

The logo for EAM, consisting of the lowercase letters 'eam' in white on a dark blue square background.

eam

The background of the cover is a close-up, low-angle view of a solar panel array. The panels are blue with a grid of white lines. The lighting is bright and directional, coming from the top right, creating a strong lens flare and highlighting the texture of the panels. The overall color palette is dominated by various shades of blue and white, with a warm yellowish glow from the light source.

EAM SOLAR ASA
ANNUAL REPORT 2018



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EAM SOLAR ASA IN BRIEF

EAM Solar ASA (EAM or the Company) is a public limited liability company, incorporated and domiciled in Norway, with registered address at Dronningen 1, 0287 Oslo, Norway.

Energeia AS established EAM on 5 January 2011. The Company was established with the purpose of owning Solar PV power plants under long-term electricity sales contracts and distributing dividends on a regular basis to its shareholders. The Company was listed on the Oslo Stock Exchange under the ticker EAM in March 2013, becoming the world's first publicly listed pure solar PV "YieldCo".

EAM has no employees and is managed by Energeia AS. Energeia AS conducts all administrative and technical tasks with own employees and subcontractors. The annual general meeting of EAM elects the Company's board of directors, who make all material investments, divestments and contractual decisions.

EAM acquired the first power plant in Italy in 2011. At the end of 2018 EAM owned and operated 6 power plants with a combined capacity of 8.6 MW generating an average annual production of 12.7 GWh annually (P50 production).

EAM entered into a Share Purchase Agreement with Aveleos S.A. in July 2014 to acquire 31 PV power plants in Italy, for a total consideration of EUR 115 million. One week after the transfer of 21 of the 31 power plants, it appeared that 27 of 31 power plants comprised by the Share Purchase Agreement, and two directors of the sellers, were already the targets of a criminal investigation conducted by the Prosecutor's Office of Milan.

Based on the criminal proceedings, the companies contractual counterparty for purchase of electricity, the state owned utility company Gestore dei Servizi Energetici (GSE), firstly suspended and then terminated the long-term electricity sales contract for 17 of the 21 PV power plants transferred to EAM in July 2014. The Administrative Court of Lazio legalized

GSE's termination decision in June 2016.

EAM's calculated loss of revenues due to terminated FIT contracts and permanent closure of power plants because of lacking technical certification, amounts to an amount in excess of EUR 300 million. This has resulted in the bankruptcy of the SPVs affected by the criminal proceedings in 2016.

The annual accounts of 2018 have identified a total loss of EUR 2.2 million, stemming mainly from extraordinary legal costs.

On the basis of the fundamental breach of contract and contractual guarantees in the Share Purchase Agreement, resulting in losses now suffered by EAM, and the lack of willingness from the seller to remedy the flawed sale, EAM has been forced to initiate legal proceedings against the sellers to recover losses and damages in excess of EUR 300 million. This situation has effectively changed EAM from a YieldCo to a large listed lawsuit.

As a consequence of the fraud, EAM's market valuation dropped to EUR 10 million in the beginning of 2016, 80 per cent below the invested equity capital of EUR 55 million. During 2016, 2017 and 2018 the market value has increased to EUR 27 million.

Throughout 2018 the Company has continued to fight for its rights in various legal ven-

ues. In brief it can be summarized as follows:

In the criminal proceedings the Company's status as victim has been maintained and Enovos Luxembourg S.A., Avelar Energy Ltd and Aveleos S.A. are still financially liable for the actions of the former directors of Aveleos S.A., Marco Giorgi and Igor Akhmerov. In May 2017 the Criminal Court of Milan ordered a conservative seizure on all assets connected to Marco Giorgi and Igor Akhmerov, up to the total amount of Euro 33 062 632.62 in favour of EAM Solar ASA and EAM Solar Italy Holding S.r.l. Hearings have been conducted in the criminal proceedings in Milan throughout the year and in February and March 2018, the Company's CEO has appeared as a witness. The proceedings have now reached its final stage, and all parties have held closing remarks. In December 2018 both the Public Prosecutor and EAM gave their closing arguments, asking for the guilty verdicts of the indicted. EAM further requested provisional damages. On 18 April 2019 the Criminal Court of Milan published its ruling in the criminal proceedings. The Criminal Court found it evidenced and consequently decided that Both Mr Giorgi and Mr Akhmerov are guilty of criminal contractual fraud against EAM Solar ASA in conjunction with the sale of the so-

Valuation
(EUR million)





called P31 portfolio, i.e. both are found guilty according to the State Prosecutors Office of Milano's Indictment point F. The Criminal Court also decided that Aveleos S.A. has to pay EAM Solar ASA provisional damages of EUR 5m immediately, not awaiting appeal or the final damages decision.

The Company has summoned Aveleos S.A. before the arbitration court of Milan to have the Share Purchase Agreement entered into in July 2014 declared null and void. Hearings have been conducted throughout the year and, amongst others, the Company's CEO has appeared as a witness. In Q4 2018, final briefs were submitted and a final hearing was held in the Arbitration.

The Company received the final award made by the Arbitral Tribunal on 3 April 2019. The Tribunal decided to dismiss EAM's claims for the annulment based on the claim of fraud and for the termination of the SPA. However, the Tribunal declared the right of EAM to be compensated for losses suffered in connection with the breach of the Representation and Warranties under the SPA within the limits of the liability cap as defined in the SPA. The liability cap in the SPA is defined to be approximately EUR 3.7 million.

The Arbitration decision was not unanimous, but with one out of three arbitrators dissenting from dismissing the claims brought by EAM Solar ASA and EAM Solar Italy Holding Srl. The dissent to the ruling was substantiated in a separate dissenting opinion published together with the arbitration ruling.

The Tribunal also decided that the ascertainment of any fraudulent act or behaviour of Messrs Giorgi and Akhmerov falls outside of the scope of the Arbitral Tribunal's jurisdiction, thus concluding that the arbitration decision was without any prejudice of any additional amount that might be found due because of any fraudulent act or behaviour of Mr Giorgi or Mr Akhmerov.

The criminal complaint in Luxembourg is residing with prosecutor's office awaiting their evaluation.

The standstill proceeding in Luxembourg is put to a halt awaiting the outcome of the arbitration proceedings in Milan.

A summoning for allegedly false accusations filed by Enovos Luxembourg S.A., Encevo S.A. (formerly: Enovos International S.A.) and the directors Jean Lucius, Michel Schaus, Peter Hamacher and Martin Technau in 2016

against the Company has also been put to a halt awaiting the outcome of the prosecutor's action on the criminal complaint filed in Luxembourg.

The Company received in February 2018 a new summons for allegedly false and misleading statements filed by Aveleos SA in Luxembourg in conjunction with the statements the Company made in its third quarter report 2017 where the Company made a provision for impairment on the receivables against Aveleos SA and explained the reasons for such impairment. The counterparty has asked for several postponements and the case was finally heard on 3 December 2018. On 31 December 2018 the summary judge issued an order dismissing Aveleos' claim, stating that such a claim cannot be brought in Luxembourg but must be brought in Norway. EAM was awarded EUR 1 500 in costs.

On 21 November 2018 EAM Solar ASA was served with a notice that UBI Leasing had applied to the court of Brescia for an injunction over EUR 6m of EAM assets. The court of Brescia granted a preliminary injunction, only enforceable upon further ruling. EAM challenged this decision and the first hearing in this matter is scheduled for 30 May 2019.

DIRECTORS' REPORT

The 2018 annual report

EAM Solar ASA (EAM or the Company) is a public limited liability company, incorporated and domiciled in Norway, with registered address at Dronningen 1, Oslo, Norway. Engeigia AS established EAM on 5 January 2011.

The Company's activity is to own and operate Solar PV power plants under long-term electricity sales contracts and distribute dividends on a regular basis to its shareholders.

The geographical focus of EAM has since its inception been to acquire power plants under long-term contracts in Europe. EAM acquired its first power plant in Italy in 2011. Since then EAM has acquired in total 25 power plants with a combined capacity of 27.1 MW generating 38.3 GWh annually, representing annual revenue of EUR 13.5 million.

At the beginning of 2015, EAM had EUR 110 million in capital employed, EUR 180 million in contractual revenue reserve, EUR 50 million in future market price sales and an expected EBITDA from the 17-year contract period of EUR 200 million.

However, the period from 2014-2016 became very challenging for EAM on the back of the flawed acquisition of 21 PV power plants from Enovos Luxembourg S.A. and Avelar Energy Ltd. through their jointly owned single purpose vehicle Aveleos S.A.

17 of the 21 PV power plants transferred to EAM in July 2014 did not have valid long-term feed-in-tariff contracts (FIT) according to the contractual counterparty Gestore dei Servizi Energetici GSE S.p.A, owned by the State of Italy, as warranted by Enovos Luxembourg S.A. and Avelar Energy Ltd under the Share Purchase Agreement.

In the 4th quarter 2015, GSE terminated the FIT contracts, which had been suspended since August 2014, and demanded a repayment of previously received FIT from 5 of the 7 companies acquired by EAM.

Due to Enovos Luxembourg S.A. and Avelar Energy Ltd lack of willingness to assume what the Company believes is their contractual obligation as owners of Aveleos S.A. and to remedy the situation, EAM has been forced to initiate legal proceedings in Italy, Luxembourg and Switzerland.

The events following the so-called "P31 acquisition" have effectively transformed EAM from a dividend paying "YieldCo" to a

large lawsuit. Consequently the share price of EAM Solar ASA on the Oslo Stock Exchange has dropped considerably.

The board of directors and the management are directing all their effort and attention to resolve this challenging situation in the appropriate legal venues as fast as possible in order to restore the value of the Company and return the outcome to the shareholders.

Operational review

Throughout 2018 EAM owned and operated 6 power plants that have a combined installed capacity of 8.6MW with an average annual power production of 12.7 GWh (P50 production).

Power production for the full year amounted to 12 609 MWh, 4 per cent below estimated production for the year.

Corporate status

Legal proceedings

Criminal proceedings

The Criminal Court of Milan has in 2016 ruled that Enovos Luxembourg S.A., Avelar Energy Ltd and Aveleos S.A. are financially liable for the economic damages suffered by EAM and related parties due to the criminal actions conducted by their directors Marco Giorgi and Igor Akhmerov.

Should the directors be sentenced on the Milan Prosecutors indictment point "F", concerning fraud against the Company, Enovos Luxembourg S.A., Avelar Energy Ltd and Aveleos S.A. will be responsible for paying the damages incurred by the Company.

To the extent the Company can provide adequate documentation, there is no limitation to the damages that can be claimed. It is also the sole decision of the Company how much damages it will seek from each party, in other words, the Company may seek the full compensation from only one party.

In May 2017 the Criminal Court of Milan ordered a conservative seizure on all assets connected to Marco Giorgi and Igor Akhmerov, up to the total amount of Euro 33 062 632.62 in favour of EAM Solar ASA and EAM Solar Italy Holding S.r.l. Hearings have been conducted in the criminal proceedings in Milan throughout the year and in February and March 2018, the Company's CEO has ap-

peared as a witness. The proceedings have now reached its final stage, and all parties have held closing remarks. In December 2018 both the Public Prosecutor and EAM gave their closing arguments, asking for the guilty verdicts of the indicted. EAM further requested provisional damages.

On 18 April 2019 the Criminal Court of Milan published its ruling in the criminal proceedings where EAM Solar AS has been included as a civil damaged party.

The Criminal Court found it evidenced and consequently decided that Both Mr Giorgi and Mr Akhmerov are guilty of criminal contractual fraud against EAM Solar ASA in conjunction with the sale of the so-called P31 portfolio, i.e. both are found guilty according to the State Prosecutors Office of Milano's Indictment point F.

The Criminal Court also decided that Aveleos S.A. has to pay EAM Solar ASA provisional damages of EUR 5m immediately, not awaiting appeal or the final damages decision.

The full and complete ruling, including the assessment of the total damages compensation owed to EAM, will be published by the court within the term of 90 days from the 18th of April. However, this term may be prolonged at the Criminal Court's discretion.

Arbitration proceedings

In the 3rd quarter 2016 the Company summoned Aveleos S.A. to the Milan Chamber of Arbitration in order to have the Share Purchase Agreement entered into in 2014 declared null and void based on the alleged fundamental breach of contract conducted by Aveleos S.A. and its directors. Hearings have been conducted throughout the year and, amongst others, the Company's CEO has appeared as a witness. In Q4 2018, final briefs were submitted and a final hearing was held in the Arbitration.

On 3 April 2019 the Company received the final award made by the Arbitral Tribunal under the rules of the Chamber of Arbitration of Milan.

The Tribunal decided to dismiss EAM's claims for the annulment based on the claim of fraud and for the termination of the SPA. However, the Tribunal declared the right of the Company to be compensated for losses

suffered in connection with the breach of the Representation and Warranties under the SPA within the limits of the liability cap as defined in the SPA. The liability cap in the SPA is defined to be approximately EUR 3.7 million.

The Arbitration decision was not unanimous, but with one out of three arbitrators dissenting from dismissing the claims brought by EAM Solar ASA and EAM Solar Italy Holding Srl. The dissent to the ruling was substantiated in a separate dissenting opinion published together with the arbitration ruling.

The Tribunal also decided that the ascertainment of any fraudulent act or behaviour of Messrs Giorgi and Akhmerov falls outside of the scope of the Arbitral Tribunal's jurisdiction, thus concluding that the arbitration decision was without any prejudice of any additional amount that might be found due because of any fraudulent act or behaviour of Mr Giorgi or Mr Akhmerov.

Criminal complaint with civil action in Luxembourg against Encevo S.A. Group (formerly known as Enovos International S.A. Group), and managing directors in Encevo S.A.

In February 2016, based on the evidence at hand, EAM and associated companies and individuals filed two criminal complaints with civil damages actions to the Court of Luxembourg. One criminal complaint was filed against Aveleos S.A., and one criminal complaint against Enovos Luxembourg S.A., Encevo S.A. (formerly known as Enovos International S.A.), Avelar Energy Ltd and Aveleos S.A., Jean Lucius, Michel Schaus, Peter Hamacher and Martin Technau (all employees in the Encevo Group), and the Aveleos S.A. board directors, Igor Akhmerov and Marco Giorgi (employees of Avelar Energy Ltd).

The Prosecutor's office in Luxembourg currently handles the criminal complaints.

The civil action contains damages claims in excess of EUR 250 million stemming from the contractual fraud against EAM in conjunction with the P31 Acquisition.

Breach of standstill agreement proceedings against Aveleos S.A. in the Court of Luxembourg

In October 2014, EAM entered into a so-called standstill agreement with Aveleos S.A. that also encompassed Enovos Luxembourg S.A., Avelar Energy Ltd and its directors. The purpose of the standstill agreement was to give the sellers time to resolve the payment suspension measures of GSE and to document the necessary facts confirming the validity of the FIT contracts and the technical feasibility

of the power plants within a limited time frame of 6 months. In exchange for this the sellers pledged to finance the running costs of the criminally affected power plants with a minimum of EUR 5 million in liquidity until the above matters were resolved.

In exchange for this pledge and the promises given by the sellers, EAM lifted the injunction achieved on the bank accounts of Aveleos S.A. in Luxembourg in September 2014 in order to avoid the immediate bankruptcy of Aveleos S.A. in October 2014 as threatened by the Enovos Luxembourg S.A., and Avelar Energy Ltd directors.

Aveleos S.A. and its directors had already breached the agreement by November 2014, as confirmed in the ruling by the Civil Court of Milan (Enterprise Matters Specialized Section) in September 2015 and by the Criminal Court of Milan in the ruling of 13 September 2016.

In the autumn of 2015 Aveleos summoned EAM again in Luxembourg court in order to misuse the standstill agreement to achieve exclusion from the criminal proceedings in Milan in order for Enovos Luxembourg S.A., and Avelar Energy Ltd to escape legal proceedings. On 20 September 2016 Aveleos S.A. asked the court of Luxembourg for a postponement of these proceedings, which was granted until January 2017.

The first hearing in the standstill agreement procedures in Luxembourg took place on 17 January 2017 where both parties filed their note of pleadings and presented to the judge.

In a ruling communicated in March 2017 the court decided that the Luxembourg civil proceedings regarding the standstill agreement shall be put to a halt until the award before the Arbitration Court of Milan is rendered i.e. all claims of Aveleos S.A. have been suspended until further.

Defamation case - allegations of false complaint to be tried in the Luxembourg District Court

The companies EAM and EAM Solar Italy Holding srl, as well as their CEO and Managing Director, Mr Viktor E. Jakobsen, received in January 2017 a subpoena to meet in court in Luxembourg on 13 March 2017. The plaintiffs are Encevo S.A. (formerly known as Enovos International S.A.), Enovos Luxembourg S.A. and their directors Jean Lucius, Michel Schaus, Peter Hamacher and Martin Technau. The plaintiffs claim that the criminal complaint filed by EAM in February 2016 is false and not merited. As the board of directors sees it, this is an attempt by the directors

to evade the ongoing investigation by the criminal court of Luxembourg that followed after the criminal complaint was filed.

In a communication received in early March 2017 the Company has been informed that the case will not be heard until the Prosecutor's Office have decided on the criminal complaints filed in February 2016 that are still in their hands.

Therefore, the case was not pleaded on 13 March 2017 and will be rescheduled.

Defamation case - allegations on allegedly false and misleading statements tried in the Luxembourg District Court

The Company received in February 2018 a new summons for allegedly false and misleading statements filed by Aveleos S.A. in Luxembourg in conjunction with the statements in the Company made in its third quarter report 2017 where the Company made a provision for impairment on the receivables against Aveleos S.A. and explained the reasons for such impairment.

The statements regards a provision for doubtful debt against Aveleos S.A. of EUR 4 418 thousand made in third quarter, given the fact that Aveleos S.A. in the Company's opinion is de-facto bankrupt and is running their company at the creditors' expense.

The counterparty has asked for several postponements and the case was finally heard on 3 December 2018. On 31 December

2018 the summary judge issued an order dismissing Aveleos' claim, stating that such a claim cannot be brought in Luxembourg but must be brought in Norway. EAM was awarded EUR 1 500 in costs.

Financial restructuring and voluntary liquidation plan for the criminally indicted SPVs in the Bankruptcy Court of Milan

Following the FIT termination decision by GSE, the 5 criminally affected SPVs filed for a financial restructuring procedure ("Concordato Preventivo") with creditor protection. This was granted by the bankruptcy Court of Milan until 8 July 2016, and then further extended to 6 September 2016.

EAM has been forced to act as a custodian for the SPVs affected by the criminal proceedings since July 2014. EAM has performed this task in order to protect the values of the SPVs and minimize any financial damage arising from the criminal proceedings and its legal and operational consequences.

Following legal and technical clarifications achieved during July and August 2016, the SPVs, in an understanding with the Bankruptcy Court of Milan, determined that a fi-

financial restructuring would be unachievable under the laws governing such procedures, mainly due to the fact that the SPVs are criminally indicted, but also due to technical administrative reasons. Therefore the companies filed for a voluntary liquidation and bankruptcy procedure with the Bankruptcy Court of Milan on 22 September 2016.

The bankruptcy proceedings are not yet concluded. The Company has had its position as creditor recognised, and in the process also appealed the fact that Aveleos was recognised as a creditor.

In the case of the SPV "AGI", the Court of Milan, bankruptcy division, has accepted the petition submitted by EAM Holding to amend AGI list of liabilities and have Aveleos' claim excluded. The Court has further ordered Aveleos to pay legal fees adding up to euro 36 145.00, plus disbursements (15 per cent), social security contribution (4 per cent) and VAT if applicable.

Civil proceeding on the patronage letters against UBI Leasing in the Court of Brescia

In conjunction with the "P31 acquisition", EAM Solar Italy Holding Srl entered into a so-called patronage letter and an equity contribution agreement with UBI Leasing and UniCredit respectively. These agreements may under certain circumstances require EAM Solar Italy Holding Srl to inject additional equity into the debt financed SPVs to cover any shortfall or breach of the debt repayment obligations of the SPVs.

The FIT contracts of the SPVs have been terminated by GSE due to a criminal fraud against the State of Italy. EAM has been acknowledged as victims of contractual fraud. It is EAMs belief that an important motive behind the fraud conducted against EAM by the directors of Aveleos, was in order for Aveleos and their respective shareholders to escape their debt repayment responsibilities by transferring this to EAM through the sale of the companies. Consequently, EAM considers the patronage letter/equity contribution agreement as an integrated part of the criminal contractual fraud, thus being void.

On 21 November 2018 EAM Solar ASA was served with a notice that UBI Leasing had applied to the court of Brescia for an injunction over EUR 6m of EAM assets. The court of Brescia granted a preliminary injunction, only enforceable upon further ruling. EAM challenged this decision and the first hearing in this matter is scheduled for 30 May 2019.

Business operations in 2018

At the end of 2018 EAM owned 6 power plants

operating under normal conditions and contracts, with a combined installed capacity of 8.6 MW with an average annual power production of 12.7 GWh (P50 production).

The financial statements and annual report are prepared under the assumption of going concern. It is the board's opinion that the Group has sufficient liquidity to support operations for the next twelve months.

Accumulated extraordinary costs related to the fraudulent sale amounted to approximately EUR 2.7 million in 2018 including funds received from Therium. For the full year Therium has paid out EUR 1 186 thousand in litigation finance.

At current EAM has engaged legal teams in 6 different law firms to assist the Company in all the various legal proceedings in Italy and Luxembourg.

Financial review

In 2018 EAM Solar ASA has continued the legal processes to restore the shareholder values. The legal processes are expensive and are heavily contributing to the loss in 2018.

Consolidated statement of profit and loss and comprehensive income

Revenue and production

All 6 power plants owned and controlled by EAM produced electricity and delivered this to the grid in 2018. Total electricity production in 2018 was 12 609 MWh, representing total revenue of EUR 4.3 million.

All EAM's electricity sales are made under 20-year sale agreements in the feed-in-tariff (FIT) scheme, with the Italian renewable energy authority Gestore Servizi Energetici (GSE) as commercial counterparty.

The fixed price sales contracts (FIT) accounts for 79.1 per cent of revenues, with electricity sales at market prices accounting for 17.4 per cent. Other revenues accounts for the remaining 3.4 per cent.

Market price contracts are renewed yearly. Market prices for electricity increased from a year average of EUR 49.0 per MWh in 2017 to EUR 60.0 per MWh in 2018. The falling trend turned in the last half of 2016 and the trend with increasing prices has continued into 2018.

Operating costs

Total cost of operations in 2018 amounted to EUR 659 thousand. The cost of operations consisted mainly of land rent, operating and maintenance costs, and insurance. SG&A expenses amounted to EUR 1.4 million for the year.

Operational earnings

Earnings before interest, depreciation, amortisation and taxes (EBITDA) amounted to EUR 675 thousand for 2018. Acquisition and transaction costs amounted to EUR 1.5 million.

Depreciation amounted to EUR 1.9 million for the year. Operating profit (EBIT) for 2018 was thereby EUR -1.2 million.

Net financial items

Net financial items amounted to EUR -616 thousand for the full year 2018.

Profit before tax and net income after tax

Profit before tax amounted to EUR -1.8 million for 2018. Net tax amounted to EUR -354 thousand.

Reported net income after tax was thus EUR -2.2 million for 2018, and reported loss per share were EUR -0.32 on a diluted basis.

Cash flow and balance sheet statements

Consolidated statement of financial position

Total assets amounted to EUR 27.4 million at 31 December 2018. This was down by EUR 2.8 million over the year.

Total equity amounted to EUR 11.7 million at 31 December 2018, a decrease by EUR 2.2 million over the year. The decrease is explained by the loss incurred during the year. The equity ratio was positive with 43 per cent at 31 December 2018, down from 46 per cent at 31 December 2017. Net working capital amounted to EUR 2 077 thousand at 31 December 2018.

Cash flow

Net cash flow from operating activities was EUR 460 thousand in 2018. Net cash flow from investing activities amounted to EUR -151 thousand. Net cash flow from financing activities amounted to EUR -567 thousand. Cash and cash equivalents amounted to EUR 844 thousand at 31 December 2018, of which 592 thousand was restricted at year-end and 62 was seized (see [note 17](#)).

EAM Solar ASA (parent company)

Profit and loss statement

Revenues are management services provided to subsidiaries (see [note 3](#)). Other operating expenses consist mainly of purchased services. Net Financial cost for 2018 was NOK -39.8 million.

Balance sheet

Total assets amounted to NOK 191.8 million, of which NOK 170.7 million is intercompany. Cash amounted to NOK 157 965 at year-end. Total equity amounted to NOK 125.3 million,

65 per cent of total assets, compared with 76 per cent in 2017. Current liabilities amounted to NOK 6.8 million.

Cash flow

Net cash flow from operational activities was negative at NOK 3.2 million, borrowings to group companies were negative with NOK 12.1 million and borrowings from group companies were positive with NOK 14.6 million.

Allocation of net income

The board has proposed that the net income of NOK -46 988 157 to be allocated from share premium.

Going concern

The financial statements and annual report is made under the assumption of going concern. The basis for this assumption is that the Company has annual revenues of EUR 4 million from fixed price contracts for the next 13 years from 6 power plants that are operating under normal conditions.

The EBITDA contribution from the 6 power plants in the fixed contract period to 2031 is, sufficient to cover the long-term debt obligation of relating to these assets.

During 2017 the Company entered into a Litigation Funding Agreement with Therium to finance litigation cost. According to the Litigation Funding Agreement the Company and Therium will cover 50 percent each. EAM have, including legal costs incurred in the fourth quarter, exhausted the second tranche, and started subsequently to draw upon the third tranche. Unused litigation funding at the end of the reporting period was EUR 785 thousand.

Finally, in order to ensure that EAM has the necessary buffer needed to meet future legal cost, the Company may consider to make funding available through sale of existing assets, share issue, litigation finance or loan.

Market overview

Power prices in Italy

The average wholesale power price in Italy for 2018 was EUR 60 per MWh. The price fluctuated mainly between EUR 40 and EUR 80 per MWh during the year. The lowest and highest price observed was EUR 14 and EUR 125 respectively.

Business strategy

EAM's strategy was in the outset to create value by acquiring operational power plants and, through an active ownership, to optimise operations and achieve the best pos-

sible electricity yield, lowest possible cost of operations, and highest possible dividend yield.

In light of the legal proceedings and their impact on the Company value, EAM has changed from a YieldCo to a large lawsuit. As previously stated; the directors and the management directs all their effort and attention to resolve the legal issues in order to restore the value of the Company.

Events after the balance sheet date

Criminal proceedings

On 18 April 2019 the Criminal Court of Milan published its ruling in the criminal proceedings where EAM Solar AS has been included as a civil damaged party.

The Criminal Court found it evidenced and consequently decided that Both Mr Giorgi and Mr Akhmerov are guilty of criminal contractual fraud against EAM Solar ASA in conjunction with the sale of the so-called P31 portfolio, i.e. both are found guilty according to the State Prosecutors Office of Milano's Indictment point F.

The Criminal Court also decided that Aveleos S.A. has to pay EAM Solar ASA provisional damages of EUR 5m immediately, not awaiting appeal or the final damages decision.

The full and complete ruling, including the assessment of the total damages compensation owed to EAM, will be published by the court within the term of 90 days from the 18 April. However, this term may be prolonged at the Criminal Court's discretion.

Arbitration proceedings

In the 3rd quarter 2016 the Company summoned Aveleos S.A. to the Milan Chamber of Arbitration in order to have the Share Purchase Agreement entered into in 2014 declared null and void based on the alleged fundamental breach of contract conducted by Aveleos S.A. and its directors.

On 3 April 2019 the Company received the final award made by the Arbitral Tribunal under the rules of the Chamber of Arbitration of Milan.

The Tribunal decided to dismiss EAM's claims for the annulment based on the claim of fraud and for the termination of the SPA. However, the Tribunal declared the right of the Company to be compensated for losses suffered in connection with the breach of the Representation and Warranties under the SPA within the limits of the liability cap as defined in the SPA. The liability cap in the SPA is defined to be approximately EUR 3.7 million.

The Arbitration decision was not unanimous, but with one out of three arbitrators dissenting from dismissing the claims brought by EAM Solar ASA and EAM Solar Italy Holding Srl. The dissent to the ruling was substantiated in a separate dissenting opinion published together with the arbitration ruling.

The Tribunal also decided that the ascertainment of any fraudulent act or behaviour of Messrs Giorgi and Akhmerov falls outside of the scope of the Arbitral Tribunal's jurisdiction, thus concluding that the arbitration decision was without any prejudice of any additional amount that might be found due because of any fraudulent act or behaviour of Mr Giorgi or Mr Akhmerov.

Risk factors

The Company is exposed to a number of risk factors.

The largest risk to our current operation is regulatory risk in Italy, i.e. retroactive changes in government incentives schemes, changes to regulatory framework for operation and changes in taxation of assets and renewable energy operations.

EAM is also exposed to risk related to market power price fluctuations and general technical operational risks. The Company mitigate these risks as far as possible through long-term electricity sales contracts with limited counterparty risk, hands-on operation and insurance.

Regulatory risk

The unilateral and retroactive 8 per cent reduction of the long-term electricity price of the FIT contracts conducted by the State of Italy in 2015 through their wholly owned subsidiary, Gestore dei Servizi Energetici GSE S.p.A., is believed illegal and in a breach of the constitutional law of Italy by leading legal experts, law firms and courts of law in Italy. However, the state of Italy has made no attempt to amend this situation. The regulatory risk experienced in Italy is by far the largest risk to PV power plant financial return and operation at the current moment.

It is unfortunately impossible to hedge against this type of regulatory risk in Italy at this point in time. The international market for insurance against State Government risk only is possible to achieve for countries classified as "underdeveloped" or "developing" by the United Nations system through the World Bank Group insurance institute MIGA (MIGA underwrite insurance against state confiscation, unlawful punitive taxation etc.). Since Italy is classified as a developed coun-

try, insurance against regulatory risk in Italy is not possible to obtain.

The new regulatory environment of the operation of solar PV power plants in Italy, partially implemented in 2015, poses a significant risk to PV power plant owners since these rules may be exploited in order to reduce or revoke long-term FIT contracts for non-material or non-technical reasons. This creates significant risk for corruption in conjunction with administrative processes since the legal treatment of administrative decisions takes several years, in breach of Italy's administrative law, exposing owners to financial default and bankruptcy without having administrative measures judged in a court of law.

Financial risk

For one of the external financing contracts with floating interest rate there is an interest rate swap agreement in place.

Litigation risk

The Company is involved in several legal processes where the outcome is unknown. There is a risk that the Company might lose some or all of these processes and that it can result in a counter claim from the other party in such legal processes. It is also a risk that the counterpart is unable to settle an award in favour of the Company.

Credit risk

Under normal circumstances the risk of credit losses is considered low, since the main contractual counterparty is GSE, a state owned entity. The Group has not made any set-off or other derivative agreements to reduce the credit risk against GSE.

The Company's gross credit risk exposure against GSE on 31 December 2018 was EUR 806 thousand. EAM has made no financial arrangements to limit the credit risk further.

Asset value risk

EAM's cash balance was EUR 844 thousand at 31 December 2018, of which the Prosecutors Office of Milan has seized EUR 62 thousand.

During the annual impairment test, EAM

has identified no further indicators for impairment of the power plants as described in IAS 36 after write downs conducted in 2015 and the second quarter of 2016. The assumptions used in the impairment test represent business development scenarios EAM finds most likely at the reporting date, although the actual outcome may be materially different due to on-going legal processes.

Finally, on a positive note, equipment prices have continued to drop during 2018. Consequently, the replacement cost risk of equipment fault is reduced in 2018. EAM expects the replacement cost to continue being reduced going forward.

Transactions with related parties

Energeia AS is providing management and consulting services to EAM on a continuous basis under a long-term management agreement. All transactions are conducted as part of ordinary operations and in accordance with the management agreement.

EAM entered on 20 June 2014 into a short-term acquisition credit facility agreement of NOK 65 million with the largest shareholder in the Company, Sundt AS. The credit facility, which is secured against EAM Solar Norway Holding AS and EAM Solar Italy Holding II Srl, originally expired on 10 December 2014, but has been extended twice thereafter. In March 2015 the parties agreed to convert the short-term facility to a long-term facility with 15 years duration, carrying an all-inclusive interest of 10 per cent. In August 2016 the Company made an extra down payment of EUR 1 million and renegotiated the terms. At current the loan carries a running interest rate of 7 per cent with a balloon at the end of the term. The lender has given a waiver for payment of instalments and interest for the period from December 2018 to July 2019.

Health, safety and the environment

EAM has no employees, and therefore no statistics related to health issues, recruiting processes, salaries or working conditions.

The board of directors comprised at year end of two male and one female director.

Energeia AS and sub-suppliers to the

manager provide all administrative, technical and commercial services. The manager is responsible for requirements related to gender neutrality, non-discrimination and equal opportunities. The manager recruits employees on a gender-neutral and non-discriminatory basis.

Solar power plants offer a power source that is environmentally superior to fossil fuels. The power plants do not expose the environment to any harm, other than by occupying land and possibly altering its visual appearance. EAM's power plants are built with silicon-based solar panels, and the power production facilities produce no harmful waste.

Activities related to the management of the business have no impact on the natural environment apart from effects related to normal office work.

Values and guidelines for business ethics and CSR

Honesty, transparency and trust are essential to the success of the Company. EAM is committed to transparency in its management practices, and in particular in the relationship between EAM and Energeia AS. The board of directors have at all times access to all information and assistance from the employees of the manager.

The Company has not established separate guidelines for corporate social responsibility (CSR) as recommended by the code. The Company was listed on Oslo Axess in 2013 and aims to establish guidelines for CSR when the Company has entered into a normal mode of operation.

Presentation of the financial statements

Pursuant to Section 4-5 of the Norwegian Accounting Act, the board of directors of EAM confirms that the financial statements have been prepared under the assumption that the enterprise is a going concern, and that this assumption was appropriate at the date when the financial statements were approved.

Oslo, 30 April 2019

Stephan L Jervell
Non-executive
director

Pål Hvammen
Non-executive
director

Ragnhild Wiborg
Chair

Viktor E Jakobsen
CEO

CORPORATE GOVERNANCE

EAM Solar ASA is committed to pursuing corporate governance practices that supports the trust in the Company, its directors and management, and thereby contribute to value creation.

The objective of corporate governance is to regulate the roles and responsibilities of shareholders, directors and management in a more comprehensive manner than is required by legislation.

Implementation and reporting on corporate governance

Implementation

EAM Solar ASA's board of directors is responsible for executing best practice corporate governance, and has prepared and approved the Company's policy for corporate governance.

Through its board and management, the Company conducts a review and evaluation of its principles for corporate governance on an annual basis.

EAM Solar ASA is a Norwegian public limited company listed on the Oslo Stock Exchange. Section 3-3b of Norway's Accounting Act requires the Company to provide an annual statement of its corporate governance principles and practices. These provisions also specify the minimum requirements for the content of this report.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian code of practice for corporate governance (the code). Adherence to the code is based on the "comply or explain" principle, which means that a company must comply with the recommendations of the code or explain why it has chosen an alternative approach to specific recommendations.

The Oslo Stock Exchange requires listed companies to publish an annual statement of their policy on corporate governance in accordance with the code in force at the time. Rules on the continuing obligations of listed companies are available at www.oslobors.no.

EAM Solar ASA will comply with the

above-mentioned rules and regulations, and the current code, issued on the 17th of October 2018 with the exception of the following:

1. Pursuant to the Company's articles of association, the manager has the right to recommend to the Company's nomination committee two of the directors in the board. The general meeting elects the Company's directors. The manager's right of recommendation is intended to ensure good communication between the Company's board and the manager based on the fact that the Company has no employees and that all day-to-day management activities are conducted by the Manager. At year-end 2018 the Manager had no representative in the board of directors.
2. The Company has not established separate guidelines for corporate social responsibility (CSR) as recommended by the code. The Company has decided not to prioritise this work given the challenging situation the Group is in. EAM aims to establish guidelines for CSR when the situation for the Group is normalised and the need for such guidelines again will materialise.

EAM Solar ASA provides a statement on its principles for corporate governance in its annual report, and this information is also available on its website at www.eamsolar.no.

Business

The business purpose of EAM is defined in article 3 of the Company's articles of association, which states that:

"The company's business activities include identification, analysis, financing, operating, purchase and sale of Solar power plants outside Norway, and naturally related

activities, such as ownership in similar companies. In addition, the Company's business is lawsuits in relation to Solar power plants."

Equity and dividends

Equity

Total equity for the Group amounted to EUR 11.7 million at 31 December 2018, representing an equity ratio of 43 per cent.

The equity of the parent company amounted to EUR 12.6 million at 31 December 2018, representing an equity ratio of 65 per cent.

Dividend policy

The Company's primary objective is to generate a capital return and distribute this to its shareholders through dividends.

Article 11 of the Company's articles of association specifies that the entire annual cash surplus will be distributed as dividend to the shareholders to the extent permitted by applicable law. Changes to, or exemptions from this article require the support of at least 90 per cent of the votes cast, of the share capital represented, at the general meeting.

Based on the status of the Company no dividend will be declared for 2018.

Equal treatment of shareholders and transactions with close associates

Equal treatment

All the shares in the Company and shareholders have equal rights, including voting rights. Each share carries the right to one vote at the Company's general meeting.

In the event that the board is mandated to buy the Company's own shares and decides to exercise this mandate, the transactions will be conducted through the stock exchange or at prevailing market prices if conducted in any other way.

Transactions with related parties

EAM has a long-term management agreement with Energeia AS. The latter provides all administrative, technical, and operational services required by the Company. EAM has no employees.

The transactions between EAM and the manager in 2018 have been conducted both as part of ordinary operations in accordance with the management agreement, and also conducted by the manager in pursuing legal objectives in the various processes of the fraud case against EAM.

Any transactions, agreements or arrangements between the Company and its shareholders, directors, members of the executive management team or close associates of any such parties will only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions will comply with the procedures set out in the Norwegian Public Limited Liability Companies Act or similar provisions, as applicable.

Transfer of shares

The Company's articles of association place no general restrictions on transfers of the Company's shares.

No provisions in the articles would have the effect of delaying, deferring or preventing a change of control of the Company, or would require disclosure of a level of ownership above any specified threshold, unless such transaction would be in violation of Norwegian law and in conjunction with criminal activities.

Transfers of shares in the Company do not require the consent of the board. Nor do they trigger any pre-emptive rights for other shareholders.

General meetings

Annual general meeting

The annual general meeting (AGM) is the Company's highest authority. The board strives to ensure that the AGM is an effective forum for communication between the shareholders and the board, and encourages shareholders to attend.

Preparations for the AGM

The AGM will be held before 30 June, which is the latest date permitted by Norwegian company law. It will approve the annual report and annual accounts, including the distribution of any dividend, election of board, auditor and nomination committee and such other matters as may be set out in the notice of the meeting.

The AGM for 2019 will be held on 21 May 2019 at the Company offices in Oslo, Norway.

The board can call for extraordinary general meetings. It will also call for an extraordinary general meeting at the request in writing of the auditor or shareholders representing at least five per cent of the share capital in order to deal with a specific subject.

The board summons general meetings. Notice of a general meeting will be issued at the latest 21 days before the date of the meeting, and will include a proposed agenda. The notice will also be made available on the Company's website at www.eamsolar.no.

A shareholder is entitled to submit proposals to be discussed at general meetings provided such proposals are submitted in writing to the board in time for the proposal to be entered in the agenda for the meeting.

The date of the next AGM is included in the Company's financial calendar. The financial calendar for the coming year will be published no later than 31 December in the form of a stock exchange announcement, and will also be made available on the Company's website.

Participation in a general meeting

The Company's articles of association do not specify any requirements for giving notice of attending a general meeting.

Shareholders who are unable to attend the meeting are encouraged to appoint a proxy. The arrangements for appointing a proxy allow shareholders to specify how their proxy should vote on each matter to be considered. Directors attend the AGM, together with at least one member of the nomination committee and the auditor. The CEO represents the management at the AGM.

Agenda and conduct of the AGM

The board decides the agenda for the AGM. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act and article 9 of the articles of association of EAM.

The board will seek to propose a person independent of the Company and the board to chair general meetings, ensuring that the AGM has an independent chair as recommended by the code.

The board and the chair of the meeting will make appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the Company's governing bodies.

The minutes of the AGM are published in the form of a stock exchange announcement, and are also made available on the Company's website at www.eamsolar.no.

Nomination committee

EAM will have a nomination committee consisting of three members. The Company's current nomination committee was elected for one year on the extraordinary general meeting 29 April 2019 and consists of:

- Leiv Askvig, chair
- Nils Erling Ødegaard, member
- Georg Johan Espe, member

Members of the nomination committee will be shareholders or shareholder representatives.

The general meeting elects the members of the nomination committee, including its chair. These members will serve for two years unless the general meeting decides otherwise. This term commences from the date of election unless otherwise decided. It terminates at the end of the annual general meeting in the year when the term expires. Even if the term has expired, the member must remain in their post until a new member has been elected.

Remuneration for members of the nomination committee is determined by the general meeting.

The nomination committee has the following responsibilities:

- To provide the general meeting with recommendations on directors to be elected by the shareholders, subject to the provision that the manager has the right to recommend up to two directors
- To provide the general meeting with recommendations on the remuneration of directors
- To provide the general meeting with recommendations on members of the nomination committee
- To provide the general meeting with recommendations on the remuneration of the members of the nomination committee.

The general meeting may issue further guidelines for the nomination committee's work.

Board of directors: composition and independence

Elections to the board

The general meeting elects directors. The Company's articles of association provide that the board will have no fewer than three members and no more than seven. In accordance with Norwegian law, the CEO and at least half the directors must be either resident in Norway or citizens of or resident in a EU/EEA country.

Composition of the board

On 31 December 2018, the board of EAM Solar ASA consisted of three directors, two men and one woman:

- Ragnhild M Wiborg, chair
- Stephan L Jervell, non-executive director
- Erling Christiansen, non-executive director

At the annual general meeting on 23 May 2018 Ragnhild M Wiborg was re-elected as chair of the board and Erling Christiansen was re-elected as member of the board, and at the same date Stephan L Jervell was elected as a new member of the board.

Directors have been elected to serve for a period of two years unless otherwise stated.

On 26 March 2019 the Company called for an Extraordinary General Meeting on 29 April 2019 after having received the sad news that board member Erling Christiansen passed away. At the extraordinary general meeting Pål Hvammen was elected as a new member of the Board. The function period for Pål Hvammen is until the annual general meeting in 2020.

Directors represent varied and broad experience from relevant industries and areas of technical speciality, and contribute knowledge from both Norwegian and international companies. More information about the expertise and background of directors can be found on the Company's website.

Independence of the board

Ragnhild M Wiborg, Stephan L Jervell and Pål Hvammen are all independent of the Company's manager, material business contacts and largest shareholders.

The board included at year end 2018 no members proposed by the manager.

Work of the board of directors

Board's duties and responsibility

The board has the ultimate responsibility for managing the Company and for supervising management and make strategic decisions.

This includes participating in the development and approval of the Company's strategy, performing necessary monitoring functions, including supervision, to ensure that the Company manages its business and assets and carries out risk management in a prudent and satisfactory manner, and acting as an advisory body for the manager.

In the management agreement between the Company and the manager, the manager is effectively the CEO of the Company. Should an individual have to be appointed as the

CEO, the manager will propose this person for approval by the board. The board of directors defines objectives, strategies and risk profiles for the company's business activities to facilitate that the company creates value for shareholders.

The board of directors ensures that its members and executive personnel make the Company aware of any material interests that they may have in items which are considered by the board.

Mandate for the board

In accordance with the provisions of Norwegian company law, the terms of reference for the board are set out in a formal mandate that includes specific rules and guidelines on the work of the board and decision-making. The chair is responsible for ensuring that the work of the board is carried out in an effective and proper manner in accordance with legislation.

Mandate for the CEO

The CEO is the representative of the manager. The manager is responsible for executive management and day-to-day operations of the Company as defined in the management agreement.

Financial reporting

The board receives periodic reports on the Company's commercial and financial status. The Company follows the timetable laid down by the Oslo Stock Exchange for the publication of interim and annual reports.

Board meetings

The board holds regular meetings each year. Extraordinary board meetings are held when required to consider matters that cannot wait until the next regular meeting. The board has also appointed an audit committee.

During 2018, the board of directors had several meetings in addition to the formal meetings each quarter. In addition, both the board and individual directors held informal discussions and meetings on specific issues. In 2018 the board of directors met on 12 occasions, either in person or by circulation.

Audit committee

EAM is exempted from the obligation to have an audit committee since it satisfies the criteria in section 2.3.3 (3) no 4 of the Listing Rules and section 6-41 (2) of the Norwegian Public Limited Liability Companies Act.

The Company has nevertheless established an audit committee. Currently, the full

board serves as the audit committee, and the Company believes that the audit committee satisfies the requirements in section 6-42 of the Norwegian Public Limited Liability Companies Act.

None of the members of the committee are employees of the Company. The audit committee will not make any decisions on behalf of the board, since it is effectively the board.

Board's evaluation of its own work

The board carries out an annual evaluation of its own performance, working arrangements and competence. The chair prepares a report on this evaluation, which is made available to the nomination committee.

Risk management and internal control

EAM's board is responsible for ensuring that the Company has a sound internal control and sufficient systems for risk management. The Company's systems for internal control and procedures for risk management are intended to ensure timely and correct financial reporting, as well as compliance with the legislation and regulations to which the Company is subject.

Follow-up of internal controls relating to financial reporting is undertaken by means of management's day-to-day monitoring, periodic reports to the board and the work of the audit committee.

The board carries out an annual review of the Company's most important areas of exposure to risk and its internal control procedures. In addition, the auditor presents an annual review of the Company's internal control procedures to the audit committee, including the Company's accounting principles, risk areas, internal control routines and proposals for improvement.

The size and activity of the Company does not support the establishment of an internal audit function.

Remuneration of the board of directors

The AGM determines the board's remuneration, based on a recommendation from the nomination committee. Remuneration of directors will be reasonable and based on the board's responsibilities, work, the time invested and the complexity of the enterprise. Compensation will be a fixed annual amount. The chair receives a higher compensation than the other directors.

The board will be informed if individual directors perform other tasks for the Company than their role as directors. Work in sub-committees may be remunerated in

addition to the remuneration received for the directorship. The Company's annual accounts provide information about the board's compensation.

There are no share options issued to members of the board of directors.

Remuneration of the manager and the CEO

Pursuant to the management agreement, the CEO receives no direct remuneration from the Company.

The manager is entitled to receive revenues from the Company equal to its directly attributable costs for providing services to the Company plus a margin of 7 per cent.

The management agreement has been entered into for an initial term of 10 years. After the initial term, both parties may terminate the agreement by giving 12 months' notice, with effect at the earliest from 2021. Termination by the Company triggers a termination fee of five times the average fee for the two preceding fiscal years.

No member of the Company's board or other administrative or supervisory body has service contracts with the Company or any of its subsidiaries that provide benefits on the termination of employment. No loans or guarantees have been given to any members of the board or other company bodies.

Information and communications

EAM maintains regular dialogue with analysts and investors. The Company strives to publish relevant information continuously to the market in a timely, effective and non-discriminatory manner, and considers it very important to inform shareholders and investors about the Company's commercial and financial performance. All stock exchange announcements are made available both on the Company's website and on the Oslo Stock Exchange news website at www.news-web.no.

Financial reports

EAM publishes its fourth quarter results by the end of February, and the full annual report, including approved and final financial statements and the directors' report, is available no later than 30 April each year as required by the Securities Trading Act. The complete annual report and financial statements are made available to shareholders no later than three weeks prior to the AGM.

Quarterly interim reports are published within eight weeks of the end of the quarter. The Company's financial calendar for the coming year is published as a stock exchange

announcement and made available on the Company's website and on the Oslo Stock Exchange website in accordance with the continuing obligations for companies listed on the Oslo Stock Exchange. The Company will continue to publish quarterly reports in accordance with Oslo Børs Code of Practice for IR.

Other market information

EAM may give open presentations in conjunction with the publication of the Company's interim results. At these presentations, the manager will review and comment on the published results, market conditions and the company's future prospects.

Communication with shareholders

The manager gives high priority to communication with the investor market. Individual meetings are organised for major investors, investment managers and analysts. The Company also attends investor conferences.

The board has issued guidelines for the Company's investor relations' function, including the designation of authorised spokespersons for the company.

Take-overs

The board endorses the principle of non-discrimination of shareholders. In the event of a take-over, the board undertakes to act in a professional manner and in accordance with applicable legislation and regulations.

The board will seek to comply with the recommendations in the code relating to the board's responsibilities and duties in a take-over situation.

Auditor

EAM is audited by RSM Norge AS, Norway.

The auditor presents a plan annually to the board for the audit work and confirms that the auditor satisfies established requirements for independence and objectivity.

In connection with the auditor's presentation of the annual work plan to the board, the board will specifically consider whether the auditor also exercises a control function to a satisfactory extent. The auditor attends board meetings that deal with the annual accounts, and presents a review of the Company's internal control procedures to the audit committee, including the Company's accounting principles, risk areas, internal control routines and so forth, and proposals for improvement.

The board has established guidelines on the use of the auditor by the Company's executive management for services other than

auditing. The board reports the remuneration paid to the auditor to the AGM, including details of fees paid for audit work and for other specific assignments.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR	Note	2018	2017
Revenue	9	4 305 450	4 213 335
Total revenue		4 305 450	4 213 335
Cost of operations		(658 559)	(769 196)
Sales, general and administration expenses	5, 6	(1 438 771)	(1 687 671)
Acquisition and transaction costs		(1 533 656)	(6 648 537)
Operating profit before depreciation and amortisation	7, 9, 10	674 463	(4 892 069)
Depreciation, amortizations and write downs	13, 22	(1 864 499)	(1 908 805)
Operating profit		(1 190 036)	(6 800 873)
Finance income	8	956 997	2 879 014
Finance costs	8, 7	(1 572 476)	(2 782 335)
Profit before tax		(1 805 515)	(6 704 194)
Income tax gain/(expense)	11	(354 394)	(464 805)
Profit after tax		(2 159 910)	(7 168 999)
Other comprehensive income¹			
Translation differences		(118 519)	6 269
Cash flow hedges	20	160 942	354 184
Income tax related to cash flow hedge	11	(33 818)	(45 393)
Other comprehensive income for the year, net of tax		8 605	315 060
Total comprehensive income for the year		(2 151 305)	(6 853 939)
Profit for the year attributable to:			
Equity holders of the parent company		(2 159 910)	(7 168 999)
Equity holders of the parent company		(2 159 910)	(7 168 999)
Total comprehensive income attributable to:			
Equity holders of the parent company		(2 151 305)	(6 853 939)
Equity holders of the parent company		(2 151 305)	(6 853 939)
Earnings per share		2018	2017
Continued operation			
- Basic	12	(0.32)	(1.26)
- Diluted	12	(0.32)	(1.26)

¹ Other comprehensive income that may be reclassified to profit and loss in subsequent periods.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13, 21	19 845 162	21 409 192
Intangible assets	22	1 827 339	1 989 219
Other long term assets		571 861	601 831
Deferred tax assets	11	581 743	585 491
Total non-current assets	9	22 826 104	24 585 732
Current assets			
Trade and other receivables	16	1 865 385	2 459 648
Other current assets	7, 16	1 818 798	2 030 681
Cash and cash equivalents	17	843 589	1 100 979
Total current assets		4 527 772	5 591 308
TOTAL ASSETS		27 353 876	30 177 040
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Issued capital		8 126 110	8 126 110
Share premium		27 603 876	27 603 876
Total paid in capital	18	35 729 986	35 729 986
Other equity			
Translation differences		(6 375 607)	(6 257 088)
Other equity		(17 647 156)	(15 614 370)
Total other equity		(24 022 763)	(21 871 458)
Total equity		11 707 223	13 858 528
Non-current liabilities			
Leasing		5 196 505	5 525 811
Long term loan - interest bearing	7	6 354 403	6 496 913
Deferred tax liabilities	11	976 353	886 066
Other non current liabilities	20	668 754	750 486
Total non-current liabilities	19	13 196 015	13 659 276
Current liabilities			
Trade and other payables		2 448 362	2 461 828
Tax payables	11	2 275	197 408
Total current liabilities	19	2 450 637	2 659 236
Total liabilities		15 646 652	16 318 512
TOTAL EQUITY AND LIABILITIES		27 353 876	30 177 040

Oslo, 30 April 2019

Stephan L Jervell
Non-executive
director

Pål Hvammen
Non-executive
director

Ragnhild Wiborg
Chair

Viktor E Jakobsen
CEO

CONSOLIDATED STATEMENT OF CASH FLOW

EUR	Note	2018	2017
Cash flow from operating activities			
Ordinary profit before tax		(1 805 515)	(6 704 194)
Income taxes paid		(133 780)	(9 297)
Depreciations and write downs	13, 22	1 864 502	1 697 212
Write down of fixed assets		-	103 220
Currency translation effects	22	12 664	
Changes in trade receivable and trade payable	16, 19	532 168	10 929 626
Changes in other accruals		(9 721)	(7 378 171)
Net cash flow from operating activities		460 318	(1 361 604)
Cash flows from investing activities			
Acquisition of fixed assets	13	(151 256)	(132 043)
Net cash flow used in investing activities		(151 256)	(132 043)
Cash flows from financing activities			
Proceeds from issue of share capital		-	2 097 694
Repayment of loans	7	(566 452)	(1 071 261)
Net cash flow from financing activities		(566 452)	1 026 433
Cash and cash equivalents at beginning of period		1 100 979	1 568 193
Net increase/(decrease) in cash and cash equivalents	17	(257 390)	(467 214)
Cash and cash equivalents at end of period	17	843 589	1 100 979

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Share premium fund	Other equity	Cash flow hedge	Currency translation reserve	Total equity
Equity as at 1 January 2017	6 214 380	24 606 370	(8 080 250)	(673 912)	(6 263 357)	15 803 231
Profit (loss) After tax	-	-	(7 168 999)	-	-	(7 168 999)
Issue of new shares	1 911 730	2 997 506	-	-	-	4 909 236
Other comprehensive income	-	-	-	308 791	6 269	315 060
Equity as at 31 December 2017	8 126 110	27 603 876	(15 249 249)	(365 121)	(6 257 088)	13 858 528
Equity as at 1 January 2018	8 126 110	27 603 876	(15 249 249)	(365 121)	(6 257 088)	13 858 528
Profit (loss) After tax	-	-	(2 159 910)	-	-	(2 159 910)
Issue of new shares	-	-	-	-	-	-
Adjustment previous years	-	-	(57 119)	57 119	-	-
Other comprehensive income	-	-	-	127 124	(118 519)	8 605
Equity as at 31 December 2018	8 126 110	27 603 876	(17 466 278)	(180 878)	(6 375 607)	11 707 223

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NOTE 01 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of EAM for the year ending 31 December 2018 were authorised for issuance by the board on 30 April 2019.

EAM is a public limited company, incorporated and domiciled in Norway. The registered office of EAM is Dronningen 1, NO-0287 Oslo, Norway. The Company was founded on 5 January 2011. EAM owns and operates 6 photovoltaic power plants in Italy, and has as its business to invest in photovoltaic power plants in Europe. The Company has 6 subsidiaries in Italy and 1 subsidiary in Norway.

01.01 Basis for preparation of the financial statement

The EAM Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and mandatory for financial years beginning on or after the 1st of January 2018.

The consolidated financial statements are based on historical cost. In addition, cash flow hedges are measured at actual value.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under similar circumstances.

The Group's presentation currency is the Euro (EUR) and the parent company's functional currency is the Norwegian Krone (NOK). Balance sheet items in the Group companies with a functional currency other than EUR are converted to Euro by applying the currency rate applicable on the balance sheet date. Currency translation differences are booked against other comprehensive income. Income statement items are converted by applying the average currency rate for the period.

The financial statements and figures presented in the directors' report are prepared under the assumption of going concern. The reason for preparing the financial statements as going concern is due to the board's opinion that the Group has sufficient liquidity for the next twelve months. The board and manager are placing all their effort into operating the Company in a prudent manner, pending the legal proceedings that is expected to ultimately solve the situation for EAM.

01.02 Consolidation principles

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The acquisition method is applied when accounting for business combinations. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative transaction differences recorded in equity
- Recognises the fair value of any investment retained

- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

01.03 Use of estimates in the financial statements

Management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses, deferred tax asset and information on potential liabilities. Due to the termination of the FIT contracts, the accounts reflect fully loss of values, but not reduction of debt obligations, although these obligations are disputed due to the criminal fraud.

Future events may lead to estimates being changed, and estimates and their underlying assumptions are reviewed on a regular basis. Changes in accounting estimates are recognised during the period when the changes take place. If the changes also apply to future periods, the effect is accounted for prospectively. See also [note 4](#).

01.04 Foreign currency

The Group's consolidated financial statements are presented in EUR. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currency

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into the functional currency using the exchange rate applicable at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchanges at the date when the fair value is determined. Change in exchange rates are recognised in the statement of comprehensive income as they occur during the accounting period.

Foreign operations

On consolidation, the assets and liabilities of operations with a functional currency other than the EUR are translated to EUR at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions.

The average exchange rates are used as an approximation of the transaction exchange rate. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the accumulated translation differences relating to the subsidiary are recognised in the statement of comprehensive income.

Translation differences arising from the translation of a net investment in foreign operations are specified as translation differences in the statement of equity.

01.05 Revenue recognition

Revenue is recognized when a customer obtains control of the goods or services.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, which includes the following steps:

- 1 Identifying the contract with the customer
- 2 Identifying the performance obligations in the contract
- 3 Determine the transaction price
- 4 Allocate the transaction price to each performance obligation
- 5 Recognise revenue when a performance obligation is satisfied

Sale of solar power

EAM owns and operates six solar power plants in Italy, which generate electricity. Revenue from the sale of electricity is recognised in the state-

ment of comprehensive income once delivery has taken place and the risk and return have been transferred.

Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate which exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

01.06 Segments

The Group's activities are uniform, where the business strategy is to operate solar power plants in different European countries. For management purposes, the Group is organised into segments related to the individual solar power plants and when they were purchased. Financial information relating to segments is presented in [note 5](#).

Internal gains on sales between the various segments are eliminated in the segment reporting.

01.07 Income tax

Income tax consists of tax payable and changes to deferred tax. Deferred tax liability/tax asset is calculated on all differences between the carrying and tax value of assets and liabilities, with the exception of temporary differences related to investments in subsidiaries where the Group controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the deferred tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax liability and deferred tax asset are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax liability and deferred tax asset are recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet. Tax payable and deferred tax are recognised directly in equity to the extent that they relate to equity transactions.

01.08 Property, plant and equipment

All property, plant and equipment (including solar power plants) are valued at their cost less accumulated depreciation and impairment. When assets are sold or disposed of, the carrying amount is derecognised and any gain or loss is recognised in the statement of comprehensive income.

The cost of tangible non-current assets is the purchase price, including taxes/duties and costs directly linked to preparing the asset for its intended use. Costs incurred after the asset is in use, such as regular maintenance costs, are recognised in the statement of comprehensive income as incurred, while other costs expected to provide future financial benefits are capitalised.

Depreciation is calculated using the straight-line method over the following useful lives:

- Movers, modules and cable connectors 20 years
- Land lease rights 25 years

The depreciation period and method are assessed each year. A residual value is estimated at each year-end, and changes to the estimated residual value are recognised as a change in an estimate.

01.09 Leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the

fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

01.10 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and at the amount of any non-controlling interest in the acquired company. For each business combination, the Group elects whether it measures the non-controlling interest in the acquired company either at fair value or at the proportionate share of the acquired company's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquired company.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquired company is measured to fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised as profit or loss.

After initial recording, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units which are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Bargain purchase transactions

If the net of the acquisition-date fair values of identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred (measured at acquisition-date fair value), the excess amount is recognised as a gain in the statement of comprehensive income on the acquisition date. Having done so, the company has reviewed the procedures used to measure all of the following:

- the identifiable assets acquired and liabilities assumed
- the non-controlling interest in the acquired, if any
- the consideration transferred.

01.11 Classification and measurement of financial assets and liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value OCI and fair value through profit and loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The carrying amount of trade receivables and trade payables is approximately equal to fair value, as they are agreed at "normal" conditions and normally have a short period to maturity.

01.12 Cash and cash equivalents

Cash includes cash in hand, at the bank or cash seized by the Prosecutors Office of Milan.

Cash equivalents are short-term liquid investments which can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

01.13 Equity Equity and liabilities

Financial instruments are classified as liabilities or equity in accordance with the underlying economic realities.

Interest, dividend, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income. Amounts distributed to holders of financial instruments that is categorized as equity, will be recorded directly in equity.

Costs of equity transactions

Transaction costs directly related to an equity transaction are recognised directly in equity after deducting tax expenses.

Translation differences

Translation differences arise in connection with exchange-rate differences for consolidated entities with a functional currency other than the EUR. If an entity with a different functional currency than the EUR is sold, the accumulated translation difference linked to the entity is reversed and recognised in the statement of comprehensive income in the same period as the gain or loss on the sale is recognised.

01.14 Provisions

A provision is recognised when the Group has an obligation (legal or constructive) as a result of a previous event, it is probable (more likely than not) that a financial settlement will take place as a result of this obligation, and the size of the amount can be measured reliably. If the effect is considerable, the provision is calculated by discounting estimated future cash flows using a discount rate before tax which reflects the market's pricing of the time value of money and, if relevant, risks specifically linked to the obligation.

Restructuring provisions are recognised when the Group has approved a detailed, formal restructuring plan and the restructuring has either started or been publicly announced.

Provisions for loss-making contracts are recognised when the Group's estimated revenues from a contract are lower than unavoidable costs that were incurred to meet the obligations pursuant to the contract.

01.15 Contingent liabilities and assets

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Group.

01.16 Current/non-current classification

All assets and liabilities related to the operating cycle are classified as

current/short-term. For receivables and liabilities outside the operating cycle, the current/non-current distinction is determined on the basis of a one-year maturity rule from the acquisition date.

01.17 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group has derivatives classified as cash flow hedge.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is categorized as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

01.18 Earnings per share

Earnings per share are calculated by dividing the majority shareholders' share of the profit/loss for the period by the weighted average number of ordinary shares outstanding over the course of the period. When calculating diluted earnings per share, the average number of shares outstanding is adjusted for all share options that have a potential dilutive effect. Options that have a dilutive effect are treated as shares from the date they are issued.

01.19 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense

on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

01.20 Events after the reporting period

New information on the Company's financial position at the end of the reporting period, which becomes known after the reporting period, is recorded in the annual accounts. Events after the reporting period which do not affect the Company's financial position at the end of the reporting period but which will affect the Company's financial position in the future are disclosed if significant. See [note 23](#).

01.21 Application of new IFRS requirements

For the preparation of these consolidated financial statements, the following new standards were effective from 1 January 2018.

IFRS 9 Financial instruments (Effective from 1 January 2018). The standard replaces IAS 39. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment hedge accounting, recognition and derecognition. The application of IFRS 9 had no effect on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018). The standard replaces IAS 11, IAS 18 and their Interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (eg the point at which revenue is recognised, accounting for variable consideration, costs of

fulfilling and obtaining a contract, etc.). The application of IFRS 15 had no effect on the Group's consolidated financial statements

01.22 Standards issued but not yet effective

The Group has not applied the following new or amended standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2018.

The Directors anticipate that the new standards and amendments will be adopted in the Group's consolidated financial statements when they become effective. The Group has assessed, where practicable, the potential effect of all these new standards and amendments that will be effective in future periods.

IFRS 16 Leases (effective from 1 January 2019): The Standard replaces IAS 17 and its Interpretations. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. The effect of the implementation of IFRS 16 can be found in [note 14](#).

NOTE 02 ALTERNATIVE PERFORMANCE MEASURES "APMS"

EAM uses financial performance measures not within the applicable financial reporting framework also referred to as Alternative performance measures or APMS. These are used to give the reader relevant figures for comparison, analysis and additional information. The Company uses the APMS in a consistent and transparent manner to make it understandable to users of the financial reports.

In order to provide a basis for analysis the Company presents EBITDA and EBIT.

Definitions:

EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation
EBIT - Earnings Before Interest and Tax

NOTE 03 LIST OF SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements. (All amounts in EUR)

Company	Country	Main operation	Ownership	Vote	EBITDA	EBIT	Equity	Shareholder loans
EAM Solar Norway Holding AS	Norway	Holding company	100%	100%	(2 183)	(2 183)	7 927 261	-
EAM Solar Italy Holding II Srl	Italy	Holding company	100%	100%	(151 740)	(151 740)	7 085 866	3 825 506
EAM Solar Italy 1 Srl	Italy	Solar power plant	100%	100%	660 191	272 978	(160 370)	4 842 556
EAM Solar Italy 2 Srl	Italy	Solar power plant	100%	100%	1 491 569	703 972	2 658 864	6 946 263
EAM Solar Italy Holding Srl	Italy	Holding company	100%	100%	(1 345 966)	(1 345 963)	(1 693 144)	12 585 482
Ens Solar One s.r.l.	Italy	Solar power plant	100%	100%	459 760	16 766	(98 064)	4 051 984
Energia Fotovoltaica 25 Soc. Agr. A.r.l.	Italy	Solar power plant	100%	100%	123 180	6 269	195 491	1 867 111

NOTE 04 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies in according to IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the management's best knowledge. Changes in key assumptions may have significant effect and may cause material adjustments to the carrying amounts of assets and liabilities, equity and the profit for the year. The Company's most important accounting estimates are the following items:

Going concern

Given the challenging situation of the Company, the board and management has had to consider the basis for the Company's ability to operate as a going concern for the next 12 months. The going concern consideration is mainly related to the assessment of having adequate liquidity to meet the Company's running operational financial obligations, hereunder the legal costs to run the different legal processes.

Given the special corporate status, having become a victim of a criminal contractual fraud, resulting in significant legal and operational challenges, the board and management is continuously reviewing running operations.

It is the judgment by the board and management, all factors considered, that the Company has adequate liquidity for the next 12 months, consequently, that the foundation for "going concern" is present at year end 2018. See the directors report section on going concern and [note 19](#) in the accounts for further background information.

Revenue and receivables

The Group has receivables against various parties including the Italian state and companies involved in the criminal proceedings in Milano. It is uncertainty regarding the willingness or ability for these parties to pay. To the extent the Company or its subsidiary is aware of any doubt in the likelihood of collecting such receivable a provision has been made. Significant judgement is required in estimating the soundness of such receivable.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The adoption of IFRS 15 has not had any impact on the financial statements for EAM.

Income taxes

The Group is subject to income taxes in more than one jurisdictions. Significant judgement is required in determining the provision for income taxes. Deferred tax asset related to the companies with terminated revenue has not been recognised.

Depreciation of tangible fixed assets

Depreciation and amortisation expenses are based on management estimates of residual value, amortisation method and the future useful life of solar power plants. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortisation or depreciation charges.

The estimated useful life of the Company's solar power plants is connected with the governmental guaranteed feed in tariff for electricity produced by solar power plants. These feed-in-tariffs gives guaranteed revenue from the government of 20 years from the time of the license was granted. Together with the fact that the technological lifetime a solar plant is at least 20 year we assume that the estimated useful life of these power plants are 20 years (see also [note 13](#)).

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the remaining feed in tariff period. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows. The key assumptions used to determine the recoverable amount for the different CGUs, are disclosed and further explained in [Note 21](#).

We would like to point out that the assumptions in the impairment test are made to indicate scenarios that management find explanatory at the reporting date. Actual outcome might be materially different, due to, but not limited to the inherent risk in the on-going legal processes.

NOTE 05 OTHER OPERATING EXPENSES

VAT is not included in the fees specified below.

Specification of auditor's fee (EUR)	2018	2017
Statutory audit	35 559	34 788
Other non-assurance services	-	123
Tax consultant services	33 389	23 267
Total fee to auditor's	68 948	58 179

NOTE 06 SALARY AND PERSONNEL EXPENSE AND MANAGEMENT REMUNERATION

Board of Directors year-end 2018:

- Ragnhild M Wiborg (chair)
- Erling Christiansen (non-executive director)
- Stephan L Jervell (non-executive director)

On 26 March 2019 the Company called for an Extraordinary General Meeting on 29 April 2019 after having received the sad news that board member Erling Christiansen passed away. At the extraordinary general meeting Pål Hvammen was elected as a new member of the Board. The function period for Pål Hvammen is until the annual general meeting in 2020.

The CEO in 2018, Viktor Erik Jakobsen, is hired and remunerated by the manager (see [note 7](#) for description of management agreement).

Ragnhild M Wiborg, has received in 2018 NOK 525 000 in remuneration for her work as Chair. Erling Christiansen has received NOK 262 500 and Stephan L Jervell, has received 137 500 in 2018 which was invoiced directly to Wiersholm. Pål Hvammen received NOK 125 000 for his period of service in 2018. At year end 2018 Ragnhild Wiborg held directly or through companies she controls 3 765 shares in EAM Solar ASA, no shares were held by other directors or CEO.

No member of the management receives remuneration or financial benefits from other companies in the Group other than those stated above. No additional remuneration has been paid for services outside the normal functions of a director. No loans or guarantees have been given to any members of the Group management, the board of directors or other company bodies.

NOTE 07 TRANSACTIONS WITH RELATED PARTIES

Related parties

Energeia AS is the manager of EAM. Energeia AS in Norway and Italy employs most of the personnel conducting the technical and administrative services for EAM.

Sundt AS, Canica AS and Pactum AS are among the 4 largest shareholders in EAM. They are also shareholders in Energeia, but not involved in the day-to-day operations of Energeia AS.

Transactions with related parties

All the transactions have been carried out as part of the ordinary operations and at arms-length prices.

Energeia AS delivers management services to EAM according to a management agreement between the parties. According to this agreement, Energeia AS can charge EAM for direct costs including a profit margin of 7 per cent related to the management services provided. The board of directors must approve the budget for the operation of EAM.

Energeia AS is the third largest shareholder in EAM, holding 9.5 per cent of the shares outstanding. This secures the common interest of the manager and the Company.

In 2018 Energeia direct costs of the management of EAM was EUR 1.6 m (2017: EUR 1.9 m). For 2018 the direct cost was EUR 0.13 per kWh based

on full year figures. (against EUR 0.14 per kWh in 2017).

Approximately EUR 0.5 million of the direct costs charged in 2018 was related to extraordinary costs incurred due to the legal processes in conjunction with the P31 fraud.

Credit facility from shareholder

EAM entered on 20 June 2014 into a short-term acquisition credit facility agreement of NOK 65 million with the largest shareholder in EAM, Sundt AS. The credit facility originally expired on 10 December 2014, but has been extended twice thereafter. In March 2015 the parties agreed to convert the short-term facility to a long-term facility with 15 years duration, carrying an all-inclusive interest of 10 per cent. In August 2016 the Company made an extra down payment of EUR 1 million and renegotiated the terms. At current the loan carries a running interest rate of 7 per cent with a balloon at the end of the term. The lender has given a waiver for payment of instalments and interest for the period from December 2018 to July 2019.

The credit facility has been secured against the shares in EAM Solar Norway Holding AS, EAM Solar Italy Holding II Srl and the subsidiaries EAM Solar Italy 1 Srl and EAM Solar Italy 2 Srl since 2014.

Energeia Asset Management AS ownership

Company/owner	Ownership	Person	Position year-end 2018
Jakobsen Energia AS	26.28%	Viktor E Jakobsen	CEO of EAM Solar ASA
Sundt AS	26.28%	Family office	Shareholder of EAM Solar ASA
Naben AS	14.45%	Audun W Iversen	Shareholder of EAM Solar ASA
Canica AS	6.96%	Family office	Shareholder of EAM Solar ASA
Pactum AS	6.96%	Family office	Shareholder of EAM Solar ASA
Chold AS	9.07%	Christian Hagemann	COO - Energeia AS
Jemma Invest AS	5.00%	Jarl Egil Markussen	CAO - Energeia AS
Trimtabber BV	5.00%	Robert Veenstra	CEO - EAM Netherlands BV

NOTE 08 FINANCIAL INCOME AND EXPENSES

Financial income (EUR)	2018	2017
Interest income	644	71 966
Foreign exchange gain	956 353	2 807 048
Other financial income	-	-
Total financial income	956 997	2 879 014
Financial expenses (EUR)	2018	2017
Interest expense	(734 751)	(946 386)
Foreign exchange losses	(791 635)	(720 288)
Other financial expenses	(46 090)	(1 115 662)
Total financial expenses	(1 572 476)	(2 782 335)
Net financial income (expenses)	(615 479)	96 679

The average exchange rate used for 12M 2018 is EUR/NOK 9.5962 (12M 2017: EUR/NOK 9.3271), whereas the exchange rate used on 31 December 2018 is EUR/NOK 9.9483 (31 December 2017: EUR/NOK 9.8403).

NOTE 09 SEGMENT INFORMATION

The Group owns and operates six solar PV power plants in Italy as of year-end 2018. The business is investing in and operating power plants that have similar economic characteristics. The management monitor the business based on both geographical segments and portfolio of assets. The Group has one segment.

EAM Solar Italy 1 s.r.l. (EUR)	2018	2017
Revenues	950 345	958 215
EBITDA	660 191	608 276
EBIT	272 978	192 034
Non-current assets	4 097 913	4 510 726
EAM Solar Italy 2 s.r.l. (EUR)	2018	2017
Revenues	1 959 977	1 971 505
EBITDA	1 491 569	1 485 152
EBIT	703 972	681 694
Non-current assets	8 754 291	9 540 934
ENS1 & ENFO 25 (EUR)	2018	2017
Revenues	1 295 346	1 283 616
EBITDA	582 940	79 011
EBIT	23 035	(521 073)
Non-current assets	8 580 013	9 038 476
Other & eliminations (EUR)	2018	2017
Revenues	99 781	-
EBITDA	(2 060 237)	(7 064 507)
EBIT	(2 190 021)	(7 153 528)
Non-current assets	1 393 887	1 495 597
Total (EUR)	2018	2017
Revenues	4 305 450	4 213 335
EBITDA	674 463	(4 892 069)
EBIT	(1 190 036)	(6 800 873)
Non-current assets	22 826 104	24 585 732

NOTE 10 OPERATIONAL COSTS BREAKDOWN 2018

EUR	EAM Solar Group	EAM Solar Italy 1	EAM Solar Italy 2	ENS1 & ENFO25	Other & Eliminations
Revenues	4 305 450	950 345	1 959 977	1 295 346	99 781
Cost of operations	(658 559)	(106 564)	(207 691)	(317 697)	(26 607)
Land rent	(120 240)	(36 531)	(75 967)	(7 742)	-
Insurance	(153 364)	(17 594)	(64 449)	(44 713)	(26 607)
Operation & Maintenance	(166 254)	(18 344)	(28 879)	(119 031)	-
Energieia operating costs	(91 245)	(22 811)	(22 811)	(45 623)	-
Other operations costs	(127 456)	(11 283)	(15 586)	(100 587)	-
Sales, General & Administration	(1 438 771)	(183 590)	(260 717)	(392 229)	(602 235)
Accounting, audit & legal fees	(142 045)	(1 471)	(5 888)	(24 537)	(110 149)
IMU tax	(67 193)	(9 449)	(44 558)	(13 186)	-
Energieia direct costs	(1 030 591)	(134 622)	(134 622)	(237 837)	(523 512)
Other administrative costs	(198 942)	(38 049)	(75 649)	(116 669)	31 426
Legal costs	(1 533 656)	-	-	(2 481)	(1 531 176)
Legal costs	(1 036 722)	-	-	(2 481)	(1 034 241)
Energieia legal costs	(496 934)	-	-	-	(496 934)
EBITDA	674 463	660 191	1 491 569	582 940	(2 060 237)

NOTE 11 INCOME TAX

The basis for the recognition a deferred tax asset is forecasted results in the operating segments. There are no expiry dates on any of the losses carried forward. Property tax payable is expensed as an operating expense under SG&A.

Income tax expense (EUR)	2018	2017
Current taxes	246 648	197 408
Changes in deferred taxes	94 034	312 790
Correction for previous years tax	47 530	-
Total income tax expense	388 212	510 198
Income tax net income	354 394	464 805
Income tax other comprehensive income	33 818	45 393
Total income tax expense	388 212	510 198
Tax payable (EUR)	2018	2017
Tax payable for the year	246 648	384 345
Prepaid tax	(244 373)	186 937
Total payable tax	2 275	197 408
Temporary differences Norway		
Receivables	(439 735)	(461 490)
Intercompany interest	(4 340 486)	(3 644 722)
Total temporary differences	(4 780 221)	(4 106 212)
Tax losses carried forward	733 528	253 752
Tax losses carried forward not recognised as an asset	(380 421)	-
Basis for deferred tax	(4 427 114)	(3 852 460)
Deferred tax	(976 353)	(886 066)
Temporary differences Italy		
Tangible assets	1 166 365	1 024 415
Intangible assets	164 802	169 050
Leasing	410 534	413 220
Cash flow hedge	237 997	242 993
Total temporary differences	1 979 698	1 849 678
Tax losses carried forward	7 158 089	5 773 575
Tax losses carried forward not recognised as an asset	(6 713 856)	(5 183 707)
Basis for deferred tax asset	2 423 931	589 868
Deferred tax asset	581 743	585 491
Tax expense reconciliation (EUR)	2018	2017
Profit before tax	(1 805 515)	(6 704 194)
Corporation tax charge thereon at 23% (2017: 24%)	(415 268)	(1 609 007)
<i>Adjusted for the effects of:</i>		
Expenses not deductible for tax purposes	1 136 011	184 185
Change in temporary differences	-	-
Change in tax rates	2 077	10 594
Different tax rates in foreign jurisdictions	(971 162)	(354 635)
Tax loss carried forward	484 561	1 710 956
Change in deferred tax	43 868	312 790
Withholding tax on intercompany interest	-	207 535
Adjustments to tax in respect of previous periods	-	-
Other minor items	108 125	47 779
Income tax expense for the year	388 212	510 197
<i>Effective tax rate</i>	<i>(22%)</i>	<i>(8%)</i>

NOTE 12 EARNINGS PER SHARE

Basic earnings per share is calculated as the ratio of the profit for the year due to the shareholders of the parent company, divided by the weighted average number of ordinary shares outstanding. The Company had 6 852 210 shares outstanding on 31 December 2018. There is no dilutive potential on the ordinary shares, so the earnings will be the same for both basic and diluted basis.

Earnings per share (EUR)	2018	2017
Profit for holders of ordinary shares	(2 159 910)	(7 168 999)
Basis for earnings per share	(2 159 910)	(7 168 999)
Earnings per share (EUR)	2018	2017
- Basic	(0.32)	(1.26)
- Diluted	(0.32)	(1.26)
Earnings per share in NOK ¹	2018	2017
Continued operation		
- Basic	(3.02)	(11.77)
- Diluted	(3.02)	(11.77)
Total shares outstanding at period end	6 852 210	6 852 210
Weighted average number of ordinary shares outstanding	6 852 210	5 680 790
Weighted average number of shares adjusted for dilutive shares	6 852 210	5 680 790
¹ Average NOK/EUR exchange rate	9.596	9.327

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Economic life of 20- 25 years and straight-line depreciation.

2018 (EUR)	Solar power plants
Accumulated cost 1 January 2018	21 409 192
Additions	151 256
Write downs	-
Depreciation	(1 715 286)
Disposals	-
Currency translation effect	-
Carrying value 31 December 2018	19 845 161
2017 (EUR)	Solar power plants
Accumulated cost 1 January 2017	23 077 581
Additions	132 043
Write downs	(103 220)
Depreciation	(1 697 212)
Disposals	-
Carrying value 31 December 2017	21 409 192

NOTE 14 CONTRACTUAL OBLIGATIONS

The Group has the following contractual obligations relating to an operations and maintenance agreement for all SPVs, land leases for EAM Solar Italy 1, EAM Solar Italy 2 and, ENS Solar One, the operating lease on the ENS Solar One plant and insurance on all SPVs. (All amounts are in nominal 2018 values.) The contractual obligations refer to leasing of SPVs already recognised.

Year (EUR)	Amount
2019	936 000
2020	936 000
2021	936 000
2022	936 000
2023	936 000
After 2023	7 032 000
Total	11 712 000

Following the implementation of IFRS 16 from 01.01.2019, we have calculated the following lease obligations. The Company's recognition is based on the time of implementation. The lease contracts recognized in this calculation is the land rent and surface rights for EAM Solar Italy 1, EAM Solar Italy 2 and ENS Solar One.

Total obligation (EUR)	Amount
EAM Solar Italy 1	294 387
EAM Solar Italy 2	612 180
ENS Solar One	79 208
Total obligation	985 775

Long term obligation (EUR)	Amount
EAM Solar Italy 1	271 742
EAM Solar Italy 2	565 089
ENS Solar One	73 115
Total long term obligation	909 946

Short term obligation (EUR)	Amount
EAM Solar Italy 1	22 645
EAM Solar Italy 2	47 091
ENS Solar One	6 093
Total short term obligation	75 829

The interest rate used for EAM Solar Italy 1 and EAM Solar Italy 2 is based on the expected interest at the time of implementation equalled to the shareholder loan interest rate (10% p.a.). For ENS Solar One the interest used is the interest rate on the leasing agreement (4.92% p.a.). The lease obligation runs to 2032. The "Right Of Use" is calculated as the same value as the lease obligation at the time of transition.

NOTE 15 FINANCIAL RISK MANAGEMENT

Regulatory risk

The largest risk to the Company's operations and profitability are regulatory risk relating to changes in agreements, taxation or operational regulations made by the State of Italy. This risk is difficult to hedge against apart from securing that operations at all times are in compliance with the prevailing rules and regulations.

Financial risk

The Group has different financial instruments; a) trade and other receivables and trade accounts payable, b) project finance (bank loan at amortised cost), c) leasing. In addition the Group has derivative financial instruments in the form of interest rate swaps, swapping from floating to fixed interest.

Credit risk

Under normal circumstances the risk for losses is considered to be low, as the counterparts will be sovereign states in Western Europe. The Group has not made any offsets or other derivative agreements to reduce the credit risk in EAM.

Interest-rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relate primarily to the Group's debt with floating interest rates.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Groups approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Groups reputation. Surplus liquidity is primarily placed on a bank deposit account.

Capital structure and equity

The primary focus of the Group's capital management is to ensure that it maintains an acceptable capital ratio in order to support its business operations and the ongoing legal proceedings.

The financial statement is prepared on the basis of going concern. It is the board's opinion that the Group has sufficient liquidity for the next twelve months.

NOTE 16 TRADE RECEIVABLES

Receivables (EUR)	2018	2017
Accounts receivables	74 536	73 159
Deferred revenue towards GSE	806 003	1 205 218
Receivable from Aveleos	-	-
Other receivables	984 847	1 181 271
Accounts receivables	1 865 385	2 459 648

The carrying amount for trade receivables is approximately equal to fair value since they are entered into on "normal" terms and conditions.

Aging of accounts receivable at 31 December 2018 was as follows:

Days	Total	0 - 90	90-180	> 180
2018	1 865 385	74 536	806 003	984 847

The substantial amount of the receivable outstanding is towards GSE (90d-180d) and VAT and tax receivable (>180d). GSE normally 60 days

payment terms from receiving an invoice. In 2015, GSE introduced a 12 month delayed payment on 10 per cent of the expected annual revenues, thereby being paid in June the following year.

In 2018 the Group had net receivables from related parties (Energiea AS) of EUR 25 thousand. Receivables from related parties is classified under other current assets in the balance sheet.

NOTE 17 CASH AND CASH EQUIVALENTS

EUR	2018	2017
Cash Norway	16 835	140 966
Cash Italy	826 754	960 013
Seized cash in the period	-	-
Cash and cash equivalents	843 589	1 100 979
Restricted cash	592 225	641 103
Seized cash Italy	61 616	61 836

The carrying amount for cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity.

The Group had no undrawn credit facilities at 31 December 2018.

NOTE 18 SHARE CAPITAL, SHAREHOLDER INFORMATION AND DIVIDEND

The 20 main shareholders as at 31 December 2018 are:

Shareholder	Shares	Ownership
SUNDT AS	1 054 580	15.4%
CANICA AS	886 762	12.9%
ENERGEIA AS	650 956	9.5%
PACTUM AS	382 225	5.6%
MP PENSJON PK	281 283	4.1%
DNB LIVSFORSIKRING ASA	269 086	3.9%
PARK LANE FAMILY OFFICE AS	237 300	3.5%
TOLUMA INVEST AS	219 701	3.2%
ALDEN AS	175 000	2.6%
MELLEM NES INVEST AS	156 928	2.3%
EIKA BALANSERT	132 473	1.9%
AKA AS	125 000	1.8%
NORDNET LIVSFORSIKRING AS	124 477	1.8%
AREPO AS	114 667	1.7%
ONSAGER	87 163	1.3%
BRUNSBICA AS	62 078	0.9%
Karsten Ellingsen Holding As	61 702	0.9%
OJN INVEST AS	61 156	0.9%
JESEM AS	60 000	0.9%
T10 INVEST AS	57 885	0.8%
Total of the 20 main shareholders	5 200 422	75.9%

As at 31 December 2018 the Company had a total of 6 852 210 shares outstanding.

Due to the financial situation of the Company the board of directors propose no dividend payments for 2018.

NOTE 19 DEBT

EUR	2018	2017
Interest bearing debt	6 354 403	6 496 913
Other non current liabilities	668 754	750 485
Obligations under finance leases	5 196 505	5 525 811
Deferred tax	976 353	886 066
Total non-current liabilities	13 196 015	13 659 275
Trade payables	2 195 147	2 257 241
Other payables	129 143	149 276
Social security	7 477	6 842
Taxes other than income taxes	78 859	1 282
Accrued liabilities	37 736	47 189
Deferred income	-	-
Trade and other payables	2 448 362	2 461 830
Current interest bearing loans	-	-
Current project finance	-	-
Current leasing	-	-
Other current debt	-	-
Tax payable	2 275	197 408
<i>Related to ordinary operations</i>	<i>2 450 637</i>	<i>2 659 238</i>
AION Renewables	-	-
Aveleos S.A.	-	-
GSE repayment claim	-	-
<i>Related to criminal proceedings</i>	<i>-</i>	<i>-</i>
Total current liabilities	2 450 637	2 659 238
Total liabilities	15 646 652	16 318 513

The carrying amount for trade payables is approximately equal to fair value since they are entered into on "normal" terms and conditions.

Equity contribution agreement and patronage letter

In conjunction with the "P31 acquisition", EAM Solar Italy Holding Srl entered into a so-called patronage letter and an equity contribution agreement with UBI Leasing and UniCredit respectively. These agreements may under certain circumstances require EAM Solar Italy Holding Srl to inject additional equity into the debt financed SPVs to cover any shortfall or breach of the debt repayment obligations of the SPVs.

The FIT contracts of the SPVs have been terminated by GSE due to a criminal fraud against the State of Italy. EAM has been acknowledged as victims of contractual fraud. It is EAMs belief that an important motive behind the fraud conducted against EAM by the directors of Aveleos, was in order for Aveleos and their respective shareholders to escape their debt repayment responsibilities by transferring this to EAM through the sale of the companies. Consequently, EAM considers the patronage letter/equity contribution agreement as an integrated part of the criminal contractual fraud, thus being void.

On 21 November 2018 EAM Solar ASA was served with a notice that UBI Leasing had applied to the court of Brescia for an injunction over EUR 6m of EAM assets. The court of Brescia granted a preliminary injunction, only enforceable upon further ruling. EAM challenged this decision and the first hearing in this matter is scheduled for 30 May 2019.

Receivable and payable against Aveleos S.A., its directors and its two shareholders Enovos Luxembourg S.A. and Avelar Energy Ltd.

The Criminal Court also decided that Aveleos S.A. has to pay EAM Solar ASA provisional damages of EUR 5m immediately, not awaiting appeal or the final damages decision.

The Criminal Court found it evidenced and consequently decided that Both Mr Giorgi and Mr Akhmerov are guilty of criminal contractual fraud against EAM Solar ASA in conjunction with the sale of the so-called P31 portfolio, i.e. both are found guilty according to the State Prosecutors Office of Milano's Indictment point F.

The full and complete ruling, including the assessment of the total damages compensation owed to EAM, will be published within the term of 90 days from the 18th of April. However, this term may be prolonged at the Criminal Court's discretion.

The Company estimates the claim to be in excess of EUR 300 million. The claim is a contingent asset that will not be recognised in the balance sheet.

Based on the Share Purchase Agreement and the addendums is the Company entitled to a payment from Aveleos due to the overpayment for ENS4 and the post closing adjustments including interest. This amount has been confirmed by EY in a separate audit on the issue.

In addition the company has recognised a loan of EUR 2.5 million given by Aveleos in 2014.

Litigation funding agreement with Therium

The funding being received from Therium is a contribution to lower the legal costs incurred in pursuing the claim, and legal costs are reduced with the contribution from Therium, and any subsequent repayment to Therium is conditional on EAM receiving a claim award. Therefore, there is no liability to recognise a payment to Therium at this stage in the financial statements. EAM will recognise a claim award after having reimbursed Therium of their amount.

NOTE 20 HEDGING

Derivatives	Liabilities	
	Fair value	Notional amount
Current portion (EUR)		
Interest rate swap	237 997	4 262 100
Derivatives year-end	237 997	4 262 100
Total non-current	237 997	4 262 100
Current portion	-	-

ENS1

Purpose of the derivative: hedging of the variable interest rate on the bank senior loan. Risk coverage: 80 per cent of the senior loan. Fixing rate (swap rate): 2.34 per cent Duration: The interest swap will expire on 10 April 2021.

The implementation of IFRS 9 from 01.01.2018 has not resulted in any changes.

NOTE 21 IMPAIRMENT

EAM has not identified indicators for impairment of the power plants as described in IAS 36 at year end. We would like to point out that the assumptions in the impairment test are made to indicate scenarios that management find explanatory at the reporting date. Actual outcome might be materially different, due to, but not limited to the inherent risk in the on-going legal processes.

Cost of capital: Average WACC after tax used in DCF calculation of cash flow from power plant assets equals approximately 5.03 per cent.

Other main assumptions include:

- Adjustment of operating cost basis as if only revenue is based on market price.
- Power production profile as experienced (P50 scenario)
- No residual value beyond FIT contract period (i.e. 2031)
- Market price of electricity going forward starting point in the North of EUR 5 per MWh and in the South of EUR 4.25 MWh with annual inflation adjustment of 1.5 per cent.

Cost of capital (WACC)

Risk free interest rate - 13yrs (Rf)	0.855%
Corporate tax rate (Tc)	27.9%
Market risk premium Oslo Stock Exchange (MRP)	5.00%
Equity ratio (EQ%)	41.7%

Total asset beta in market (BA)

Total asset beta in market (BA)	0.222
Equity beta in market (BE)	0.545
Implied equity beta EAM (BEam)	0.893
Implied debt beta EAM (BD)	0.779

Capital cost of debt

Debt financing proposal MedioCredito (Dr)	4.750%
Debt financing spread to risk free interest (Dr - Rf)	3.895%
Debt cost of capital after tax (Dcc)	3.425%

Capital cost of equity

Country risk premium (Italy) - Crp	2.190%
Additional EAM risk premium - Corp	2.500%
Equity cost of capital after tax - EQcc	7.274%

WACC	5.031%
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NOTE 22 INTANGIBLE ASSETS

2018	Royalty rights	Land lease rights	Intangible assets
Accumulated cost 1 January 2018	1 687 558	301 660	1 989 218
Additions	-	-	-
Write downs	-	-	-
Depreciation	(129 786)	(19 430)	(149 216)
Disposals	-	-	-
Currency translation effect	(13 726)	1 062	(12 664)
Carrying value 31 December 2018	1 544 046	283 292	1 827 338

2017	Royalty rights	Land lease rights	Intangible assets
Accumulated cost 1 January 2017	-	321 012	321 012
Additions	1 776 579	-	1 776 579
Write downs	-	-	-
Depreciation	(89 021)	(19 352)	(108 373)
Disposals	-	-	-
Carrying value 31 December 2017	1 687 558	301 660	1 989 218

Intangible assets are depreciated linear over the lifetime of the FIT contracts. The FIT contract period is running to 2031.

NOTE 23 EVENTS AFTER THE BALANCE SHEET DATE

Criminal proceedings

On 18 April 2019 the Criminal Court of Milan published its ruling in the criminal proceedings where EAM Solar AS has been included as a civil damaged party.

The Criminal Court found it evidenced and consequently decided that Both Mr Giorgi and Mr Akhmerov are guilty of criminal contractual fraud against EAM Solar ASA in conjunction with the sale of the so-called P31 portfolio, i.e. both are found guilty according to the State Prosecutors Office of Milano's Indictment point F.

The Criminal Court also decided that Aveleos S.A. has to pay EAM Solar ASA provisional damages of EUR 5m immediately, not awaiting appeal or the final damages decision.

The full and complete ruling, including the assessment of the total damages compensation owed to EAM, will be published by the court within the term of 90 days from the 18th of April. However, this term may be prolonged at the Criminal Court's discretion.

Arbitration proceedings

In the 3rd quarter 2016 the Company summoned Aveleos S.A. to the Milan Chamber of Arbitration in order to have the Share Purchase Agreement entered into in 2014 declared null and void based on the alleged fundamental breach of contract conducted by Aveleos S.A. and its directors.

On 3 April 2019 the Company received the final award made by the Arbitral Tribunal under the rules of the Chamber of Arbitration of Milan.

The Tribunal decided to dismiss EAM's claims for the annulment based on the claim of fraud and for the termination of the SPA. However, the Tribunal declared the right of the Company to be compensated for losses suffered in connection with the breach of the Representation and Warranties under the SPA within the limits of the liability cap as defined in the SPA. The liability cap in the SPA is defined to be approximately EUR 3.7 million.

The Arbitration decision was not unanimous, but with one out of three arbitrators dissenting from dismissing the claims brought by EAM Solar ASA and EAM Solar Italy Holding Srl. The dissent to the ruling was substantiated in a separate dissenting opinion published together with the arbitration ruling.

The Tribunal also decided that the ascertainment of any fraudulent act or behaviour of Messrs Giorgi and Akhmerov falls outside of the scope of the Arbitral Tribunal's jurisdiction, thus concluding that the arbitration decision was without any prejudice of any additional amount that might be found due because of any fraudulent act or behaviour of Mr Giorgi or Mr Akhmerov.

PARENT COMPANY PROFIT AND LOSS STATEMENT

NOK	Note	2018	2017
Revenue	3	13 758 662	5 808 221
Total revenue	3	13 758 662	5 808 221
Personnel expenses	5, 11	(1 260 805)	(1 634 483)
Depreciation, amortizations and write downs	14	(1 245 456)	(830 304)
Other operating expenses	4, 6, 11	(17 873 713)	(15 266 893)
Total operating expenses		(20 379 974)	(17 731 680)
Operating profit		(6 621 311)	(11 923 459)
Financial income and financial expense			
Interest income from group companies		3 158 022	6 834 662
Other interest income		2 330	22 003
Other financial income		7 460 094	20 797 703
Write down of long term investments and receivables	13	(42 651 736)	(73 892 728)
Interest expense from group companies		(1 867 023)	(1 470 086)
Other interest expense		(3 882)	(1 476 690)
Other financial expense		(5 915 183)	(5 714 210)
Net financial items		(39 817 379)	(54 899 346)
Profit before tax		(46 438 690)	(66 822 805)
Income tax gain/(expense)	7	(549 467)	(2 750 347)
Profit after tax		(46 988 157)	(69 573 152)
Attributable to			
Share premium		(46 988 157)	(69 573 152)
Other equity			

PARENT COMPANY BALANCE SHEET

NOK	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets			
Intangible assets	14	15 360 625	16 606 081
Total intangible assets		15 360 625	16 606 081
Financial assets			
Investment in subsidiaries	2, 13	84 909 823	84 909 823
Intercompany loan	8, 13	83 941 702	101 033 707
Total financial assets		168 851 525	185 943 530
Total non-current assets		184 212 150	202 549 611
Current assets			
Receivables			
Short term receivables group companies	8	1 830 828	11 357 655
Other current receivables	8, 13	5 561 237	10 783 699
Total receivables		7 392 065	22 141 354
Cash and cash equivalents	9	157 965	958 245
Total current assets		7 550 030	23 099 599
TOTAL ASSETS		191 762 180	225 649 210
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Issued capital	10	68 522 100	68 522 100
Share premium	10	56 807 262	103 795 420
Total paid in capital		125 329 362	172 317 520
Total equity		125 329 362	172 317 520
Liabilities			
Allowances for liabilities			
Deferred tax liabilities	7	7 452 658	6 903 191
Total allowances for liabilities		7 452 658	6 903 191
Other long term liabilities			
Intercompany loan	8, 13	52 203 347	35 215 129
Total long term liabilities		52 203 347	35 215 129
Current liabilities			
Trade payables	8	6 058 869	9 087 135
Tax payables	7, 8	-	1 280 441
Public dues	8	227 358	263 407
Other current liabilities group companies	8	-	534 288
Other current liabilities	8	490 586	48 099
Total current liabilities		6 776 813	11 213 370
Total liabilities		66 432 818	53 331 690
TOTAL EQUITY AND LIABILITIES		191 762 180	225 649 210

Oslo, 30 April 2019

Stephan L Jervell
Non-executive
director

Pål Hvammen
Non-executive
director

Ragnhild Wiborg
Chair

Viktor E Jakobsen
CEO

PARENT COMPANY CASH FLOW STATEMENT

NOK	Note	2018	2017
Cash flow from operating activities			
Ordinary profit before tax		(46 438 690)	(66 822 802)
Paid income taxes		(1 283 778)	(86 714)
Depreciation		1 245 456	830 304
Write down of long term investments and receivables		42 651 737	65 000 000
Currency translation effects		-	(3 941 391)
Changes in trade receivable and trade payable	8	2 600 635	(15 817 100)
Changes in other accruals		(1 982 687)	(19 491 771)
Net cash flow from operating activities		(3 207 327)	(40 329 474)
Cash flows from investing activities			
Loans to subsidiary		(12 143 742)	-
Net cash flow used in investing activities		(12 143 742)	-
Cash flows from financing activities			
Net proceeds from issue of share capital		-	45 701 397
New long term debt	8	14 550 791	12 685 458
Repayment of loans		-	(17 119 198)
Net cash flow from financing activities		14 550 791	41 267 657
Net increase/(decrease) in cash and cash equivalents		(800 278)	938 183
Cash and cash equivalents at beginning of period	9	958 244	20 061
Cash and cash equivalents at end of period		157 965	958 244

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENT

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NOTE 01 ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The Company was founded on 5 January 2011.

Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, income, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

The impairment analysis of goodwill and tangible and other intangible assets requires an estimation of the value in use of the asset or the cash-generating unit to which the assets are allocated. Estimation of the value in use is primarily based on

discounted cash flow models which require the Company to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of the cash flows.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in foreign currency are translated into NOK using an exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Revenue recognition

The Company's revenues consist of management services provided to the subsidiaries. Management services have been presented net in the profit and loss statement. Revenue is recognised once delivery has taken place and most of the risk have been transferred.

Income tax

Tax expense consists of tax payable and changes to deferred tax. Deferred tax/tax asset are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22 per cent of temporary differences and tax effect of tax losses carried forward. Deferred tax asset is recorded in the balance sheet when it is more likely than not that the tax asset will be utilised.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Balance sheet classification

Current assets and liabilities consist of receivables and payables falling due within one year. Other balance sheet items are classified as non-current assets.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognised at nominal value.

Non-current assets consist of investments in subsidiaries, intercompany loans and intangible assets and fall due after one year or more.

Non-current assets are valued at the lower of cost and fair value.

Subsidiaries

Investments in subsidiaries are measured at cost in the company accounts, less any impairment. In accordance with generally accepted accounting principles, an impairment charge is recognised if impairment is not considered temporary. Impairment charges are reversed if the reason for the impairment disappears in a later period.

Dividends and other contributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital and the distribution will be deducted from the recorded value of the acquisition in the balance sheet.

Trade receivables and other receivables

Trade receivables and other receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provision for doubtful accounts is based on an individual assessment of different receivables. For the remaining receivables, a general provision is estimated on the basis of expected loss.

Cash and cash equivalents

Cash includes cash in hand and bank deposits. Cash equivalents are short-term liquid investments that can be converted to a known amount of cash within three months.

Cash flow statement

The cash flow statement is presented using the indirect method.

Depreciation of Intangible assets

Intangible assets are depreciated linear over the lifetime of the feed-in-tariff contracts.

Provisions

Where, at the reporting date, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

NOTE 02 INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

See [note 3](#) in the consolidated accounts and [note 13](#).

NOTE 03 REVENUE

By business area (NOK)	2018	2017
Management services to subsidiaries	13 758 662	5 808 221
Net revenue	13 758 662	5 808 221
Geographical distribution	2018	2017
Norway	-	-
Italy	13 758 662	5 808 221
Net revenue	(13 758 662)	(5 808 221)

NOTE 04 OTHER OPERATING EXPENSES

Specification auditor's fee (NOK)	2018	2017
Statutory audit	353 750	342 329
Tax consultant services	-	1 213
Other assurance services	332 165	228 958
Total	685 915	572 500

VAT is not included in the fees specified above.

NOTE 05 SALARY AND PERSONNEL EXPENSE

The Company does not have any employees and is not required to have any pension plan.

Board of Directors year-end 2018:

- Ragnhild M Wiborg (chair)
- Erling Christiansen (non-executive director)
- Stephan L Jervell (non-executive director)

On 26 March 2019 the Company called for an Extraordinary General Meeting on 29 April 2019 after having received the sad news that board member Erling Christiansen passed away. At the extraordinary general meeting Pål Hvammen was elected as a new member of the Board. The function period for Pål Hvammen is until the annual general meeting in 2020.

The CEO in 2018, Viktor Erik Jakobsen, is hired and remunerated by the manager (see [note 6](#) for description of management agreement).

Ragnhild M Wiborg, has received in 2018 NOK 525 000 in remuneration for her work as Chair. Erling Christiansen has received NOK 262 500 and Stephan L Jervell, has received 137 500 in 2018 which was invoiced directly to Wiersholm. Pål Hvammen received NOK 125 000 for his period of service in 2018. At year end 2018 Ragnhild Wiborg held directly or through companies she controls 3 765 shares in EAM Solar ASA, no shares were held by other directors or CEO.

NOTE 06 TRANSACTIONS WITH RELATED PARTIES

Related parties

Energeia AS is the manager of EAM. Energeia AS in Norway and Italy employs most of the personnel conducting the technical and administrative services for EAM.

Sundt AS, Canica AS and Pactum AS are among the 4 largest shareholders in EAM. They are also shareholders in Energeia, but not involved in the day-to-day operations of Energeia AS.

Transactions with related parties

All the transactions have been carried out as part of the ordinary operations and at arms-length prices.

Energeia AS delivers management services to EAM according to a management agreement between the parties. According to this agreement, Energeia AS can charge EAM for direct costs including a profit

margin of 7 per cent related to the management services provided. The board of directors must approve the budget for the operation of EAM.

Energeia AS is the third largest shareholder in EAM, holding 9.5 per cent of the shares outstanding. This secures the common interest of the manager and the Company.

In 2018 Energeia direct costs of the management of the parent Company was NOK 8.6 million. (2017: NOK 8.4 million). Approximately NOK 4.8 million of the direct costs charged in 2018 was related to extraordinary costs incurred due to the legal processes in conjunction with the P31 fraud.

Intercompany transactions

A markup on 5 per cent is calculated on intercompany transactions on management services from EAM Solar ASA to its subsidiaries.

Energeia AS ownership

Company/owner	Ownership	Person	Position year-end 2018
Jakobsen Energeia AS	26.28%	Viktor E Jakobsen	CEO of EAM Solar ASA
Sundt AS	26.28%	Family office	Shareholder of EAM Solar ASA
Naben AS	14.45%	Audun W Iversen	Shareholder of EAM Solar ASA
Canica AS	6.96%	Family office	Shareholder of EAM Solar ASA
Pactum AS	6.96%	Family office	Shareholder of EAM Solar ASA
Chold AS	9.07%	Christian Hagemann	COO - Energeia AS
Jemma Invest AS	5.00%	Jarl Egil Markussen	CAO - Energeia AS
Trimtabber BV	5.00%	Robert Veenstra	CEO - EAM Netherlands BV

NOTE 07 INCOME TAXES

Income tax expense (NOK)	2018	2017
Tax payable	-	1 280 441
Changes in deferred tax	549 468	1 469 906
Income tax expense	549 468	2 750 347
Tax base calculation	2018	2017
Profit before income tax	(46 438 690)	(66 822 805)
Permanent differences	42 654 150	72 157 974
Tax base	(3 784 540)	5 335 169
Temporary difference	2018	2017
Intercompany interest	(49 684 387)	(46 021 273)
Tax losses carried forward	(3 784 540)	-
Total temporary difference	(53 468 927)	(46 021 273)
Tax losses carried forward not recognised as an asset	3 784 540	-
Total	(49 684 387)	(46 021 273)
Deferred tax	7 452 658	6 903 191

This year's income tax expense only refers to change in deferred tax. The change in deferred tax is in its entirety related to withholding tax in Italy, with an unchanged tax rate of 15 per cent.

NOTE 08 LIABILITIES AND RECEIVABLES

Receivables (NOK)	2018	2017
Short term receivables group companies	1 830 828	11 357 655
Other current receivables	5 561 237	10 783 699
Total receivables	7 392 065	22 141 354
Liabilities (NOK)	2018	2017
Trade payables	6 058 869	9 087 135
Tax payables	-	1 280 441
Social security	74 383	67 332
Advance tax withholdings	152 975	196 075
Other current liabilities group companies	-	534 288
Other current liabilities	490 586	48 100
Total liabilities	6 776 813	11 213 371
Receivables (NOK) falling due after one year	2018	2017
Intercompany loan	83 941 702	101 033 707
Total receivables falling due after one year	83 941 702	101 033 707
Liabilities (NOK) falling due after five years	2018	2017
Intercompany loan	52 203 347	35 215 129
Total liabilities falling due after five years	52 203 347	35 215 129

Liabilities falling due after five years have no defined repayment plan.

NOTE 09 CASH AND CASH EQUIVALENTS

NOK	2018	2017
Cash	4 090	761 712
Restricted cash	153 875	196 532
Cash and cash equivalents	157 965	958 244

The Company had no credit facilities at 31 December 2018.

NOTE 10 EQUITY

The 20 main shareholders as at 31 December 2018 are:

Shareholder	Shares	Ownership
SUNDT AS	1 054 580	15.4%
CANICA AS	886 762	12.9%
ENERGEIA AS	650 956	9.5%
PACTUM AS	382 225	5.6%
MP PENSJON PK	281 283	4.1%
DNB LIVSFORSIKRING ASA	269 086	3.9%
PARK LANE FAMILY OFFICE AS	237 300	3.5%
TOLUMA INVEST AS	219 701	3.2%
ALDEN AS	175 000	2.6%
MELLEM NES INVEST AS	156 928	2.3%
EIKA BALANSERT	132 473	1.9%
AKA AS	125 000	1.8%
NORDNET LIVSFORSIKRING AS	124 477	1.8%
AREPO AS	114 667	1.7%
ONSAGER	87 163	1.3%
BRUNSBICA AS	62 078	0.9%
Karsten Ellingsen Holding As	61 702	0.9%
OJN INVEST AS	61 156	0.9%
JESEM AS	60 000	0.9%
T10 INVEST AS	57 885	0.8%
Total of the 20 main shareholders	5 200 422	75.9%

Share capital 2018	No of shares	Nominal value	Share capital
Ordinary shares outstanding	6 852 210	10	68 522 100

NOK	Share capital	Share premium	Other equity	Total equity
Equity as at 1 Jan 2018	68 522 100	103 795 420	-	172 317 520
Profit (loss) after tax	(46 988 157)	-	(46 988 157)	
Equity as at 31 Dec 2018	68 522 100	56 807 263	-	125 329 363

NOTE 11 OPERATIONAL COSTS BREAKDOWN

NOK	2018	2017
Revenues	13 758 662	5 808 221
Cost of operations	(255 330)	(273 819)
Insurance	(255 330)	(273 819)
Sales, General & Administration	(6 108 857)	(6 688 848)
Personnel expenses	(1 260 805)	(1 634 483)
Accounting, audit & legal fees	(685 915)	(572 501)
Financial & tax fees	(401 151)	(412 201)
Energeia direct costs	(3 777 138)	(4 003 502)
Other administrative expenses	16 152	(66 161)
Legal costs	(12 770 331)	(9 938 707)
Litigation costs	(8 001 649)	(5 590 734)
Energeia legal costs	(4 768 682)	(4 347 973)
EBITDA	(5 375 855)	(11 093 153)

NOTE 12 SUBSEQUENT EVENTS

Criminal proceedings

On 18 April 2019 the Criminal Court of Milan published its ruling in the criminal proceedings where EAM Solar AS has been included as a civil damaged party.

The Criminal Court found it evidenced and consequently decided that Both Mr Giorgi and Mr Akhmerov are guilty of criminal contractual fraud against EAM Solar ASA in conjunction with the sale of the so-called P31 portfolio, i.e. both are found guilty according to the State Prosecutors Office of Milano's Indictment point F.

The Criminal Court also decided that Aveleos S.A. has to pay EAM Solar ASA provisional damages of EUR 5m immediately, not awaiting appeal or the final damages decision.

The full and complete ruling, including the assessment of the total damages compensation owed to EAM, will be published by the court within the term of 90 days from the 18th of April. However, this term may be prolonged at the Criminal Court's discretion.

Arbitration proceedings

In the 3rd quarter 2016 the Company summoned Aveleos S.A. to the Milan Chamber of Arbitration in order to have the Share Purchase Agreement entered into in 2014 declared null and void based on the alleged fundamental breach of contract conducted by Aveleos S.A. and its directors.

On 3 April 2019 the Company received the final award made by the Arbitral Tribunal under the rules of the Chamber of Arbitration of Milan.

The Tribunal decided to dismiss EAM's claims for the annulment based on the claim of fraud and for the termination of the SPA. However, the Tribunal declared the right of the Company to be compensated for losses suffered in connection with the breach of the Representation and Warranties under the SPA within the limits of the liability cap as defined in the SPA. The liability cap in the SPA is defined to be approximately EUR 3.7 million.

The Arbitration decision was not unanimous, but with one out of three arbitrators dissenting from dismissing the claims brought by EAM Solar ASA and EAM Solar Italy Holding Srl. The dissent to the ruling was substantiated in a separate dissenting opinion published together with the arbitration ruling.

The Tribunal also decided that the ascertainment of any fraudulent act or behaviour of Messrs Giorgi and Akhmerov falls outside of the scope of the Arbitral Tribunal's jurisdiction, thus concluding that the arbitration decision was without any prejudice of any additional amount that might be found due because of any fraudulent act or behaviour of Mr Giorgi or Mr Akhmerov.

NOTE 13 SUBSIDIARIES AND INTERCOMPANY BALANCES

Subsidiaries	Office	Ownership / Vote	Book value	Write down during the period
EAM Solar Italy Holding Srl	Milan	100%	1 044 924	-
EAM Solar Norway Holding AS	Oslo	100%	83 864 899	-
Total			84 909 823	-

Investments in subsidiaries are measured at cost in the company accounts, less any impairment. In accordance with generally accepted accounting principles, an impairment charge is recognised if impairment is not considered temporary. Impairment charges are reversed if the reason for impairment disappears in a later period.

Intercompany:

Receivables	2018	2017
Accounts receivables	1 830 828	11 357 655
Long term receivables	128 693 230	166 033 707
Accumulated write downs of long term receivables	(44 751 528)	(65 000 000)
Total receivables	85 772 530	112 391 362
Write down during the period	(42 651 737)	(65 000 000)
Liabilities	2018	2017
Other current liabilities	-	534 288
Long term liabilities	52 203 347	35 215 129
Total liabilities	52 203 347	35 749 417

Assumptions for impairment write down:

The Company has identified indicators for impairment at year end. Based on this, the Company has conducted an impairment test to see if there is a need to write down the investment and receivables in subsidiaries. The assumptions in the impairment test are made with scenarios that the management finds explanatory and relevant at the reporting date. The underlying cash flow from the power plants are the basis for the investment and for servicing the loans. The amount of impairment loss recognised for financial assets is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the weighted average cost of capital of 5.031 per cent.

In 2018 a conversion of debt was carried out, of NOK 62 million, due to the write down of long term receivables.

NOTE 14 INTANGIBLE ASSETS

2018	Royalty Rights
Accumulated cost 1 January 2018	16 606 081
Additions	-
Write downs	-
Depreciation	(1 245 456)
Disposals	-
Carrying value 31 December 2018	15 360 625
2017	Royalty Rights
Accumulated cost 1 January 2017	-
Additions	17 436 385
Write downs	-
Depreciation	(830 304)
Disposals	-
Carrying value 31 December 2017	16 606 081

Intangible assets are depreciated linear over the lifetime of the FIT contracts. The FIT contract period is running to 2031.

NOTE 15 PROVISIONS

The Company has not made any provisions for the legal proceedings described below, since the Company considers it more than 50 per cent likely that the proceedings will not lead to any unfavourable ruling.

In conjunction with the "P31 acquisition", EAM Solar Italy Holding Srl entered into a so-called patronage letter and an equity contribution agreement with UBI Leasing and UniCredit respectively. These agreements may under certain circumstances require EAM Solar Italy Holding Srl to inject additional equity into the debt financed SPVs to cover any shortfall or breach of the debt repayment obligations of the SPVs.

The FIT contracts of the SPVs have been terminated by GSE due to a criminal fraud against the State of Italy. EAM has been acknowledged as victims of contractual fraud. It is EAMs belief that an important motive behind the fraud conducted against EAM by the directors of Aveleos, was in order for Aveleos and their respective shareholders to escape their debt repayment responsibilities by transferring this to EAM through the sale of the companies. Consequently, EAM considers the patronage letter/equity contribution agreement as an integrated part of the criminal contractual fraud, thus being void.

On 21 November 2018 EAM Solar ASA was served with a notice that UBI Leasing had applied to the court of Brescia for an injunction over EUR 6m of EAM assets. The court of Brescia granted a preliminary injunction, only enforceable upon further ruling. EAM challenged this decision and the first hearing in this matter is scheduled for 30 May 2019.

Due to the uncertainty of the legitimacy of the claim made by UBI Leasing, hereunder the timing and amount of any settlement, it is not possible to estimate neither the outcome nor the accounting effects of any ruling by the court. After the first hearing the Company will re-evaluate its estimates.

POWER PRODUCTION

Reported production (MWh)	2012	2013	2014	2015 YTD ¹	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	
EAM Solar Italy 1 Srl	2 571	2 315	2 219	2 488	376	374	801	710	334	460	841	832	355	376	745	871	376	500	868	848	370	368	880	888	357
EAM Solar Italy 2 Srl	5 237	4 806	4 565	4 138	742	754	1 616	1 502	693	933	1 275	1 195	735	742	1 449	1 770	760	995	1 803	1 733	791	769	1 807	1 834	751
Ens Solar One srl			1 882	4 305	749			1 115	767	797	1 377	1 349	781	749	1 234	1 242	754	860	1 249	1 177	674	695	1 137	1 218	652
Energia Fotovoltaica 25			611	1 395	268			357	254	251	443	417	284	268	428	442	266	266	434	431	275	239	375	416	221
MWh	7 808	7 447	11 436	14 808	2 566	1 533	3 298	4 287	2 318	2 879	4 794	4 610	2 526	2 566	4 363	4 325	2 157	2 621	4 354	4 189	2 110	2 071	4 200	4 357	1 981

Actual production	2012	2013	2014	2015 YTD ¹	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	
Varmo	2 571	2 315	2 219	2 488	376	374	801	710	334	460	841	832	355	376	745	871	376	500	868	848	370	368	880	888	357
Codroipo	5 237	4 806	4 565	4 138	742	754	1 616	1 502	693	933	1 275	1 195	735	742	1 449	1 770	760	995	1 803	1 733	791	769	1 807	1 834	751
Momo ¹		1 219	990	1 234	226	198	451	214	127	213	425	410	186	226	258										
Caltignaga ¹		1 160	1 170	1 248	205	207	430	389	144	225	433	406	184	205	249										
Lorusso		1 407	1 378	1 420	234	274	421	444	238	250	470	443	258	234	380	396	225	282	390	375	201	247	421	448	229
Brundesini		1 393	1 427	1 461	255	286	419	455	267	277	472	456	256	255	416	403	261	291	434	412	209	234	400	438	243
Scardino		1 352	1 424	1 424	259	286	426	451	261	270	436	450	268	259	437	443	268	286	425	390	265	214	317	332	181
Enfo 25		1 339	1 367	1 395	268	267	413	432	254	251	443	417	284	268	428	442	266	266	434	431	275	239	375	416	221
MWh	7 808	14 992	14 537	14 808	2 566	2 646	4 977	4 597	2 318	2 879	4 794	4 610	2 526	2 566	4 363	4 325	2 157	2 621	4 354	4 189	2 110	2 071	4 200	4 357	1 981

Power plants affected by criminal proceedings and permanently shut down as of the 18th of June 2016

Selvaggi ²		1 347	1 384	1 303	261	277	420	438	249	174	444	417	269	261	325										
Di Mauro ²		1 322	1 382	1 417	255	274	413	440	254	260	464	423	270	255	354										
Ninivaggi ²		1 312	1 384	1 400	256	274	423	434	253	243	444	440	273	256	358										
Lomurno ²		1 356	1 348	1 382	259	270	410	426	242	250	453	421	258	259	341										
Giordano D. ²		1 330	1 387	1 412	242	280	419	441	247	239	472	436	265	242	350										
Gagnazzi ²		1 374	1 364	1 416	244	276	412	430	246	259	459	430	267	244	177										
Gentile ²		1 258	1 334	1 361	265	260	411	423	240	254	438	400	269	265	354										
Lorusso ²		1 278	1 300	1 264	241	267	403	401	229	198	434	427	204	241	331										
Cirasole ²		1 367	1 461	1 217	253	292	441	462	267	271	369	320	258	253	323										
Scaltrito ²		1 335	1 373	1 411	267	278	405	435	256	262	449	436	263	267	338										
Pasculli ²		1 395	1 398	1 375	244	283	412	448	255	252	459	415	249	244	305										
Pisicoli N. ²		1 469	1 396	1 427	266	275	424	449	248	257	467	437	266	266	363										
Pisicoli T. ²		1 327	1 369	1 318	143	272	414	439	244	248	446	433	191	143	310										
Marulli ²		934	1 022	1 045	203	197	312	330	183	194	348	326	177	203	268										
Antonacci ²		1 310	1 418	1 419	124	285	430	454	249	269	471	410	269	124	273										
Piangevino ²		1 183	1 358	1 380	142	273	415	425	246	255	457	443	225	142	291										
Enfo 14 ²		1 313	1 377	1 417	243	280	415	417	265	262	456	430	269	243	228										
MWh		-22 207	23 055	22 964	3 908	4 613	6 978	7 290	4 174	4 147	7 531	7 045	4 241	3 908	5 289										
Total produced MWh	7 808	37 199	37 593	37 772	6 474	7 258	11 955	11 886	6 493	7 026	12 325	11 655	6 766	6 474	9 652	4 325	2 157	2 621	4 354	4 189	2 110	2 071	4 200	4 357	1 981

¹ Sold with financial takeover 1 June 2016

² Derecognised with effect from 28 September 2016

POWER PLANT CAPACITY

Power plant	Capacity kW	Annual production MWh	Location Province	Power plant design	Ownership company
Varmo	1 521	2 298	Udine	Dual axis tracker	EAM Solar Italy 1 Srl
Codroipo	3 128	4 623	Udine	Dual axis tracker	EAM Solar Italy 2 Srl
Lorusso	984	1 403	Puglia	Fixed tilt	Ens Solar One srl
Brundesini	994	1 477	Puglia	Fixed tilt	Ens Solar One srl
Scardino	993	1 483	Puglia	Fixed tilt	Ens Solar One srl
Enfo 25	983	1 430	Puglia	Fixed tilt	Energia Fotovoltaica 25
MWh	10 589	14 965			

RESPONSIBILITY STATEMENT

From the Board of Directors and the CEO

We confirm, to our best knowledge that the financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, financial position and profit or loss of the entity and the Group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair view of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties.

Oslo, 30 April 2019

Stephan L Jervell
*Non-executive
director*

Pål Hvammen
*Non-executive
director*

Ragnhild Wiborg
Chair

Viktor E Jakobsen
CEO

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To the General Meeting of EAM Solar ASA

Independent Auditor's Report**Report on the Audit of the Financial Statements***Opinion*

We have audited the financial statements of EAM Solar ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2018, and the income statement showing a loss of NOK 46 988 157, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2018 and income statement showing a loss of EUR 2 151 305, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2018, 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.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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 and the Group 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.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Norge AS is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Norge AS er medlem av /is a member of Den norske Revisorforening.



Auditor's Report 2018 for EAM Solar ASA

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ongoing lawsuits and going concern

Due to the ongoing criminal proceedings regarding the company's purchase of 31 solar power plants in 2014, our focus has been on the transactions in the consolidated financial statements affected by this matter.

Our audit have focused on risk related to future cash flow and going concern. We have evaluated the company's liquidity situation and the actions the company has taken to ensure going concern and sufficient funding for the ongoing lawsuits. The company entered into a litigation funding agreement in 2017 with effect for 2018.

We have also focused on the presentation of the litigation funding in the financial statements. The received funding is cost-based and is presented net against the original cost in the financial statement. For 2018 the total cost that are covered by the litigation funding are EUR 1 186 446. We also refer to note 19.

Cash flow and valuation of solar power plants

The company's revenues are primarily long-term electricity contracts with the Italian renewable energy authority Gestore Servizi Energetici (GSE) as commercial counterparty. The cash flow from these revenues creates the basis for the valuation of the power plants. We have therefore focused on the risk related to future cash flows. We have also:

- Reviewed a selection of the power plants subsidies contracts.
- Verified that the contracts lifetime are the same as those applied in the valuation of the power plants.
- Evaluated the company's evaluation of the risk related to the cash flow over the contracts lifetime, both concerning the subsidies and to the production of electricity in the years to come.

The company has applied discounted cash flow method for the valuation of the power plants. We have through our audit reviewed the applied assumptions regarding the discount rate and the future cash flows. For additional information regarding impairment we refer to note 21 to the consolidated financial statement and note 13 to the parent company financial statement.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, EAM Solar ASA in brief, Corporate Governance and Financial Review, 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.



Auditor's Report 2018 for EAM Solar ASA

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 of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 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 and the Group'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 or the Group'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 or the Group 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.



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- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 and the going concern assumption 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 30 April 2018
RSM Norge AS

A handwritten signature in blue ink, appearing to read 'Lars Løyning', is written over a light blue circular stamp.

Lars Løyning
State Authorised Public Accountant

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