power Peru and a customs claim in Lunsemfwa Hydro Power Company.

CONTINGENT LIABILITIES

The tax authorities in Peru promoted in 2008 a claim related to disagreement in upward adjustment of tax base from an internal reorganisation in Cahua (SN Power Peru) in 1997. The claim amounts to MPEN 28 (MUSD 10) plus interests. SN Power Peru discharged the claim and appealed the tax authorities interpretation of the legislation. In addition the company received a claim from former employees regarding supplementary payment of salary for MUSD 2,4 in the years 1981-2008. The claim has been rejected and one awaits further discussions in the legal system.

In Chile, the joint venture company La Higuera has a conflict with the contractor and is currently in arbitration. The claim is related to delayed completion of the La Higuera plant and compensation for operating loss as a result of this, and it is expected to finish the arbitration process in 2013. A positive outcome will significally impact future results, as the compensation is for operating losses as a result of the delay.

On La Higuera a section of the intake tunnel collapsed in 2011. This lead to production stop, and together with a comittment to deliver energy on a power sales agreement and very high power prices in the market, lead to additional operating losses in 2011. The company is insured for business interruption and a process has been initiated towards the insurance company.

In Chile, the joint venture company La Confluencia has a disagreement with contractor regarding variation orders on the construction contract for the plant. Negotiations are ongoing.

In the Philippines the joint venture company Magat has an ongoing dispute with two provinces regarding allocation of real estate tax on MUSD 9 between these. Negotiations are ongoing and if an agreement is not reached, legal steps will be initiated. Joint venture company Benguet do also have a number of claims ongoing related to reimbursement of VAT, and awaits a conclusion from the tax authorities. The amount is approximately MUSD 15.

Benguet did also suffer loss from the impact of typhoon Pepeng, and raised a claim against the insurance company on MUSD 4.

Note 24

LONG-TERM DEBT

	AVERAGE INTEREST RATE	2011	2010
Regular loans in subsidiaries	3.9%	233 976	202 631
Back-to-back loans *)	1.7%	119 500	119 500
Loan from Statkraft	3.5%	91 778	34 294
Total debt		445 254	356 425
First years installment long term debt		-108 695	-38 318
Interest-bearing long term debt		336 558	318 107

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

PLEDGED AS SECURITY AND RESTRICTED FUNDS

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

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

SN Power Holding AS has at 31 December 2011 MUSD 41.2 as deposit in Citibank and MUSD 79.5 as deposit in Santander. The deposit is a collateral for a loan on MUSD 40 from Citibank and MUSD 79.5 from Santander to SN Power Chile Inversiones Ltda. Interests of MUSD 0.4 are also classified as restricted cash.

Book value of pledged assets in the group amounts to MUSD 737 and the underlying commitment amounts to MUSD 368.

Note 25

SPECIFICATION OF OTHER CURRENT LIABILITIES

	2011	2010
Payables to employers and shareholders	2 370	1 406
Public taxes payable	2 192	2 338
Accounts payable	40 067	12 009
Accrued salary and vacation expense	5 013	3 937
Accrued costs and deferred revenue	3 417	8 001
Current interest-bearing debt	589	1 295
Accrued interest	2 585	1 329
Provision, current liabilities	688	430
Other current liabilities	12 936	1 339
Total other current liabilities	69 857	32 084

Note 26

TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

TRANSACTION TYPE	RELATED PARTY	2011	2010
Sales revenue	Statkraft Group	811	61
Sales revenue	Hidroelectrica La Higuera S.A	1 243	1 073
Sales revenue	Hidroelectrica La Confluencia S.A	1 156	887
Sales revenue	SN Aboitiz Power Magat Inc	41	-
Sales revenue	Manilla - Oslo Renewable Enterprise, Inc	110	-
Sales revenue	SN Aboitiz Power Benguet Inc	145	-
Sales revenue	Total	3 506	2 021
Other operating costs	Statkraft Group	703	1 190
Other operating costs	Total	703	1 190
Interest income	Statkraft Group	410	107
Interest income	Total	410	107
Interest and other financial expenses	Statkraft Group	2 685	1 236
Interest and other financial expenses	Total	2 685	1 236

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

		2011	2010
Bank deposits in Statkraft Cash Pool	Statkraft Group	338 623	50 657
Receivables	Statkraft Group	1 229	32
Receivables	Hidroelectrica La Higuera S.A	32 191	77 709
Receivables	Hidroelectrica La Confluencia S.A	70 300	32 144
Receivables	Allain Duhangan Hydro Power Ltd	65	68
Receivables	SN Aboitiz Power Magat Inc	1 282	1 285
Receivables	Manilla - Oslo Renewable Enterprise, Inc	1 692	1 187
Receivables	SN Aboitiz Power Benguet Inc	33	45
Receivables	Fountain Intertrade Corporation	912	-
Receivables	Total	446 327	163 127
Other short term liabilities	Statkraft Group	9	383
Other short term liabilites	Total	9	383
Current portion short term debt	Statkraft Group	91 778	34 295
Current portion short term debt	Total	91 778	34 295

Statkraft Norfund Power Invest AS

Income Statement and Statement of Comprehensive Income

FIGURES IN USD 1000	NOTE	2011	2010
INCOME STATEMENT			
OPERATING REVENUES AND EXPENSES			
Sales revenues	2	5 514	5 529
Salary and personnel costs	3	-12 776	-11 205
Depreciation and amortization	6	-127	-437
Other operating costs	4	-14 335	-12 724
Operating profit/loss		-21 724	-18 837
FINANCIAL INCOME AND EXPENSES			
Financial income	5	12 152	3 694
Financial expenses	5	-6 724	-1 950
Gains and losses on derivatives	5,11	-47 559	1 601
Net financial items		-42 130	3 345
Profit/loss before tax		-63 855	-15 492
Tax expense	8	-	-
NET PROFIT/LOSS FOR THE YEAR		-63 855	-15 492
STATEMENT OF COMPREHENSIVE INCOME			
Net gain/losses on hedging instruments	11	-74	-1 197
Pensions	7	-1 794	1 119
Other comprehensive income for the year, net of tax		-1 868	-78
Total comprehensive income for the year, net of tax		-65 722	-15 570

Balance Sheet at 31 December

FIGURES IN USD 1000	NOTE	2011	2010
ASSETS			
Intangible assets	6	7	3 233
Tangible assets	6	221	319
Investment in subsidiaries	9	1 227 525	981 768
Total fixed assets		1 227 752	985 320
Intra-group receivables	12	341 278	74 258
Receivables		6 546	1 758
Current derivatives		-	1 858
Cash and cash equivalents	10	539	4 957
Total current assets		348 363	82 831
TOTAL ASSETS		1 576 115	1 068 151
EQUITY AND LIABILITIES			
Paid-in equity	11	1 589 558	1 116 652
Other equity	11	-157 232	-91 510
Total equity		1 432 326	1 025 142
Pension commitments	7	3 569	1 443
Interest-bearing long term debt	12	-	34 294
Total long-term liabilities		3 569	35 738
Accounts payable		1 017	1 363
Intra-group payables	12	36 883	919
Interest-bearing current debt	12	91 778	-
Current derivatives	11	6 533	-
Other current liabilities		4 009	4 989
Total current liabilities		140 220	7 271
TOTAL EQUITY AND LIABILITIES		1 576 115	1 068 151

Oslo, 14 February 2012

Øistein Andresen
Chair person

Mark Davis
Director

Anne Vera Skrivarhaug
Director

Hilde Bekier-Larssen
Director

Tore Haga
Director

Halvor Fossum Lauritzen
Director

Wenche Lund Øyno
Director

Egil Reinhard Gjesteland
Director

Torger Lien
Chief Executive Officer

Statement of Changes in Equity at 31 December

FIGURES IN USD 1000	NOTE	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
At 1 January 2011		476 768	639 884	-91 510	1 025 142
Transactions with shareholders					
Issue of share capital	11	94 581	378 325		472 906
Transactions with shareholders		94 581	378 325		472 906
Total comprehensive income for the year, net of tax				-65 722	-65 722
At 31 December 2011		571 349	1 018 209	-157 232	1 432 326

Cash Flow Statement

FIGURES IN USD 1000	NOTE	2011	2010
CASH FLOW FROM OPERATIONAL ACTIVITIES			
Profit/loss before tax		-63 855	-15 492
Depreciation	6	127	437
FX hedges in profit and loss with no cash effect	11	8 317	-758
Difference between this year's pension expense and pension premium		308	72
Effect of exchange rate changes		-6 172	-328
Change in intra-group accounts		50 687	-15 455
Change in other current assets and liabilities		-6 090	640
Net cash flow from operational activities		-16 677	-30 884
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investment in tangible and intangible fixed assets	6	3 197	-1 411
Investments in subsidiaries		-245 757	-83 242
Change in Cash Pool Statkraft		-281 742	118 373
Proceeds from realized forward exchange rate contracts	11	-	-
Net cash flow from investment activities		-524 302	33 721
CASH FLOW FROM FINANCING ACTIVITIES			
New current debt from Statkraft		63 656	-
New paid-in equity	11	472 906	-
Net cash flow from financing activities		536 562	-
Net change in cash and cash equivalents		-4 417	2 836
Cash and cash equivalents at 1 January		4 956	2 120
Cash and cash equivalents at 31 December		539	4 957

Notes to the accounts

Figures in USD 1000

Note 1

ACCOUNTING PRINCIPLES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

CLASSIFICATION

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

REVENUE RECOGNITION

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

FOREIGN CURRENCY

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

The company makes use of currency swaps and forward contracts to hedge part of the currency exposure related to investments in subsidiaries and associated companies in the SN Power group, and hedges are made against functional currency (USD). The currency contracts are valued at fair value based on the spot element of the contracts and recorded as hedging instruments if they qualify for hedge accounting according to IFRS. The fluctuation in value due to changes in exchange rates is recorded directly against the hedged object, or over profit and loss statement if the instrument does not qualify for hedge accounting.

INVESTMENTS

Investments in subsidiaries are accounted for using the cost method. The investments are recorded at the acquisition price of the shares. When it is assumed that the asset value is lower than its carrying value, the asset is written down to recoverable amount. Previously recognized impairment loss is reversed only if there have been changes in the estimates used to determine the recoverable amount. Dividends from subsidiaries are recognized when earned.

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, and if the costs can be invoiced down to the project company. Development costs will often be capitalised when a construction project is more probable than not, but no formal investment decision has yet been made.

LEASING

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

TRADE RECEIVABLES

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

INCOME TAXES

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

PENSION COST

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

CASH FLOW STATEMENT

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

Note 02

SALES REVENUES

BY BUSINESS AREA	2011	2010
Services	5 514	5 529
Total	5 514	5 529

BY GEOGRAPHICAL MARKET	2011	2010
Norway	1 395	847
South America	1 885	49
Asia	2 234	4 633
Total	5 514	5 529

Note 03

EMPLOYEE BENEFIT EXPENSES, MANAGEMENT REMUNERATION AND AUDIT FEE

SALARY AND PERSONNEL COSTS	2011	2010
Salary expenses	-8 287	-8 043
Social security costs	-1 323	-1 277
Pension costs (note 7)	-1 492	-1 357
Other employee benefits	-1 218	-302
Other personnel costs	-456	-226
Total salary and personnel costs	-12 776	-11 205

THE AVERAGE NUMBER OF MAN-YEARS	2011	2010
Statkraft Norfund Power Invest AS	47	45

Remuneration to leading employees

The Chief Executive Officers received a salary of TNOK 1 926 (TUSD 344), paid pension premium of TNOK 149 (TUSD 27) and other renumeration of TNOK 202 (TUSD 36) in 2011. Average rate 2011 is used when conversion of NOK to USD. There are no contingent liabilities related to end of employment with the exception of the CEO entitled to severance pay up to 12 months.

Remuneration paid by Statkraft Norfund Power Invest AS to its Directors in 2011 amounts to TNOK 380 (TUSD 38).

AUDITOR	2011	2010
Statutory audit	132	74
Other assurance services	6	-
Tax services	154	65
Non-audit services	24	-
Total fees to auditors	316	139

Note 4

OTHER OPERATING COSTS

OTHER OPERATING COSTS	2011	2010
Leasing premises	-812	-776
Other leasing costs	-441	-847
External services	-2 976	-5 408
Group services	-1 443	-228
Travel expenses	-2 939	-2 474
IT costs (Hardware and software)	-1 813	-1 053
Other costs	-3 912	-1 938
Total other operating costs	-14 335	-12 724

Note 5

FINANCIAL ITEMS

FINANCIAL INCOME	2011	2010
Group contribution	4 668	1 860
Interest income financial institutions	404	115
Interest income on foreign exchange contracts	875	1 143
Currency gain	6 205	576
Financial income	12 152	3 694

FINANCIAL EXPENSES	2011	2010
Interest expenses Statkraft loan	-2 521	-1 091
Currency loss	-4 146	-732
Other financial expenses	-57	-131
Interest expenses on foreign exchange contracts	-	4
Financial expenses	-6 724	-1 950

GAINS AND LOSSES ON DERIVATIVES	2011	2010
Realised gains on derivates	3 444	2 126
Unrealised gain on derivatives	-	758
Realised loss on derivates	-42 685	-1 283
Unrealised loss on derivatives	-8 317	
Gains and losses on derivatives	-47 559	1 601

FUNCTIONAL CURRENCY

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

Note 6

FIXED ASSETS

TANGIBLE ASSETS	FURNITURES, OFFICE FIXTURES	OFFICE EQUIPMENT	TOTAL
Acquisition cost 1 January 2011	656	353	1 010
Additions			-
Disposals			-
Acquisition cost 31 December 2011	656	353	1 010
Accumulated depreciation at 31 December 2011	-462	-327	-789
Book value 31 December 2011	194	26	221
Depreciation for the year	96	2	98
Estimated economic life	3-10 yrs	3-10 yrs	
Depreciation method	linear	linear	

INTANGIBLE ASSETS	PROJECT DEVELOPMENT (*)	SOFTWARE LICENCES	TOTAL
Acquisition cost 1 January 2011	3 443	277	3 720
Additions			-
Disposals	-3 197		-3 197
Acquisition cost 31 December 2011	246	277	522
Accumulated amortization at 31 December 2011	-246	-270	-515
Book value 31 December 2011	-	7	7
Amortization for the year		29	29

Estimated economic life	N/A	3 - 5 yrs	
Depreciation method	N/A	linear	

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

Note 07

PENSIONS

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

Actuarical gains/losses are recognised in equity, and the effect in 2011 amounts to TUSD -1.794.

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

	2011	2010
Discount rate	2.8%	3.7%
Expected rate of return	2.8%	3.7%
Regulation of salary	4.0%	4.0%
Regulation of pension	0.0%	0.2%
Regulation of base rate	3.8%	3.8%
Turnover	3.5%	3.5%

PENSION COSTS	FUNDED	UNFUNDED	2011	2010
Net present value of the current year's pension earnings	1 101	133	1 234	1 341
Interest rate and administrative costs	232	13	245	269
Gross pension costs	1 334	145	1 479	1 611
Return on pension plan assets	-225	-	-225	-257
Amortization of passed service costs and gains/losses	32	-	32	-217
Administration costs	26	-	26	26
Accrued social security cost	160	20	180	195
Net pension costs	1 327	166	1 492	1 357

PENSION LIABILITIES	FUNDED	UNFUNDED	2011	2010
Pension liabilities	8 000	638	8 639	6 822
Pension plan assets	5 511	-	5 511	5 528
Calculated pension liabilities	2 490	638	3 128	1 294
Past service cost	-	-	-	-33
Social security cost	351	90	441	182
Net pension liabilities	2 841	728	3 569	1 443

MOVEMENT IN ACTURIAL GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY	FUNDED	UNFUNDED	2011	2010
Accumulated amount recognised directly in equity before tax 1 January			-184	-1 302
Translation effects			5	13
Recognised in the period	-1 627	-172	-1 799	1 106
Accumulated amount recognised directly in equity before tax 31 December			-1 977	-184

Note 08

TAX

	2011	2010
Profit before tax	-63 855	-15 492
Expected tax expense at a nominal rate of 28%	17 879	4 338
Effect on taxes of:		
Permanent profit and loss differences between USD accounts and tax accounts in NOK translated to USD at average rate 2011	-6 215	-1 592
Exchange rate effect of closing balance rate vs. average rate	-753	100
Permanent differences	-44	-57
Change in market value on foreign exchange contracts	-2 094	217
Tax loss carried forward	-6 188	-2 778
Group contribution	-2 526	-523
Changes in temporary differences	-59	295
This year's tax expense	0	0
Tax rate	0%	0%

	2011	2010
Fixed assets	96	124
Pensions	1 592	1 443
Provisions for liabilities	-	159
Tax loss carried forward	107 621	87 881
Temporary differences 31 December	109 309	89 608
Tax rate	28%	28%
Deferred tax asset 31 December	-	-

Deferred tax asset is recognised based on an expectation about a future taxable profit. Based on Statkraft Norfund Power Invest AS's operations, future income will primarily not be taxable. Accordingly, deferred tax asset can not be utilized in 2011 and have not been recognized in the company's balance sheet. Tax loss carried forward at 31 December 2011 amounts to TNOK 644.944'.

Note 09

SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements:

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

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

COMPANY	PAID-IN CAPITAL NOK	PAID-IN CAPITAL USD
SN Power Holding AS	5 806 816 001	1 004 933 633
Agua Imara AS	328 093 305	55 843 083
SN Power Brasil AS	918 659 000	166 748 186

Note 10

GUARANTEES, CASH AND CASH EQUIVALENTS

GUARANTEES:

Statkraft Norfund Power Invest AS has on behalf of associates and subsidiaries issued guarantees for a total amount of MUSD 368 pr 31 December 2011. Guarantees related to associated companies and joint ventures amounts to MUSD 177. The equivalent amount to subsidiaries is MUSD 190. The company has also a premises rent guarantee on MUSD 0.5.

CASH AND CASH EQUIVALENTS:	2011	2010
Specification of cash and cash equivalents:		
Cash and bank deposits	53	4 319
Restricted bank deposits - witholding tax employees	486	638
Total cash and cash equivalents	539	4 957

Note 11

SHARE CAPITAL, SHAREHOLDER INFORMATION AND FX HEDGE CONTRACTS

	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
Equity 1 January 2011	476 768	639 884	-91 510	1 025 142
Issue of share capital	94 581	378 325	-	472 906
Pensions	-	-	-1 794	-1 794
Foreign currency translation effects on forward exchange rate contracts	-	-	-74	-74
This year's net profit/loss	-	-	-63 855	-63 855
Equity 31 December 2011	571 349	1 018 209	-157 232	1 432 326

Nominal value per share is NOK 100. All issued shares have equal voting rights and are equally entitled to dividend. No dividend will be paid out for 2011.

FOREIGN EXCHANGE CONTRACTS

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

The currency contracts are valued at fair value based on the spot element of the contracts and variations in the value of the contracts owing to changes in exchange rates are recorded in the directly against other equity if the instrument qualifies for hedge accounting.

Other currency contracts that does not meet hedge accounting requirements are recorded at fair value through profit and loss statement.

	2011	2010
Forward exchange rate contracts at 1 January	1 858	2 297
Forward exchange rate contracts at 31 December	-6 533	1 858
Changes in fair value of forward exchange rate contracts	-8 391	-438
Changes in fair value of forward exchange rate contracts recognized in income statement	-8 317	758
Changes in fair value of forward exchange rate contracts recorded against other equity	-74	-1 197
Changes in fair value of forward exchange rate contracts	-8 391	-438
Changes in fair value of forward exchange rate contracts recorded against other equity	-74	-1 197
Realized contracts recorded against other equity		-
Net recorded against equity	-74	-1 197
Changes in fair value of forward exchange rate contracts recognized in income statement	-8 317	758
Loss on realized contracts recognized in income statement *)	-42 685	-1 283
Gain on realized contracts recognized in income statement	3 443	2 126
Net recognized in profit and loss	-47 559	1 601

*) Derives primarily from a currency contract related to the planned acquisition of 40.65% of Desenvix (Brazil). The currency contract does not qualify for hedge accounting and is recognized in the Profit and loss statement.

SHAREHOLDERS 31 DECEMBER 2011	Number of shares:	Owner and voting share
Statkraft AS	19 107 866	60%
Norfund	12 738 577	40%
Total	31 846 433	100 %

Note 12

TRANSACTIONS WITH RELATED PARTIES

All subsidiaries, associated companies and joint ventures are related parties of Statkraft Norfund Power Invest AS, refer note 26 of SN Power Group financial statements.

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

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

INTERCOMPANY SHORT TERM RECEIVABLES	2011	2010
SN Power Holding AS	-	21 311
SN Power Holding Singapore Pte. Ltd.	94	222
SN Power Peru Holding S.R.L	-	8
SN Power Peru S.A.	77	-
SN Power Chile Inversiones Electricas Ltda.	2 460	1 193
Empresa de Generacion Cheves S.A	2 847	-
SN Power India Pvt. Ltd.	311	505
Himal Power Ltd.	11	456
SN Power Global Services Pte. Ltd	-	161
Agua Imara AS	193	258
SN Power Brasil AS	3 389	-
Cash Pool Statkraft AS	331 887	50 144
Statkraft AS	9	
Total	341 278	74 258

INTERCOMPANY SHORT TERM PAYABLES	2011	2010
SN Power Peru Holding S.R.L		1
Agua Imara AS	13 868	35
SN Power Holding AS	22 891	813
SN Power Holding Singapore	67	64
SN Power Global Services Pte. Ltd	-	6
Himal Power Ltd.	10	-
SN Power Peru S.A	37	-
Statkraft AS	9	-
Total	36 883	919

INTEREST-BEARING LONG TERM INTRAGROUP DEBT	2011	2010
Statkraft AS	-	34 294
Total	-	34 294

CURRENT PORTION LONG TERM INTRAGROUP DEBT	2011	2010
Statkraft AS	91 778	-
Total	91 778	-

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Translation from the original Norwegian version

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Statkraft Norfund Power Invest AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements for the parent company comprise the balance sheet as at 31 December 2011, the income statement and statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2011, the income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Statkraft Norfund Power Invest AS as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Statkraft Norfund Power Invest AS as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

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

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

Opinion on Registration and Documentation

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

Oslo, 14 February 2012
Deloitte AS

Aase Aa. Lundgaard

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)