

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

eam

# EAM SOLAR ASA **Q1 REPORT 2019**

Interim condensed consolidated financial statements for the period ended 31 March 2019

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# HIGHLIGHTS

## Q1 2019

- EBITDA for the quarter was EUR 171 thousand. Normal operations, adjusted for legal costs resulted in an EBITDA of EUR 446 thousand for the quarter, equivalent to an EBITDA margin of 47 per cent.
- Cost of operations and SG&A were EUR 143 thousand and EUR 357 thousand for the quarter respectively.
- Legal costs were EUR 276 thousand in the quarter.
- In April 2019 the Criminal Court of Milan published its ruling in the criminal proceedings where EAM Solar ASA 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. The Criminal Court also decided that Mr Giorgi, Mr Akhmerov and Aveleos S.A. are jointly and severally liable to pay EAM Solar ASA provisional damages of EUR 5 million.

In April 2019, EAM Solar ASA received the decision made by the Arbitral Tribunal where EAM Solar ASA and EAM Solar Italy Holding Srl filed a number of claims against Aveleos SA including the annulment of the purchase of 31 power plants in 2014. 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, 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.

EUR 000'	Unaudited Q1 2019	Unaudited Q1 2018	Audited 2018	Audited 2017
<b>Revenues</b>	<b>947</b>	655	<b>4 305</b>	4 213
Cost of operations	(143)	(142)	(659)	(769)
Sales, general and administration expenses	(357)	(346)	(1 439)	(1 688)
Legal costs	(276)	(423)	(1 534)	(6 649)
<b>EBITDA</b>	<b>171</b>	(255)	<b>674</b>	(4 892)
Depreciation, amortizations and write downs	(466)	(466)	(1 864)	(1 909)
<b>EBIT</b>	<b>(295)</b>	(721)	<b>(1 190)</b>	(6 801)
Net financial items	(675)	(567)	(615)	97
<b>Profit before tax</b>	<b>(971)</b>	(1 288)	<b>(1 806)</b>	(6 704)
Income tax gain/(expense)	(58)	(44)	(354)	(465)
<b>Net income</b>	<b>(1 029)</b>	(1 332)	<b>(2 160)</b>	(7 169)
<b>Earnings per share (fully diluted):</b>	<b>(0.15)</b>	(0.19)	<b>(0.32)</b>	(1.26)
Distribution to shareholders per share	-	-	-	-
Dividend yield	0.0%	0.0%	0.0%	0.0%
Million no. of shares (fully diluted)	6.85	6.85	6.85	5.68
<b>EBITDA adjusted</b>	<b>446</b>	168	<b>2 208</b>	1 756



# INTERIM REPORT

EAM Solar ASA (“EAM”, “EAM ASA”, or “the Company”) is a company listed on the Oslo Stock Exchange under the ticker “EAM”. The Company’s primary business is to own solar power plants and sell electricity under long-term fixed price sales contracts, and to pursue legal proceedings in order to restore company values. The Company owns six power plants in Italy, of which two power plants are located in the Friuli region in Northern Italy, and four power plants are located in the Puglia and Basilicata regions in Southern Italy. Energeia AS manages EAM under a long-term management agreement.

This interim report should be read in conjunction with the Annual Report for 2018, published on 30 April 2019 and the stock exchange notices in the reporting period.

## Operational review and outlook

### Power plants in operation

EAM ASA operated 6 power plants in the quarter. EAM ASA’s own operation and maintenance team conducted normal operational inspections and maintenance work during the quarter.

The 6 power plants have a combined installed capacity of 8.6 MW with an average annual power production of 12.7 GWh (P50 production).

### Power production

Power production in the in the quarter was 2 922 MWh, 15.7 per cent above estimated production. The main reason for higher power production in the quarter was related to higher solar irradiation in the period and good technical performance of the power plants.

### FIT revenues

FIT revenues in the quarter were EUR 789 thousand and the average FIT contract price revenue for the quarter per MWh was EUR 270.

### Market price development

Market price revenues in the quarter were EUR 158 thousand. This represents an average market price for electricity of EUR 54 per MWh. The average electricity market price in the northern part of Italy for the quarter was

EUR 59 per MWh and in the southern part of Italy EUR 46 per MWh.

### Legal processes

The P31 Acquisition has transformed EAM from an operational Solar PV YieldCo to a company where a significant part of the future value is dependent on the outcome of various legal actions and litigation processes.

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<sup>th</sup> of April. However, this term may be prolonged at the Criminal Court’s discretion.

In the 3<sup>rd</sup> 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, 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 board will consider further legal actions based on the rulings received and the complete criminal judgement not yet received.

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.

Please also see the Annual Report 2018 for further information on the legal processes.

#### Dividends

EAM will pay no dividend in conjunction with the first quarter 2019.

#### Subsequent events

On 26 March 2019 the Company called for an Extraordinary General Meeting on 29 April 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 of Directors. The functioning period for Pål Hvammen is until the Annual General Meeting in 2020.

On the Extraordinary General Meeting Georg Johan Espe was elected as a new member of the Nomination Committee. The functioning period for Georg Johan Espe is until the Annual General Meeting in 2020.

Subsequent events related to the legal proceedings are described in the chapter above.

### Financial review

#### Revenues

Revenues in the quarter were EUR 947 thousand, of which EUR 789 thousand was received from FIT contracts and EUR 158 thousand from market sales of electricity.

The quarterly revenues represent approximately 22 per cent of the expected annual revenues of EUR 4 341 thousand.

#### Cost of operations

Cost of operations in the quarter was EUR 143 thousand.

#### SG&A costs

SG&A costs in the quarter were EUR 357 thousand.

#### Legal costs

The cost item consists more or less entirely of legal costs. In the quarter legal costs stemming from the P31 Acquisition were EUR 276. Legal costs are presented net of funds from Therium.

#### EBITDA

EBITDA in the quarter was EUR 171 thousand, representing an EBITDA margin of 18 per cent.

#### EBIT

Depreciations in the quarter, were EUR 466 thousand, resulting in an operating profit of minus EUR 295 thousand.

#### Net financial items

Net financial items in the quarter were negative with EUR 675 thousand.

#### Pre-tax loss, taxes and net loss

Pre-tax profit in the quarter was minus EUR 971 thousand.

Taxes in the quarter were EUR 58 thousand.

Reported net income in the quarter was minus EUR 1 029 thousand.

#### Cash Flow

Cash flow from operations in the reporting period was minus EUR 88 thousand. Investment activities were EUR 8 thousand in the period. Financing activities were negative with EUR 78 thousand in the period.

Restricted and unrestricted cash at the end of the quarter was EUR 670 thousand, of which EUR 551 is restricted and EUR 62 thousand remains seized by the Prosecutors Office in Milan in companies not included in the criminal proceedings.

#### Balance sheet

Total assets at the end of the period were EUR 28 million, while book equity was EUR 11 million representing an equity ratio of 39.4 per cent.

#### Shares and share capital

The Company's registered share capital at the end of the quarter was NOK 68 522 100 divided into 6 852 210 shares, each with a nominal value of NOK 10.

Oslo, 14 May 2019

Stephan L Jervell  
Non-executive  
director

Pål Hvammen  
Non-executive  
director

Ragnhild M Wiborg  
Chair

Viktor E Jakobsen  
CEO



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR	Note	Unaudited Q1 2019	Unaudited Q1 2018	Audited 2018
<b>Revenues</b>	<a href="#">5, 12</a>	<b>946 763</b>	654 659	4 305 450
Cost of operations	<a href="#">12</a>	<b>(143 056)</b>	(141 539)	(658 559)
Sales, general and administration expenses	<a href="#">12</a>	<b>(357 332)</b>	(345 563)	(1 438 771)
Legal costs	<a href="#">12</a>	<b>(275 681)</b>	(423 027)	(1 533 656)
<b>EBITDA</b>	<a href="#">5</a>	<b>170 694</b>	(255 470)	674 464
Depreciation, amortizations and write downs	<a href="#">9</a>	<b>(466 145)</b>	(465 736)	(1 864 499)
<b>EBIT</b>	<a href="#">5</a>	<b>(295 451)</b>	(721 206)	(1 190 035)
Finance income	<a href="#">6</a>	<b>1 115</b>	146 947	956 997
Finance costs	<a href="#">6</a>	<b>(676 586)</b>	(713 975)	(1 572 476)
<b>Profit before tax</b>		<b>(970 922)</b>	(1 288 234)	(1 805 514)
Income tax gain/(expense)		<b>(58 083)</b>	(43 955)	(354 394)
<b>Profit after tax</b>		<b>(1 029 004)</b>	(1 332 189)	(2 159 908)
<b>Other comprehensive income</b>				
Translation differences		<b>312 338</b>	220 739	(118 519)
Cash flow hedges		<b>28 455</b>	22 241	160 942
Income tax related to cash flow hedge		<b>(6 829)</b>	-	(33 818)
Other comprehensive income net of tax		<b>333 964</b>	242 980	8 605
<b>Total comprehensive income</b>		<b>(695 041)</b>	(1 089 209)	(2 151 303)
Profit for the year attributable to:				
Equity holders of the parent company		<b>(1 029 004)</b>	(1 332 189)	(2 159 908)
<b>Equity holders of the parent company</b>		<b>(1 029 004)</b>	(1 332 189)	(2 159 908)
Total comprehensive income attributable to:				
Equity holders of the parent company		<b>(695 041)</b>	(1 089 209)	(2 151 303)
<b>Equity holders of the parent company</b>		<b>(695 041)</b>	(1 089 209)	(2 151 303)
<b>Earnings per share:</b>				
Continued operation				
- Basic		<b>(0.15)</b>	(0.19)	(0.32)
- Diluted		<b>(0.15)</b>	(0.19)	(0.32)



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR	Note	Unaudited 3M 2019	Audited 2018
<b>ASSETS</b>			
Property, plant and equipment	<a href="#">9</a>	20 409 770	19 845 162
Deferred tax asset		578 493	581 743
Intangible assets		1 836 491	1 827 339
Other long term assets		571 861	571 861
<b>Non-current assets</b>		<b>23 396 615</b>	<b>22 826 104</b>
Receivables	<a href="#">8</a>	2 050 238	1 865 385
Other current assets		1 854 959	1 818 798
Cash and short term deposits	<a href="#">7</a>	669 732	843 589
<b>Current assets</b>		<b>4 574 929</b>	<b>4 527 772</b>
<b>TOTAL ASSETS</b>		<b>27 971 544</b>	<b>27 353 876</b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital		8 126 110	8 126 110
Share premium		27 603 876	27 603 876
<b>Paid in capital</b>		<b>35 729 986</b>	<b>35 729 986</b>
Translation differences		(6 063 269)	(6 375 607)
Other equity		(18 654 533)	(17 647 156)
<b>Other equity</b>		<b>(24 717 802)</b>	<b>(24 022 763)</b>
<b>Total equity</b>		<b>11 012 183</b>	<b>11 707 224</b>
Leasing	<a href="#">10</a>	6 097 254	5 196 505
Long term loan - interest bearing	<a href="#">10</a>	6 654 137	6 354 403
Deferred tax liabilities	<a href="#">10</a>	1 003 218	976 353
Other non current liabilities	<a href="#">10</a>	640 299	668 754
<b>Total non-current liabilities</b>		<b>14 394 909</b>	<b>13 196 015</b>
Trade payables	<a href="#">10</a>	2 564 115	2 448 362
Tax payables	<a href="#">10</a>	336	2 275
<b>Total current liabilities</b>		<b>2 564 451</b>	<b>2 450 637</b>
<b>Total liabilities</b>		<b>16 959 360</b>	<b>15 646 652</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27 971 544</b>	<b>27 353 876</b>

Oslo, 14 May 2019

Stephan L Jervell  
Non-executive  
director

Pål Hvammen  
Non-executive  
director

Ragnhild M Wiborg  
Chair

Viktor E Jakobsen  
CEO

# CONSOLIDATED STATEMENT OF CASH FLOW

EUR	Note	Unaudited 3M 2019	Audited 2018
<b>Cash flow from operating activities</b>			
Ordinary profit before tax		(970 922)	(1 805 515)
Loss on disposal of property, plant and equipment		-	-
Paid income taxes		-	(133 780)
Depreciation	<a href="#">9</a>	466 145	1 864 502
Write down of fixed assets	<a href="#">9</a>	-	-
Currency translation effects	<a href="#">9</a>	(45 971)	12 664
Changes in trade receivables and trade payable	<a href="#">8, 10</a>	(69 099)	532 168
Changes in other accruals		532 151	(9 721)
<b>Net cash flow from operating activities</b>		<b>(87 696)</b>	<b>460 318</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary net of cash acquired		-	-
Acquisition of property, plant and equipment	<a href="#">9</a>	(8 161)	(151 256)
<b>Net cash flow used in investing activities</b>		<b>(8 161)</b>	<b>(151 256)</b>
<b>Cash flows from financing activities</b>			
Proceeds from sale of property, plant and equipment		-	-
Proceeds from issue of share capital		-	-
Proceeds from new loans		-	-
Repayment of loans		(78 000)	(566 452)
<b>Net cash flow from financing activities</b>		<b>(78 000)</b>	<b>(566 452)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>843 589</b>	<b>1 100 979</b>
Net currency translation effect		-	-
Seizure of cash		-	-
Net increase/(decrease) in cash and cash equivalents		(173 857)	(257 390)
<b>Cash and cash equivalents at end of period</b>	<a href="#">7</a>	<b>669 732</b>	<b>843 589</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Share premium fund	Other equity	Cash flow hedge reserve	Currency translation reserve	Total equity
<b>Equity as at 1 January 2018</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(15 249 249)</b>	<b>(365 121)</b>	<b>(6 257 088)</b>	<b>13 858 529</b>
Profit (loss) After tax	-	-	(2 159 910)	-	-	(2 159 910)
Adjustment previous years	-	-	(57 119)	57 119	-	-
Other comprehensive income	-	-	-	127 124	(118 519)	8 605
<b>Equity as at 31 December 2018</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(17 466 278)</b>	<b>(180 878)</b>	<b>(6 375 607)</b>	<b>11 707 224</b>
<b>Equity as at 1 January 2019</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(17 466 278)</b>	<b>(180 878)</b>	<b>(6 375 607)</b>	<b>11 707 224</b>
Profit (loss) After tax	-	-	(1 029 004)	-	-	(1 029 004)
Other comprehensive income	-	-	-	21 625	312 338	333 963
<b>Equity as at 31 March 2019</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(18 495 282)</b>	<b>(159 253)</b>	<b>(6 063 269)</b>	<b>11 012 183</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENT

## NOTE 01 BASIS FOR PREPARATION

### General accounting principles

EAM is a public limited liability company, incorporated and domiciled in Norway, with registered office at Dronningen 1, NO-0287 Oslo, Norway. The Company was founded on 5 January 2011 and listed on the Oslo Stock Exchange under the ticker "EAM" in 2013.

The primary business activity of EAM is both to own solar photovoltaic power plants and sell electricity under long-term fixed price sales contracts, and to pursue legal proceedings in order to restore company values. EAM was structured to create a steady long-term dividend yield for its shareholders. Following the P31 Acquisition, the main value of EAM is dependant on the future outcome of litigation activities.

EAM currently owns 6 photovoltaic power plants and 4 subsidiaries in Italy. The Company has no employees.

Energiea AS manages the Company under a long-term management agreement. Energiea AS conducts most of the day-to-day operational tasks with own employees and through the use of subcontractors.

These interim condensed consolidated financial statements for the quarter has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements. The quarterly report should therefore be read in conjunction with the Group's Annual Report 2018 that was published on 30 April 2019 and the stock exchange notices in the reporting period.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018. Standards and interpretations as mentioned in the Group's Annual Report 2018 Note 1 and effective from 1 January 2019 did not have a significant impact on the Group's consolidated interim financial statements. Based on the implementation of IFRS 16 on 1 January 2019 the Company has recognized a total obligation of EUR 986 thousand and an accompanying asset of the same amount.

### Financial risk

For the external leasing contracts with floating interest there is an interest rate swap hedging fluctuations in floating interest rate.

### Credit risk

Under normal circumstances the risk for losses is considered to be low, since the main commercial counterparty is GSE, owned by the Ministry of Finance in Italy. The Group has not made any set-off or other derivative agreements to reduce the credit risk in EAM.

### Asset value risk

EAM Group's cash balance was EUR 670 thousand on 31 March 2019, of which EUR 551 are restricted and EUR 62 thousand are seized by the Italian state.

### Market and regulatory risk

One of the main risk of operations in Italy is related to regulatory risk. The contractual counterparty, the Government of Italy, has conducted unilateral and retroactive changes to the commercial electricity sales contracts to the detriment of the suppliers and they have also made changes to the operational regulatory regime governing power plants in Italy.

## NOTE 02 SIGNIFICANT ACCOUNTING JUDGEMENTS

In the process of applying the Group's accounting policies 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 period. The Company's most important accounting estimates are the following:

### Going concern

Given the Litigation Funding agreement with Therium together with revenue from the six solar power plants, the board and management considers the Company's ability to operate as a going concern for the next 12 months as secured. The going concern consideration is mainly related to the assessment of adequate liquidity to meet the Company's running operational financial obligations and legal costs.

## NOTE 03 CURRENCY EXPOSURE

Most of EAM's economic activities (revenues and costs) are in EUR. Some of the cost base and financing are in NOK. The functional currency for the parent company is NOK.

**NOTE 04** 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. Energeia AS owns 9.5 per cent of the shares in EAM.

Sundt AS, Canica AS and Pactum AS are large shareholders in EAM. They are also shareholders in Energeia AS, but not involved in the day-to-day operations of Energeia AS. Sundt AS is represented on the board of directors of Energeia AS. Certain key personnel managing the day-to-day operations of EAM are also investors in Energeia AS.

**Transactions with related parties**

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

According to the Management Agreement between the parties, Energeia AS charges the Group for direct costs with a profit margin of 7 per cent related to the services provided.

In the quarter Energeia AS' direct costs of the management of EAM was EUR 433 thousand, of which EUR 18 thousand is related to cost of operations, EUR 278 thousand is related to SG&A and EUR 138 thousand is cost related to legal and litigation work in conjunction with the P31 Acquisition 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 lending facility is secured against the shares in EAM Solar Norway Holding AS and EAM Solar Italy Holding II Srl.

**NOTE 05** SEGMENT INFORMATION

EAM owns and operates six solar PV power plants at the end of the quarter.

<b>EAM Solar Italy 1 s.r.l.</b>	Q1 2019	Q1 2018
Revenues from external customers	214 861	137 862
EBITDA	134 767	75 376
EBIT	37 863	(21 461)
Non-current assets	3 998 091	4 383 632
<b>EAM Solar Italy 2 s.r.l.</b>	Q1 2019	Q1 2018
Revenues from external customers	450 627	288 258
EBITDA	329 260	194 124
EBIT	131 956	(2 775)
Non-current assets	8 572 777	9 351 916
<b>ENS1 &amp; ENFO 25</b>	Q1 2019	Q1 2018
Revenues from external customers	281 275	228 539
EBITDA	61 345	(40 142)
EBIT	(78 631)	(179 818)
Non-current assets	8 432 076	8 929 555
<b>Other &amp; eliminations</b>	Q1 2019	Q1 2018
Revenues from external customers	-	-
EBITDA	(354 678)	(484 828)
EBIT	(386 638)	(517 152)
Non-current assets	1 407 897	1 499 910
<b>Total</b>	Q1 2019	Q1 2018
Revenues from external customers	946 763	654 659
EBITDA	170 694	(255 471)
EBIT	(295 451)	(721 206)
Non-current assets	22 410 841	24 165 013

**NOTE 06** FINANCIAL INCOME AND EXPENSES

	Q1 2019	Q1 2018
<b>Financial income</b>		
Interest income	24	28
Foreign exchange gain	1 091	146 920
Other financial income	-	-
<b>Total financial income</b>	<b>1 115</b>	<b>146 947</b>
<b>Financial expenses</b>		
Interest expense	(175 567)	(187 175)
Foreign exchange losses	(491 072)	(486 812)
Other financial expenses	(9 947)	(39 988)
<b>Total financial expenses</b>	<b>(676 586)</b>	<b>(713 975)</b>
<b>Net financial income (expenses)</b>	<b>(675 471)</b>	<b>(567 028)</b>

The average exchange rate used for the reporting period is EUR/NOK 9.7421, whereas the exchange rate used on 31 March 2019 is EUR/NOK 9.6590.

**NOTE 07 CASH AND CASH EQUIVALENTS**

EUR	Q1 2019	2018
Cash Norway	23 531	16 835
Cash Italy	646 202	826 754
<b>Cash and cash equivalents</b>	<b>669 732</b>	<b>843 589</b>
<b>Restricted cash Italy</b>	<b>551 162</b>	<b>592 225</b>
<b>Seized cash Italy</b>	<b>61 616</b>	<b>61 616</b>

The Company had no unused credit facilities at the end of the quarter. The Company has a litigation funding agreement with Therium for coverage of legal costs where the Company and Therium will cover 50 per cent each. EAM have, including legal costs incurred in the first quarter 2019, started to draw upon the third tranche. Unused litigation funding at the end of the quarter was EUR 453 thousand.

Of the restricted cash, EUR 300 thousand is the debt service reserve account of ENS Solar One Srl, while EUR 251 thousand are on the restricted accounts of EAM Solar Italy 1 Srl and EAM Solar Italy 2 Srl dedicated to dismantling and restoration costs. The EUR 62 thousand of the seized cash is taken from companies not included in the criminal proceedings.

**NOTE 08 ACCOUNTS RECEIVABLES**

Receivables	Q1 2019	2018
Accounts receivables	49 105	74 536
Deferred revenue towards GSE	1 041 404	806 003
Receivable from Aveleos	-	-
Other receivables	959 729	984 847
<b>Accounts receivables</b>	<b>2 050 238</b>	<b>1 865 385</b>

The substantial amount of the receivable outstanding towards GSE relates to delayed payment on 10 per cent of expected annual revenues.

**NOTE 09 PROPERTY, PLANT AND EQUIPMENT**

Q1 2019	Solar power plants
<b>Carrying value 1 January 2019</b>	<b>19 845 162</b>
Additions	8 161
Implementation of IFRS 16	985 775
Write down	-
Depreciation	(429 327)
Disposals	-
Currency translation effect	-
<b>Carrying value 31 March 2019</b>	<b>20 409 770</b>
<b>2018</b>	<b>Solar power plants</b>
<b>Carrying value 1 January 2018</b>	<b>21 409 192</b>
Additions	151 256
Write down	-
Depreciation	(1 715 286)
Disposals	-
<b>Carrying value 31 December 2018</b>	<b>19 845 162</b>

Q1 2019	Intangible assets
<b>Accumulated cost 1 January 2019</b>	<b>1 827 338</b>
Additions	-
Write downs	-
Depreciation	(36 819)
Disposals	-
Currency translation effect	45 971
<b>Carrying value 31 March 2019</b>	<b>1 836 491</b>

2018	Intangible assets
<b>Accumulated cost 1 January 2018</b>	<b>1 989 218</b>
Additions	-
Write downs	-
Depreciation	(149 216)
Disposals	-
Currency translation effect	(12 664)
<b>Carrying value 31 December 2018</b>	<b>1 827 338</b>

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

The implementation of IFRS 16 relates to land rent and surface rights for EAM 1, EAM 2 and ENS 1.

**NOTE 10 SHORT- AND LONG-TERM DEBT**

EUR	Q1 2019	2018
Interest bearing debt	6 654 137	6 354 403
Deferred tax liabilities	1 003 218	976 353
Other non current liabilities	640 299	668 754
Obligations under finance leases	6 097 255	5 196 505
<b>Total non-current liabilities</b>	<b>14 394 909</b>	<b>13 196 015</b>
Trade and other payables	2 564 114	2 448 362
Current interest bearing loans	-	-
Current project finance	-	-
Current leasing	-	-
Other current debt	-	-
Tax payable	336	2 275
<b>Related to ordinary operations</b>	<b>2 564 450</b>	<b>2 450 637</b>
<b>Total current liabilities</b>	<b>2 564 450</b>	<b>2 450 637</b>
<b>Total liabilities</b>	<b>16 959 359</b>	<b>15 646 652</b>

**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 let-

ter/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 18<sup>th</sup> 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.

## NOTE 11 LIST OF SUBSIDIARIES

The following subsidiaries are included in the interim consolidated financial statements.

Company	Country	Main operation	Ownership	Vote	EBITDA	EBIT	Equity	Shareholder loans
EAM Solar Norway Holding AS	Norway	Holding company	100%	100%	4 470	4 470	8 039 809	-
EAM Solar Italy Holding II s.r.l.	Italy	Holding company	100%	100%	(57 672)	(57 672)	7 103 433	3 504 653
EAM Solar Italy 1 s.r.l.	Italy	Solar power plant	100%	100%	134 767	37 863	(175 973)	4 789 939
EAM Solar Italy 2 s.r.l.	Italy	Solar power plant	100%	100%	329 260	131 956	2 689 460	6 761 033
EAM Solar Italy Holding s.r.l.	Italy	Holding company	100%	100%	(133 504)	(133 504)	(1 922 246)	12 584 602
Ens Solar One s.r.l.	Italy	Solar power plant	100%	100%	47 501	(63 248)	(213 385)	4 115 389
Energia Fotovoltaica 25 s.r.l.	Italy	Solar power plant	100%	100%	13 844	(15 383)	179 465	1 830 761

## NOTE 12 OPERATIONAL COSTS BREAKDOWN Q1 2019

EUR	EAM Solar Group	EAM Solar Italy 1	EAM Solar Italy 2	ENS1 & ENFO25	Other & Eliminations
<b>Revenues</b>	<b>946 763</b>	214 861	450 627	281 275	-
<b>Cost of operations</b>	<b>(143 056)</b>	(23 589)	(47 720)	(65 742)	(6 005)
Land rent	(41 070)	(9 118)	(18 820)	(13 132)	-
Insurance	(38 886)	(4 338)	(16 109)	(12 434)	(6 005)
Operation & Maintenance	(24 068)	(3 814)	(5 925)	(14 330)	-
Other operations costs	(39 031)	(6 319)	(6 866)	(25 847)	-
<b>Sales, General &amp; Administration</b>	<b>(357 332)</b>	(56 506)	(73 647)	(156 238)	(70 941)
Accounting, audit & legal fees	(46 831)	(3 902)	(3 477)	(11 515)	(27 937)
IMU tax	(6 814)	(1 373)	(2 145)	(3 297)	-
EAM SPM adm costs	(277 976)	(35 074)	(35 074)	(60 674)	(147 153)
Other administrative costs	(25 712)	(16 157)	(32 951)	(80 752)	104 149
<b>Legal costs</b>	<b>(275 681)</b>	-	-	2 050	(277 731)
Legal costs	(140 201)	-	-	-	(140 201)
Energeia legal costs	(137 530)	-	-	-	(137 530)
Other non-recurring items	2 050	-	-	2 050	-
<b>EBITDA</b>	<b>170 694</b>	134 767	329 260	61 345	(354 678)

**NOTE 13** EVENTS AFTER THE REPORTING DATE

On 26 March 2019 the Company called for an Extraordinary General Meeting on 29 April 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 of Directors. The function period for Pål Hvammen is until the Annual General Meeting in 2020.

On the Extraordinary General Meeting Georg Johan Espe was elected as a new member of the Nomination Committee. The functioning period for Georg Johan Espe is until the Annual General Meeting in 2020.

**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<sup>th</sup> of April. However, this term may be prolonged at the Criminal Court's discretion.

**Arbitration proceedings**

In the 3<sup>rd</sup> 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, 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 board will consider further legal action based on the rulings received and the complete criminal judgement not yet received.





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