

Annual Report for 2016

Jacobsen Elektro AS

- Board of Directors Report**
- Profit & Loss Accounts**
- Balance Sheet**
- Cash Flow Statement**
- Notes**
- Auditor's Report**

THE BOARD OF DIRECTORS REPORT 2016

1. Areas of activity

Jacobsen Elektro AS is a project-based company with Africa, Asia and Eastern Europe as its key export markets. The Company specializes in the supply of new or refurbished transformer stations, as well as the construction of power plants. The Company's strategy is to assume total responsibility by supplying turnkey plants. The Company wishes to reinforce its position in the field of renewable energy and has recently carried out upgrading of existing hydroelectric plants in Tanzania and are working with possible solar projects in Kosovo

The international projects are financed mainly via guarantees from GIEK or similar institutions as an important and integral part of the total project. The Company also engages in open bid projects with financing from a variety of sources. In addition, the Company has a strong focus on the sale of expertise through its consulting department for relay planning and services, including training activities in both domestic and international markets.

The Norwegian Energy market is in strong growth, and the Company has increased the focus on the Norwegian market, especially for turnkey projects for sub stations and projects related to Protection and Control. In addition, the Company has a very strong position in the consultancy market for relay planning and service in the Norwegian market.

The Company's head office is in Lier, Norway.

2. Review of the year

Throughout 2016, the Company has been engaged in a number of projects. The most substantial being:

- Kinyerezi 1, Tanzania: The construction of a gas fired, 150 MW, power plant. The contract was effective in August 2013, and the work was finalized by April 2016. Delay in date of finalizing the project is due to late payments from customer and consequently suspension periods during 2014, 2015 and 2016.
- Kinyerezi 1 Extension: The extension of the Kinyerezi 1 project by adding another 185 MW at the same area as the Kinyerezi 1 project in Tanzania. The project was effective in 2016 and is scheduled to be finalized in 2018.
- Kvandal: The construction of a new substation in Kvandal Norway. This is the first EPC contract for a complete new substation for Statnett in Norway. The project was handed over in October 2015, but some minor activities remained until protection and control system was ready. These activities were finalized during 2016.
- Liberia. Construction of an 18MW HFO Power Plant in Monrovia, Liberia. The contract was effective early 2014. We unfortunately had to stop all work with the project under a Force Majeure situation due to the Ebola outbreak. Force majeure started August 4th 2014, and ended in 2015. Even though the Ebola outbreak created major challenges, the Project was finalized in 2016.

• Frame agreement with Statnett for Protection and control systems in new and existing stations; The company has been working in several call offs of the valid Frame Agreement.

In Q4 2016 the Company won the pilot project for Digital Substations with Statnett. This is the pilot for the future control and protection solutions within Statnett and highlight the Company's strong technical position in Norway.

The Company has also won several smaller projects for major distribution network owners in Norway.

The activities in the Norwegian service and consultancy market have been very satisfactory in 2016, and the positive trend has continued in 2017.

3. Financials

3.1 Profit & Loss Accounts, Balance Sheet and Cash Flow Statement

In 2016, Jacobsen Elektro AS had the highest ever operating revenue of 1070.5MNOK compared to 514.2 MNOK the year before. The increase in revenue in 2016 compared to 2015 is mainly due to the start up of the Kinyerezi 1 Extension project in Q2 2016. The profit from ordinary activities before tax and finance was 15.9 MNOK due to a 30 MNOK write down of receivables towards our sister company Jelcem AS. The profit for the year after tax was 5.3 MNOK compared to loss of 28.0 MNOK in the previous year.

The total balance as per 31.12.2016 was 1169.1 MNOK compared to 592.8MNOK in 2015.

The company's equity as per 31.12.2016 was 177.8 MNOK equal to 15.2% of the total balance.

Current assets were 1169.1 MNOK equal to 97.2 %. Short-term liabilities were 959.1 MNOK. The company has no long-term liabilities. Trade receivables are in total 649.4 MNOK of which 572.9 MNOK is related to two projects at the same customer.

The short-term liability to CRDB Bank Tanzania is 114.0 MNOK. Due date for this liability is November 30th 2017.

Liabilities in Jelcem Ghana Ltd are secured by a corporate guarantee from Jacobsen Elektro AS with a total of appr 10 MUS\$.

Net cash flow from operations was 1.1 MNOK compared to -60.6 MNOK in 2015.

The cash flow from investments was zero. The cash flow from financing activities was 8.1 MNOK due to bank overdraft. The net change in liquid assets was thus 12.9 MNOK, compared to -32.0 MNOK in the previous year.

At the close of the year the company's holdings of bank deposits and liquid assets were 18.7 MNOK compared to 5.8 MNOK in 2015.

The Board of Directors is of the opinion that the Annual Accounts and Annual Report provide a true and correct picture of the Company's assets and liabilities, financial position and the profit/loss at the close of the accounting year 2016.

3.2 Liquidity

By the end of 2016, the Company had trade receivables amounting to 649.4 MNOK compared to 256.6 MNOK in 2015. The cash deposit 31.12.2016 was 18.7 MNOK.

4. Order backlog

Norway

The company's consulting and service activities, which are mainly focused on the Norwegian market, has had a very satisfactory influx of orders, and the positive trend has continued in 2017.

The renewed Frame Agreement with Statnett for control and protection systems in Norway was effective by June 2015 (by completing the pilot station) and has an estimated value of 250-350 MNOK over a 4-year

period starting January 1st, 2016. During 2016 the Company has continued working within the Frame Agreement and several more call offs have been awarded in 2016 .

The company has won the pilot project for 'Digital Substation' with Statnett. This is the pilot for the future control and protection solutions within Statnett.

The company has during 2016 given offers to several EPC substations both to Statnett and other grid owners and we are in a good position to win new orders both with Statnett and other grid owners.

Export Market

The major order backlog consists of the following:

Kinyerezi 1 Extension project 185MW Power plant (Tanzania): 646.4 MNOK

Kinyerezi 1: 36.7 MNOK

At the close of the year, the Company had a total order backlog of approximately 756.3 MNOK

After year end, the Company signed a contract with the state owned utility in Indonesia (PLN) for building a 40 MW Power Plant. The Company's portion of the contract (as a consortium member) is appr 40 MUSD. The Company was awarded an EPC contract for a substation by the Norwegian utility Statnett. The total Contract value including the part of the Frame agreement (control and protection) for the Company is appr 153 MNOK. In the period January-July 2017, the Company has been awarded call offs under the Frame Agreement with Statnett for control and protection systems with a value of appr 100 MNOK.

5. Market and future prospects

In addition to effective contracts, the Company has a pipeline of upcoming projects. Of these, the following are assessed to have a high degree of probability of realization, such that development costs have been capitalized:

- Substation Project in Myanmar. 13 substations/4-year agreement. Contract value appr 100MEUR. Brown field project with total refurbishment of existing substations. The project is now set up to be arranged in 3 separate phases, where phase 1 has a value of appr 42 MEUR
- Power plant in Uganda
- Transmission and scada in Albania
- Extension of Ubungo Power plant, Tanzania
- Power plant in Benin. Jacobsen Elektro Holding AS has been awarded a 120 MW IPP project where the company is intended to build the EPC part of the contract
- Power Plant Ghana. The development of the project is in its final stage and has been reconfirmed by the new Government of Ghana. We have signed a Term Sheet with an international reputable investor and developer to jointly develop the project up till financial closure. Payment has been made under this Term Sheet and main principle of the ownership has been defined. A Share Holder Agreement will be signed based upon the Term Sheet. The EPC contract under this IPP project has a value of approximately 550MUSD.
- Transmission in Ghana. This is a follow up project for the Phase 1 (2004-2008) and Phase II (2009-2014) transmission project in Ghana. The scope of the project includes both refurbishment of substation and new substations in different voltage levels.
- Power Plant in Indonesia
- Solar Power plant in Kosovo

Although expectations of future earnings and growth imply some uncertainty, the Board of Directors' assessment is that the market in which the Company operates is very strong and represents a significant potential for the further growth and development of the Company.

The Board of Directors confirms that the premises for continued operations are present and that the accounts were prepared on this basis.

6. Financial risk

Jacobsen Elektro AS is exposed to considerable currency risk as a portion of the Company's expenses are in NOK, while a larger portion of the Company's income is in other currencies. The Company seeks to eliminate the exposure to exchange rate fluctuations that arise as a result of having different income and expense currencies in our projects, through contractual changes or financial hedging, and the currency risk can thus be considerably reduced for the individual projects. Further, the Company makes every effort to reduce the sum of currency fluctuation exposure in the individual projects by adapting the income and cost currencies to the highest degree possible.

Cash flow risk is linked to the uncertainty of timing of cash flows in the projects in conjunction with the Company's excess liquidity.

The risk of not receiving payment against trade receivables is deemed to be minor. As a general rule International trade receivables are secured by bank guarantees or similar arrangements with banks. The Norwegian trade receivables have an excellent payment record.

The Company had no currency hedging contracts per 31.12.2016.

7. The working environment

The Company has an excellent working environment with little distance between management and the employees characterized by the high level of teamwork, informal and effective decision-making processes and procedures. No accidents have occurred in the Company during 2016. The Company had a total of 314 days of absence due to illness, of these 224 days were long-term absence divided between 6 employees. The Company's total absence through illness was 1,88 %.

The Company is certified according to SA 8000 (Social Accountability) as the first company in the Nordic region. This certification confirms the Company's responsibility regarding human rights including child labour, forced and compulsory labour, health and safety, freedom of association, discrimination and disciplinary practices, working hours and remuneration in all projects we are involved in, both international and domestic.

8. Equal opportunity

The average number of employees in the Company in 2016 was 64. The Company had 65 employees at the close of the year. Of these, 4 were women and 61 were men. The Company's policy is that equal salaries shall be paid for equal work. The Company's Board of Directors consists of 4 men.

9. The external environment

The Company generates low volumes of waste products in the form of waste oils and metals. Return arrangements have been established for metals, while environmental waste is sent to a receiving depot. Electronic equipment is returned in accordance with the applicable recycling arrangement. There is a requirement in connection with the financing of certain projects that an environmental study is prepared and approved with the subsequent requirements that are to be incorporated in HES routines in the individual projects. The Company hires external consultants to prepare the environmental studies. The Company has during in June 2017 been awarded the Certificate for ISO 14001 in order to to comply with environmental requirements stipulated by the authorities, customers and suppliers.

Our Environmental Policy;

Jacobsen Elektro's Environmental Policy is to achieve profitable growth by providing stable and reliable installations within the energy sector worldwide, by taking into account the environmental impact of our work.

Jacobsen Elektro shall secure that the customer gets the best possible technical, financial and environmental solutions, through consultation and independence.

The top management shall ensure that the Environmental Policy is well known and implemented in the organisation

Environmental accounts; The Company is establishing the formal environment accounts and have the focus on the following items;

- extended use of Skype (or similar) to reduce travels (and reduce CO2)
- participate in 'Sykle til Jobben' campaign to reduce CO2
- established source separation

10. Events after 31.12.2016

-The Company signed a contract with the state owned utility in Indonesia (PLN) for building a 40 MW Power Plant. The Company's portion of the contract (as a consortium member) is appr 40 MUSD.

-The Company was awarded an EPC contract for a substation by the Norwegian utility Statnett. The total Contract value including the part of the Frame agreement (control and protection) for the Company is appr 153 MNOK

-In the period January-July 2017, the Company has been awarded call offs under the Frame Agreement with Statnett for control and protection systems with a value of appr 100 MNOK.

-Power Plant Ghana. The development of the project is in its final stage and has been reconfirmed by the new Government of Ghana. We have signed a Term Sheet with an international reputable investor and developer to jointly develop the project up till financial closure. Payment has been made under this Term Sheet and main principle of the ownership has been defined. A Share Holder Agreement will be signed based upon the Term Sheet. The EPC contract under this IPP project has a value of approximately 550MUSD.

-The pilot project for 'Digital Substation' with Statnett has been delivered according to the customers expectations and schedule.

11. Appropriation of profit/loss for the year

The Board of Directors proposes that the result for the year of -0.4 MNOK is taken from the retained earnings.

Lierstranda , 12th October 2017,


Johan Svendsen
Chairman of the Board


Clas-Eirik Strand
Member of the Board


Karl Johan Svendsen
Member of the Board


Geir Gjerdal
Member of the Board


Ole Kristian Ødegård
Managing Director

Jacobsen Elektro AS

INCOME STATEMENT

(Amounts in NOK 1000)

	Note	2016	2015
Revenue	5,14	1 070 164	497 092
Other operating income	14	296	17 120
Total revenue		1 070 460	514 213
Project expense	15	959 006	453 337
Cost of good sold		4 863	2 951
Employee expense	9,16	7 974	21 155
Depreciation	1	521	633
Other operating expenses	8,16	82 221	51 230
Total operating expenses		1 054 586	529 306
Operating profit		15 875	-15 093
Interest from group companies		544	2 939
Interest income		2	729
Other financial income	18	5 858	0
Interest to group companies		0	0
Interest expenses	15	17 024	3 278
Other financial expenses	18	0	22 294
Net financial income and expenses		-10 621	-21 905
Profit before tax		5 253	-36 998
Income tax expense	13	5 695	-9 023
Net profit or loss for the year	10	-442	-27 975
Transferred from retained earnings	10	-442	-27 975
Transferred to retained earnings	10	0	0
Group contribution	10	0	0

Jacobsen Elektro AS

BALANCE SHEET AT 31.12.

(Amounts in NOK 1000)

ASSETS	Note	2016	2015
Incurring withholding tax	13	567	567
Total intangible assets		567	567
Land, buildings and other property	1,6	0	0
Machinery and movables	1,6	354	571
Fixtures and fittings, tools, office machinery and equipment	1,6	554	1 001
Total tangible assets		908	1 572
Investments in subsidiaries	2	71	71
Loans to group companies	6,8	30 802	42 953
Total financial fixed assets		30 874	43 025
TOTAL FIXED ASSETS		32 349	45 163
Inventories	3, 6	550	778
Trade receivables	6,8	649 401	256 538
Work in progress, not invoiced	5,6	252 729	17 393
Other receivables group companies	6,8	30 238	18 120
Other receivables	6	6 653	80 382
Activated contractual cost	4	178 466	168 633
Total receivables		1 117 488	541 067
Cash and bank deposits	6,7	18 740	5 775
TOTAL CURRENT ASSETS		1 136 778	547 619
TOTAL ASSETS		1 169 127	592 783

Jacobsen Elektro AS

BALANCE SHEET AT 31.12.

(Amounts in NOK 1000)

EQUITY AND LIABILITIES	Note	2016	2015
Share capital	10,11	6 000	6 000
Share premium	10	6 325	6 325
Other paid-in equity	10	6 434	1 236
Total paid-in equity		18 759	13 561
Retained earnings	10	158 984	159 426
Total retained earnings		158 984	159 426
TOTAL EQUITY	10	177 743	172 987
Pension liabilities	9	0	0
Deferred tax	13	32 261	24 833
Total provisions		32 261	24 833
Liabilities to financial institutions	6,7	122 758	141 183
Trade creditors	8	489 745	204 034
Public duties payable		11 552	8 432
Other short term liabilities group companies	8	0	0
Other short term liabilities	5	314 902	14 431
Invoiced, work in progress	5	10 167	26 882
Total short-term liabilities		959 123	394 962
TOTAL LIABILITIES		991 384	419 795
TOTAL EQUITY AND LIABILITIES		1 169 127	592 783

Lierstrands, 12 October 2017


Johan Svendsen
Chairman of the Board of Directors


Geir Geradal
Member of the Board of Directors


Clas-Erik Strand
Member of the Board of Directors


Karl Johan Svendsen
Member of the Board of Directors


Ole Kristian Ødegård
Managing Director

Jacobsen Elektro AS

CASH FLOW STATEMENT

(Amounts in NOK 1000)

	Note	2016	2015
Cash flow from operations			
Profit before income taxes	6	5 253	-36 998
Taxes paid in the period		0	0
Gain/loss from sale of fixed assets		0	-17 103
Depreciation	1	521	632
Change in inventory		228	575
Change in trade debtors		-392 863	-52 162
Change in trade creditors		295 711	91 040
Differences in expensed pensions and payments in/out of the pension scheme		0	-36
Change in work, not invoiced and change in invoiced, work in progress	5	-252 138	-77 593
Change in other provisions	5	344 375	31 081
Net cash flow from operations		1 087	-60 564
Cash flow from investments			
Proceeds from sale of fixed assets		0	25 103
Purchase of fixed assets		0	-211
Net cash flow from investments		0	24 892
Cash flow from financing			
Net payment of short and long term loans group companies		-22 528	26 165
Net change in bank overdraft		30 615	-2 334
Payment of dividend		0	0
Net cash flow from financing		8 087	23 831
Exchange gains / (losses) on cash and cash equivalents		3 791	-20 151
Net change in cash and cash equivalents		12 965	-31 992
Cash and cash equivalents at the beginning of the period		5 775	37 767
Cash and cash equivalents at the end of the period		18 740	5 775

Accounting principles

(Amounts in NOK 1 000)

The annual accounts have been prepared in accordance with the Accounting Act and accounting principles generally accepted in Norway.

Use of estimates

The preparation of financial statements in accordance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which contain such assessments, have a high degree of complexity, or where assumptions and estimates are significant for the financial statements, are described in the notes.

Subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries, associates and joint ventures. The investment is carried at cost price for the shares unless a write-down has been necessary. Group contributions, less tax, increase the cost price for the shares. Dividends/group contributions are recognized the same year as they are recognized in the subsidiary/associate/joint venture. When a dividend/group contribution materially exceeds retained earnings after the acquisition/purchase the exceeding amount is considered repayment of invested capital and reduces the value of the investment on the balance sheet.

Recognition of income – construction contracts

The Company's activities consist primarily of the execution of turnkey projects including design, engineering, procurement and construction. Most of the construction is conducted by subcontractors. Construction contracts are accounted for in accordance with NRS 2.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

On the balance sheet, the group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Recognition of income – other items

Income is recognised upon delivery. Services are recognised as income in accordance with the proportion of work performed.

Capitalised contract costs

Capitalised contract costs are recognised in accordance with NRS 2. Expenses incurred in connection with projects where management concludes that there is more than 50 % probability that the Company will sign a contract with the customer are capitalised at cost.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Purchase costs

The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

Fixed assets

Land is not depreciated. Fixed assets are valued at cost and reduced with cumulative amortisation and depreciation, using the straight-line method. When assets are sold, the cost and cumulative amortisation and depreciation are reversed in the accounts, and any gain or loss from the sale is booked in the income statement. The cost for the asset is the purchase price, including fees and taxes and direct purchasing costs related to enable the asset to be used. Expenses occurring after the asset is taken into use, like repairs and maintenance, are normally booked as costs in the income statement. If changes in the depreciation plan occur, the effect is distributed over the remaining depreciation period.

Asset impairments

Fixed assets that are depreciated are assessed for impairment when indicators exist that future earnings cannot justify the value in the balance sheet. An impairment loss measured as the difference between the balance sheet value and the recoverable amount is booked in the income statement. Recoverable amount is the higher of actual value less estimated selling costs and the utility value.

Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Inventories

Inventories, including raw materials, are valued at the lower of cost and fair value less costs to sell after provisions for obsolete inventories. Inventories are measured using the FIFO principle. Finished goods and work in progress include variable costs and fixed costs that can be allocated to goods based on normal capacity. Obsolete inventories have been fully recognised as impairment losses.

Debtors

Trade debtors are recognised in the balance sheet after a provision for bad debt. The bad debt provision is made on the basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial difficulties of customers, the likelihood that the customer will become bankrupt or experience financial restructuring, as well as postponements and insufficient payments, are all considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a writedown is insignificant for accounting purposes, this is not carried out. Provisions for bad debt are valued the same way as for trade debtors.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold. The functional and presentation currency is NOK.

Liabilities

Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Guarantee commitments

Provisions for warranty relating to completed sales are valued at the estimated cost of such work. The estimate is made on the basis of historical figures for guarantee work, but adjusted for expected differences due to, for instance, changes in quality assurance routines and changes in product range. The provision is recognised under 'Other short term liabilities' and changes in the provision are recognised in income.

Pensions

The company has various pension schemes. The pension schemes are financed through payments to insurance companies, with the exception of the early retirement pension scheme (AFP). The company has both defined contribution plans and defined benefit plans.

Taxes

The tax charge in the income statement includes both tax payable for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. The deferred tax liability and deferred tax asset which may be shown in the balance sheet are presented net.

The tax deduction related to group contributions given and the tax withheld on group contributions received are booked as a reduction of cost price or taken directly to equity, and are booked directly against tax in the balance sheet (offset against tax payable, as appropriate, or offset against deferred taxes, as appropriate).

Deferred tax is reflected at nominal value.

Cash flow statement

The cash flow statement is presented according to the indirect method. The term cash and cash equivalents includes: currency, bank deposits, and short-term, highly liquid investments with a maturity of three months or less at the time of purchase.

Change in comparative information

During 2015 a foreign currency loan was converted into a loan in Norwegian kroner. The loan was incorrectly currency revaluated by TNOK 10 833 in 2015. The error is recognized against equity and comparative figures are updated. Financial statement items effected: loan to group companies, equity and other financial cost/income.

Note 1 Fixed assets

Fixed assets	Buildings and land	Machines	Movables	Total fixed assets
Purchase cost 01.01.	0	4 832	7 131	11 963
Additions	0	0	0	0
Disposals	0	0	0	0
Purchase cost 31.12.	0	4 832	7 131	11 963
Accumulated depreciation 31.12.	0	4 479	6 576	11 055
Net book value 31.12.	0	354	555	908
Depreciation expense	0	217	447	664
Project related cost (Note 15)				-142
Deprecation total				521
Expected useful life		5 years	3 - 5 years	
Depreciation method		Straight line	Straight line	

Note 2 Subsidiaries, associated companies, and joint ventures

Investments in subsidiaries, associated companies and joint ventures are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Balance sheet value
Jacobsen Elektro Italia SRL	Italia	85 %	71
Balance sheet value 31.12.			71

There has not been any significant activity in Jacobsen Elektro Italia SRL in 2016.

Note 3 Inventories

	2016	2015
Raw materials	550	778
Total	550	778

There is no obsolete inventory

Note 4 Capitalised contract expenses

	2016	2015
Capitalised contract expenses	178 466	168 633

1) A still valid implementation agreement of (IA) was signed in 2011 in respect of the 50 MW IPP power plant. The corresponding Power Purchase Agreement was negotiated in 2012. The local authority's ambitions have increased the desired capacity from an original output of 50 MW to 120 MW. Necessary changes in the local laws are needed to open up for IPPs directly with Benin utility company. Meanwhile new elections in 2016 have held back the progress. Newly elected President has tasked the Minister of Energy to move forward. The first priority in this respect has been to conclude the ongoing 120 MW EPC power plant. The Government of Benin is currently negotiating the EPC contract with the awarded company. In the meantime together with two other companies, JEL had been awarded to supply of 120 MW power plant to be installed in Maria Glèta. The target of The Government of Benin is to start the construction of a first 120 MW IPP project before end of 2017 and to begin the next IPP project mid 2018. The third IPP shall be delayed with start of construction mid 2019.

(2) The Ubongo Extension that is related to the re-dimensioning of the plant in Ubongo, Tanzania, was delivered to the customer in the summer of 2012. Plant production is to be increased from 100 MW to 125 MW. JEL has done planning and conceptual engineering and has had discussions with customer's management every year since then. We, however, were not pushing this project as long as we made the sales efforts for Kinyerezi I Extension - hence we re-started the sales efforts late last year.

(3) Power plant Ghana 360 – The EPC part of an IPP project of 360 MW based on Wartsila equipment (Dual Fuel Engines). Jacobsen Jelco Ghana Ltd is the customer of Jacobsen Elektro AS. We have been working with the project for appr 6 years, and are now in the final stage of getting to a financial closure for the project. Total value of the EPC contract is appr 550 MUSD. Ongoing negotiations with relevant authorities until the election process started in in Q3/Q4 2016. Due to the said election, there has been a halt in the progress as the new government has taken its office and reviewed energy strategies. We expect full progress in the project during Q3 2017.

In 2016 we decided to write down substation project in Mozambique. As the Kinyerezi I Extension was awarded to JEL in 2016 the activated sales cost is booked to the ongoing project.

Contracts	Country	2016	2015
Power plant (UETCL)	Uganda	27 500	27 500
Substations (YESB)	Myanmar	9 365	8 100
Substations (EDM)	Mozambique	0	2 796
Namawe Conversion (UETCL)	Uganda	5 460	5 460
Nengo bridge HEPP (UETCL)	Uganda	7 030	4 867
Substation and transmission (OST)	Albania	869	863
Substations - phase III in Ghana (ECG, GRIDCo)	Ghana	2 215	1 974
Substation (Statnett)	Norway	574	441
Power plant	Benin	18 865	17 856
Power plant 360 MW	Ghana	96 813	83 798
Kinyerezi Extension (Tanesco)	Tanzania	0	5 772
Ubungo Extension (Tanesco)	Tanzania	7 350	7 350
Purchase of land for power plant (Rockinol Uganda)	Uganda	957	957
Hydro power plant (Langonan Holdings Corp)	Philippines	899	899
PLN Kupang	Indonesia	569	0
Total		178 466	168 633

Note 5 Long term contracts

Balance sheet value of projects	2016	2015
Work in progress, not invoiced	252 729	17 393
Retained payments according to contract	0	0
Deferred income, invoiced amount in excess of earned	10 167	26 882
Income statement items related to projects	2016	2015
Result of work in progress (Accumulated)		
Total income in the income statement	2 076 036	1 306 689
Estimated contract profit	230 919	144 537
Loss-making long term contracts		
Remaining production	0	0

All ongoing projects at 31.12.2016 have recognised profits. The degree of completion of all current projects at 31.12.2016 is calculated on the basis of the relationship between accrued project costs and estimated total project costs.

In 2016 Jacobsen Elektro AS has recognized 857,7 MNOK related to the Kinyerezi I Extension power plant project. This has resulted in recognized profits of 113,7 MNOK classified as work in progress not invoiced. The main increase related to work in progress not invoiced, is due to the transfer of titles of gas turbine generators from the supplier to Jacobsen Elektro AS during mid 2016. In other short term liabilities there is a provision for not received invoices of 306,2 MNOK related to this project.

Note 6 Receivables and liabilities

	2016	2015
Trade receivables		
Trade receivables at nominal value	649 401	256 538
Bad debts provision	0	0
Trade receivables in the balance sheet	649 401	256 538

Long term receivables which fall due later than one year	2016	2015
Other long term receivables	30 802	42 953
Total	30 802	42 953

	2016	2015
Liabilities secured by collateral	113 984	131 972

Balance sheet value of assets pledged as collateral:

Inventory	550	778
Trade receivables	649 401	256 538
Other receivables incl. receivables from group companies	30 238	18 120
Work in progress, not invoiced	252 729	17 393
Fixed assets	908	1 572
Bank deposits (unrestricted)	15 173	2 042
Bank deposits (restricted)	3 567	3 733
Total	952 567	300 176

The assets are pledged as collateral for the following:

Bank overdraft	8 773	9 211
Total	8 773	9 211

Off balance sheet commitments

Contractual guarantees	112 821	79 276
Loan guarantees to group companies	106 457	95 073
Total	219 278	174 349

In addition to assets specified above, are assets in Jarlsø AS, Jelco AS and Jacobsen Elektro Holding AS pledged as collateral for Jacobsen Elektro AS's liabilities. Jacobsen Elektro AS's liabilities are also secured by an corporate guarantees given by Jacobsen Elektro Holding AS. Liabilities in Jelcem Togo Ltd and Jelcem Ghana Ltd are secured by a corporate guarantees from Jacobsen Elektro AS with a total of TNOK. 86 616.

Note 7 Restricted bank deposits, overdraft facilities

Restricted bank deposits	2016	2015
Withheld employee taxes	3 353	3 520
Other restricted bank deposits	214	213
Total	3 567	3 733

Overdraft facilities granted	2016	2015
Unused bank overdraft	6 227	5 789
Unused loan facility CRDB Bank (Overdraft facility Limit USD 15 000 000)	15 316	167
Total	21 543	5 956

Note 8 Balances with group companies, etc.

	Other long term receivables		Other receivables		Trade receivables	
	2016	2015	2016	2015	2016	2015
Group companies	30 802	42 953	30 238	18 120	10 917	14 188

	Other long term liabilities		Other liabilities		Trade creditors	
	2016	2015	2016	2015	2016	2015
Group companies	0	0	0	0	4 999	1 557

In 2016 Jacobsen Elektro AS wrote down receivables to group companies with TNOK 33 591. The loss is recognized as other operating expenses.

Note 9 Pensions**OTP**

According to the Norwegian Accounting Act §7-30a, the Company is required to contribute to the compulsory pension benefit program "Obligatorisk tjenestepensjon (OTP)". The benefit contribution is charged as an expense through the fiscal year.

The Company has entered into a contribution-based pension arrangement that covers 65 employees. The pension arrangements meet with the requirements of the Accounting Act. Pensions expense for the year was TNOK 2.331

CP

The Company participates in a LO/NHO arrangement that results in all employees having a choice to elect early retirement from the age of 62. There was a ruling which stated that this plan would be discontinued from February, 2010, and that it would only be possible to elect early retirement under the previous plan up until 31.12.2010. When the old plan was discontinued, a considerable funding deficit was identified. The deficit must be covered by the member companies continuing to make payments to the old plan for five years after discontinuation. The Company's share of the deficit is estimated to be TNOK 35, which has been allocated accordingly in the financial statements. The Company had no active retirees under the old plan per 31.12.2016.

The previous CP plan was replaced by a new CP plan. The new CP plan includes, as opposed to the previous one, an arrangement that provides a life-long contribution option to the ordinary pension. Employees can choose to take out the new CP plan when reaching 62 years in age, including while they are employed, which will provide further accrual until the age of 67. The new CP plan is a contribution-based multi-company plan and is financed through premiums calculated as a percentage of wages. The plan is classified in the accounts as a contribution-based pension scheme where the premium is recognised as incurred and no provisions are made in the accounts.

Annual premium fees for the new and old CP plans total TNOK 692.

Note 10 Shareholders' equity

Equity	Share capital	Share premium	Other paid-in equity	Retained earnings	Total
Equity 01.01.	6 000	6 325	1 236	170 259	183 820
Correction of errors previous years	0	0	0	-10 833	-10 833
Equity 01.01. adjusted	6 000	6 325	1 236	159 426	172 987
Profit for the year	0	0	0	-442	-442
Group Contribution	0	0	5 197	0	5 197
Equity 31.12.	6 000	6 325	6 434	158 984	177 743

During 2015 a foreign currency loan was converted into a loan in Norwegian kroner. The loan was incorrectly revaluated by TNOK 10 833 in 2015. The error is recognized against equity and comparative figures are updated. Financial statement items effected: loan to group companies, equity and other financial cost.

Note 11 Share capital and shareholder information

The parent company Jacobsen Elektro Holding AS has its registered offices in Ringeriksveien 16, 3414 Lierstranda, where the consolidated accounts which include the company can be obtained.

The share capital of TNOK 6 000 consists of 6 000 000 shares with a nominal value of NOK 1 each.

List of shareholders at 31.12.	Number of shares	Ownership
Jacobsen Elektro Holding AS	5 994 000	99,9 %
Svein Haugen	6 000	0,1 %
Total number of shares	6 000 000	100 %

Note 12 Covenants

As of 31.12.2016 the company was in breach of its loan terms with Swedbank. During 2017, the company has negotiated with the bank and a new loan agreement has been established.

Note 13 Taxes**Calculation of deferred tax liability/asset**

Temporary differences	2016	2015
Fixed assets	-1 900	-1 963
Long term assets	479	11 900
Manufacturing contracts not completed at year end	230 919	144 537
Accounts receivable	-424	-100
Accrual AFP	0	0
Net temporary differences	229 074	154 374
Tax losses carried forward	-94 654	-55 041
Basis for deferred tax	134 420	99 333
Deferred tax 24 %	32 261	24 833
Deferred tax in the balance sheet	32 261	24 833
Withholding tax (to incurred, not yet paid tax for Uganda)	-567	-567

Basis for income tax expense, changes in deferred tax and tax payable

Profit before tax	5 253	-36 998
Permanent differences	22 904	10 938
Basis for the tax expense for the year	28 158	-26 061
Change in temporary differences	-74 700	-6 244
Change in loss carryforward	39 613	32 305
Basis for tax payable in the income statement	-6 930	0
+/- Group contributions received/given	6 930	0
Taxable income (basis for tax payable in the balance sheet)	0	0

Note 13 Taxes - continuance

Components of income tax expense	2016	2015
Tax payable on this year's profit	0	0
Adjustment in respect of priors	0	0
Total tax payable	0	0
Change in deferred tax based on original tax rate	8 772	-7 036
Change in deferred tax due to change in tax rate	-1 344	-1 987
Tax effect of group contribution	-1 732	0
Tax expense	5 695	-9 023
Reconciliation of the tax expense		
Profit before tax	5 253	-36 998
Calculated tax 25%	1 313	-9 990
Tax expense	5 695	-9 023
Difference	4 382	967
The difference consists of:		
25% of permanent differences	5 726	2 953
Change in deferred tax due to change in tax rate	-1 344	-1 987
Other	0	0
Total differences	4 382	967
Tax payable in the balance sheet		
Tax payable in the tax charge	0	0
Tax effect of group contribution	0	0
Tax payable in the balance sheet	0	0

Note 14 Operating income

	2016	2015
Sales income	1 070 164	497 092
Other operational income	296	17 120
Total	1 070 460	514 213
Activity distribution	2016	2015
Project revenue	1 013 788	428 930
Service revenue	55 147	64 746
Intercompany	1 230	3 417
Gains from sale of land	0	17 000
Other income	296	120
Total	1 070 460	514 213
Geographical distribution	2016	2015
Norway	120 963	190 097
Ghana	15 462	67 264
Liberia	37 283	16 802
Tanzania	896 752	240 050
Total	1 070 460	514 213

The increase in revenues is related to revenue recognition of the Kinyerezi I Extension power plant project. See also note 5.

Note 15 Project expenses

Specification of project expenses:	2016	2015
Cost of goods and raw materials	789 439	176 852
Payroll expenses	62 528	58 222
Depreciation	142	203
Other operating expenses	106 896	209 516
Interest expenses	0	8 543
Total project expenses	959 006	453 337

Note 16 Payroll expenses, number of employees, remuneration, loans to employees, etc.

Payroll expenses	2016	2015
Salaries/wages	61 907	69 912
Social security fees	9 056	10 103
Pension expenses	3 023	3 281
Other remuneration	1 087	1 771
Activated sales cost	-4 572	-5 690
Payroll expenses capitalised as contract expenses	-62 528	-58 222
Total payroll expenses	7 974	21 155

Average employees during the year:	77	90
------------------------------------	----	----

Remuneration to executives	Managing director	The Board of Directors
Salaries/board of directors fee	1 768	0
Pension expenses	16	0
Other remuneration	144	0

The Managing Director is covered under the Company's ordinary pension plan and has a bonus agreement for the achievement of results over budget, limited to 6-months' salary. There is no bonus accrual for the accounting year 2016.

Board of Directors are remunerated from Jacobsen Elektro Holding AS

No loans/sureties have been granted to the Managing Director, the Chairman of the Board of Directors or other related parties.

Audit fee	2016	2015
Statutory audit (incl. technical assistance with financial statements)	555	628
Other assurance services	0	0
Tax advisory fee (incl. technical assistance with tax return)	50	50
Other assistance	0	0
Total audit fees	605	678

VAT is not included in the audit fee.

Note 17 Related party transactions

Related-party transactions:	2016	2015
a) Sales of goods and services		
Sales of services:		
- Group companies	1 383	3 417
b) Purchases of goods and services		
Purchases of services		
- Group companies	39 709	31 600

Note 18 Specification of financial income and expense

Other financial income	2016	2015
Gains financial assets	0	0
Net foreign exchange gains	5 858	0
Total	5 858	0
Other financial expense	2 016	2 015
Net foreign exchange losses	0	22 924
Total	0	22 924

Note 19 Subsequent events

The Company signed a contract with the state owned utility in Indonesia (PLN) for building a 40 MW Power Plant. The Company's portion of the contract (as a consortium member) is appr 40 MUSD.

The Company was awarded an EPC contract for a substation by the Norwegian utility Statnett. The total Contract value including the part of the Frame agreement (control and protection) for the Company is appr 153 MNOK

In the period January-July 2017, the Company has been awarded call offs under the Frame Agreement with Statnett for control and protection systems with a value of appr 100 MNOK.

The development of the project Power Plant Ghana is in its final stage and has been reconfirmed by the new Government of Ghana. We have signed a Term Sheet with an international reputable investor and developer to jointly develop the project up till financial closure. Payment has been made under this Term Sheet and main principle of the ownership has been defined. A Share Holder Agreement will be signed based upon the Term Sheet.

The pilot project for 'Digital Substation' with Statnett has been delivered according to the customers expectations and schedule.

As a consequence of low sales volumes and margins in Togo, the Board of Directors decided to sell the operations in Togo to an external party (as from Jan 2017) and to close down the management function in Norway (as from July 2017)



To the General Meeting of Jacobsen Elektro AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jacobsen Elektro AS showing a loss of NOK 442 000. The financial statements comprise the balance sheet as at 31 December 2016, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo

T: 02316, org.no.: 987 009 713 VAT, www.pwc.no

State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Responsibilities of The Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the



audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Other Matters

The company's financial statements have been submitted after the expiry of the statutory time limit for preparation of financial statements.

This audit report replaces our previous audit report as of 30.06.2017, which was issued at the statutory deadline for holding the annual shareholders meeting. Complete annual financial statements and Board of Directors report were at this point in time not submitted by the Board of Directors and Managing Director.

Oslo, 12 October 2017

PricewaterhouseCoopers AS

Bjørn Rydland
State Authorised Public Accountant