

The background of the cover is a photograph of a waterfall cascading over dark, rocky terrain. A branch with bright green leaves extends from the right side towards the center. Overlaid on the lower left is a series of concentric white circles that fade out towards the center. The company name 'SN|POWER' is written vertically in white on the right, and the year '2009' is written in large white digits across the bottom right. The words 'ANNUAL REPORT' are in smaller white capital letters below the year. Contact information for the head office in Oslo is listed in the bottom left corner.

SN|POWER

2009

ANNUAL REPORT

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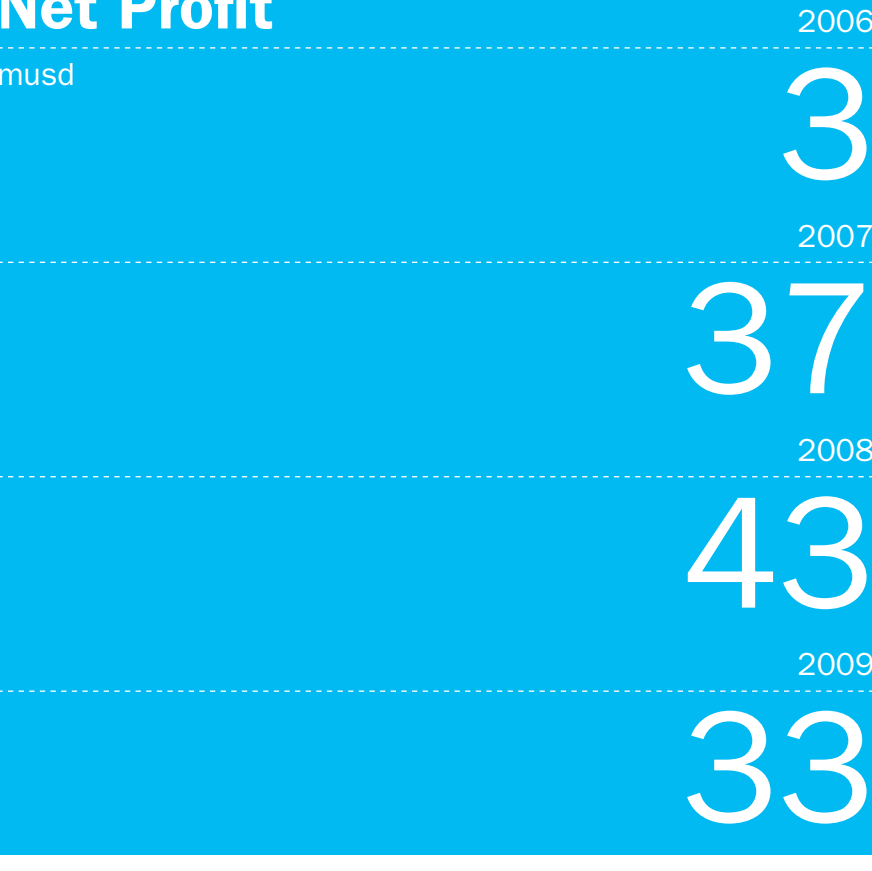
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## Key Achievements in 2009

- FINANCIAL RESULTS > Sound financial results with net profits of USD 32 million
- WIND > Production start-up for SN Power's first wind farm, Totoral, in Chile
- PARTNERSHIP > SN Power and Tata Power agreed to explore joint hydropower activities in India and Nepal
- POWER PURCHASE AGREEMENT > SN Power and the Peruvian government agreed that the Cheves hydropower project will supply state owned distribution companies with 109 MW from 1st July 2014
- EXPANSION > Establishment of new offices and build up of key capabilities to manage growth
- CODE OF CONDUCT > An updated Code of Conduct has been authored and signed by all SN Power employees
- HEALTH AND SAFETY > Strengthening the control of HSE in construction projects resulted in a significant improved HSE performance

## Net Profit

USD million



# Powering Development

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

MISSION

VISION

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

**EXCELLENCE**  
We are driven to excel in everything we do. We aim to be a leader in hydropower development and operation in emerging markets. We aim for zero accidents in all of our activities.

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

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

CORE VALUES

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

SN Power has invested more than USD 1100 million in equity through acquisitions and the development of new hydropower projects in Asia and Latin America. Currently, SN Power is involved in hydropower and wind generation in the Philippines, Nepal, India, Chile, Sri Lanka and Peru. Hydro and wind power projects are under construction and/or assessment in Chile, Brazil, Nepal, India and the Philippines. SN Power's share of installed capacity in these operating plants and construction projects amounts to 950 MW, and an annual mean generation of almost 4.2 TWh. A new company was established in January 2009 to focus on hydropower development in Africa and Central America.

SN Power and its subsidiaries had 466 employees worldwide at year-end 2009. 784 people were employed through non-consolidated joint venture companies in which SN Power is a partner. More than 5 000 people were employed at the construction projects where SN Power is an investor.

As part of the Statkraft Group, SN Power has a strong industrial foundation that builds on more than 100 years of developing, owning and operating hydropower in Norway. Statkraft is the largest renewable energy company in Europe with more than 51.5 TWh in annual electricity production. In 2009, Statkraft's gross operating revenues reached 25.7 billion NOK.

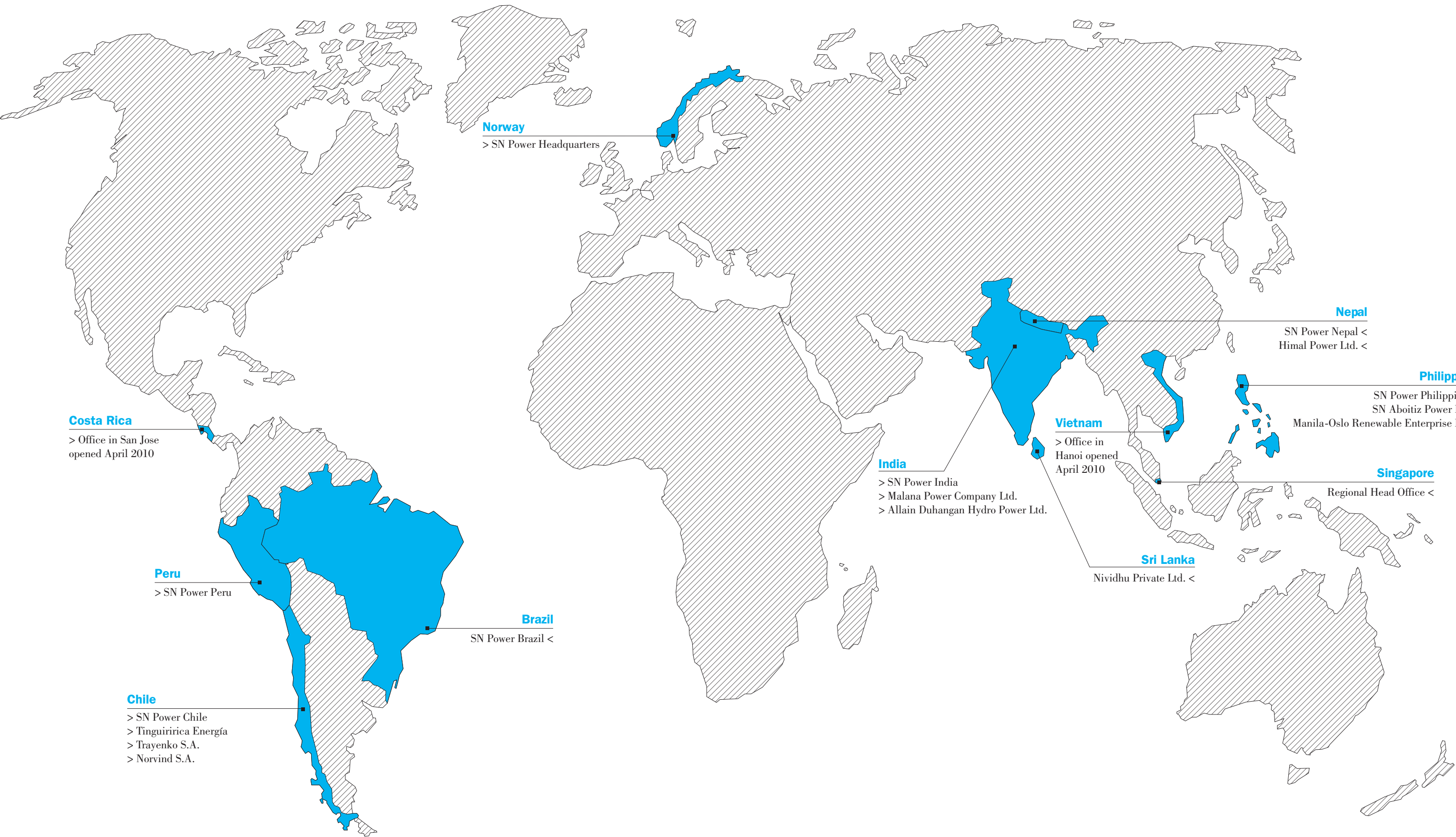
Norfund is a Norwegian development financial institution (DFI) which invests risk capital in profitable private enterprises in Africa, Asia, Latin America and the Balkans. Through Norfund, SN Power has access to significant experience and expertise in conducting investments in emerging markets.

## SN Power's strategy

SN Power's overall business concept is to develop, build, acquire, own and operate sustainable hydropower projects in emerging markets on commercial terms. This positions SN Power at the intersection of two global mega trends: the growth in emerging markets and in renewable energy. SN Power plans to quadruple its equity generation capacity from 950 MW to 4 000 MW by 2015. This growth is envisioned through the construction of new hydropower projects and through the acquisition of existing assets. This ambition includes the development of 700 MW of generation capacity in Africa and Central America, in which SN Power will hold 51 per cent. The owners of SN Power have committed capital to fund the company's ambitious expansion.

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

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





# From venture to enterprise

2009 was a year of transition from being a business venture to becoming a supplier of electricity, with our first wind power plant in operation. In close cooperation with our financial partners, SN Power maneuvered safely through the international credit and financial crisis. Major construction projects are up for completion in 2010, business development efforts are making progress and we are delivering a healthy profit. Most importantly, though; our systematic efforts to improve health and safety standards and performance have had a significant impact.

**In January 2009, Statkraft – Europe's largest producer of renewable energy** – increased its ownership stake in SN Power from 50 percent to 60 percent. The Norwegian development finance institution, Norfund, consequently reduced its stake from 50 percent to 40 percent. Statkraft's experience in energy and project development skills will provide valuable support to SN Power's

expansion into emerging markets with vast reserves of renewable energy. Statkraft's ownership stake contributes to strengthening the credibility of SN Power in key markets, as confirmed by the Indian energy giant, Tata Power, when signing a partnership agreement with SN Power. Tata Power also cited the common vision and values as one of the main reasons for choosing SN Power as its first hydropower partner. As we explore joint projects in India and Nepal, profitable business endeavors and beneficial effects to the surrounding communities, will carry equal weight. Tata Power and SN Power agree that you simply cannot succeed in one area without succeeding in the other.

SN Power also made headway – and headlines – in several regions in 2009. SN Power AfriCA, a joint venture between SN Power and co-owner Norfund, was established in January 2009 to explore business opportunities in Africa and Central America. Two Norwegian regional utilities, BKK and TrønderEnergy, have agreed to invest in SN Power AfriCA, providing a unique pool of expertise to support strategy and execution.

Chile is another important market for SN Power. The country's vast coastline and constant strong winds from the Pacific Ocean create enormous potential for the production of clean and renewable energy. In December 2009, SN Power's first wind power plant opened outside the coastal town of Canela, providing 46 MW of clean energy to the Chilean central grid. A settlement with the EPC contractor for the 155 MW hydroelectric project La Higuera, in the Tinguiririca Valley, was reached, following a dispute that has significantly delayed project execution. The plant is now scheduled to begin operations during the second quarter of 2010. A second Chilean hydropower project, the 156 MW La Confluencia plant, is expected to begin operations third quarter 2010.

Further north in South America, SN Power's presence in Peru was strengthened following our victory in a large-scale power purchase agreement auction, initiated by the Peruvian government. The agreement includes a 15-year distribution contract related to the Cheves hydropower plant.


The greenfield development experience gained in Chile, India and Nepal will be important as we continue to deliver on our ambitious growth strategy. While continuing to look for interesting acquisition opportunities, a large part of our growth is likely to come through greenfield projects. The valuation and pricing levels of renewable energy have proven robust even through the financial crisis, making it difficult to meet required returns on investments in operating assets. As we take on new opportunities, we have the benefit of a sound financial platform. Our close relationship with our financial partners will be important as we progress towards our objective of building a net portfolio of 4000 MW by 2015.

Clearly, our relatively young company stands on the doorstep of a new phase, one that requires world-class work processes, reporting procedures and policies, and a governance model that ensures the right balance between corporate control and local autonomy. Through it all, the safety of our workers and the communities in which we operate is paramount. During the past several years, SN Power has experienced several fatalities at construction

projects, and four lives were lost on site during the first quarter of 2009. However, health and safety standards and performance improved during the last three quarters of the year, with no fatalities reported. Safety remains at the top of the agenda for our Board of Directors, the management and throughout the organization.

Our increasing global presence brings with it increasing responsibilities. We acknowledged that responsibility when several typhoons hit the Philippines during the fall of 2009. The employees of our joint venture company, SN Aboitiz Power, took part in the rescue operation and provided food and supplies to communities that became isolated when the roads were washed away. Working day and night, our people took part in the subsequent rebuilding of infrastructure, protecting not only the assets of the joint venture but those of our neighboring communities. The rescue operation and repair work in the Philippines put our emergency preparedness and procedures to a test. More than that, though, our efforts provide concrete examples of practicing what we preach.

To practice according to our values is equally important in day-to-day business operations, as we increase our presence in countries that rank high on the list of corrupt regimes. An updated version of our Code of Conduct was implemented in 2009, and with it we introduced extensive integrity training at all levels of the organization. I am sometimes asked whether SN Power has had to forgo interesting business opportunities because of our zero tolerance of corruption. That may be, but for me there is no alternative. I strongly believe that value-based management which upholds the highest ethical, health, environmental and safety standards will provide us with a competitive advantage. In fact, it already has.

  
**Øistein Andresen**  
President & CEO



Management team

From left to right:

1. ØISTEIN ANDRESEN  
President and CEO
2. TOR I. STOKKE  
EVP and Chief Financial Officer
3. JARL A. KOSBERG  
EVP Projects and Operations
4. NADIA SOOD  
EVP South Asia
5. NILS M.HUSEBY  
EVP South America
6. ELSBETH TRONSTAD  
EVP Communications & CSR
7. NICOLAS DELAUNAY  
EVP Strategy and M&A
8. ERIK KNIVE  
EVP Southeast Asia



CRACKING THE CODE:

# Dedicated to our ethical guidelines

SN Power expanded its integrity program in 2009 with a Code of Conduct providing company rules and guidelines related to transparency, security, safety, conflict of interest, gifts, corruption, facility payments, fair competition, and more. All employees have confirmed receiving and reading the document, and workshops in all offices and sites have addressed dilemmas likely to arise in the countries in which SN Power operates.

“Let’s face it: Most of SN Power’s operations are based in countries where corruption is a problem, which is why we focus so much on ethical training of our employees so they should have no doubt what is acceptable behavior and what is not,” says Executive Vice President, Elsbeth Tronstad, responsible for Corporate Social Responsibility, Communications and Human Resources at SN Power.

SN Power’s Code of Conduct has been updated during the past two years, in close cooperation with leaders and employees in various parts of the company, and is now proactively promoted through the company’s intranet and web pages. Key external stakeholders, including non-governmental organizations, transparency experts and lawyers, were consulted during the development process. Principles adopted by the OECD Convention on Combating Bribery, as well

as by the United Nations Global Compact, have been integrated into the code, which also reflects international and Norwegian legislation on anti-corruption, fraud and transparency.

Following the launch of the Code of Conduct, each regional SN Power office has developed its own anti-corruption plan aimed at providing rules and guidance for the employees in the respective countries.

“The Code of Conduct is meant to provide practical guidance to all levels of the organization. Even more importantly, though, is our ability to create a culture that encourages employees to openly raise difficult issues with their colleagues or leader,” Tronstad says. “Sometimes, it may be about daring to bring up a situation that just doesn’t feel right, but employees are encouraged to discuss dilemmas with their manager.”

In the beginning of 2010 the company established an Integrity Helpline for employees looking for advice on how to handle a particular situation or how to interpret the Code of Conduct. The Integrity Helpline will come in addition to procedures already established for the reporting of unethical behavior or incidents.

The Code of Conduct is a key element in SN Power’s integrity program, which also includes the company’s values *Proactive, Integrity, Excellence* and *Results-driven*, and our business principles.

Halvor Fossum Lauritzsen, Vice President, Environment & Social Programs in SN Power and responsible for deploying the Code of Conduct, says that employees, regardless of nationality and geography, have described the document as a useful tool.

“It’s about SN Power’s fundamental commitment to comply with our business principles as well as all legal requirements, and the ethical standards defined in the Code of Conduct. The document provides a platform for dialogue, which in itself is valuable,” Fossum Lauritzsen explains. “However, the Code of Conduct can never be a substitute for each employee’s responsibility to exercise good judgment and common sense.”

SN Power’s Code of Conduct applies to all employees, including individual consultants and temporary personnel, in every wholly-owned SN Power company, members of the Board of Directors of SN Power Invest AS, as well as individuals appointed by SN Power as its representatives on subsidiary boards. Joint venture-partners are also required to adhere to the principles and standards outlined in the document.





# Responsible conduct after Philippine typhoons

When the Philippines in October 2009 experienced its worst typhoon season in more than 40 years, SN Power and its joint venture partner the Aboitiz Group demonstrated its corporate social responsibility through involvement in emergency relief efforts. The companies teamed up with the Philippine National Red Cross and local government units, and took an active part in the relief operation to provide emergency aid and ensure the safety of local communities.

In late September 2009, typhoon Ketsana hit Manila with heavy rains of nearly 500 mm in just 12 hours, causing severe flooding and property damage. One week later, typhoon Parma entered the Philippines’ biggest island Luzon, and produced the worst rainfall in more than 40 years. Parma then re-entered Luzon twice, causing landslides, serious harm to infrastructure and spilling from Luzon’s dams. As Ketsana and Parma passed over the Philippines, they left over 800 people dead, over 200,000 homes destroyed, and several million people affected by the lack of food, clean water and infrastructure.

**> Need for clean water**  
Soon after Ketsana struck, SN Power donated water purification equipment to the Philippine National Red Cross for distribu-

tion and deployment in the disaster-stricken areas in and around Manila. A water purification system is of the highest priority for relief efforts in the aftermath of severe floods, and is used extensively by the UN and the Red Cross worldwide. The donation comprised of one Scan-Water emergency water kit designed to purify 4000 liters per hour, jerry cans for transportation of potable water and individual emergency water purification kits.

“It’s essential for all those affected by the severe floods to have clean and safe drinking water. The donation from SN Power shows commitment and social responsibility in a time of crisis,” said the Norwegian Minister for the Environment and International Development, Erik Solheim.

A few days after the storm, SN Power also partnered with the Junior Chamber International, a local civic organization, to launch a separate and more direct relief effort to aid about 800 evacuees who survived the flood waters of the Marikina River in the Greater Manila area.

SN Power’s donation came in addition to the extensive relief program initiated by the Aboitiz Group and joint venture company SN Aboitiz Power (SNAP). Due to lack of infrastructure, the Aboitiz Group deployed its logistics company 2GO to distribute medicine and several thousand relief bags to the most vulnerable disaster-stricken areas.

SN Power extends disaster relief support to the Philippines during the 2009 typhoons



SNAP also led road clearing operations together with local governments, deploying bulldozers, road pavers and backhoes to help facilitate the safe passage of vehicles with provisions to isolated communities. The Philippine Department of Public Works and Highways commended SNAP’s infrastructure aid, saying the quick road-opening facilitated commuters’ and farmers’ way back to normalcy.

**> ‘Let there be 1 million trees’**  
In the aftermath of the typhoon season, the Aboitiz Group proved to be one step ahead in efforts to mitigate the devastating effects of climate change, with a self-imposed challenge to plant one million trees. Emmanuel Rubio, CEO of SN Aboitiz Power, commented: “CSR is about supporting our host communities, not only in disaster response, but equally importantly, in disaster mitigation.”

In response to the challenge, SNAP conducted tree planting activities in the host communities of Magat, Ambuklao and Binga hydropower plants. Two hundred SNAP employees, volunteers and community workers joined forces and planted close to 2500 seedlings in watershed areas. By November 2009, the Aboitiz Group had succeeded in planting almost 25,000 trees throughout the Philippines. Post planting activities are in place to ensure sustainability.

**> NORAD project to improve flood forecasting**  
In late November 2009, the governments

of Norway and the Philippines entered into an agreement to improve the flood forecasting and emergency preparedness system for the Magat Dam. The significance of the agreement was emphasized by the aftermath of the typhoons that devastated Northern Luzon. The Magat multi-purpose dam is essential for community growth in North Luzon as it serves as a source of hydroelectric power and irrigation water for about 85,000 hectares of agricultural land. The Norwegian Agency for Development Cooperation (NORAD) is organizing the project and aims to reduce the loss of lives and livelihoods in downstream communities. SN Power has assisted NORAD in the process, and highlighted the merits of supporting the government and communities in disaster response, management and mitigation.

# Opening of Totoral wind farm

Some 300 kilometers north of the Chilean capital Santiago, lies the hilly region of Canela. This coastal community is one of the driest and windiest regions in Chile, and was therefore chosen to be the location for SN Power’s first wind farm, Totoral. The Totoral wind farm consists of 23 windmills, all towering 125 meters above the barren land, and each weighing 225 tons.

In December 2009 the windmills started to spin, and it is expected that Totoral will generate around 110 GWh of electricity each year, enough to fulfill the needs of some 55,000 Chilean households. The windmills will provide carbon neutral energy, reducing emissions of more than 65,000 tons of CO<sub>2</sub> per year, equivalent to the annual average emissions of 33,000 cars in Europe today.

According to Nils Huseby, SN Power’s Executive Vice President for South America, “Totoral is a good example of how we combine our goals of being a provider of green energy and a creator of sustainable development for the local community. Sixty percent of the

people who worked on site were hired from the region, and thanks to their commitment we achieved the highest standards of safety during the process.”

The wind farm represents an investment of USD 140 million, and is the first renewable energy project financed under a new Chilean law that requires electric utilities to include a minimum of 5% renewable energy in their supply to customers.

The opening ceremony for the farm was attended by hundreds of people, including the President of Chile, Michelle Bachelet, and Norway’s Secretary of Oil and Energy, Sigrid Hjørnegård. In her speech, the Chilean President said the opening of the farm was the realization of a dream: “Human invention and creativity, coupled with technological developments have opened new possibilities in the energy field.” The President also complemented Norway for continuing its socially responsible policies towards developing countries, saying “We are grateful to Norway for their faith in us.”

1. The President of Chile, Michelle Bachelet (in purple), inaugurated SN Power’s first wind farm in Chile.  
2. The Totoral wind farm during the construction period..



2.





SN Power's

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# A WIND OF CHANGE IN SOUTH AMERICA

“At the start of 2009, our business in the region consisted mainly of construction and development projects in Chile and operations in Peru. 2010 is already set to be an exciting year, with the start-up of operations in Chile and construction of a large new hydropower project in Peru. A key success factor will be to manage this transition in both countries, ensuring efficient knowledge transfer and sharing. I also hope that 2010 will be the year that we successfully manage to enter the Brazilian market,” says Nils M. Huseby, Executive Vice President, South America.

**After a challenging start to 2009**, with the financial crisis peaking in South America in the first quarter, SN Power's South American business experienced healthy growth. SN Power's first ever wind farm was completed in Chile. In Peru, where SN Power is the fifth-largest electricity producer, plans are being prepared to increase the company's already significant hydroelectricity production.

> Key 2009 Achievements

SN Power's first wind power plant started operations in December 2009. At the Totoral wind farm, located in Canela, approximately 300 km north of the Chilean capital Santiago, 23 turbines deliver a total output of 46 MW.

“We are very proud that the Totoral wind farm was finished below budget and started operations ahead of schedule, with no health, safety or environmental incidents during construction,” says Nils M. Huseby.

The population of Canela County has welcomed SN Power with open arms, even changing the county's official logo to one incorporating a windmill. Due to the financial crisis, it was more challenging and took longer than expected to secure project financing. But thanks to a well-established

relationship of trust with the banks, SN Power was able to close the financing on competitive terms. The Canela plant is a merchant wind farm, with all its electricity sold on the spot market. The completion of the Canela project also signifies an important change in SN Power's business in Chile.

“We are moving from focusing on the construction of power generation plants, to being an electricity provider, from development to operation. This is a very significant shift, which requires important changes in our business structure,” says Huseby.

SN Power has, through Tinguiririca Energía, its 50% joint venture with Pacific Hydro, two major hydropower projects under construction in the Tinguiririca valley in Chile. Both projects are scheduled to come into operation in 2010. The 155 MW La Higuera project went through a challenging time in 2009 due to a time-consuming dispute with the main contractor. However, a settlement was reached in September 2009 and construction is now nearing completion, with operations scheduled to commence in Q2 2010. Construction of the 156 MW La Confluencia plant is going well and the plant is expected to begin operations in Q3 2010.

> Main 2010 targets

SN Power's already significant presence in Peru is expected to be strengthened in 2010, following the company's successful winning bid for the 168 MW Cheves hydropower project in the energy auction held by Proinversion, the Peruvian government investment promotion agency. The agreement, between the Peruvian government

and SN Power, covers a 15-year distribution contract related to the Cheves plant, commencing 1 July 2014. The construction of the plant is scheduled to begin in late 2010. SN Power has a long-term commitment to work and invest in Peru, where it is currently the fifth-largest electricity producer and the third-largest hydroelectricity supplier.

“Our focus is two-fold: Growing our presence through building new hydropower plants, while operating our existing ones in an efficient and profitable way. Improved cost levels and profitability must be achieved, to make sure that we can deliver on our long-term commitment to Peru,” says Huseby.

At the same time, SN Power's focus is expanding to include Brazil. South America's largest country holds great potential for clean electricity, and therefore, SN Power established an office in Rio de Janeiro in 2008.

“We hope that our ongoing activities will provide us with a solid foothold in Brazil during 2010. We are exploring Brazil's vast potential particularly for hydropower, but also for other clean energy sources such as wind power.” SN Power acquired the rights to develop 150 MW of wind power in the North-East of Brazil in early 2010. “Local presence is a must to reach our goals,” Huseby says, “From a management perspective, it is important to delegate responsibility to a country management as far as possible.”

> Indigenous peoples' rights

Indigenous populations are important stakeholders in many areas where SN Power is active, both in Chile and Peru. Indigenous peoples' rights are therefore an important factor for SN Power to consider in its business in South America. Chile ratified the ILO Convention 169 on indigenous rights in 2009, providing an important context for



**NILS M.HUSEBY**  
Executive Vice President  
South America

“Improved cost levels and profitability must be achieved”

SN Power's work in the country, especially in relation to the projects being developed by the Trayenko subsidiary.

“For us, being socially responsible isn't just an add-on priority; it is an essential element in every single step of our business, from choosing local partners to designing, constructing and operating power plants. We are extremely proud to work closely with all stakeholder communities as we build a power company that is not just a steady supplier of clean energy, but also a contributor to positive development in the local communities where we operate,” says Huseby.



# Chile

## Equity investments

musd

2007

104

2008

209

2009

311

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

### > Tinguiririca Energía

SN Power and Australian-based Pacific Hydro Limited have two hydropower projects under construction in the Tinguiririca Valley, 250 km southeast of the capital Santiago. The 50/50 joint venture is managed by the Tinguiririca Energía company. Construction of the La Higuera plant started in October 2005. Construction of the 155 MW La Higuera project has been significantly delayed. A settlement with the main contractor was reached in 2009, ensuring progress to meet the scheduled start-up in the second half of 2010.

Construction of the 156 MW La Confluencia plant started in 2007 and the first phase is expected to start operations in the later part of 2010. The two plants will together contribute approximately 1400 GWh/year to the Chilean central grid.

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

To mitigate the market risks associated with dry periods, Tinguiririca Energía constructed a 58 MW dual fuel back-up turbine called Colmito in 2008. The Colmito plant is located in central Chile. Due to high fuel prices and normal rainfall during the winter the unit has hardly been dispatched, and generated most revenues from capacity payments in 2009.

During 2009, health and safety has been a top priority for the Tinguiririca Energía management, and efforts have been made to further strengthen systems and practices.

### > Trayenko

Hidroeléctrica Trayenko, 80%-owned by SN Power and 20%-owned by its Chilean partner Centinela, continued developing four new hydropower projects in the Los Rios Region in Southern Chile. Priority is being placed on the development of the 400 MW Maqueo project, which is a run-of-river plant designed mainly as an underground facility. To ensure that local stakeholders are properly informed and consulted about the process of designing and developing the hydropower project, SN Power has initiated an extensive open dialogue process with various local institutions and individuals. Special focus has been placed on taking the indigenous Mapuche Indian culture into account.

### > Norvind

SN Power completed the development of its first wind farm through the special purpose company Norvind, 80%-owned by SN Power and 20%-owned by Centinela. The 46 MW Totoral wind farm is located approximately 300 km north of Santiago in a semi-desert area on the coast. Project construction started in 2008 and the wind farm entered into operation in December 2009 with a mean annual generation of 106 GWh.



Construction work in the the Tinguiririca Valley.



# Peru

## Operating Revenues

musd

2007

40

2008

130

2009

84

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

### > Operating plants

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

SN Power Peru has eight hydropower facilities with a total installed capacity of 270 MW, all connected to the central grid. Four of these are former Electroandes plants, which were built to supply energy for the mining sector. These are located in the provinces of Junin and Yauli in the Central Andean region, at altitudes of up to 4,000 meters above sea level. The Cahua plants are scattered around the country. SN Power has undertaken numerous activities to optimize commercial and technical operations, such as refurbishment and the reorganization of resources at the plants.

SN Power Peru also holds a number of both permanent and temporary concessions for the development of greenfield hydropower projects in Peru. The most advanced project is the 168 MW Cheves project which will have

an expected mean annual generation capacity of 837 GWh when developed. SN Power Peru is focused on being a responsible citizen, and supports a number of local community initiatives, ranging from education and health to livelihood development and environmental management.

> **ARCATA** hydropower facility is located in the Arequipa region in southern Peru. It consists of four plants with 5 MW of total installed capacity. > **CAHUA** is a 43 MW hydropower plant located about 200 km north of Lima on the Pativilca River. > **GALLITO CIEGO** is a 38 MW hydropower plant located 600 km north of Lima. This plant is situated downstream of the Gallito Ciego dam, which is primarily used for irrigation purposes. The dam is operated by the water authorities.

> **PARIAC** hydropower facility consists of five plants with a combined capacity of 4.9 MW. Pariac is located in Peru's Ancash region just outside the city of Huaraz and takes water from the Pariac River. > **LA OROYA** is a hydropower plant located in the Yauli province, at a height of 3,694 meters above sea level. The plant, which entered into operation in 1914, consist of three generation units with a total capacity of 9 MW. > **MALPASO** is a hydropower plant located in the Yauli province, at a height of 3,870 metres above sea level. The plant has four units and a total installed capacity of 54.40 MW. > **PACHACHACA** is a hydropower plant located in the Yauli province, at a height of 4,031 metres above sea level. The plant, which entered into operation in 1917, consists of three generation units with a total capacity of 9 MW. > **YAUPI** is a 108 MW hydropower plant located in the province of Junin. This is the largest hydropower facility in SN Power Peru's portfolio.

1. Power lines in Malpaso  
2. The village community in Caylloma  
3. Alto Machay



2.

3.



# SAFETY IMPROVEMENT AND A UNIQUE PARTNERSHIP IN SOUTH ASIA

“Improved safety performance at the Allain Duhangan construction site in India and partnership with Tata Power during 2009 have strengthened SN Power’s platform for sustainable growth in South Asia, as the company makes new moves to explore the vast hydropower reserves of the Himalayas. South Asia is one of SN Power’s fastest-growing markets, and the company aims to provide clean, reliable energy to millions of people in the region,” says Nadia Sood, Executive Vice President, South Asia.

**India is among the fastest growing economies in the world**, with an increasingly well-educated population, a booming IT sector and millions of people joining the growing middle class every year. Further social progress depends, however, on India being able to meet its massive energy needs. With a partnership with the global Indian industrial conglomerate Tata, SN Power can make a difference. In October 2009, SN Power and Tata Power signed a partnership agreement to explore joint business opportunities in India and Nepal. The agreement was Tata Power’s first with another hydropower company. The partners have already begun pursuing common business development initiatives, and aim to have 2,000 MW under construction or in operation by 2015, and a total of 4,000 MW under construction or in operation by 2020.

“SN Power and Tata Power not only share expertise and growth ambitions, but also a strict ethical framework, dedication to sustainable development and commitment to the highest standards of health, safety and environment. We are extremely proud to work with Tata, and are looking forward to a long-term partnership, with new and exciting opportunities for investment throughout the region,” says Sood.

Tata Power’s standing and market position, combined with SN Power’s experience from project development in India and Nepal, will be important as the two companies consider joint investments and acquisitions going forward. The partners will be bidding for licenses in government-initiated auctions, while at the same time scouting for operating assets on sale.

“We’re on the lookout for acquisitions of operating plants but greenfield projects may be a more realistic alternative since currently most operating assets are state-owned and privatization does not seem likely in the short term” Sood says, “Tata has a unique position and regulatory know-how, and we both have significant project development and construction experience so we are well placed to take on greenfield projects in the region.”

**> Pushing for predictable and stable framework conditions in Nepal**  
SN Power has a strong presence in Nepal; the company is the largest foreign hydropower producer through its majority ownership stake in Himal Power Limited. Nepal has enormous untapped hydropower resources and its neighbor, India, has a great need for energy.

SN Power holds license rights to the 600 MW Tamakoshi III project in Nepal and intends to co-develop the project with Tata Power. Tamakoshi III would nearly double Nepal’s total installed capacity and represents the largest-single foreign investment in the country. A final investment decision by the two companies will require considerable changes and stability in the legal and regulatory frame-

works for export-oriented hydropower development projects in Nepal.

“The potential economic impact of the project in Nepal is massive, and would mean huge revenues for the country,” says Sood, citing opportunities for jobs, contractors and partners, in addition to tax and royalties revenues.

“Still, in order to finalize the project, the Nepalese government needs to ratify a new Electricity Act to define the parameters for all foreign investments into the power industry. We hope to be able to start construction along with Tata in 2012 and to commission the plant in 2017, which would be a great economic boost for the region,” says Sood.

**> Key 2009 achievements**  
In the first quarter of 2009, four fatalities occurred at the Allain Duhangan project, in which SN Power is a 43 percent owner. A strengthening of the project management, HSE resources, road repairs, vehicle upgrades, training of drivers, frequent inspections, and reporting and investigation of accidents and near-miss, were among the measures implemented to improve the situation.

“Safety has been a focus area for SN Power from day one, but at Allain Duhangan we face significant challenges because of the challenging terrain and low awareness of the importance of a safety culture,” Sood says.

“Training, best practice-sharing, audits, improvement measures and follow-up routines have resulted in an improvement in safety at Allain Duhangan. We are working hard to establish a culture where safety comes first, where near-miss incidents and incidents are reported and investigated, and where learning takes place. Safety has to be on top of everyone’s mind, every day.”

**> Main 2010 targets**  
HSE challenges and geological obstacles have hampered progress at the Allain Duhangan construction project during 2008 and 2009, but work continues at full speed and SN Power expects the first phase to be operational during the second quarter of 2010 as planned.

Further growth through the partnership with Tata Power is also on top of the agenda for 2010. The two companies are looking for rapid growth through acquiring licenses and assets in India, and through the planning of a joint development of the Tamakoshi III



**NADIA SOOD**  
Executive Vice President  
South Asia

“Safety has to be on top of everyone’s mind, every day”

project in Nepal. Dialog with the Nepalese authorities to ensure a speedy approval of a sustainable legal and regulatory framework for foreign investments will be important for both companies. Development of the 67 MW Kirne Plant will also be a key priority.

While ensuring future growth, world-class health, safety and environmental standards will remain a priority, “One life lost is one too many,” Sood says, “We have made significant improvements, but can never relax and say the job is done. World-class HSE performance requires continuous attention and improvements,” Sood says.

# India

## Operating Revenues

musd

2007

31

2008

43

2009

34

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

To further business expansion in India and the South Asia region, SN Power signed a Partnership agreement with Tata Power Corporation in October 2009 to jointly develop hydropower projects in India and Nepal.

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

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

Once operational, Allain Duhangan will be a merchant power plant with short-term Power Purchase Agreements, feeding electricity into the northern regional grid of India. The project is the largest hydropower project registered under the Clean Development Mechanism to generate carbon credits to date. It is approved for the generation of credits corresponding to annual reductions of 395 000 tons of CO<sub>2</sub>.

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



The Allain Duhangan hydropower plant.



# Nepal

## Operating Revenues

musd

2007

34

2008

33

2009

34

SN Power entered Nepal in 2006 through the transfer of Statkraft’s majority share in Himal Power Limited (HPL). SN Power and HPL are currently carrying out project development and feasibility studies for an expansion of the Khimti 1 plant. In addition, SN Power is well underway with the development of the 600 MW Tamakoshi III project. All projects are located in the Dolakha district of eastern Nepal.

> The Khimti 1 plant

As a majority owner of HPL (57,1 per cent), SN Power is the operator of the Khimti I hydropower plant which supplies almost 10 percent of Nepal’s total electricity output.

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

> The Kirne Hydropower project

In November 2008, HPL was granted a survey license to expand Khimti I by adding 50 MW of generation capacity in a new plant called the Kirne Hydropower plant. This plant will use the same water conveyance system as Khimti I, but will be a separate entity. Currently, Khimti 1 only uses about half of the available water in the headrace tunnel

during the wet season. Kirne Hydropower plant will utilize the additional flow and the investment will nearly double the wet season energy production with a minimum of negative environmental impacts. The project is in an early feasibility stage.

> The Tamakoshi Hydropower project

In 2009, SN Power Nepal continued project concept studies, feasibility studies and Environmental and Social Impact Assessment of the 207 MW Tamakoshi II and the 275 MW Tamakoshi III projects which were granted survey licenses in 2007. The Tamakoshi River originates in the higher Himalayan region of Tibet.

SN Power was recently given permission to merge the Tamakoshi II and Tamakoshi III projects into a single project, Tamakoshi III, with a capacity of approximately 600 MW. A revised license has been issued by the Government, and feasibility studies have been concluded and recommend a design of 880 MW capacity. Once operational, the estimated 2 700 GWh generated by Tamakoshi III will be transmitted to the northern-Indian grid.

As in all SN Power projects, taking the social and environmental aspects of project development into consideration from an early stage is key. Throughout 2009 SN Power has worked closely with national and local stakeholders to ensure that community concerns are integrated during project planning and that a plan for sustainable local development is developed. This work has translated into the Tamakoshi Vision – a comprehensive community development approach in Tamakoshi III’s host communities.



Village life and nature in Nepal.



# STIMULATING SUSTAINABLE GROWTH IN SOUTHEAST ASIA

“SN Power is becoming a strong force in modernizing and de-regulating the electricity markets throughout Southeast Asia. Ensuring a steady supply of clean power boosts sustainable economic development and contributes to reducing greenhouse gas emissions,” says Erik Knive, Executive Vice President, Southeast Asia.

**Running a Southeast Asian power company offers a diverse array of challenges,** but some are more precarious than others. The 2009 typhoon season in the Philippines was considered the worst in decades. Five typhoons made landfall, including typhoon Ketsana, which devastated Metro Manila. In cooperation with the Philippine National Red Cross, SN Power provided much needed water purification equipment and logistical support to Manila after the typhoon.

One week later, the Ambuklao and Binga power plants (owned and operated by SN Aboitiz Power, SN Power’s joint venture with the Aboitiz Group) were severely hit by another typhoon. With 500 millimeters of rain in the course of 24 hours, the dam’s gates had to be opened all the way to avoid overtopping. Significant portions of the roads leading to the sites were completely washed away due to rain and landslides, and 280 on-site workers as well as thousands of inhabitants of nearby communities were left isolated. SN Aboitiz Power rented large helicopters, and brought in supplies for workers and community inhabitants.

“Thankfully, there were no injuries among our staff or damages to our structures. Work at the Ambuklao and Binga power plants continued. We are very proud of our rescue efforts and of our excellent staff, who did a marvelous job in ensuring operational safety

and assisting relief efforts in our host communities,” says Knive.

“No emergency drills could have prepared us for what happened, but through good procedures, management control and, most importantly, impressive employee morale and loyalty, we passed the test. The employees reported to work every day,” Knive underlines.

> Singapore – SN Power’s second base  
In Southeast Asia, the focal area of SN Power, aside from the Philippines, is Vietnam, Laos and Singapore. Singapore is one hub of SN Power’s operations.

The Singapore company formally owns all SN Power companies, and consequently, all SN Power companies are administrative subsidiaries of the Singapore company, leading to a lot of regulatory and compliance work. Additionally, several global and regional support functions are based in Singapore, and the Singapore office has operative responsibility for operations in Southeast Asia.

> Key 2009 achievements  
SN Power in Southeast Asia is contributing to the deregulation and modernizing of the electricity markets throughout the region. This year, SN Aboitiz Power signed the Philippines’ first Contract For Differences (CFD) in the Philippine electricity market.

“This represents a great leap forward when it comes to the continuation to deregulate the market, and signals the first move from a physical contract market to a market based and driven by financial contracts such as we have in Europe. CFD contracts take the mar-

ket to a whole new level of sophistication, integrating it closer with other deregulated markets,” says Knive.

SN Aboitiz Power is also the first company to enter into an auxiliary services contract with a private grid owner, signaling a further step towards market deregulation and adding significant revenue.

SN Power has started work to help deregulate the electricity markets in the Mekong region. In the fall of 2009, 28 political leaders in the region were invited to attend a 5-day market deregulation and climate change capacity-building workshop in Singapore, hosted by the Norwegian and Singaporean Ministry of Foreign Affairs and facilitated by SN Power.

The rehabilitation projects of Ambuklao and Binga hydropower plants are on track to be approved as CDM projects by the UN. This means they will be acknowledged as projects which offset fossil fuels and significantly reduce CO<sub>2</sub> emissions.

> Main 2010 targets  
SN Power Southeast Asia’s main target for the immediate future is to expand its output portfolio in the region, starting with the Philippines. SN Aboitiz Power will target the purchase of several hydropower plants in North Luzon and Mindanao when further privatization is scheduled to start by first half of 2010.

SN Aboitiz Power will also continue the rehabilitation of the Ambuklao and Binga hydropower plants on time and on budget. The upgrade of Ambuklao is headed for completion by 2010, whereas the Binga upgrade is scheduled for 2013. Successful rehabilitation will increase the capacity of the two plants from 175 to 225 MW.

Investigation into the expansion of the Magat hydropower plant will continue in 2010 and is expected to enhance Magat’s peaking power ratio from 70-100% and add up to 180 MW of capacity and pump-storage capability.

SN Power is looking to strengthen its foothold and presence in Laos. In Laos, SN Power is in the business development stage, actively pursuing new opportunities, and is expecting to set up business there in the near future.

Thirdly, SN Power is establishing a presence in Vietnam, and will open a Hanoi office in early 2010 to start medium term work, with the aim of having an investment by the end of 2011.



**ERIK KNIVE**  
Executive Vice President  
Southeast Asia

“We are very proud of our rescue efforts and of our excellent staff”

“There is a great need for deregulation and modernization of regional power markets, and we hope that our presence in the area can be a catalyst for positive development in the entire region. We are in active dialog with national governments to achieve this,” says Knive.

“The extreme typhoon season this year has shown us what might be the norm if we cannot get the climate situation under control. In that sense, it has strengthened our resolve to provide clean energy, ensure sustainable development in this region and make sure that SN Power is part of the solution,” Knive concludes.



# The Philippines

## Operating Revenues

musd

2007

79

2008

124

2009

106

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

### > Magat hydropower plant

The 360 MW Magat hydropower plant was acquired by SN Aboitiz Power in 2007 and is the largest hydropower plant in the Philippines and the major power producer on Luzon. Magat is expected to generate about 910 GWh in a median year, and in 2009 it generated 1150 GWh. The production could have been higher, but due to negative prices on the spot market the company decided to reduce production.

The power generated by the plant is traded on the Philippine Wholesale Electricity Spot Market and contributes to ensuring a stable supply of renewable electricity generation into the Luzon grid. Magat also generated significant revenue from the ancillary services contract, which SN Aboitiz Power was the first private company to enter into in 2009.

The Magat Dam is a multi-purpose dam which serves as a source of irrigation water for about 85 000 hectares of agricultural lands, as well as hydroelectric power. The dam is under operational control of the National Irrigation Authority, while SN Aboitiz Power owns and operates the hydroelectric component. The dam also plays an important role in flood regulation. Through the efforts of SN power, the governments of Norway and the Philippines entered into an

agreement in November 2009 to improve the flood forecasting and warning system for Magat Dam. This NORAD project will improve downstream communities' preparedness for floods by building expertise from the Norwegian Water Resources and Energy Directorate (NVE).

The local communities around Magat benefit from SN Aboitiz Power's presence through a significant increase in tax revenues and through the establishment of community support schemes. Throughout 2009, SN Aboitiz Power handed over several Corporate Social Responsibility (CSR) projects to the 33 host communities of Magat. Most of the 2009 projects were directed at improving the social infrastructure, livelihood and education.

The company also renewed its partnership with the Municipality of Lagawe for the development of its Arabic coffee growing industry. The Lagawe program has been running for more than three years and focuses on coffee roasting and seedling facilities for Lagawe coffee growers as well as financial assistance for the municipal enterprise that handles the coffee business of Lagawe.

### > Ambuklao and Binga hydropower plants

In 2009, SN Aboitiz Power focused operation on the rehabilitation of the Ambuklao and Binga hydropower plants in Benguet Province which the company acquired in 2008.

The 75 MW Ambuklao and 100 MW Binga are among the oldest hydropower plants in the Philippines, commissioned by the Philippines' National Power Corporation in the late 1950s. After full-scale rehabilitation

is scheduled to finish in 2010 and 2013 for Ambuklao and Binga respectively, the combined capacity will increase to 225 MW.

Ambuklao has not been operational since 1999 due to damage suffered in a major earthquake in 1990. The rehabilitation work at Ambuklao is challenging due to the plant's complex conditions. The rehabilitation was also severely affected by the Ketsana and Parma typhoons in October 2009, but is proceeding as planned and is scheduled to finish on time and cost in late 2010.

Binga, located directly downstream of Ambuklao, produced 410 GWh in 2009. The plant will undergo rehabilitation from 2010 to 2015, and this is expected to result in an annual output of 419 GWh after completion.

The operation of Binga and the rehabilitation work on the Ambuklao plant have already had a significant positive impact on the region as a source of work opportunities for the local population. By 2009, as the project construction increased, the project employed more than 646 people of whom 70-80% are local citizens.

Throughout 2009, SN Aboitiz Power continued its commitment to provide livelihood and development opportunities to the host communities through its social responsibility program. The company CSR Fund for Ambuklao and Binga approved and implemented 30 CSR project, and 8 sponsorship activities in 2009. Among these were two indigenous peoples sites, which will be under the control of representatives of the indigenous peoples. The two sites contain common facilities like schools, health clinics and day-care centres, and the goal is for Indigenous peoples communities to reignite development in the area and to ensure continued use and maintenance for generations.

Ambuklao and Binga are on track to be registered as CDM approved projects under the Kyoto Protocol. In order to qualify these rehabilitation projects, a substantial revision of the methodology used to assess CDM-applicability of the power plants was necessary. In May 2009, the UN CDM Executive Board granted SN Power the whole revision. This opens new CDM possibilities for existing renewable power plants.



Plant and personnel in the Philippines.



# EXPANSION AT HOME AND ABROAD

With new partners and board members, new staff, increased financial leg room and several possible large-scale energy projects in the pipeline, SN Power AfriCA is on track. “We intend to build a lasting presence in Africa and Central America, and we have a solid platform to make sure we achieve that goal,” says CEO Einar Stenstadvold.

**In January 2010, the two Norwegian energy companies BKK and TrønderEnergi, joined SN Power and Norfund as owners of SN Power AfriCA,** with a combined ownership stake of 39 percent. In addition, a new board and new management team were put in place, and the company’s capital base was significantly increased in the process. “Starting a new company always takes a lot more time and work than you anticipate, but with the competence and resources provided by all owners, we can explore opportunities to supply clean energy to millions of people in Africa and Central America,” says Stenstadvold.

Stenstadvold and his team have searched for local partners who not only have an excellent local network and good knowledge of the local energy market, but who also share SN Power’s values and commitment to sustainable development and the fight against corruption.

> Key 2009 Achievements  
SN Power AfriCA was founded in order to explore business development in Africa

and Central America. Following its inception in 2008, 2009 was a busy year spent establishing the company team, and looking at various investment possibilities in both Africa and Central America. “We have established a permanent presence in San Jose, Costa Rica, and South Africa, to ensure insight into the regional energy markets. If you want to be a real player, you have to have local representation,” says Stenstadvold.

The first project in Central America is in Panama, where SN Power AfriCA has entered into a 5 year strategic alliance with the Panamanian Credicorp Group. As a first step in this cooperation, SN Power has acquired from Credicorp a controlling interest of 50.1% in the Bajo Frío project. Credicorp will keep a 49.9% ownership in this Joint Venture. The Bajo Frío project involves the construction of a 58MW hydroelectricity plant, including an open canal, a dam and two power houses.

“Due to difficult geology, building a tunnel is associated with too much risk. Instead, we are planning an open canal,” says Stenstadvold. In addition to the Panama project, SN Power is looking at investing in South Africa.

What both Panama and South Africa have in common is their connection with integrated regional power markets. The integrated elec-

tricity between South Africa and its neighbors to the north resembles the creation of the Nordic interconnected power market and power exchange, which makes SN Power’s Norwegian expertise an advantage. Any power generated would become part of the South African Power Pool (SAPP), a soon-to-be deregulated power regime connecting South Africa with countries as far north as Tanzania. In Central America, the development of power infrastructure is going very fast, with an integrated, interconnected grid soon stretching from Mexico in the north to Panama in the south.

> Main 2010 targets  
For 2010 and beyond, SN Power AfriCA will actively pursue business opportunities throughout Africa and Central America, contributing clean electricity to the regions, but also contributing to the de-regulation of the electricity markets, with a goal of reaching a portfolio of 700 MW of generation capability in 2015.

“At the end of the day, our motivation is to bring electricity to many more people in the region. The best illustration for us is the light bulb that enables a child in Southern Africa or Central America to do homework at night. This is the most important thing for development in these regions, and this is what makes it worth all the hard work.”



**EINAR STENSTADVOLD**  
Chief Executive Officer  
**Africa and Central America**

“If you want to be a real player, you have to have local representation”





# Board of directors' report

SN Power's two owners, Statkraft and Norfund, nominate directors to represent them on the board of the company. Four directors, including the board Chairperson, are nominated by Statkraft, two are nominated by Norfund, and one is nominated jointly by both parties. In addition, one director is elected by the employees of SN Power.

## Board of directors

From left to right:

**1. HALVOR FOSSUM LAURITZSEN**

Vice President CSR and Environment, SN Power, elected by the employees > Former director of the international department of the Red Cross and senior adviser to the United Nations. Director of various global relief operations and former CEO of Response Centre Group AS. Member of the boards of Scan Water AS, Fibrex Technology AS, Never.no AS and Accadi AS.

**2. ELI SKRØVSET**

Master of Science in Economics and Business Administration > Former senior management positions at Statkraft. Member of the boards of BKK, Statkraft Development, Statkraft Energi, Småkraft, Energy Future Invest and Secora AS.

**3. MARK DAVIS**

Investment Director Renewable Energy, Norfund. > Senior management positions at Norfund and

ECON Analysis. Postgraduate director, EDRC, University of Cape Town. Member of the board of Tronder Power Ltd.

**4. EGIL REINHARD GJESTELAND**

Former project director at Statoil > Chairman of the Board of Directors of Gjesteland Consulting AS. Member of the board of Umoe Solar AS.

**5. TORE HAGA**

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

**6. ROLF BUSCH**

General Counsel, Statkraft > Formerly a partner in major Norwegian law firm, general counsel of

Telenor ASA, company secretary at Norsk Hydro ASA, and civil servant at the Norwegian Ministry of Petroleum and Energy.

**7. STEIN DALE (Chairperson)**

Chief Financial Officer and Executive Vice President, Statkraft > Previous experience includes senior management positions in the Telia Group and Tandberg ASA. Member of the boards of Bergenhalvøens Kommunale Kraftselskap (BKK), Statkraft Industrial Holding and Statkraft Treasury Centre Belgium.

**8. TONE WILLE**

Chief Financial Officer, Mail Division, Posten Norge AS > Former senior management positions with Norfund, the Kværner Group, General Electric and Elkem ASA. Member of the boards of Bring Citymail Group, Bring Dialogue Norway and Sweden, and Itella Information AS.



## 1. Highlights

### > FINANCIAL RESULTS

Despite a difficult year in the global economy, SN Power delivered sound financial results and continued to expand on its growth initiatives in all strategic areas. The SN Power group's operating revenues were USD 119 million, compared with USD 161 million in 2008. EBITDA went down from USD 60 million in 2008 to USD 46 million in 2009. The group's operating profit went down to USD 32 million, from USD 45 million in 2008. Net earnings after tax and minority interests reached USD 33 million, compared with USD 43 million in 2008.

### > OWNERSHIP CHANGES

In early 2009, Statkraft increased its ownership stake from 50% to 60%, and Norfund reduced its share correspondingly. Through a new joint venture, SN Power AfriCA, SN Power and Norfund will explore new business opportunities in Africa and Central America. In January 2010, the Norwegian utilities BKK and TrønderEnergi invested in SN Power AfriCA. SN Power retains 51% of the voting shares of the company. The owners of SN Power AfriCA intend to invest USD 700 million in equity in hydropower and other renewable energy facilities by 2015.

### > SAFETY CHALLENGES AT ALLAIN DUHANGAN

The Allain Duhangan project in India is a challenging project. Four fatal accidents occurred at the project in the first quarter of 2009. During the three last quarters of the year the incident rate was brought down, and there were no fatalities. In the beginning of March 2010 a fatal accident occurred during the stringing of the overhead transmission line.

Safety audits, improvement measures, training and strengthening of the project- and on-site management, are critical for improving safety performance at the site. A focus on health and safety at all SN Power's investments has been prioritized by the board throughout 2009, and will remain so going forward.

### > PARTNERSHIP WITH TATA POWER

SN Power and Tata Power, one of the leading Indian energy companies, signed a partnership agreement in the fall of 2009 to explore joint hydropower activities in India and Nepal. The agreement marked the first time that Tata Power partnered with another hydropower company. An operational services company will be established in India to support each joint project, and SN Power and Tata Power are already considering several specific investment opportunities. Under a separate agreement, SN Power holds license rights to the 600 MW Tamakoshi III project in Nepal and intends to co-develop the project with Tata Power.

### > FIRST SN POWER WIND FARM OPERATIONAL

SN Power's 80% owned subsidiary Norvind S.A. finalized the construction of the 46 MW Totoral wind farm in Chile during the fall of 2009, on time and below budget, and with excellent health and safety performance. The 23 Vestas windmills are expected to generate 106 GWh in an average year and reduce emissions by 65,000 tonnes CO<sub>2</sub> per year. The formal inauguration of the wind farm took place in January 2010 in the presence of Chile's President Michelle Bachelet.

## 2. Finance

The SN Power group generated a net profit of MUSD 41 in 2009, compared with MUSD 51 in 2008. Net profit after minority interest went down from MUSD 43 in 2008 to MUSD 33 in 2009. The financial result in 2009 was negatively affected by lower prices in Peru and Philippines, a poor monsoon in India and increased spending in Holding companies on business development and administration. These negative impacts are offset by reduction in costs from operating companies, as well as above average production in the Philippines. Income from associated companies reached MUSD 31, MUSD 3 higher than for 2008.

The group's operating revenues reached MUSD 119 (from MUSD 161). The reduction of operating revenues from 2008 can to a large extent be explained by lower achieved prices in

the Peruvian market. EBITDA reached MUSD 46 (from MUSD 60). The group's operating profit went down to MUSD 32 in 2009 (from MUSD 45). The operating profit reflected a reduction from consolidated operating companies of MUSD 8 basically due to lower achieved prices in the Peruvian market, and increased costs in holding companies of MUSD 5 arising from activities to achieve our growth ambitions. Net financial items totaled MUSD 20 in 2009 compared with MUSD 15 in 2008. The increase is driven by higher income from associated companies, but also development in PEN (Peruvian Soles) and NOK (Norwegian Kroner) versus USD.

The group's assets totaled MUSD 1,619 on 31 December 2009 (from MUSD 1,236), of which MUSD 347 (from MUSD 192) was cash and cash equivalents, and MUSD 33 was capitalized as project development. The group's interest bearing debt amounted to MUSD 353 (from MUSD 312), while equity amounted to MUSD 1,215 (from MUSD 863). Significant effects in the balance sheet compared to 2008 are: equity injection from owners, purchase of fixed assets, debt from the completion of Totoral wind farm (Norvind), and loans to associated companies.

The group's net cash flow from operating activities in 2009 was MUSD 17 (from MUSD 38). The reduction in cash flow from operations is explained by the lower financial result, cash effects of hedges and revaluation effects, and movement in accounts payable. Net cash used in investing activities for 2009 was MUSD 182 (from MUSD 183), largely spent on investments in tangible and intangible assets, and loans to associated companies. Cash flow from financing activities in 2009 was MUSD 318 (from MUSD 203), and new paid-in equity from owners and loans related to Totoral wind farm were the largest single elements.

### > International Financial Reporting Standards (IFRS)

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

### > Statkraft Norfund Power Invest AS

The parent company Statkraft Norfund Power Invest AS (SNPI) recorded an operating loss of MUSD -17 compared to MUSD -14 in 2008. Net financial items were MUSD 0 (from MUSD 0) and the loss after tax was

MUSD -17 in 2009 (from MUSD -14). SNPI received new equity of MUSD 280 from the owners in 2009 as a consequence of Statkraft's increased ownership share.

Statkraft Norfund Power Invest AS and SN Power Holding AS have issued guarantees of MUSD 46 and MUSD 124 respectively towards subsidiaries and associated companies. The board has proposed that no dividend will be paid, and has proposed the following coverage of the net loss for the year in Statkraft Norfund Power Invest AS:

Uncovered loss MUSD	-17
Total allocated from equity MUSD	-17

It is the opinion of the Board of Directors that the financial statements provide a true and fair view of the Group's financial performance during 2009 and its financial position on 31 December 2009. According to section 3-3 of the Norwegian Accounting Act, the board confirms that the financial statements have been prepared based on the going-concern assumption, and that it is appropriate to use this assumption.

## 3. Health and safety

The safety of SN Power's employees and workers employed by our contractors and partners is a key priority. Our objective is to meet international health-and-safety standards at all construction sites and operations.

Despite our health and safety ambitions, four fatalities occurred in the first quarter of 2009 at the Allain Duhangan project in India, and another in March 2010. SN Power is a minority owner in the project through its 49% stake in the Malana Power Company Ltd.

In January 2009, a vehicle carrying 10 sub-contractor employees skidded off a slippery road, leaving one person dead and nine people injured. In March 2009, one contractor employee was fatally injured when rocks fell from the roof of a tunnel. Also in March the same year, two contractor employees died when a concrete mixer truck slid off the road. In March 2010 a person was fatally injured when he fell from a transmission tower while doing stringing works.

In January 2009 there was a fatal drowning accident in a canal at the Arcata power plant in Peru involving a person from a nearby village.

Following the fatal drowning incident in Peru, SN Power Peru has commissioned a thorough risk assessment of all operating plants to identify and prevent future drowning incidents.

A focus on health and safety at all SN Power's investments has been prioritized by the board and management team throughout 2009. Special attention was given to the Allain Duhangan project. On-site safety audits, secondment of international HSE experts, education and training, and a wide spectrum of improvement measures have been implemented and have contributed to improving the health and safety situation at Allain Duhangan during 2009.

The overall health and safety performance at SN Power's other projects and operations has improved considerably from previous years and the performance has been satisfactory during 2009. The Totoral wind farm in Chile was completed with excellent health and safety results. Furthermore there were no lost time injuries in the rehabilitation of the Ambuklao power plant in the Philippines. This happened despite several typhoons and extreme rainfall during the fall that washed away roads and infrastructure.

## 4. Operations 2009

SN Power managed well through the financial crisis. During 2009, the Group's operational assets continued to deliver good results, despite challenging conditions in several countries.

In Peru, demand among contract customers was reduced, resulting in more power being sold at spot prices, which lowered the average price received for the power generated. In the Philippines, the presence of a transmission constraint combined with temporary market rules lowered prices in northern Luzon. It is expected that this constraint will be relieved in the course of 2010. Lower prices have, to some extent, been offset by above average production at the Magat plant. In India, the driest monsoon in several years has had an impact on the operations of the Malana plant, with energy output being some 89% of normal. The company management has taken all possible measures to contain costs below the budget.

The company made progress in resolving challenges related to HSE, construction progress and cost control at several ongoing construction projects. A settlement was reached in September 2009 with the main contractor for the La Higuera hydropower project, which is under construction in the Tinguiririca Valley in Chile. The La Higuera project is scheduled to start operations in 2010, together with the La Confluencia project, which is located upstream in the same valley. Both projects are developed in a 50/50 joint venture between SN Power and Australian-based Pacific Hydro.

The tunnel excavation of the Allain portion of the Allain Duhangan project in India was completed in November 2009, and operations are scheduled to commence in the first half of 2010.

Based on lessons learned from project development and construction, SN Power has developed a project management system, which is being implemented on all new projects.

Overview of revenues, EBITDA and net profit			2009	2008
MUSD	Revenue	EBITDA	Net profit after minority share	Net profit after minority share
Consolidated companies				
Peru	84	50	22	33
Nepal	34	27	10	7
Holding companies and other effects	1	-31	-31	-25
Associated companies			31	28
Profit and loss statement	119	46	33	43



> Peru

SN Power is the fifth-largest electricity producer in Peru, operating eight hydropower plants with a total of 271 MW and 1500 GWh mean annual production. SN Power Peru has also a significant transmission business, with over 700 km of HV transmission lines and 25 substations. The operating companies of Cahua and Electroandes were merged to form SN Power Peru S.A. from 1 January 2010.

The Peruvian market has experienced a reduction in wholesale power prices as a result of the financial crisis. This is also affecting SN Power Peru. The company is taking steps to improve efficiency by automating plant operations and optimizing the work force.

In December 2009, SN Power and the Peruvian government entered into a power purchase agreement and a concession agreement for the Cheves hydropower project. The Cheves project, for which SN Power intends to start construction in 2010, will supply state owned distribution companies with 109 MW and 600 GWh per year, from 1 July 2014. The USD 300 million project will add 168 MW to the Peruvian interconnected system. Upon signing the deal, Peru’s President Alan Garcia cited SN Power’s internationally competitive offer, and said the Cheves project contributes to strengthening Peru’s position as a provider of clean energy.

SN Power Peru also won an award for its Corporate Social Responsibility (CSR) strategy and toolkit. The award was presented by “Peru 2021,” a non-governmental organization that promotes CSR in the country.

SN Power Peru	2009	2008
Energy Production GWh	1 602	1 598
Revenues MUSD	84	130
EBITDA, MUSD	50	61

> Nepal

SN Power holds 57.1% of Himal Power Limited, which operates the 60 MW Khimti hydropower plant with a mean annual generation of 350 GWh. In 2008, SN Power was granted a survey license for the Kirne project, a 65 MW project which will utilize the existing Khimti infrastructure. SN Power holds license rights to the 600 MW Tamakoshi III project in Nepal and intends to co-develop the project with Tata Power. Feasibility studies for this project continued through 2009. The project will have a significant impact on Nepal’s economy, as well as contributing to meet India’s growing energy demand.

Himal Power Ltd.	2009	2008
Energy Production GWh	373	372
Revenues MUSD	34	33
EBITDA, MUSD	27	26

> Chile

SN Power’s first wind project, the 46 MW Totoral wind farm located about 300 km north of Santiago, started production in November 2009 and is expected to contribute 106 GWh yearly to the grid. The project is owned by SN Power (80%) and Centinela (20%). The erection of the 23 windmills and the completion of the wind farm was conducted on time and below budget, with excellent health and safety results.

Through the 50-50 Tinguiririca Energía partnership with Pacific Hydro, SN Power has two hydropower projects under construction in the Tinguiririca Valley in Chile. Construction of the 155 MW La Higuera project has been significantly delayed. A settlement with the main contractor was reached in 2009, ensuring progress to meet the scheduled start-up in the first half of 2010. Construction of the 156 MW La Confluencia plant, located upstream of La Higuera, is on schedule and expected to begin operations mid-year 2010. The two plants will together contribute approximately 1400 GWh yearly to the Chilean central grid.

On 27 February 2010, Chile suffered an earthquake measuring 8.8 on the Richter scale, causing major damage to the country. No SN Power employees in Chile were severely injured as a consequence of the earthquake, but one person suffered a twisted ankle when evacuating a building. Both hydropower sites, La Higuera and La Confluencia, evacuated all staff due to the event. Both sites appear to have suffered minor physical damage which is being investigated. Totoral wind farm went offline after the earthquake, but the facility was back online on 3 March.

> Philippines

SN Power has participated in the privatization of the power sector, and has acquired three hydropower plants in the northern island of Luzon since 2006. The plants are owned by SN Aboitiz Power, a 50-50 joint venture established in 2006 with Aboitiz Equity Ventures, Inc.

SN Aboitiz Power	2009	2008
Energy Production GWh	1563	1 158
Revenues MUSD	106	124
EBITDA, MUSD	85	105

The Magat plant is expected to generate about 910 GWh in a median year, and in 2009 it generated 1150 GWh, while Binga generated 413 GWh. The 75 MW Ambuklao and the 100 MW Binga hydropower plants are undergoing full-scale rehabilitation, with the aim of completion in late 2010 and 2015, respectively. Once rehabilitated, the two plants will have a total capacity of 225 MW and a mean annual generation of 751 GWh.

Several typhoons hit the Philippines during the fall of 2009, representing serious challenges to the rehabilitation work, as well as to the surrounding communities. SN Power contributed to the relief effort through the donation of a water cleansing system to the local Red Cross, as well as food provisions to the nearby population. Furthermore SN Aboitiz Power assisted with infrastructure repair. SN Aboitiz’ and SN Power’s emergency response system proved efficient, and no injuries were reported among employees or project workers during the extreme weather. SN Aboitiz Power’s assets were also protected from damage despite heavy wind and rain.

> India

SN Power and Tata Power signed a partnership agreement in October 2009 to pursue joint hydropower projects in India and Nepal, helping to realize the vast energy potential of the Himalayas. A joint services company will be established in India in 2010. SN Power and Tata Power both cited common values and business principles, as well as complementary infrastructure development expertise and hydropower knowledge, when signing the partnership agreement. The companies are already considering joint investment opportunities. Asset acquisitions, license bids and greenfield developments will be considered in 2010.

The first stage of the 192 MW Allain Duhangan run-of-river project is expected to be commissioned during the first half of 2010. This is about two years behind the initial schedule, mainly due to geological challenges related to tunneling work. Once completed, Allain Duhangan will have a mean annual generation of 800 GWh. The project is being developed by Malana Power Company Ltd., of which SN Power owns 49% and LNJ Bhilwara Group owns 51%.

The 108 MW Malana power plant in the Kullu valley, produced significantly below the average annual generation of 339 GWh due to the poor monsoon.

Malana Power Company	2009	2008
Energy Production GWh	302	365
Revenues MUSD	34	43
EBITDA, MUSD	30	39

> Sri Lanka

SN Power holds a 30% stake in Nividhu Private Limited, which owns and operates the Assupinella and Belihuloya hydropower plants. The company is accounted for in accordance with the equity method and contributed USD 0.3 million to SN Power’s earnings after tax in 2009.

> Brazil

Business development initiatives continued during 2009, through the subsidiary SN Power Energía do Brasil Ltda., which is headquartered in Rio de Janeiro. SN Power considers Brazil an interesting growth market, and will continue to pursue potential projects in the country in 2010. SN Power acquired the rights to develop a 150 MW wind farm in the Northeast of Brazil in February 2010.

> Africa and Central America

The joint venture established by SN Power and Norfund, SN Power AfriCA, had its first, full year of operation in 2009. Two Norwegian regional public energy companies, BKK and TrønderEnergi, invested and became part owners in January 2010.

5. People and organization

SN Power continues to strengthen its growth capabilities through acquisition and development of core competencies in order to deliver on its business plan. A strengthening of the financial analysis team is an example of a core competence area the company has invested in during the year. The total number of employees was 466 by year-end, down from 479 in December 2008. 48 are based at the company headquarters in Oslo, 286 in Peru, 48 in Chile, 3 in Brazil, 55 in Nepal, 13 in India, 4 in the Philippines and 9 in Singapore.

SN Power’s non-consolidated companies had 784 employees at year-end 2009. In addition, 5 641 were employed by contractors at project sites in Chile, India and Philippines, as per 31 December 2009.

Sick leave in 2009 amounted to 1494 days, equivalent to 1.2% of total working days.

SN Power Invest AS reported 177 days of absenteeism due to illness, which represented 1.7% of total working days.

SN Power has developed an HR strategy to ensure the recruitment of staff with the experience and competence to match the company’s growth strategy and operational needs. International leadership skills and experience from infrastructure development and energy sectors, including renewable energy, are considered particularly attractive. SN Power emphasizes recruitments and promotions to ensure diversity in leadership, teams and among employees at all levels of the organization. The company does not discriminate on the basis of gender, religion or race. The Group’s employees and associates represent more than 20 different nationalities, reflecting SN Power’s widespread international presence.

Two of the seven board members appointed by the shareholders are women. Two of eight senior management team members are women, compared with one woman on the team in 2008. 15% of SN Power’s overall workforce is female, compared with 16 % in 2008.

6. Code of Conduct

SN Power implemented a Code of Conduct in 2009 as part of the company’s integrity program. The Code of Conduct is designed to create awareness and ensure adherence to company standards in areas such as safety, security, customers, partners, government relations, conflict of interest, and transparency.

The Code of Conduct states that SN Power has zero tolerance of any form of corruption. The document clearly defines procedures for employees wishing to report or address concerns, and is meant to be a practical tool and guide which supplements SN Power’s Core Values and Business Principles. By the end of 2009, all SN Power worldwide employees had signed the Code of Conduct, and it is mandatory for new employees to do so upon commencing employment.

All employees have also received special training on the issues described in the Code of Conduct, and all country offices where SN Power is carrying out operations have developed their own country specific anti-corruption plan.

7. Society and the environment

Focus on Corporate Social Responsibility (CSR) and the environment has been important in new and ongoing projects in SN Power. Mitigating negative environmental impacts and supporting sustainable development in the communities where we operate have been key priorities for SN Power in 2009.

CSR highlights include:

> In response to the cyclones in northern Philippines, a water purification system was donated to the Philippine National Red Cross, enabling clean drinking water for approximately 30,000 beneficiaries.

> In 2009, Himal Power Limited (HPL) was awarded as the company of the month in Nepal, for its CSR program which creates sustainable community development in the Khimti area.

> In Peru, SN Power was awarded the best CSR program by ‘Peru 2021’ – an NGO that promotes CSR in Peru. SN Power Peru won two CSR prizes; first prize in the Community Category for its CSR Toolkit geared towards local communities, and first prize in the Multi-Stakeholder Category for its CSR strategy.

> Clean Development Mechanism

SN Power recognizes the potential revenues from the Clean Development Mechanism (CDM) market as an important enabler of investments in renewable energy projects. SN Power is actively seeking Certified Emissions Reductions (CERs) related to the CDM under the Kyoto Protocol for several projects in our pipeline. A global team is actively working with the carbon and CDM markets, and will further strengthen SN Power’s knowledge and capabilities in our target markets.

CDM registration of Totoral windfarm is currently being considered by the CDM Executive Board, whereas the three hydropower projects La Confluencia, Ambuklao and Binga are in their final stages of validation with registration expected in 2010. These projects are expected to result in about 2 million CERs annually, once operational. SN Power also has a number of potential CDM projects in the pipeline in Asia, Africa and Latin America.



SN Power also has a number of potential CDM projects in the pipeline in Asia, Africa and Latin America. Currently, projects in Chile and the Philippines are at the validation stages with registration expected in 2010. These projects are expected to result in about 2 million CERs annually, once operational.

8. Market outlook

The world economy appears to be slowly recovering from recession, with the international Monetary Fund (IMF) expecting global economic activity to rise by 3.8% year-on-year in 2010. It is expected that the economic growth in emerging markets, including SN Power's core markets, will see growth rates almost double that of the world economy. The IMF expects both Brazil and India to reach 7-8 % growth rates in 2010.

A rise in oil, gas and particularly coal prices during 2010 should result in higher electricity prices, which will affect the markets in which SN Power operates. The prices for CERs are expected to remain stable around the current price levels for the remaining of the Kyoto period until 2012.

We see a broad interest from investors in the renewable energy market, particularly hydro power and wind power, with activity also from

non-traditional investors. In addition, competitive equity seems to be available for power projects in the emerging markets where SN Power operates. Domestic equity in these markets is becoming more available as savings have increased over the past ten years. We expect the situation in our core markets, where we see few asset disposals, to continue over the next year, resulting in fierce competition for the few operating assets coming for sale.

9. Priorities for 2010 and onward

SN Power is a young company with widespread international activities, as well as an ambitious growth strategy. The company's new governance model, implemented in 2009, will help manage the global businesses according to the governance principles, strategies and goals. The company's integrity program, including the Code of Conduct, also provides a solid platform from which to operate, regardless of geographical location.

The company's strategy continues to focus on long-term investments in renewable energy assets that contribute to economic development in our home markets. SN Power will continue to prioritize investments in existing

markets, while also exploring opportunities in adjacent markets. The international financial crisis resulted in fewer assets for sale than anticipated, demonstrating the robustness of the value of renewable energy operations and assets. While looking for potential M&A opportunities, SN Power will participate in asset auctions, as well as the sale of attractive greenfield projects in strategic locations.

SN Power will continue to support business development with the aim of reaching 4000 MW by 2015. Focus areas in 2010 will be:

- > A further strengthening of the HSE culture in SN Power, in addition to continued health and safety improvements at construction projects as well as in all SN Power's investments and operations.
- > The start up of the La Higuera and La Confluencia hydropower projects in Chile, as well as the Allain Duhanagan hydropower project in India.
- > The start up of the Ambuklao hydropower project in the Philippines after a complete rehabilitation.
- > To bring the Cheves hydropower project in Peru to financial close and continue the development of the company's greenfield project pipeline.

Oslo, 10 March 2010

The Board of Directors of Statkraft Norfund Power Invest AS

Stein Dale  
Chairperson

Mark Davis  
Director

Rolf Busch  
Director

Tone Wille  
Director

Tore Haga  
Director

Liv Huun Thomsen  
Director

Eli Skrøvset  
Director

Egil Reinhard Gjesteland  
Director

Øistein Andresen  
President & Chief Executive Officer

Key Figures  
Figures in USD 1 000

	Unit	2009	2008	2007	2006	2005	2004
GROSS POWER PORTFOLIO							
Net installed capacity	MW	667	630	630	383	169	169
Net installed capacity under construction	MW	292	320	284	160	160	83
Gross production, actual	GWh	3 800	3 435	2 162	1 200	845	709
Net production (SN Power share)	GWh	2 700	2 492	1 470	813	652	451
FINANCIAL							
Gross operating revenue	MUSD	119	161	79	51	24	22
Income from associated companies	MUSD	31	28	31	3	3	0
Cash and cash equivalents	MUSD	347	192	134	121	78	121
Equity	MUSD	1 215	863	802	304	167	154
EBITDA	MUSD	46	60	37	23	3	1
Net Earnings after tax	MUSD	41	52	47	11	-1	-5
Cash Flow from operational activities	MUSD	47	38	30	15	-1	5
Equity investments from SN Power	MUSD	6	111	425	61	54	58
New equity	MUSD	281	79	409	81	118	0
Interest bearing debt\equity ratio <sup>1)</sup>	%	26	36	23	28	20	26
Return on equity after tax <sup>2)</sup>	%	3	6	6	5	0	-3
Equity ratio <sup>3)</sup>	%	75	70	77	72	75	72
HUMAN CAPITAL							
Employees	Number	461	479	415	220	122	110
Sickness absence	%	1	0	0	0	2	1
Lost-time injury frequency		6	N/A	2	6	5	4
Total Recordable Injury Rate – Operations		1	4	N/A	N/A	N/A	N/A
Total Recordable Injury Rate – Projects		6	16	N/A	N/A	N/A	N/A
ENVIRONMENT							
Environmental fines	MUSD	0	0	0	0	0	0
Carbon dioxide emissions	TONNES		2 992	269	400	400	1 800

<sup>1)</sup> Long-term and short term liabilities to financial institutions / Total equity  
<sup>2)</sup> Net income for the year / Average equity  
<sup>3)</sup> Equity / Assets





SN Power's

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Statement of Comprehensive Income

Figures in USD 1 000

	NOTE	2009	2008
OPERATING REVENUES AND EXPENSES			
Sales revenues	7	118 664	160 889
Total operating revenues		118 664	160 889
Cost of goods sold	8	9 560	35 412
Salary and personnel costs	9	29 874	28 473
Ordinary depreciation and amortization	12, 13	14 177	15 453
Other operating costs	10	33 447	36 793
Total operating costs		87 058	116 131
OPERATING PROFIT/LOSS		31 606	44 758
FINANCIAL INCOME AND EXPENSES			
Income from investments in associates	6, 11	31 429	28 152
Interest income	11	2 227	3 088
Other financial income	11	15 111	20 468
Interest expenses	11	-16 237	-16 935
Other financial expenses	11	-12 518	-20 125
Net financial items		20 012	14 648
PROFIT/LOSS BEFORE TAX		51 618	59 406
Tax expense	21	-10 230	-7 452
NET PROFIT/LOSS FOR THE YEAR		41 388	51 954
Attributable to:			
Majority owner		32 518	42 508
Non-controlling interests		8 870	9 446
NET PROFIT/LOSS FOR THE YEAR		41 388	51 954

Statement of Comprehensive Income

Figures in USD 1 000

	NOTE	2009	2008
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Net gain/losses on hedging instruments	15	-6 325	8 909
Non-controlling interests		220	- 220
Net gain/losses on cash flow hedges in associated companies	6	24 929	-32 824
Currency translation differences		12 442	-42 580
Non-controlling interests		- 82	0
Pensions	20	-1 302	0
Other adjustments		-1 005	0
Other comprehensive income for the year, net of tax		28 739	-66 495
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		70 127	-14 541
Attributable to:			
Majority owner		61 119	-23 767
Non-controlling interests		9 008	9 226
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		70 127	-14 541
Non-Controlling interests – CSCE Detailed		9 007	9 226



Balance Sheet at 31 December

Figures in USD 1 000

	NOTE	2009	2008
ASSETS			
Fixed assets			
Intangible fixed assets			
Deferred tax asset	21	5 502	2 830
Road and land rights	13	7 420	7 352
Project development	13	33 454	19 556
Software licences	13	534	691
Total intangible fixed assets		46 910	30 429
Tangible fixed assets			
Land	12	6 292	6 297
Water rights	12	266 077	262 077
Plants and machinery	12	394 638	297 459
Fixtures and fittings, vehicles, other equipment	12	9 552	9 660
Total tangible fixed assets		676 559	575 493
Financial fixed assets			
Investment in associates	6	409 964	343 325
Investment in shares		283	267
Other long term receivables	17	80 510	3 100
Total financial fixed assets		490 757	346 692
TOTAL FIXED ASSETS		1 214 226	952 614
Current assets			
Spare parts		655	706
Accounts receivables	16	15 759	15 968
Other receivables	17	39 431	74 656
Total receivables		55 190	90 624
Financial current assets			
Current derivatives	15	2 624	0
Total financial current assets		2 624	0
Bank deposits, cash and cash equivalents	18	346 580	192 331
TOTAL CURRENT ASSETS		405 049	283 661
TOTAL ASSETS		1 619 275	1 236 275


Balance Sheet at 31 December

Figures in USD 1 000

	NOTE	2009	2008
EQUITY AND LIABILITIES			
Equity			
Paid-in equity		1 116 652	836 128
Other equity		30 699	-24 162
Non-controlling interests		67 318	51 323
Total equity	19	1 214 669	863 289
TOTAL EQUITY	19	1 214 669	863 289
Liabilities			
Provisions			
Pension commitments	20	2 776	402
Deferred tax	21	11 324	13 337
Non-current derivatives	15	524	0
Other long-term provisions	22	3 233	3 273
Total provisions		17 857	17 012
Other long-term liabilities			
Interest-bearing long term debt	23	315 825	280 701
Total other long-term liabilities		315 825	280 701
Current liabilities			
Current portion long term debt	23	37 404	30 710
Accounts payable		7 369	12 861
Tax payable		0	1 305
Public tax payable		2 033	601
Current derivatives	15	95	5 150
Other current liabilities	24	24 023	24 646
Total current liabilities		70 924	75 273
TOTAL LIABILITIES		404 606	372 986
TOTAL EQUITY AND LIABILITIES		1 619 275	1 236 275

OSLO, 10 MARCH 2010

The Board of Directors of Statkraft Norfund Power Invest AS

  
Stein Dale  
Chairperson

  
Mark John Davis  
Director

  
Rolf Andreas Busch  
Director


  
Tone Wille  
Director

  
Tore Haga  
Director

  
Lisa Huun Thomsen  
Director

  
Eli Skrøvset  
Director

  
Egil Reinhard Gjesteland  
Director

  
Øistein Andresen  
Chief Executive Officer



Consolidated Statement of Changes in Equity at 31 December

Figures in USD 1 000

	Attributable to majority owners					Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve		
AT 1 JANUARY 2008	378 774	378 774	27 153	-39 022	11 474	44 458	801 611
<b>Transactions with shareholders</b>							
Issue of share capital	39 290	39 290					78 580
Issue of share capital in subsidiaries – minority share						8 543	8 543
Increased owner share in subsidiary						-4 556	-4 556
Paid dividend						-6 348	-6 348
Transactions with shareholders	39 290	39 290	0	0	0	-2 361	76 219
Total comprehensive income for the year, net of tax			42 508	-42 580	-23 695	9 226	-14 541
AT 31 DECEMBER 2008	418 064	418 064	69 661	-81 602	-12 221	51 323	863 289
<b>Transactions with shareholders</b>							
Issue of share capital	58 704	221 820					280 524
Issue of share capital in subsidiaries – minority share						13 545	13 545
Increased owner share in subsidiary			-1 709		-4 549	0	-6 258
Paid dividend			0			-6 558	-6 558
Transactions with shareholders	58 704	221 820	-1 709	0	-4 549	6 987	281 253
Total comprehensive income for the year, net of tax			9 416	45 320	6 383	9 008	70 127
AT 31 DECEMBER 2009	476 768	639 884	77 368	-36 282	-10 387	67 318	1 214 669

Cash Flow Statement

Figures in USD 1 000

	NOTE	2009	2008
CASH FLOW FROM OPERATIONAL ACTIVITIES			
Profit/loss before tax		51 618	59 406
Tax paid		-14 156	-9 184
Ordinary depreciation		14 177	15 453
Gain/loss on disposal of fixed assets		1 052	1 379
Difference between this year's pension expense and pension premium		1 072	- 280
Income from investments in associates	6	-31 429	-28 152
Effect of exchange rate changes (agio/disagio)	23	11 220	1 455
FX hedges in profit and loss with no cash effect	15	-8 843	7 736
Change in accounts receivable		209	195
Change in accounts payable		-5 492	6 045
Change in spare parts		51	247
Change in non current receivables		-2 035	0
Change in other long-term provisions		-2 104	-3 171
Change in other current assets and liabilities		1 287	-13 304
Net cash flow from operational activities		16 626	37 824
CASH FLOW FROM INVESTMENT ACTIVITIES			
Investment in tangible and intangible fixed assets	12/13	-130 074	-52 157
Realised FX hedge contracts recognised in balance sheet (construction cost)	15	-2 047	0
Investment in subsidiaries		-6 269	0
Proceeds from sale of fixed assets		0	117
Dividends from associated companies		100	14 362
Investment in financial fixed assets		-40 983	-144 649
Net effect of cash and cash equivalents from acquisitions		0	675
Realised FX hedge contracts	15	-2 589	-1 088
Net cash flow from investment activities		-181 862	-182 739
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term debt	23	61 500	113 660
Paid installments long-term debt	23	-30 710	0
Change in short-term debt		0	17 231
Payment of dividend	CSCE	-6 558	-6 348
New paid-in equity from non-controlling interests	CSCE	13 545	0
New paid-in equity	CSCE	280 524	78 580
Net cash flow from financing activities		318 301	203 123
Effect of exchange rate changes on cash and cash equivalents		1 184	0
Net change in cash and cash equivalents		154 249	58 208
Cash and cash equivalents at 1 January		192 331	134 124
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		346 580	192 331



Notes

Figures in USD 1 000

Note 1

Summary of significant accounting principles

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

The consolidated financial statements of the SN Power Group for the year ended 31 December 2009 were authorized for issue in accordance with a resolution of the Board of Directors on 10 March 2010.

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

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

The consolidated financial statements have been prepared on a historical cost basis and are presented in US Dollars (USD). All values are rounded to the nearest thousand USD unless otherwise stated.

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

Significant accounting judgments, estimates and assumptions

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

Useful life of tangible and intangible fixed assets

Depreciation is based on management estimates of the useful lives of the assets and their residual values. Estimates may change due to changes in scrap value, technological development, environmental

and legal requirements. Management reviews the future useful lives of each component and the residual value annually, taking into account the above mentioned factors.

Provisions and contingent liabilities

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

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

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

**Capital management** | The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and 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 the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group's policy is to a largest possible extent to use local project financing in all investments and in the long run to keep the gearing ratio in investment companies above 50%. The gearing ratio is defined as Total liabilities divided by Total equity and liabilities:

TUSD	2009	2008
Total liabilities	386 749	372 984
Total equity and liabilities	1 619 275	1 236 275
Gearing ratio	23.9%	30.2%

**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 2009.

Elimination of transactions

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

Subsidiaries

Subsidiaries are all entities where the Group has a controlling interest.

Controlling interest is normally attained when the Group holds, directly or indirectly, more than 50% of the voting rights and is capable of exercising financial and operational control over the company.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. The purchase method implies that the cost of acquisition is allocated to the acquired assets and liabilities according to fair value on the acquisition date. Costs exceeding fair value of identified assets and liabilities are recorded as goodwill, and annual judgments are made on 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 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 reporting currency (USD) by calculating all balance sheet items at the closing rate at the year end, whilst all income statement items are converted at the average rate for the year. Any conversion differences affecting balance sheet items are recorded directly against equity.

Associated companies

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

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

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

(a) Power sales

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

(b) Sales of services

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

(c) Dividend income

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

(d) Income from associated companies

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

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

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

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

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

The first CER approved power in the Group will be produced in 2010.

**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 foreign currency are assessed at the exchange rate at the date of the balance sheet. Exchange rate effects are recognized as financial items.

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

Financial instruments | Generally

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

Valuation principles for different categories of financial instruments

1) Instruments at fair value through profit or loss

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

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

2) Loans and receivables

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

3) Financial liabilities

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

Principles for designation of financial instruments to different categories of instruments

Below is a description of the guidelines applied by the SN Power Group for designation of financial instruments to different categories of financial

instruments in cases where an instrument can qualify for recognition under more than one category.

Instruments at fair value through profit or loss

Derivatives must always be assessed under the category “to fair value through profit or loss”. Financial contracts regarding purchase or sale of energy and CO<sub>2</sub> quotas always have to be considered as derivative financial instruments. Physical contracts regarding purchase and sale of energy and CO<sub>2</sub> quotas entered into as authorized by trading, or settled financially are considered as if they where financial instruments and have to be measured at fair value. Physical contracts regarding purchase and sale of energy and CO<sub>2</sub> 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. Such considerations are normally not made on an ongoing basis even though the intention of the acquisition is a hedge by nature, and the financial instrument is then designated to fair value through profit and loss.

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

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

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

Deferred tax and deferred tax assets

Deferred income tax is provided, using the liability method on temporary differences at the date of the balance sheet between the tax basis of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused

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

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

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

Intangible assets | Road and land rights

Expenses for intangible assets, comprising road and land rights, are capitalized 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 criteria in IAS 38. Development costs will often be capitalized when a construction project is more likely to happen than not, but before the formal investment decision has been made.

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

Water rights are not depreciated since no reversion exists and the value is deemed to be perpetual. Time limited rights are depreciated over the license period. Water rights acquired in a separate transaction are measured initially at cost. Water rights acquired in a business combination is measured at fair value based on the estimated excess

earnings of the acquired power plant. The excess earnings are the difference between the after-tax operating cash flow and the required cost of invested capital on all other assets used in order to generate those cash flows. These contributory assets include property, plant and equipment, other identifiable intangible assets and net working capital for the power plant. The allowance made for the cost of such capital is based on the value of such assets and a required rate of return reflecting the risks of the particular assets.

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

Land	Eternal
Water rights	Individual assessment
Plants and machinery	
Rock-fill dams, concrete dams	75
Tunnel systems	75
Rock rooms/chambers	75
Mechanical machine installations	40
Remaining technical machine parts	15
Generator (primary part)	40
Transformer (secondary part)	40
Switchgear (high-voltage)	35
Control gear	15
Electro technical auxiliary gear	15
System control centre	15
Telecommunication circuit	10
Administration building	50
Power plant (outdoor)	75
Other buildings related to operation	50
Buildings: Technical installations	30
Buildings: Tele- and automatics	10-20
Fixtures and fittings, vehicles, other equipment	
Office- and computer equipment	3
Furniture and fixtures	5
Means of transport	10

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

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



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

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

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

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

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

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

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

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

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

**Pensions | Defined benefit plans**

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

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

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

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

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

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

**Defined contribution plans**

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

The contributions are recognized as salary and personnel costs when due.

**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 2**

**Major transactions in 2009**

Norvind SA, owned 80% by SN Power and 20% by Centinela, has during December 2009 completed test operation of the 46 MW Totoral Wind farm in Chile’s IV region. The official opening of Totoral, SN Powers first wind farm took place in January 2010.

**Note 3**

**Financial, political and market risk**

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

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

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

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

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

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

Maximum credit risk exposure (TUSD)

	2009	2008
Account receivables	15 759	15 968
Other receivables	39 431	74 656
Cash and cash equivalents	346 580	192 331
Other long term receivables	80 501	0
Derivatives current assets	2 624	0
TOTAL	484 895	282 955

Credit risk related to account receivables and other receivables in SN Power is limited by the fact that customers and counterparts are in different markets and in many cases are governmental institutions. On the other hand, customers are few and large and we operate in emerging markets where counterpart risks might be assessed to be higher. To control credit risk related to cash and cash equivalents, SN Power have a finance policy that regulates the maximum exposure per counterpart. Aging of account receivables is presented below, and all overdue account receivables are assessed to be collectible.

	Current receivables	Less than 90 days	More than 90 days	Total receivables
Accounts receivables	5 672	5 456	4 631	15 759
Other receivables	39 431			39 431

**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.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	After 2019
<b>Fixed interest rate</b>											
External loans in subsidiaries	29 154	27 926	20 491	27 555	18 701	18 857	2 487	2 666	2 774	2 981	28 118
<b>Floating interest rate</b>											
External loans in subsidiaries	8 250	4 984	1 208	120 484	985	985	0	0	0	0	0
Loan from Statkraft	0	0	0	34 622	0	0	0	0	0	0	0
TOTAL	37 404	32 910	21 699	182 661	19 686	19 842	2 487	2 666	2 774	2 981	28 118

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

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

Interest rate risk

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

The Group has entered into the following interest swaps and currency swaps to reduce interest rate risk and foreign currency risk on financial commitments:

- > In Peru an interest swap agreement has been entered into to convert a portion of a loan in USD with floating interest to fixed interest. The interest rate swap terminates on 16 November 2015, and the swapped fixed rate is 6.67%. Book value of the floating interest loan is per 31 December 2009 on TUSD 13,713 and the portion swapped to fixed interest is TUSD 7,816.
- > In Chile an interest swap agreement has been entered into to convert a loan of MUSD 50 with floating interest to fixed interest. Termination date for the interest rate swap is 16 November 2026, and the fixed interest rate is 6.12%.
- > In Norway a loan from Statkraft of MNOK 200 was converted to USD with a currency swap terminating on 15 March 2010. The swap will be rolled dependant on expected future repayment of the loan.

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:

	Increase/decrease in interest rate	Effect on profit before tax
2008	+/- 1%	+/- 842
2009	+/- 1%	+/- 497

Note 4

Changes in the Group's structure

**SN Power AfriCA** | The subsidiary SN Power AfriCA was founded in January 2009 as a part of the agreement between Statkraft and Norfund regulating the increase in Statkraft's shareholding in SN Power to 60%. The company will focus on renewable energy in Africa and Central America, and has through 2009 been owned 51% by Statkraft Norfund Power Invest AS and 49% by Norfund. In January 2010, Norfund sold parts of its shares in SN Power AfriCA AS to BKK Produksjon AS (20.4%) and Trønderenergi AS (18.7%).

**SN Power Global Services Pte. Ltd.** | The company SN Power Global Services Pte. Ltd was established as a 100% owned subsidiary of SN Power Holding Singapore Pte. Ltd. The company is hiring out person-nell to projects.

**Restructuring in Peru** | As a part of the planned restructuring in Peru, the companies Inversiones Electricas de Los Andes S.A.C. and Transamerica Energy Company Ltd. merged during 2009. The merger is not treated as a business combination and has not affected consolidated figures

Note 5

Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Date of establ./ acquisition	Business office	Main operations	Parent company	Voting share	Owner share
Statkraft Norfund Power Invest AS	27 May 2003	Oslo, Norway	Investment			
SN Power Holding AS	27 May 2003	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	100%	100%
SN Power Holding Singapore Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding AS	100%	100%
SN Power Global Services Pte. Ltd	26 March 2009	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100%	100%
SN Power Holding Peru Pte. Ltd	26 Aug 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100%	100%
SN Power Holding Chile Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding Singapore Pte.Ltd	100%	100%
SN Power Holding Brazil Pte. Ltd	12 Aug 2003	Singapore	Investment	SN Power Holding Singapore Pte. Ltd	100%	100%
SN Power Energia do Brasil	31 Dec 2007	Rio de Janeiro Brasil	Investment	SN Power Holding Singapore Pte. Ltd	100%	100%
SN Power Peru Holding S.R.L	07 Oct 2003	Lima, Peru	Investment	SN Power Holding Peru Pte. Ltd	100%	100%
Empresa de Generacion Electrica Cahua S.A	21 Nov 2003	Lima, Peru	Power production	SN Power Peru Holding S.R.L	99.99%	99.99%
Empresa de Generacion Electrica Cheves S.A	01 June 2007	Lima, Peru	Power plant under construction	SN Power Peru Holding S.R.L	100%	100%
Inversiones Electricas de Los Andes S.A.C *	17 Oct 2007	Lima, Peru	Investment	SN Power Peru Holding S.R.L	100%	100%
Electroandes S.A.	17 Oct 2007	Lima, Peru	Power production	Inversiones Electricas de Los Andes S.A.C	100%	100%
SN Power Chile Inversiones Eléctricas Ltda	09 Dec 2004	Santiago, Chile	Investment	SN Power Holding Chile Pte. Ltd	100%	100%
SN Power Chile Tinguirerica y Cia.	17 Dec 2004	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	99.99%	99.99%
SN Power Chile Valdivia y Cia.	15 Feb 2006	Santiago, Chile	Investment	SN Power Chile Inversiones Electricas Ltda	99.99%	99.99%
Hidroelectrica Trayenko S.A	17 Jan 2006	Santiago, Chile	Power plant under construction	SN Power Chile Valdivia y Cia.	80%	80%
Norvind S.A	06 Aug 2007	Santiago, Chile	Power plant under construction	SN Power Chile Valdivia y Cia.	80%	80%
Himal Power Ltd **	01 Mar 2006	Kathmandu, Nepal	Power production	SN Power Holding Singapore Pte. Ltd	50.7%	50.7%
SN Power AfriCA AS	13 Jany 2009	Oslo, Norway	Investment	Statkraft Norfund Power Invest AS	51%	51%
SN Power ACA Pte. Ltd	25 Sep 2009	Singapore	Investment	SN Power AfriCA AS	100%	100%

\* Transamerica Energy Company Ltd has been merged in 2009.  
\*\* Himal Power Ltd ownership increased from 1 October 2008 from 44,8% to 50,7%. Votingshare is changed from 50,4% to 57,1%. Payment took place in 2009.



Note 6

Associated companies

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

Company	Date of establ./ acquisition	Business office	Main operations	Parent company	Voting share	Owner share
Hidroelectrica La Higuera S.A *	03 Jun 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguericra y Cia.	50%	50%
Hidroelectrica La Confluencia S.A *	23 Sep 2004	Santiago, Chile	Power plant under construction	SN Power Chile Tinguericra y Cia.	50%	50%
Nividhu (Pvt) Ltd *	27 Oct 2003	Colombo, Sri Lanka	Power production	SN Power Holding Singapore Pte. Ltd	30%	30%
Malana Power Company Ltd *	17 Jun 2005	New Dehli, India	Power production	SN Power Holding Singapore Pte. Ltd	49%	49%
Allain Duhangan Hydro Power Ltd *	17 Jun 2005	New Dehli, India	Power plant under construction	Malana Power Company Ltd	88%	88%
SN Aboitiz Power – Magat Inc	29 Nov 2005	Manila, Philippines	Power production	SN Power Holding Singapore Pte. Ltd	40%	40%
SN Aboitiz Power Benguet Inc **	29 Nov 2005	Manila, Philippines	Power production/ rehabilitation	SN Power Holding Singapore Pte. Ltd	40%	40%
SN Aboitiz Power Hydro Inc **	29 Nov 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40%	40%
Manila-Oslo Renewable *** Enterprise Inc.	29 Nov 2005	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	16.67%	16.67%
SN Aboitiz Power Nueva Ecija Inc **	14 Jan 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40%	40%
SN Aboitiz Power Pangasnan Inc **	14 Jan 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40%	40%
SN Aboitiz Power Cordillera Inc **	14 Jan 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40%	40%
SN Aboitiz Power RES Inc **	23 Dec 2009	Manila, Philippines	Investment	SN Power Holding Singapore Pte. Ltd	40%	40%

\* The companies with a diverging financial year are: 31 March for India and 30 June for Chile. The figures specified in the note represent the calendar year.  
\*\* Companies without activity  
\*\*\* Manila-Oslo Renewable Enterprise has a 60% owner share in SN Aboitiz Power Magat Inc, SN Aboitiz Power Benguet Inc, SN Aboitiz Power Hydro Inc, SN Aboitiz Power Nueva Ecija Inc, SN Aboitiz Power Pangasnan Inc, SN Aboitiz Power Cordillera Inc and SN Aboitiz Power RES Inc.  
None of the companies are listed

Book value associated companies:

Company	Country	Book value 31 Dec 2008	Additions/ disposals	Share of profit/loss	Dividends	Foreign currency translation difference	Gain/ Loss on hedges	Book value 31 Dec 2009
Hidroelectrica La Higuera S.A	Chile	43 752	0	4 288	0-	0	3 932	51 971
Hidroelectrica La Confluencia S.A	Chile	38 735	0	-66	0-	0	18 749	57 418
Nividhu (Pvt) Ltd	Sri Lanka	878	0	323	-102	160	0	1 259
Malana Power Company Ltd	India	87 210	0	9 969	0-	4 366	0	101 549
SN Aboitiz Power – Magat Inc	Philippines	92 969	0	15 423	0-	3 362	2 261	114 013
SN Aboitiz Power Benguet Inc	Philippines	51 068	0	1 481	0-	1 612	0	54 160
Manila-Oslo Renewable Enterprise Inc.	Philippines	28 713	0	14	0-	878	-12	29 593
TOTAL		343 325	0	31 429	- 102	10 378	24 929	409 964

Companies without activity has not been included in the table.

**Significant movements in book value associated companies** | In Chile, the La Higuera plant and the La Confluencia plant is expected to enter into operation in 2010. The two companies have in 2009 had a positive effect on equity on MUSD 22,6 due to gain on cash flow hedges related to construction contracts for the two plants. La Higuera have a positive result due to reversal of part of a provision for power purchase agreement.

In India, the Allain Duhangan hydropower plant (Allain) is expected to enter into operation in 2010. SN Power Group’s share of the profit in Malana Power Company was MUSD 10, and a foreign currency translation difference on MUSD 4.4 due to the increase in INR-rate compared to USD as Malana Power Company have INR as functional currency.

In the Philippines it is expected that the rehabilitation of the hydro power plant Ambuklao will be completed in 2010. SN Power Group’s share of the profit in Magat and Benguet (Binga and Ambuklao) was MUSD 17. Magat have in 2009 had a positive effect on equity on MUSD 2,3 due to cash flow hedges. SN Power Group’s share of foreign currency translation difference on MUSD 5.9 is due to the increase in PHP-rate compared to USD.

Financial information from associated companies (100%)\*

Company	Assets	Liabilities	Revenue	Net profit
Hidroelectrica La Higuera S.A	444 917	342 969	4 249	8 575
Hidroelectrica La Confluencia S.A	356 916	242 079	0	- 132
Nividhu (Pvt) Ltd	5 069	1 307	1 892	1 075
Malana Power Company Ltd	266 019	80 806	33 948	20 344
SN Aboitiz Power Magat Inc	599 572	338 862	83 793	30 845
SN Aboitiz Power Benguet Inc	530 758	395 801	22 444	2 962
SN Aboitiz Power Hydro Inc	0	0	0	0
Manila-Oslo Renewable Enterprise Inc.	203 944	26 422	3 587	81

\* Assets and Liabilities are converted to USD using the closing balance rate per 31 December 2009. Revenue and Net Profit are converted using average rate for 2009. The financial information are adjusted from local reporting to comply with IFRS in the group reporting.

Note 7

Sales revenues

By business area	2009	2008
Power sales	117 211	157 962
Services	1 245	2 844
Gain on disposal of assets	208	83
TOTAL	118 664	160 889

By geographical market	2009	2008
Norway	103	221
South America	85 442	127 610
Asia	33 119	33 058
TOTAL	118 664	160 889



Note 8

Cost of goods sold		
	2009	2008
Purchase of electric power	2 271	25 625
Transmission costs	5 570	7 992
Other production costs and fees	1 719	8
Other accrued costs	0	1 787
TOTAL COST OF GOODS SOLD	9 560	35 412

Note 9

Employee benefit expenses and management remuneration		
Salary and personnel costs	2009	2008
Salary expenses	20 600	22 461
Social security costs	2 491	1 972
Pension costs other	177	160
Pension costs (note 20)	1 834	551
Other personnel costs	4 772	3 329
TOTAL SALARY AND PERSONNEL COSTS	29 874	28 473

The average number of man-years	2009	2008
SN Power Group consolidated companies	466	479
SN Power Group associated companies (100%)	784	753
TOTAL	1 250	1 232

Expensed management remuneration	2009 NOK	2009 USD	2008 USD
Chief Executive Officer			
Salary	1 738	276	264
Paid pension premium	227	36	3
Other	126	20	23
	2 091	332	289
Management Group			
Salary	9 086	1 445	1 268
Paid pension premium	747	119	3
Other	4 159	661	128
TOTAL REMUNERATION	13 992	2 225	1 398

SN Power executive management team have defined members and consists of 7 people in addition to the CEO. The management group has a supplementary pension scheme with a right to a pension of 66% of the salary 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.

No remuneration was paid to the Board of Directors in Statkraft Norfund Power Invest AS in 2009.

Audit fee, SN Power Group	2009	2008
Statutory audit	344	308
Other assurance services	7	6
Tax services	118	67
Non-audit services	109	74
TOTAL FEES TO AUDITORS	577	454

Note 10

Other operating costs		
	2009	2008
Leasing premises	2 915	1 908
External services	13 202	14 063
Travel expenses	3 876	3 489
Other costs	13 454	17 333
OTHER OPERATING COSTS	33 447	36 793

Note 11

Financial income and expenses			
Financial income	IAS 39 category	2009	2008
Income from associated companies	N/A	31 429	28 152
Interest income	Amortized cost	2 227	3 088
Gain on foreign exchange	Fair value through profit and loss	8 148	20 429
FX hedges	Fair value through profit and loss	6 839	0
Other financial income	Amortized cost	124	39
Total other financial income		15 111	20 468
TOTAL FINANCIAL INCOME		48 767	51 708

Financial expenses			
Financial expenses		2009	2008
Interest expenses	Amortized cost	12 485	13 654
Interest difference on FX hedges	Amortized cost	3 752	3 281
Loss on foreign exchange	Fair value through profit and loss	11 447	8 329
FX hedges	Fair value through profit and loss	197	7 519
Other financial expenses	Amortized cost	874	4 277
Total other financial expenses		12 518	20 125
TOTAL FINANCIAL EXPENSES		28 755	37 060
NET FINANCIAL INCOME		20 012	14 648



Note 12

Property, plant and equipment

	Land	Water rights	Plants and machinery	Fixtures and fittings, vehicles, other equipment	Total
<b>Book value 1 January 2008</b>	<b>4 307</b>	<b>262 752</b>	<b>288 733</b>	<b>8 571</b>	<b>564 364</b>
Additions	1 995	0	29 477	3 873	35 345
Reclassification	0	0	-4 035	- 691	-4 726
Disposals at book value	0	- 675	-3 375	- 115	-4 165
Depreciation for the year	- 5	0	-13 341	-1 978	-15 324
BOOK VALUE 31 DECEMBER 2008	6 297	262 077	297 459	9 660	575 493
<b>Acquisition cost 31 December 2008</b>	<b>6 316</b>	<b>262 077</b>	<b>398 417</b>	<b>17 813</b>	<b>684 623</b>
Accumulated depreciation	- 19	0	-100 958	-8 153	-109 130
BOOK VALUE 31 DECEMBER 2008	6 297	262 077	297 459	9 660	575 493
<b>Book value 1 January 2009</b>	<b>6 297</b>	<b>262 077</b>	<b>297 459</b>	<b>9 660</b>	<b>575 493</b>
Additions	0	4 000	109 795	2 316	116 111
Reclassification	0	0	- 141	128	- 13
Disposals at book value	0	0	- 874	- 178	-1 052
Depreciation for the year	- 5	0	-11 601	-2 399	-14 005
Exchange differences for the year	0	0	0	25	25
BOOK VALUE 31 DECEMBER 2009	6 292	266 077	394 638	9 552	676 559
<b>Acquisition cost 31 December 2009</b>	<b>6 316</b>	<b>266 077</b>	<b>507 021</b>	<b>19 824</b>	<b>799 238</b>
Reclassification	0	0	- 141	128	- 13
Accumulated depreciation	- 24	0	-112 242	-10 423	-122 689
Accumulated exchange differences	0	0	0	23	23
BOOK VALUE 31 DECEMBER 2009	6 292	266 077	394 638	9 552	676 559

The operations of the La Oroya and Pachachaca hydropower plants, which generate 10% of the Electroandes’ supply, might be terminated by the year end of 2012 due to an agreement with local government. Bacground for this is that local government plan to use the water at the two plants for drinking water, and power production must therefore stop. No writedowns have been made in the financial statements as of 31 December 2009 due to uncertainty regarding actual termination date. Carrying amount for the above-mentioned plants as of 31 December 2012 is calculated to MUSD 9.

A provision for dismantling (TUSD 511) is made for La Oroya and Pachachaca hydropower plants.

Note 13

Intangible assets

	Road and land rights	Project development	Software licences	Total
<b>Book value 1 January 2008</b>	<b>1 863</b>	<b>3 673</b>	<b>655</b>	<b>6 191</b>
Additions – acquired separately	5 513	11 157	142	16 812
Reclassification	0	4 726	0	4 726
Amortisation	- 24	0	- 106	- 130
BOOK VALUE 31 DECEMBER 2008	7 352	19 556	691	27 599
<b>Acquisition cost 31 december 2008</b>	<b>11 006</b>	<b>19 556</b>	<b>874</b>	<b>31 436</b>
Accumulated amortisation	-3 654	0	- 183	-3 837
BOOK VALUE 31 DECEMBER 2008	7 352	19 556	691	27 599
<b>Book value 1 January 2009</b>	<b>7 352</b>	<b>19 556</b>	<b>691</b>	<b>27 599</b>
Additions – acquired separately	91	13 898	- 26	13 963
Reclassification	1	0	17	18
Amortisation	- 24	0	- 148	- 172
BOOK VALUE 31 DECEMBER 2009	7 420	33 454	534	41 408
<b>Acquisition cost 31 december 2009</b>	<b>10 197</b>	<b>33 454</b>	<b>894</b>	<b>44 545</b>
Reclassification	1	0	13	14
Accumulated amortisation	-2 778	0	- 373	-3 151
BOOK VALUE 31 DECEMBER 2009	7 420	33 454	534	41 408

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

Note 14

Leases

Operational				
The lease costs were as follows:		2009	2008	
Ordinary lease payments		2 915	1 908	
The future minimum rents related to non-cancellable leases fall due as follows:	2010	2011-2015	2016->	Total
Office lease, lease of office equipment etc	1 257	4 049	22	5 327



Note 15

Financial instruments

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

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

**Hedge accounting** | SN Power Group makes use of currency swaps and forward contracts to hedge currency exposure related to significant future cash flows, fair values and under certain circumstances net investments in subsidiaries and associated companies. The following table summarizes the Group's hedging instruments.

	Cash flow hedges	Fair value hedges	Net investment hedges	Total
FX Hedge contracts 31 December 2008	-3 734	-7 519	6 103	-5 150
FX Hedge contracts 31 December 2009	- 292	1 026	1 270	2 004
Movement in market values of hedging instruments in 2009	3 442	8 545	-4 833	7 154
Recognized in Profit and loss during 2009	- 297	-8 545		-8 842
Recognised in balance sheet (construction cost)	-2 047			-2 047
Realized contracts in 2009			-2 590	-2 590
NET RECORDED AGAINST EQUITY	1 098	0	-7 423	-6 325

**Cash flow hedges** | Norvind SA have entered into foreign currency contracts to hedge the exposure related to payment for construction of the wind park in Chile. The hedged cash flows appears from the agreed payment schedule in Euro (EUR) and Chilean Peso (CLP), and foreign currency forward contracts between EUR/USD and CLP/USD have been entered into to hedge the currency risk. The wind plant has been completed and net effect on cost price of the assets due to cash flow hedges amounts to MUSD 2.

Cahua have entered into an interest rate swap to convert floating interest to fixed.

	2009	2008
Cash flow hedging reserve 1 January	-1 098	0
Movement in market value	3 442	-3 035
Recognised in income statement	- 297	217
Recognised in balance sheet (construction cost)	-2 047	1 720
CASH FLOW HEDGING RESERVE 31 DECEMBER	0	-1 098

**Fair value hedges** | A loan in Statkraft Norfund Power Invest AS on MNOK 200 from Statkraft has been hedged by entering into a forward contract NOK/USD.

	2009	2008
Effect in profit and loss on hedged object	-6 289	7 642
Effect in profit and loss on hedging instrument	8 545	-7 519
Roll forward of the hedge in 2009 recognized in the income statement	-2 190	0
INEFFECTIVE PART OF HEDGING RELATIONSHIP	66	123

**Hedging of net investments** | According to revised finance policy for the group, hedging of net investments will be evaluated on a case by case basis. This is a change from previous years where the hedged amount would vary between 40 and 80% of the carrying value of the equity investments with a maturity of 1-10 years. The remaining currency contracts are valued at fair value based on the spot elements of the contracts and recorded as hedging. Variations in the value of the contracts owing to changes in exchange rates are therefore not recorded in the income statement but directly towards equity. The interest elements of the contracts are separated and charged to the income statement.

	2009	2008
Market value of net investment hedge contracts per 31 December	1 270	6 103
Interest element expensed in profit and loss	3 752	3 281

Note 16

Accounts receivables

	2009	2008
Trade receivables	15 898	15 978
Provisions for loss on trade accounts receivable	- 139	- 10
ACCOUNT RECEIVABLES	15 759	15 968

Note 17

Other receivables

	2009	2008
<b>Other long term receivables</b>		
Loan to associated companies	75 375	0
Other long term receivables	5 135	3 100
TOTAL OTHER LONG TERM RECEIVABLES	80 510	3 100

	2009	2008
<b>Other current receivables</b>		
Prepayments to suppliers	4 433	13 757
Earned but not invoiced operating income	7 477	21 426
Current receivable from associated companies	17 164	31 961
Other current receivables	5 648	3 021
Settlement account VAT	4 381	3 920
Prepaid rent	172	84
Accrued interest	156	487
TOTAL OTHER CURRENT RECEIVABLES	39 431	74 656

Note 18

Cash and cash equivalents

	2009	2008
Bank deposits, cash and cash equivalents	213 191	51 839
Bank deposits – tax restricted	535	298
Other bank deposits – restricted	132 854	140 194
CASH AND CASH EQUIVALENTS 31 DECEMBER	346 580	192 331

Note 19

Share capital, shareholder information and dividend

	Share Capital	Share premium reserve	Paid in Capital
Paid-in equity 1 January 2009	418 064	418 064	836 128
Capital increase	58 704	221 820	280 524
PAID-IN EQUITY 31 DECEMBER 2009	476 768	639 884	1 116 652

Shareholders in Statkraft Norfund Power Invest AS 31 December 2009	Number of shares	Owner and voting share
Statkraft AS	16 026 206	60%
Norfund	10 684 137	40%
TOTAL	26 710 343	100%

No dividends will be paid out for 2009.

Note 20

Pensions and other long-term employee benefits

Statkraft Norfund Power Invest AS has pension schemes that cover a total of 46 staff members, and comply with norwegian regulations on mandatory pension. The pension plan confers the right to defined future benefits, that mainly depend on the vesting period, the level of pay at retirement and the size of state pension benefits. These obligations are partially covered by a closed plan for 7 employees in the Norwegian Public Service Pension Fund 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 funded by the company.

Actuarical gains/losses are recognised in equity, and the effect in 2009 amounts to TUSD 1.302.

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

	2009	2008
Discount rate	4.4%	4.5%
Expected rate of return	5.6%	6.5%
Regulation of salary	4.5%	4.75%
Regulation of pension	2.1%	3.0%
Regulation of base rate	4.0%	4.0%
Turnover	3.5%	5.0%

Pensions costs	Funded	Unfunded	2009	2008
Net present value of the current year’s pension earnings	1 498	90	1 588	449
Interest rate and administrative costs	239	5	244	130
Gross pension costs	1 737	95	1 832	579
Return on pension plan assets	- 271	0	- 271	- 129
Amortization of passed service costs and gains/losses	48	0	48	22
Administration costs	2	0	2	10
Accrued social security cost	209	13	222	68
NET PENSION COSTS	1 725	108	1 834	551

Pension liabilities	Funded	Unfunded	2009	2008
Pension liabilities	6 848	263	7 111	4 442
Pension plan assets	4 589	0	4 589	2 933
Calculated pension liabilities	2 259	263	2 522	1 509
Past service cost	- 67	0	- 67	- 72
Unrecognised actuarial gains/losses	0	0	0	-1 084
Social security cost	283	37	320	50
NET PENSION LIABILITIES	2 476	300	2 776	402

Note 21

Tax

Tax expense	2009	2008
Taxes payable	11 946	11 794
Corrections relating to previous years	905	0
Change in deferred tax liability	-2 621	-4 342
THIS YEAR’S TAX EXPENSE	10 230	7 452

Tax expense is related to foreign subsidiaries.

Tax expense	2009	2008
Profit before tax	51 618	59 406
Expected tax expense at a nominal rate of 28%	14 453	16 634
Effect on taxes of:		
Differences in foreign tax rates	- 834	-3 378
Income from associated companies	-8 800	-7 883
Tax-free income	-5 384	-4 818
Tax loss carried forward	10 795	6 897
THIS YEAR’S TAX EXPENSE	10 230	7 452
Tax rate	19,8%	12,5%

Specification of the tax effects of temporary differences	Opening balances	Recognised in income statement	Other	Closing balances
Current receivables	- 100	68	0	- 32
Current liabilities	621	618	-1 971	- 732
Derivatives	0	0	0	0
Property, plant and equipment	12 745	- 607	2	12 140
Pension liabilities		0		0
Other long-term items	17	- 52	0	- 35
Tax losses carried forward	-2 776	-2 648	- 95	-5 519
TOTAL NET DEFERRED TAX LIABILITY/(ASSET)	10 507	-2 621	-2 064	5 822
Deferred tax asset in balance sheet	2 830			5 502
Deferred tax asset in balance sheet	13 337			11 324
TOTAL NET DEFERRED TAX LIABILITY/(ASSET)	10 507			5 822



Temporary differences or unused tax losses for which no deferred tax asset/liability is recognised in the balance sheet	2009	2008
Property, plant and equipment	27	4
Pension liabilities	-3 785	- 402
Other long-term items	3 220	24 682
Tax losses carried forward/compensation	-93 435	-9 777
TEMPORARY DIFFERENCES OR UNUSED TAX LOSSES FOR WHICH NO DEFERRED TAX ASSET/LIABILITY IS RECOGNISED IN THE BALANCE SHEET	-93 973	14 507

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

Note 22

Long term provisions and contingent liabilities

	Dismantling	Claims	Total
Balance sheet 31 December 2008	486	2 787	3 273
New provisions	26	752	778
Amount used	0	- 735	- 735
Unused amount reversed	0	- 83	- 83
BALANCE SHEET 31 DECEMBER 2009	512	2 721	3 233

Provision for dismantling (TUSD 512) relates to a provision made for the Electroandes' plants La Oroya and Pachachaca hydropower plants, which might be taken out of operation in 2012 due to usage of the water for drinking water.

Provision for claims (TUSD 2 721) is related to tax claims, custom claims and claims from regulators. New provisions in 2009 derives mainly from tax claims and other claims in Electroandes, as well as tax claims in Himal Power. The reversal of TUSD 818 come mainly from Cahua and is related to tax and public duties that after a legal review partly has been reversed and partly used.

**Contingent liabilities** | In September 2009 a final settlement was reached with contractor on the La Higuera project. If completion dates and other parameters in the settlement agreement are fulfilled, the contractor is granted a right to invoice a total of MUSD 41 to the project and to convert this amount to B-shares with preferred dividend rights and no voting rights. All previous claims promoted by contractor will be withdrawn and ongoing arbitration process will be terminated. The existing owners have a call option expiring in 2015 to buy back the shares at a predefined price every year, and if the call option is not used the B-shares will be converted to ordinary shares.

Note 23

Long-term debt

	Average interest rate	2009	2008
Bond loans in subsidiaries USD	5.8%	69 930	86 956
Bond loans in subsidiaries PEN	6.0% + VAC	43 083	39 597
Regular loans in subsidiaries	6.9%	86 093	35 734
Back-to-back loans *)	1.7%	119 500	120 791
Loan from Statkraft	3.1%	34 623	28 333
Total debt		353 229	311 411
Current portion long term debt		-37 404	-30 710
INTEREST-BEARING LONG TERM DEBT		315 825	280 701

\*) 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 reported on its balance sheet which is used to fund investments and capital expenditures for construction and acquisition of power plants in our subsidiaries. This debt is secured by the capital stock in certain cases, physical assets, contracts and cash flows of the related subsidiary. The risk is limited to the respective business and is without recourse to the parent company, Statkraft Norfund Power Invest AS, or other subsidiaries.

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

As of 31 December 2009 and 2008, approximately MUSD 12.3 and MUSD 13.4, respectively, of restricted cash was maintained in accordance with certain covenants of the debt agreements, and these amounts were included in bank deposits, cash and cash equivalents in the group balance sheet. SN Power Holding AS has as of Desember 31 2009 MUSD 41 as timedeposit in Citibank and MUSD 79.5 in Santander. The deposit is a collateral for a loan on MUSD 40 from Citibank and MUSD 79.5 from Santander to SN Power Chile Inversiones Ltda. Interests of MUSD 0.3 are also classified as restricted cash.

Various lender and governmental provisions oblige SN Power to pledge its assets in certain subsidiaries as securities for financing. Such restricted net assets of subsidiaries amounted to approximately MUSD 362 at 31 December 2009.

Book value of pledged assets in the group amounts to MUSD 362 and the underlying commitment amounts to MUSD 318.

Statkraft Norfund Power Invest AS and SN Power Holding AS have provided guarantees on behalf of associated companies with projects under development for a total of MUSD 123 per 31 December 2009.

Note 24

Specification of other current liabilities

Other current liabilities	2009	2008
Advances from customers	0	292
Payables to employers and shareholders	2 821	2 962
Accrued salary and vacation expenses	3 240	2 639
Accrued costs and deferred revenue	9 204	12 131
Accrued interest	2 073	2 107
Provision, current liabilities <sup>1)</sup>	4 122	123
Other current liabilities	2 563	4 391
TOTAL OTHER CURRENT LIABILITIES	24 023	24 646

1) Provision, current liabilities

Consist of miscellaneous provisions related to energy revenue dispute, inventory, employee claims related to overtime and others. Largest single item is provision for dispute related to energy revenue TUSD 2.349 in Peru.

Note 25

Transactions with related parties

Specification of related parties for SN Power Group

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

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

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

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

Transaction type	Related party	2009	2008
Other operating costs	Norfund	0	7
Other operating costs	Statkraft Group	1 307	1 871
OTHER OPERATING COSTS	TOTAL	1 307	1 878
<b>Sales revenues</b>			
Sales revenue	Statkraft Group		67
Sales revenue	Hidroelectrica La Higuera S.A	965	713
Sales revenue	Hidroelectrica La Confluencia S.A	280	2 131
Sales revenue	Malana Power Company Ltd	0	31
Sales revenue	Allain Duhangan Hydro Power Ltd	0	129
SALES REVENUE	TOTAL	1 245	3 071

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

		2009	2008
Account receivable	Statkraft Group	0	112
Account receivable	Malana Power Company Ltd	0	30
Account receivable	Allain Duhangan Hydro Power Ltd	1 904	126
ACCOUNT RECEIVABLE	TOTAL	1 904	268
Other receivables	Statkraft Group	22	58
Other receivables	Hidroelectrica La Higuera S.A	75 814	20 486
Other receivables	Hidroelectrica La Confluencia S.A	166	2 033
Other receivables	SN Aboitiz Power Inc	1 313	1 282
Other receivables	Manilla – Oslo Renewable Enterprise, Inc	4 247	2 808
Other receivables	SN Aboitiz Power Benguet Inc	10 976	5 353
OTHER RECEIVABLES	TOTAL	92 538	32 020
Accounts payable	Statkraft Group	539	77
ACCOUNTS PAYABLE	TOTAL	539	77
Other short term liabilities	Statkraft Group	532	0
OTHER SHORT TERM LIABILITES	TOTAL	532	0
Long-term debt	Statkraft Group	34 727	29 400
LONG-TERM DEBT	TOTAL	34 727	29 400



Statement of Comprehensive Income

Figures in USD 1 000

	NOTE	2009	2008
OPERATING REVENUES AND EXPENSES			
Sales revenues	2	3 470	2 688
Total operating revenues		3 470	2 688
Salary and personnel costs	3	9 278	6 627
Ordinary depreciation and amortization	6	320	223
Other operating costs	4	11 161	9 950
Total operating costs		20 759	16 800
OPERATING PROFIT/LOSS		-17 289	-14 112
FINANCIAL INCOME AND EXPENSES			
Financial income	5	13 116	12 106
Financial expenses	5	-13 154	-12 145
Net financial items		-38	-39
PROFIT/LOSS BEFORE TAX		-17 327	-14 151
Tax expense	8	0	0
NET PROFIT/LOSS FOR THE YEAR		-17 327	-14 151

Statement of Comprehensive Income

Figures in USD 1 000

	NOTE	2009	2008
STATEMENT OF COMPREHENSIVE INCOME			
Net gain/losses on hedging instruments	11	-7 423	8 599
Pensions	7	-1 302	0
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		-8 725	8 599
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		-26 052	-5 552

Balance Sheet at 31 December

Figures in USD 1 000

	NOTE	2009	2008
ASSETS			
Fixed assets			
Intangible fixed assets			
Project development	6	2 132	1 858
Software licences	6	88	164
Total intangible fixed assets		2 221	2 022
Tangible fixed assets			
Fixtures and fittings, vehicles, other equipment	6	357	550
Total tangible fixed assets		357	550
Financial fixed assets			
Investment in subsidiaries	9	898 526	786 364
Total financial fixed assets		898 526	786 364
TOTAL FIXED ASSETS		901 104	788 936
Current assets			
Receivables			
Accounts receivable		247	219
Intra-group receivables	12	7 938	25 243
Current derivatives		2 297	0
Other receivables		1 305	1 167
Total receivables		11 786	26 629
Cash and cash equivalents	10	170 638	10 615
TOTAL CURRENT ASSETS		182 424	37 244
TOTAL ASSETS		1 083 527	826 180

Balance Sheet at 31 December

Figures in USD 1 000

	NOTE	2009	2008
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	11	476 768	418 064
Share premium reserve	11	639 884	418 064
Total paid-in equity		1 116 652	836 128
Retained earnings			
Other equity	11	- 75 940	- 49 888
Total retained earnings		- 75 940	- 49 888
TOTAL EQUITY		1 040 712	786 240
Liabilities			
Provisions			
Pension commitments	7	2 522	402
Total provisions		2 522	402
Other long-term liabilities			
Interest-bearing long-term debt	12	34 622	28 333
Total other long-term liabilities		34 622	28 333
Current liabilities			
Accounts payable		1 189	1 213
Intra-group payables	12	530	39
Public tax payable		477	285
Current derivatives	11	0	1 416
Other current liabilities		3 476	8 252
Total current liabilities		5 672	11 205
TOTAL LIABILITIES		42 815	39 940
TOTAL EQUITY AND LIABILITIES		1 083 527	826 180

OSLO, 10 MARCH 2010

The Board of Directors of Statkraft Norfund Power Invest AS


  
Stein Dale  
Chairperson

  
Mark John Davis  
Director

  
Rolf Andreas Busch  
Director


  
Tone Wille  
Director

  
Tore Haga  
Director

  
Lisa Huun Thomsen  
Director

  
Eli Skrøvset  
Director

  
Egil Reinhard Gjesteland  
Director

  
Øistein Amdresen  
Chief Executive Officer



Statement of Changes in Equity at 31 December

Figures in USD 1 000

	NOTE	Share capital	Share premium	Other equity	Total equity
AT 1 JANUARY 2008		378 774	378 774	-44 336	713 212
<b>Transactions with shareholders</b>					
Issue of share capital	11	39 290	39 290		78 580
Transactions with shareholders		39 290	39 290		78 580
Total comprehensive income for the year, net of tax				-5 552	-5 552
AT 31 DECEMBER 2008		418 064	418 064	-49 888	786 240
<b>Transactions with shareholders</b>					
Issue of share capital	11	58 705	221 820		280 525
Transactions with shareholders		58 705	221 820		280 525
Total comprehensive income for the year, net of tax				-26 052	-26 052
AT 31 DECEMBER 2009		476 768	639 884	-75 940	1 040 712

Cash flow statement

Figures in USD 1 000

	2009	2008
CASH FLOW FROM OPERATIONAL ACTIVITIES		
Profit/loss before tax	-17 327	-14 151
Tax paid	0	0
Ordinary depreciation	320	223
FX hedges in profit and loss with no cash effect	-8 546	7 519
Difference between this year's pension expense and pension premium	817	-280
Effect of exchange rate changes	6 289	0
Change in accounts receivable	-28	-81
Change in accounts payable	-23	236
Change in intra-group accounts	17 796	-11 800
Change in other current assets and liabilities	-4 726	11 705
Net cash flow from operational activities	-5 427	-6 629
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investment in tangible and intangible fixed assets	-326	-1 529
Investments in subsidiaries	-112 162	-134 974
Proceeds from realised FX hedge contracts	-2 589	-1 089
Net cash flow from investment activities	-115 078	-137 593
CASH FLOW FROM FINANCING ACTIVITIES		
Change in long-term debt	0	28 333
New paid-in equity	280 525	78 579
Net cash flow from financing activities	280 525	106 912
Net change in cash and cash equivalents	160 020	-37 309
Cash and cash equivalents at 1 Januar	10 615	47 921
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	170 638	10 615

Notes

Figures in USD 1 000

Note 1

Accounting policies

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

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

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

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

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

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

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

If an appropriation exceeds the proportion of retained profit after

acquisition, the excess amount represents a repayment of invested capital, and the appropriation is deducted from the value of the investment in the balance sheet.

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

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

**Leasing** | Leasing agreements are classified as financial or operational based on the actual content of the agreement. Agreements transferring substantially all the financial rights and obligations related to the leased object to Statkraft Norfund Power Invest AS are classified as financial. Tangible fixed assets held under financial lease agreements are recognized in the balance sheet and depreciated over the estimated useful life of the asset. The present value of lease payments is included in long-term interest-bearing debt. The debt is reduced by the amount of lease payments less the effective interest rate. Other lease agreements are classified as operational and the annual leasing fee is charged to expense as a leasing expense.

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

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

**Pension cost** | Pension liabilities related to defined benefit plans are measured at the net present value of future pension benefits earned at the balance sheet date and calculated on the basis of assumptions for, among others, the discount rate, expected future wage growth and pension adjustments. Plan assets are measured at fair value. Net pension liabilities related to under-funded plans are recorded as provisions, while the net assets of over-funded plans are recorded in financial fixed assets. Net pension expense, which is gross pension expense less the expected return on plan assets adjusted for past service cost and the effects of changes in estimates, are included in salary and personnel costs. Changes in pension liabilities due to amendments in pension

plans are included in net pension expense over the vesting period or immediately if the benefits are immediately vested. Changes in pension liabilities and plan assets, due to changes in and deviations from the calculation assumptions, are recorded in equity. In the case of pension plans that are defined as contribution plans for accounting purposes the premiums are charged to pension expenses for the period.

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



Note 2

Sales revenues		
By business area	2009	2008
Services	3 470	2 688
TOTAL	3 470	2 688
By geographical market	2009	2008
Norway	590	32
South America	1 214	904
Asia	1 666	1 752
TOTAL	3 470	2 688

Note 3

Employee benefit expenses and management remuneration		
Salary and personnel costs	2009	2008
Salary expenses	6 135	4 920
Social security costs	1 019	1 001
Pension costs (note 7)	1 832	551
Other employee benefits	127	76
Other personnel costs	165	79
TOTAL SALARY AND PERSONNEL COSTS	9 278	6 627
Average number of man-years	2009	2008
SN Power Invest AS	42	38

**Remuneration to leading employees** | The Chief Executive Officer received a salary of NOK 1 737 875 (USD 276 300), paid pension premium of NOK 226.921 (USD 36.078) and other remuneration of NOK 125 828 (USD 20 005) in 2009. Average rate 2009 is used when conversion of NOK to USD. There are no contingent liabilities related to end of employment.

No remuneration has been paid by Statkraft Norfund Power Invest AS to any of its Directors in 2009.

Auditor	2009	2008
Fees to Ernst & Young for audit and audit-related services	79	87
Fees to Ernst & Young for other services	11	58
TOTAL FEES TO ERNST & YOUNG	90	145

Note 4

Other operating costs		
Other operating costs	2009	2008
Leasing premises	911	652
External services	4 280	4 248
Group services	431	0
Travel expenses	2 446	1 853
Other costs	3 094	3 198
OTHER OPERATING COSTS	11 161	9 950

Note 5

Financial items		
Other financial income	2009	2008
Interest income	522	1 671
Interest income on foreign exchange contracts	968	0
Gain on foreign exchange	5 271	10 435
Change in market value on foreign exchange contracts	6 355	0
OTHER FINANCIAL INCOME	13 116	12 106
Financial expenses	2009	2008
Interest expenses Statkraft loan	1 107	1 216
Foreign exchange differences	6 828	0
Other financial expenses	140	119
Interest element on foreign exchange contracts	0	7 519
Change in market value on foreign exchange contracts	5 078	3 291
FINANCIAL EXPENSES	13 154	12 145

Change in market value on foreign exchange contracts have been reclassified in 2008-figures to make them comparable with 2009 figures.

**Functional currency** | Statkraft Norfund Power Invest AS’ functional currency and reporting currency is USD.

Note 6

Fixed assets			
Tangible assets	Furnitures, Office Fixtures	Office Equipment	Total
Acquisition cost 1 January 2009	509	349	858
Additions	51	0	51
Disposals	0	0	0
ACQUISITION COST 31 DECEMBER 2009	560	349	909
Accumulated amortization at 31 December 2009	- 283	- 270	- 552
BOOK VALUE 31 DECEMBER 2009	277	80	357
Amortization for the year	187	57	244
Estimated economic life	3–10 yrs	3–10 yrs	
Depreciation method	linear	linear	

Intangible assets	Project development (*)	Software licences	Total
Acquisition cost 1 January 2009	1 858	277	2 134
Additions	597	0	597
Disposals	- 322	0	- 322
ACQUISITION COST 31 DECEMBER 2009	2 132	277	2 409
Accumulated amortization at 31 December 2009		- 188	- 188
BOOK VALUE 31 DECEMBER 2009	2 132	88	2 221
Amortization for the year		76	76
Estimated economic life	N/A	3 – 5 yrs	
Depreciation method	N/A	linear	

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

Note 7

Pensions

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

Actuarical gains/losses are recognised in equity, and the effect in 2009 amounts to TUSD 1.302.

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

	2009	2008
Discount rate	4.4%	4.5%
Expected rate of return	5.6%	6.5%
Regulation of salary	4.5%	4.75%
Regulation of pension	2.1%	3.0%
Regulation of base rate	4.0%	4.0%
Turnover	3.5%	5.0%

Pensions costs	Funded	Unfunded	2009	2008
Net present value of the current year's pension earnings	1 498	90	1 588	449
Interest rate and administrative costs	239	5	244	130
Gross pension costs	1 737	95	1 832	579
Return on pension plan assets	- 271	0	- 271	- 129
Amortization of passed service costs and gains/losses	48	0	48	22
Administration costs	0	0	0	10
Accrued social security cost	209	13	222	68
NET PENSION COSTS	1 723	108	1 832	551

Pension liabilities	Funded	Unfunded	2009	2008
Pension liabilities	6 597	263	6 860	4 442
Pension plan assets	4 589	0	4 589	2 933
Calculated pension liabilities	2 008	260	2 268	1 509
Past service cost	- 67	0	- 67	- 72
Unrecognised actuarial gains/losses	0	0	0	-1 084
Social security cost	283	37	320	50
NET PENSION LIABILITIES	2 225	297	2 522	402



Note 8

Income tax

	2009	2008
Profit before tax	-17 327	-14 151
Expected tax expense at a nominal rate of 28%	-4 852	-3 962
<b>Effect on taxes of:</b>		
Permanent profit and loss differences between USD accounts and tax accounts in NOK translated to USD at average rate 2009	-11 964	10 506
Exchange rate effect of closing balance rate vs. Average rate (of the above)	-1 494	-1 309
Permanent differences	64	51
Change in market value on foreign exchange contracts	-2 468	2 088
Gain on financial investments	0	-7
Taxable gain on financial investments	0	212
Tax loss carried forward	20 110	-7 536
Changes in temporary differences	603	-43
THIS YEAR'S TAX EXPENSE	0	0
Tax rate	0%	0%
Taxes payable	0	0
Change in deferred tax asset	0	0
Change in deferred tax liability	0	0
THIS YEAR'S TAX EXPENSE	-	-

	2009	2008
Fixed assets	-119	4
Pensions	-2 522	-402
Tax loss carried forward	-81 343	-7 792
Temporary differences 31 December	-83 984	-8 190
Tax rate	28%	28%
DEFERRED TAX ASSET 31 DECEMBER	–	–

Deferred tax asset is recognised based on an expectation about a future taxable profit. Based on Statkraft Norfund Power Invest AS’s operations, future income will primarily not be taxable. Accordingly, deferred tax asset can not be utilized in 2009 and have not been recognized in the company’s balance sheet.

Tax loss carried forward at 31 December 2009 amounts to NOK 469.893.237.

Note 9

Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Date of establ.	Business office	Country of registration	Main operations	Parent company	Voting share	Ownership share
SN Power Holding AS	27 May 03	Oslo	Norway	Investment	Statkraft Norfund Power Invest AS”	100%	100%
SN Power AfriCA AS	13 January 09	Oslo	Norway	Investment	Statkraft Norfund Power Invest AS”	51%	51%

Shares in subsidiaries are recorded in accordance with the cost method in the balance sheet of Statkraft Norfund Power Invest AS. Paid in capital to SN Power Holding AS was NOK 5.164.825.000 corresponding to USD 894.020.830 and paid in capital to SN Power AfriCA AS was NOK 32.130.000 corresponding to USD 4.505.000 at 31 December 2009.

Note 10

Guarantees, cash and cash equivalents etc.

**Guarantees** | Guarantees for projects under development amounts to MUSD 45.6. Premises rent guarantees amounts to MUSD 0.5.

Cash and cash equivalents	2009	2008
Specification of cash and cash equivalents		
Cash in hand and at bank	170 164	10 317
Restricted bank deposits – withholding tax employees	474	298
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET	170 638	10 615

Note 11

Share capital, shareholder information and FX hedge contracts

	Share capital	Share premium	Other equity	Total equity
Equity 1 January 2009	418 064	418 064	-49 888	786 239
Capital increase	58 705	221 820		280 525
Pensions			-1 302	-1 302
Foreign currency translation effects on FX-hedges			-7 423	-7 423
This year’s net profit/loss			-17 327	-17 327
EQUITY 31 DECEMBER 2009	476 768	639 884	-75 940	1 040 712

Nominal value per share is NOK 100. All issued shares have equal voting rights and are equally entitled to dividend. No dividend will be paid out for 2009.

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

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

The interest element in the contracts is separated and charged to the profit and loss statement. For 2009 this amounted to TUSD 5 078.

	2009	2008
FX Hedge contracts at 1 January	-1 416	-3 584
FX Hedge contracts at 31 December	2 297	-1 416
Movement in market values of FX contracts	3 712	2 168
Movement in market values of FX contracts recognized in income statement	8 546	-7 519
Movement in market values of FX contracts recorded against other equity	-4 833	5 351
MOVEMENT IN MARKET VALUES OF FX CONTRACTS	3 712	-2 168
Movement in market values of FX contracts recorded against other equity	-4 833	5 351
Realized contracts recorded against other equity	-2 589	3 248
NET RECORDED AGAINST EQUITY	-7 423	8 599
Movement in market values of FX contracts recognized in income statement	8 546	-7 519
Realized contracts recognized in income statement	-2 191	-
NET RECOGNIZED IN PROFIT AND LOSS	6 355	-7 519

	Number of shares	Owner and voting share
Shareholders 31 December 2009		
Statkraft AS	16 026 206	60%
Norfund	10 684 137	40%
TOTAL	26 710 343	100%

Statkraft AS increased the owner share in Statkraft Norfund Power Invest AS with 10% from 1 January 2009 and own 60% after this transaction.

Note 12

Transactions with related parties

	2009	2008
Intercompany short term receivables		
SN Power Holding AS	0	9 000
SN Power Holding Singapore Pte. Ltd.	6 127	5 194
SN Power Peru Holding S.R.L	51	174
Empresa de Generacion Electrica Cahua S.A.	110	61
SN Power Chile Inversiones Electricas Ltda.	1 248	10 489
Norvind S.A.	0	325
Electroandes SA	15	0
Himal Power Ltd.	21	0
SN Power Global Services Pte. Ltd	46	0
SN Power AfriCA AS	320	0
TOTAL	7 938	25 243

	2009	2008
Intercompany short term payables		
SN Power Peru Holding S.R.L	0	13
Empresa de Generacion Electrica Cahua S.A.	0	26
SN Power Holding AS	93	0
SN Power Holding Singapore	32	0
SN Power Global Services Pte. Ltd	130	0
SN Power Chile Inversiones Electricas Ltda.	275	0
TOTAL	530	39

	2009	2008
Interest-bearing long-term debt		
Statkraft AS	34 622	28 333
TOTAL	34 622	28 333



Auditors Report



**Statsautoriserte revisorer**  
**Ernst & Young AS**  
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Medlemmer av Den norske Revisorforening

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

**Auditor's report for 2009**

We have audited the annual financial statements of Statkraft Norfund Power Invest AS as of 31 December 2009, showing a loss of USD 17 327 000 for the Parent Company and a profit of USD 41 388 000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income, comprehensive income,, cash flows and changes in equity as well as the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income, comprehensive income, cash flows and changes in equity as well as the accompanying notes. Simplified IFRSs pursuant to the Norwegian Accounting Act § 3-9 have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2009, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with simplified IFRSs pursuant to the Norwegian Accounting Act § 3-9
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with law and regulations.

Oslo, 24 March 2010  
ERNST & YOUNG AS  
Olve Gravråk  
State Authorised Public Accountant (Norway)  
(sign.)  
Note: The translation to English has been prepared for information purposes only.

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