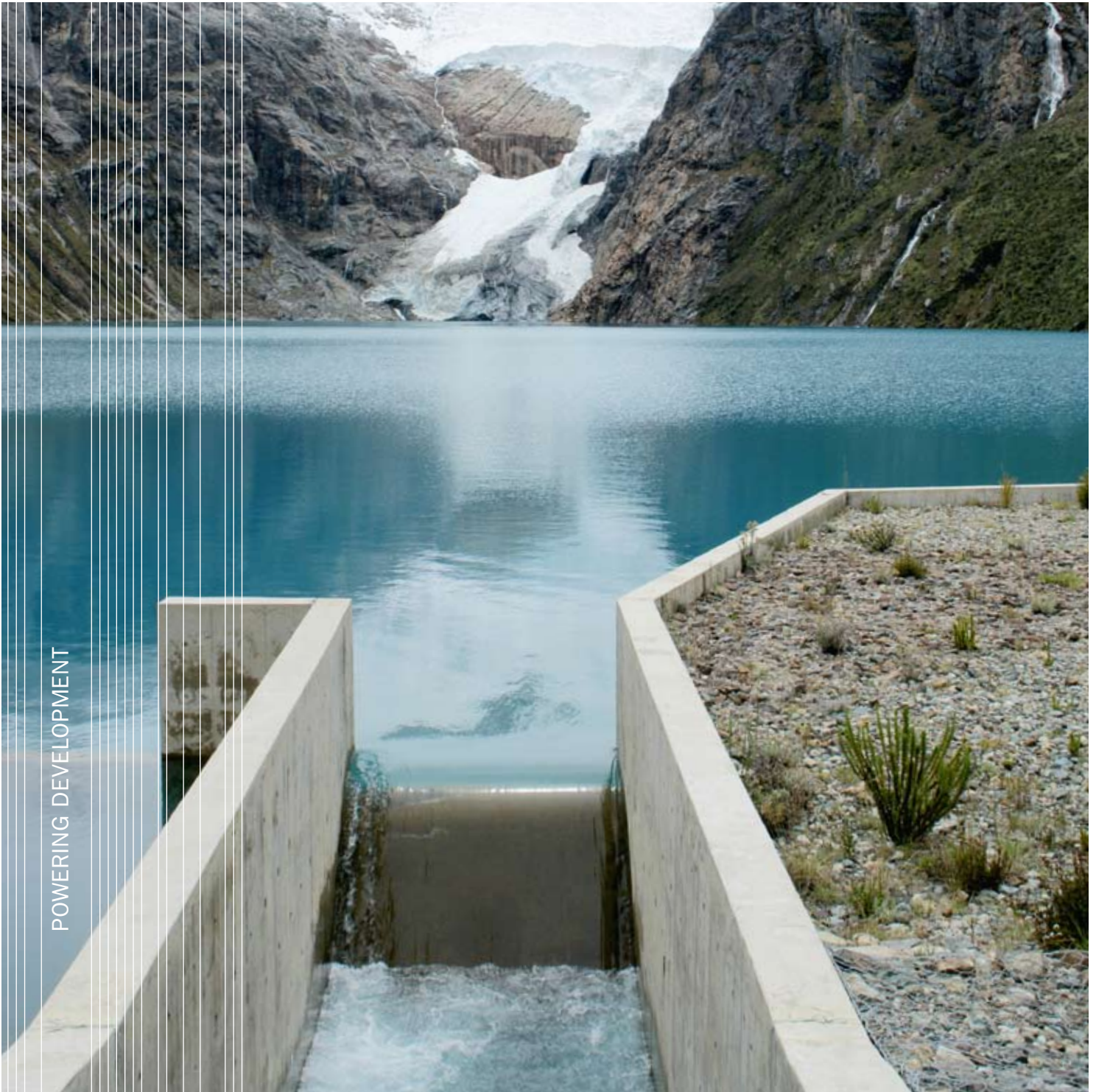


SN|POWER

ANNUAL REPORT 2008

POWERING DEVELOPMENT



08

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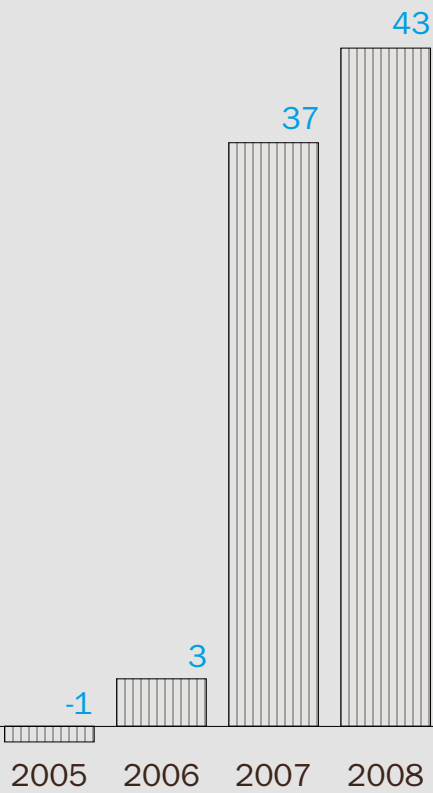
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KEY ACHIEVEMENTS IN 2008

- FINANCIAL RESULTS:** Strong financial performance with net profits of USD 43 million
- ACQUISITIONS:** Acquisition of Ambuklao and Binga hydropower plants in the Philippines
- WIND:** Construction start-UP FOR SN Power's first wind farm, Totoral, in Chile
- INTEGRATION:** Final integration of Electroandes and Cahua hydropower companies into one robust organization
- OWNERSHIP:** Increase in ownership stake in Himal Power Limited in NEPAL
- HEALTH AND SAFETY:** Setting up of a new health and safety management framework
- EXPANSION:** Establishment of new offices and build up of key capabilities to manage growth
- INTEGRITY PROGRAMME:** Integrity training delivered to all SN Power employees

NET PROFIT

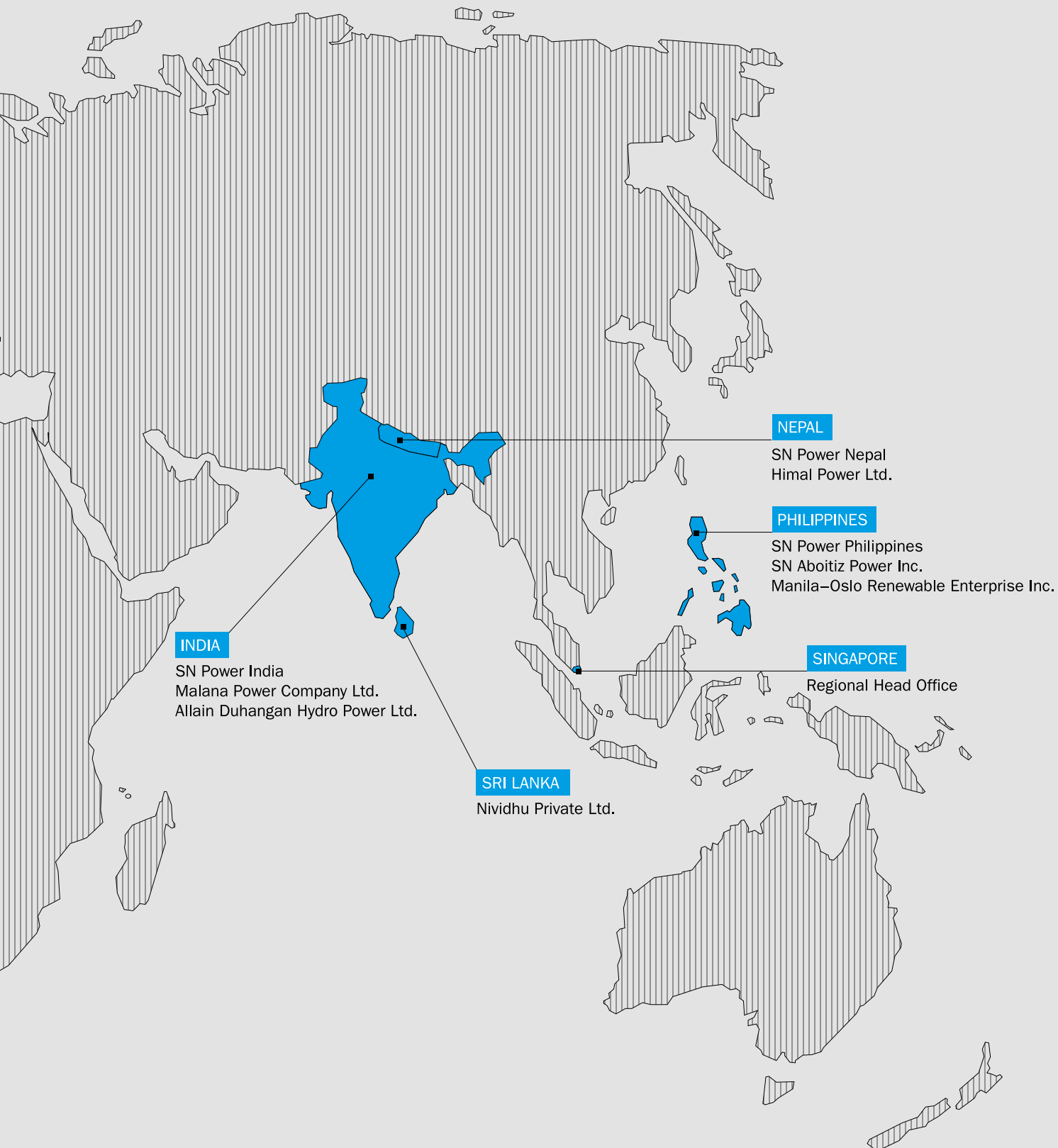
MUSD



SN Power has experienced a significant increase in profitability

OUR BUSINESS AT A GLANCE





ABOUT THE COMPANY

SN Power is a renewable energy company which 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 773 million in equity through acquisitions and the development of new hydropower projects in Asia and Latin America. Currently, SN Power is involved in hydropower generation in the Philippines, Nepal, India and Peru. Hydro and wind power projects are under construction in Chile, India and the Philippines. SN Power's share of installed capacity on these operating plants and construction projects amounts to 950 MW, and an annual mean generation of almost 4.2 TWh. A new company was established in January 2009 to focus on hydropower development in Africa and Central America.

SN Power and its subsidiaries had 475 employees worldwide at year-end 2008. 750 people were employed through non-consolidated joint venture companies in which SN Power is a partner. More than 4 000 people were employed at the construction projects where SN Power is an investor.

As part of the Statkraft Group, SN Power has a strong industrial foundation that builds on more than 100 years of developing, owning and operating hydropower in Norway. Statkraft is the largest renewable energy company in Europe with more than 51.5 TWh in annual electricity production. In 2008, Statkraft's gross operating revenues reached 25 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.

MISSION

POWERING DEVELOPMENT

VISION

TO BECOME A LEADING HYDROPOWER COMPANY
IN EMERGING MARKETS, CONTRIBUTING TO ECONOMIC
GROWTH AND SUSTAINABLE DEVELOPMENT

CORE VALUES

PROACTIVE We actively seek out opportunities, partnerships and technology that allow us to succeed. We are proactive in our approach to knowledge and technology transfer. We look for ways to adapt, be innovative and learn so that we can continuously improve our business model.

EXCELLENCE We are driven to excel in everything we do. We aim to be a leader in hydropower development and operations in emerging markets.

RESULTS-DRIVEN We are commercially oriented, and always looking to reinforce our financial, market, environmental and hydropower expertise. We continuously look to improve our performance and our results.

INTEGRITY We deliver what we promise. We are honest, transparent, ethical, responsible and trustworthy in our dealings with stakeholders, customers, partners, local communities and our own employees. We seek out partners with the same values.

SN POWER'S 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 quadruple its equity generation capacity from 950 MW to 4 000 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 should have minimal adverse impact on society and the environment, and yield positive benefits for both local communities and society at large through the increased generation of renewable energy.

Growth target

	2008	---->	Ambition 2015
Plants in operation and construction (SN Power's share)			
Installed capacity MW	950		4 000
Production GWh	4 237		15 000–20 000



JARL A. KOSBERG
EVP Projects and Operations

TOR I. STOKKE
EVP and Chief Financial Officer

NADIA SOOD
EVP South Asia
EVP Organization and CSR

ØISTEIN ANDRESEN
President and CEO

ERIK KNIVE
EVP Southeast Asia

NILS M. HUSEBY
EVP South America

NICOLAS DELAUNAY
EVP Strategy and M&A

THE MANAGEMENT TEAM

A strong platform for future growth

2008 WAS A CHALLENGING YEAR FOR BUSINESSES ALL OVER THE WORLD, AND WHEREAS MANY COMPANIES ENDED THE YEAR IN FINANCIAL DISTRESS, SN POWER INCREASED ITS NET PROFIT BY USD 6 MILLION OVER 2007 FIGURES TO USD 43 MILLION.

New investments made in 2007, in particular the acquisition of Electroandes in Peru, along with strong focus on commercial strategy development and continuous operational improvements, were key contributors to the increase in net profits.

In January 2009 some important changes to SN Power's ownership structure took place. Statkraft increased its ownership in SN Power to 60%, reducing Norfund's share to 40%. A new SN Power subsidiary company dedicated to investing in renewable energy projects in Africa and Central America was also established. The new subsidiary company is owned 51% by SN Power and 49% by Norfund. As part of the structural changes and as a measure of their commitment to SN Power's growth strategy, our owners, Statkraft and Norfund are committed to making regular capital injections until 2015. The new ownership structure will also enable us to enhance our already strong industrial collaboration with Statkraft thereby increasing our resource base and capabilities.

SAFETY AS A PRIORITY

Sadly, 2008 was marred for us by the tragic loss of eight people working at constructions sites where SN Power holds an ownership stake. For us in SN Power, one accident is one too many. Therefore, reducing the number of accidents at our construction sites was, and continues to be, a main focus for SN Power's management.

We are working to ensure that the necessary remedial actions are taken and that the construction sites in question are brought up to satisfactory safety standards. It goes without saying that we face daunting challenges with regard to cultural differences, skill levels, and difficult climate and terrain in the regions we are working. It also takes time for awareness to increase and consistent application of safety management systems to be introduced. We are however making progress, and I believe that our involvement in these projects is helping to improve standards as well as reduce the risks that are involved with developing large-scale infrastructure projects in emerging markets.

2009 AND BEYOND

During the six years since SN Power was established, we have rapidly increased our footprint in the international renewable energy industry. We are now a significant player in the energy sectors in Peru, Chile, and the Philippines. We are the only foreign investor into the hydropower sector in India and the largest independent power producer in Nepal. In 2008 we also began construction of our first wind park in Chile.

Our financial platform is strong and we are therefore well positioned for future growth. While the credit crunch and financial crisis create obvious uncertainties, the growth in demand for energy continues to outpace supply in the markets where we

We are working to ensure that the necessary remedial actions are taken and that the construction sites in question are brought up to satisfactory safety standards

are present, so that making investments there continues to be attractive. While the crisis affects earnings and risk exposure, and the financial market for project finance has become more difficult, I am also confident that the current crisis will open up new business opportunities for SN Power, which we are well equipped to pursue. In 2009, we will seek to bring ongoing construction projects to completion, as well as to take advantage of acquisition opportunities that are presenting themselves in a number of emerging markets.

We remain committed to the principles of the UN Global Compact, and will continue to prioritize workers' safety and the needs of local communities. In 2009, we will continue to pursue our mission to develop sustainable hydropower in emerging markets whilst contributing to economic growth and development. I look forward to exciting possibilities for SN Power in the year ahead.



Øistein Andresen
President & CEO

Responsible hydropower development to combat climate change

SN POWER STRIVES TO DEVELOP SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE HYDROPOWER PROJECTS BECAUSE WE BELIEVE THAT RENEWABLE ENERGY GENERATED FROM HYDROPOWER FORMS AN ESSENTIAL PART OF THE SOLUTION TO THE CLIMATE CHANGE CHALLENGE. IT IS IMPORTANT THAT FUTURE INTERNATIONAL CLIMATE REGIMES CONTINUE TO INCENTIVIZE SUCH INVESTMENTS INTO EMERGING MARKETS.

There is an increasing demand for electricity in many emerging markets which coincides with a significant untapped potential for hydropower development. Among the different renewables, hydropower is one that offers a solution for many countries, especially mountainous ones.

Investment in hydropower projects has so far been one of the cornerstones of the Clean Development Mechanism (CDM) under the Kyoto Protocol, although some projects have been criticized for not meeting quality criteria over time. It is important that such incentives are continued in the international climate regime, and that focus is put on sustainable hydropower projects that contribute positively to local stakeholders and the world community at large. A hydropower project can be registered under the Clean Development Mechanism if it can document that it will substitute non-renewable energy production, from for example coal or diesel.

For SN Power, the possibility to generate revenues from Certified Emissions Reductions (CERs) is an important investment enabler. SN Power has, together with partners, three large-scale hydropower projects registered under the Clean Development Mechanism, and we are seeking CDM registration for another three hydropower projects and one wind farm. The three registered CDM projects have the potential to issue carbon credits amounting to more than 1.35 million tons of CO₂-equivalents annually. If successful, our four additional projects in the CDM pipeline would bring the annual volume up to about 2 million tons of CO₂.

THE POTENTIAL OF HYDROPOWER

In Europe and North America, much of the hydropower potential has been developed and other renewable power sources must

be prioritized to secure energy supply while avoiding damage to the environment. In Africa, Asia and Latin America, however, there are numerous opportunities for extensive and responsible hydropower development on a scale that is large enough to significantly mitigate climate change because developing these would give minimal emissions.

No other renewable power source offers the same combination of scale, cost competitiveness and climate-friendliness as hydropower. Hydropower is one of the most flexible renewable energy sources because it can store energy in dams and complement other energy sources in order to optimize energy production. Traditionally, a certain amount of hydropower has proved very valuable to cater for varying consumption patterns during the day and across seasons. Today, it also represents a perfect fit with other renewable energy sources such as wind power. Put simply: when the wind blows, a hydropower plant may accumulate water in its reservoir and use it later to run the turbines when the wind calms.

DEVELOPMENT IMPACT

As an investor, project developer and operator, it is our experience that hydropower projects can have a number of positive impacts on local communities and regions as well as the global environment.

Local communities benefit positively from responsible hydropower development through improved infrastructure, more jobs and local development. Currently, the projects in which SN Power has invested employ more than 5 200 people. A large percentage of these are based in local communities surrounding the projects. Surrounding regions benefit from improved



access to electricity and better quality of living. SN Power's wholly-owned and joint venture plants deliver power equivalent to the average electricity consumption of more than 11 million people around the globe.

SN Power has shown that even large hydropower schemes can have very little adverse impact on the environment and local communities. Our projects are developed in accordance with the IFC's Performance Standards for Social and Environmental Sustainability. By implementing environmental and social protection systems, as well as monitoring and reporting routines, we can reassure ourselves, the local communities and national regulatory agencies that our hydropower developments are sustainable.

SN Power will also demonstrate the social and environmental performance of its projects against the criteria set in the International Hydropower Association's Sustainability Protocol.

WATER MANAGEMENT

Water is essential to life. But clean fresh water is scarce, especially in the developing world. Global water supplies are expected to be constrained in coming decades because of global climate change, population increases and decreased rain-fall in sub-tropical regions. The Intergovernmental Panel on Climate Change (IPCC) has concluded that climate change affects the function and operation of existing water infrastruc-

tures – including structural flood defences, drainage and irrigation systems – as well as water management practices.

Reservoirs have an important role to play in water management as they may serve important purposes such as flood control, irrigation, recreation and drinking water, as well as storing water for generation of renewable energy.

About 70 per cent of global fresh water is used for agriculture. In some countries this figure is as high as 90 per cent. Hydropower reservoirs can manage irrigation and at the same time help to control floods. A good example is the Magat reservoir in the Philippines. In a country prone to variable seasonal weather ranging from droughts to tropical cyclones, the Magat reservoir contributes to ensuring reliable water distribution to 85,000 hectares of rice fields and manages seasonal floods to protect settlements and infrastructure downstream. The Magat hydropower plant, in which SN Power is a part owner, also uses the same water to produce electricity equivalent to the average electricity consumption of more than 1.5 million people in the Philippines.

As the effects of climate change are projected to be fiercer and with more unpredictable weather patterns and floods, the importance of water management will only increase in the future. As a responsible hydropower developer, SN Power will take these aspects into account when developing hydropower projects.

Safety as a number one priority

AS AN INVESTOR IN LARGE AND COMPLEX HYDROPOWER CONSTRUCTION PROJECTS IN EMERGING MARKETS, WE HAVE EXPERIENCED THAT IMPLEMENTING HIGH SAFETY STANDARDS IN DIFFERENT WORKING ENVIRONMENTS AND CULTURES IS A CHALLENGE. IMPROVING HEALTH AND SAFETY STANDARDS IS AT THE TOP OF OUR AGENDA AS WE CONTINUE TO GROW.

We aim to meet the same high international safety standards at all construction sites and in our operating plants. We recognize that this is a challenge given the nature of our business and that focus on health and safety in emerging markets is not always strong. The working environment and cultures surrounding construction projects where we are involved may not be accustomed to safety considerations. A case in point is the unsafe traffic culture in many emerging markets. In addition, run-of-river hydropower projects are often located in rugged terrain, with steep hillsides and harsh weather conditions which increase the safety risks and make it even more vital to integrate high safety standards in all phases of a project.

IMPROVING OUR HEALTH AND SAFETY PERFORMANCE

Tunnel work and transportation represent the highest safety risks on our projects, and have resulted in fatal accidents. Risk assessments and audits have been undertaken and several measures have been implemented to reduce the identified risks. Examples include securing roads, improving transportation procedures and vehicle controls, training drivers and securing hillsides against landslides and avalanches. At the Allain Duhangan site in India, SN Power has initiated a full reorganization and strengthening of the project's health and safety management systems and procedures. International experts have been assigned to the project in order to transfer international best practices and train local project management.

Safety audits and improvement plans have been discussed in detail by SN Power's Management and Board of Directors, both of which devote constant attention to health and safety performance.

In addition to on-site safety measures, SN Power works systematically to improve health and safety competence and adherence to safe work practices throughout the organization. Key initiatives in 2008 include:

- Introduction of a new project management system that includes comprehensive health and safety requirements throughout project development including contractor and supplier requirements.
- A health and safety design specification for new hydro-electric power plants has been developed.
- Health and safety guidelines are being developed to ensure operational readiness when ongoing construction projects in Chile and India are completed and enter into production in 2009 and 2010 respectively. A common system for the reporting, analysis and follow-up of incidents is being introduced.
- SN Power has issued a new health, safety and security policy for business travel for company employees
- SN Power's emergency response system has been improved and implemented and training has been provided for key personnel.



NEW KEY PERFORMANCE INDICATORS INTRODUCED IN 2008

In 2008, SN Power introduced four key performance indicators relating to health and safety. These include the Total Recordable Injury Frequency Rate (TRI rate), which is defined as the total number of work-related injuries resulting in fatality, sick leave, medical treatment or restricted work per one million hours worked. The results for 2008 for operating plants were better than target. The TRI rate for construction projects was better than target, but did not include the Allain Duhangan project where reliable reporting was only available at the end of the year. Over time, we aim to improve our targets, and work to achieve a TRI rate, as well as other parameters, consistent with world-class standards.

There were no major breaches of environmental rules or permits in SN Power's subsidiaries or in joint venture construction projects or operating plants in 2008.

Key performance indicator targets and results

	Actual 2008		Goal 2008	Actual 2007
TRI rate – Operations	4 →		<8	N/A
TRI rate – Projects	16 ¹ →		<20	N/A
Major Environmental Breaches	0 →		0	0
Fatal Injury Frequency	9 ↓		0	5

1. The Allain Duhangan project has been excluded because of unreliable reporting of data, but is included in 2009.

FATAL ACCIDENTS AT CONSTRUCTION SITES IN 2008

ALLAIN DUHANGAN PROJECT SITE | INDIA

Two subcontractor workers were taken by an avalanche in the project area during leisure hours

Four people were fatally injured in transport related accidents

LA HIGUERA PROJECT SITE | CHILE

One person was fatally injured when a bus was hit by a falling boulder during heavy rainfall

LA CONFLUENCIA PROJECT SITE | CHILE

One person was fatally injured when the truck he was operating turned over



SN POWER'S LOCATIONS

SOUTH AMERICA

SOUTH ASIA

SOUTHEAST ASIA

AFRICA AND CENTRAL AMERICA



South American markets attractive despite financial crisis



NILS M.HUSEBY
EXECUTIVE VICE PRESIDENT SOUTH AMERICA

“I BELIEVE SOUTH AMERICA OFFERS GREAT GROWTH OPPORTUNITIES FOR SN POWER, AS SEVERAL OF THE ECONOMIES IN THE REGION NEED MORE ELECTRICITY TO SUSTAIN ECONOMIC GROWTH DESPITE THE IMPACT OF THE GLOBAL FINANCIAL DOWNTURN,” SAYS NILS M. HUSEBY, EXECUTIVE VICE PRESIDENT OF SN POWER’S SOUTH AMERICA BUSINESS.

South America plays a key role in SN Power's ambitious growth plans toward 2015. Half of the company's target of quadrupling its portfolio of operating assets to 4000 MW during the next six years is expected to come from growth through acquisitions and new hydropower developments in the South American markets.

In addition to new growth initiatives, top priorities in 2009 include the completion of the La Higuera project in Chile, as well as operational improvements following the successful integration of the Electroandes and Cahua companies in Peru. The construction phase for the La Higuera hydropower plant and the Totoral wind farm will be completed and the plants will begin to generate renewable energy.

CONSTRAINTS AND OPPORTUNITIES

From their base in Santiago, Chile, Huseby and his team are carefully monitoring the effects of the financial crisis on the South American markets. In the short term, the electricity sector is expected to experience lower growth in demand and reduced electricity prices, as fossil fuels have become cheaper.

“In the short to medium term, the financial crisis will impact SN Power's ability to finance and develop new projects. However, in the long term, we think that hydropower will continue to represent an important part of the generation matrix for all these countries and that the impact of the current crisis will not be critical,” Nils M. Huseby says, adding that good acquisition opportunities will emerge as other players are now looking to re-structure their current operations and investment portfolios.

“We have the capital and the resources to pursue new business opportunities in the wake of the financial crisis,” Huseby says.

SN Power's current South America portfolio consists of projects and operations in Chile and Peru, as well as business development activities in Brazil and Colombia.

Chile has a stable regulatory and institutional framework and offers a predictable climate for long-term investments, whereas Peru has seen tremendous growth in the past few years and is set to grow further. Both Chile and Peru have topographical conditions similar to those of Norway, allowing SN Power to leverage and build on existing expertise.

Brazil has been chosen as a focus area due to its large size and growth potential in the renewable energy sector. The regulatory reforms adopted during the past 10 years have made the market more predictable, creating an efficient business environment. Colombia could also offer interesting opportunities for SN Power because of the hydropower potential, the improvements in the security situation and the well-developed regulatory framework.

We have the capital and the resources to pursue new business opportunities in the wake of the financial crisis

CONTRIBUTING TO SUSTAINABILITY

In addition to reaching commercial targets, Huseby stresses the importance of investments positively impacting society through the production of clean energy. Stakeholder dialogue and community programs are designed to provide a long-lasting, sustainable development impact in the local communities.

“Management of environmental and stakeholder issues is a core element of SN Power's business model and we apply the same principles and standards wherever we go. It is important for business interests to be aligned with those of society,” Huseby concludes.

KEY 2008 ACHIEVEMENTS

“I am very proud of the great work done by our team in Peru to integrate the Electroandes business that we acquired at the end of 2007 with our Cahua business. We have managed to form a strong team in Peru. They have been successful in bringing the company forward and have achieved excellent financial results in 2008,” he says.

Huseby also compliments the staff of Tinguiririca Energía, the 50/50 joint venture SN Power has together with Pacific Hydro.

“They brought the Colmito back-up plant into operation in August last year, thus marking the first entry into operation for SN Power in Chile. They did this at the same time as the construction of the La Higuera and La Confluencia hydropower plants was brought forward, despite the continuing challenges posed by the La Higuera project,” Huseby adds.

The SN Power Chile staff brought SN Power's first wind project to construction start in 2008. The Totoral Wind Farm is also the first project-financed merchant wind farm in Latin America and has been developed in record time.

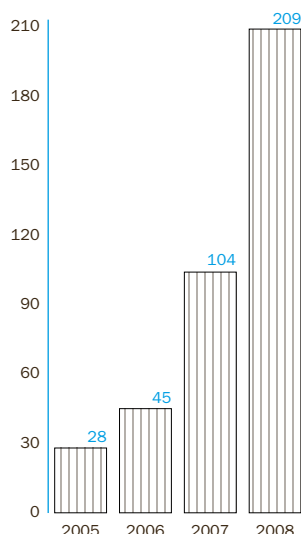
“I consider this a great accomplishment given the challenging financial environment at the end of 2008. I think that this project underlines SN Power's commitment to green energy and sustainable development in an excellent way,” Huseby concludes.

TOTORAL WIND FARM CONSTRUCTION



Chile

EQUITY INVESTMENTS SN POWER
MUSD



	2006	2007	2008
Gross generation capacity under construction, MW	155	311	415
Employees	13	26	45

SN Power has been present in Chile since 2004, and is currently engaged in the construction and development of renewable energy projects through joint venture companies with local and international partners.

TINGUIRIRICA ENERGÍA

SN Power and Australian-based Pacific Hydro Limited have two hydropower projects under construction in the Tinguiririca Valley, 250 km southeast of the capital Santiago. The 50/50 joint venture is managed by the Tinguiririca Energía company. Construction of the La Higuera plant started in October 2005. This plant will have an installed capacity of 155 MW and a mean annual generation capacity of 728 GWh when it becomes operational towards the end of 2009.

Construction of the 156 MW La Confluencia plant started in 2007 and it is expected to start operations in 2010. This plant will contribute 645 GWh to the Chilean Central Grid. The project was hit by heavy rainfall and floods in May 2008, and

this caused significant damage which may delay completion of the project.

The power produced by La Higuera and La Confluencia will be sold through long-term Power Purchase Agreements with local distribution companies and in the spot market.

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

During 2008, health and safety has been a top priority for the Tinguiririca Energía management, and efforts have been made to further strengthen systems and practices.

TRAYENKO

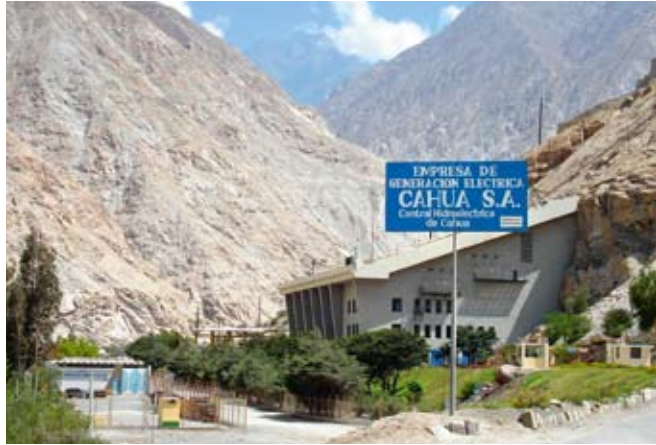
Hidroeléctrica Trayenko, 80%-owned by SN Power and 20%-owned by its Chilean partner Centinela, continued developing four new hydropower projects in the Los Rios Region in Southern Chile. Priority is being placed on the development of the 392 MW Maqueo project, which is a run-of-river plant designed mainly as an underground facility. The Social and Environmental Impact Assessment for the project was submitted for approval in the first quarter of 2009, and project development will continue towards achieving financial close and construction start after 2010.

To ensure that local stakeholders are properly informed and consulted about the process of designing and developing the hydropower project, SN Power has initiated an extensive open dialogue process with various local institutions and individuals. Special focus has been placed on taking the indigenous Mapuche Indian culture into account.

NORVIND

SN Power is developing its first wind farm through the special purpose company Norvind, 80%-owned by SN Power and 20%-owned by Centinela. The 46 MW Totoral wind farm is located approximately 300 km north of Santiago in a semi-desert area on the coast. Project construction started in 2008 and the wind farm is expected to enter into operation during 2009 with a mean annual generation capacity of 100 GWh.

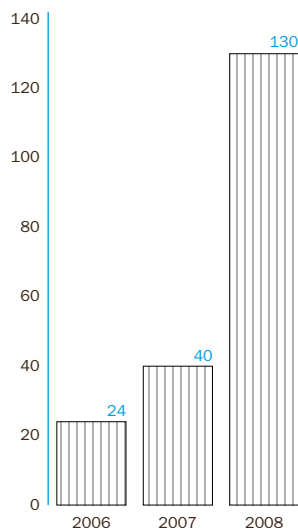
HYDROPOWER FACILITIES IN PERU



Peru

OPERATING REVENUES

MUSD



	2006	2007	2008
Generation capacity MW	115	270	270
Annual generation GWh	500	768	1 598
Employees	99	303	308

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

OPERATING PLANTS

Following the acquisition of Electroandes S.A., a process was undertaken to consolidate the management structure and operations of SN Power in Peru. This was finalized in 2008, and the two operating subsidiaries Cahua S.A. and Electroandes S.A. are now run as an integrated business under the SN Power brand. The main focus has been on developing a common platform based on shared values and principles. A strong and efficient organization has been built up, set for the operation and maintenance of existing plants and for developing new business opportunities. SN Power Peru has eight hydropower facilities with a total installed capacity of 270 MW. Four of these are former Electroandes plants, which were built to supply energy for the

mining sector, starting in the early 1900s. These are located in the provinces of Junin and Yauli in the Central Andean region, at altitudes of up to 4,000 meters above sea level.

The Cahua plants are scattered around the country, and produce energy for the main grid. SN Power has undertaken numerous activities to optimize commercial and technical operations, such as refurbishment and the reorganization of resources at the plants.

SN Power Peru also holds a number of both permanent and temporary concessions for the development of greenfield hydropower projects in Peru. The most advanced project is the 168 MW Cheves project which will have an expected mean annual generation capacity of 837 GWh if it is developed.

SN Power Peru is focused on being a responsible citizen, and supports a number of local community initiatives, ranging from education and health to livelihood development and environmental management.

[Arcata](#) hydropower facility is located in the Arequipa region in southern Peru. It consists of four plants with 5 MW of total installed capacity.

[Cahua](#) is a 43 MW hydropower plant located about 200 km north of Lima on the Pativilca River.

[Gallito Ciego](#) is a 38 MW hydropower plant located 600 km north of Lima. This plant is situated downstream of the Gallito Ciego dam, which is primarily used for irrigation purposes. The dam is operated by the water authorities.

[Pariac](#) hydropower facility consists of five plants with a combined capacity of 4.9 MW. Pariac is located in Peru's Ancash region just outside the city of Huaraz and takes water from the Pariac River.

[La Oroya](#) is a hydropower plant located in the Yauli province, at a height of 3,694 meters above sea level. The plant, which entered into operation in 1914, consist of three generation units with a total capacity of 9 MW.

[Malpaso](#) is a hydropower plant located in the Yauli province, at a height of 3,870 metres above sea level. The plant has four units and a total installed capacity of 54.40 MW.

[Pachachaca](#) is a hydropower plant located in the Yauli province, at a height of 4,031 metres above sea level. The plant, which entered into operation in 1917, consist of three generation units with a total capacity of 9 MW.

[Yaupi](#) is a 108 MW hydropower plant located in the province of Junin. This is the largest hydropower facility in SN Power Peru's portfolio.

Meeting South Asia's energy demand through hydropower



NADIA SOOD
EXECUTIVE VICE PRESIDENT SOUTH ASIA

IN SOUTH ASIA, SN POWER IS FOCUSED ON TAPPING INTO THE HYDROPOWER POTENTIAL IN THE SUB-HIMALAYAN REGION TO SERVE THE GROWING DEMAND FOR POWER IN INDIA AND NEPAL. BECAUSE OF THE HUGE POTENTIAL IN THE REGION, A SIGNIFICANT PART OF THE COMPANY'S OVERALL GROWTH TARGET OF 4 000 MW OF INSTALLED CAPACITY BY 2015 IS ENVISIONED TO BE DELIVERED THROUGH GROWTH IN THE SOUTH ASIAN REGION, WITH A PARTICULAR FOCUS ON INDIA.

INDIA

India has seen annual increases in GDP of 7–8% during the last years, and is the growth engine in South Asia. While other emerging markets are suffering serious slow-downs as a result of the financial crisis, progress is expected to continue in India, where even conservative forecasts predict a 6.6 per cent GDP growth in 2010. Currently, the annual energy deficit reaches 14 per cent of total demand, and is expected to mount further. Approximately 400 million Indians still lack access to electricity. In an attempt to bridge this gap, the Indian government has committed to facilitate the development of 80,000 MW of power by 2012. This will require approximately INR 1,031,600 crores (USD 200 billion) of new investments in generation, transmission and distribution and cannot be met solely by the Indian capital markets.

“Foreign investment will be key for the Government’s impressive plans to significantly boost power generation. SN Power is the only foreign investor in the Indian hydropower sector and this gives us a strong foothold for further expansion,” Nadia Sood says. SN Power has invested in a project portfolio of approximately 500 MW currently in operation or under development in India.

“Our growth targets are ambitious. If we meet them, 25 million more Indians would get access to electricity. This would be a momentous contribution to development,” Sood says.

“The growth opportunities in India are unquestionable. SN Power is well placed to take part in filling the energy gap by investing in renewable sources which will be key to sustainable development. We have a presence in India, a solid capital base and significant experience from Norwegian and international hydropower development to bring to the table,” she adds.

NEPAL

Nepal has vast untapped hydropower resources, and an ambitious plan to develop 10,000 MW of hydropower capacity by 2020.

“Nepal can play a role as a swing producer in the region, especially towards India, which is heavily dependent on coal-based energy. This is the same role as Norway is playing towards Europe. Hydropower from Nepal can be highly flexible,” Sood explains. She adds that in the summer months India needs more energy whereas Nepal needs less, and vice versa. This interconnection between the markets gives mutual benefits.

SN Power is planning to develop new hydropower projects in Nepal where power will be exported to India. “Although Nepal is striving for political stability, its current investment climate is quite uncertain. Nepal is on its way to formalizing a number of regulations and policies that will be critical for attracting foreign investors. This development is pivotal for our final investment decisions,” Sood says.

KEY ACHIEVEMENTS IN 2008

A key 2008 achievement for the South Asia business was the signing of a Memorandum of Understanding with the Tata Power Company Ltd to explore the possibility of jointly developing hydropower projects in India and Nepal. The parties are targeting a total generation capacity of 4 000 MW by 2020. Tata Power’s industrial strength, experience in power evacuation and understanding of South Asian markets, combined with SN Power’s expertise in hydropower development, will position the partners to become a formidable player in South Asia.

“Joining forces with a company that shares the same principles and values that are core to SN Power is an extraordinary privilege,” Sood says.

Otherwise in India, the follow-up of Allain Duhangan hydropower project has been a main priority for our India team in 2008. The project, in which SN Power has a minority stake, has experienced construction challenges as well as several fatal accidents. SN Power’s South Asia team has been working extensively to ensure that a satisfactory health and safety management system and adequate procedures are being implemented.

“We are doing the maximum to ensure that the people working at Allain Duhangan have a safe workplace, and that we avoid further accidents during the last phase of construction,” Sood says.

The Malana Power plant, which has been operational since 2001, reached its best year of production in 2008 after a capacity upgrade.

In Nepal, SN Power continued to build up a core staff to undertake business and project development. The team in Nepal successfully acquired a licence to develop the 50 MW Kirne Power Plant which would double the company’s generation portfolio in the country. The Khimti I Power Plant had the highest availability and production in its history of commercial operation.

SN Power was also granted a survey license to develop the 600 MW Tamakoshi III project. Once constructed, this project would almost double Nepal’s total installed capacity and would constitute the largest single foreign investment in the country.

PRIORITIES FOR 2009

In 2009, the South Asia team will be actively working on pursuing acquisition and development opportunities together with Tata Power Ltd; finalizing the Allain Duhangan hydro project and starting operations by the end of the year; continuing to work on our Greenfield projects in Nepal and maintaining our focus on health and safety. SN Power will also follow closely developments in Bhutan in order to be positioned for potential hydropower investments in the country.

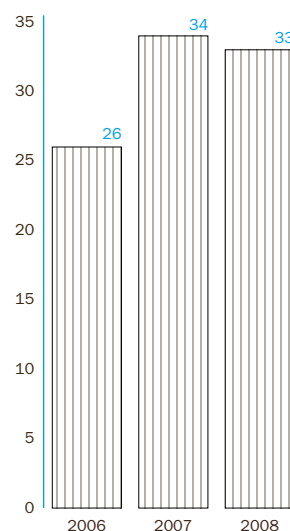
THE KHIMTI PLANT



Nepal

OPERATING REVENUES

MUSD



	2006	2007	2008
Generation capacity MW	60	60	60
Annual generation GWh	370	396	372
Employees*	50	52	60

*Total employees, SN Power Nepal and HPL

SN Power entered Nepal in 2006 through the transfer of Statkraft's majority share in Himal Power Limited (HPL). SN Power and HPL are currently carrying out project development and feasibility studies for an expansion of the Khimti I plant. In addition, SN Power is well underway with the development of the 600 MW Tamakoshi III project. All projects are located in the Dolakha district of eastern Nepal.

THE K HIMTI 1 PLANT

As a majority owner of HPL, SN Power is the operator of the Khimti I hydropower plant which supplies almost 10 per cent of Nepal's total electricity output.

In 2008, SN Power increased its shareholding in HPL from 50.4 to 57.1 per cent as the two minority shareholders, GE Energy (Norway) AS and Alstom Norway AS, decided to divest their shareholdings. In addition to ensuring stable and reliable operation of the hydropower plant, HPL is also engaged in sev-

eral community development programs in the area surrounding Khimti. These include the rural electrification of over 8 000 households, community managed small hydropower generation, support for irrigation and drinking water projects, and operation of a local school for 400 children and a clinic catering to more than 12 000 local patients annually. HPL is currently collaborating with UNDP through the Khimti Neighborhood Development Project to incorporate a community mobilization approach in the local development programs.

THE KIRNE HYDROPOWER PROJECT

In November 2008, HPL was granted a survey license to expand Khimti I by adding 50 MW of generation capacity in a new plant called the Kirne Hydropower plant. This plant will use the same water conveyance system as Khimti I, but will be a separate entity. Currently, Khimti 1 only uses about half of the available water in the headrace tunnel during the wet season. Kirne Hydropower plant will utilize the additional flow and the investment will nearly double the wet season energy production with a minimum of negative environmental impacts. The project is in an early feasibility stage.

THE TAMAKOSHI HYDROPOWER PROJECT

In 2008, SN Power Nepal continued project concept studies, feasibility studies and Environmental and Social Impact Assessment of the 207 MW Tamakoshi II and the 275 MW Tamakoshi III projects which were granted survey licenses in 2007. The Tamakoshi River originates in the higher Himalayan region of Tibet.

SN Power was recently given permission to merge the Tamakoshi II and Tamakoshi III projects into a single project, Tamakoshi III, with a capacity of approximately 600 MW. A revised license has been issued by the Government, and feasibility studies are progressing on schedule and will be completed by 2009. Once operational, the estimated 2 500 GWh generated by Tamakoshi III will be transmitted partly through the national grid and partly through a transmission line directly connected to the northern-Indian grid.

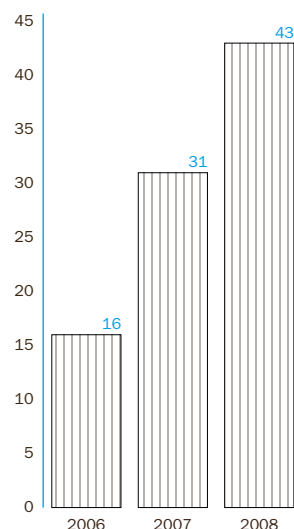
As in all SN Power projects, taking the social and environmental aspects of project development into consideration from an early stage is key. Throughout 2007 and 2008, SN Power has worked closely with national and local stakeholders to ensure that community concerns are integrated during project planning and that a plan for sustainable local development is developed. This work has translated into the Tamakoshi Vision – a comprehensive community development approach in Tamakoshi III's host communities.

MALANA HYDROPOWER PLANT AND ALLAIN DUHANGAN HYDROPOWER PROJECT CONSTRUCTION SITE



India

OPERATING REVENUES



Malana Power Company	2006	2007	2008
Generation capacity MW	86	86	108
Annual generation GWh	309	337	365
Employees	706	642	567

SN Power entered the Indian power market in 2004 when it acquired 49 per cent of the shares in Malana Power Company Limited (MPCL) where Indian LNJ Bhilwara Group is the majority owner. SN Power is the only foreign investor into the hydropower sector in India, and sets out to expand its business in the country.

In February 2008, SN Power reinforced its presence in India when the Norwegian Prime Minister officially opened SN Power's permanent office in Delhi. This has been followed by building up a staff of Indian and Norwegian professionals.

To further business expansion in India and the South Asia region, SN Power signed a Memorandum of Understanding with Tata Power Corporation in 2008 to jointly develop hydropower projects in India and Nepal.

MALANA HYDROPOWER PLANT

The Malana hydropower plant in the Kullu valley was commis-

sioned in 2001 and was one of the first private independent power producers to be operational in India. In 2008, the plant's installed generation capacity was increased from 86 MW to 108 MW by changing runners. The power generated by the Malana plant is sold into the northern grid on a merchant basis. The plant has shown a steady increase in annual generation, which contributes towards the power deficit in India.

ALLAIN DUHANGAN HYDROPOWER PLANT

MPCL is also developing the Allain Duhangan hydropower plant in Kullu, Himachal Pradesh. Construction of the 192 MW run-of-river plant started in 2005, and the first phase of the plant is expected to become operational in 2009. The plant will take water from the Allain and Duhangan rivers which carry a combination of glacial snow melt and monsoon rains, and channel it through 12.5 km of tunnels to an underground power house. The plant is expected to have an annual mean output of 800 GWh when it becomes fully operational in 2010.

Once operational, Allain Duhangan will be a merchant power plant with short-term Power Purchase Agreements, feeding electricity into the northern regional grid of India. The project is the largest hydropower project registered under the Clean Development Mechanism to generate carbon credits to date. It is approved for the generation of credits corresponding to annual reductions of 395 000 tons of CO₂.

The Allain Duhangan construction project has contributed significantly towards boosting local employment, increasing local economic activities and supporting infrastructure and community development projects.

Energy demand creates investment opportunities in Southeast Asia



ERIK KNIVE
EXECUTIVE VICE PRESIDENT SOUTHEAST ASIA

THE PHILIPPINES REPRESENTS THE CORNERSTONE OF SN POWER'S SOUTHEAST ASIA STRATEGY AND PROVIDES A PLATFORM FOR FURTHER EXPANSION IN THE REGION. "OUR SUCCESSFUL PARTICIPATION IN THE PHILIPPINES' PRIVATIZATION OF THE ENERGY SECTOR IS IMPORTANT FOR THE COUNTRY'S ECONOMY AND HAS RESULTED IN PROFITABLE INVESTMENTS FOR SN POWER," SAYS ERIK KNIVE, EXECUTIVE VICE PRESIDENT FOR SOUTHEAST ASIA.

Together with Aboitiz Equity Ventures, SN Power has invested more than USD 1.2 billion in the Philippines' renewable energy market during the past three years, turning the joint venture into the largest privately-held renewable energy company in the country.

“Our achievements in the Philippines illustrate that by teaming up with the right local partner with complementary competence we deliver on our key goal: Powering Development,” Erik Knive says. He heads SN Power's Southeast Asia activities from the regional office in Singapore, from which SN Power coordinates activities for the company's Asia business in addition to providing global support functions.

Southeast Asia sees a growing disparity between energy demand and new energy investments. To meet Asia's growing energy demand of 2.8 per cent annually, the International Energy Agency calls for cumulative investments in energy-supply infrastructure of more than USD 7.3 trillion by 2030. The power sector is expected to account for 52 per cent of these investments.

“The population growth continues to accelerate and we intend to meet rising demand by establishing renewable energy production and reducing Asia's dependency on fossil fuels such as coal,” Knive explains, adding that SN Power's experience from Norway has proven valuable in the Philippines.

Deregulation of the energy markets is required to encourage investments. “If political and investment frameworks are not changed, many of the emerging markets in Asia will be facing a serious energy crisis. In fact, some of them already do. The countries would benefit from deregulated markets and private participants to push the electricity price down. This would be profitable both for investors and for the local consumers,” Knive says.

Even though SN Power's investments have been successful both in terms of local development progress and return on investment, it is difficult to secure project financing in today's market. “SN Power is fortunate to have equity to launch new projects, but we also seek to team up with international and local financiers and this has become more challenging,” Knive says.

2009 TARGETS

“Our main target in 2009 is to deliver the Ambuklao rehabilitation on time and on budget. In addition, we aim to optimize existing projects, to deliver on our commitments to local communities and to establish a foothold in one other Southeast Asian market. We continuously look for interesting projects and solid partners in countries which fall within our Southeast Asian strategy, most importantly Vietnam and Laos,” Knive states.

SN Power's participation in the Wholesale Electricity Spot Market in the Philippines has confirmed the company's market expertise

Our achievements in the Philippines illustrate that by teaming up with the right local partner with complementary competence we deliver on our key goal: Powering Development

and left the company better prepared to take on the risks involved in market participation throughout the world. Knive therefore seeks deregulated markets for further investments.

KEY 2008 ACHIEVEMENTS

A key achievement for the SN Power Group in 2008 was the successful takeover of the Ambuklao and Binga hydropower plants by SN Aboitiz Power and the start-up of rehabilitation work. It was the first time banks had taken market risk in a major rehabilitation project in Southeast Asia. Ambuklao and Binga had no off-taker contracts and all of the electricity generated is traded on the Wholesale Electricity Spot Market.

An equally important accomplishment was the successful integration of the existing employees at Ambuklao and Binga into the SN Aboitiz Power organization. SN Aboitiz Power also saw the full effects of Magat integration where 98% of the previous workforce was retained and new and old employees continue to learn from each other.

As a responsible citizen of Philippine society, SN Power adds to local communities in terms of increased local taxes and support to community projects.

“I am perhaps most proud of the rapid positive progress of our host communities. They enjoy increased national wealth tax and real property tax, as well as benefits from the fixed amount of 1 centavo per kWh we pay to the authorities to be distributed back to promote host communities. Employment opportunities are also up; the Ambuklao rehabilitation project will employ one thousand people of whom 70–80% are local citizens,” Knive states.

Another milestone was the attainment of a Special Use Agreement in Protected Areas (SAPA) which SN Aboitiz Power had to obtain from the Department of Environment and Natural Resources due to the special character of the land that Ambuklao and Binga are located on. It was the first time a SAPA had been issued, and together with the government SN Aboitiz Power created a tool for the effective utilization of public land.

“This process brought us close to the local communities and to the indigenous people of Ibaloy who are living in the Ambuklao and Binga watershed forest reserve,” Knive says.

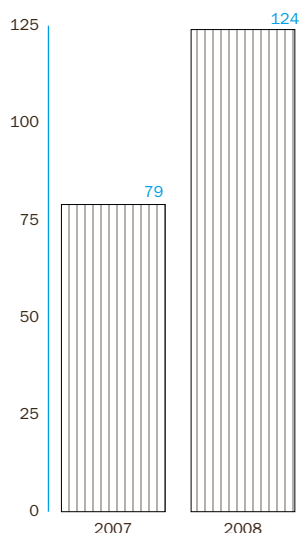
MAGAT, AMBUKLAO AND BINGA HYDROPOWER PLANTS



The Philippines

OPERATING REVENUES

MUSD



SN Aboitiz Power	2006	2007	2008
Generation capacity MW	0	360	535**
Annual generation GWh	0	661	1 158
Employees*	0	79	124

*Total number of employees in SN Power and SN Aboitiz Power/MORE

** Expected installed capacity after rehabilitation is 585 MW

SN Power and Aboitiz Equity Ventures formed the 50–50 joint venture company SN Aboitiz Power in 2006 to bid for and develop hydropower projects in the Philippines. In just three years, the company has acquired three major hydropower plants on Luzon, turning SN Aboitiz Power into the largest private renewable energy company in the country.

MAGAT HYDROPOWER PLANT

The 360 MW Magat hydropower plant was acquired by SN Aboitiz Power in 2007 and is the largest hydropower plant in the Philippines and the major power producer on Luzon. The power generated by the plant is traded on the Philippine Wholesale Electricity Spot Market and contributes to ensuring a stable supply of renewable electricity generation into the Luzon grid.

The main purpose of the Magat dam, which is owned and operated by the irrigation authorities, is to store water for the irriga-

tion of almost 85,000 hectares of rice fields in the region. The dam also plays an important role in flood regulation. In 2008, SN Aboitiz Power entered into cooperation with PAGASA, the Philippine flood control authority, and the Norwegian Agency for Development Cooperation (NORAD) to develop a flood forecasting and warning system for the river basin. The upgrade project is envisioned to prevent loss of lives and livelihoods during flood seasons, and also to maximize the economic use of water to further improve irrigation for thousands of farmers downstream of the Magat dam.

The local communities around Magat benefit from SN Aboitiz Power's presence through a significant increase in tax revenues and through the establishment of community support schemes. One successful initiative is the Speed Up Lagawe Project, which involves a chain of strategic activities that has led to the production of 50,000 Arabica coffee seedlings and their distribution to about 300 farmers in the Lagawe community. This project provides a sustainable livelihood for indigenous communities while at the same time supporting the sustainability of the Magat watershed, which is important for hydropower generation.

AMBUKLAO AND BINGA HYDROPOWER PLANTS

SN Aboitiz Power achieved a second important milestone in July 2008 through the acquisition of the Ambuklao and Binga hydropower plants located in the Cordillera Mountains of Benguet Province.

The 75 MW Ambuklao and 100 MW Binga are among the oldest hydropower plants in the Philippines, commissioned by the Philippines' National Power Corporation in 1956 and 1960 respectively. For this reason, SN Aboitiz Power launched full-scale rehabilitation plans for both plants immediately after take-over.

Ambuklao has not been operational since 1999 due to damage suffered in a major earthquake in 1990. The rehabilitation work at Ambuklao is challenging due to the plant's complex conditions, but is proceeding according to plan. In January 2009, the project team successfully completed one of the rehabilitation's most decisive and complex jobs: stage one of plugging the critical leaks leading to the powerhouse by using technology normally applied in the petroleum industry. Ambuklao will have an annual generation capacity of 332 GWh when refurbished in 2011.

Binga, located directly downstream of Ambuklao, produced 210 GWh from July to December 2008. The plant will undergo rehabilitation from 2010 to 2015, and this is expected to result in an annual output of 419 GWh after completion.

The operation of Binga and the rehabilitation work on the Ambuklao plant have already had a significant positive impact on the region as a source of work opportunities for the local population. The project currently employs more than 525 people of whom 70-80% are local citizens. As the rehabilitation project steps up throughout 2009, the number of employees will increase even further.



Set for new investments in Africa and Central America

EINAR STENSTADVOLD
CEO AFRICA AND CENTRAL AMERICA COMPANY

SN POWER AND NORFUND HAVE FORMED A NEW COMPANY TO EXPLORE BUSINESS DEVELOPMENT IN AFRICA AND CENTRAL AMERICA. THE NEW COMPANY AIMS TO COMPLETE ITS FIRST INVESTMENT IN 2009, AND THE OBJECTIVE IS TO REACH A PORTFOLIO OF 700 MW OF GENERATION CAPACITY BY 2015. “WE HAVE THE CAPITAL AND COMPETENCE NECESSARY TO PLAY AN ACTIVE ROLE IN DEVELOPING THE SIGNIFICANT POTENTIAL IN THESE MARKETS,” SAYS EINAR STENSTADVOLD, CHIEF EXECUTIVE OFFICER OF THE NEW ENTITY.

Africa has formed part of SN Power's strategy from the start, but it had not been a primary focal point for growth until the establishment of the new Africa and Central America entity owned by SN Power (51 per cent) in partnership with Norfund (49 per cent). The new company will draw on the expertise and experience of SN Power and share resources through a service agreement.

REGIONAL INTEGRATION OF MARKETS

Both Southern Africa and Central America are currently integrating their regional power grids and are gradually expanding cross-border markets. This development resembles the creation of the Nordic interconnected power market and power exchange.

“Our Norwegian experience gives us a head start. Regional integration will foster many investment opportunities in the power sector, which will strengthen the regions' economic development, as we have seen in parts of Asia as well,” says Einar Stenstadvold, who is in the process of setting up the structure of the new company and forming a new management team.

In Africa, the company will focus primarily on the countries connected to the South African Power Pool, which includes South Africa and its neighbors. As South Africa is the engine of the Southern African economies, understanding that country's power market is key for any company with ambitions in the region, explains Stenstadvold.

In Central America, Stenstadvold and his team are studying the features of the region and the development of the Central American Electrical Interconnection System. This regional power grid includes Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panamá.

POSITIONING FOR THE FUTURE

Both Africa and Central America have great hydropower potential. Africa has developed less than 7 per cent of its available capacity. Mining has been Africa's major off-taker of electricity, but because of the international financial downturn, mining companies are now halting their activities due to falling global commodity prices.

Still, Stenstadvold is optimistic: “Building hydropower projects takes time. By starting now, our projects will generate economic activity and help alleviate the region's future energy shortage, which will be even more evident when the world economy comes out of the current downturn.”

Stenstadvold is convinced that the new entity will be an attractive partner for governments as well as other companies. “Unlike many other developers, who depend on obtaining equity or debt financing in the market, we have a strong financial position and

Our Norwegian experience gives us a head start. Regional integration will foster many investment opportunities in the power sector, which will strengthen the regions' economic development

can benefit from SN Power's long-term relations with multilateral lenders,” he says, adding that the rate of success will depend on the availability of financial instruments such as guarantees, mixed credits, equity insurance and loans.

“It is interesting to see how countries like India and China, through their vast foreign currency reserves, are using such instruments to position themselves in African countries rich on commodities,” Stenstadvold points out.

CONTRIBUTING TO DEVELOPMENT

The new Africa and Central America company will look for commercially viable hydropower projects, that also satisfy social and environmental requirements. Stenstadvold acknowledges that several countries in the region have weak regulatory regimes and lack the capacity and resources needed to undertake and support large infrastructure projects. Business ethics and social responsibility also represent significant challenges.

“It is the company's mission to transfer competence and ensure socio-economic development in the communities where projects are developed. We intend to build professionally run, world-class projects, and to be a reliable taxpayer and employer. This is vital in order to contribute to sustainable development,” Stenstadvold says.

Board of Directors report

1. HIGHLIGHTS

Financial results: SN Power's financial performance continued to improve in 2008. The SN Power group's operating revenues reached MUS\$ 161 as compared to MUS\$ 79 in 2007. EBITDA increased from MUS\$ 37 in 2007 to MUS\$ 60. The group's operating profit increased from MUS\$ 28 to MUS\$ 45 in 2008 and the net earnings after tax and minority interests increased to MUS\$ 43, up from MUS\$ 37 in 2007.

Safety challenges: During 2008, nine recordable fatal accidents took place in projects and operations where SN Power has an interest. Eight of these fatalities took place at construction sites belonging to SN Power's joint venture companies. Health and safety performance has been a primary concern for SN Power's Board and Management. A number of measures have been taken to improve performance and to remedy the unacceptable fatality rates.

High construction activity: 2008 was characterized by high construction activity in SN Power's subsidiaries and joint venture companies. The acquisition of the Ambuklao and Binga plants in the Philippines in cooperation with Aboitiz Equity Ventures was successfully completed, and rehabilitation of the Ambuklao plant was started. In Chile, SN Power began construction of the company's first wind park. Both projects are proceeding on schedule and with good health and safety performance. The company faces challenges with progress on the hydropower construction projects in Chile and India, and achieving timely completion of these projects in 2009 and 2010 is a priority.

Preparing for growth: During 2008, SN Power has focused on expanding its organizational capacity and attracting the competence needed for further growth. A new project management system was developed to improve oversight and control, including changes to the management of health and safety and new approaches to construction contracting.

Change in ownership: Statkraft and Norfund laid the foundation for SN Power's growth strategy up to 2015 with a change in the ownership structure. Statkraft increased its stake from 50% to 60% through a combined share transaction and capital issue. Norfund reduced its share correspondingly. SN Power and Norfund have established a new subsidiary to focus on expansion into Africa and Central America.

Market outlook: SN Power is closely monitoring the effect of the financial crisis in its markets and the influence this may have on SN Power's performance and strategy. While the crisis will affect prices and risks, and the market for project finance has tightened, SN Power believes that the crisis will offer new and attractive opportunities for mergers and acquisitions.



BOARD OF DIRECTORS

1. TONE WILLE

CFO Mail Division, Norway Post

Senior management positions in Norfund, the Kværner Group, General Electric and Elkem ASA. Various Board directorships, currently at Bring Citymail Group, Bring Dialogue Noway and Sweden, and Itella Information AS.

2. STEIN DALE

Chief Financial Officer and Executive Vice President, Statkraft

Senior management positions in the Telia Group and Tandberg ASA. Board member in Bergenhalvøens Kommunale Kraftselskap AS and Fjordkraft AS.

3. ROLF BUSCH

General Counsel, Statkraft

Partner in major Norwegian law firm, General Counsel Telenor ASA, Company Secretary Norsk Hydro ASA, civil servant Norwegian Ministry of Petroleum and Energy,

4. TORE HAGA

Senior Vice President International, Statkraft

Senior management positions in Aker AS, the Kværner Group and Lindorff Holding AS. Board member in Theun Hinboun Power Company Limited, Nordic Hydro Power AB, Asia Power Invest AB, Småkraft AS and Fuglesangs Limited AS.

5. SIRI HATLEN (CHAIRPERSON)

Executive Vice President, Statkraft

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

6. MARK DAVIS

Investment Director Renewable Energy, Norfund

Experience from energy and infrastructure projects, especially in Southern and East Africa, as well as selected countries in Asia and Latin America. Mark has been partner in ECON Analysis.

2. FINANCE

The SN Power group generated a net profit of MUS\$ 52 in 2008. The group improved its net earnings after tax and minority interests by MUS\$ 6 from MUS\$ 37 in 2007 to MUS\$ 43 in 2008.

New investments made in 2007 contributed significantly to the increase in the profit and loss statement in 2008, in particular the effect of a full year of operations at Electroandes. Income from investment in associated companies in 2007 was to a large extent affected by a significant unrealized foreign exchange gain from the Magat hydropower plant in the Philippines, and due to the unfavourable development in the exchange rate between the USD and the Philippine Peso (PHP) we recorded an unrealized loss on foreign exchange of MUS\$ 13 in 2008 from revaluating loans nominated in USD. The effect of the acquisition of the Binga and Ambuklao hydropower plants in July 2008 gave a negative effect of MUS\$ 1 in the consolidated financial statements.

The group's operating revenues reached MUS\$ 161 (MUS\$ 79)¹. EBITDA increased to MUS\$ 60 (MUS\$ 37). In addition, the group's operating profit increased to MUS\$ 45 in 2008 (MUS\$ 28). The increase in 2008 in the different components of operating profit is explained by the effect of a full year's consolidation of Electroandes and increased activity on business development and governance in holding companies. The effect from Electroandes is an increase in operating profit of MUS\$ 31, partially offset by increased costs in holding companies of MUS\$ 11 spent on business development.

The group's assets totalled MUS\$ 1.236 on 31 December 2008 (MUS\$ 1.040), of which MUS\$ 192 (MUS\$ 134) is cash and cash equivalents and MUS\$ 8 was capitalized as project development. The group's interest bearing debt amounted to MUS\$ 312 (MUS\$ 180), while equity amounted to MUS\$ 863 (MUS\$ 802).

The group's net cash flow from operating activities in 2008 was MUS\$ 38 (MUS\$ 30). Other current assets increased by MUS\$ 11 compared with 2007 and this explains the relatively limited increase in operating cash flow in relation to EBITDA. Net cash used in investing activities for 2008 was MUS\$ 183 (MUS\$ 440), of which MUS\$ 111 (MUS\$ 147) is related to investments in associated companies.

Investments made during the year

Company	Country	Invested in 2008
Hidroelectria La Higuera S.A.	Chile	5
Hidroelectria La Confluencia S.A.	Chile	30
Malana Power Company Ltd.	India	11
Sn Power Aboitiz Power Benguet Inc.	Philippines	52
Manila-Oslo Renewable Enterprise Inc.	Philippines	13
TOTAL		111

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. From 2008 and onwards, SN Power Group's presentation currency is USD, and comparative figures have been restated to USD using the average exchange rate for profit and loss items and the closing balance rate for balance sheet items.

STATKRAFT NORFUND POWER INVEST AS

The parent company Statkraft Norfund Power Invest AS (SNPI) recorded an operating loss of MUS\$ -14 compared to MUS\$ -7 in 2007. Net financial items were MUS\$ 0 (MUS\$ -11) and the loss after tax was MUS\$ -14 (MUS\$ -18). SNPI received new equity of MUS\$ 79 from the owners in 2008.

Statkraft Norfund Power Invest and SN Power Holding have issued guarantees of MUS\$ 21 (MUS\$ 45) and MUS\$ 25 respectively towards subsidiaries and associated companies.

The Board has proposed that no dividend be paid, and has proposed the following coverage of the net loss for the year in Statkraft Norfund Power Invest AS:

UNCOVERED LOSS	MUS\$ 14
TOTAL ALLOCATED FROM EQUITY	MUS\$ 14

It is the opinion of the Board of Directors that the consolidated financial statements provide a true and fair view of the group's financial performance during 2008 and its financial position on 31 December 2008. According to Section 3-3 of the Norwegian Accounting Act, we confirm that the consolidated financial statements have been prepared based on the going-concern assumption and that it is appropriate to use this assumption.

3. OPERATIONS 2008

During 2008, the group's operational assets delivered solid results. Good performance was achieved on the new projects that were started during the year, while the company experi-

enced continued challenges on the ongoing construction projects related to additional delays and cost overruns.

The company experienced a significant increase in revenues compared to 2007. The largest contributing factor was the full year of operations at Electroandes S.A in Peru.

Overview of revenues, EBITDA and net profit:

			2008	2007
MUSD	Revenue	EBITDA	Net profit after minority share	Net profit after minority share
Consolidates companies				
Peru	130	61	33	12
Nepal	33	26	7	8
Holding companies and other effect	-2	-27	-25	-14
Associated companies			28	31
TOTAL	161	60	43	37

PERU

Following the acquisition of 100% of Electroandes S.A. in 2007, SN Power Peru is now the fifth largest electricity producer in Peru and has eight hydropower plants ranging from 5 MW to 108 MW. In 2008, a process was undertaken to consolidate the management structure and operations of SN Power in Peru. The two 100% owned operating subsidiaries Cahua S.A. and Electroandes S.A. are now run as an integrated business under the SN Power brand.

SN Power Peru	2007*	2008
Energy production, GWh	768	1 598
Revenues, MUSD	40	130
EBITDA, MUSD	23	61

* Electroandes included from October 2007

SN Power also holds a number of both permanent and temporary concessions for the development of greenfield hydropower projects in Peru. The most advanced project is the 168 MW/837 GWh Cheves project, for which a tender process for its construction is being undertaken. The expected mean annual generation is 837 GWh.

NEPAL

In 2007 SN Power had a 50.4 per cent voting share in Himal Power Limited (HPL) which operates the 60 MW Khimti hydropower plant with a mean annual generation of 350 GWh. In 2008, two of the minority shareholders, GE Energy (Norway) AS and Alstom Norway AS, decided to divest their shareholdings in HPL. Consequently, SN Power increased its ownership stake to a 57.1% voting share from 1 October 2008.

Himal Power Ltd	2007	2008
Energy production, GWh	396	372
Revenues, MUSD	34	33
EBITDA, MUSD	27	26

The lower generation in 2008 is a result of 13 days of shut-down due to maintenance and inspection, and the fact that the year was drier than normal.

In November 2008, SN Power was granted a survey licence to expand the Khimti plant by adding a sixth unit of 50 MW generation capacity. SN Power Nepal continued project development and feasibility studies of the Tamakoshi 2 and 3 survey licenses, which were granted in 2007.

CHILE

SN Power and Australian-based Pacific Hydro Limited have two hydropower projects under construction in the Tinguiririca Valley southeast of the capital Santiago, through a 50/50 joint venture managed by Tinguiririca Energía. Construction of the La Higuera plant started in October 2005. The plant will have an installed capacity of 155 MW and a mean annual generation of 728 GWh. The plant is forecasted to start operation towards the end of 2009, one year later than originally scheduled. Due to the delay and La Higuera's obligation to supply energy to a local distribution company from October 2008 under a long-term power purchase agreement SN Power made a provision in 2007 to cover possible losses arising from this obligation. Part of the provision was used to cover a settlement for the period October 2008-June 2009.

Construction of the 156 MW La Confluencia plant started in 2007 with operation planned to start in 2010. The plant will contribute 645 GWh to the Chilean Central Grid. Heavy rainfall in May 2008 may delay the completion of the project. Negotiations with the contractor to catch up with the delay are ongoing.

The joint venture with Pacific Hydro has also constructed a 58 MW dual fuel back-up turbine called Colmito to mitigate market risk associated with dry periods. The Colmito plant is located in central Chile (Region V) and entered into operation in August 2008. Due to high fuel prices the unit only generated revenues from capacity payments in 2008.

Hidroeléctrica Trayenko, 80%-owned by SN Power and 20%-owned by its Chilean partner Centinela, continued the development of four new hydropower plants with a generation capacity of approx. 600 MW in the Los Rios Region in southern Chile. The main focus is on the development of the 392 MW Maqueo project, which was submitted for environmental approval during the first quarter of 2009.

SN Power's first wind farm project is the 46 MW Totoral wind farm located approximately 300 km north of Santiago. The company called Norvind SA, is also 80%-owned by SN Power and 20%-owned by Centinela. Project construction is going according to plan, and the wind farm is expected to enter into operation during 2009 with a mean annual generation of 100 GWh.

PHILIPPINES

Aboitiz Equity Ventures, Inc. (AEV) and SN Power formed the 50/50 joint venture SN Aboitiz Power in 2006 to jointly bid for and develop hydropower projects in the Philippines. After the successful acquisition of the 360 MW Magat hydropower plant in 2007, SN Aboitiz Power achieved a second important milestones in 2008 through the acquisition of the Binga and Ambuklao hydropower plants. SN Aboitiz Power now owns three hydropower plants in northern Luzon. All three are acquisitions from the National Power Corporation as part of the Philippine power sector privatization.

The Magat plant is expected to generate approximately 920 GWh in a median year, and in 2008 it generated 948 GWh despite output being severely affected by transmission line constraints in the main grid from August to October.

SN Aboitiz Power	2007*	2008**
Energy production, GWh	661	1 158
Revenues, MUSD	79	124
EBITDA, MUSD	65	105

* Included in consolidated accounts from second quarter

** Binga included from July 2008

The numbers presented above are 100% and the owner share is 50%, thus it is accounted for according to the equity method.

The 100 MW Binga and the 75 MW Ambuklao hydropower plants were transferred to SN Aboitiz Power Benguet on 10 July 2008. Both plants will undergo full scale rehabilitation, and construction works started at Ambuklao in December 2008. The work is on target to be finalized by November 2010. The Binga plant will undergo rehabilitation in the period from 2010 to 2015. Together with Magat, Binga strengthens SN Aboitiz Power's position as a major participant in the Philippine Wholesale Electricity Spot Market.

Once rehabilitated, the Ambuklao and Binga plants will have a total capacity of 225 MW and a mean annual generation of 751 GWh.

AEV and SN Power continue to strengthen their strategic partnership and are actively seeking new growth prospects in the Philippines.

INDIA

SN Power owns 49% of Malana Power Company Ltd (MPCL) while LNJ Bhilwara Group owns 51%. MPCL owns and operates the Malana hydropower plant in Himachal Pradesh. After a capacity upgrade, mean annual production is estimated to be 335 GWh.

Malana Power Company	2007	2008*
Energy production, GWh	337	365
Revenues, MUSD	31	43
EBITDA, MUSD	28	39

* Operational capacity increased from 86 MW to 108 MW

The numbers presented above are 100% and SN Power's ownership share is 49%, thus it is accounted for according to the equity method.

Through its subsidiary AD Hydro Power Ltd, MPCL is responsible for the development of the 192 MW Allain Duhangan run-of-river hydropower project, expected to have a mean annual generation of 800 GWh. The construction of the Allain Duhangan project started in mid-2005, and the first stage of the project is expected to be commissioned one and a half years behind schedule at the end of 2009. The second stage is expected to be commissioned in mid-2010, two years behind schedule. The project is facing challenging geological conditions in the tunnelling work and has experienced major cost overruns. The project's health and safety standards have not been acceptable, and significant efforts have been made to ensure improvements.

In July 2008, SN Power and Tata Power Company Limited signed a Memorandum of Understanding to jointly develop hydropower projects in Nepal, Bhutan and India.

SRI LANKA

SN Power has a 30% stake in Nividhu Private Limited which owns and operates the Assupinella and Belihuloya hydropower plants. The company is accounted for in accordance with the equity method and contributed MUSD 0.1 to SN Power's earnings after tax.

BRAZIL

SN Power is continuing to pursue its plan to expand further in South America and set up a Brazilian subsidiary in January 2008 to undertake business development activities in the country. SN Power Energía do Brasil Ltda. is headquartered in Rio de Janeiro.

AFRICA AND CENTRAL AMERICA

During 2008 SN Power continued to pursue business opportunities in Africa and also looked at projects in Central America. These activities will be further strengthened through the establishment in January 2009 of a new SN Power subsidiary

co-owned with Norfund and focusing specifically on hydropower development in Africa and Central America.

4. CHANGE IN OWNERSHIP AND REVISED STRATEGY

With effect from 13 January 2009, Statkraft increased its ownership in SN Power from 50% to 60% through a combination of the purchase of shares from Norfund and a subscription of shares in SN Power. Statkraft is now the majority owner in SN Power, with a 60% share, while Norfund's share is reduced to 40%. Statkraft also has an option of a further increase to 67% by 2015, and Norfund is guaranteed an opportunity to sell all or part of its shares during the same period. As part of the transaction, Statkraft injected NOK 2,000 million (280.5 MUSD) in equity in SN Power. In parallel, Statkraft and Norfund agreed on a revised strategy focusing on growth in SN Power's existing and adjacent markets up to 2015.

NEW AFRICA AND CENTRAL AMERICA COMPANY

A new Africa and Central America company was established in January 2009. SN Power holds 51% of the shares in the new company, while Norfund holds 49%. The company will lead SN Power's expansion into these two new markets, and will be supported by the management and staff of SN Power.

5. CORPORATE GOVERNANCE AND BUSINESS PRINCIPLES

SN Power has a robust set of corporate governance principles. The company also has a set of business principles which set the standard for its world-wide activities. SN Power's business principles are made publicly available, and the company expects its employees, representatives, partners, subsidiaries and suppliers to adhere to these principles.

SN Power has a strong focus on ethics and business integrity. In 2008, the company initiated the SN Power Integrity Programme, which consists of regular mapping of integrity risks throughout SN Power's organization, training and awareness-raising among employees. The company also developed a Code of Conduct and a structure for reporting integrity enquiries and suspected breaches of the Code of Conduct. The Integrity Training Programme will continue in 2009.

In 2008 SN Power strengthened its governance model and developed a new Governance System. The system will help SN Power to manage its business across the value chain and the different geographical areas according to its governance principles, strategy, and goals.

SN Power has also undertaken a significant upgrade of its project execution methodology. The project management system integrates all aspects of project execution and acquisitions in an optimized work flow for the various phases of the entire value chain.

GOVERNING BODIES

SN Power's owners nominate directors to represent them on the board of the company. Four of the current directors are nominated by Statkraft, including the Chairperson Siri Hatlen, and two are nominated by Norfund.

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

6. RISK MANAGEMENT

The company has a risk management framework in place, which includes policy and risk appetite, structure, methodology, skills, culture and tools. This is applied both to new developments as well as throughout the project and asset lifecycles for the monitoring and mitigation of risk. Improvements are currently being made to the monitoring and reporting of risk.

SN Power's approach to risk management covers environmental, social and reputational issues in addition to financial, operational and political risks. SN Power believes that a comprehensive approach to risk management delivers long-term benefits to the company

Debt financing is obtained at project or country holding level with limited recourse to the parent company. With operations in a number of different power markets, SN Power has significant exposure to local spot power prices and short-term contracts with fixed prices. Market risk is managed by seeking to obtain a balance between medium and long-term contract and spot market exposure, utilizing hedging instruments where applicable. A new system to analyze total risk exposures across all markets and profit centers is now being developed within the SN Power group.

Further risk mitigation measures include hedging parts of its foreign exchange exposure related to equity investments and taking out insurance against political risk on a case-to-case basis.

7. HEALTH AND SAFETY

SN Power's goal is to achieve the highest power industry standard on Health and Safety in all its projects and operations. Health and Safety has been a major concern for SN Power's Board and Management since the company experienced the first fatal accident in 2006. In 2008, a total of nine recordable fatal accidents took place in projects and operations, in which SN Power has an interest. Eight employees of subcontractors lost their lives in accidents at the construction sites of SN Power's joint venture companies in India and Chile. In addition, one drowning accident took place at SN Power Peru's Pariac power plant.

Four fatal accidents occurred at the Allain Duhangan project in India, resulting in six fatalities. Two workers died when taken by an avalanche in January. Three workers died in two separate transport-related accidents on the Duhangan road. One fatality occurred when a contract worker was hit by a reversing transit mixer while working on the project site.

The Allain Duhangan project also experienced two fatal accidents in 2009. In January, a vehicle carrying ten subcontractor employees skidded off the road under winter conditions, leaving one person dead and nine persons injured, three of whom were hospitalized for an extended period. As a consequence, SN Power demanded a halt to further work on the project in order to ensure that routines for transportation under winter conditions were revised and measures taken to strengthen the safety routines in general. In March, one subcontractor employee was fatally injured when rocks fell from the roof of a tunnel during work. Work was stopped until measures were taken to improve the safety of the working environment.

The Allain Duhangan project, with a total of 13 fatalities since December 2006, has been subject to considerable SN Power Board and Management attention, and several steps have been taken to improve the critical situation. Two Health and Safety audits were conducted in 2008, local H&S staff have been trained in Norway, and the project management has been strengthened by top international experts. In addition, SN Power has taken steps to better control and monitor the management of the project. The actions have given positive results, but work continues in 2009 to ensure that the project's Health and Safety standard is brought to a satisfactory level as quickly as possible.

In Chile, four fatal accidents have taken place on projects where SN Power has invested since 2006. In May 2008, a bus evacuating workers from the La Higuera site during heavy rainfall in May was hit by a boulder, killing one passenger. In the La Confluencia project, an operator of a transit mixer was fatally injured when the vehicle turned over. Both incidents have been thoroughly investigated and corrective actions have been implemented.

SN Power has worked actively to promote Health and Safety in the construction projects in Chile, and audits were undertaken at the La Higuera and La Confluencia projects.

A comprehensive set of Health, Safety, Environmental and social requirements have been introduced for all new construction projects. These formed part of the basis for contractor selection for the Ambuklao rehabilitation project.

A fatal accident affecting a third party occurred at the Pariac hydropower plant in Peru, when a boy drowned in a water intake canal. Another drowning accident took place at the Arcata hydropower plant in Peru in January 2009, when a local resident was found drowned in the plant's water intake.

In 2008, SN Power has started using the Total Recordable Injury (TRI) frequency rate as a key performance indicator on safety both in the group and associated companies. The TRI rate is defined as the total number of injuries resulting in fatality, lost time, medical treatment or transfer to other job per million hours worked. For operating plants, the weighted average TRI rate was 4 in 2008. The corresponding TRI-rate for construction projects was 16, but this number does not include the Allain Duhangan project in India from which reporting was incomplete. SN Power is able to include the TRI rate for Allain Duhangan in its reporting from January 2009 as a result of measures taken to improve the quality of data.

8. PEOPLE

SN Power continued to strengthen its organization in 2008. The total number of employees in SN Power and consolidated companies increased from 435 to 479. Of this number, 38 are based at the company's headquarters in Oslo, 308 in Peru, 45 in Chile, 2 in Brazil, 65 in Nepal, 8 in India, 4 in the Philippines and 9 in Singapore.

SN Power's non-consolidated companies had approximately 750 employees at the end of 2008. In addition, more than 4000 people are employed by contractors at the project construction sites in Chile, India and the Philippines at year end.

Absenteeism owing to sickness for the group was 1,047 days, amounting to 0.2% of total working days. This is the same level as in 2007. SNPI had 138 days of absenteeism due to sickness, amounting to 2.2% of total work days.

SN Power's recruitment strategy is to attract talented individuals with international leadership skills and/or expertise from the infrastructure development and energy sectors. SN Power's ambition is to grow both through M&A and through the development of renewable power projects. New departments with expertise in these fields have been established and expanded in 2008.

Responsibility for Asia was divided into two new Executive Vice President positions for South Asia and South East Asia, providing additional management focus on those two regions.

DIVERSITY

SN Power has a strong commitment to diversity, and does not discriminate on the basis of gender, religion or race. The group's employees and associates represent more than 20 different nationalities, reflecting the group's widespread international presence.

Two out of six of the Directors of the Board of SNPI are women. One of the six management team members is female and 16% of SN Power's overall workforce is made up of women. This is an increase from 11% last year.

SN Power has obtained CDM registration for three hydropower projects, amounting to CERs representing almost 1.4 million tonnes of CO₂ emission reductions per year once the plants are operational.

SN Power also has a number of potential CDM projects in the pipeline in Asia and Latin America. Currently, projects in Chile and the Philippines are in the validation stage expecting registration in 2009.

ENVIRONMENTAL EMISSIONS

The company's hydropower plants in Peru, India, Sri Lanka and the Philippines produce minor emissions. The Colmito dual fuel back-up plant in Chile emitted 2992 tonnes of CO₂, 0.8 tonnes of SO₂ and 4.2 tonnes of NO_x in 2008.

9. SOCIETY AND THE ENVIRONMENT

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

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

CLEAN DEVELOPMENT MECHANISM

SN Power recognizes the potential revenues from the Clean Development Mechanism (CDM) market as an important enabler of investment in renewable energy projects. SN Power actively seeks Certified Emission Reduction (CER) credits related to the CDM under the Kyoto Protocol for several green-field projects in our pipeline. A global team working actively in the climate and CDM markets has been established, and will further strengthen SN Power's knowledge and capabilities in our target markets.

10. MARKET OUTLOOK

Economic uncertainty has increased as a result of the global financial crisis. Falling prices of oil and coal have a dampening effect on electricity prices in general, and will affect the markets SN Power invests in. A broad-based economic slowdown will reduce demand growth, with consequences for power prices. Nevertheless, many of SN Power's markets are expected to continue to experience power deficits as the pace of investment in new capacity is reduced.

The current constraints in debt markets imply a greater reliance on equity with an increase in the cost of capital. Weaker power prices will also reduce the debt burden that power projects can sustain. However, SN Power continues to experience interest, particularly from multilateral and regional development banks, in financing its business.

The financial crisis may provide new opportunities for SN Power given the company's access to new equity capital and the fact that restructuring may provide attractive acquisition opportunities.

Power shortages in Southern Africa are expected to open new opportunities for investments in renewable energy production. The development of a new regional transmission line in Central America will also provide new opportunities in the electricity markets of the region. The establishment of SN Power's new subsidiary for these two markets is timely in this context.

The growth in carbon markets improves the outlook for investments in renewable energy. However, the financial crisis has had a negative impact on carbon prices, and there remain uncertainties in the structure of carbon markets beyond 2012.

11. PRIORITIES 2009 AND ONWARDS

2008 was a year of preparing the organization for further growth in line with the strategy to successfully reach our ambitious 2015 targets. The ownership change provides a platform for SN Power to seek closer industrial cooperation with Statkraft and to capitalize on synergies within various renewable technologies. Norfund's current footprint and extensive network in Africa and Central America will benefit the newly established subsidiary focusing on these regions.

SN Power will continue to prioritise investments in existing markets, while also looking at synergies in adjacent markets. SN Power will pursue selective M&A-driven entries into a few step-out markets where initial investments can serve as the platform for future growth. The company will also actively pursue M&A opportunities which may become available as a consequence of the financial crisis. The establishment of a separate Africa and Central America subsidiary will ensure a focus on project development in these regions.

THE FOCUSES IN 2009 WILL BE ON:

- Further strengthening of procedures, systems and preventive actions on Health and Safety and on project management.
- Finalisation of construction projects in India and Chile without further delays and cost overruns, and execution within budget and on schedule of the rehabilitation project in the Philippines and the wind project in Chile.
- Selective M&A driven investments to support the company's ambitious targets.
- Support expansion of the business in Africa and Central America through the establishment of a new subsidiary.
- The current pipeline of projects is expected to meet the company's goals for new investments in terms of both profitability and local development effects.

OSLO, 11 MARCH 2009

The Board of Directors of Statkraft Norfund Power Invest AS



Siri Hatlen
Chairperson



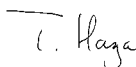
Mark Davis
Director



Tone Wille
Director



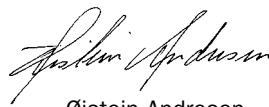
Stein Dale
Director



Tore Haga
Director



Rolf Busch
Director



Øistein Andresen
President & Chief Executive Officer

KEY FIGURES

	UNIT	2008	2007	2006	2005	2004
POWER PORTFOLIO						
Net installed capacity	MW	630	630	383	169	169
Net installed capacity under construction	MW	320	284	160	160	83
Gross production, actual	GWh	3 435	2 162	1 200	845	709
Net production (SN Power share)	GWh	2 492	1 470	813	652	451
FINANCIALS – Consolidated figures						
Operating revenue	MUSD	161	79	51	24	22
Income from associated companies	MUSD	28	31	3	3	0
Cash and cash equivalents	MUSD	192	134	121	78	121
Equity	MUSD	863	802	304	167	154
EBITDA	MUSD	60	37	23	3	1
Net Earnings after tax	MUSD	52	47	11	-1	-5
Cash Flow from operational activities	MUSD	38	30	15	-1	5
Equity investments from SN Power	MUSD	111	425	61	54	58
New equity	MUSD	79	409	81	118	0
Interest bearing debt\equity ratio ¹⁾	%	36	23	28	20	26
Return on equity after tax ²⁾	%	6	6	5	0	-3
Equity ratio ³⁾	%	70	77	72	75	72
PEOPLE						
Employees	Number	479	415	220	122	110
Sickness absence	%	0.2	0.2	0.2	2	1
Lost-time injury frequency ⁴⁾		N/A	2	6	5	4
Total Recordable Injury Rate – operations		4	N/A	N/A	N/A	N/A
Total Recordable Injury Rate – projects		16	N/A	N/A	N/A	N/A
ENVIRONMENT						
Environmental fines	MNOK	0	0	0	0	0
Carbon dioxide emissions	Tonnes	2 992	269	400	400	1 800

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

2) Net income for the year x 100
Average equity

3) Equity x 100
Assets

4) In 2008, Lost-time injury frequency was substituted with Total Recordable Injury Rate for measuring health and safety performance

ACCOUNTS

SN POWER GROUP

STATKRAFT NORFUND POWER INVEST AS

AUDITOR'S REPORT





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INCOME STATEMENT

Figures in USD 1 000

	NOTE	2008	2007
OPERATING REVENUES AND EXPENSES			
Sales revenues	7	160 889	78 849
Total operating revenues		160 889	78 849
Cost of goods sold	8	35 412	4 590
Salary and personnel costs	9	28 473	15 203
Ordinary depreciation and amortization	12, 13	15 453	8 313
Write-downs	12, 13	0	182
Other operating costs	10	36 793	22 328
Total operating costs		116 131	50 615
OPERATING PROFIT/LOSS		44 758	28 234
FINANCIAL INCOME AND EXPENSES			
Income from investments in associates	6, 11	28 152	30 769
Interest income	11	3 088	6 861
Other financial income	11	12 949	167
Interest expenses	11	-16 935	-8 268
Other financial expenses	11	-12 606	-6 475
Net financial items		14 648	23 055
PROFIT/LOSS BEFORE TAX		59 406	51 289
Tax	21	-11 794	-5 714
Changes in deferred tax	21	4 342	1 467
Tax		-7 452	-4 246
NET PROFIT/LOSS FOR THE YEAR		51 954	47 043
Minority interests		-9 446	-10 187
NET PROFIT FOR THE YEAR AFTER MINORITY		42 508	36 856

BALANCE SHEET AT 31 DECEMBER

Figures in USD 1 000

	NOTE	2008	2007
ASSETS			
Fixed assets			
Intangible fixed assets			
Deferred tax asset	21	2 830	1 452
Road and land rights	13	7 352	1 864
Project development	13	19 556	3 673
Software licences	13	691	656
Total intangible fixed assets		30 429	7 645
Tangible fixed assets			
Land	12	6 297	4 306
Water rights	12	262 077	262 752
Plants and machinery	12	297 459	288 733
Fixtures and fittings, vehicles, other equipment	12	9 660	8 572
Total tangible fixed assets		575 493	564 364
Financial fixed assets			
Investments in associates	6	343 325	293 323
Investments in shares		267	615
Other long-term receivables		3 100	1 814
Total financial fixed assets		346 692	295 752
TOTAL FIXED ASSETS		952 614	867 761
Current assets			
Spare parts			
		706	953
Receivables			
Accounts receivable	16	15 968	16 163
Other receivables	17	74 656	20 687
Total receivables		90 624	36 849
Bank deposits, cash and cash equivalents	18	192 331	134 124
TOTAL CURRENT ASSETS		283 661	171 926
TOTAL ASSETS		1 236 275	1 039 687

BALANCE SHEET AT 31 DECEMBER

Figures in USD 1 000

	NOTE	2008	2007
EQUITY AND LIABILITIES			
Equity			
Paid-in equity	19	836 128	757 548
Other equity		-24 162	- 395
Minority interests		51 323	44 458
Total equity		863 289	801 611
TOTAL EQUITY		863 289	801 611
Liabilities			
Provisions			
Pension commitments	20	402	683
Deferred tax	21	13 337	16 105
Other long-term provisions	22	3 273	6 444
Total provisions		17 012	23 232
Other long-term liabilities			
Interest-bearing long-term debt	23	280 701	167 041
Total other long-term liabilities		280 701	167 041
Current liabilities			
Current portion long-term debt	23	30 710	13 479
Accounts payable		12 861	6 816
Tax payable		1 305	5 523
Public tax payable		601	462
Financial instruments (FX hedge contracts)	15	5 150	4 283
Other current liabilities	24	24 646	17 240
Total current liabilities		75 273	47 803
TOTAL LIABILITIES		372 986	238 076
TOTAL EQUITY AND LIABILITIES		1 236 275	1 039 687

OSLO, 11 MARCH 2009

The Board of Directors of Statkraft Norfund Power Invest AS


Siri Hatlen
Chairperson

Mark Davis
Director

Tone Wille
Director

Stein Dale
Director

Tore Haga
Director

Rolf Busch
Director

Øistein Andresen
President & Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER

Figures in USD 1 000

	Attributable to equity holders of the parent company					Minority interests	Total equity
	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve		
AT 1 JANUARY 2007	136 550	136 550	-10 492	-1 877	1 222	41 790	303 743
Transactions with shareholders							
Issue of share capital	204 630	204 630	0	0	0	0	409 259
Issue of share capital in Subsidiaries - Minority Share	0	0	0	0	0	209	209
Paid dividends	0	0	0	0	0	-7 957	-7 957
Transactions with shareholders	204 630	204 630	0	0	0	-7 748	401 511
Recognised through equity							
Effects of changes in functional currency to USD				-5 983	8 419		2 436
Exchange rate adjustments	37 595	37 595	788	-31 163	1 833	229	46 877
Booked directly against equity	37 595	37 595	788	-37 145	10 252	229	49 314
Recognised through Profit and Loss							
Profit for the year	0	0	36 856	0	0	10 187	47 043
Recognised through Profit and Loss	0	0	36 856	0	0	10 187	47 043
AT 31 DECEMBER 2007	378 774	378 774	27 153	-39 022	11 474	44 458	801 611
Transactions with shareholders							
Issue of share capital	39 290	39 290					78 580
Issue of share capital in Subsidiaries - Minority Share						8 543	8 543
Reduced minority due to increased owner share						-4 556	-4 556
Paid dividends						-6 348	-6 348
Transactions with shareholders	39 290	39 290	0	0	0	-2 361	76 219
Recognised through equity							
Net gain/losses on Net investment hedges					9 129	- 220	8 909
Net gain/losses on Cash Flow hedges incl Associates					-32 824		-32 824
Exchange rate adjustments				-42 580			-42 580
Booked directly against equity	0	0	0	-42 580	-23 695	- 220	-66 495
Recognised through Profit and Loss							
Profit for the year			42 508			9 446	51 954
Recognised through Profit and Loss	0	0	42 508	0	0	9 446	51 954
AT 31 DECEMBER 2008	418 064	418 064	69 661	-81 602	-12 221	51 323	863 289

CASH FLOW STATEMENT

Figures in USD 1 000

	2008	2007
CASH FLOW FROM OPERATIONAL ACTIVITIES		
Profit/loss before tax	59 406	51 289
Tax paid	-9 184	-9 014
Ordinary depreciation	15 453	8 313
Write-downs	0	182
Gain/loss on disposal of fixed assets	1 379	
Difference between this year's pension expenses and pension premiums	- 280	- 23
Income from investments in associates	-28 152	-30 769
Effect of exchange rate changes (agio/disagio)	1 455	3 869
FX hedges in profit and loss with no cash effect	7 736	
Change in accounts receivable	195	2 743
Change in accounts payable	6 045	5 620
Change in spare parts	247	548
Change in other long-term provisions	-3 171	292
Change in other current assets and liabilities	-13 304	-2 565
Net cash flow from operational activities	37 824	30 485
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in tangible and intangible fixed assets	-52 157	-21 000
Investments in subsidiaries		-284 298
Proceeds from sale of fixed assets	117	
Dividends from associated companies	14 362	
Investment in financial fixed assets	-144 649	-146 735
Net effect of cash and cash equivalents from acquisitions	675	6 177
Proceeds from realised FX hedge contracts	-1 088	5 890
Net cash flow from investment activities	-182 739	-439 966
CASH FLOW FROM FINANCING ACTIVITIES		
Change in long-term debt	113 660	-12 900
Change in short-term debt	17 231	0
Payment of dividends	-6 348	-7 957
New paid-in equity	78 580	409 259
Net cash flow from financing activities	203 123	388 402
Effect of exchange rate changes on cash and cash equivalents		15 637
Net change in cash and cash equivalents	58 207	-5 443
Cash and cash equivalents at 1 Jan	134 124	139 566
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	192 331	134 124

NOTES

Figures in USD 1 000

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Statkraft Norfund Power Invest AS, including its 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 ended 31 December 2008, and were authorised for issue in accordance with a resolution passed by the Board of Directors on 11 March 2009.

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

BASIC PRINCIPLES | The consolidated financial statements for the Group have been prepared in accordance with the International Financial Reporting Standard (IFRS) as adopted by the EU. This is the Group's second annual statement in accordance with IFRS.

The consolidated financial statements have been prepared on a historical cost basis. For 2008, they are presented in US Dollars (USD), for the first time. Corresponding figures for 2007 have also been restated to USD by using a closing rate at 31 December 2007 of USD/NOK 5.4188 for balance sheet items and an average rate for the year 2007 of USD/NOK 5.86422 for profit and loss items. All values are rounded to the nearest USD thousand unless otherwise stated.

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates will be recognised in the period they occur only if applicable in that period. If changes also concern future periods, the effect is distributed over both current and future periods.

However, uncertainty about these assumptions and estimates could result in outcomes requiring a material adjustment to the carrying amount of the asset or liability affected in the future. The areas in the financial statements of SN Power Group that are most affected by significant accounting judgements, estimates and assumptions are:

Useful life of tangible and intangible fixed assets

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

Provisions and contingent liabilities

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

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

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

CAPITAL MANAGEMENT | The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group's policy is in the long run to keep the gearing ratio in investment companies around 50%. The gearing ratio is defined as Total liabilities divided by Total equity and liabilities:

TUSD	2008	2007
Total liabilities	372 986	238 076
Total equity and liabilities	1 236 275	1 039 687
Gearing ratio	30.2%	22.9%

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 2008.

Elimination of transactions

Intra-group balances, unrealised profits and losses or 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.

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

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

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

All subsidiaries registered outside Norway are assessed as independent entities. The accounts of these subsidiaries are converted to the Group's reporting currency (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

Investments in associated companies where the Group holds or controls from 20% to 50% of the voting rights, and has significant influence, but not actual control, are accounted for by the equity method. This means that the Group's share of the net result in the associated companies, adjusted for depreciation of added value, is shown on a separate line in the consolidated income statement. The investments are shown in the consolidated balance sheet as fixed assets, recognised at the value which equals the historical cost price corrected for the accumulated share of results adjusted for depreciation of excess values during the period of ownership, dividend received and possible exchange rate adjustment. Any conversion differences are recorded directly against equity.

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

REVENUE RECOGNITION | Revenue comprises the fair value for the sale of goods and services, net of Value Added Tax, rebates and discounts and after eliminated sales within the Group. Revenue is recognised in accordance with the earned income principle. This means that all income is recorded as and when earned.

A) Power sales

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

B) Sales of services

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

C) Dividend income

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

D) Income from associated companies

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

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

EMISSION RIGHTS | SN Power Group will in most cases receive emission rights through the production of environmentally friendly energy and sell them to a third party.

Revenue will be recognised in line with production and if any up-front payment is made, this will be treated as a prepayment. If the entity holds redundant emission rights it should be recorded as inventory in accordance with IAS 2, and should subsequently be measured at the lower of cost or the net realisable value.

Agreements made to sell CERs in the future at a fixed price with a future settlement date, can under certain circumstances be treated as forward contracts. Generally the criteria for being derivative depend on whether the CERs are settled by "physical delivery" of the CER. If the contract is a derivative it will be treated as a financial instrument in accordance with IAS 39.

CERs are recognised as income over the period during which the corresponding power is produced. The first CER approved power in the group will be produced in 2009.

FOREIGN CURRENCY | The consolidated financial statements are presented in USD, which is also the parent company's functional and presentation currency.

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

Balance sheet items in foreign currency are assessed at the exchange rate at the date of the balance sheet. Exchange rate effects are recognised as financial items.

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

FINANCIAL INSTRUMENTS | 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 recognised in the respective categories are described below.

Valuation principles for different categories of financial instruments

1) Instruments at fair value through profit or loss

Derivatives are financial instruments that have to be measured at fair value in the balance sheet. Other financial instruments held for trade also have to be measured at fair value through profit or loss. Except for hedging purposes, changes in value are taken to profit or loss. For derivatives that are hedging instruments in a hedge accounting, the change in value of the effective part of the hedge, following from a change in the value of the hedged risk, are not taken to profit or loss.

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

2) Loans and receivables

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

3) Financial liabilities

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

Principles for designation of financial instruments to different categories of instruments

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

Instruments at fair value through profit or loss

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

Financial instruments included in hedge accounting

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

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

Derivatives not related to hedging are presented on separate lines in the balance sheet under assets and liabilities, respectively. Derivatives with positive and negative fair value, respectively, are presented gross in the balance sheet as long as no legal rights to set off different contracts 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 presented on separate lines. Value changes in energy derivatives are presented on a separate line under revenue, while value changes in financial derivatives are presented on a separate line under financial items.

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

CURRENT/NON-CURRENT | An asset/liability is classified as current when it is expected to be realised/settled, or is intended for sale or consumption, in the Group's normal operating cycle. Or, it is held primarily for the purpose of being traded, or it is expected/due to be realised or settled, within twelve months after the date of the 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 instalment is classified as a short-term item. All derivatives are presented as short-term items.

INTANGIBLE ASSETS | Road and land rights

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

Development costs

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

TANGIBLE ASSETS | Tangible assets are stated at cost, including expenses completing the asset for use, less accumulated deprecia-

tion and any accumulated impairment in value. Borrowing costs for significant investments are capitalised. Expenses accrued after the asset has been taken into use, such as maintenance costs, are taken to profit or loss, while other expenses expected to generate economic benefits are recognised in the balance sheet.

Water rights are not depreciated since no reversion exists and the value is deemed to be perpetual. Time limited rights are depreciated over the license period. Water rights acquired in a separate transaction are measured initially at cost. Water rights acquired in a business combination 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. The normal useful lives for different groups of assets are presented in the table below, but there might be local variations:

Land	Eternal
Water rights	Individual assesment
Plants and machinery	
Rock-fill dams, concrete dams	75
Tunnel systems	75
Rock rooms/chambers	75
Mechanical machine installations	40
Remaining technical machine parts	15
Generator (primary part)	40
Transformer (secondary part)	40
Switchgear (high-voltage)	35
Control gear	15
Electro technical auxiliary gear	15
System control centre	15
Telecommunication circuit	10
Administration building	50
Power plant (outdoor)	75
Other buildings related to operation	50
Buildings: Technical installations	30
Buildings: Telecoms 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 capitalised with depreciation over the time period until the next maintenance is expected to be carried out. Estimated useful life, depreciation method and remaining value are reviewed annually.

When assets are sold or disposed of, the capitalised value is derecognised and any loss or gain is taken to profit or loss. If new components are capitalised, the components that were replaced are removed and any remaining recognised 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 recognised in the balance sheet and depreciated.

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

IMPAIRMENT OF ASSETS AND INTANGIBLE ASSETS | Fixed assets and intangible assets are assessed for impairment at each reporting period and always when events occur or changes in circumstances indicate that the carrying value of the asset may not be recoverable. When impairment is considered, the assets are grouped at the lowest level for which there are separate identifiable cash generating units. Impairment is calculated as the difference between the assets' carrying value and the recoverable amount. The recoverable amount is the highest of the assets' net selling price and the value in use for the company. In assessing value in use, the estimated future cash flow 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 the recoverable amount. The impairment amount is recognised in the income statement in the expense categories consistent with the type of the impaired asset. Previously recognised impairment loss is reversed only if there have been changes in the estimates used to determine the recoverable amount. The reversed amount cannot exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

TRADE AND OTHER RECEIVABLES | Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is

objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

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

CASH AND CASH EQUIVALENTS | Cash and cash equivalents include bank deposits, other short-term liquid investments and bank overdrafts. Cash and cash equivalents are recognised at current values. Restricted deposits are included in cash and cash equivalents.

EQUITY | Proposed dividend is classified as equity. Dividends are reclassified to short-term liabilities when the time the dividend payments is approved by the general shareholder's meeting.

PROVISIONS, CONTINGENT ASSETS AND LIABILITIES | Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and where it is probable that the obligation has to be settled and that a reliable estimate of the obligation can be made.

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

PENSIONS | Defined benefit plans

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the higher of 10% of

the value of the pension assets or 10% of the pension obligation, are recognised in the income statement over the expected average remaining working life of the employees.

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

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

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

Defined contribution plans

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

The contributions are recognised as employee benefit expenses when due.

CASH FLOW STATEMENT | The cash flow statement is prepared using the indirect method. This means presenting, on the basis of the annual results, cash flow provided by operating, investing and financing activities.

Dividends paid to shareholders and minority interests are presented under financing activities.

NOTE 2

SIGNIFICANT TRANSACTIONS IN 2008

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

Norvind SA, 80%-owned by SN Power and 20% by Centinela, is constructing the 46 MW Totoral Wind Farm in Chile's IV region at a total cost of USD 140 million. Project construction started in 2008 and is moving forward according to plan. The wind farm will enter into operations during the fourth quarter of 2009. This is SN Power's first wind project.

NOTE 3

FINANCIAL, POLITICAL AND MARKET RISK

Our strategic goals and ambitions as well as the nature of our business – geographically spread across different cultures and a variety of stakeholders – makes it important to continuously update risk pictures at all levels.

POLITICAL, INSURANCE AND HYDROLOGICAL RISK | SN Power's main area of commitment is in regions of the world which have experienced considerable political and economic instability, both now and in the past. The risks posed have a substantial impact on the company's investments. The company has a risk management framework in place, which includes policy and risk appetite, structure, methodology, skills, culture and tools. This is applied both to new developments as well as throughout the project and asset lifecycles for the monitoring and mitigation of risk. For evaluation of political risk, the Global Insight risk factor at country level is used.

This enables SN Power both to have the best possible overview of risk before making an investment decision, and to continually monitor risks in the companies in which it has invested. The company is evaluating equity insurance against political risk on a case to case basis.

SN Power has a substantial risk exposure related to potential damages to assets, subsequent production losses and third party life and property damages. This type of risk is handled through several different emergency plans and procedures as well as insurance covering all types of severe damages.

The company invests in enterprises where generating and selling hydropower are the principal activities. Access to water and general hydrological conditions will significantly affect the group's cash generating capacity and the prices it can obtain in hydropower markets. This means that the results could vary significantly from one year to another. Geographical diversification will to some extent neutralize this risk and a tool for analysing the company's market risk portfolio is under development.

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

CREDIT RISK | Credit risk is defined as the risk of financial loss that a party to a financial instrument will cause SN Power by failing to discharge an obligation.

Maximum credit risk exposure (TUSD)

	2008	2008
Accounts receivable	15 968	16 163
Other receivables	74 656	20 687
Cash and cash equivalents	192 331	134 124

Credit risk related to accounts receivable and other receivables in SN Power is limited by the fact that customers and counterparts are in different markets and in many cases are governmental institutions. On the other hand, customers are few and large and we operate in emerging markets where counterpart risks might be assessed to be higher. Aging of accounts receivable is presented below, and all overdue accounts receivable are assessed to be collectible.

Company	Current receivables	1–30 days	30–60 days	60–90 days	+90 days	Total receivables
TOTAL	3 479	4 464	312	1 573	6 150	15 968

To manage the credit risk related to cash and cash equivalents, SN Power has a policy regulating the maximum exposure per counterpart.

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

Statkraft Norfund Power Invest AS's financing is based on equity; additional financing will be carried out when the company takes on commitments in relation to new investments. 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 construction.

The following table sets out the instalment profile by maturity of the Group's financial instruments that are exposed to interest rate risk.

	2009	2010	2011	2012	2013	2014	2015	2016	After 2016
Fixed interest rate									
Bank loan	13 593	14 422	11 120	2 432	0	0	0	0	0
Bonds	10 882	10 882	10 822	10 822	5 882	882	882	0	0
Floating interest rate									
Loand					28 333				
Bonds	6 318	6 318	6 318	6 318	19 493	15 494	15 494	0	0
TOTAL	30 793	31 622	28 320	19 632	53 708	16 376	16 376	0	0

The Group has entered into an interest rate swap to convert part of the exposure on a floating interest rate loan in USD into fixed interest. The maturity date of the swap is 16 November 2015, and the fixed interest rate is 4.92%. The carrying amount of the floating interest rate loan per 31 December 2008 is TUSD 16 226 and the swapped amount balance is TUSD 9 226. The fair value of the swap at 31 December 2008 is TUSD -0.9 and the change in fair value is recognized in earnings with TUSD -0.7.

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

Currency risk

SN Power Group's presentation currency for 2008 is USD. The investments in Chile, Peru and Nepal have USD as their functional currency, the investments in India have INR, and the Philippines have PHP. Our holding companies in Norway and Singapore have USD as functional currency, and our Brazil subsidiary has BRL. SN Power returns will be affected by the exchange rate between USD and the investment currency. The various subsidiaries and affiliates in which SN Power invests are also subject to fluctuations between local currencies and USD. This especially applies to Latin America, where the pricing mechanism for electricity is partly tied to variations between local currencies and the USD. In most cases, the companies also have their financing in USD.

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

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

	Currency	Increase/decrease in currency rate	Effect on profit before tax (TUSD)
2007	PEN	+/- 10%	+/- 3 529
2008	PEN	+/- 10%	+/- 3 600

Material currency changes in associated companies will also have consequences on the profit level through application of the equity method for such investments. This is especially valid for the Philippine companies with PHP as functional currency and 40% of the debt denominated in USD.

Interest rate risk

SN Power Group is exposed to interest rate risk through the financing and customer portfolios held by the different group companies. Interest rate exposure related to the subsidiaries and affiliated companies' debt financing is secured through fixed interest rates for a major part of the loans. SN Power's goal for the Group's interest risk is to minimise interest costs, reduce fluctuations in these, and limit changes in the value of the Group's net debt.

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

	Increase/decrease in interest rate	Effect on profit before tax
2007	+/- 1%	+/- 574
2008	+/- 1%	+/- 842

NOTE 4

CHANGES IN THE GROUP'S STRUCTURE

HIMAL POWER LTD | With effect from 1 October 2008 SN Power bought an additional 6.7% of the shares in Himal Power Limited from General Electric and Alstom and increased the voting share to 57.1% and economic share to 50.7%. The purchase price is MUS\$ 7 + interest compensation on Libor 6M + 2% from 1 January until actual transfer of the shares, dependent on approval from lenders and the Nepalese authorities. The effects on SN Power Group financial statements in 2008 are a reduced minority share in the profit and loss statement of MUS\$ 0,3 and a reduced minority share in equity of MUS\$ 4.8.

ELECTROANDES FINAL PURCHASE PRICE ALLOCATION | On 17 October 2007, SN Power acquired 100% of the voting shares in the Peruvian hydropower company Electroandes S.A. In the financial statements for 2007 the purchase price was estimated to be MUS\$ 284 corresponding to MNOK 1 570 as the purchase agreement included a clause on adjustment on the basis of the working capital. The final purchase price was reduced by MUS\$ 0.7, and this has been classified as a reduction of water rights in 2008.

NOTE 5**SUBSIDIARIES**

The following subsidiaries are included in the consolidated financial statements:

Company	Date of establ./ acquisition	Business office	Main operations	Parent company	Voting share	Owner share
Statkraft Norfund Power Invest AS	27 May 2003	Oslo, Norway	Investment			
SN Power Holding AS	27 May 2003	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	100%	100%
SN Power Holding Singapore Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding AS	100%	100%
SN Power Holding Peru Pte. Ltd	26 Aug 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100%	100%
SN Power Holding Chile Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding Singapore Pte.Ltd	100%	100%
SN Power Holding Brazil Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100%	100%
SN Power Energia do Brasil	31 Dec 2007	Rio de Janeiro, Brazil	Investment	SN Power Holding Singapore Pte. Ltd	100%	100%
SN Power Peru Holding S.R.L	07 Oct 2003	Lima, Peru	Investment	SN Power Holding Peru Pte. Ltd	100%	100%
Empresa de Generacion Eléctrica Cahua S.A	21 Nov 2003	Lima, Peru	Power production	SN Power Peru Holding S.R.L	99.99%	99.99%
Empresa de Generacion Eléctrica Cheves S.A	01 June 2007	Lima, Peru	Power plant under construction	SN Power Peru Holding S.R.L	100%	100%
Inversiones Electricas de Los Andes S.A.C	17 Oct 2007	Lima, Peru	Investment	SN Power Peru Holding S.R.L	100%	100%
Transamerica Energy Company Ltd *	17 Oct 2007	Lima, Peru	Investment	Inversiones Electricas de Los Andes S.A.C	100%	100%
Electroandes S.A.	17 Oct 2007	Lima, Peru	Power production	Inversiones Electricas de Los Andes S.A.C (20.4%) and Transamerica Energy Company Ltd (79.6%)	100%	100%
SN Power Chile Inversiones Eléctricas Ltda	09 Dec 2004	Santiago, Chile	Investment	SN Power Holding Chile Pte. Ltd	100%	100%
SN Power Chile Tinguiririca y Cia.	17 Dec 2004	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	99.99%	99.99%
SN Power Chile Valdivia y Cia.	15 Feb 2006	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	99.99%	99.99%
Hidroeléctrica Trayenko S.A	17 Jan 2006	Santiago, Chile	Power plant under construction	SN Power Chile Valdivia y Cia.	80%	80%
Norvind S.A	06 Aug 2007	Santiago, Chile	Power plant under construction	SN Power Chile Valdivia y Cia.	80%	80%
Himal Power Ltd **	01 Mar 2006	Kathmandu, Nepal	Power production	SN Power Holding Singapore Pte. Ltd	57.07%	50.7%

* Transamerica Energy Company Ltd was acquired from PSEG as a part of the purchase of the shares in Electroandes S.A. and was relocated to Peru in December 2008.

** Himal Power Ltd owner share increased with effect from 1 October 2008 from 44.8% to 50.7%. Voting share changed from 50.4% to 57.07%.

NOTE 6**ASSOCIATED COMPANIES**

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

Company	Date of establ./ acquisition	Business office	Main operations	Parent company	Voting share	Owner share
Hidroelectrica La Higuera S.A *	03 Jun 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguirica y Cia.	50%	50%
Hidroelectrica La Confluencia S.A *	23 Sep 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguirica y Cia.	50%	50%
Nividhu (Pvt) Ltd *	27 Oct 2003	Colombo, Sri Lanka	Power production	SN Power Holding Singapore Pte. Ltd	30%	30%
Malana Power Company Ltd *	17 Jun 2005	New Dehli, India	Power production	SN Power Holding Singapore Pte. Ltd	49%	49%
Allain Duhangan Hydro Power Ltd	17 Jun 2005	New Dehli, India	Power plant under construction	Malana Power Company Ltd	88%	88%
SN Aboitiz Power Magat Inc	29 Nov 2005	Manila, Philippines	Power production	SN Power Holding Singapore Pte. Ltd	40%	40%
SN Aboitiz Power Benguet Inc **	29 Nov 2005	Manila, Philippines	Power production/ rehabilitation	SN Power Holding Singapore Pte. Ltd	40%	40%
SN Aboitiz Power Hydro Inc ***	29 Nov 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40%	40%
Manila-Oslo Renewable Enterprise Inc. ****	29 Nov 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	16.67%	16.67%

* The companies with a diverging financial year are: 31 March for India and Sri Lanka, and 30 June for Chile. The figures specified in the note represent the 2008 calendar year.

** Former SN Aboitiz Power Hydro Inc

*** Former SN Aboitiz Power Biomass Inc

**** Manila-Oslo Renewable Enterprise has a 60% owner share in SN Aboitiz Power Magat Inc, SN Aboitiz Power Benguet Inc and SN Aboitiz Power Hydro Inc. None of the companies are publicly listed

Book value associated companies:

Company	Country	Book value 31 Dec 2007	Additions/ disposals	Share of profit/loss	Dividends	Foreign currency translation difference	Book value 31 Dec 2008
Hidroelectrica La Higuera S.A	Chile	44 257	5 000	3 499		-9 004	43 752
Hidroelectrica La Confluencia S.A	Chile	37 169	29 739	96		-28 268	38 735
Nividhu (Pvt) Ltd	Sri Lanka	896		110	- 76	- 51	878
Malana Power Company Ltd	India	80 383	11 231	12 726		-17 130	87 210
SN Aboitiz Power Magat Inc	Philippines	112 432		12 431	-14 286	-17 607	92 969
SN Aboitiz Power Benguet Inc	Philippines	- 3	51 694	- 666		43	51 068
SN Aboitiz Power Hydro Inc *	Philippines	0					0
Manila-Oslo Renewable Enterprise Inc.	Philippines	18 189	12 926	- 42		-2 359	28 713
TOTAL		293 323	110 590	28 152	-14 362	-74 376	343 325

* SN Aboitiz Power Hydro Inc had no operations during the financial year 2008.

SIGNIFICANT MOVEMENTS IN BOOK VALUE ASSOCIATED COMPANIES | In Chile, the Group has through cash contributions invested MUSD 35 during 2008 divided by MUSD 5 on Hidroelectrica La Higuera and MUSD 30 on Hidroelectrica La Confluencia. The La Higuera plant will enter into operation in 2009, and the La Confluencia plant is expected to enter into operation in 2010. The foreign currency conversion difference of MUSD 37 is due to cash flow hedge contracts on the two plants.

In India, the Group has in 2008 invested MUSD 11 in Malana Power Company, dedicated to the construction of the Allain Duhangan hydropower plant. The project is expected to enter into operation in 2009. SN Power Group's share of the profit in Malana Power Company was MUSD 13, and a foreign currency conversion difference on MUSD 17 due to the decrease in INR-rate compared to USD as Malana Power Company has INR as functional currency.

In the Philippines, the Group has invested MUSD 64 in the two power plants Binga and Ambuklao. SN Power Group's share of foreign currency conversion difference on MUSD 20 is due to the decrease in the PHP-rate compared to USD, as Magat and Benguet have PHP as functional currency.

Financial information from associated companies (100%)

Company	Assets	Liabilities	Revenue	Net profit
Hidroelectrica La Higuera S.A	340 526	255 016	1 670	6 998
Hidroelectrica La Confluencia S.A	211 880	134 409	0	191
Nividhu (Pvt) Ltd	4 782	2 289	1 686	365
Malana Power Company Ltd	206 733	51 371	43 306	25 971
SN Aboitiz Power Magat Inc	585 204	367 557	103 779	24 861
SN Aboitiz Power Benguet Inc	473 579	345 598	19 951	-1 330
SN Aboitiz Power Hydro Inc	0	0	0	0
Manila-Oslo Renewable Enterprise Inc.	184 116	11 874	0	- 252

Assets and Liabilities are converted to USD using the closing balance rate per 31 December 2008. Revenue and Net Profit are converted using the average rate for 2008. The financial information is adjusted to comply with IFRS.

NOTE 7

SALES REVENUES

By business area	2008	2007
Power sales	157 962	74 377
Services	2 844	4 472
Gain on disposal of assets	83	
TOTAL	160 889	78 849
By geographical market	2008	2007
Norway	221	92
Latin America	127 610	43 299
Asia	33 058	34 486
Africa	0	972
TOTAL	160 889	78 849

NOTE 8**COST OF GOODS SOLD**

	2008	2007
Purchase of electric power	25 625	0
Transmission costs	7 992	3 352
Other production costs and fees	8	469
Other accrued costs	1 787	769
TOTAL COST OF GOODS SOLD	35 412	4 590

NOTE 9**EMPLOYEE BENEFIT EXPENSES AND MANAGEMENT REMUNERATION**

Salary and personnel costs	2008	2007
Salary expenses	22 461	10 867
Social security costs	1 972	987
Pension costs other	160	0
Pension costs (note 20)	551	442
Other personnel costs	3 329	2 907
TOTAL SALARY AND PERSONNEL COSTS	28 473	15 203

The average number of man-years	2008	2007
SN Power Group consolidated companies	479	415
SN Power Group associated companies (100%)	753	700
TOTAL	1 232	1 115

Expensed management remuneration	2008 NOK	2008 USD	2007 USD
Chief Executive Officer			
Salary	1 490	264	242
Paid pension premium	15	3	5
Other	127	23	9
TOTAL REMUNERATION	1 632	289	257
Management Group			
Salary	7 159	1 268	1 067
Paid pension premium	15	3	7
Other	721	128	122
TOTAL REMUNERATION	7 895	1 398	1 196

SN Power Corporate management group has defined members and consists of 6 people in addition to the CEO. The management group has a supplementary pension scheme with a right to a pension of 66% of the salary up to a specific level from the age of 65 years. The plan requires a 30 year vesting period and is from 1 January 2007 and onwards funded by the company. The management group has no right to severance pay related to end of employment.

No remuneration was paid to the Board of Directors in Statkraft Norfund Power Invest AS in 2008. The management group participates in a bonus scheme with a maximum remuneration of 20% of the base salary.

Audit fee, SN Power Group	2008	2007
Statutory audit	308	164
Other assurance services	6	145
Tax services	67	69
Non-audit services	74	0
TOTAL FEES TO AUDITORS	454	379

NOTE 10

OTHER OPERATING COSTS

	2008	2007
Leasing premises	1 908	1 014
External services	14 063	7 957
Travel expenses	3 489	2 043
Other costs	17 333	11 314
OTHER OPERATING COSTS	36 793	22 328

NOTE 11

FINANCIAL INCOME AND EXPENSES

Financial income	IAS 39 category	2008	2007
Income from associated companies	N/A	28 152	30 769
Interest income	Amortized cost	3 088	6 861
Gain on foreign exchange	Fair value through profit and loss	20 646	0
FX hedges	Fair value through profit and loss	-7 736	0
Other financial income	Amortized cost	39	167
Total other financial income		12 949	167
TOTAL FINANCIAL INCOME		44 189	37 798
Financial expenses		2008	2007
Interest expenses	Amortized cost	13 654	5 874
Interest difference on FX hedges	Amortized cost	3 281	2 394
Loss on foreign exchange	Fair value through profit and loss	8 329	2 798
Other financial expenses	Amortized cost	4 277	3 677
Total other financial expenses		12 606	6 475
TOTAL FINANCIAL EXPENSES		29 541	14 743
NET FINANCIAL INCOME		14 648	23 055

NOTE 12**PROPERTY, PLANT AND EQUIPMENT**

	Land	Water rights	Plants and machinery	Fixtures and fittings, vehicles, other equipment	Total
Book value 1 January 2007	853	4 000	162 626	3 637	171 116
Additions	3 466	259 821	132 732	8 049	404 068
Depreciation for the year	0	0	-7 173	- 928	-8 100
Impairment for the year	0	0	- 10	- 172	- 181
Effect on change in Functional Currency to USD	- 13	-1 069	557	-2 013	-2 538
BOOK VALUE 31 DECEMBER 2007	4 306	262 752	288 733	8 573	564 364
Acquisition cost 31 December 2007	4 240	262 663	365 736	14 638	647 277
Accumulated depreciation	- 14	0	-82 268	-6 033	-88 315
Accumulated impairment losses	0	0	-1 333	- 172	-1 505
Effect on change in Functional Currency to USD	80	89	6 598	140	6 907
BOOK VALUE 31 DECEMBER 2007	4 306	262 752	288 733	8 573	564 364
Book value 1 January 2008	4 306	262 752	288 733	8 573	564 364
Additions	1 991	0	29 480	3 871	35 343
Reclassification	0	0	-4 035	- 691	-4 726
Disposals at book value	0	- 675	-3 375	- 115	-4 165
Depreciation for the year	0	0	-13 344	-1 978	-15 322
BOOK VALUE 31 DECEMBER 2008	6 297	262 077	297 459	9 660	575 493
Acquisition cost 31 December 2008	6 316	262 077	398 417	17 813	684 623
Accumulated depreciation	- 19	0	-100 958	-8 153	-109 130
BOOK VALUE 31 DECEMBER 2008	6 297	262 077	297 459	9 660	575 493

The operations of the La Oroya and Pachachaca hydropower plants, which generate 11% of the Electroandes' supply, might be terminated by the year end of 2012 due to an agreement with local government. Local government plans to use water at the two plants for drinking water, and power production must therefore stop. No writedowns have been made in the accounts as of 31 December 2008 due to uncertainty regarding the actual termination date. The carrying amount for the above-mentioned plants as of 31 December 2012 is calculated to MUS\$ 9.

NOTE 13

INTANGIBLE ASSETS

	Road and land rights	Project development	Software licences	Total
Book value 1 January 2007	849	1 277	171	2 296
Additions - acquired separately	311	1 866	540	2 717
Reclassification	754	530	- 23	1 261
Amortisation	- 158	0	- 55	- 213
Effect on change in Functional Currency to USD	108	0	23	131
BOOK VALUE 31 DECEMBER 2007	1 864	3 673	655	6 192
Acquisition cost 31 December 2007	4 983	3 673	719	9 375
Accumulated amortisation	-3 121	0	- 76	-3 197
Effect on change in Functional Currency to USD	2	0	12	14
BOOK VALUE 31 DECEMBER 2007	1 864	3 673	655	6 192
Book value 1 January 2008	1 864	3 673	655	6 192
Additions - acquired separately	5 513	11 157	142	16 812
Reclassification	0	4 726	0	4 726
Amortisation	- 25	0	- 106	- 131
BOOK VALUE 31 DECEMBER 2008	7 352	19 556	691	27 599
Acquisition cost 31 December 2008	11 006	19 556	874	31 436
Accumulated amortisation	-3 654	0	- 183	-3 837
BOOK VALUE 31 DECEMBER 2008	7 352	19 556	691	27 599

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

NOTE 14

LEASES

Operational

The lease costs were as follows:

	2008	2007
Ordinary lease payments	1 908	1 014

The future minimum rents related to non-cancellable leases fall due as follows:

	2009	2010-2014	2015 ->	Total
Office lease, lease of office equipment etc	1 088	339	0	1 426

NOTE 15**FINANCIAL INSTRUMENTS**

FAIR VALUE OF FINANCIAL INSTRUMENTS | The estimated fair value amounts of the Group's financial instruments have been determined by the Group, using appropriate market information and valuation methodologies. No financial instruments have been identified where book value is significantly different from fair value.

The carrying amount of cash and cash equivalents is a reasonable estimate of fair value. The fair value of derivatives is the mark-to-market value issued by the counterpart in the transaction. The fair value of loans has been calculated by discounting the expected future cash flow at prevailing interest rates and is not materially different from the balance sheet value.

FOREIGN CURRENCY RISK | SN Power Group makes use of currency swaps and forward contracts to hedge currency exposure related to significant future cash flows, fair values and net investments in subsidiaries and affiliated companies. The following table summarizes the Group's hedging instruments:

	Cash flow hedges	Fair value hedges	Net investment hedges	Total
FX Hedge contracts 31 December 2007	- 699		-3 584	-4 283
FX Hedge contracts 31 December 2008	-3 734	-7 519	6 103	-5 150
Movement in market values of FX contracts in 2008	-3 035	-7 519	9 687	- 867
Recognized in Income Statement 2008	217	7 519		7 736
Recognised in balance sheet (construction cost)	1 720			1 720
Reclassification from Retained Earnings to Hedge Reserve			1 408	1 408
Realized contracts in 2008			-1 088	-1 088
NET RECORDED AGAINST EQUITY	-1 098	0	10 007	8 909

CASH FLOW HEDGES | To hedge currency exposure related to future cash outflows in construction of the wind park in Chile, the project company Norvind S.A entered into forward contracts. The future cash flow derives from the payment schedule in Euro and Chilean Peso (CLP) from the project contractor and forward contracts EUR/USD, CLP/USD have been entered to hedge the possible currency risk. Cahua has an interest Swap to convert floating rate interest on a loan to fixed interest rate.

Cash flow hedging reserve 1 January	2008	2007
Movement in market value	-3 035	
Recognised in income statement	217	
Recognised in balance sheet (construction cost)	1 720	
CASH FLOW HEDGING RESERVE 31 DECEMBER	-1 098	–

FAIR VALUE HEDGES | A loan in Statkraft Norfund Power Invest AS of MNOK 200 from Statkraft has been hedged by entering into a forward contract NOK/USD.

	2008	2007
Effect in profit and loss on hedged object	7 642	
Effect in profit and loss on hedging instrument	-7 519	
INEFFECTIVE PART OF HEDGING RELATIONSHIP	123	–

HEDGING OF NET INVESTMENTS | For hedging of net investments the hedged amount will according to group policy vary between 40 and 80% of the carrying value of the equity investments with a maturity of 1-10 years. The currency contracts are valued at fair value based on the spot elements of the contracts and recorded as hedging. Variations in the value of the contracts owing to changes in exchange rates are therefore not recorded in the income statement but directly towards equity. The interest elements of the contracts are separated and charged to the income statement.

	2008	2007
Market value of net investment FX hedge contracts per 31 December	6 103	-3 584
Interest element expensed in profit and loss	3 281	1 384

NOTE 16

ACCOUNTS RECEIVABLES

	2008	2007
Trade receivables	15 978	16 191
Provisions for loss on trade accounts receivable	- 10	- 28
ACCOUNTS RECEIVABLE	15 968	16 163

NOTE 17

OTHER RECEIVABLES

	2008	2007
Prepayments to suppliers	13 757	2 457
Earned but not invoiced operating income	21 426	5 242
Current receivable from associated companies	31 961	5 134
Other current receivables	3 021	7 161
Settlement account VAT	3 920	693
Prepaid rent	84	0
Accrued interest	487	0
TOTAL OTHER RECEIVABLES	74 656	20 687

NOTE 18

CASH AND CASH EQUIVALENTS

Specification of cash and cash equivalents	2008	2007
Investments in money market certificates	0	27 860
Bank deposits, cash and cash equivalents	51 839	92 279
Bank deposits – tax restricted	6 298	292
Other bank deposits – restricted	134 194	13 693
CASH AND CASH EQUIVALENTS 31 DECEMBER 2007	192 331	134 124

NOTE 19

SHARE CAPITAL, SHAREHOLDER INFORMATION AND DIVIDEND

	Share Capital	Share premium reserve	Paid in Capital
Equity 1 January 2008	378 774	378 774	757 548
Capital increase	39 290	39 290	78 580
EQUITY 31 DECEMBER 2008	418 064	418 064	836 128

Shareholders in Statkraft Norfund Power Invest AS 31 December 2008	Number of shares	Owner and voting share
Statkraft AS	11 262 500	50%
Norfund	11 262 500	50%
TOTAL	22 525 000	100%

No dividends will be paid out for 2008.

NOTE 20

PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

Statkraft Norfund Power Invest AS has pension plans which cover a total of 39 staff members. 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 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 up to a specific level as from the age of 65 years. The plan requires a 30 year vesting period and is from 2007 and onwards funded by the company. Due to the change in funding, the scheme is disclosed as an unfunded plan in 2007 and onwards.

Transitional effects of changes in assumptions related to the closed plan in the Norwegian Public Service Pension Fund are amortized over 9 years. The annual effect is TUSD 32. This is based on the average remaining vesting period for the 7 employees covered by this plan.

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

			2008	2007
Discount rate			4.5%	4.5%
Expected rate of return			6.5%	5.5%
Regulation of salary			4.75%	4.5%
Regulation of pension			3.0%	2.0%
Regulation of base rate			4.0%	4.0%
Turnover			5.0%	5.0%
Pensions costs	Funded	Unfunded	2008	2007
Net present value of the current year's pension earnings	415	34	449	511
Interest rate and administrative costs	129	1	130	136
Gross pension costs	544	35	579	647
Return on pension plan assets	- 129	0	- 129	- 130
Amortization of past service costs and gains/losses	22	0	22	- 142
Administration costs	10	0	10	12
Accrued social security costs	63	5	68	55
NET PENSION COSTS	511	40	551	442
Pension liabilities	Funded	Unfunded	2008	2007
Pension liabilities	4 352	89	4 442	3 737
Pension plan assets	2 933	0	2 933	2 805
Calculated pension liabilities	1 419	89	1 509	932
Past service costs	- 72	0	- 72	- 125
Unrecognised actuarial gains/losses	-1 048	- 36	-1 084	- 207
Social security costs	42	8	50	82
NET PENSION LIABILITIES	341	61	402	683

NOTE 21**TAX**

Tax expense	2008	2007
Taxes payable	11 794	5 714
Change in deferred tax liability	-4 342	-1 468
THIS YEAR'S TAX EXPENSES	7 452	4 246

Tax expenses are related to foreign subsidiaries.

Taxes payable	2008	2007
Profit before tax	59 406	51 289
Permanent differences	-12 078	-31 852
Change in temporary differences	14 584	- 666
TAX BASIS FOR THE YEAR	61 912	18 771
Tax rate	20-29%	30%

Deferred tax	2008	2007
Fixed assets	-44 773	-35 203
Pension	987	0
Other temporary differences	-10 914	-32 214
Loss carried forward	16 198	0
Temporary differences 31 December	-38 502	-67 417
Tax rate	28-30%	28-30%
NET DEFERRED TAX 31 DECEMBER	10 507	14 653
DEFERRED TAX LIABILITY 31 DECEMBER	13 337	16 105
DEFERRED TAX ASSET 31 DECEMBER	2 830	1 452
Deferred tax benefit not recognized in the balance sheet	15 655	13 761

Deferred tax benefits not recognised in the balance sheet are related to losses carried forward in Statkraft Norfund Power Invest AS. Deferred tax benefits are recorded on the basis of an expectation of a future taxable profit. The nature of Statkraft Norfund Power Invest AS's operations implies that future profits will not primarily be taxable. The benefits of deferred tax accordingly cannot be justified for 2008 and have not been recognised in the company's balance sheet.

NOTE 22**PROVISIONS AND CONTINGENT LIABILITIES**

	Dismantling	Claims	Total
Balance sheet 31 December 2007	461	5 983	6 444
Additions 2008	25	917	942
Unused amounts reversed 2008		-4 113	-4 113
BALANCE SHEET 31 DECEMBER 2008	486	2 787	3 273

PROVISION FOR DISMANTLING (TUSD 486) relates to a provision made for the Electroandes' plants La Oroya and Pachachaca hydropower plants, which might be taken out of operation in 2012 due to usage of the water for drinking water.

PROVISION FOR CLAIMS (TUSD 2 787) is related to tax claims, custom claims and claims from regulators. The reversal of TUSD 4 113 is related to provision from 2007 made in Electroandes on claims relating to the operations of the National Interconnected System and the manner of recalculating firm power. This claim was subject to a final ruling in the arbitrage court in favour of Electroandes and the provision is reversed in full.

CONTINGENT LIABILITIES | In Chile the construction of the La Higuera hydro plant has been subject to completion delays. On May 5, 2008 the project contractor advised the company that they were launching arbitration proceedings in relation to a number of outstanding claims and variation orders. In October 2008, Hidroelectrica La Higuera S.A. settled the variation order component of the arbitration claim. SN Power management considers the remaining claims in the arbitration to be without foundation and as such it is very unlikely that a future liability will arise in respect of these items.

The Contractor has also issued legal proceedings against Hidroelectrica La Higuera, Hidroelectrica La Confluencia S.A. and their common parent companies including SN Power Chile Inversiones Eléctricas Limitada relating to the right of first refusal for the construction of the La Confluencia power plant. On Nov 27, 2008 the arbitration panel assembled to adjudicate the HLH proceeding ruled unanimously in favor of HLH. The other proceedings against HLH and the parent companies are still pending before an ordinary court. Again, management believes that it is very unlikely that there will be a future liability with respect to the claims on any of the companies involved.

NOTE 23

LONG-TERM DEBT

	Average interest rate	2008	2007
Bond loans in USD	5.46%	86 956	95 070
Bond loans in PEN	6.0% + VAC	39 597	38 820
Regular loans in subsidiaries	9.21%	33 479	43 474
Subordinate loans in subsidiaries	13.73%	2 255	3 156
Back to Back loan *)	0.1%	120 791	
Loan from Statkraft	7.38%	28 333	0
SUM		311 411	180 520
Current portion long-term debt		-30 710	-13 479
TOTAL LONG TERM DEBT		280 701	167 041

*) Back to Back loan. SN Power Holding, time deposit in Citibank. SN Power Chile Inversiones Eléctricas Ltda loan in Citibank. Interest margin is 0.1%.

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

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

As of 31 December 2008 and 2007, approximately MUSD 13.4 and MUSD 13.7, respectively, of restricted cash was maintained in accordance with certain covenants of the debt agreements, and these amounts were included in bank deposits, cash and cash equivalents in the accompanying consolidated balance sheets.

Various lender and governmental provisions oblige SN Power to pledge its assets in certain subsidiaries as securities for financing. Such restricted net assets of subsidiaries amounted to approximately MUSD 381.5 at 31 December 2008 and MUSD 403.8 at 31 December 2007.

NOTE 24

SPECIFICATION OF OTHER CURRENT LIABILITIES

Other current liabilities	2008	2007
Advances from customers	292	0
Payables to employers and shareholders	2 962	2 859
Accrued salary and vacation expenses	2 639	1 477
Accrued costs and deferred revenue	9 750	8 219
Other current liabilities	9 003	4 686
TOTAL OTHER CURRENT LIABILITIES	24 646	17 240

NOTE 25

TRANSACTIONS WITH RELATED PARTIES

Specification of related parties for SN Power Group

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

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

All the transactions with related parties have been carried out as part of the ordinary operations and at arm's length prices. The most important transactions are as follows:

The profit & loss sheet includes the following amounts resulting from transactions with related parties

Transaction type	Related party	2008	2007
Other operating costs	Norfund	7	0
Other operating costs	Statkraft Group	1 871	927
OTHER OPERATING COSTS	TOTAL	1 878	927
Sales revenues			
Sales revenue	Statkraft Group	67	
Sales revenue	Hidroelectrica La Higuera S.A	713	572
Sales revenue	Hidroelectrica La Confluencia S.A	2 131	66
Sales revenue	Malana Power Company Ltd	31	
Sales revenue	Allain Duhangan Hydro Power Ltd	129	
SALES REVENUE	TOTAL	3 071	638

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

Transaction type	Related party	2008	2007
Accounts receivable	Statkraft Group	112	
Accounts receivable	Malana Power Company Ltd	30	
Accounts receivable	Allain Duhangan Hydro Power Ltd	126	
ACCOUNTS RECEIVABLE	TOTAL	268	226
Other receivables	Statkraft Group	58	
Other receivables	Hidroelectrica La Higuera S.A	20 486	
Other receivables	Hidroelectrica La Confluencia S.A	2 033	
Other receivables	SN Aboitiz Power Inc	1 282	
Other receivables	Manilla - Oslo Renewable Enterprise, Inc	2 808	
Other receivables	SN Aboitiz Power Benguet Inc	5 353	
OTHER RECEIVABLES	TOTAL	32 020	5 134
Accounts payable	Statkraft Group	77	
ACCOUNTS PAYABLE	TOTAL	77	1 356
Long-term debt	Statkraft Group	29 400	
LONG-TERM DEBT	TOTAL	29 400	0

NOTE 26**CHANGES IN 2007 FIGURES**

SN Power Group changed the reporting currency in the group accounts from NOK to USD in 2008. Comparative figures have been restated using the closing rate (5.4188) for balance sheet items and the average rate (5.8642) for profit and loss items. The Peruvian entities in SN Power Group changed functional currency from Peruvian Nuevo Soles (PEN) to USD. This transition has been treated as a change in accounting principles in the group accounts, and comparative figures have been restated.

		Translated to USD Average Rate 2007	Change in principle	
	2007	2007	2007	2007
INCOME STATEMENT (1.000)	NOK	USD	USD	USD
OPERATING REVENUES AND EXPENSES		5,8642		
Sales revenues	464 924	79 281	- 432	78 849
Total operating revenues	464 924	79 281	- 432	78 849
Cost of goods sold	31 154	5 313	- 723	4 590
Salary and personnel costs	89 434	15 251	- 48	15 203
Ordinary depreciation and amortization	54 116	9 228	- 915	8 313
Write-downs	7 457	1 272	-1 090	182
Other operating costs	121 641	20 743	1 585	22 328
Total operating costs	303 802	51 806	-1 191	50 615
OPERATING PROFIT/LOSS	161 122	27 475	759	28 234
FINANCIAL INCOME AND EXPENSES				
Income from investments in associates	180 438	30 769	0	30 769
Interest income	40 606	6 924	- 63	6 861
Other financial income	13 753	2 345	-2 178	167
Interest expenses	-51 213	-8 733	465	-8 268
Other financial expenses	-39 711	-6 772	297	-6 475
Net financial items	143 873	24 534	-1 479	23 055
PROFIT/LOSS BEFORE TAX	304 995	52 009	- 720	51 289
Tax	-29 771	-5 077	- 637	-5 714
Changes in deferred tax	5 269	898	569	1 467
Tax	-24 502	-4 178	- 68	-4 246
NET PROFIT/LOSS FOR THE YEAR	280 493	47 831	- 788	47 043
Minority interests	-59 739	-10 187	0	-10 187
NET PROFIT FOR THE YEAR AFTER MINORITY	220 754	37 644	- 788	36 856

		Translated to USD closing rate 2007	Change in principle	
	2007	2007	2007	2007
BALANCE SHEET AT 31 DECEMBER (1 000)	NOK	USD	USD	USD
ASSETS		5,4188		
Fixed assets				
Intangible fixed assets				
Deferred tax assets	7 868	1 452	0	1 452
Road and land rights	5 712	1 054	810	1 864
Project development	17 032	3 143	530	3 673
Software licences	3 666	677	- 21	656
Total intangible fixed assets	34 278	6 326	1 319	7 645
Tangible fixed assets				
Land	23 737	4 380	- 74	4 306
Water rights	1 429 593	263 821	-1 069	262 752
Plants and machinery	1 574 870	290 631	-1 898	288 733
Fixtures and fittings, vehicles, other equipment	58 119	10 725	-2 153	8 572
Total tangible fixed assets	3 086 319	569 558	-5 194	564 364
Financial fixed assets				
Investments in associates	1 589 457	293 323	0	293 323
Investments in shares	3 351	618	- 3	615
Other long-term receivables	8 693	1 604	210	1 814
Total financial fixed assets	1 601 501	295 545	207	295 752
TOTAL FIXED ASSETS	4 722 098	871 429	-3 668	867 761
Current assets				
Spare parts	5 187	957	- 4	953
Receivables				
Accounts	87 641	16 174	- 11	16 163
Other receivables	114 568	21 143	- 456	20 687
Total receivables	202 209	37 316	- 467	36 849
Bank deposits, cash and cash equivalents	728 301	134 403	- 279	134 124
TOTAL CURRENT ASSETS	935 697	172 676	- 750	171 926
TOTAL ASSETS	5 657 795	1 044 105	- 4 418	1 039 687

		Translated to USD closing rate 2007	Change in principle	
	2007	2007	2007	2007
BALANCE SHEET AT 31 DECEMBER (1 000)	NOK	USD	USD	USD
EQUITY AND LIABILITIES				
Equity				
Paid-in equity				
Share capital (20 525 000 shares at NOK 100)	2 052 500	378 774	0	378 774
Share premium reserve	2 052 500	378 774	0	378 774
Total paid-in equity	4 105 000	757 548	0	757 548
Retained earnings				
Other equity	- 15 343	- 2 831	2 436	- 395
Minority interests	240 910	44 458	0	44 458
Total retained earnings	225 567	41 627	2 436	44 063
TOTAL EQUITY	4 330 567	799 175	2 436	801 611
Liabilities				
Provisions				
Pension commitments	3 700	683	0	683
Deferred tax	103 843	19 163	- 3 058	16 105
Other long-term provisions	32 892	6 070	374	6 444
Total provisions	140 435	25 916	- 2 684	23 232
Other long-term liabilities				
Interest-bearing long-term debt	907 711	167 511	- 470	167 041
Total other long-term liabilities	907 711	167 511	- 470	167 041
Current liabilities				
Current portion long-term debt	75 127	13 864	- 385	13 479
Accounts payable	60 024	11 077	- 4 261	6 816
Tax payable	19 104	3 526	1 997	5 523
Public tax payable	2 218	409	53	462
Financial instruments (FX hedge contracts)	19 419	3 584	699	4 283
Other current liabilities	103 190	19 043	- 1 803	17 240
Total current liabilities	279 082	51 503	- 3 700	47 803
TOTAL LIABILITIES	1 327 228	244 930	- 6 854	238 076
TOTAL EQUITY AND LIABILITIES	5 657 795	1 044 105	- 4 418	1 039 687

INCOME STATEMENT

Figures in USD 1 000

	NOTE	2008	2007
OPERATING REVENUES AND EXPENSES			
Sales revenues	2	2 688	4 891
Total operating revenues		2 688	4 891
Salary and personnel costs	3	6 627	5 187
Ordinary depreciation and amortization	6	223	54
Other operating costs	4	9 950	6 537
Total operating costs		16 800	11 778
OPERATING PROFIT/LOSS		-14 112	-6 887
FINANCIAL INCOME AND EXPENSES			
Financial income	5	4 587	4 484
Financial expenses	5	-4 626	-15 724
Net financial items		- 39	-11 239
PROFIT/LOSS BEFORE TAX		-14 151	-18 126
Tax	8	0	0
NET PROFIT/LOSS FOR THE YEAR		-14 151	-18 126

BALANCE SHEET AT 31 DECEMBER

Figures in USD 1 000

	NOTE	2008	2007
ASSETS			
Fixed assets			
Intangible fixed assets			
Project development	6	1 858	1 086
Software licences	6	164	114
Total intangible fixed assets		2 022	1 200
Tangible fixed assets			
Fixtures and fittings, vehicles, other equipment	6	550	66
Total tangible fixed assets		550	66
Financial fixed assets			
Investment in subsidiaries	9	786 364	651 390
Total financial fixed assets		786 364	651 390
TOTAL FIXED ASSETS		788 936	652 656
Current assets			
Receivables			
Accounts receivable		219	139
Intra-group receivables	12	25 243	14 934
Other receivables		1 167	7 325
Total receivables		26 629	22 398
Cash and cash equivalents	10	10 615	47 921
TOTAL CURRENT ASSETS		37 244	70 319
TOTAL ASSETS		826 180	722 975

BALANCE SHEET AT 31 DECEMBER

Figures in USD 1 000

	NOTE	2008	2007
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	11	418 064	378 774
Share premium reserve	11	418 064	378 774
Total paid-in equity		836 128	757 548
Retained earnings			
Other equity	11	-49 887	-44 335
Total retained earnings		-49 887	-44 335
TOTAL EQUITY		786 241	713 213
Liabilities			
Provisions			
Pension commitments	7	402	683
Total provisions		402	683
Other long-term liabilities			
Interest-bearing long-term debt	12	28 333	
Total other long-term liabilities		28 333	0
Current liabilities			
Accounts payable		1 213	977
Intra-group payables	12	39	1 530
Public tax payable		285	469
Financial instruments (FX hedge contracts)	11	1 416	3 584
Other current liabilities		8 251	2 519
Total current liabilities		11 204	9 079
TOTAL LIABILITIES		39 939	9 761
TOTAL EQUITY AND LIABILITIES		826 180	722 975

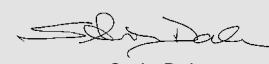
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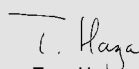
The Board of Directors of Statkraft Norfund Power Invest AS


Siri Hatlen
Chairperson



Mark Davis
Director


Tone Wille
Director


Stein Dale
Director


Tore Haga
Director


Rolf Busch
Director


Øistein Andresen
President & Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER

Figures in USD 1 000

	Share capital	Share premium	Other equity	Total equity
AT 1 JANUARY 2007	157 324	157 324	-26 366	288 282
Capital increase	221 450	221 450	0	442 900
Foreign currency effects on FX-hedges recognised directly against equity	0	0	1 647	1 647
Net profit/loss 2007	0	0	-18 126	-18 126
Foreign currency effects on net profit/loss			-1 490	-1 490
AT 31 DECEMBER 2007	378 774	378 774	-44 335	713 213
Capital increase	39 290	39 290		78 579
Foreign currency effects on FX-hedges recognised directly against equity			8 599	8 599
Net profit/loss 2008			-14 151	-14 151
AT 31 DECEMBER 2008	418 064	418 064	-49 887	786 241

CASH FLOW STATEMENT

Figures in USD 1 000

	2008	2007
CASH FLOW FROM OPERATIONAL ACTIVITIES		
Profit/loss before tax	-14 151	-18 126
Tax paid	0	0
Ordinary depreciation	223	54
FX hedges in profit and loss with no cash effect	7 519	
Difference between this year's pension expense and pension premiums	-280	-23
Effect of exchange rate changes		-1 486
Change in accounts receivable	-78	-8
Change in accounts payable	236	278
Change in intra-group accounts	-11 800	-7 476
Change in other current assets and liabilities	11 705	-4 760
Net cash flow from operational activities	-6 626	-31 547
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in tangible and intangible fixed assets	-1 529	-610
Investments in subsidiaries	-134 974	-440 227
Proceeds from realised FX hedge contracts	-1 089	5 890
Net cash flow from investment activities	-137 593	-434 947
CASH FLOW FROM FINANCING ACTIVITIES		
Change in long-term debt	28 333	
New paid-in equity	78 580	442 900
Net cash flow from financing activities	106 913	442 900
Net change in cash and cash equivalents	-37 306	-23 594
Cash and cash equivalents at 1 Jan	47 921	71 515
CASH AND CASH EQUIVALENTS AT 31 DEC	10 615	47 921

NOTES

Figures in USD 1 000

NOTE 1

ACCOUNTING POLICIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | The financial statements have been presented in compliance with the regulations regarding simplified IFRS dated 21 January 2008. The financial statements consist of the income statement, balance sheet, cash flow statement and notes to the accounts.

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

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 | Foreign currency monetary items are converted at the closing rate on the date of the balance sheet. Foreign currency gains and losses are reported in the income statement under the items entitled Other 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. The currency contracts are valued at fair value based on the spot element of the contracts and recorded as hedging instruments. The fluctuation in value due to changes in exchange rates is recorded directly against equity. The interest element of the contracts is separated and charged to the income statement.

INVESTMENTS | Investments in subsidiaries are accounted for using the cost method. The investments are recorded at the acquisition price of the shares. Impairment is implemented at real value when a fall in value is due to reasons that cannot be assumed to be transient and is deemed necessary according to generally accepted accounting principles. Write-downs are reversed when there is no longer a basis for depreciation. Dividends from subsidiaries are taken to income in the parent company in the year they are earned and not in the year payment occurs.

If an appropriation exceeds the proportion of retained profit after acquisition, the excess amount represents a repayment of invested

capital, and the appropriation is deducted from the value of the investment in the balance sheet.

TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS | Tangible fixed assets and intangible assets are measured at cost less accumulated depreciation and write-downs. Tangible fixed assets and intangible assets with limited useful lives are depreciated over the expected useful life. Tangible fixed assets and intangible assets are written down if the balance sheet value exceeds the recoverable amount. The recoverable amount is the higher of net sales value and the present value of future cash flows expected to be generated. Write-downs are reversed if the basis for the write-down is no longer present.

Research costs are expensed as incurred. Development costs related to project development are capitalised only if future economic benefits from the development of an intangible asset are probable. 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. Tangible fixed assets held under financial lease agreements are recognized in the balance sheet and depreciated over the estimated useful life of the asset. The present value of lease payments is included under long-term interest-bearing debt. The debt is reduced by the amount of lease payments less the effective interest rate. Other lease agreements are classified as operational and the annual leasing fee is charged to expenses as a leasing expense.

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

INCOME TAX | The tax charge is calculated from the profit (loss) before tax and comprises current taxes and the change in deferred taxes. Deferred tax assets and liabilities are calculated in accordance with the liability method without discounting and provides 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 COSTS | Pension liabilities related to defined benefit plans are measured at the net present value of future pension benefits earned on 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 under financial fixed assets. Net pension expenses, which are gross pension expenses less the expected return on plan assets adjusted for past service costs and the effects of changes in estimates, are included under personnel expenses. Changes in pension liabilities due to amendments in pension plans are included in net pension expenses over the vesting period or immediately if the benefits are immediately vested. Changes in pension liabilities and plan assets, due to changes in and deviations from the calculation assumptions,

are included under net pension expenses over the average remaining working lives of participants for that part of the accumulated effect that exceeds 10% of the greater of plan assets or pension liabilities. In the case of pension plans that are defined as contribution plans for accounting purposes the premiums are charged to pension expenses for the period.

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

NOTE 2

SALES REVENUES

By business area	2008	2007
Services	2 688	4 891
TOTAL	2 688	4 891
By geographical market	2008	2007
Norway	32	70
Latin America	904	2 210
Asia	1 752	1 639
Africa	0	972
TOTAL	2 688	4 891

NOTE 3

EMPLOYEE BENEFIT EXPENSES AND MANAGEMENT REMUNERATION

Salary and personnel costs	2008	2007
Salary expenses	4 920	3 142
Social security costs	1 001	600
Pension costs (note 7)	551	442
Other employee benefits	76	88
Other personnel costs	79	915
TOTAL SALARY AND PERSONNEL COSTS	6 627	5 187
Average number of man-years	2008	2007
SN Power Invest AS	38	26

REMUNERATION TO LEADING EMPLOYEES | The Chief Executive Officer received a salary of NOK 1 489 779 (USD 263 818), paid pension premium of NOK 15 111 (USD 2 676) and other remuneration of NOK 126 784 (USD 22 452) in 2008. The average 2008 rate was used when converting NOK to USD. There are no contingent liabilities related to end of employment. No remuneration has been paid by Statkraft Norfund Power Invest AS to any of its Directors in 2008.

Auditor	2008	2007
Fees to Ernst & Young for audit and audit-related services	87	42
Fees to Ernst & Young for other services	58	26
TOTAL FEES TO ERNST & YOUNG	145	68

NOTE 4

OTHER OPERATING COSTS

	2008	2007
Leasing premises	652	439
External services	4 248	3 255
Travel expenses	1 853	1 219
Other costs	3 198	1 624
OTHER OPERATING COSTS	9 950	6 537

NOTE 5

FINANCIAL INCOME AND EXPENSES

Financial income	2008	2007
Interest income	1 671	4 484
Gain on foreign exchange	10 435	0
FX hedges	-7 519	0
FINANCIAL INCOME	4 587	4 484
Financial expenses	2008	2007
Interest expenses Statkraft loan	1 216	0
Foreign exchange differences	0	12 914
Other financial expenses	119	13
Interest element on foreign exchange contracts	3 291	0
Change in market value on foreign exchange contracts	0	2 797
FINANCIAL EXPENSES	4 626	15 724

FUNCTIONAL CURRENCY | Statkraft Norfund Power Invest AS' functional currency and reporting currency was Norwegian Kroner (NOK) in 2007. From 2008 and onwards, both reporting currency and functional currency have been changed to USD. The reason for USD as reporting currency is change in reporting currency to USD for SN Power Group. The reason for change in functional currency is due to the fact that most of the Group's activities are in USD. Hedging strategy in Statkraft Norfund Power Invest AS has also been changed to reflect this.

NOTE 6

FIXED ASSETS

Tangible assets	Furnitures, Office Fixtures	Office Equipment	Total
Acquisition cost at 1 January 2008	26	191	217
Additions	483	159	641
Disposals	0	0	0
ACQUISITION COST AT 31 DECEMBER 2008	509	349	858
Accumulated amortization at 31 December 2007	- 95	- 212	- 308
BOOK VALUE AT 31 DECEMBER 2008	413	137	550
Amortization for the year	87	70	157
Estimated economic life	3–10 yrs	3–10 yrs	
Depreciation method	linear	linear	

Intangible assets	Project Development*	Software Licences	Total
Acquisition cost at 1 January 2008	1 086	161	1 247
Additions	772	116	888
Disposals	0	0	0
ACQUISITION COST AT 31 DECEMBER 2008	1 858	277	2 134
Accumulated amortization at 31 December 2007		- 113	- 113
BOOK VALUE AT 31 DECEMBER 2008	1 858	164	2 022
Amortization for the year	0	66	66
Estimated economic life	N/A	3 - 5 yrs	
Depreciation method	N/A	linear	

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

NOTE 7

PENSIONS

Statkraft Norfund Power Invest AS has pension plans which cover a total of 39 staff members and comply with Norwegian legislation on mandatory pension. The pension plan confers the right to defined future benefits, that mainly depends on the vesting period, the level of pay at retirement and the size of state pension benefits. These obligations are partially covered by a closed plan for 7 employees in the Norwegian Public Service Pension Fund and through a group pension scheme with Nordea Liv. In addition, executive employees have a supplementary plan. This plan confers the right to a pension of 66% of the salary up to a specific level as from the age of 65 years. The plan requires a 30 year vesting period and is from 2007 and onwards funded by the company. Due to the change in funding, the scheme is disclosed as an unfunded plan in 2007.

Transitional effects of changes in assumptions related to the closed plan in the Norwegian Public Service Pension Fund is amortized over 9 years. The annual effect is TUSD 32. This is based on the average remaining vesting period for the 7 employees covered by this plan.

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

	2008	2007
Discount rate	4.5%	4.5%
Expected rate of return	6.5%	5.5%
Regulation of salary	4.75%	4.5%
Regulation of pension	3.0%	2.0%
Regulation of base rate	4.0%	4.0%
Turnover	5.0%	5.0%

Pensions costs	Funded	Unfunded	2008	2007
Net present value of the current year's pension earnings	415	34	449	511
Interest rate and administrative costs	129	1	130	136
Gross pension costs	544	35	579	647
Return on pension plan assets	- 129	0	- 129	- 130
Amortization of past service costs and gains/losses	22	0	22	- 142
Administration costs	10	0	10	12
Accrued social security costs	63	5	68	55
NET PENSION COSTS	511	40	551	442

Pension liabilities	Funded	Unfunded	2008	2007
Pension liabilities	4 352	89	4 441	3 737
Pension plan assets	2 933	0	2 933	2 805
Calculated pension liabilities	1 419	89	1 508	932
Past service cost	- 72	0	- 72	- 125
Unrecognised actuarial gains/losses	-1 048	- 36	-1 084	- 207
Social security cost	42	7	49	82
NET PENSION LIABILITIES	341	60	402	683

NOTE 8

INCOME TAX

Taxes payable	2008	2007
Profit before tax	-14 151	-18 126
Permanent differences	23	80
Changes in temporary differences	- 280	90
TAX BASIS FOR THE YEAR	-14 408	-17 956
Tax rate	28%	28%
Tax payable		
Changes in capitalized deferred tax assets	0	0
Changes in capitalized deferred tax liabilities	0	0
THIS YEAR'S TAX EXPENSE	0	0

Deferred tax	2008	2007
Fixed assets	- 37	- 37
Pensions	- 402	- 683
Financial investments	955	955
Tax loss carried forward	-58 661	-44 253
Temporary differences at 31 December	-58 145	-44 018
Tax rate	28%	28%
DEFERRED TAX ASSET AT 31 DEC 08	—	—

Deferred tax assets are 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 assets cannot be utilized in 2008 and have not been recognized in the company's balance sheet.

NOTE 9

LIST OF SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements:

Company	Date of establ.	Business office	Country of registration	Main operations	Parent company	Voting share	Ownership share
SN Power Holding AS	27 May 03	Oslo	Norway	Investment	Statkraft Norfund Power Invest AS	100%	100%

Shares in subsidiaries are recorded in accordance with the cost method in the balance sheet of Statkraft Norfund Power Invest AS. Paid in capital to SN Power Holding AS was NOK 4 458 410 000 corresponding to USD 786 364 051 at 31 December 2008.

NOTE 10

GUARANTEES, CASH AND CASH EQUIVALENTS ETC.

GUARANTEES | Guarantees for projects under development amount to 21.4 MUSD.

	2008	2007
Cash and cash equivalents		
Specification of cash and cash equivalents		
Cash in hand and at bank	10 317	47 630
Restricted bank deposits - withholding tax employees	298	292
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET	10 615	47 921

NOTE 11

SHARE CAPITAL, SHAREHOLDER INFORMATION AND FX HEDGE CONTRACTS

	Share capital	Share premium	Other equity	Total equity
Equity at 1 January 2007	378 774	378 774	-44 335	713 213
Capital increase	39 290	39 290		78 580
Foreign currency translation effects on FX-hedges			8 599	8 599
This year's net profit/loss			-14 151	-14 151
EQUITY AT 31 DECEMBER 2008	418 064	418 064	-49 887	786 241

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

FX HEDGE CONTRACTS | Statkraft Norfund Power Invest AS makes use of currency swaps and forward contracts to hedge part of the currency exposure related to the investment in subsidiaries and associated companies in SN Power Group. The currency contracts are valued at fair value based on the spot element of the contracts and recorded as hedging. Variations in the value of the contracts owing to changes in exchange rates are therefore not recorded in the income statement but directly against other equity.

The interest elements of the contracts are separated and charged to the income statement. For 2008 this amounted to TUSD 3 281.

	2008	2007
FX Hedge contracts at 2007	-3 584	659
FX Hedge contracts at 2008	-1 416	-3 584
Movement in market values of FX contracts in 2008	2 168	-4 242
Movement in market values of FX contracts recognized in income statement 2008	7 519	0
Realized contracts in 2008	-1 088	5 890
RECORDED AGAINST OTHER EQUITY	8 599	1 647

Shareholders at 31.12.08	Number of shares	Owner and voting share
Statkraft AS	11 262 500	50%
Norfund	11 262 500	50%
TOTAL	22 525 000	100%

No dividends will be paid for 2008.

Statkraft AS purchased an additional 10% share in Statkraft Norfund Power Invest AS in January 2009 and increased their owner share to 60%.

NOTE 12

TRANSACTIONS WITH RELATED PARTIES

	2008	2007
Intercompany short-term receivables		
SN Power Holding AS	9 000	13 000
SN Power Holding Singapore Pte. Ltd.	5 194	1 161
Himal Power Ltd.	0	101
SN Power Peru Holding S.R.L	174	120
Empresa de Generacion Electrica Cahua S.A.	61	51
SN Power Chile Inversiones Electricas Ltda.	10 489	501
Norvind S.A.	325	0
TOTAL	25 243	14 934

	2008	2007
Intercompany short-term payables		
SN Power Peru Holding S.R.L	13	0
Empresa de Generacion Electrica Cahua S.A.	26	0
SN Power Holding AS	0	1 530
TOTAL	39	1 530

	2008	2007
Interest-bearing long-term debt		
Statkraft AS	28 333	0
TOTAL	28 333	



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

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

Auditor's report for 2008

We have audited the annual financial statements of Statkraft Norfund Power Invest AS as of 31 December 2008, showing a loss of USD 14.151.000 for the Parent Company and a profit of USD 51.954.000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. Simplified IFRSs pursuant to the Norwegian Accounting Act § 3-9 have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2008, and the results of its operations and cash flows and the changes in equity for the year then ended, in accordance with simplified IFRSs pursuant to the Norwegian Accounting Act § 3-9
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with law and regulations.

Oslo, 31. mars 2009
ERNST & YOUNG AS
Olve Gravråk
State Authorised Public Accountant (Norway)
(sign.)

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

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