

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998.

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

COMMISSION FILE NO. 333-33397

NRG ENERGY, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

41-1724239

(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER IDENTIFICATION NO.)

1221 NICOLLET MALL, SUITE 700
MINNEAPOLIS, MINNESOTA

55403

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

(612) 373-5300

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicated by check mark whether the Registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. Yes X No
--- ---

As of June 23, 1999, there were 1,000 shares of common stock, \$1.00 par value, outstanding, all of which were owned by Northern States Power Company. No other voting or non-voting common equity is held by non-affiliates of the Registrant.

The Registrant meets the conditions set forth in General Instruction I (1) (a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format.

Documents Incorporated by Reference: None

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the

Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on June 23, 1999.

NRG ENERGY, INC.

By: /s/ Leonard A. Bluhm

Leonard A. Bluhm
Executive Vice President and
Chief Financial Officer

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SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15 (d) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

An annual report has been sent to security holders and was supplementally filed with the Commission. Such annual report to security holders shall not be deemed "filed" with the Commission or otherwise subject to the liabilities of Section 18 of the Securities Exchange Act of 1934. No proxy material will be sent to security holders.

Halle, May 14, 1999

Saale Energie GmbH,
Schkopau

Report on the audit of the
financial statements for the
years ended December 31, 1998 and 1997
in accordance with German GAAP
and on the audit of the respective
US GAAP reconciliation

Copy no. (9)

SAALE ENERGIE GMBH
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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of
Saale Energie GmbH
Schkopau, Germany

We have audited the accompanying balance sheets of Saale Energie GmbH (SEG) as of December 31, 1998 and 1997, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of SEG's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in Germany and the United States of America. Those 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saale Energie GmbH as of December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Germany.

Generally accepted accounting principles in Germany vary in certain significant respects from generally accepted accounting principles in the United States of America. Application of generally accepted accounting principles in the United States of America would have affected the results of operations for the year ended December 31, 1998 and 1997 and shareholders' equity as of December 31, 1998 and 1997 to the extent summarized in Note C to the financial statements.

/s/ Deloitte & Touche GmbH

DELOITTE & TOUCHE GmbH
Wirtschaftsprüfungsgesellschaft

Halle, Germany
May 14, 1999

	NOTES	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997
		-----	-----
Sales	D	218,642	224,502
Other operating income		27	21
		-----	-----
Total revenue		218,669	224,523
		-----	-----
Cost of materials	D/K	215,763	225,669
Depreciation of tangible fixed assets		1	1
Other operating expenses		1,112	1,122
		-----	-----
Total operating expenses		216,876	226,792
		-----	-----
Result of operations		1,793	-2,269
Income from companies in which participations are held		8,515	7,162
Interest income (net)	I	2,280	-3,152
		-----	-----
Results of ordinary activities		12,588	1,741
Extraordinary loss (net)	L	-4,856	0
		-----	-----
Profit before taxes on income		7,732	1,741
Taxes on income		0	0
		-----	-----
Net profit for the year		7,732	1,741
		=====	=====

See accompanying Notes to the Financial Statements

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SAALE ENERGIE GMBH

BALANCE SHEETS
(IN THOUSANDS DM)

	NOTE	AT DECEMBER 31, 1998	AT DECEMBER 31, 1997
		-----	-----
ASSETS			
Outstanding contributions		713	713

NON-CURRENT ASSETS			
Fixed assets			
Tangible assets			
Factory and office equipment	B	0	1
Financial asset			
1. Shares in affiliated companies	B, E	49	49
2. Participations	B, E	204,193	200,677
3. Loans to participations	B, F	83,800	82,200
		-----	-----
TOTAL NON-CURRENT ASSETS		288,042	282,927
CURRENT ASSETS			
Inventories			
Raw materials and supplies	B	847	714
Receivables and other assets			
1. Trade receivables	B, D, G	22,505	18,860
2. Other assets	B, G	4,151	3,541
Bank balances	B	107,823	16,522
		-----	-----
TOTAL CURRENT ASSETS		135,326	39,637
		-----	-----
TOTAL ASSETS		424,081	323,277
		=====	=====
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
H			
Subscribed capital		1,000	1,000
Capital reserve		48,041	48,041
Net income for the year		7,732	1,741
Accumulated losses brought forward		-9,642	-11,383
		-----	-----
TOTAL SHAREHOLDERS' EQUITY		47,131	39,399
Accruals			
Other accruals	B	3,292	80
Liabilities			
1. Trade payables	B, I	3,940	3,541
2. Payables to shareholding companies	B, I	77	69
3. Payables to affiliated companies	B, I	373	3,140
4. Payables to participations	B, I	324,663	234,837
5. Other payables	B, I	44,605	42,211
		-----	-----
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		424,081	323,277
		=====	=====

See accompanying Notes to the Financial Statements

	YEAR ENDED DECEMBER 31, 1998 -----	YEAR ENDED DECEMBER 31, 1997 -----
Cash generated by operations:		
Net income for the year	7,732	1,741
Adjustments to reconcile the net profit to the cash generated by operations:		
Depreciation on tangible assets and current asset write-offs	1	1
Change in assets and liabilities:		
Inventories	-133	-389
Short-term trade receivables	-3,645	5,904
Other assets	-610	11,009
Accruals	3,212	40
Short-term trade payables	400	-5,295
Other liabilities	84,717	65,579
	-----	-----
CASH RETAINED FROM OPERATING ACTIVITIES	91,674	78,590
	-----	-----
Cash flows from financing activities:		
Proceeds from loans	-373	-90,816
	-----	-----
CASH UTILIZED IN FINANCING ACTIVITIES	-373	-90,816
	-----	-----
NET DECREASE IN CASH	91,301	-12,226
CASH AT BEGINNING OF YEAR	16,522	28,748
	-----	-----
CASH AT END OF YEAR	107,823	16,522
	=====	=====

See accompanying notes to the Financial Statements

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SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

NOTE A ORIGINATION AND NATURE OF BUSINESS

ORIGINATION: According to the Articles of Association, Saale Energie GmbH ("SEG") was established on November 11, 1993. The company's shares are held at 50 % by NRGenerating International B.V., Amsterdam and at 50 % by PowerGen Holdings B.V., Rotterdam.

NATURE OF BUSINESS: The operations of SEG include all activities relating to the direct and indirect acquisition, ownership, administration and operation of power generating facilities located in Schkopau, including the purchase of fuel and the sale of energy produced in the facilities. The business of the company further constitutes all activities relating to the supply of management, maintenance and consulting services in respect of power stations and related plants. The company is authorized to take all other actions and engage in all other businesses which appear to be necessary and useful in order to carry into effect the purpose of the company. In particular it is authorized to hold, acquire and create subsidiaries, branches, companies and interests in other enterprises.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES: The financial statements of SEG have been prepared in accordance with the German Commercial Code, which represents accounting principles generally accepted in Germany ("German GAAP"). German GAAP vary in

certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). Application of US GAAP would have affected the results of operations for the years ended December 31, 1998 and 1997 and shareholders equity at December 31, 1998 and 1997 to the extent summarized in Note C to the financial statements. All amounts herein are shown in thousands of Deutsche Mark ("TDM") unless otherwise stated.

CONSOLIDATION: SEG does not prepare German GAAP consolidated financial statements. SEG owns a 98 % share of its affiliated company (subsidiary) Saale Energie Service GmbH ("SES"). The investment in SES is included at cost in SEG's financial statements. Furthermore, SEG holds a 41.9 % share in the Kraftwerk Schkopau GbR ("GbR") and a 44.4 % share in the Kraftwerk Schkopau Betriebsgesellschaft mbH. These companies are included at cost and referred to as participations in these financial statements.

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SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

TOTAL COST METHOD: The statement of operations is presented according to the total cost (or type of expenditure) format as commonly used in Germany. According to this format, production and all other expenses incurred during the period are classified by type of expenses.

REVENUE RECOGNITION: Revenue is recognized when title passes or services are rendered, net of discounts, customer bonuses and rebates granted.

FIXED ASSETS: Fixed tangible assets are recorded on the basis of acquisition or manufacturing cost and subsequently reduced by scheduled depreciation charges over the assets' useful lives.

FINANCIAL ASSETS: The long-term loans and investments are recorded at cost.

INVENTORIES: Inventories are accounted for at historical purchase cost.

RECEIVABLES AND OTHER ASSETS: All receivables are recorded at nominal value. An allowance for doubtful accounts has been recorded and deducted from the trade receivables balance.

BANK BALANCES: Bank balances include current accounts and fixed deposits.

ACCRUALS AND LIABILITIES: Accruals have been recorded for known obligations at the balance sheet date at the amounts of the estimated liabilities. Liabilities are valued at the amounts outstanding.

EXTRAORDINARY ITEMS: These are non-recurring income and expenses, which do not result from the ordinary activities of the company. The extraordinary income and expenses are disclosed in Note L to the financial statements.

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SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

NOTE C SIGNIFICANT DIFFERENCES BETWEEN GERMAN AND UNITED STATES GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES

SEG's financial statements comply with German GAAP, which differs in certain significant respects from US GAAP. The differences that would have a significant effect on net income and shareholders' equity are set out below.

1. Consolidation

SEG does not prepare consolidated financial statements according to the German Commercial Code. If US GAAP were applied, SEG would be required to prepare consolidated financial statements, which would include the financial statements of SES.

US GAAP financial statements would therefore include the current year's operating results of SES, net of minority interests, and would exclude the dividend income received by SEG.

2. Accounting for long term service and supply agreements

For German GAAP purposes, the amounts billed to SEG resulting from the use and benefit agreement between SEG and GbR are recorded as expenses of the period. Parallel, the amounts attributable to the long-term electricity supply contract with the company's sole customer are recorded as revenue in the period they are invoiced (see Note D).

In accordance with US GAAP, these agreements would be considered as leasing agreements. The use and benefit agreement would be considered a capital lease, and the long-term sales agreement, as it relates to capacity availability, would be treated as a direct financing lease arrangement. The revenues and expenses recorded based upon current billings would be replaced by the amortization of unearned direct finance lease income and interest expense on lease obligations in accordance with US GAAP.

The net present value of the minimum lease payments to be received by SEG under the terms of the agreement amounts to TDM 813,594, whereas the net present value of the lease obligation payable by SEG over the minimum period of 25 years is TDM 512,868 as of December 31, 1998.

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NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

3. Outstanding contributions from the shareholders

As of December 31, 1998, outstanding contributions from shareholders amounted to TDM 713, which were not deducted from shareholders' equity in the German financial statements. The shareholders' equity for US GAAP purposes has to be reduced by the outstanding contributions.

4. Deferred taxes

Under German GAAP, SEG did not accrue for income tax, because the accumulated tax losses of prior years exceed the net profit for the 1998 financial year. Deferred tax assets and liabilities have not been recorded, because under German GAAP, they are only required to be recognized to the extent that the deferred tax liabilities exceed the deferred tax assets. Deferred tax assets are not recorded for accumulated tax losses brought forward.

For purposes of US GAAP accounting the financial values differ significantly from the tax basis mainly due to the application of lease accounting.

Significant components of SEG's deferred tax liabilities and assets as of December 31, 1998 and 1997, that would have resulted from accumulated tax losses and temporary differences between the US GAAP financial statement basis and tax basis of assets and liabilities are summarized as follows:

	12/31/1998	12/31/1997
	TDM	TDM
	---	---
Deferred tax liability:		
lease accounting	165.721	109.539
Total deferred liability	165.721	109.539
	-----	-----
Deferred tax assets:		
accumulated tax losses	48.276	51.457
investment in GbR	3.812	3.359
Total deferred asset	52.088	54.816
	-----	-----
Net deferred tax liability	113.633	54.723
	=====	=====

RECONCILIATION TO US GAAP

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SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

The following is a summary of the significant adjustments to net income for 1998 and 1997 which would have been required if US GAAP had been applied instead of German GAAP.

	Item	Year ended December 31, 1998	Year ended December 31, 1997
	----	TDM	TDM
		---	---
Net income as reported in the statement of income under German GAAP		7.732	1.741
Consolidation of SES	1.	134	-1.578
Lease adjustment	2.	83.757	71.766
Deferred taxes	4.	-58.910	-41.636
Net profit in accordance with US GAAP		32.713	30.293
		=====	=====

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SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

The following is a summary of the significant adjustments to shareholders' equity as of December 31, 1998 and 1997 which would have been required if US GAAP had been applied instead of German GAAP.

Item	Year ended	Year ended
	December 31, 1998 TDM	December 31, 1997 TDM
----	---	---
Shareholders' equity as reported in the balance sheet under German GAAP	47.131	39.399
Adjustments required to conform with US GAAP:		
Consolidation of SES	C 1. 1.834	1.700
Lease adjustment	L 2. 187.059	103.302
Outstanding contributions	O 3. -713	-713
Deferred taxes	D 4. -113.633	-54.723
Shareholders' equity in accordance with US GAAP	121.678 =====	88.965 =====

NOTE D LONG-TERM SALES AND SERVICE AGREEMENTS

According to the long-term electricity supply contract between SEG and its sole customer, SEG supplies its total available electricity capacity to this customer. The contract has a term of 25 years starting at the date of commissioning of the power plant. The customer is obliged to pay on a monthly basis a price that covers (1) the availability of power supply capacity and (2) the operating costs incurred to produce the electricity. The customer has agreed to make minimum payments of TDM 2,392,322 over the period of the agreement (25 years). SEG's entire sales in 1998 and 1997 were made to this customer.

SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

SEG closed a use and benefit agreement with Kraftwerk Schkopau GbR under which GbR grants SEG a notional share of 400 MW (power share) in the total net capacity of the power station for its sole use. The SEG power share encompasses all plant and equipment of the power station. In return SEG is obliged to pay all costs of the GbR related to the SEG-power share as stipulated in the agreement plus a profit margin plus value added tax. Such billings amounted to TDM 133,412 and TDM 139,294 in 1998 and 1997, respectively.

In order to manage and operate its share in the power plant, SEG closed a contract with Kraftwerk Schkopau Betriebsgesellschaft mbH (KSB). SEG commissions KSB with the conversion of coal using its power share of 400 MW of the Schkopau power plant, and KSB accepts responsibility for all costs of operating and maintaining the power plant. In terms of the contract SEG is obliged to pay for KSB's services. The management fees levied by the KSB amounted to TDM 54,779 and

TDM 54,713 in 1998 and 1997, respectively.

NOTE E INVESTMENTS IN SUBSIDIARIES AND PARTICIPATIONS

SEG holds a 98 % share in Saale Energie Services GmbH (SES). The investment is accounted for at its historical acquisition cost of TDM 49. The business of the company consists of all activities relating to the supply of management, maintenance and consulting services in respect of power stations and related plants, especially for the power stations of the Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG) and its affiliated companies.

SEG holds a 41.9 % participation in the GbR, which owns the Schkopau power plant, at the historical cost value of TDM 204,193. SEG's provisional share of 41.1% was adjusted to 41.9 % as determined at the GbR shareholders meeting of May 28, 1998. See Note L. The investment in the GbR at year-end incorporates an adjustment (TDM 3,516) for this increased interest of SEG in the GbR.

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SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

SEG's 44.4 % share in the Kraftwerk Schkopau Betriebsgesellschaft mbH (KSB) has been recorded at the historical acquisition cost of TDM 22. SEG has assigned its share in KSB to PwC Deutsche Revision AG in security for the other partner in the GbR.

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SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

NOTE F LOAN TO KRAFTWERK SCHKOPAU GBR

In terms of the loan agreement between the participants of the GbR, SEG has to grant a loan of up to TDM 100,560 to GbR. The balance outstanding (and the amount drawn by the GbR) at December 31, 1998 was TDM 83,800. The loan to the GbR was increased by 0,8 % as a result of the asset-split agreement (TDM1,600). The loan is unsecured and bears interest at a fixed rate of 7 % p.a.. The interest on the loan for 1998 of TDM 5,866 was set-off from the payables to the GbR (see NOTE I). The loan has been granted for an indefinite period and the repayment terms are not fixed.

NOTE G RECEIVABLES AND OTHER ASSETS

The net trade receivables of TDM 22,505 and TDM 18,860, as reported on December 31, 1998 and 1997, respectively, relate to power supplied to the company's sole customer. The balances are net of allowances for doubtful accounts of TDM 75 in 1998 (TDM 0 in 1997).

The other assets are mainly receivables from tax authorities.

NOTE H CHANGE IN SHAREHOLDERS' EQUITY

Shareholders' equity of SEG changed in 1998 and 1997 solely by the net profit for the year.

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SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

NOTE I LIABILITIES

	Total balance as of 12/31/1998 TDM	Maturity period of less than 1 year TDM	Maturity period between 1 and 5 years TDM	Maturity period of more than 5 years TDM	Total balance as of 12/31/1997 TDM
	-----	-----	-----	-----	-----
1) Trade payables	3.940	3.940			3.541
2) Payables to shareholding companies	77	77			69
3) Payables to affiliated companies	373	373			3.140
4) Payables to companies in which participations are held	324.663	56.080	224.830	43.753	234.837
5) Other liabilities	44.605	44.605			42.211
	-----	-----	-----	-----	-----
	373.658	105.075	224.830	43.753	283.798
	=====	=====	=====	=====	=====

The maturity periods of the liabilities are as follows:

The liability as of December 31, 1998 and 1997 comprises of the following:

	12/31/1998 TDM	12/31/1997 TDM
	-----	-----
a) Kraftwerk Schkopau GbR (GbR)	319.159	230.111
b) Kraftwerk Schkopau Betriebsgesellschaft mbH (KSB)	5.504	4.726
	-----	-----
	324.663	234.837

SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

a) The payables to GbR comprise of three components:

TDM 272,206 (in 1997, TDM 188,275) refers to the fees related to the use and benefit agreement and represent SEG's share in the power plant's expenses. The gross fees payable was reduced by the interest on the GbR loans, the share in the profit of the GbR as well as cash calls by the GbR.

TDM 43,753 (in 1997, TDM 41,837) results from SEG's obligation to reimburse its share in the shortfall achieved in the 1995 financial statement of the GbR as well as the shortfall achieved in 1996 up to the commissioning date of the power plant (March 31, 1996). TDM 16,966 was repaid during 1997. The increase in the payables reflects the increase in SEG's interest in the Schkopau power plant to 41.9%.

TDM 3,200 comprises of the liability in respect of outstanding equity contributions and loans to the GbR as a result of the increase of SEG's interest by 0.8% in the GbR in 1998.

The payables to the GbR are interest free.

b) The liability to the KSB mainly arises from the coal conversion contract between SEG and KSB. See Note D.

The other owner of the GbR granted a loan of up to TDM 50 million to SEG for purposes of funding the interest due during the construction period of the power plant. A variable interest rate of 3 months LIBOR plus 2 % p.a. was charged during 1998 and 1997.

NOTE J OTHER FINANCIAL COMMITMENTS

For financial commitments relating to the leased assets and lease commitments see note C.

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SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

NOTE K RELATED PARTY TRANSACTIONS

SEG and MIBRAG, a related company with common shareholders NRG Energy Inc. and PowerGen plc., closed a long-term coal supply agreement. Under the terms of this agreement MIBRAG delivers lignite to the power station in Schkopau until 2010 at market prices. The annual volume of coal to be delivered by MIBRAG was not fixed in the agreement. The lignite purchased by SEG from MIBRAG during 1998 amounted to TDM 27,706 (1997, TDM 32,052).

In addition, SES and MIBRAG entered into a consulting and management agreement. In 1998 MIBRAG was billed TDM 4,861 (1997, TDM 4,548) by SES.

NOTE L EXTRAORDINARY LOSS (NET)

The extraordinary items in 1998 relate to the adjustments, in respect of prior years, which resulted from the asset-split agreement of May 28, 1998. There were no extraordinary items recorded in 1997.

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SAALE ENERGIE GMBH

NOTES TO THE FINANCIAL STATEMENTS
(IN THOUSANDS DM)

	Year ended December 31, 1998 TDM -----
Extraordinary income	
Interest income on loans to participations	112
Interest in the profit of participations	57

	169

Extraordinary expenses	
Use and benefit fees:	
-1997	2.711
-1996	1.864
Interest expense from the asset split	450

	5.025

Extraordinary loss, net	4.856
	=====

SUNSHINE STATE POWER B.V.
 ANNUAL FINANCIAL REPORT
 DECEMBER 31, 1998

SUNSHINE STATE POWER B.V.
 ANNUAL FINANCIAL REPORT
 DECEMBER 31, 1998

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DIRECTORS

D.H. Peterson
 R.J. Will
 V.A. Knudsen

SUNSHINE STATE POWER B.V.
 DIRECTORS' REPORT
 DECEMBER 31, 1998

(in Australian dollars)

1. OPERATIONS AND YEAR END POSITION

Sunshine State Power B.V.'s principal operating activity is the ownership of 20% of the Gladstone Power Station Joint Venture. The Gladstone Power Station Joint Venture owns and operates the Gladstone Power Station located in Queensland, Australia. The Gladstone Power Station Joint Venture is an unincorporated joint venture and therefore not a separate legal entity. Accordingly, the Gladstone Power Station Joint Venture owners act as tenants in common owning their proportionate shares of the unincorporated joint venture's assets, liabilities, and results of operations. Sunshine State Power B.V.'s net turnover and net result for the year ended December 31, 1998 were AUD 57.2 million and AUD 5.8 million, respectively. Sunshine State Power B.V.'s net turnover and net result for period ended December 31, 1997 were AUD 55.5 million and AUD 2.4 million, respectively. The Gladstone Power Station performed satisfactorily during the period and the financial position at year end remains good.

2. SIGNIFICANT EVENTS AND FUTURE PROSPECTS

On March 30, 1994, the Gladstone Power Station Joint Venture purchased the Gladstone Power Station from the Queensland Transmission and Electric Corporation (formerly Queensland Electric Commission) for approximately AUD 750 million. Sunshine State Power B.V.'s share of the acquisition was financed with long-term debt with banks and subordinated notes payable from its shareholders, NRGenerating International B.V. and Gunwale B.V., which are ultimately wholly-owned by NRG Energy, Inc., which is incorporated in the United States of America.

The Gladstone Power Station Joint Venture is contracted to spend approximately AUD 12 million in improvements and refurbishment's over the next five years as part of a continuing capital works project on the Gladstone Power Station. These expenditures, of which AUD 3 million are planned for 1999, are expected to improve the efficiency, operations and environmental compliance of the Gladstone Power Station. There are no significant changes expected in the level of Gladstone Power Station Joint Venture financing during 1999 at the Gladstone Power Station.

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3. RESEARCH AND DEVELOPMENT

As part of the operations of the Gladstone Power Station, research and development is performed to improve the efficiency and operations of the station and to increase its environmental compliance.

For and behalf of the Board

Amsterdam, the Netherlands
March 12, 1999

D.H. Peterson
R.J. Will
V.A. Knudsen

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COPY

TO THE SHAREHOLDERS OF SUNSHINE STATE POWER B.V.

AUDITORS' REPORT

INTRODUCTION

In accordance with your instructions, we have audited the 1998 financial statements of Sunshine State Power B.V., Queensland, Australia set out on pages 4 to 14 of this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those 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. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the company as of December 31, 1998 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Dutch Civil Code.

PRICEWATERHOUSECOOPERS N.V.

Amsterdam, March 12, 1999

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SUNSHINE STATE POWER B.V.

BALANCE SHEET AT DECEMBER 31, 1998 (Before appropriation of the result for the year) (Amounts expressed in thousands of Australian dollars)

	1998 AUD'000	1997 AUD'000
ASSETS		

FIXED ASSETS		
Intangible fixed assets	7 455	7 926
Tangible fixed assets	157 432	161 545
	-----	-----
	164 887	169 471
CURRENT ASSETS		

Stocks	3 497	2 254
Receivables	5 521	4 470
Cash and bank balances	11 471	10 885
	-----	-----
	20 489	17,609
	-----	-----
TOTAL ASSETS	185 376	187 080
	-----	-----
SHAREHOLDERS' EQUITY AND LIABILITIES		

SHAREHOLDERS' EQUITY		
Issued share capital	30	30
Retained earnings	26 580	24 147
Result for the year	5 826	2 433
	-----	-----
	32 436	26 610
	-----	-----
Provisions	17 918	16 195
Long-term liabilities	125 480	135 435
Current liabilities	9 542	8 840
	-----	-----
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	185 376	187 080
	-----	-----

The accompanying notes form an integral part of the annual accounts.

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SUNSHINE STATE POWER B.V.

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1998 (Amounts expressed in thousands of Australian dollars)

	1998 AUD'000	1997 AUD'000
Net turnover		
Queensland Transmission & Supply Corporation	18 819	24 105
Boyne Smelters Limited	38 377	31 386
	-----	-----
TOTAL	57 196	55 491
Cost of turnover		
Non-fuel	9 345	8 864
Fuel	24 864	19 972
	-----	-----
TOTAL	34 209	28 836
	-----	-----
GROSS PROFIT ON TURNOVER	22 987	26 655
	-----	-----
Operating expenses	1 624	2 484
Depreciation and amortization expense	6 409	6 328
	-----	-----
TOTAL EXPENSES	8 033	8 812
	-----	-----
NET PROFIT ON TURNOVER	14 954	17 843

Interest expense	6 942	7 831
Interest income	(566)	(667)
Foreign exchange loss	995	6 951
Disposal of assets loss/(gain)	19	(73)
NET FINANCIAL EXPENSE	7 390	14 042
Result from ordinary operations before taxation	7 564	3 801
Taxation	1 738	1 368
NET RESULT	5 826	2 433

The accompanying notes form an integral part of the annual accounts.

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SUNSHINE STATE POWER B.V.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 1998 (Amounts expressed in thousands of Australian dollars)

	1998 AUD'000	1997 AUD'000
Cash flows from operating activities		
Net result	5 826	2 433
Adjustments to reconcile net result to net cash provided by operating activities:		
Depreciation and amortization	6 409	6 328
Deferred income taxes	1 738	1 368
Foreign exchange loss	995	6 951
Loss/(gain) on sale of fixed assets	19	(73)
Changes in operating assets and liabilities:		
Stocks	(1 243)	1 282
Receivables	(1 051)	407
Provisions	(15)	209
Current liabilities	164	48
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	12 842	18 953
Cash flows from investing activities		
Purchases of tangible fixed assets	(1 867)	(2 251)
Proceeds from sale of fixed assets	23	94
NET CASH FLOWS USED BY INVESTING ACTIVITIES	(1 844)	(2 157)
Cash flows from financing activities		
Repayments of notes payable	(4 974)	(12 896)
Repayments of long-term debt	(5 438)	(4 913)
NET CASH FLOWS USED BY FINANCING ACTIVITIES	(10 412)	(17 809)
NET INCREASE (DECREASE) IN CASH AND BANK BALANCES	586	(1 013)
Cash and bank balances		
Beginning of year	10 885	11 898
End of year	11 471	10 885

SUPPLEMENTAL DISCLOSURE OF

The accompanying notes form an integral part of the annual accounts.

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SUNSHINE STATE POWER B.V.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1998
(Amounts expressed in thousands of Australian dollars)

1. GENERAL

ACTIVITIES

Sunshine State Power B.V. (the Company) was incorporated on November 11, 1993 and is seated in Amsterdam, the Netherlands. The Company's principal operating activity is the ownership of 20% of the Gladstone Power Station Joint Venture. The Gladstone Power Station Joint Venture owns and operates the Gladstone Power Station located in Queensland, Australia which it acquired on March 30, 1994. The Gladstone Power Station Joint Venture is an unincorporated joint venture and therefore not a separate legal entity. Accordingly, the Gladstone Power Station Joint Venture owners act as tenants in common owning their proportionate shares of the unincorporated joint venture's assets, liabilities and results of operations. The unincorporated joint venture's assets liabilities results of operations and cash flows have been taken up in this annual financial report on a proportionate basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

Unless otherwise stated assets and liabilities are carried at nominal value.

FOREIGN CURRENCIES

Assets and liabilities at year-end and transactions during the period denominated in a foreign currency are translated into the Company's functional currency (Australian dollars) at the exchange rates ruling at year-end and at the time of the transaction, respectively. Exchange adjustments are taken to the statement of income.

INTANGIBLE FIXED ASSETS

Project development expenditures

Project development expenditures represent the Company's share of project development expenditures incurred by the Gladstone Power Station Joint Venture to organize the acquisition of the Gladstone Power Station and operate it subsequent to the acquisition.

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Capitalised development expenditures are being amortized over the term of the Gladstone Power Station Power sales agreements (35 years), commencing from the

date the investment in the project was consummated. The carrying values of capitalized development expenditures and the amortization periods are reviewed annually and any necessary write down is charged against income. Research expenditures and expenditures on development of existing projects are charged against income in the year in which they are incurred.

Financing costs

Financing costs represent the Company's share of the costs incurred by the Gladstone Power Station Joint Venture to acquire the long-term debt used to finance the acquisition of the Gladstone Power Station. Capitalized financing costs are being amortized over a ten year period, which represents the timeframe until the Company expects the long-term debt will be refinanced.

TANGIBLE FIXED ASSETS

All tangible fixed assets are stated at cost. The Company has not had any revaluations performed on its tangible fixed assets. Tangible fixed assets, with the exception of land, are depreciated over their estimated useful lives or over the life of the power purchase agreement by the straight line method. Ordinary maintenance and repairs are expensed as incurred; replacements and improvements are capitalized.

The estimated useful lives are:

Site roads and preparation	35 years
Generators, systems, stacks, etc.	35 years
Coal handling plant	10 - 35 years
Other operating fixed assets	3 - 10 years

STOCKS

Stocks are carried at the lower of cost (principally by the FIFO method or another method which approximates FIFO) and net realisable value. In valuing stocks, appropriate allowance is made for obsolete or slow-moving items.

TRADE DEBTORS

Trade debtors are stated at nominal value net of provision for doubtful debtors.

PROVISIONS

Employee provisions

Provisions are made for amounts expected to be paid to the operator of the Gladstone Power Station in respect of its employees for the pro rata entitlements for long service and annual leave. These amounts are accrued at actual pay rates having regard to experience of employee's departure and period of service. The provisions are divided into current (expected to be paid in the ensuing twelve months) and non-current portions.

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Deferred tax

Provisions for deferred taxes have been set up where items entering into the determination of accounting profit for one period are recognised for taxation purposes in another. The principal difference arises in connection with the depreciation of fixed assets. In calculating the provision, current tax rates are applied.

COMPANY INCOME TAX

Company income tax is based upon the results reported in the statement of income as adjusted for permanent differences. Current Australian tax rates are applied. During 1998, the Company recognised AUD 985 for accumulated Australian development allowances which reduced the current provision.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method.

3. INTANGIBLE FIXED ASSETS

The movements in the intangible fixed assets are summarised as follows:

	Project development expenditures ----- AUD'000	Financing costs ----- AUD'000	Total ----- AUD'000
COST			
Balance at December 31, 1997	6 984	2 707	9 691
Additions for the year ended December 31, 1998	--	--	--
	-----	-----	-----
Balance at December 31, 1998	6 984	2 707	9 691
	-----	-----	-----
ACCUMULATED AMORTIZATION			
Balance at December 31, 1997	(749)	(1 016)	()
Amortisation for the year ended December 31, 1998	(200)	(271)	(471)
	-----	-----	-----
Balance at December 31, 1998	(949)	(1 287)	(2 236)
	-----	-----	-----
Net book value at December 31, 1998	6 035	1 420	7 455
	-----	-----	-----

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4. TANGIBLE FIXED ASSETS

The movements in the tangible fixed assets are summarised as follows:

	Land ----- AUD'000	Site roads and preparation ----- AUD'000	Generators, systems, stacks ----- AUD'000	Coal handling plant ----- AUD'000	Other operating fixed assets ----- AUD'000	Total ----- AUD'000
COST						
Balance at						
December 31, 1997	216	2 834	165 774	9 708	2 972	181 504
Additions		13	1 386	28	295	1 722
Disposals		--	--	--	(43)	(43)
	-----	-----	-----	-----	-----	-----
Balance at						
December 31, 1998	216	2 847	167 160	9 736	3 224	183 183
	-----	-----	-----	-----	-----	-----
ACCUMULATED DEPRECIATION						
Balance at						
December 31, 1997	--	(333)	(16 536)	(2 060)	(1 181)	(20 110)
Charge for the year	--	(155)	(4 819)	(689)	(276)	(5 939)
	-----	-----	-----	-----	-----	-----
Balance at						
December 31, 1998	--	(488)	(21 355)	(2 749)	(1 457)	(26 049)
	-----	-----	-----	-----	-----	-----
Net book value at						
December 31, 1998	216	2 359	145 805	6 987	1 767	157 134
	-----	-----	-----	-----	-----	-----
Construction in progress at December 31, 1998 (construction in progress at December 31, 1997 was AUD 151)						298

Net tangible fixed assets at December 31, 1998	157 432 -----
---	------------------

5. STOCKS

	December 31, 1998 ---- AUD'000	December 31, 1997 ---- AUD'000
Coal	2 309	1 046
Fuel oils	84	146
Chemicals	7	5
Spares and consumables	1 097	1 057
	-----	-----
	3 497	2 254
	-----	-----

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6. RECEIVABLES

	December 31, 1998 ---- AUD'000	December 31, 1997 ---- AUD'000
Trade debtors	5 444	4 249
Prepayments	77	221
	-----	-----
	5 521	4 470
	-----	-----

All receivables are due in less than one year.

7. CASH AND BANK BALANCES

All cash and bank balances are held by banks and include investments with maturities of three months or less which are readily convertible to cash. The Company's long-term debt agreement places restrictions on the amount of cash and bank balances which must be maintained. At December 31, 1998 and 1997, the restricted cash and bank balances totalled AUD 6 400 and AUD 6 200, respectively.

8. ISSUED SHARE CAPITAL

The authorised share capital consists of 2,000 shares each having a nominal value of 30 Australian dollars (40 Dutch Guilders), of which 1,000 shares have been issued and fully paid up at December 31, 1998. The Company's shares are owned by NRGenerating International B.V. (990) and Gunwale B.V. (10). Both NRGenerating International B.V. and Gunwale B.V. are wholly-owned by NRG Energy, Inc., which is incorporated in the United States of America.

9. RETAINED EARNINGS

	1998 AUD'000	1997 AUD'000
Balance at January 1	24 147	15 014
Appropriation of prior years result	2 433	9 133
	-----	-----
Balance at December 31	26 580	24 147
	-----	-----

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10. PROVISIONS

	Employee provisions ----- AUD'000	Deferred tax ----- AUD'000	Total ----- AUD'000
Balance at December 31, 1997	1 244	14 951	16 195
Charged/(released) to income	(15)	1 738	1 723
	-----	-----	-----
Balance at December 31, 1998	1 229	16 689	17 918
	-----	-----	-----

Approximately AUD 663 of the employee provisions are current and expected to be paid during 1999.

11. LONG-TERM LIABILITIES

Secured long-term debt due to third parties

	December 31, 1998 ----- AUD'000	December 31, 1997 ----- AUD'000
Secured - with banks	97 408	103 383
	-----	-----

Current installments of bank long-term debt are included under current liabilities. The interest rate for long-term debt is variable based on an average of the bid rates quoted by the banks plus a margin of 1.4% at December 31, 1998.

The bank long-term debt is repayable as follows (in AUD'000):

1999	5 975
2000	6 600
2001	7 275

2002	8 012
2003	8 850
Thereafter	66 671

	103 383

The bank long-term debt is secured by the Company's ownership interest in the Gladstone Power Station Joint Venture.

Unsecured subordinated notes payable (AUD'000)

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On March 25, 1994 the Company received loans from NRGenerating International B.V. and Gunwale B.V., the primary shareholders of the Company, in the amounts of AUD 48 312 and AUD 488 respectively. The notes payable are subordinated to all other liabilities of the Company, bear no interest and are to be repaid in US dollars. The Company repaid AUD 4 655 and AUD 319 to NRGenerating International B.V. and Gunwale B.V., respectively during 1998 and repaid AUD 12 767 and AUD 129 to NRGenerating International B.V. and Gunwale B.V., respectively during 1997. Repayments on the notes payable are at the discretion of the Company, unless certain events of termination occur, as defined, and then the entire balance of the notes becomes due. The note balances, as adjusted for current period activity and foreign exchange fluctuations, were AUD 28 072 and AUD 0 to NRGenerating International B.V. and Gunwale B.V. at December 31, 1998, respectively and AUD 31 733 and AUD 319 to NRGenerating International B.V. and Gunwale B.V. at December 31, 1997, respectively.

12. CURRENT LIABILITIES

	December 31, 1998 AUD'000	December 31, 1997 AUD'000
Current installments of bank long-term debt	5 975	5 437
Trade creditors/suppliers	758	945
Accrued coal/rail costs	2 337	1 633
Accrued interest	472	559
Other accrued expenses	--	266
	-----	-----
	9 542	8 840
	-----	-----

13. RELATED PARTIES

An affiliate of the Company, Sunshine State Power (No. 2) B.V. owns 17.5% of the Gladstone Power Station Joint Venture. Sunshine State Power (No. 2) B.V. is owned by the owners of the Company.

The Gladstone Power Station is operated by NRG Gladstone Operating Services Pty Ltd, which is ultimately a wholly-owned subsidiary of NRG Energy Inc. NRG Gladstone Operating Services Pty Ltd operates the Gladstone Power Station under the terms of the Operation and Maintenance Agreement with the Gladstone Power Station Joint Venture. During the periods ended December 31, 1998 and 1997, the Company paid NRG Gladstone Operating Services Pty Ltd approximately AUD 398 and AUD 298 respectively in operators fees under the terms of the Operation and Maintenance Agreement.

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14. NUMBER OF EMPLOYEES

The average number of persons employed at the Gladstone Power Station during 1998 was approximately 397 (1997: 453). These individuals are primarily employed in the operations and maintenance areas of the station. The Company is responsible for 20% of the related costs for these employees. The Company itself has no employees.

15. REMUNERATION OF DIRECTORS

During the periods ended December 31, 1998 and 1997, none of the directors received remuneration for their services as directors of the Company.

SUNSHINE STATE POWER B.V.

OTHER INFORMATION

DECEMBER 31, 1998

1. AUDITORS' REPORT

The report of the auditors, PricewaterhouseCoopers N.V., is presented on page 3.

2. APPROPRIATION OF RESULT - PROVISIONS IN COMPANY'S STATUTES

Article 21 of the statutes of the Company states that the result for the year is at the disposition of the shareholders.

3. APPROPRIATION OF PROFIT - MANAGEMENT PROPOSAL

The directors will make a recommendation in respect of the appropriation of the result for the year prior to the annual general meeting.

4. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Since December 31, 1998, the directors are not aware of any matter or circumstance that has affected or may significantly effect the operations of the Company.

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SUNSHINE STATE POWER (NO. 2) B.V.
ANNUAL FINANCIAL REPORT
DECEMBER 31, 1998

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SUNSHINE STATE POWER (NO. 2) B.V.
ANNUAL FINANCIAL REPORT
DECEMBER 31, 1998

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DIRECTORS

D.H. Peterson
R.J. Will
V.A. Knudsen

SUNSHINE STATE POWER (NO. 2) B.V.

DIRECTORS' REPORT

DECEMBER 31, 1998

1. OPERATIONS AND YEAR END POSITION

Sunshine State Power (No. 2) B.V.'s principal operating activity is the ownership of 17.5% of the Gladstone Power Station Joint Venture. The Gladstone Power Station Joint Venture owns and operates the Gladstone Power Station located in Queensland, Australia. The Gladstone Power Station Joint Venture is an unincorporated joint venture and therefore not a separate legal entity. Accordingly, the Gladstone Power Station Joint Venture owners act as tenants in common owning their proportionate shares of the unincorporated joint venture's assets, liabilities, and results of operations. Sunshine State Power (No. 2) B.V.'s net turnover and net result for the year ended December 31, 1998 were AUD 50.0 million and AUD 5.1 million, respectively. Sunshine State Power (No. 2) B.V.'s net turnover and net result for period ended December 31, 1997 were AUD 48.6 million and AUD 2.1 million, respectively. The Gladstone Power Station performed satisfactorily during the period and the financial position at year end remains good.

2. SIGNIFICANT EVENTS AND FUTURE PROSPECTS

On March 30, 1994, the Gladstone Power Station Joint Venture purchased the Gladstone Power Station from the Queensland Transmission and Electric Corporation (formerly Queensland Electric Commission) for approximately AUD 750 million. Sunshine State Power (No. 2) B.V.'s share of the acquisition was financed with long-term debt with banks and subordinated notes payable from its shareholders, NRGenerating International B.V. and Gunwale B.V., which are ultimately wholly-owned by NRG Energy, Inc., which is incorporated in the United States of America.

The Gladstone Power Station Joint Venture is contracted to spend approximately AUD 11 million in improvements and refurbishments over the next five years as part of a continuing capital works project on the Gladstone Power Station. These expenditures, of which AUD 4 million are planned for 1999, are expected to improve the efficiency, operations and environmental compliance of the Gladstone Power Station. There are no significant changes expected in level of Gladstone Power Station Joint Venture financing during 1999.

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3. RESEARCH AND DEVELOPMENT

As part of the operations of the Gladstone Power Station, research and development is performed to improve the efficiency and operations of the station and to increase its environmental compliance.

For and behalf of the Board

Amsterdam, the Netherlands
March 12, 1999

D.H. Peterson
R.J. Will
V.A. Knudsen

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COPY

TO THE SHAREHOLDERS OF
SUNSHINE STATE POWER (NO. 2) B.V.

AUDITORS' REPORT

INTRODUCTION

In accordance with your instructions, we have audited the 1998 financial statements of Sunshine State Power (No. 2) B.V., Queensland, Australia set out on pages 4 to 14 of this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those 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. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the company as of December 31, 1998 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Dutch Civil Code.

PRICEWATERHOUSECOOPERS N.V.

Amsterdam, March 12, 1999

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SUNSHINE STATE POWER (NO. 2) B.V.

BALANCE SHEET AT DECEMBER 31, 1998
(Before appropriation of the result for the year)
(Amounts expressed in thousands of Australian dollars)

	1998 AUD'000	1997 AUD'000
ASSETS		

FIXED ASSETS		
Intangible fixed assets	6 526	6 937
Tangible fixed assets	137 749	141 349
	-----	-----
	144 275	148 286
CURRENT ASSETS		
Stocks	3 060	1 972
Receivables	4 830	3 910
Cash and bank balances	10 037	9 535
	-----	-----
	17 927	15 417
	-----	-----
TOTAL ASSETS	162 202	163 703
	-----	-----
SHAREHOLDERS' EQUITY AND LIABILITIES		

SHAREHOLDERS' EQUITY		
Issued share capital	30	30
Retained earnings	23 247	21 108
Result for the year	5 096	2 139
	-----	-----
	28 373	23 277
	-----	-----
PROVISIONS	15 671	14 164
LONG-TERM LIABILITIES	109 669	118 545
CURRENT LIABILITIES	8 489	7 717
	-----	-----
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	162 202	163 703
	-----	-----

The accompanying notes form an integral part of the annual accounts.

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SUNSHINE STATE POWER (NO. 2) B.V.

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1998
(Amounts expressed in thousands of Australian dollars)

	1998 AUD'000	1997 AUD'000
NET TURNOVER		
Queensland Electricity Commission	16 466	21 092
Boyne Smelters Limited	33 580	27 462
	-----	-----
TOTAL	50 046	48 554
COST OF TURNOVER		
Non-fuel	8 177	7 756
Fuel	21 756	17 475
	-----	-----
TOTAL	29 933	25 231
	-----	-----
GROSS PROFIT ON TURNOVER	20 113	23 323
	-----	-----
EXPENSES		
Operating expenses	1 424	2 144

Depreciation and amortization expense	5 608	5 537
TOTAL EXPENSES	7 032	7 681
NET PROFIT ON TURNOVER	13 081	15 642
Interest expense	6 074	6 852
Interest income	(458)	(584)
Foreign exchange loss	833	6 096
Disposal of assets (gain)/loss	17	(64)
NET FINANCIAL EXPENSE	6 466	12 300
Result from ordinary operations before taxation	6 615	3 342
Taxation	1 519	1 203
NET RESULT	5 096	2 139

The accompanying notes form an integral part of the annual accounts.

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SUNSHINE STATE POWER (NO. 2) B.V.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 1998
(Amounts expressed in thousands of Australian dollars)

	1998 AUD'000	1997 AUD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net result	5 096	2 139
Adjustments to reconcile net result to net cash provided by operating activities:		
Depreciation and amortization	5 608	5 537
Deferred income taxes	1 519	1 203
Foreign exchange loss	833	6 096
Loss/(gain) on sale of fixed assets	17	(64)
Changes in operating assets and liabilities:		
Stocks	(1 088)	1 121
Receivables	(920)	357
Provisions	(12)	182
Current liabilities	302	(3)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	11 355	16 568
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of tangible fixed assets	(1 633)	(1 969)
Proceeds from sale of fixed assets	19	83
NET CASH FLOWS USED BY INVESTING ACTIVITIES	(1 614)	(1 886)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of notes payable	(4 481)	(11 265)
Repayments of long-term debt	(4 758)	(4 298)
NET CASH FLOWS USED BY FINANCING ACTIVITIES	(9 239)	(15 563)
NET INCREASE (DECREASE) IN CASH AND BANK BALANCES	502	(881)

CASH AND BANK BALANCES		
Beginning of year	9 535	10 416
	-----	-----
End of year	10 037	9 535
	-----	-----
SUPPLEMENTAL DISCLOSURE		
OF CASH PAID FOR INTEREST	5 998	7 063
	-----	-----

The accompanying notes form an integral part of the annual accounts

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SUNSHINE STATE POWER (NO. 2) B.V.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1998

1. GENERAL

ACTIVITIES

Sunshine State Power (No. 2) B.V. (the Company) was incorporated on February 24, 1994 and is seated in Amsterdam, the Netherlands. The Company's principal operating activity is the ownership of 17.5% of the Gladstone Power Station Joint Venture. The Gladstone Power Station Joint Venture owns and operates the Gladstone Power Station located in Queensland, Australia, which it acquired on March 30, 1994. The Gladstone Power Station Joint Venture is an unincorporated joint venture and therefore not a separate legal entity. Accordingly, the Gladstone Power Station Joint Venture owners act as tenants in common owning their proportionate shares of the unincorporated joint venture's assets, liabilities and results of operations. The unincorporated joint venture's assets liabilities results of operations and cash flows have been taken up in this annual financial report on a proportionate basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

Unless otherwise stated assets and liabilities are carried at nominal value.

FOREIGN CURRENCIES

Assets and liabilities at year-end and transactions during the period denominated in a foreign currency are translated into the Company's functional currency (Australian dollars) at the exchange rates ruling at year-end and at the time of the transaction, respectively. Exchange adjustments are taken to the statement of income.

INTANGIBLE FIXED ASSETS

PROJECT DEVELOPMENT EXPENDITURES

Project development expenditures represent the Company's share of project development expenditures incurred by the Gladstone Power Station Joint Venture to organize the acquisition of the Gladstone Power Station and operate it subsequent to the acquisition.

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Capitalised development expenditures are being amortized over the term of the Gladstone Power Station Power sales agreements (35 years), commencing from the date the investment in the project was consummated. The carrying

values of capitalized development expenditures and the amortization periods are reviewed annually and any necessary write down is charged against income. Research expenditures and expenditures on development of existing projects are charged against income in the year in which they are incurred.

FINANCING COSTS

Financing costs represent the Company's share of the costs incurred by the Gladstone Power Station Joint Venture to acquire the long-term debt used to finance the acquisition of the Gladstone Power Station. Capitalized financing costs are being amortized over a ten year period, which represents the timeframe until the Company expects the long-term debt will be refinanced.

TANGIBLE FIXED ASSETS

All tangible fixed assets are stated at cost. The Company has not had any revaluations performed on its tangible fixed assets. Tangible fixed assets, with the exception of land, are depreciated over their estimated useful lives by the straight line method. Ordinary maintenance and repairs are expensed as incurred; replacements and improvements are capitalized.

The estimated useful lives are:

Site roads and preparation	35 years
Generators, systems, stacks, etc.	35 years
Coal handling plant	10 - 35 years
Other operating fixed assets	3 - 10 years

STOCKS

Stocks are carried at the lower of cost (principally by the FIFO method or another method which approximates FIFO) and net realisable value. In valuing stocks, appropriate allowance is made for obsolete or slow-moving items.

TRADE DEBTORS

Trade debtors are stated at nominal value net of provision for doubtful debtors.

PROVISIONS

EMPLOYEE PROVISIONS

Provisions are made for amounts expected to be paid to the operator of the Gladstone Power Station in respect of its employees for the pro rata entitlements for long service and annual leave. These amounts are accrued at actual pay rates having regard to experience of employee's departure and period of service. The provisions are divided into current (expected to be paid in the ensuing twelve months) and non-current portions.

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DEFERRED TAX

Provisions for deferred taxes have been set up where items entering into the determination of accounting profit for one period are recognised for taxation purposes in another. The principal difference arises in connection with the depreciation of fixed assets. In calculating the provision, current tax rates are applied.

COMPANY INCOME TAX

Company income tax is based upon the results reported in the statement of income as adjusted for permanent differences. Current Australian tax rates are applied. During 1998, the Company recognised AUD 862 for accumulated Australian development allowances which reduced the current provision.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method.

3. INTANGIBLE FIXED ASSETS

The movements in the intangible fixed assets are summarised as follows:

	Project development expenditures	Financing costs	Total
	----- AUD'000	----- AUD'000	----- AUD'000
COST			
Balance at December 31, 1997	6 111	2 369	8 480
Additions for the year ended December 31, 1998	--	--	--
	-----	-----	-----
Balance at December 31, 1998	6 111	2 369	8 480
	-----	-----	-----
ACCUMULATED AMORTIZATION			
Balance at December 31, 1997	(655)	(888)	(1543)
Amortisation for the year ended December 31, 1998	(174)	(237)	(411)
	-----	-----	-----
Balance at December 31, 1998	(829)	(1 125)	(1 954)
	-----	-----	-----
Net book value at December 31, 1998	5 282	1 244	6 526
	-----	-----	-----

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4. TANGIBLE FIXED ASSETS

The movements in the tangible fixed assets are summarised as follows:

	Site roads and Land preparation	Generators, and systems stacks	Coal handling plant	Other operating fixed assets	Total	
COST						
Balance at December 31, 1997	189	2 480	145 051	8 495	2 600	158 815
Additions	--	11	1 216	30	249	1 506
Disposals	--	--	--	--	(36)	(36)
	-----	-----	-----	-----	-----	-----
Balance at December 31, 1998	189	2 491	146 267	8 525	2 813	160 285
	-----	-----	-----	-----	-----	-----
ACCUMULATED DEPRECIATION						
Balance at December 31, 1997	--	(292)	(14 468)	(1 805)	(1 033)	(17 598)
Charge for the year	--	(135)	(4 172)	(602)	(288)	(5 197)
	-----	-----	-----	-----	-----	-----
Balance at December 31, 1998	--	(427)	18 640	(2 407)	(1 321)	(22 795)
	-----	-----	-----	-----	-----	-----
Net book value at December 31, 1998	189	2 064	127 627	6 118	1 492	137 490
	-----	-----	-----	-----	-----	-----
Construction in progress at December 31, 1998 (AUD 132 at December 31, 1997)						259

Net tangible fixed assets at December 31, 1998						137 749

5. STOCKS

	December 31, 1998 AUD'000	December 31, 1997 AUD'000
Coal	2 021	915
Fuel oils	73	128
Chemicals	6	4
Spares and consumables	960	925
	-----	-----
	3 060	1 972
	-----	-----

6. RECEIVABLES

	December 31, 1998 AUD'000	December 31, 1997 AUD'000
Trade debtors	4 763	3 717

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Prepayments	67	193
	-----	-----
	4 830	3 910
	-----	-----

All receivables are due in less than one year.

7. CASH AND BANK BALANCES

All cash and bank balances are held by banks and include investments with maturities of three months or less which are readily convertible to cash. The Company's long-term debt agreement places restrictions on the amount of cash and bank balances which must be maintained. At December 31, 1998 and 1997, the restricted cash and bank balances totalled AUD 5 425 and AUD 6 100, respectively.

8. ISSUED SHARE CAPITAL

The authorised share capital consists of 2,000 shares each having a nominal value of 75 Australian dollars (100 Dutch Guilders), of which 400 shares have been issued and fully paid up at December 31, 1998. The Company's shares are owned by NRGenerating International B.V. (396) and Gunwale B.V. (4). Both NRGenerating International B.V. and Gunwale B.V. are wholly-owned by NRG Energy, Inc., which is incorporated in the United States of America.

9. RETAINED EARNINGS

	AUD'000	AUD'000
Balance at January 1	21 108	13 158
Appropriation of prior years result	2 139	7 950
	-----	-----
Balance at December 31	23 247	21 108
	-----	-----

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10. PROVISIONS

	Employee provisions	Deferred tax	Total
	-----	-----	-----
	AUD'000	AUD'000	AUD'000
Balance at December 31, 1996	906	11 873	12 779
Charged to income	182	1 203	1 385
	-----	-----	-----
Balance at December 31, 1997	1 088	13 076	14 164
Charged/(released) to income	(12)	1 519	1 507
	-----	-----	-----
Balance at December 31, 1998	1 076	14 595	15 671
	-----	-----	-----

Approximately AUD 580 of the employee provisions are current and expected to be paid during 1998.

11. LONG-TERM LIABILITIES

Secured long-term debt due to third parties

	December 31, 1998	December 31, 1997
	-----	-----
	AUD'000	AUD'000
Secured - with banks	85 232	90 460
	-----	-----

Current installments of bank long-term debt are included under current liabilities. The interest rate for long-term debt is variable based on an average of the bid rates quoted by the banks plus a margin of 1.4% at December 31, 1998.

The bank long-term debt is repayable as follows (in AUD'000):

1999	5 228
2000	5 775
2001	6 366
2002	7 011
2003	7 744
Thereafter	58 336

	90 460

The bank long-term debt is secured by the Company's ownership interest in the Gladstone Power Station Joint Venture.

Unsecured subordinated note payable (AUD'000)

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On March 25, 1994 the Company received loans from NRGenerating International B.V. and Gunwale B.V., the primary shareholders of the Company, in the amount of AUD 42,273 and AUD 427, respectively. The notes payable are subordinated to all other liabilities of the Company, bear no interest and are to be repaid in US dollars. The Company repaid AUD 4,202 and AUD 279 to NRGenerating International B.V. and Gunwale B.V., respectively during 1998 and AUD11,152 and AUD 113 to NRGenerating International B.V. and Gunwale B.V., respectively during 1997. Repayments on the notes payable are at the discretion of the Company, unless certain events of termination occur, as defined, and then the entire balance of the notes becomes due. The note balances, as adjusted for current period activity and foreign exchange fluctuations, were AUD 24,437 and AUD 0 to NRGenerating International B.V. and Gunwale B.V. at December 31, 1998 respectively and AUD 27,806 and AUD 279 to NRGenerating International B.V. and Gunwale B.V. at December 31, 1997, respectively.

12. CURRENT LIABILITIES

	December 31, 1998 AUD'000	December 31, 1997 AUD'000
Current installments of bank long-term debt	5 228	4 758
Trade creditors/suppliers	709	826
Accrued coal/rail costs	2 045	1 429
Accrued interest	413	489
Other accrued expenses	94	215
	-----	-----
	8 489	7 717
	-----	-----

13. RELATED PARTIES

An affiliate of the Company, Sunshine State Power B.V. owns 20% of the Gladstone Power Station Joint Venture. Sunshine State Power B.V. is owned by the owners of the Company.

The Gladstone Power Station is operated by NRG Gladstone Operating Services Pty. Ltd., which is ultimately a wholly-owned subsidiary of NRG Energy Inc. NRG Gladstone Operating Services Pty. Ltd. operates the Gladstone Power Station under the terms of the Operation and Maintenance Agreement with the Gladstone Power Station Joint Venture. During the periods ended December 31, 1998 and 1997, the Company paid NRG Gladstone Operating Services Pty. Ltd. approximately AUD 345 and AUD 260 (AUD'000) respectively in operators fees under the terms of the Operation and Maintenance Agreement.

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15. NUMBER OF EMPLOYEES

The average number of persons employed at the Gladstone Power Station during 1998 was approximately 397 (1997: 453). These individuals are primarily employed in the operations and maintenance areas of the station. The Company is responsible for 17.5% of the related costs for these employees. The Company itself has no employees.

16. REMUNERATION OF DIRECTORS

During the periods ended December 31, 1998 and 1997, none of the directors received remuneration for their services as directors of the Company.

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SUNSHINE STATE POWER (NO. 2) B.V.

OTHER INFORMATION

DECEMBER 31, 1998

1. AUDITORS' REPORT

The report of the auditors, PricewaterhouseCoopers N.V., is presented on page 3.

2. APPROPRIATION OF RESULT - PROVISIONS IN COMPANY'S STATUTES

Article 21 of the statutes of the Company states that the result for the year is at the disposition of the shareholders.

3. APPROPRIATION OF PROFIT - MANAGEMENT PROPOSAL

The directors will make a recommendation in respect of the appropriation of the result for the year prior to the annual general meeting.

4. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Since December 31, 1998, the directors are not aware of any matter or circumstance that has affected or may significantly effect the operations of the Company.

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