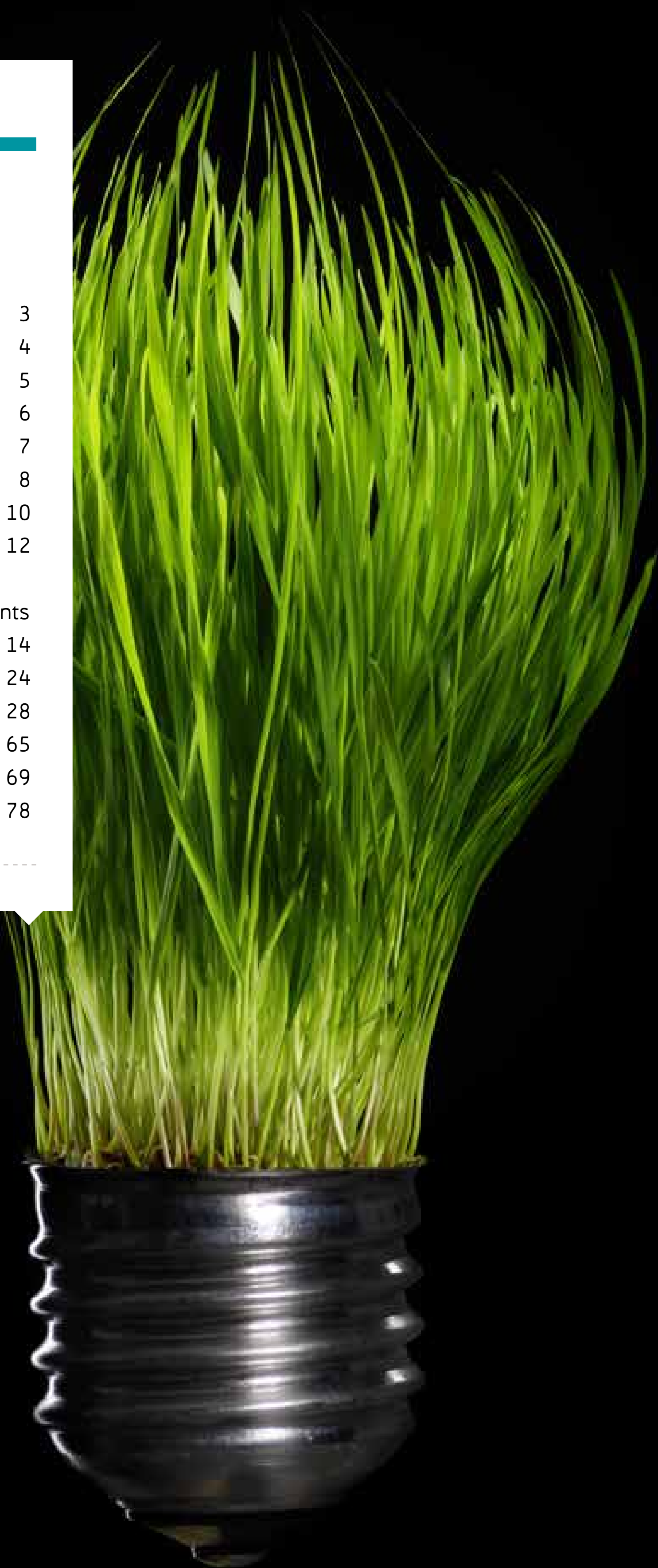
SN Power

Annual report 2012

The future is hydropowered

www.snpower.com

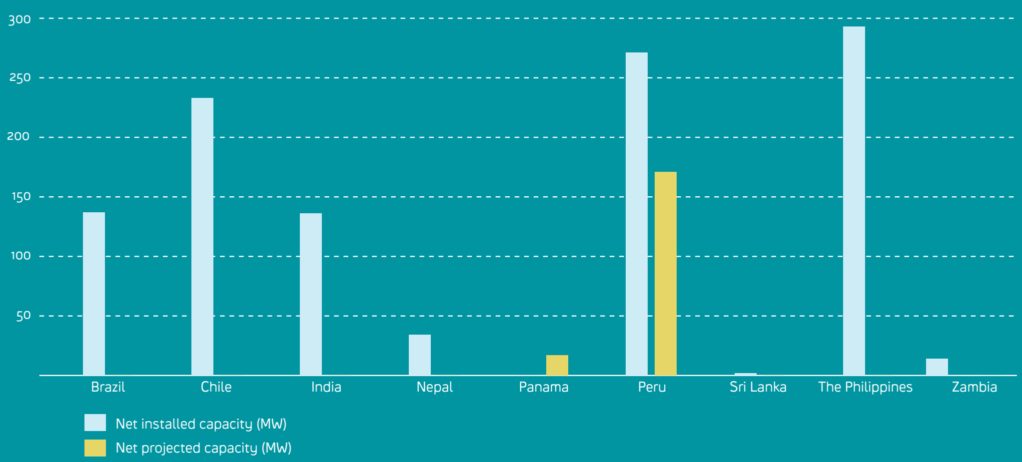
Content



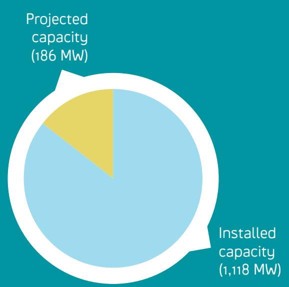
Diversified portfolio

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

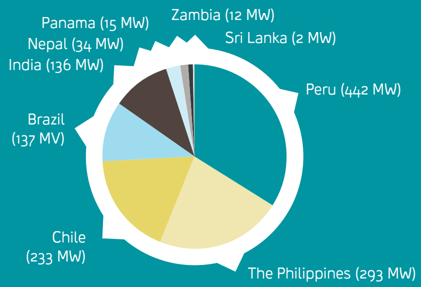
INSTALLED CAPACITY INCLUDING PROJECTS UNDER CONSTRUCTION (MW); AS OF MARCH 2013



INSTALLED CAPACITY INCLUDING PROJECTS UNDER CONSTRUCTION (MW); AS OF FEB 2013



INSTALLED CAPACITY INCLUDING PROJECTS UNDER CONSTRUCTION (MW); BY COUNTRY AS OF FEBRUARY 2013



Global vision

SN Power has diversified its portfolio across different regions, focusing on projects and plants in emerging markets in Latin America, Asia and Africa. SN Power was established in 2002 and is owned by the Norwegian state entities Statkraft (60%) and Norfund (40%).

37 plants

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

11 years

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

523 people

Number of employees in SN Power

1 304 MW

Net installed capacity with a mean annual generation of 5.200 GWh

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Our operations

South America

Brazil

CERAN COMPLEX
Installed capacity (MW): 360
Average annual output (GWh): 1,515
SN Power ownership: 2.03%

MONJOLINHO
Installed capacity (MW): 74
Average annual output (GWh): 395
SN Power ownership: 40.65%

ESMERALDA
Installed capacity (MW): 22
Average annual output (GWh): 129
SN Power ownership: 40.65%

DONA FRANCISCA
Installed capacity (MW): 125
Average annual output (GWh): 680
SN Power ownership: 0.86%

MOINHO
Installed capacity (MW): 14
Average annual output (GWh): 61
SN Power ownership: 40.65%

ENERCASA
Installed capacity (MW): 33
Average annual output (GWh): 140
SN Power ownership: 40.65%

SANTA ROSA
Installed capacity (MW): 30
Average annual output (GWh): 150
SN Power ownership: 40.65%

PASSOS MAIA
Installed capacity (MW): 25
Average annual output (GWh): 115
SN Power ownership: 20.33%

SANTA LAURA
Installed capacity (MW): 15
Average annual output (GWh): 89
SN Power ownership : 40.65%

MACAÚBAS
(project under construction)
Projected capacity (MW): 30
Average annual output (GWh): 92
SN Power ownership: 40.65%

SEABRA
(project under construction)
Projected capacity (MW): 30
Average annual output (GWh): 92
SN Power ownership: 40.65%

NOVO HORIZONTE
(project under construction)
Projected capacity (MW): 30
Average annual output (GWh): 92
SN Power ownership: 40.65%

BARRA DOS COQUERIOS
(project under construction)
Projected capacity (MW): 30
Average annual output (GWh): 92
SN Power ownership: 35.91%

Chile

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

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

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

COLMITO
Installed capacity (MW): 60
Average annual output (GWh): 0
SN Power ownership: 50%

Peru

ARCATA
Installed capacity (MW): 5
Average annual output (GWh): 27
SN Power ownership: 100%

CAHUA
Installed capacity (MW): 43
Average annual output (GWh): 292
SN Power ownership: 100%

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

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

MALPASO
Installed capacity (MW): 48
Average annual output (GWh): 140
SN Power ownership: 100%

PACHACHACA
Installed capacity (MW): 10
Average annual output (GWh): 34
SN Power ownership: 100%

PARIAC
Installed capacity (MW): 5
Average annual output (GWh): 36
SN Power ownership: 100%

YAUPI
Installed capacity (MW): 113
Average annual output (GWh): 734
SN Power ownership: 100%

CHEVES
(Project under construction)
Installed capacity (MW): 171
Average annual output (GWh): 812
SN Power ownership: 100%

Central America

Costa Rica

Agua Imara opened an office in Costa Rica in June 2010

Panama

BAJO FRIO
(Project under construction)
Installed capacity (MW): 58
Average annual output (GWh): 260
SN Power ownership: 23%

Africa

Zambia

MULUNGUSHI
Installed capacity (MW): 29
Average annual output (GWh): 236
SN Power ownership: 26%

LUNSEMFWA
Installed capacity (MW): 18
Average annual output (GWh): 149
SN Power ownership: 23.4%

Mozambique

Agua Imara opened an office in Mozambique in 2012

South Asia

India

ALLAIN DUHANGAN
Installed capacity (MW): 192
Average annual output (GWh): 802
SN Power ownership: 43.12%

MALANA
Installed capacity (MW): 109
Average annual output (GWh): 350
SN Power ownership: 49%

Nepal

KHIMTI I
Installed capacity (MW): 60
Average annual output (GWh): 350
SN Power ownership: 57.1%

Sri Lanka

ASSUPINIELLA
Installed capacity (MW): 4
Average annual output (GWh): 18
SN Power ownership: 30%

BELIHULOYA
Installed capacity (MW): 2
Average annual output (GWh): 9
SN Power ownership: 30%

Southeast Asia

The Philippines

AMBUKLAO
Installed capacity (MW): 105
Average annual output (GWh): 207
SN Power ownership: 50%

BINGA
Installed capacity (MW): 120
Average annual output (GWh): 260
SN Power ownership: 50%

MAGAT
Installed capacity (MW): 360
Average annual output (GWh): 940
SN Power ownership: 50%

Singapore

SN Power has an office in Singapore

Vietnam

SN Power opened an office in Hanoi in April 2010

OVERVIEW

About SN Power

Strategy in brief

SN Power's overall business concept is to develop, build, acquire, own and operate sustainable hydropower projects in emerging markets on commercial terms. SN Power plans to substantially grow its equity generation capacity by the end of 2015. The owners of SN Power have committed capital to fund the company's ambitious expansion in addition to equity contributions from existing operations. It is part of SN Power's mission to contribute to sustainable development through its investments.

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 diversified its portfolio across different regions and is currently constructing or operating hydropower plants in the Philippines, Nepal, India, Sri Lanka, Brazil, Chile and Peru, and has interests in wind power generation assets in Brazil and Chile. An office has been established in Hanoi to evaluate hydropower opportunities in the Vietnamese market. A subsidiary, Agua Imara, was established in January 2009 to focus on hydropower development in Africa and Central America.

As part of the **Statkraft Group,** SN Power has a strong industrial foundation that builds on more than 100 years of developing, owning and operating hydropower in Norway. Statkraft is the largest renewable energy company in Europe with about 57 TWh in annual electricity production.

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

Vision

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

Mission

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

Leadership Principles

Always:
— Inspire
— Involve
— Improve
... with Integrity

Core values

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

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

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

Key figures

	UNIT	2012	2011	2010	2009	2008	2007	2006	2005
GROSS POWER PORTFOLIO									
Net installed capacity	MW	1 118	992	838	667	630	630	383	169
Net installed capacity under construction	MW	186	200	300	292	320	284	160	160
Gross production, actual	GWh	5 736	4 262	4 250	3 800	3 435	2 162	1 200	845
Net production (SN Power share)	GWh	3 562	2 933	2 858	2 700	2 492	1 470	813	652
FINANCIAL									
Gross operating revenue	MUSD	260	189	114	119	161	79	51	24
IIncome from associated companies / JVs	MUSD	108	83	84	31	28	31	3	3
EBITDA [1]	MUSD	65	45	29	46	60	37	23	3
Net earnings after tax	MUSD	107	31	53	41	52	47	11	-1
Cash flow from operational activities	MUSD	46	-36	32	17	38	30	15	-1
Cash and cash equivalents	MUSD	188	212	247	347	192	134	121	78
Equity	MUSD	1 893	1 761	1 305	1 215	863	802	304	167
Equity investments from SN power	MUSD	453	217	107	6	111	425	61	54
New equity	MUSD	60	473	-	281	79	409	81	118
Interest bearing debt/equity ratio [2]	%	24	25	24	26	36	23	28	20
Equity ratio [3]	%	72	71	76	75	70	77	72	75
HUMAN CAPITAL									
Employees	Number	523	494	427	466	479	415	220	122
Sickness absence	%	1.2	1.7	1.5	1.2	0.2	0.2	0.2	1.5
Total recordable injury rate – Operations		2.0	2.5	3	1	4	N/A	N/A	N/A
Total recordable injury rate – Projects		7.1	6.9	4	6	16	N/A	N/A	N/A
ENVIRONMENT									
Environmental fines	MUSD	0	0	0	0	0	0	0	0
Carbon dioxide emissions [4]	TONNES	466	4 635	744	3 498	2 992	269	400	400

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

Ten years young

Message from the CEO

Torger Lien
PRESIDENT & CEO

Last year SN Power celebrated its tenth anniversary together with our employees, owners and partners. In the decade since SN Power was established the company has grown into an important player in our core markets in Asia and Latin America. In 2012 we also delivered sound financial numbers, and we are facing an exciting portfolio of new project opportunities.

During the last decade SN Power has been a successful company in the growing industry of renewable energy. What started out as a small team in Oslo has become an organisation with 14 offices across the globe, and more than 1300 MW of renewable electricity under management.

From a financial perspective, recent years have shown strong growth as well. EBITDA in 2012 reached 64 MUSD up from 45 MUSD in 2011, while net profits for 2012 came in at 107 MUSD from 31 MUSD in 2011. Our operations in the Philippines and Peru proved to be the key drivers for the economic results, while challenges in our projects in Chile caused unforeseen losses.

Constructing and operating large hydropower plants is a complex business with inherent risks, and Health, Safety and the Environment (HSE) is a main focus area for the entire organisation. Our goal is to achieve zero serious injuries and fatalities and to improve our HSE performance continuously over time. We can never relent in our work to ensure that all our employees are safe from harm while working in our operations and on our projects. Unfortunately we have faced challenges in some of our on-going projects during the last year. At our greenfield project Cheves in Peru we suffered two tragic fatalities. Everyone should be safe when working on an SN Power project, so it is with deep regret that we received the news of the loss of the lives of two workers.

In **Chile** the 2011 tunnel collapse at La Higuera resulted in a period of loss of production, however we aim to have the plant in full operation during the first half of 2013. The La Confluencia power plant was shut down for a shorter period in 2012, and will be fully operational from first quarter 2013.

2012 was the year we established a platform for growth in **Brazil** when we acquired 40.6% of the power company Desenvix. Through this Joint Venture vehicle we can grow our production of electricity in what is a large and interest-

"We have always known that our goals are ambitious and that what we do is difficult. Looking back over the last decade we see that our organisation has developed a unique experience in constructing and operating hydropower projects in emerging markets. We are very proud of our efforts thus far, and confident that the years to come will bring new and attractive business opportunities in both existing and new markets."

TORGER LIEN
PRESIDENT & CEO

ing market. SN Power also established a Trading and Origination (T&O) team in 2012, with the aim to optimize the asset portfolio and to develop proprietary T&O.

SN Power **Peru** delivered strong results due to favourable hydrological conditions and improved efficiency achieved from the automation of the generation units. An active commercial strategy allowed SN Power Peru to enter into a number of power sales contracts and achieve higher average electricity prices during 2012.

In **India** our activities showed good progress last year. Together with our partner Tata Power we have started the feasibility study on the Dugar Hydro Electric Project which would feed much needed energy into India's northern grid. With another Indian partner, Bhilwara, we run two hydropower projects with the total capacity of 302 MW. SN Power established a Trading & Origination business in India in 2012 and will start commercial activities in 2013.

SN Power's operations in **Nepal** delivered positive results in 2012, however new business development will not be undertaken until the political situation in Nepal has improved, enabling a more stable investment climate.

And last but not least, our team in the **Philippines** has been doing a great job maximising the return from our power plants through supplying ancillary services to the Philippine grid operator. Our plants provide much needed backup power to the electricity grid, helping to stabilize the system in times of fluctuating electricity supply.

In **Vietnam** we are well situated to enter the Vietnamese energy market as an industrial investor. SN Power Vietnam is 80% owned by SN Power and 20% owned by the International Finance Corporation (IFC).

2012 was also an important year for our subsidiary **Agua Imara**, where SN Power holds a 46% ownership share (51% voting share). The company currently has hydropower plants in construction or operations in Panama and Zambia, and are actively pursuing new opportunities in Africa and Central America.

Our ambition is to reach 3000 MW in production capacity by the end of 2015. We are aware that our goals are ambitious and that what we do is difficult. But SN Power has built a unique experience in developing hydropower projects in emerging market over the last decade, and we are confident that there are ample new business opportunities in existing and potentially new markets in the years to come. We will therefore continue to work hard during 2013 to deliver on our vision: "Powering development through renewable energy".

TORGER LIEN
PRESIDENT & CEO

Corporate governance

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

1. Corporate governance statement

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

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

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

2. Business

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

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

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

3. Share capital and dividend

Statkraft Norfund Power Invest AS has a share capital of thousand USD 583 350 divided among 32 533 100 shares, each with a face value of NOK 100.

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

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

4. Equal treatment of shareholders and transactions with related parties

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

See note 26 for further information about related parties.

5. Freely negotiable

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

6. General meeting

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

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

- Adoption of the income statement and balance sheet, including the allocation of profit or the covering of any loss
- Adoption of the consolidated income statement and consolidated balance sheet

- Other issues in accordance to the law or the Articles of Association lie with the general meeting

7. Nomination committee

N/A. There is no nomination committee.

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

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

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

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

9. The work of the board of directors

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

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

The annual general meeting determines the remuneration of the board members.

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

10. Risk management and internal control

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

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

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

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

11. Board remuneration

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

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

12. Remuneration to executive employees

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

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

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

13. Information and communication

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

14. Take-over of the company

N/A. Shares not traded.

15. Auditor

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

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

Prorata Income Statement 2012

SN Power Group

AMOUNTS IN 1000 USD	CONSOLIDATED 2012	NON-CONTROLLING INTERESTS 2012	ASSOCIATED COMPANIES AND JOINT VENTURES 2012	ADJUSTMENTS 2012	PRORATA 2012	PRORATA 2011
OPERATING REVENUES AND EXPENSES						
Sales revenues	260	-28	353		585	457
Energy purchase and other costs related to power sales	-88	-	-94		-182	-152
Salary and personnel costs	-56	6	-15		-65	-49
Depreciation, amortization and write-downs	-42	3	-41		-80	-56
Other operating costs	-51	7	-34		-78	-70
Income from investments in associated companies and joint ventures	108	-	-	-108	-	-
EARNINGS BEFORE FINANCIAL ITEMS AND TAX	132	-12	168	-108	180	130
Financial income	8	-2	16		22	18
Financial expenses	-25	1	-88		-112	-76
Gain (loss) on derivatives	2	-	-1	-2	-	-
NET FINANCIAL ITEMS	-15	-1	-73	-2	-91	-58
Profit before tax	117	-13	95	-110	90	72
This year's tax expense	-9	3	13		6	-1
NET PROFIT FOR THE YEAR	107	-10	108	-110	95	71

(Prorata = multiplied with SN Power owner share)

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

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

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

SN POWER

Board of Directors' report and financial statements 2012

Board of directors' report

SN Power was established in 2002, and is owned by the Norwegian state entities Statkraft (60%) and Norfund (40%). SN Power's overriding business strategy is to develop, build, acquire, own and operate sustainable hydropower projects in emerging markets on commercial terms. The company's mission is to become a leading hydropower company in emerging markets, contributing to economic growth and sustainable development. The company is headquartered in Oslo.

1. Highlights 2012

The Group's net profit in 2012 was MUSD 107, up from MUSD 31 in 2011. The majority share of the consolidated net profit in 2012 was MUSD 97, up from MUSD 20 in 2011.

In February the Allain Duhangan hydropower plant (192 MW) in India started full production with water from both the Allain and Duhangan rivers.

Also in February SN Power`s subsidiary Agua Imara acquired Hidro Burica SA (63 MW greenfield project) in Panama, and early works commenced.

In March SN Power acquired a 40.65% stake in the Brazilian energy company Desenvix, and moved the SN Power Brazil holding company office from Rio to Florianopolis in order to be located closer to the Desenvix organization.

In June SN Power celebrated its 10 year anniversary. Since the start-up the company has grown from merely a business idea to a company present in 14 countries with 38 power plants.

Both the Bahia (90 MW) and the Barra dos Coqueiros (30 MW) wind farms, owned by Desenvix in Brazil, started production during the second half of 2012.

2. Finance

SN Power Group achieved a majority's share of net profit of MUSD 97 in 2012, an increase of MUSD 77 from 2011.

The hydropower plants La Higuera and La Confluencia in Chile have not been operating normally in 2012 and had negative net profits.

Norvind in Chile had a MUSD 2 net profit from operations in 2012, compared to MUSD 0 in 2011. The positive MUSD 2 from operations is due to higher prices and production in 2012 compared to 2011.

SN Power Peru had a net profit of MUSD 33 which is MUSD 12 higher than in 2011. The increase in net profit is due to MUSD 9 gain on sale of assets, as well as higher sales volume and achieved prices in 2012 compared to 2011.

In 2012 SN Power expanded its commercial initiatives by establishing Trading and Origination (T&O) businesses in Brazil and India. The India T&O business was in the developmental phase in 2012 and should start commercial activities in 2013.

The commercial activities in Brazil progressed beyond the Enerpar portfolio to proprietary T&O in the 4th quarter of 2012. The Enerpar portfolio is classified as financial instruments measured at fair value. The negative effect of changes in fair value of these contracts in the 2012 net profit is MUSD 12.

Desenvix was included in SN Power's accounts as an associated company from March 2012. Desenvix had a negative net profit due to a delayed start-up of wind farms and lack of fuel (bagasse) for the biomass plant Enercasa. MUSD 4 of the depreciations of excess values at Group level is related to Desenvix.

SN Power's business in The Philippines had good financial performance in 2012. Prices were high in the Filipino power market during 2012, which benefitted revenues from sales of electricity and sales of system reserves (ancillary services).

SN Power's business in Nepal had a net profit of MUSD 11 which is MUSD 2 lower than in 2011. Net profit in 2012 includes settlement costs related to Khimti Services Pvt. Ltd.

SN Power's business in India had a net profit from operations of MUSD 2 which is in line with 2011. In February 2012 the Duhangan tunnel also came into operation. However, the increased production was off-set by lower prices in the Indian market.

The Group's sales revenues increased to MUSD 260, compared to MUSD 189 in 2011. This improvement is mainly due to increased activities in the Enerpar portfolio in Brazil (MUSD 38) and higher energy prices and production volumes in Peru (MUSD 27). Energy purchase costs have also increased substantially as a consequence of the Enerpar portfolio.

Payroll and personnel costs and other operating costs increased by MUSD 12 to MUSD 56, mainly due to restructuring costs, new business and increased activities in the holding companies in new markets and business areas.

Revenue, EBITDA and the majority share of net profit			2012	2011
(MUSD)	Revenue	EBITDA	The majority's share of net profit	The majority's share of net profit
Consolidated companies				
Peru	112	71	34	22
Nepal	34	27	11	13
Chile – Norvind	19	15	-9	0
Brazil	78	1	-12	-2
Zambia	15	9	1	1
Holding companies and other effects	2	-57	-36	-98
Associated companies and joint ventures			108	83
Income statement	260	65	97	20

Depreciation and write-downs increased in 2012 compared to 2011 due to write-down of business development projects and impairment loss related to "property, plant and equipment" in operating entities.

SN Power's business model is largely built on the development of joint projects with local partners, and these investments are accounted for under the equity method in the Group financial statements. Income from investments in associated companies amounted to MUSD 108 in 2012, compared to MUSD 83 in 2011. This includes associated companies and joint ventures in the Philippines, Sri Lanka, India, Brazil and Chile.

Net financial items amounted to a loss of MUSD 15 in 2012, a positive change of MUSD 43 from 2011. The major changes are the negative changes in fair value of the Enerpar portfolio of MUSD 15, positive changes in fair value of currency forward contracts related to the Desenvix purchase and other currency forward contracts of MUSD 70, increased interest costs in Peru of MUSD 2.5 and increased currency losses in Holding companies of MUSD 8.

Tax expenses in 2012 were MUSD 9, a decrease of MUSD 1 from 2011. Tax expense in 2012 was affected by higher taxable income in Peru with an increased payable tax of MUSD 9, offset by a positive tax effect related to changes in deferred tax assets.

BALANCE SHEET

Total assets for the Group amount to MUSD 2 632 as of 31 December 2012, compared to MUSD 2 494 in 2011. MUSD 188, compared to MUSD 212 in 2011, is bank deposits and cash equivalents. Restricted bank deposits are MUSD 43, compared to MUSD 131 in 2011. The Group's interest-bearing debt is MUSD 445, compared to 446 in 2011. Total equity, including the non-controlling interests, represents MUSD 1 893, compared to MUSD 1 761 in 2011.

Significant changes to the balance sheet, compared to 2011, are:

- Non-current assets have increased from MUSD 1 698 to MUSD 2 215, mainly due to increased investment in associated companies and joint ventures. The acquisition of Desenvix contributes as the major part, and the item also includes the consolidation of the Bajo Frio hydropower project in Panama in 2012 and the construction of the Cheves hydropower project in Peru.
- Current assets decreased from MUSD 797 to MUSD 417, primarily due to the acquisition of Desenvix that resulted in reduced cash and prepayment presented as receivable in 2011.
- Long-term liabilities increased from MUSD 528 to MUSD 569, mainly due to an increase in interest bearing long term debt in Peru and in the Bajo Frio hydropower project in Panama.
- Current liabilities decreased from MUSD 205 to MUSD 170. The change is mainly driven by the repayment of a loan from Statkraft.

CASH FLOW STATEMENT

The Group's net cash flow from operating activities (consolidated) in 2012 was MUSD 46, compared to a negative cash flow of MUSD 36 in 2011. The increased cash flow from operations was mainly due to an increase in net profit adjusted for items without cash effect, changes in other current assets/liabilities and currency effects.

Net cash used for investment activities in 2012 was MUSD 103, compared to MUSD 563 in 2011. This is primarily investments in tangible and intangible assets related to Cheves and Bajo Frio (MUSD 186) and investments in, and loans to associated companies and joint ventures. Investment in the joint venture Desenvix in Brazil is MUSD 418 and increase in loan to joint ventures in Chile is MUSD 96. MUSD 75 of the investment was paid as a loan to the owners of Desenvix in 2011 and is shown as a positive cash effect on "Change in current financial receivables" in 2012 (negative in 2011). Deposits in Statkraft's cash pool are presented under "change in current financial receivables" with a positive cash effect of MUSD 235, compared to a negative cash effect of MUSD 289 in 2011. The Group has also received MUSD 268, compared to MUSD 41 in 2011, in dividends from the joint ventures in the Philippines.

Cash flow from financing activities amounted to MUSD 34 in 2012, compared to MUSD 564 in 2011. The increase stems from MUSD 60 in new equity to the company in 2012, MUSD 166 in new loans in Peru (MUSD 141) and Panama (MUSD 25), repaid loans mainly Norway MUSD 95 and in Chile MUSD 80.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. SN Power Group's presentation currency is USD.

STATKRAFT NORFUND POWER INVEST AS

The parent company, Statkraft Norfund Power Invest AS (SNPI) has an operating loss of MUSD 25 in 2012, compared to a loss of MUSD 22 in 2011. The Net profit for the year was MUSD 2 in 2012, compared to loss of MUSD 64 in 2011.

Net financial items amounted to MUSD 27, compared to a loss of MUSD 42 in 2011. The main reasons for the positive result are currency forward contracts related to the acquisition of Desenvix in Brazil, which gave a positive effect of MUSD 16, compared to a negative effect of MUSD 43 in 2011, and group contribution of MUSD 9 from SN Power Holding AS (SNPH). Other currency forward contracts, currency effects and interest income gave a positive effect of MUSD 4 offset by interest costs of MUSD 3.

SNPI and SNPH have issued various guarantees on behalf of subsidiaries, associated companies and joint ventures. (Refer also to notes 14 and 24 in SN Power Group's financial statements.)

The Board has proposed that no dividends are paid for 2012, and the following allocation of the net profit of SNPI:

	MUSD
Net Profit for the year	2
Transferred to other equity	2

Unrestricted equity amounted to MUSD 0 at the end of the year.

In the Board's opinion the financial statements give a true and fair view of the financial position as at 31 December 2012 of the Parent company and the Group, and the financial performance and cash flows for 2012. According to section 3–3 of the Norwegian Accounting Act, the board of directors confirms that the financial statements have been prepared on the assumption of a going concern, and that the assumption is appropriate.

3. Health and Safety

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

Unfortunately, two fatalities have occurred in SN Power's activities during 2012. Both fatalities happened at the Cheves hydropower project in Peru. A tunnel worker was fatally injured as a result of a rock burst during tunnel excavation, and another tunnel worker died as a result of electrocution during a shotcrete operation. SN Power's investigations of the two cases identified areas for improvements compared with good international tunnelling practices and the project has implemented corrective actions to prevent such accidents in the future.

In addition a third fatality occurred when a person, not involved in SN Power's business, drowned in a canal belonging to the Oroya hydropower plant in Peru. SN Power Peru made a risk assessment of their water ways in 2009 considering 3rd party safety and implemented measures to protect from drowning. This risk assessment has been revisited in light of this incident to possibly improve protection further.

The Total Recordable Injury (TRI)-rate in operations and maintenance fell by 20% to 2.0, compared to 2.5 in 2011. The TRI-rate in construction fell by 13% to 7.0 from 8.0 in 2011, but still exceeds the 2012 target of being at or below 5.0. The reporting of unwanted occurrences developed in a positive direction during 2012, although construction fell slightly below the target of averaging more than one report per worker per year.

A new policy on aviation safety was developed and implemented during 2012. The road transportation safety campaign was completed and evaluated through a survey study among participants. A HSE training program for project management and an accident investigation course was developed and implemented in cooperation with Statkraft.

4. Operations 2012

Through an R&D project together with the Norwegian company DynaVec, Himal Power Limited (HPL), SN Power and Statkraft, a new Pelton runner design has been developed and installed as a test unit in one of the turbines in Khimti hydropower plant in Nepal. This new design will help reduce wear and tear of components, including increase of the unit's availability and reduce the loss of production.

PERU

The energy market in Peru is still experiencing low energy prices caused by low prices on domestic gas, and overcapacity due to the large-scale expansion of gas-fired power plants in recent years. In years with an electricity shortage the authorities has a history of capping spot energy prices.

The 100% owned subsidiary SN Power Peru produced approximately 6% more energy in 2012, compared to 2011. This positive result is due to favourable hydrological conditions and improved efficiency achieved from the automation of the generation units. As a result of an active commercial strategy, SN Power Peru entered into a number of power sales contracts and achieved higher electricity prices during 2012, compared to 2011, as well as higher volume of energy sold.

The Cheves hydropower project (171 MW) experienced challenges related to the civil contractor performance and local unrest linked to local social conditions, which have caused delays to the schedule of the project.

SN Power Peru (100%)	2012	2011
Energy Production GWh	1 679	1 574
Revenues MUSD	112	85
EBITDA MUSD	71	50

CHILE

SN Power's joint venture companies in Chile, the 50% owned Hidroeléctrica La Higuera S.A. (HLH) and the 50% owned Hidroeléctrica La Confluencia S.A. (HLC) continued to face significant challenges in 2012.

The La Higuera hydropower plant (155 MW) experienced a collapse of the headrace tunnel due to unforeseen ground conditions in August 2011. The repair work, which involved the construction of a by-pass tunnel around the collapsed area, is expected to be completed during the first half of 2013. Hence, HLH did not operate in 2012 and thus experienced financial losses which were worsened by its obligation to deliver power in accordance with the power purchase agreement and high spot market prices due to dry hydrology. Arbitration proceedings have continued with HLH`s main contractor, Constructora Queiroz Galvão, following HLH's termination of the contract in June 2011 and drawing of the contractual bonds.

The La Confluencia hydropower plant (158 MW) was commissioned in early 2011, but during the early part of 2012 the plant was stopped to allow for an inspection of both tunnels (Tinguiririca and Portillo). After detailed inspections, some deterioration was found that led to the shutdown of both tunnels to implement repairs. The Portillo tunnel did not operate at all in 2012 while the Tinguiririca tunnel recommenced normal operations in early August 2012, with a corresponding impact on generation. The Portillo tunnel came into operation in January 2013.

A formal sales process to dispose of Norvind, the company that owns the wind farm Totoral in Chile (46 MW), was started during 2012. The sales process is expected to be completed during the first half of 2013. The sales process deemed the assets in Norvind to be subject to an impairment test which resulted in the recognition of an impairment loss.

Chile – HLH, HLC, Norvind (100%)	2012	2011
Energy Production GWh	238	410
Revenues MUSD	114	150
EBITDA MUSD	-59	-60

BRAZIL

In March 2012, SN Power closed the acquisition of a 40.65% stake in the energy company Desenvix for MBRL 727, with the remainder of the shares being held by SN Power's partners, Jackson and Funcef. During 2012 Desenvix completed the construction of 145 MW of hydro and wind power plants, bringing the total installed capacity of Desenvix to 340 MW.

Enercasa, a 100% Desenvix owned biomass plant, uses sugar cane bagasse as feedstock. In 2012 the bagasse supply was not sufficient to provide the generation volumes needed according to Enercasa's commitments in the existing power purchase agreement (PPA). Currently, negotiations are on-going with the regulator and banks to postpone the obligation to deliver energy and repay debt until the bagasse situation has improved.

The recent market developments in Brazil have led to a lowering of the future price forecasts. The main driver is observed reduced prices in power purchase agreement (PPA) auctions as a result of a more competitive market. Another important development in the Brazilian power market is a new law called MP 579, which deals with the renewal of existing concessions. The development in the market outlook deemed the investment in Desenvix to be subject to an impairment test.

In 2012 SN Power expanded its commercial activities in the 100% owned subsidiary SN Power Energia do Brasil beyond the Enerpar portfolio and started its own T&O in the Brazilian power market.

Brazil (100%)	2012
Energy Production GWh	800
Revenues MUSD	170
EBITDA MUSD	44

THE PHILIPPINES

SN Power's 50% owned joint venture companies in the Philippines had good financial performance in 2012. Prices were high in the Filipino power market in 2012, which benefitted both revenues from sales of electricity and sales of system reserves (ancillary services). It is expected that revenues from sale of system reserves will be lower in 2013 than previous years.

2012 saw the first full year of operation of the Ambuklao hydropower plant (105 MW), following its refurbishment in 2011.

For the Binga hydropower plant (126 MW), achievements include the completion of the upgrading of the 2nd of 4 units. The upgrading of the 3rd unit is expected to be complete in the first quarter of 2013. Binga also continued to be a contracted provider of ancillary services.

The Magat hydropower plant (360 MW), maximized plant availability and continued to be the key provider of ancillary services to the Filipino grid. Substantial progress was also made in preparing Magat with a 5th reversible pump turbine.

Philippines – SN Aboitiz Power (100%)	2012	2011
Revenues MUSD	476	385
EBITDA MUSD	416	344

VIETNAM

SN Power Vietnam is 80% owned by SN Power and 20% owned by the International Finance Corporation (IFC). SN Power Vietnam is in a good position to establish itself as an industrial investor in the Vietnamese energy market.

In July 2012, the Vietnamese government made the first step towards a deregulated power market by launching the Competitive Generation Market. Another important step was the decision to carry out the splitting up of the incumbent Vietnam Electricity (EVN)'s power generation business into three independent generating companies (Gencos).

INDIA

SN Power owns 49% of Malana Power Company Ltd. Allain Duhangan Hydro Power Company Ltd (ADHPL) is owned by Malana Power Company Ltd. (88%) and International Finance Corporation IFC (12%).

In 2012, the Malana hydropower plant (109MW) achieved a production of 275 GWh. Malana also obtained OHSAS 18001 and ISO 14001 certification in 2012.

The Allain Duhangan hydropower plant (192 MW) has been operating with water from the Allain River since 2010. In February 2012 the plant was completed and the turbines fed with water from both the Allain and the Duhangan rivers. The plant produced 579 GWh during 2012.

One has seen a heavy drop in prices in India over the last years. This year SN Power has seen restrictions in the transmission grid and significant improvement on availability of data that allowed for a recalibration of the medium term price forecast. The lowering of the future price forecasts deemed the investment in Malana to be subject to an impairment test.

Through its partnership with Tata Power, SN Power continued to evaluate new investment opportunities in 2012. The Dugar hydropower project (380 MW) which is jointly owned by SN Power and Tata Power, completed the pre-feasibility stage and was moved to the feasibility stage during 2012.

A new business in India was set up in 2012 as a separate 100% owned subsidiary, SN Power Markets Pvt. Ltd. The business idea is to be well positioned when energy trading opportunities develop on a larger scale in India, and to optimize revenue potential for existing assets in SN Power's portfolio in the country.

India — Malana, ADHPL (100%)	2012	2011
Energy Production GWh	854	891
Revenues MUSD	62	63
EBITDA MUSD	47	44

NEPAL

SN Power holds a 57.1% voting share and a 52.7% owner share in the subsidiary Himal Power Limited (HPL). The hydropower plant, Khimti I (60 MW), which is owned by HPL had a total production of 365 GWh in 2012.

In anticipation of a necessary clarification of the political situation in Nepal, and the framework conditions for the development of the project, it was decided to postpone further work on Tamakoshi III hydropower project (650 MW). The work required to extend the license period and negotiate a Project Development Agreement will be carried out. Out of the total capitalised Tamakoshi III development costs of MUSD 8.2, MUSD 5.4 was written down in 2011. The remaining balance of MUSD 2.8 was written down in 2012.

The power purchase agreement (PPA) negotiations for the Kirne hydropower project (67 MW) are currently on hold. Power sales from this project will be an option when the cross-border transmission line between India and Nepal is ready.

Due to lack of progress on new projects, SN Power made the decision to reduce staffing levels in Nepal. A total of eleven employees have taken a severance package to end employment with the company during 2012.

Nepal — Himal Power Ltd. (100%)	2012	2011
Energy Production GWh	365	382
Revenues MUSD	34	35
EBITDA MUSD	28	30

SRI LANKA

SN Power owns 30% of Nividhu Private Limited, which owns and operates the hydroelectric power plants Assupinella and Belihuloya. The company contributed MUSD 0.7 after tax to SN Power's net profit in 2012.

AGUA IMARA AS — SN POWER IN AFRICA AND CENTRAL AMERICA

SN Power holds a 51% voting share and a 45.9% owner share in the subsidiary Agua Imara. Agua Imara currently has four target countries: Panama, Zambia, Mozambique and Uganda. In 2012 its project pipeline increased to more than 400 MW of capacity. The company's strategic goal is to reach 700 MW by 2015.

Agua Imara has two operating plants located in Zambia (totalling 54 MW) and four projects under construction or in engineering/feasibility phases, totalling more than 500 MW, located in Zambia and Panama. Agua Imara has a majority share in all these projects.

2012 Key Project Developments

- The Bajo Frio hydropower project in Panama continued construction throughout 2012 (58 MW).
- The Hidro Burica SA hydropower project in Panama was acquired and early works commenced in February (63 MW).
- Agua Imara's subsidiary, Lunsemfwa Hydro Power Company Ltd (LHPC), increased its ownership in Muchinga Hydropower Company (MPC) from 50% to 100% in September. MPC has a licence to develop a hydropower plant with the potential capacity of 250-400 MW, downstream of the current Lunsemfwa plant (Zambia).
- Agua Imara decided in November to continue studies for a new Mulungishi Power Station in Zambia.
- Agua Imara established in November a permanent representation office together with Norfund in Maputo, Mozambique.

5. Employees and organisation

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

SN Power's consolidated companies had 523 employees at the end of 2012, up from 494 in December 2011. Of these, 63 worked at the company's headquarters in Oslo, 237 in Peru, 25 in Chile, 18 in Brazil, 52 in Nepal, 19 in India, 6 in the Philippines, 6 in Vietnam, 18 in Singapore, 16 in Panama and 63 in Zambia.

Including associated companies and joint ventures, the total number of employees at the end of 2012 was 1 214. Of the additional 691 employees in associated companies and joint ventures, 42 worked in Brazil, 107 in Chile, 331 in India and 211 in the Philippines.

In 2012, sick leave in SN Power Group was 1 460 days, equivalent to 1.2% of the total number of working days. Statkraft Norfund Power Invest AS had 401 sick leave days, equivalent to 3.3% of the total number of working days. This absenteeism is due to various incidences of general illness and is not related to work-related accidents. Sickness absence rate is dominated by long-term absence from a limited number of instances of illness and injuries.

At the end of the year, two of the eight Board members were female (25%). Two in nine of the top management are female (22%) and 23% of SN Power's workforce is female. The Group does not discriminate on the basis of gender, religion or ethnic background.

The Company's office premises are universally designed to accommodate employees with physical challenges. To ensure that SN Power does not discriminate on grounds of gender, religion, ethnic background, physical challenges or otherwise, appropriate procedures are in place concerning selection to jobs, promotions to higher positions, transfers and redundancies. Procedures entails transparent recruitment processes whereby job opportunities are advertised internally as a minimum, but in general also made available to the public through advertisements, that employment decisions are made in cooperation between at least two managers and that the HR function is regularly involved in the aforementioned activities to ensure compliance with statutory regulations and the Company's internal guidelines.

6. Society and the environment

SN Power has through its operations in many developing countries realized the importance of taking a firm and broad responsibility for its ethical policy and practice. There is a steady focus on the company`s Code of Conduct as well as the Code of Conduct of partners, suppliers, contractors and consultants. Through 2012, more than 250 external entities were trained in the Code of Conduct and anti-corruption behaviour in order to adhere to the standards of SN Power.

SN Power has adopted the IFC Performance Standards on Social and Environmental Sustainability as its international social and environmental standard and respects the International Labour Organisation`s (ILO) convention 169 on indigenous peoples. These standards are compatible with other international principles such as those of the OECD, UN, the Equator Principles and the International Hydropower Association (IHA). SN Power has developed its own tool for analysing the gaps between the IFC Performance Standards and the present legislations and regulations in all the countries where SN Power is present. As a result SN Power is assumed to be better prepared and able to evaluate the gaps and estimate what resources it takes to close eventual gaps. The gap analysis tool has also been approved by IFC itself.

During 2012 there was no record of serious violations of SN Power's environmental standards for emissions or other environmental risks.

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

> Climate

During 2012, SN Power's portfolio of Clean Development Mechanism (CDM) projects registered at the UN increased to ten, up from seven in 2011. These hydro and wind projects will contribute a combined total of more than 2 million tons of annual reductions in CO2 emissions. The emissions reductions are translated into tradable credits through the formal verification and issuance procedures at the UN. Half of the SN Power CDM portfolio has started issuing credits, and 2012 saw a total of more than 800 000 credits issued from these projects.

7. Market Outlook

In the beginning of 2013, the macro-economic development and consumption growth in Asia and South America remains fairly robust despite the weak global economy. Global commodity prices remain high and SN Power expects oil, gas and coal prices to remain in 2013 at more or less the same level as in 2012. Certified Emissions Reduction (CER) prices have fallen significantly the last years so SN Power has lowered its long-term CER price expectations.

Due to current conditions in the international financial markets, the financing of infrastructure projects has generally become more challenging. Commercial banks and development finance institutions are still willing to provide long-term project financing, particularly for investments in renewable energy such as wind and hydropower. However, the terms and conditions are tighter and interest margins generally higher than some years ago. Nevertheless, SN Power remains well positioned to finance its growth ambitions.

8. Risk management

SN Power's growth targets and the nature of its business make it important to update and understand the risk picture continuously at all levels. A global framework for risk management has been established and implemented in all business areas. Important risk factors for SN Power are related to hydrology, construction, finance, market, health and safety, the wider environment, business ethics and social responsibility.

With production and energy trading in 8 different energy markets in Asia, Africa and Latin America, SN Power has diversified regulatory, hydrological and market risks. The primary instruments for managing market risk are energy contracts with different counter-parties, profiles, maturity and indexation.

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

The company's treasury department is responsible for the implementation of the Group's financial strategy. The department coordinates and manages the financial risks associated with foreign currencies, interest rates and liquidity.

The most important instruments for dealing with this are the currency forward contracts and interest rate swap agreements, primarily used to hedge future cash flows in foreign currencies and to convert part of a loan from variable- to fixed interest rates. As part of a conservative approach to place surplus cash, SN Power maintains its balance of excess cash in the Statkraft cash pool.

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

SN Power has established a uniform set of HSE standards, specifications and procedures that applies to all our activities in order to ensure an acceptable minimum safety standard throughout our business. These are actively monitored by our regional organisations and our representatives in Boards, and through HSE audits. A comprehensive system for reporting and analysis of HSE incidents has been developed to monitor HSE performance. Serious injuries are subject to independent accident investigations.

SN Power focuses on all aspects of business ethics for employees, business partners, consultants and suppliers. The greatest risk associated with this is corruption, as some of the countries in which SN Power operates rank low in various corruption indexes. In order to limit this risk, SN Power focuses on preparedness and prevention, by induction of ethical values in our business principles through training, ethical guidelines, policies and procedures, as well as active anti-corruption training.

9 Priorities for 2013 and onward

The main strategic targets for SN Power going forward are to improve the HSE performance, as well as promoting growth and maintaining efficient and profitable operations. Both of the Chilean assets will come into full operation during first half of 2013, and the organisation will work hard to ensure a successful construction process at the Cheves and Bajo Frio hydropower projects.

In order to reach the company's growth ambitions, SN Power will continue to identify and evaluate opportunities and partners in our targeted markets.

Oslo, 19 February 2013
The board of directors of Statkraft Norfund Power Invest AS

Øistein Andresen Chairman	Mark Davis Director	Tima Iyer Utne Director
Mette Sundholm Director	Tore Haga Director	Halvor Fossum Lauritzsen Director
Simen Bræin Director	Egil Reinhard Gjesteland Director	Torger Lien CEO

SN Power Group

Income Statement and Consolidated Statement of Comprehensive Income

FIGURES IN USD 1 000	NOTE	2012	2011
INCOME STATEMENT			
OPERATING REVENUES AND EXPENSES			
Sales revenues	7	260 499	188 962
Energy purchase and other costs related to power sales	8	-88 033	-48 307
Salary and personnel costs	9	-55 638	-44 232
Depreciation, amortization and write-downs	12, 13	-41 832	-29 018
Other operating costs	10	-51 391	-51 056
Income from investments in associated companies and joint ventures	6	108 141	83 113
Earnings before financial items and tax		131 746	99 462
FINANCIAL INCOME AND EXPENSES			
Financial income	11	7 660	17 256
Financial expenses	11	-25 168	-24 565
Gain (loss) on derivatives	11, 15	2 344	-50 535
Net financial items		-15 164	-57 844
Profit before tax		116 582	41 618
This year's tax expense	22	-9 474	-10 640
NET PROFIT FOR THE YEAR		107 108	30 978
Attributable to:			
Equity holders of the parent		96 808	20 132
Non-controlling interests		10 300	10 846
NET PROFIT FOR THE YEAR		107 108	30 978
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Net loss on hedging instruments	15	-5 673	-25 671
Non-controlling interests		-3 936	-
Net loss on cash flow hedges in associated companies and joint ventures	6	-47	-21 571
Currency translation differences		-33 656	-42 260
Non-controlling interests		-3	248
Pensions	21	1 854	-1 938
Other adjustments		2 064	1 690
Other comprehensive income for the year, net of tax		-39 397	-89 502
Total comprehensive income for the year, net of tax		67 711	-58 524
Attributable to:			
Equity holders of the parent		61 350	-69 618
Non-controlling interests		6 361	11 094
Total comprehensive income for the year, net of tax		67 711	-58 524

Balance Sheet at 31 December

FIGURES IN USD 1 000	NOTE	2012	2011
ASSETS			
Deferred tax asset	22	22 991	18 456
Intangible assets	12, 13	14 101	14 958
Property, plant and equipment	12, 13	1 147 615	943 849
Investment in associated companies and joint ventures	6	787 283	512 446
Non-current financial instruments (derivatives)	15	69 475	104 729
Financial assets	17	173 485	103 280
Total non-current assets		2 214 950	1 697 718
Spare parts		728	678
Receivables	18	208 648	575 612
Current financial instruments (derivatives)	15	19 773	8 649
Bank deposits, cash and cash equivalents (including restricted funds)	19	187 547	211 745
Total current assets		416 696	796 684
TOTAL ASSETS		2 631 646	2 494 402
EQUITY AND LIABILITIES			
Paid-in capital		1 649 562	1 589 558
Other equity		87 944	26 594
Non-controlling interests		155 327	145 333
Total Equity	20	1 892 833	1 761 485
Pension commitments	21	3 339	4 546
Deferred tax	22	126 358	136 551
Non-current financial instruments (derivatives)	15	54 455	46 869
Provisions	23	3 528	3 136
Interest-bearing long term debt	24	381 018	336 558
Total long-term liabilities		568 698	527 660
Current portion long term debt	24	63 813	108 695
Tax payable	22	9 041	9 906
Current financial instruments (derivatives)	15	19 468	16 799
Other current liabilities	25	77 793	69 857
Total current liabilities		170 115	205 257
TOTAL EQUITY AND LIABILITIES		2 631 646	2 494 402

Oslo, 19 February 2013

Øistein Andresen
Chair person

Mark John Davis
Director

Tima Iyer Utne
Director

Simen Bræin
Director

Tore Haga
Director

Halvor Fossum Lauritzsen
Director

Mette Elisabeth Sundholm
Director

Egil Reinhard Gjesteland
Director

Torger Lien
Chief Executive Officer

Consolidated Statement of Changes in Equity at 31 December

FIGURES IN USD 1 000	ATTRIBUTABLE TO EQUITY HOLDER OF THE PARENT: PAID-IN EQUITY: SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY: RETAINED EARNINGS	TRANSLATION RESERVE	HEDGING RESERVE	NON-CONTROLLING INTERESTS	TOTAL EQUITY
At 1 January 2011	476 768	639 885	130 541	-15 246	-19 084	91 962	1304 827
Transactions with shareholders							
Issue of share capital	94 581	378 325	-	-	-	-	472 906
Issue of share capital in subsidiaries - minority share	-	-	-	-	-	39 405	39 405
Reduced minority due to increased owner share	-	-	-	-	-	-19 192	-19 192
Increased minority due to purchase of subsidiary	-	-	-	-	-	33 540	33 540
Paid dividend	-	-	-	-	-	-11 475	-11 475
Transactions with shareholders	94 581	378 325	-	-	-	42 277	515 183
Other comprehensive income for the year, net of tax							
Net loss on hedging instruments	-	-	-	-	-25 671	-	-25 671
Net loss on cash flow hedges in associated companies and joint ventures	-	-	-	-	-21 571	-	-21 571
Currency translation differences	-	-	-	-42 260	-	248	-42 012
Pensions	-	-	-1 938	-	-	-	-1 938
Other adjustments	-	-	1 690	-	-	-	1 690
Other comprehensive income for the year, net of tax	-	-	-248	-42 260	-47 242	248	-89 502
Recognized in the Income Statement							
Net profit for the year	-	-	20 132	-	-	10 846	30 978
Recognized in the Income Statement	-	-	20 132	-	-	10 846	30 978
Total comprehensive income for the year, net of tax	-	-	19 884	-42 260	-47 242	11 094	-58 524
At 31 December 2011	571 349	1 018 209	150 425	-57 506	-66 325	145 333	1 761 485
Transactions with shareholders							
Issue of share capital	12 001	48 003	-	-	-	-	60 004
Increased minority due to purchase of subsidiary	-	-	-	-	-	20 662	20 662
Paid dividend	-	-	-	-	-	-17 029	-17 029
Transactions with shareholders	12 001	48 003	-	-	-	3 633	63 637
Other comprehensive income for the year, net of tax							
Net loss on hedging instruments	-	-	-	-	-5 673	-3 936	-9 609
Net loss on cash flow hedges in associated companies	-	-	-	-	-47	-	-47
Currency translation differences				-33 487	-	-3	-33 490
Pensions	-	-	1 854	-169	-	-	1 685
Other adjustments	-	-	2 064	-	-	-	2 064
Other comprehensive income for the year, net of tax	-	-	3 918	-33 656	-5 720	-3 939	-39 397
Recognized							
Net profit for the year	-	-	96 808	-	-	10 300	107 108
Recognized	-	-	96 808	-	-	10 300	107 108
Total comprehensive income for the year, net of tax	-	-	100 726	-33 656	-5 720	6 361	67 711
At 31 December 2012	583 350	1 066 212	251 151	-91 162	-72 045	155 327	1 892 833

Cash Flow Statement

FIGURES IN USD 1 000	NOTE	2012	2011
OPERATIONAL ACTIVITIES			
Profit before tax		116 582	41 618
Tax paid		-22 214	-4 971
Depreciation, amortization and write-downs	12, 13	41 832	29 018
Loss (gain) on disposal of fixed assets		-3 221	810
Difference between this year's pension expense and pension premium		656	501
Income from investments in associated companies and joint ventures	6	-108 141	-83 113
Effect of exchange rate changes (agio/disagio)		-1 580	-8 435
FX hedges in profit and loss with no cash effect	15	13 513	11 293
Change in spare parts		-50	-
Change in other long-term provisions		392	567
Change in receivables and other current liabilities		8 049	-23 086
Net cash flow from (to) operational activities		45 818	-35 797
INVESTMENT ACTIVITIES			
Investment in tangible and intangible fixed assets	12, 13	-186 361	-112 700
Investment in subsidiaries	2	-4 725	-112 145
Proceeds from sale of fixed assets		6 859	3 405
Dividends from associated companies and joint ventures		267 979	41 375
Investment in associated companies and joint ventures	6	-418 389	-40 742
Change in non-current financial assets		-95 714	11 652
Change in current financial receivables		310 991	-364 122
Net effect of cash and cash equivalents from acquisitions	2	16 406	10 433
Net cash flow to investment activities		-102 954	-562 844
FINANCING ACTIVITIES			
New long-term debt	24	166 838	120 750
Paid installments long-term debt	24	-192 344	-41 188
Payment of dividend	EQ	-17 029	-11 475
New paid-in equity from non-controlling interests	EQ	16 135	23 270
New paid-in equity	20	60 004	472 906
Net cash flow from financing activities		33 604	564 263
Effect of exchange rate changes on cash and cash equivalents		-666	-415
Net change in cash and cash equivalents		-24 198	-34 794
Cash and cash equivalents at 1 January		211 745	246 539
Cash and cash equivalents at 31 December		187 547	211 745

Notes to the financial statements

Figures in USD 1000

Note 01

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

The consolidated financial statements of the SN Power Group for the year 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 19 February 2013.

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

BASIC PRINCIPLES

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

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

STANDARD/ INTERPRETATION	TITLE	DATE OF ISSUE	APPLICABLE TO ACCOUNTING PERIODS COMMENCING ON OR AFTER
Amendments to IFRS 1	Severe Hyperinflation	December 2010	1 July 2011
Amendments to IFRS 1	Removal of Fixed Dates for First-time Adopters	December 2010	1 July 2011
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets	December 2010	1 January 2012

At the time of presentation of the financial statements, the following standards and interpretations are issued by IASB but not entered into force for the financial year 2012. Management assumes that these standards and interpretations will be applied in the Group financial statements from the financial year 2013 or later, and have not assessed the potential effect of these new standards. Standards and Interpretations that are clearly not relevant for the Group's financial statements have not been included in the below schedule.

STANDARD/ INTERPRETATION	TITLE	DATE OF ISSUE	APPLICABLE TO ACCOUNTING PERIODS COMMENCING ON OR AFTER
Amendments to IFRS 1	Government Loans	March 2012	1 January 2013
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	December 2011	1 January 2013
IFRS 9	Financial Instruments	November 2009	1 January 2015
Amendments to IFRS 9 and IFRS 7	Mandatory Effective date of IFRS 9 and Transition Disclosures	December 2011	IASB mandatory date 1 January 2015 postponed by the EU
IFRS 10	Consolidated Financial Statements	May 2011	1 January 2014
IFRS 11	Joint Arrangements	May 2011	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	May 2011	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	June 2012	1 January 2013
Amendments to IFRS 10, IFRS 12 and IAS 27	Amendments for investment entities	October 2012	1 January 2014
IFRS 13	Fair Value Measurement	May 2011	1 January 2013
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	June 2011	1 July 2012
IAS 19 (revised in 2011)	Employee Benefits	June 2011	1 January 2013
IAS 27 (revised in 2011)	Separate Financial Statements	May 2011	1 January 2014
IAS 28 (revised in 2011)	Investments in Associates and Joint Ventures	May 2011	1 January 2014
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	December 2011	1 January 2014
Improvements to IFRSs (Various Standards and Interpretations)	Improvements to IFRSs 2009-2011 Cycle	May 2012	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	October 2011	1 January 2013

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

CORRESPONDING FIGURES

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

	2012	2011
Total interest-bearing debt	444 831	445 253
Total equity and liabilities	2 654 247	2 494 402
Gearing ratio	16.8%	17.9%

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 2012.

Elimination of transactions

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

Subsidiaries

Subsidiaries are all entities where the Group has a controlling interest. Normally, the Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

Associated companies and joint ventures

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

If the Group's share of losses of an associate or a joint venture equals or exceeds the interest in the associate or joint venture, the Group discontinues recognizing its share of further losses. The interest in an associate or a joint venture is the carrying amount of the investment under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture. Such items may include long-term shareholder loans that are subordinated and unsecured.

REVENUE RECOGNITION

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

(a) Power sales

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

(b) Sales of services

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

(c) Dividend income

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

(d) Income from associated companies

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

GOVERNMENT GRANTS

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

EMISSION RIGHTS

SN Power Group will in some cases receive emission rights through production of environmentally friendly energy and sell them to a third party. Such rights are considered grants which are recognized when there is reasonable assurance that the Group will comply with the conditions attached to it. This is generally achieved once energy is produced. Emission rights are intangible assets. They are recognized at cost if separately acquired.

Emission rights received free of charge from the government are recognized at cost (nil) as allowed by IAS 20.23.

FOREIGN CURRENCY

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

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

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

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

FINANCIAL INSTRUMENTS

Generally

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

Valuation principles for different categories of financial instruments

1) Instruments at fair value through profit or loss

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

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

2) Loans and receivables

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

3) Financial liabilities

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

Principles for designation of financial instruments to different categories of instruments

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

Instruments at fair value through profit or loss

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

Financial instruments included in hedge accounting

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

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

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

INCOME TAX

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

Deferred tax and deferred tax assets

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

CURRENT/NON-CURRENT

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

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

INTANGIBLE ASSETS

Road and land rights

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

Development costs

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

TANGIBLE ASSETS

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

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

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

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

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

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

LEASES

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

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

IMPAIRMENT OF ASSETS AND INTANGIBLE ASSETS

Tangible and intangible assets are assessed for impairment when events occur or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Intangible assets with indefinite useful life and goodwill are tested at each reporting period. 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 amount and the recoverable amount. The recoverable amount is the greater of the assets' fair value less costs of disposal 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 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 recoverable amount of the asset is lower than its carrying amount, the asset is written down to recoverable amount. The impairment loss is recognized in the income statement in the expense categories consistent with the type of the impaired asset. Previously recognized impairment loss is reversed only if there have been changes in the estimates used to determine the recoverable amount. The reversed amount cannot exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

TRADE AND OTHER RECEIVABLES

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

INVENTORIES / SPARE PARTS

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

CASH AND CASH EQUIVALENTS

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

EQUITY

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

PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

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

PENSIONS

Defined benefit plans

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

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

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

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

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

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

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

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

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

Note 02

BUSINESS COMBINATIONS

In 2012 SN Power Group gained control in Fountain Intertrade Corporation in Panama and Muchinga Power Company Ltd in Zambia, previous joint venture companies.

FOUNTAIN INTERTRADE CORPORATION (FIC)
On the 6th of March 2012 SN power through Agua Imara gained majority in the Board of Directors (BoD) of FIC in accordance with the shareholder's agreement between Agua Imara and Panama Hydroelectric Ventures Inc., a subsidiary of Credicorp Group Inc. Agua Imara owned and still owns 50.1 % of the shares in FIC. Following the change in the BoD SN Power controls FIC according to IFRS, and consequently FIC has been derecognized as associated company and consolidated in the group financial statements as a subsidiary from the acquisition date. No gain or loss arose from the derecognition, and there was no consideration related to the change of control.

MUCHINGA POWER COMPANY LTD
On the 20th September 2012, Lunsemfwa Hydro Power Company Ltd (LHPC), a subsidiary of SN Power, increased it's ownership from 50 % to 100 % in Muchinga Power Company Ltd (MPC). MPC was established as a joint venture with InfraCo Ltd. to develop the Muchinga project. InfraCo Ltd sold its interest in MPC for 4.7 MUSD and transferred its costs of 1.5 MUSD in the project to LHPC.

Allocation of purchase price for business combinations in 2012

	MUCHINGA POWER COMPANY LTD	FOUNTAIN INTERTRADE CORPORATION	TOTAL
Acquisition date	20.09.12	06.03.12	
Voting rights/shareholding acquired through the acquisition	50.0%	0.0%	
Total voting rights/sharholding following acquisition	100.0%	50.1%	
Measurement of non-controlling interests	Proportional	Proportional	
Consideration			
Cash	4 725		4 725
Fair value of earlier recognized shareholdings	-	20 745	20 745
Total acquisition cost	4 725	20 745	25 470
Book value of net acquired assets (see table below)	1	41 407	41 408
Identification of excess value, attributable to:			
Property, plant and equipment	4 724	-	4 724
Gross excess value	4 724	-	4 724
Net excess value	4 724	-	4 724
Fair value of net acquired assets, excluding goodwill	4 725	41 407	46 132
Of which			
Attributable to Equity holders of the parent	4 725	20 745	25 470
Non-controlling interests	-	20 662	20 662
	4 725	41 407	46 132
Total acquisition cost	4 725	20 745	25 470
Fair value of net acquired assets, acquired by the majority through the transaction	4 725	20 745	25 470
Goodwill	-	-	-

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

BOOK VALUE OF NET ACQUIRED ASSETS	MUCHINGA POWER COMPANY LTD	FOUNTAIN INTERTRADE CORPORATION	TOTAL
Intangible assets	3 839		3 839
Property, plant and equipment	-	53 070	53 070
Other non-current financial assets	-	945	945
Non-current assets	3 839	54 015	57 854
Cash and cash equivalents	-	16 406	16 406
Receivables	-	497	497
Current assets	-	16 903	16 903
Acquired assets	3 839	70 918	74 757
Long-term interest-bearing liabilities	-	21 620	21 620
Other non-interest-bearing liabilities	3 838	2 674	6 512
Taxes payable	-	977	977
Derivatives	-	4 240	4 240
Liabilities	3 838	29 511	33 349
Net value of acquired assest	1	41 407	41 408
Net value of acquired assest, including the value of private placing	1	41 407	41 408
Total acquisition cost	4 725	20 745	25 470
Consideration and cost in cash and cash equivalents	4 725	20 745	25 470
Cash and cash equivalents in acquired companies	-	-16 406	-16 406
Net cash payments in connection with the acquisitions	4 725	4 339	9 064
Fair value of acquired receivables	-	497	
Gross nominal value of acquired receivables	-	497	497
Contribution to net profit since acqusition date	-	-988	-988
Net profit if consolidated from 1 January	-	-988	-988

Note 03

MARKET RISK, CREDIT RISK AND LIQUIDITY RISK

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

MARKET RISK

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

Currency risk

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

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

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

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

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

CURRENCY RISK	CURRENCY	INCREASE/ DECREASE IN CURRENCY RATE	EFFECT ON PROFIT BEFORE TAX (TUSD)
2011	NOK	+10%	+ 3 007
	NOK	-10%	- 3 007
2011	ZMK	+10%	+ 256
	ZMK	-10%	- 256
2012	NOK	+10%	+ 482
	NOK	-10%	- 482
2012	ZMK	+10%	+ 31
	ZMK	-10%	- 31

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

Interest rate risk

SN Power Group is exposed to interest rate risk through financing in different consolidated, associated companies and joint ventures, in addition to indirect exposure through interest rates as input in valuations. Interest rate exposure related to the subsidiaries, associated companies and joint venture's debt financing is secured through interest rate swaps for a significant portion of the loans. SN Power's ambition for the Group's interest risk is to minimize interest costs, reduce fluctuations in these, and limit changes in the value of the Group's net debt. The Group's total debt exposed to floating interest rates, exclusive associates and joint ventures, amounts to MUSD 224.

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

INTEREST RATE RISK EXPOSURE	INCREASE/ DECREASE IN INTEREST RATE	EFFECT ON PROFIT BEFORE TAX (TUSD)
2011	+1%	+ 2 924
	-1%	- 2 924
2012	+1%	- 605
	-1%	+ 266

Energy price risk

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

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

ENERGY PRICE RISK	INCREASE/DECREASE IN ENERGY PRICE	EFFECT ON NET PROFIT BEFORE TAX (TUSD)
2011	+10%	46 978
	-10%	-46 978
2012	+10%	27 571
	-10%	-27 571

CREDIT RISK

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

Maximum credit risk exposure is:

	2012	2011
Short and long-term receivables on associated companies/JV's	187 962	165 117
Other long term receivables	1 288	1 829
Cash and cash equivalents	187 547	211 745
Cash pool Statkraft	103 788	339 162
Short term receivables	89 007	172 502
Derivatives non-current assets	69 475	104 729
Derivatives current assets	19 773	8 649
Total	658 840	1 003 733

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

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

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

	CURRENT RECEIVABLES	LESS THAN 90 DAYS	MORE THAN 90 DAYS	IMPAIRED	TOTAL RECEIVABLES
Accounts receivables	22 856	2 740	8 595	-2 820	31 371
Other receivables	177 277				177 277

LIQUIDITY RISK

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

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	AFTER 2022	TOTAL
Fixed interest rate												
External loans in subsidiaries	9 192	10 258	15 134	15 435	15 862	16 084	16 465	16 460	16 189	31 647	75 444	238 170
Floating interest rate *												
External loans in subsidiaries	54 621	14 937	17 190	17 246	16 347	36 102	7 882	7 789	7 580	22 662	22 057	224 414
Interest payments												
Calculated interest payments	23 574	18 407	26 227	25 214	23 216	20 732	18 262	16 568	14 563	12 412	31 420	230 596
Total liabilities	87 388	43 602	58 551	57 894	55 426	72 919	42 610	40 816	38 332	66 721	128 921	693 181
Credit risk exposure												
Restricted cash	43 447											43 447
Bank deposits, cash and cash equivalents	144 100											144 100
Cash Pool Statkraft	103 788											103 788
Receivables	104 860											104 860
Financial assets			173 485									173 485
Total assets	396 195	-	173 485	-	-	-	-	-	-	-	-	569 680
Net	308 807	-43 602	114 934	-57 894	-55 426	-72 919	-42 610	-40 816	-38 332	-66 721	-128 921	-123 501

* Original principal amounts without considering interest swaps

Note 04

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occured after the balance sheet date.

Note 05

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	26 June 2002	Oslo, Norway	Investment			
SN Power Holding AS	27 May 2003	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	100.0%	100.0%
Agua Imara AS	13 January 2009	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	51.0%	45.9%
SN Power Brasil AS	7 April 2010	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	100.0%	100.0%
SN Power Holding Singapore Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding AS	100.0%	100.0%
SN Power Global Services Pte. Ltd	26 March 2009	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power Holding Peru Pte. Ltd	26 August 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power Holding Chile Pte. Ltd	12 August 2003	Singapore	Investment	SN Power Holding Singapore Pte.Ltd	100.0%	100.0%
SN Power International Pte Ltd.	12 August 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
Agua Imara ACA Pte. Ltd.[1]	25 September 2009	Singapore	Investment	SN Power AfriCA AS	100.0%	100.0%
Fountain Intertrade Corporation [2]	4 October 2010	Panama City, Panama	Power plant under construction	Agua Imara ACA Pte. Ltd.	50.1 %	50.1%
SN Power Investimentos Ltda [3]	torsdag 10. mai 12	Florianopolis, Brazil	Investment	SN Power Brasil AS	100.0%	100.0%
SN Power Energia do Brasil Ltda	31 December 2007	Florianopolis, Brazil	Trading	SN Power Investimentos Ltda	100.0%	100.0%
SN Power Peru Holding S.R.L	07 October 2003	Lima, Peru	Investment	SN Power Holding Peru Pte. Ltd	100.0%	100.0%
Empresa de Generacion Electrica Cheves S.A	01 June 2007	Lima, Peru	Power plant under construction	SN Power Peru Holding S.R.L	68.7%	68.7%
Empresa de Generacion Electrica Cheves S.A	01 June 2007	Lima, Peru	Power plant under construction	SN Power Peru S.A	31.3%	31.3%
SN Power Peru S.A	17 October 2007	Lima, Peru	Power production	SN Power Peru Holding S.R.L	100.0%	100.0%
SN Power Chile Inversiones Eléctricas Ltda	09 December 2004	Santiago, Chile	Investment	SN Power Holding Chile Pte. Ltd	100.0%	100.0%
SN Power Chile Tingueririca y Cia.	17 December 2004	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	99.9%	99.9%
SN Power Chile Valdivia y Cia.	15 February 2006	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	99.9%	99.9%
Norvind S.A	06 August 2007	Santiago, Chile	Power production	SN Power Chile Valdivia y Cia.	80.0%	80.0%
SN Power India Pvt Ltd	27 July 2010	New Dehli, India	Investment	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
SN Power Markets Pvt.Ltd	13 December 2011	New Dehli, India	Trading	SN Power Holding Singapore Pte. Ltd	100.0%	100.0%
Himal Power Ltd	01 March 2006	Kathmandu, Nepal	Power production	SN Power Holding Singapore Pte. Ltd	57.1%	52.7%
SN Power Vietnam Pte.Ltd	31 May 2010	Hanoi, Vietnam	Investment	SN Power Holding Singapore Pte. Ltd	80.0%	80.0%
Lunsemfwa Hydro Power Company Ltd	1 April 2011	Kabwe, Zambia	Power production	SN Power ACA Pte. Ltd	51.0%	51.0%
Muchinga Power Company Ltd	20 September 2012	Kabwe, Zambia	Power production	Lunsemfwa Hydro Power Company Ltd	100.0%	100.0%
SN Power Participacões Ltda [3]	25 May 2011	Rio de Janeiro, Brasil	Investment	SN Power Energia do Brasil Ltda	100.0%	100.0%
SN Power Comercializadora Ltda [3]	25 May 2011	Rio de Janeiro, Brasil	Trading	SN Power Participacões Ltda	100.0%	100.0%

[1] SN Power ACA Pte. Ltd changed name to Agua Imara ACA Pte. Ltd.
[2] Agua Imara ACA Pte. Ltd. gained control in Fountain Intertrade Corporation in March 2012. Descibed in detail in note 2.
[3] SN Power Investimentos Ltda was established as a 100% owned subsidiary of SN Power Brasil AS as part of a restructuring in Brazil. SN Power Investimentos Ltda is SN Power's holding company in Brazil and owns 100% of the shares in SN Power Energia do Brasil Ltda and 40.65% of the shares in Desenvix. SN Power Participacões Ltda (30 May 2012) and SN Power Comercializadora Ltda (31 December 2012) was merged with SN Power Energia do Brasil Ltda.

Note 06

ASSOCIATED COMPANIES AND JOINT VENTURES

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

COMPANY	DATE OF ESTABL./ ACQUISITION	BUSINESS OFFICE	MAIN OPERATIONS	PARENT COMPANY	VOTING SHARE	OWNER SHARE
Nividhu Pvt Ltd [1]	27 October 2003	Colombo, Sri Lanka	Power production	SN Power Holding Singapore Pte. Ltd	30.0%	30.0%
Malana Power Company Ltd [1]	17 June 2005	New Dehli, India	Power production	SN Power Holding Singapore Pte. Ltd	49.0%	49.0%
Allain Duhangan Hydro Power Ltd [1]	17 June 2005	New Dehli, India	Power plant under construction	Malana Power Company Ltd	88.0%	88.0%
SN Aboitiz Power - Magat Inc	29 November 2005	Manila, Philippines	Power production	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
Manila-Oslo Renewable Enterprise Inc. [3]	29 November 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd.	16.7%	16.7%
SN Aboitiz Power Benguet Inc	29 November 2005	Manila, Philippines	Power production/ rehabilitation	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Hydro Inc [2]	29 November 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Nueva Ecija Inc [2]	14 January 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Pangasnan Inc [2]	14 January 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power Cordillera Inc [2]	14 January 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power RES Inc [2]	23 December 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
SN Aboitiz Power - Generation Inc	1 October 2012	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40.0%	40.0%
Dugar Hydro Power Ltd	21 April 2011	Himachal Pradesh, India.	Power plant under construction	SN Power Holding Singapore Pte. Ltd	50.0%	50.0%
Hidroelectrica La Higuera S.A	03 June 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguerirca y Cia.	50.0%	50.0%
Hidroelectrica La Confluencia S.A	23 Sepember 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguerirca y Cia.	50.0%	50.0%
Burica Hydropower SA	21 February 2012	Panama City, Panama	Power plant under construction	Agua Imara ACA Pte. Ltd.	50.1%	50.1%
Desenvix Energias Renováveis S/A [4]	23 Sepember 2004	Florianopolis, Brazil	Power production	SN Power Investimentos Ltda	40.65%	40.65%

[1] The companies with diverging financial year are those located in India and Sri Lanka with 31 March as Balance sheet date. The figures specified in the note represent the calendar year.
[2] Companies without or with insignificant activity.
[3] Manila-Oslo Renewable Enterprise has a 60% owner share in SN Aboitiz Power Magat Inc, SN Aboitiz Power Benguet Inc, SN Aboitiz Power Hydro Inc, SN Aboitiz Power Nueva Ecija Inc, SN Aboitiz Power Pangasnan Inc, SN Aboitiz Power Cordillera Inc, SN Aboitiz Power RES Inc and SN Aboitiz Power - Generation Inc.
[4] SN Power, Jackson and Funcef have closed a transaction whereby SN Power has entered as a major shareholder in the Brazilian renewable power company Desenvix Energias Renováveis S/A. The transaction was closed 8 March 2012. Through the acquisition SN Power formed a Joint Venture with Desenvix´ other owners Jackson and Funcef.

None of the companies are listed.

Book value associated companies and joint ventures

COMPANY	COUNTRY	BOOK VALUE 2011	ADDITIONS/ DISPOSALS	SHARE OF PROFIT/LOSS	DIVIDENDS	FOREIGN CURRENCY TRANSLATION DIFFERENCE	GAIN/LOSS ON HEDGES	BOOK VALUE 2012
Nividhu Pvt Ltd	Sri Lanka	2 196	-	735	-805	-221	-	1 905
Malana Power Company Ltd	India	51 990	-	1 956	-	-261	-	53 685
Allain Duhangan Hydro Power Ltd	India	38 454	-	300	-	-170	-	38 584
Dugar Hydro Power Limited	India	2 470	2 248	-259	-	-88	-	4 372
SN Aboitiz Power - Magat Inc	Philippines	160 031	-4 875	128 710	-186 938	14 547	123	111 597
Manila-Oslo Renewable Enterprise Inc.	Philippines	43 424	-1 217	32	-	2 931	-	45 170
SN Aboitiz Power Benguet Inc	Philippines	149 513	-	45 458	-36 702	11 496	-638	169 127
SN Aboitiz Power - Generation Inc	Philippines	-	-	-576	-	-15	-	-591
Fountain Intertrade Corporation	Panama	20 745	-20 745	-	-	-	-	-
Hidroelectrica La Higuera S.A	Chile	15 385	-	-42 300	-	-2	462	-26 454
Hidroelectrica La Confluencia S.A	Chile	30 812	-	-16 027	-	-1	7	14 791
Desenvix Energias Renováveis S/A	Brazil	-	418 175	-6 247	-	-61 308	-	350 620
Burica Hydropower SA	Panama	-	4 058	-44	-	-	-	4 014
Group effects		-2 574	-	-3 597	-	180	-	-5 991
Share of loss offset against other interests in the company								26 454
Total		512 446	397 644	108 141	-224 444	-32 911	-47	787 283

SN Power and Bhilwara Group have joint control of the Indian companies Malana Power Company and Allain Duhangan Hydro Power with a 49% shareholding for SN Power and 51% shareholding for Bhilwara. SN Power and Tata Group have joint control of the Indian company Dugar Hydro Power with a 50% shareholding for SN Power and a 50 % shareholding for Tata. India had a positive net profit of MUSD 2. The Duhangan branch of the Allain Duhangan hydropower plant opened in February 2012 which resulted in higher production in 2012 than in 2011.

SN Power and Jackson have joint control of Desenvix with a 40.65% shareholding each and Funcef has a minority shareholding of 18.69%. Desenvix was included in SN Power accounts as an associated company from March 2012. Desenvix had a negative net profit due to a late start-up of wind farms and lack of fuel (bagasse) for the biomass plant Enercasa. MUSD 4 of the depreciations of excess values at Group level is related to Desenvix. Desenvix have BRL as functional currency and there has been a significant weakening against USD in 2012, resulting in a negative translation difference of MUSD 61.

SN Power and Aboitiz Equity Ventures have joint control of The Philippine companies with a 50% shareholding each. The Philippines had a net profit of MUSD 174 which is MUSD 39 higher than in 2011. Prices were high in the Filipino power market during 2012, which benefitted both revenues from sales of electricity and sales of system reserves (ancillary services). The Philippines have paid a dividend of MUSD 224 in 2012. The Filipino entities have PHP (peso) as functional currency and there has been a significant strengthening against USD in 2012, resulting in a positive translation difference of MUSD 29.

SN Power and Pacific Hydro Chile have joint control of Chilean companies with a 50% shareholding each. The hydropower plants La Higuera and La Confluencia in Chile have not been operating normally in 2012 and had negative net profits. La Higuera has negative equity due to negative Net Profits (loss) in 2012 and 2011. SN Power's share of negative equity are offset against shareholder loan for presentation purposes.

Agua Imara and Panamanian partner CrediCorp established in February 2012 a new company, Burica Hydropower SA. Its purpose is to develop the 63 MW Burica hydropower plant, with expected commissioning in 2015.

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

COMPANY		ASSETS	LIABILITIES	REVENUE	NET PROFIT
Nividhu Pvt Ltd	Sri Lanka	7 549	1 584	2 920	2 450
Malana Power Company Ltd	India	227 864	46 590	17 668	3 991
Allain Duhangan Hydro Power Ltd	India	365 774	276 295	44 090	695
Dugar Hydro Power Limited	India	8 836	92	-	-517
SN Aboitiz Power - Magat Inc	Philippines	672 597	415 237	333 211	257 419
Manila-Oslo Renewable Enterprise Inc.	Philippines	287 521	16 553	5 511	194
SN Aboitiz Power Benguet Inc	Philippines	796 143	401 895	142 439	90 915
SN Aboitiz Power - Generation Inc	Philippines	4 249	5 435	-	-1 152
Hidroelectrica La Higuera S.A	Chile	601 371	656 268	46 871	-84 599
Hidroelectrica La Confluencia S.A	Chile	527 162	497 573	47 734	-32 053
Desenvix Energias Renováveis S/A	Brazil	952 099	613 118	92 155	-15 369
Burica Hydropower SA	Panama	9 062	1 050	-	-88

* Assets and liabilities are converted to USD using the closing balance rate per 31 December 2012. Revenue and Net Profit are converted using average rate for 2012. The financial information is adjusted from local reporting to comply with IFRS in the group reporting.

Note 07

SALES REVENUES

BY BUSINESS AREA	2012	2011
Power sales	254 631	182 447
Services	2 156	6 249
Gain on disposal of assets	3 712	266
Total	260 499	188 962

BY GEOGRAPHICAL MARKET	2012	2011
Norway	710	847
South America	209 310	142 743
Asia	35 564	35 018
Africa	14 915	10 354
Total	260 499	188 962

Note 08

ENERGY PURCHASE AND OTHER COSTS RELATED TO POWER SALES

	2012	2011
Purchase of electric power	75 814	38 840
Transmission costs	9 079	7 292
Other production costs and fees	3 140	2 175
Total cost of energy purchase and other costs related to power sales	88 033	48 307

Note 09

EMPLOYEE BENEFIT EXPENSES, MANAGEMENT REMUNERATION AND AUDIT FEE

SALARY AND PERSONNEL COSTS	2012	2011
Salary expenses	40 317	33 288
Social security costs	4 249	3 138
Pension costs (note 21)	3 061	2 454
Other personnel costs	8 011	5 352
Total salary and personnel costs	55 638	44 232

THE AVERAGE NUMBER OF MAN-YEARS	2012	2011
SN Power Group consolidated companies	523	494
SN Power Group associated companies and joint ventures (100%)	691	715
Total	1 214	1 209

EXPENSED MANAGEMENT REMUNERATION	2012 NOK	2012 USD	2011 NOK	2011 USD
Chief Executive Officer				
Salary	2 083	358	1 926	344
Paid pension premium	184	32	149	27
Other	225	39	202	36
Total Chief Executive Officer	2 492	428	2 277	406
Executive Management Team				
Salary	13 566	2 330	12 139	2 165
Paid pension premium	1 163	200	1 075	192
Other	2 830	486	3 825	682
Total Executive Management Team	17 559	3 016	17 039	3 040
Total remuneration CEO and Executive Management Team	20 051	3 445	19 317	3 446

SN Power Executive Management Team have defined members and consists of 9 people in addition to the CEO. The Executive Management Team has a supplementary pension scheme with a right to a pension of 66% of the salary from 12G up to 20G from the age of 65 years. The plan requires 30 years vesting period and is funded by the company. The management group has no right to severance pay related to end of employment, with the exception of the Managing Director entitled to severance pay of up to 12 months.

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

Remuneration of TNOK 380 (TUSD 68) is paid to the Board of Directors in Statkraft Norfund Power Invest AS in 2012.

AUDIT FEE, SN POWER GROUP	2012	2011
Statutory audit	474	373
Other assurance services	15	20
Tax services	133	162
Non-audit services	71	446
Total fees to auditors	693	1 001

Deloitte is the auditor for SN Power Group. Audit fee related to consolidated companies not audited by Deloitte amounts to TUSD 100 (TUSD 28).

Note 10

OTHER OPERATING COSTS

	2012	2011
Leasing premises	3 693	3 547
External services	16 408	14 490
Travel expenses	7 394	7 495
Insurance expenses	3 606	4 483
Fees, licenses, etc.	944	885
Loss on disposal of assets, accounts receivable and contracts	514	2 497
Repairs and maintenace	4 041	5 306
Office expenses	6 790	6 462
Other costs	8 001	5 891
Total other operating costs	51 391	51 056

LEASE COSTS RELATED TO OPERATIONAL LEASES	2012	2011
Ordinary lease payments	3 693	3 547

THE FUTURE MINIMUM RENTS RELATED TO NON-CANCELLABLE LEASES FALL DUE AS FOLLOWS:	2013	2013-2018	2019 ->	TOTAL
Office lease, lease of office equipment etc	2 373	8 250	3 251	13 873
Other leases	151	757	-	908
Sum	2 524	9 006	3 251	14 781

Note
11

FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME	IAS 39 CATEGORY	2012	2011
Interest income bank	Amortized cost	5 400	4 046
Realised currency gain	Fair value through profit and loss	5 549	3 446
Unrealised currency gain	Fair value through profit and loss	-4 431	7 750
Other financial income	Amortized cost	1 142	2 014
Financial income		7 660	17 256

FINANCIAL EXPENSES		2012	2011
Interest expenses loans	Amortized cost	-19 062	-18 317
Realised currency loss	Fair value through profit and loss	-3 101	-3 018
Unrealised currency loss	Fair value through profit and loss	-453	-1 315
Other financial expenses	Amortized cost	-2 552	-1 915
Financial expenses		-25 168	-24 565

LOSS ON DERIVATIVES		2012	2011
Realised gains on derivates	Fair value through profit and loss	15 857	3 443
Realised loss on derivates *)	Fair value through profit and loss	-	-42 685
Unrealised gain on derivatives	Fair value through profit and loss	6 533	266
Unrealised loss on derivatives	Fair value through profit and loss	-1 539	-11 559
Unrealised gain on energy derivatives	Fair value through profit and loss	58 638	266
Unrealised loss on energy derivatives	Fair value through profit and loss	-77 145	-11 559
Loss on derivatives		2 344	-50 535

Net financial items		-15 164	-57 844

*) Loss in 2011 derives primarily from a currency contract related to the planned acquisition of 40.65% of Desenvix (Brazil). The currency contract does not qualify for hedge accounting and is recognized in the Income statement.

Note 12

PROPERTY, PLANT AND EQUIPMENT

	LAND	WATER RIGHTS	PLANTS AND MACHINERY	FIXTURES AND FITTINGS, VEHICLES, OTHER EQUIPMENT	TOTAL
Book value 1 January 2011	10 342	320 730	388 716	8 682	728 470
Additions	558	-0	104 452	2 975	107 985
Additions through business combinations	-	89 595	24 746	216	114 557
Reclassification	-	-	22 243	1 312	23 555
Disposals at book value	-277	-9 303	-504	-869	-10 953
Depreciation for the year	-5	909	-18 110	-2 390	-19 596
Exchange differences for the year	-	-157	-	-12	-169
Book value 31 December 2011	10 618	401 774	521 543	9 914	943 849
Acquisition cost 31 December 2011	10 652	401 944	649 779	22 259	1 084 634
Reclassification	-	-	22 106	1 312	23 418
Accumulated depreciation	-34	44	-150 342	-13 666	-163 998
Accumulated exchange differences	-	-214	-	9	-205
Book value 31 December 2011	10 618	401 774	521 543	9 914	943 849
Book value 1 January 2012	10 618	401 774	521 543	9 914	943 849
Additions	33	-	180 525	1 016	181 574
Additions through business combinations [1]	6 671	6 457	44 370	229	57 727
Reclassification	-	-	-5 657	5 657	-
Capitalized borrowing costs	-	-	3 894	-	3 894
Disposals at book value	-40	-	-1 413	-190	-1 643
Depreciation for the year	-5	-	-20 918	-2 818	-23 741
Impairment for the year	-	-	-14 000	-	-14 000
Exchange differences for the year	-	-	-	-45	-45
Book value 31 December 2012	17 277	408 231	708 344	13 763	1 147 615
Acquisition cost 31 December 2012	17 316	408 231	897 155	23 965	1 346 667
Reclassification	-	-	-5 657	5 657	-
Accumulated depreciation	-39	-	-183 154	-15 828	-199 021
Accumulated exchange differences	-	-	-	-31	-31
Book value 31 December 2012	17 277	408 231	708 344	13 763	1 147 615

[1] See Note 2 - Business Combinations for details

The operations of the La Oroya and Pachachaca hydropower plants, which generate 10% of the SN Power Peru's supply, might be terminated sometime in the future due to an implicit obligation with the local government deriving from an agreement that as of December 31, 2012 has expired. The background for this is that local government plans to use the water that feeds the turbines at the two plants for drinking water, and hydropower production must therefore cease. No write-downs have been made in the financial statements as of 31 December 2012 since the local government has postponed the termination to an undetermined date. Carrying amount for the above mentioned plants as of 31 December 2012 is calculated to MUSD 9.7. A provision for dismantling (MUSD 1.1) is made for La Oroya and Pachachaca hydropower plants.

The Cheves project (Peru) is under construction and is included under plant and machinery with MUSD 245.

The Bajo Frio Project (Panama) is under construction and is included under plant and machinery with MUSD 76.

IMPAIRMENT LOSSES RECOGNIZED IN THE YEAR

During the year, as a result of specific events and changes in market conditions, SN Power carried out a review of the recoverable amount of relevant power plants. In addition, impairment tests have been performed for intangible assets with infinite useful life.

The review led to the recognition of an impairment loss of approximately 10 MUSD, which has been recognized in the Income Statement in the Depreciation, amortization and write-downs line item.

The impairment review is performed per consolidated power plant, which is the lowest level at which independent cash flows can be measured.

SN Power routinely monitors assets, and if there are indications that the value of an asset is no longer recoverable, an impairment test will immediately be carried out to determine whether the asset can still justify its carrying value. If new estimates conclude that the value is no longer recoverable, the asset is written down to the recoverable amount. The recoverable amount is the greater of the the value in use (discounted cash flows) and the fair value less costs of disposal.

Norvind S.A. owns the Totoral wind farm, situated 300 kilometers north of Santiago and consisting of 23 two-megawatt Vestas wind turbines. The wind farm was opened in December 2009. Totoral has been approved and registered to generate carbon credits under the UN`s Clean Development Mechanism (CDM). Norvind S.A. is a fully owned subsidiary which is consolidated in SN Power group's financial statements.

The recoverable amount of the wind farm is determined based on fair value less costs of disposal, and the fair value is estimated from an indicative bid, cash and debt free, on the entity Norvind S.A. The sales process is expected to be completed during the first half of 2013.

Note 13

INTANGIBLE ASSETS

	GOODWILL	ROAD AND LAND RIGHTS	PROJECT DEVELOPMENT	SOFTWARE LICENSES	TOTAL
Book value 1 January 2011	-	2 086	42 057	502	44 645
Additions	-	1 217	3 498	-	4 715
Additions through business combinations	5 730	-	-	-	5 730
Reclassification	-	-	-23 556	1	-23 555
Disposals at book value	-	-1 007	-5 825	-57	-6 889
Amortisation	-	-23	-9 131	-268	-9 422
Exchange differences for the year	-	1	-268	1	-266
Book value 31 December 2011	5 730	2 274	6 775	179	14 958
Acquisition cost 31 December 2011	5 730	6 013	36 176	864	48 783
Reclassification	-	-916	-23 556	1	-24 471
Accumulated amortisation	-	-2 822	-5 536	-686	-9 044
Accumulated exchange differences	-	-1	-309	-	-310
Book value 31 December 2011	5 730	2 274	6 775	179	14 958
Book value 1 January 2012	5 730	2 274	6 775	178	14 957
Additions	-	596	5	292	893
Additions through business combinations [1]	257	-	3 839	-	4 096
Disposals at book value	-	-	-1 601	-	-1 601
Amortisation	-	-3	-3 961	-127	-4 091
Exchange differences for the year	-	1	-153	-1	-153
Book value 31 December 2012	5 987	2 868	4 904	342	14 101
Acquisition cost 31 December 2012	5 987	5 693	14 726	1 157	27 563
Accumulated amortisation	-	-2 825	-9 530	-813	-13 168
Accumulated exchange differences	-	-	-292	-2	-294
Book value 31 December 2012	5 987	2 868	4 904	342	14 101

[1] See Note 2 - Business Combinations for details

PROJECT DEVELOPEMENT

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

Note 14

CONTRACTUAL COMMITMENTS

In September 2010, SN Power approved construction of the hydro power plant Cheves in Peru. The power plant will have an installed capacity of 173 MW and an expected average annual production of 866 GWh. The investment frame is MUSD 450 with remaining MUSD 203 as of December 2012. SN Power is committed to contribute MUSD 200 in equity of which MUSD 190 has been injected as planned. SN Power has granted a parent company guarantee for completion of MUSD 130 with a remaining value of MUSD 82.

In October 2011, SN Power approved construction of the hydro power plant Bajo Frio in Panama. The power plant will have an installed capacity of 58 MW and an expected average annual production of 260 GWh. The investment frame is MUSD 224 (100%) with remaining MUSD 135 as of December 2012. SN Power is committed to contribute MUSD 16 in equity of which MUSD 11 has been injected as planned. The sponsors have granted parent company guarantees for completion of MUSD 30 (100%) of which SN Power covers MUSD 7.

Delayed start-up in addition to tunnel collapse in august 2011 in the La Higuera project (Chile) lead to production stop in the project. The delay caused by the collapse continued all through 2012. Together with a commitment to sell energy under a power sales agreement in a very dry year with high prices, gave rise to significant losses in 2012. The loss implied a liquidity need for La Higuera, and the owners chose to cover this by granting the company shareholder loans. Best estimate for remaining liquidity shortfall for 2013 is MUSD 47 on SN Power share.

On La Confluencia project (Chile) delayed start-up on the Portillo branch from poor rock quality, in addition to commitment to sell energy under a power sales agreement in a year with high power prices also lead to significant losses in 2012. The loss implied a liquidity need for La Confluencia, and the owners chose to cover this by granting the company shareholder loans. Best estimate for remaining liquidity shortfall in 2013 is MUSD 25 on SN Power share.

OFF BALANCE SHEET GUARANTEES AND OBLIGATIONS 31 DECEMBER	2012	2011
Parent company guarantees	208 175	220 606
Financial power exchange agreements	11 209	5 283
Property rental guarantees	546	551
Regress guarantees	86 489	66 716
Remaining equity commitments, subsidiaries	15 000	-
Remaining equity commitments, associated companies and joint ventures	72 000	61 000
Sureties	50 250	42 299
Total	443 669	396 455

Note 15

DERIVATIVES

	2012	2011
Derivatives - non current assets		
Energy derivatives	69 072	103 967
Currency rate derivatives	403	762
Total non-current derivatives	69 475	104 729
Derivatives - current assets		
Energy derivatives	16 108	7 469
Currency rate derivatives	3 665	1 180
Total current derivatives	19 773	8 649
Derivatives - non current liabilities		
Energy derivatives	2 993	12 209
Interest rate derivatives	51 462	34 660
Total non-current derivatives	54 455	46 869
Derivatives - current liabilities		
Energy derivatives	14 840	6 208
Interest rate derivatives	4 628	3 838
Currency rate derivatives	-	6 753
Total current derivatives	19 468	16 799
Net energy derivatives	67 347	93 019
Net Interest rate derivatives	-56 090	-38 498
Net currency rate derivatives	4 068	-4 811
Total net derivatives	15 325	49 710

FAIR VALUE OF DERIVATIVES

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

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

The fair value hierarchy has the following levels:

Level 1: Non-adjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Other than the quoted prices included in Level 1 that are observable for the asset or liability either directly as prices, or indirectly derived from prices.

Level 3: Data for the asset or liability is not based on observable market data.

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

	ENERGY DERIVATIVES LEVEL 3	INTEREST DERIVATIVES LEVEL 2	CURRENCY DERIVATIVES LEVEL 2	TOTAL
Derivatives 1 January 2012	93 019	-38 498	-4 811	49 710
Additions derivatives 2012	-	-3 514	-726	-4 240
Currency effect 2012	-7 165	-	-	-7 165
Derivatives 31 December 2012	67 347	-56 090	4 068	15 325
Change in fair value for derivatives	-18 507	-14 078	9 605	-22 980
Changes in fair value recognized in income statement	-18 507	-1 539	6 533	-13 513
Changes in fair value recognized in other equity	-	-12 539	3 072	-9 467
Change in fair value for derivatives	-18 507	-14 078	9 605	-22 980
Changes in fair value recognized in other equity	-	-12 539	3 072	-9 467
Deferred tax asset from hedging instruments recognized in other equity	-	1 439	-	1 439
Gain/loss on realized contracts recognized in other equity	-	-1 581	-	-1 581
Recognized in other equity	-	-12 681	3 072	-9 609
Changes in fair value recognized in income statement	-18 507	-1 539	6 533	-13 513
Gain on realized contracts recognized in income statement	-	-	15 857	15 857
Net recognized in income statement	-18 507	-1 539	22 390	2 344

SENSITIVITY ANALYSIS OF FACTORS CLASSIFIED AS LEVEL 3	10% REDUCTION	10% INCREASE
Net effect of prices on energy derivatives	-27 571	27 571

HEDGE ACCOUNTING

SN Power have entered into interest rate swaps in Norvind, Cheves, Fountain Intertrade Corporation and SN Power Peru and currency swaps in Cheves. All contracts qualify for hedge accounting of future cash flows, and changes in fair value are recorded against equity until the payment is settled. Other hedging instruments that does not meet hedge accounting requirements are recorded at fair value over profit and loss statement. Per 31 December a total of MUSD 52 of the groups hedging instruments qualify for hedge accounting.

Note 16

FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS VALUED AT AMORTIZED COST	BOOK VALUE	FAIR VALUE
Loans to associated companies and joint ventures	172 109	172 109
Investment in shares	88	88
Other long term receivables	1 288	1 288
Account receivable	34 191	34 191
Prepayments to suppliers	22 515	22 515
Other current receivables	48 154	48 154
Cash pool Statkraft	103 788	103 788
Cash and cash equivalents (note 19)	187 547	187 547
Total financial assets at amoritized costs	569 680	569 680

FINANCIAL LIABILITIES VALUED AT AMORTIZED COST		
Interest-bearing long term debt	381 018	381 018
Interest bearing short term debt	1 094	1 094
Current portion long term debt	63 813	63 813
Other current liabilities	39 367	39 367
Accounts payable	37 332	37 332
Tax	9 041	9 041
Total financial assets at amoritized costs	531 665	531 665

Note 17

FINANCIAL ASSETS

	2012	2011
Loan to associated companies and joint ventures [1]	172 109	101 169
Investments in shares	88	282
Other long term receivables	1 288	1 829
Total other financial assets	173 485	103 280

[1] Reduced with MUSD 24 which is share of loss (negative equity) in associted companies. Ref. Note 6 - Associated companies and joint ventures.

Note 18

RECEIVABLES

	2012	2011
Accounts receivables	34 191	23 266
Provisions for loss on receivables	-2 820	-2 531
Prepayments to suppliers	22 515	33 306
Earned but not invoiced operating income	12 834	7 294
Current receivable from associated companies and joint ventures	15 853	5 310
Other current receivables	21 499	110 791
Settlement account VAT	431	247
Prepaid rent	89	81
Accrued interest	268	48
Approved, not paid dividend from associated companies/joint ventures	-	58 638
Cash Pool Statkraft	103 788	339 162
Total receivables	208 648	575 612

Note 19

BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	2012	2011
Bank deposits, cash and cash equivalents	144 100	80 091
Bank deposits - tax restricted	1 828	556
Other bank deposits - restricted *)	41 619	131 098
Total bank deposits, cash and cash equivalents 31 December	187 547	211 745

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

Note 20

SHARE CAPITAL, SHAREHOLDER INFORMATION AND DIVIDEND

	SHARE CAPITAL	SHARE PREMIUM RESERVE	PAID-IN CAPITAL
Paid-in equity 1 January 2012	571 349	1 018 209	1 589 558
Capital increase	12 001	48 003	60 004
Paid-in equity 31 December 2012	583 350	1 066 212	1 649 562

SHAREHOLDERS IN STATKRAFT NORFUND POWER INVEST AS 31 DECEMBER 2012	NUMBER OF SHARES	OWNER AND VOTING SHARE
Statkraft AS	19 519 860	60 %
Norfund	13 013 240	40 %
Total	32 533 100	100 %

No dividends are paid out for 2012.

Note 21

PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

Statkraft Norfund Power Invest AS has pension schemes that cover a total of 61 staff members, and comply with Norwegian regulations on mandatory pension. The pension plans confers the right to defined future benefits, that mainly depend on the vesting period, the level of pay at retirement and the size of state pension benefits. These obligations are partially covered by a closed plan for 4 employees in the Norwegian Public Service Pension Fund (SPK) and through a group pension scheme with Nordea Liv.

In addition, the management team have a supplementary plan. This plan confers a right to a pension of 66% of the salary up to 20G from the age of 65 years. The plan requires 30 years vesting period and is funded by the company.

ASSUMPTIONS

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

	2012	2011
Discount rate	3.8%	2.8%
Expected rate of return	3.8%	2.8%
Regulation of salary	3.8%	4.0%
Regulation of pension, Nordea	0.3%	0.0%
Regulation of pension, SPK	2.8%	3.0%
Regulation of base rate	3.5%	3.8%
Turnover	3.5%	3.5%

PENSIONS COSTS	FUNDED	UNFUNDED	2012	2011
Net present value of the current year's pension earnings	2 439	237	2 676	2 150
Interest rate and administrative costs	260	26	286	265
Gross pension costs	2 699	263	2 962	2 416
Return on pension plan assets	-210	-	-210	-238
Amortization of passed service costs and gain/loss	-	-	-	32
Administration costs	34	-	34	35
Accrued social security cost	238	37	275	210
Net pension costs	2 760	300	3 061	2 454

PENSION LIABILITIES	FUNDED	UNFUNDED	2012	2011
Pension liabilities	10 327	848	11 175	9 928
Pension plan assets	8 186	-	8 186	5 893
Calculated pension liabilities	2 141	848	2 989	4 034
Past service cost	-	-	-	-
Social security cost	229	121	350	512
Net pension liabilities	2 371	969	3 339	4 546

MOVEMENT IN ACTUARIAL GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY			2012	2011
Accumulated amount recognized directly in equity before tax 1 January			-2 220	-291
Translation effects			-169	8
Recognized in the period	1 466	388	1 854	-1 938
Accumulated amount recognized directly in equity			-536	-2 220

Note 22

TAX

TAX EXPENSE	2012	2011
Taxes payable	20 394	10 736
Adjustments relating to previous years	-	3 244
Change in deferred tax	-10 920	-3 340
Tax expense	9 474	10 640

Tax expense is related to foreign subsidiaries.

TAX EXPENSE	2012	2011
Profit before tax	116 582	41 618
Expected tax expense at a nominal rate of 28%	32 643	11 653
Effect on taxes of:		
Differences in foreign tax rates	1 142	776
Income from associated companies and joint ventures	-31 141	-23 272
Tax-free income	-5 229	-6 854
Non-deductable costs	-	-211
Other permanent differences	523	-1 569
Changes relating to previous years	-	1 923
Tax loss carried forward	11 536	28 194
This year's tax expense	9 474	10 640
Tax rate	8.1%	25.6%

SPECIFICATION OF THE TAX EFFECTS OF TEMPORARY DIFFERENCES	1 JANUARY 2012	RECOGNIZED IN PROFIT AND LOSS	RECOGNIZED IN EQUITY	BUSINESS COMBINATIONS	OTHER	31 DECEMBER 2012
Current receivables	6 209	1 010	-	-	-564	6 656
Current liabilities	-37 921	6 834	-	-	2 933	-28 154
Derivatives	8 866	-1 286	1 439	-	-	9 019
Property, plant and equipment	-118 794	-198	-	-	-	-118 993
Other non-current items	-1 015	-	-	-	-	-1 015
Tax losses carried forward	24 560	4 560	-	-	-	29 120
Total net deferred tax liability/(asset)	-118 095	10 920	1 439	-	2 369	-103 367
Deferred tax asset	18 456					22 991
Deferred tax	-136 551					-126 358
Total deferred tax in balance sheet	-118 095					-103 367

TEMPORARY DIFFERENCES OR UNUSED TAX LOSSES FOR WHICH NO DEFERRED TAX ASSET/LIABILITY IS RECOGNIZED IN THE BALANCE SHEET	2012	2011
Property, plant and equipment	126	103
Pension liabilities	2 288	1 924
Other long-term items	-	-3 859
Tax losses carried forward/compensation	179 387	113 693
Temporary differences or unused tax losses for which no deferred tax asset/liability is recognized in the balance sheet	181 801	111 861

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

Note 23

LONG TERM PROVISIONS AND CONTINGENT LIABILITIES

	DISMANTLING	CLAIMS	TOTAL
Balance sheet 31 December 2011	568	2 568	3 136
New provisions	572	-	572
Amount used	-	-180	-180
Balance sheet 31 December 2012	1 140	2 388	3 528

Provision for dismantling (MUSD 1.1) relates to a provision made for the SN Power Peru plants La Oroya and Pachachaca hydropower plants, which might be taken out of operation due to usage of the water for drinking water.

Provision for claims (MUSD 2.4) is related to tax claims, custom claims, claims from regulators and restructuring cost in SN Power Peru. Reduced provisions in 2012 are related to SN Power Peru.

CONTINGENT LIABILITIES

The tax authorities in Peru promoted in 2008 a claim related to disagreement in upward adjustment of tax base from an internal reorganisation in Cahua (SN Power Peru) in 1997. The claim amounts to MPEN 28 (MUSD 10) plus interests. SN Power Peru discharged the claim and appealed the tax authorities interpretation of the legislation. In addition the company received a claim from former employees regarding supplementary payment of salary for MUSD 2,4 in the years 1981-2008. The claim has been rejected and one awaits further discussions in the legal system. It is Management's best estimate as of 31 December 2012 that no liability will arise, and so no provision is recognized.

In Chile, the joint venture company La Higuera has a conflict with the contractor and is currently in arbitration. The claim is related to delayed completion of the La Higuera plant and compensation for operating loss as a result of this, and it is expected to finish the arbitration process in 2013. A positive outcome will significantly impact future results, as the compensation is for operating losses as a result of the delay. On La Higuera the headrace tunnel collapsed in 2011. This lead to production stop, and together with a comittment to deliver energy on a power sales agreement and very high power prices in the market, lead to additional operating losses in 2012. The company is insured for production outages and a process has been initiated towards the insurance company. No claim or insurance proceeds are recognized as income as of 31 December 2012.

In Chile, the joint venture company La Confluencia has a disagreement with contractor regarding variation orders on the construction contract for the plant. Negotiations are ongoing. It is Management's best estimate as of 31 December 2012 that no liability will arise, and so no provision is recognized.

The joint venture companies Angat and Benguet have a number of claims on-going related to reimbursement of VAT, and await a conclusion from the tax authorities. The total amount claimed by Angat and Benguet is approximately MUSD 17.4. It is Management's best estimate as of 31 December 2012 that no liability will arise, and so no provision is recognized.

Further, Benguet has an insurance claim due to damages incurred on the Ambuklao rehabilitation due to the onslaught of the typhoon Pepeng in October 2009. The claim is MUSD 50, and arbitration proceedings have been initiated. No insurance proceeds are recognized as income as of 31 December 2012.

Note 24

LONG-TERM DEBT

	AVERAGE INTEREST RATE	2012	2011
Regular loans in subsidiaries	5.1%	404 831	233 976
Back-to-back loans *)	2.6%	40 000	119 500
Loan from Statkraft	3.4%	-	91 778
Total debt		444 831	445 254
First years installment long term debt		-63 813	-108 695
Interest-bearing long term debt		381 018	336 558

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

PLEDGED AS SECURITY AND RESTRICTED FUNDS

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

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

SN Power Holding AS has at 31 December 2012 MUSD 41.2 as deposit in Citibank presented as restricted cash. The deposit is a collateral for a loan on MUSD 40 from Citibank to SN Power Chile Inversiones Ltda. Interests of MUSD 0.1 are also classified as restricted cash. SN Power Holding AS has at 31 December 2012 MUSD 101.5 as deposit in Societe Generale Bank & Trust. The deposit is a collateral for a loan on MUSD 101.5 from Societe Generale Bank & Trust to SN Power Chile Inversiones Ltda. The loan agreement gives SN Power Group (SN Power Holding AS and SN Power Chile Inversiones Ltda) the legal right to set off the liability against the deposit in a situation of default of the deposit bank. As a consequense, the cash deposit and loan are presented net i SN Power Group's balance sheet.

Book value of pledged assets in the group amounts to MUSD 894 and the underlying commitment amounts to MUSD 340.

Note 25

SPECIFICATION OF OTHER CURRENT LIABILITIES

	2012	2011
Payables to employers and shareholders	4 239	2 370
Public taxes payable	2 885	2 192
Accounts payable	37 332	40 067
Accrued salary and vacation expense	6 311	5 013
Accrued costs and deferred revenue	3 218	3 417
Current interest-bearing debt	1 094	589
Accrued interest	4 842	2 585
Provision, current liabilities	4 964	688
Other current liabilities	12 908	12 936
Total other current liabilities	77 793	69 857

Note 26

TRANSACTIONS WITH RELATED PARTIES

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

SN Power's Executive Management Team and board are also related parties of SN Power. SN Power is indirectly owned by the Norwegian government. There are no identified significant transactions and balances with the Norwegian government or companies controlled by the Norwegian government, other than the ones listed in this note 26 and note 9.

All transactions with related parties have been carried out as part of the ordinary operations and at arm's length prices. There are no identified significant transactions and balances with related parties other than the ones listed in this note 26 and in note 9.

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

TRANSACTION TYPE	RELATED PARTY	2012	2011
Sales revenue	Statkraft Group	-	811
Sales revenue	Hidroelectrica La Higuera S.A	1 010	1 243
Sales revenue	Hidroelectrica La Confluencia S.A	725	1 156
Sales revenue	Burica Hydropower SA	226	-
Sales revenue	SN Aboitiz Power Magat Inc	6	41
Sales revenue	Manilla - Oslo Renewable Enterprise, Inc	7	110
Sales revenue	SN Aboitiz Power Benguet Inc	14	-
Sales revenue	Dugar Hydro Power Limited	168	145
Sales revenue	Total	2 156	3 506
Other operating costs	Statkraft Group	1 084	703
Other operating costs	Total	1 084	703
Interest income	Statkraft Group	1 387	410
Interest income	Total	1 387	410
Interest and other financial expenses	Statkraft Group	2 745	2 685
Interest and other financial expenses	Total	2 745	2 685

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

		2012	2011
Bank deposits in Statkraft Cash Pool	Statkraft Group	103 907	338 623
Receivables	Statkraft Group		1 229
Receivables	Hidroelectrica La Higuera S.A	98 750	32 191
Receivables	Hidroelectrica La Confluencia S.A	95 613	70 300
Receivables	Allain Duhangan Hydro Power Ltd	-	65
Receivables	SN Aboitiz Power Magat Inc	-	1 282
Receivables	SN Aboitiz Power – Generation Inc.	2 650	-
Receivables	Manilla - Oslo Renewable Enterprise, Inc	1 550	1 692
Receivables	SN Aboitiz Power Benguet Inc	-	33
Receivables	Fountain Intertrade Corporation	-	912
Receivables	Total	302 470	446 327
Other short term liabilities	Statkraft Group		9
Other short term liabilites	Total	-	9
Current portion short term debt	Statkraft Group		91 778
Current portion short term debt	Total	-	91 778

SN Power has assumed a guarantee obligation on behalf of Norfund related to specific revenue items in the Bajo Frio project. SN Power is entitled to recourse on commercial terms. The guarantee will be effective when the plant is commissioned.

Statkraft Norfund Power Invest AS

Income Statement and Statement of Comprehensive Income

FIGURES IN USD 1000	NOTE	2012	2011
INCOME STATEMENT			
OPERATING REVENUES AND EXPENSES			
Sales revenues	2	3 752	5 514
Salary and personnel costs	3	-14 245	-12 776
Depreciation and amortization	6	-94	-127
Other operating costs	4	-14 372	-14 335
Operating loss		-24 960	-21 724
FINANCIAL INCOME AND EXPENSES			
Financial income	5	11 889	12 152
Financial expenses	5	-7 602	-6 724
Gain (loss) on derivatives	5,11	22 390	-47 559
Net financial items		26 677	-42 130
Profit (loss) before tax		1 717	-63 855
Tax expense	8	-	-
NET PROFIT (LOSS) FOR THE YEAR		1 717	-63 855
STATEMENT OF COMPREHENSIVE INCOME			
Net loss on hedging instruments	11	-	-74
Pensions	7	1 557	-1 794
Other comprehensive income for the year, net of tax		1 557	-1 868
Total comprehensive income for the year, net of tax		3 274	-65 722

Balance Sheet at 31 December

FIGURES IN USD 1000	NOTE	2012	2011
ASSETS			
Intangible assets	6	7	7
Tangible assets	6	127	221
Investment in subsidiaries	9	1 580 496	1 227 525
Total fixed assets		1 580 629	1 227 752
Intra-group receivables	12	10 695	341 278
Receivables		1 585	6 546
Cash and cash equivalents	10	2 357	539
Total current assets		14 637	348 363
TOTAL ASSETS		1 595 266	1 576 115
EQUITY AND LIABILITIES			
Paid-in equity	11	1 649 561	1 589 558
Other equity	11	-153 957	-157 232
Total equity		1 495 604	1 432 326
Pension commitments	7	2 370	3 569
Total long-term liabilities		2 370	3 569
Accounts payable		551	1 017
Intra-group payables	12	92 547	36 883
Interest-bearing current debt	12	-	91 778
Current derivatives	11	-	6 533
Other current liabilities		4 194	4 009
Total current liabilities		97 292	140 220
TOTAL EQUITY AND LIABILITIES		1 595 266	1 576 115

Oslo, 19 February 2013

Øistein Andresen
Chair person

Mark John Davis
Director

Tima Iyer Utne
Director

Simen Bræin
Director

Tore Haga
Director

Halvor Fossum Lauritzen
Director

Mette Elisabeth Sundholm
Director

Egil Reinhard Gjesteland
Director

Torger Lien
Chief Executive Officer

Statement of Changes in Equity at 31 December

FIGURES IN USD 1000	NOTE	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
At 1 January 2012		571 349	1 018 209	-157 232	1 432 326
Transactions with shareholders					
Issue of share capital	11	12 001	48 003		60 004
Transactions with shareholders		12 001	48 003		60 004
Total comprehensive income for the year, net of tax				3 274	3 274
At 31 December 2012		583 350	1 066 211	-153 958	1 495 604

Cash Flow Statement

FIGURES IN USD 1000	NOTE	2012	2011
OPERATIONAL ACTIVITIES			
Profit/loss before tax		1 717	-63 855
Depreciations	6	94	127
FX hedges in profit and loss with no cash effect	11	-6 533	8 317
Difference between this year's pension expense and pension premium		299	308
Effect of exchange rate changes		4 151	-6 172
Change in intra-group accounts		56 642	50 687
Change in other current assets and liabilities		4 739	-6 090
Net cash flow from (to) operational activities		61 109	-16 677
INVESTMENT ACTIVITIES			
Investment in tangible and intangible fixed assets	6	-	3 197
Investments in subsidiaries		-352 971	-245 757
Change in Cash Pool Statkraft		329 604	-281 742
Net cash flow to investment activities		-23 367	-524 302
FINANCING ACTIVITIES			
Paid installments to / new current debt from Statkraft		-95 929	63 656
New paid-in equity	11	60 004	472 906
Net cash flow to (from) financing activities		-35 926	536 562
Net change in cash and cash equivalents		1 817	-4 417
Cash and cash equivalents at 1 January		539	4 956
Cash and cash equivalents at 31 December		2 356	539

Notes to the financial statements

Figures in USD 1000

Note 01

ACCOUNTING PRINCIPLES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been presented in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act § 3-9. The financial statements consist of the income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements.

The financial statements give a true and fair view of the financial position, the financial performance and the cash flows for the year.

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 recognized as income when rendered. Other operating revenues are recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

FOREIGN CURRENCY

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

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

INVESTMENTS

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

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

TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

Tangible fixed assets and intangible assets are measured at cost less accumulated depreciation and write-downs. Tangible fixed assets and intangible assets with limited useful lives are depreciated over the expected useful life of the assets. Tangible fixed assets and intangible assets are written down if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use. Write-downs are reversed if the basis for the write-down is no longer present.

Research costs are expensed as incurred. Development costs related to project development are capitalised only if future economic benefits from the development of an intangible asset is probable. Development costs will often be capitalised when a construction project is more probable than not. This may occur before the formal investment decision has been made.

LEASING

Leasing agreements are classified as financial or operational based on the actual terms and conditions of the agreement. Agreements transferring substantially all the financial rights and obligations related to the leased object to the company are classified as financial. Other lease agreements are classified as operational and the annual leasing fee is charged to profit and loss as a leasing expense.

TRADE RECEIVABLES

Trade receivables are measured at the recoverable amount. Provisions are made for bad debts.

INCOME TAXES

The tax expense is calculated from the profit (loss) before tax and comprises the current taxes and the change in deferred taxes. According to an interpretation from the Ministry of Finance, the taxable income is calculated in NOK as functional currency as opposed to USD in the financial statements. Deferred tax assets and liabilities are calculated in accordance with the liability method without discounting and provided for all differences between the carrying amount in the balance sheet and the tax base of assets and liabilities, and for tax losses carried forward. Deferred tax assets are recognized on the balance sheet only when it is probable that the benefit can be utilized through future taxable profits.

PENSION COST

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

CASH FLOW STATEMENT

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

Note 02

SALES REVENUES

BY BUSINESS AREA	2012	2011
Services	3 752	5 514
Total	3 752	5 514

BY GEOGRAPHICAL MARKET	2012	2011
Norway	1 788	1 395
South America	1 689	1 885
Asia	274	2 234
Total	3 752	5 514

Note 03

EMPLOYEE BENEFIT EXPENSES, MANAGEMENT REMUNERATION AND AUDIT FEE

SALARY AND PERSONNEL COSTS	2012	2011
Salary expenses	-9 364	-8 287
Social security costs	-1 477	-1 323
Pension costs (note 7)	-1 940	-1 492
Other employee benefits	-1 025	-1 218
Other personnel costs	-438	-456
Total salary and personnel costs	-14 245	-12 776

THE AVERAGE NUMBER OF MAN-YEARS	2012	2011
Statkraft Norfund Power Invest AS	48	47

Remuneration to leading employees

The Chief Executive Officer received a salary of TNOK 2 083 (TUSD 358), paid pension premium of TNOK 184 (TUSD 32) and other renumeration of TNOK 225 (TUSD 39) in 2012. Average rate 2012 is used when conversion of NOK to USD. There are no contingent liabilities related to end of employment with the exception of the Managing Director entitled to severance pay up to 12 months.

Remuneration paid by Statkraft Norfund Power Invest AS to its Directors in 2012 amounts to TNOK 453 (TUSD 78).

AUDITOR	2012	2011
Statutory audit	222	132
Other assurance services	2	6
Tax services	132	154
Non-audit services	55	24
Total fees to auditors	410	316

Note 04

OTHER OPERATING COSTS

OTHER OPERATING COSTS	2012	2011
Leasing premises	-898	-812
Other leasing costs	-225	-441
External services	-4 888	-2 976
Group services	-339	-1 443
Travel expenses	-2 515	-2 939
IT costs (Hardware and software)	-1 989	-1 813
Other costs	-3 518	-3 912
Total other operating costs	-14 372	-14 335

Note 05

FINANCIAL ITEMS

FINANCIAL INCOME	2012	2011
Group contribution	9 509	4 668
Interest income bank	807	404
Interest income on foreign exchange contracts	-	875
Currency gain	1 573	6 205
Financial income	11 889	12 152

FINANCIAL EXPENSES	2012	2011
Interest expenses Statkraft loan	-2 702	-2 521
Currency loss	-4 853	-4 146
Other financial expenses	-47	-57
Financial expenses	-7 602	-6 724

GAIN LOSS ON DERIVATIVES	2012	2011
Realised gains on derivates	15 857	3 444
Unrealised gain on derivatives	6 533	-
Realised loss on derivates	-	-42 685
Unrealised loss on derivatives	-	-8 317
Gains and losses on derivatives	22 390	-47 559

FUNCTIONAL CURRENCY

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

Note 06

FIXED ASSETS

TANGIBLE ASSETS	FURNITURES, OFFICE FIXTURES	OFFICE EQUIPMENT	TOTAL
Acquisition cost 1 January 2012	656	353	1 010
Additions			-
Disposals			-
Acquisition cost 31 December 2012	656	353	1 010
Accumulated depreciation at 31 December 2012	-555	-328	-883
Book value 31 December 2012	102	25	127
Depreciation for the year	93	1	94

Estimated economic life	3-10 yrs	3-10 yrs	
Depreciation method	linear	linear	

INTANGIBLE ASSETS	SOFTWARE LICENCES	TOTAL
Acquisition cost 1 January 2012	277	277
Additions		-
Disposals		-
Acquisition cost 31 December 2012	277	277
Accumulated amortization at 31 December 2012	-270	-270
Book value 31 December 2012	7	7
Amortization for the year	-	-

Estimated economic life	3 - 5 yrs
Depreciation method	linear

Note 07

PENSIONS

Statkraft Norfund Power Invest AS has pension schemes that cover a total of 61 staff members, and comply with norwegian regulations on mandatory pension. The pension plan confers the right to defined future benefits, that mainly depend on the vesting period, the level of pay at retirement and the size of state pension benefits. These obligations are partially covered by a closed plan for 4 employees in the Norwegian Public Service Pension Fund (SPK) and through a group pension scheme with Nordea Liv. In addition, executive employees have a supplementary plan. This plan confers a right to a pension of 66% of the salary from 12G up to 20G from the age of 65 years. The plan requires 30 years vesting period and is from 2007 funded by the company.

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

	2012	2011
Discount rate	3.8%	2.8%
Expected rate of return	3.8%	2.8%
Regulation of salary	3.8%	4.0%
Regulation of pension	0.3%	0.0%
Regulation of base rate	3.5%	3.8%
Turnover	3.5%	3.5%

PENSION COSTS	FUNDED	UNFUNDED	2012	2011
Net present value of the current year's pension earnings	1 398	209	1 607	1 234
Interest rate and administrative costs	240	19	259	245
Gross pension costs	1 638	228	1 866	1 479
Return on pension plan assets	-194	-	-194	-225
Amortization of passed service costs and gain/loss	-	-	-	32
Administration costs	29	-	29	26
Accrued social security cost	208	32	240	180
Net pension costs	1 680	260	1 940	1 492

PENSION LIABILITIES			2012	2011
Pension liabilities	9 029	605	9 635	8 639
Pension plan assets	7 558	-	7 558	5 511
Calculated pension liabilities	1 471	605	2 077	3 128
Past service cost	-	-	-	-
Social security cost	207	85	293	441
Net pension liabilities	1 679	691	2 370	3 569

MOVEMENT IN ACTURIAL GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY			2012	2011
Accumulated amount recognized directly in equity before tax 1 January			-1 977	-184
Translation effects			-151	5
Recognized in the period	1 355	354	1 709	-1 799
Accumulated amount recognized directly in equity before tax 31 December			-420	-1 977

Note 08

TAX

	2012	2011
Profit (loss) before tax	1 717	-63 855
Expected tax expense at a nominal rate of 28%	-481	17 879
Effect on taxes of:		
Permanent profit and loss differences between USD accounts and tax accounts in NOK translated to USD at closing balance rate 2012	4 157	-6 968
Permanent differences	-32	-44
Change in market value on foreign exchange contracts	-	-2 094
Tax loss carried forward	-9 084	-6 188
Group contribution	3 017	-2 526
Changes in temporary differences	2 422	-59
This year's tax expense	-	-
Tax rate	0%	0%

	2012	2011
Fixed assets	127	96
Pensions	1 950	1 592
Tax loss carried forward	151 637	107 621
Temporary differences 31 December	153 714	109 309
Tax rate	28%	28%
Deferred tax asset 31 December	-	-

Deferred tax asset is recognized based on an expectation about a future taxable profit. Based on Statkraft Norfund Power Invest AS's operations, future income will primarily not be taxable. Accordingly, deferred tax asset can not be utilized in 2012 and have not been recognized in the company's balance sheet. Tax loss carried forward at 31 December 2012 amounts to TNOK 844.075.

Note 09

SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements:

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

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

COMPANY	PAID-IN CAPITAL NOK	PAID-IN CAPITAL USD
SN Power Holding AS	5 806 816	1 003 567
Agua Imara AS	328 093	55 843
SN Power Brasil AS	2 898 200	521 086

Note 10

GUARANTEES, CASH AND CASH EQUIVALENTS

GUARANTEES

Statkraft Norfund Power Invest AS has on behalf of associates and subsidiaries issued guarantees for a total amount of MUSD 365 pr 31 December 2012. Guarantees related to associated companies and joint ventures amounts to MUSD 161. The equivalent amount to subsidiaries is MUSD 198. The company has also a premises rent guarantee on MUSD 0.5.

CASH AND CASH EQUIVALENTS	2012	2011
Specification of cash and cash equivalents		
Cash and bank deposits	1 261	53
Restricted bank deposits - witholding tax employees	1 096	486
Total cash and cash equivalents	2 357	539

Note 11

SHARE CAPITAL, SHAREHOLDER INFORMATION AND FX HEDGE CONTRACTS

	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
Equity 1 January 2012	571 349	1 018 209	-157 232	1 432 326
Issue of share capital	12 001	48 003	-	60 004
Pensions	-	-	1 557	1 557
This year's net profit	-	-	1 717	1 717
Equity 31 December 2012	583 350	1 066 211	-153 958	1 495 604

Nominal value per share is NOK 100. All issued shares have equal voting rights and are equally entitled to dividend. No dividend is paid out for 2012.

FOREIGN EXCHANGE CONTRACTS

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

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

Other hedging instruments that does not meet hedge accounting requirements are recorded at fair value in the income statement.

	2012	2011
Forward exchange rate contracts at 1 January	-6 533	1 858
Forward exchange rate contracts at 31 December	-	-6 533
Changes in fair value of forward exchange rate contracts	6 533	-8 391
Changes in fair value of forward exchange rate contracts recognized in income statement	6 533	-8 317
Changes in fair value of forward exchange rate contracts recorded against other equity	-	-74
Changes in fair value of forward exchange rate contracts	6 533	-8 391
Changes in fair value of forward exchange rate contracts recorded against other equity	-	-74
Net recorded against equity	-	-74
Changes in fair value of forward exchange rate contracts recognized in income statement	6 533	-8 317
Loss on realized contracts recognized in income statement *)	-	-42 685
Gain on realized contracts recognized in income statement	15 857	3 443
Net recognized in income statement	22 390	-47 559

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

SHAREHOLDERS 31 DECEMBER 2012	Number of shares	Owner and voting share
Statkraft AS	19 519 860	60%
Norfund	13 013 240	40%
Total	32 533 100	100%

Note 12

TRANSACTIONS WITH RELATED PARTIES

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

SN Power's Executive Management Team and board are also related parties of SN Power. SN Power is indirectly owned by the Norwegian government. There are no identified significant transactions and balances with the Norwegian government or companies controlled by the Norwegian government other than the ones listed in this note 12 and note 3.

All transactions with related parties have been carried out as part of the ordinary operations and at arm's length prices. There are no identified significant transactions with related parties other than the ones listed in this note 12 and in note 3.

INTERCOMPANY SHORT TERM RECEIVABLES	2012	2011
SN Power Holding Singapore Pte. Ltd.	324	94
Agua Imara ACA Pte Ltd	2	-
SN Power Peru Holding S.R.L	154	-
SN Power Peru S.A.	3 465	77
SN Power Chile Inversiones Electricas Ltda.	322	2 460
Empresa de Generacion Cheves S.A	79	2 847
SN Power India Pvt. Ltd.	-	311
Himal Power Ltd.	185	11
SN Power Global Services Pte. Ltd.	4	-
Agua Imara AS	271	193
SN Power Brasil AS	3 585	3 389
Cash Pool Statkraft AS	2 283	331 887
Statkraft AS	22	9
Total	10 695	341 278

INTERCOMPANY SHORT TERM PAYABLES	2012	2011
Agua Imara AS	81	13 868
SN Power Holding AS	92 201	22 891
SN Power Holding Singapore Pte. Ltd.	3	67
Himal Power Ltd.	-	10
SN Power Peru S.A	153	37
Statkraft AS	112	9
Total	92 547	36 883

CURRENT PORTION LONG TERM INTRAGROUP DEBT	2012	2011
Statkraft AS	-	91 778
Total	-	91 778

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Statkraft Norfund Power Invest AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements for the parent company comprise the balance sheet as at 31 December 2012, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2012, the income statement, the consolidated statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Chief Executive Officer's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Deloitte.

Page 2
Independent Auditor's Report to the Annual Shareholders' Meeting of Statkraft Norfund Power Invest AS

Opinion on the financial statements for the parent company
In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Statkraft Norfund Power Invest AS as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9.

Opinion on the financial statements for the group
In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Statkraft Norfund Power Invest AS as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

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

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

Oslo, 19 February 2013
Deloitte AS

Aase Aa. Lundgaard
Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)

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