

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

eam

EAM SOLAR ASA **Q3 REPORT 2019**

Interim condensed consolidated financial statements for the period ended 30 September 2019

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HIGHLIGHTS

Q3 2019

- EBITDA for the quarter was EUR 49 thousand and accumulated for the year EUR 705 thousand. Normal operations, adjusted for legal costs resulted in an EBITDA of EUR 473 thousand for the quarter and EUR 1 598 thousand accumulated for the year, equivalent to an adjusted EBITDA margin of 60 per cent and 54 percent, respectively.
- Cost of operations and SG&A were EUR 61 thousand and EUR 249 thousand for the quarter and EUR 290 thousand and EUR 1 048 thousand accumulated for the year respectively.
- Legal costs were EUR 424 thousand in the quarter and EUR 894 thousand accumulated for the year respectively.
- On 15 August 2019 EAM Solar ASA sold the shares in the subsidiary EAM Solar Norway Holding AS to Energeia AS. The financial take-over date was 1 August 2019. EAM Solar ASA Group recognized a profit from the sale of EUR 2.6 million. The capital gain for the parent company was NOK 53 million. After the sale the group equity is EUR 12 million, and the parent company EUR 17.5 million.
- On Tuesday 15 October 2019 the Criminal Court of Milan released the grounds for the ruling published on 18 April 2019.
- In Luxembourg, EAM Solar ASA filed on 11 July 2019 a civil lawsuit against the Aveleos shareholder, Enovos Luxembourg SA, its parent company Encevo SA, along with four Enovos-employed directors of Aveleos.

Key figures

EUR 000'	Unaudited Q3 2019	Unaudited Q3 2018	Unaudited 9M 2019	Unaudited 9M 2018	Audited 2018
Revenues	782	1 462	2 936	3 526	4 305
Cost of operations	(61)	(131)	(290)	(495)	(659)
Sales, general and administration expenses	(249)	(303)	(1 048)	(1 027)	(1 439)
Legal costs	(424)	(28)	(894)	(1 274)	(1 534)
EBITDA	49	1 000	705	730	674
Depreciation, amortizations and write downs	(529)	(466)	(1 496)	(1 398)	(1 864)
EBIT	(480)	533	(791)	(669)	(1 190)
Net financial items	2 088	(195)	1 250	(1 005)	(615)
Profit before tax	1 608	338	458	(1 674)	(1 806)
Income tax gain/(expense)	(23)	(41)	(132)	(130)	(354)
Net income	1 585	297	326	(1 804)	(2 160)
Earnings per share (fully diluted):	0.23	0.04	0.05	(0.26)	(0.32)
Distribution to shareholders per share	-	-	-	-	-
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Million no. of shares (fully diluted)	6.85	6.85	6.85	6.85	6.85
EBITDA adjusted	473	1 028	1 598	2 004	2 208



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 four power plants in Italy, which 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 4 power plants in the quarter. EAM ASA’s own operation and maintenance team conducted normal operational inspections and maintenance work during the quarter.

Following the sale of EAM Solar Norway Holding AS on 1 August 2019, which owns the two power plants Varmo and Codroipo, EAM Solar ASA now owns 4 power plants.

The 4 power plants have a combined installed capacity of 4.0 MW with an average annual power production of 6.7 GWh (P50 production).

Power production

Power production in the quarter was 2 645 MWh, 3.7 per cent below estimated production. Accumulated for the year the power production was 9 363 MWh, 0.8 per cent below estimated production. The main reason for lower power production in the quarter was related to lower solar irradiation.

FIT revenues

FIT revenues in the quarter were EUR 639 thousand and the average FIT contract price revenue for the quarter per MWh was EUR 242. Accumulated for the year the FIT revenues were EUR 2 447 thousand and the average FIT contract price revenue was EUR 261 per MWh.

Market price development

Market price revenues in the quarter were EUR 135 thousand. This represents an aver-

age market price for electricity of EUR 51 per MWh. The average electricity market price in the northern part of Italy for the quarter was EUR 54 per MWh and in the southern part of Italy EUR 49 per MWh.

Accumulated for the year, market price revenues were EUR 476 thousand. This represents an average market price for electricity of EUR 51 per MWh for the period. The average electricity market price in the northern part of Italy accumulated for the year was EUR 54 per MWh and in the southern part of Italy EUR 47 per MWh.

Sale of shares and power plants to Energeia AS

On 15 August 2019 EAM Solar ASA sold the shares in the subsidiary EAM Solar Norway Holding AS to Energeia AS. The Board of Directors decided to conduct this sale in order to protect and secure the financial integrity of EAM Solar ASA, ensuring EAM Solar ASA’s capability to continue its litigation activities.

Energeia AS is both shareholder in, and manager of EAM Solar ASA activities. In addition, several of the shareholders in Energeia AS are also direct shareholders in EAM Solar ASA.

The Company EAM Solar Norway Holding AS owns through subsidiaries the solar PV power plants Varmo and Codroipo, located in Friuli, Italy.

The Board of Directors in EAM Solar ASA sold the shares in EAM Solar Norway Holding AS to Energeia AS for NOK 134 million, before post-closing adjustments, based on a preliminary valuation of total assets of NOK 210 million in the Company.

The financial take-over date was 1 August 2019. The final sales price is subject to post-closing adjustments to the valuation of the

net working capital in the Company following an audit of the opening balance of the Company.

The preliminary audit conducted post-closing increases the value of total assets to NOK 226 million and subtracted by the debt of NOK 89 million the preliminary adjusted sales price of the equity is NOK 137 million.

Cash payment for the shares will be NOK 81 million, when the debt that EAM Solar ASA owes EAM Solar Norway Holding AS of NOK 56.5 million is subtracted from the purchase price.

The book value of the shares is NOK 83.8 million, the sale thus represents a capital gain for the parent company of approximately NOK 53 million, and on a group level a gain of approximately NOK 25.8 million.

The cash payment of the shares is subject to a seller’s credit issued by EAM Solar ASA to Energeia AS with final due date on 31 December 2020. The seller credit yields an annual interest of 9 per cent, from 1 January 2020, equivalent to the discount rate used in the valuation of the Company. EAM Solar ASA has the right to request Energeia to conduct payment delegations on behalf of EAM Solar ASA against deduction in the seller’s credit. Energeia has the right to conduct partial payments of the cash consideration until the due date of the seller’s credit. Energeia AS has conducted such payments in the period after the sale.

If Energeia AS sells the Company or the power plants to third parties in the period prior to the end of 2020 at a higher value than the current sales valuation, EAM Solar ASA has the right to receive 75 per cent of the value uplift above current sales valuation.

The transaction was subject to final approval on the Extraordinary General Meeting

held on 6 September 2019. The decision to conduct the transaction was passed unanimously in accordance with the proposal made by the Board of Directors.

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.

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. must pay EAM Solar ASA provisional damages of EUR 5m immediately, not awaiting appeal or the final damages decision.

On Tuesday 15 October 2019, the Criminal Court of Milan released the grounds for the ruling published on 18 April 2019.

The document is more than 300 pages written in Italian, describing the trial and the grounds for the Criminal Court rulings. The document is now subject to a "court approved" translation to English and will be published by EAM in its entirety when this translation is received. The translation is expected to be ready in mid-January.

The Criminal Court ruling in favour of EAM Solar ASA, as published on 18 April is repeated in the grounds published by the Court;

The Criminal Court of Milano found the two Aveleos Directors Igor Akhmerov and Marco Giorgi guilty for criminal contractual fraud against EAM Solar ASA, and sentenced them to prison terms and a provisional damage (preliminary "non-court approved" translation);

"Sentenced Akhmerov and Giorgi, together with the civil responsible Aveleos SA, to pay damages in favour of the companies EAM Solar Italy Holding srl and EAM Solar ASA, to be paid separately, with provisional payment determined at 5 000 000.00 euros, as well as reimbursement of court costs, which totalled 15 840.00 euros plus VAT and CPA, and 15 per cent in the form of flat-rate reimbursement of expenses."

In addition, the Criminal Court (preliminary "non-court approved" translation); "rejected the claim for "compensation in relation to the civil responsible Avelar Energy Ltd. And Enovos Luxemburg S.A." as also stated in the court decision of 18 April.

On the matter of the civil responsibility for economic damages versus Enovos and Avelar, the Court chose in its decision 18 April to reverse previous court resolutions on the financial liability based on the lack of autonomy of Aveleos SA versus its shareholders Enovos and Avelar in conjunction with financial liability. In the grounds published on 15 October the Court states concerning the financial liability the following (preliminary "non-court approved" translation);

"In the preliminary questions, the Court had rejected the request for exclusion, as civil managers, of the two companies, noting that, in light of the elements offered by the parties, it had to be considered, with the obvious limitations of the preliminary ruling, that it was not possible to see a distinct subjectivity of Aveleos with respect to the integrally holding companies of its social capital and its actual administrators (Enovos Luxembourg for about 59 per cent and Avelar Energy for about 41 per cent, as stated above): this resulted in subsistence of an indicative framework indicative of the responsibility of Enovos Luxembourg and Avelar Energy for the obligations assumed by Aveleos through their managers, as they refer to them. As a result of the judgment, the hypothesis formulated by the Court has not found the necessary confirmation, as elements of denial, or at least doubt, have emerged which do not allow us to believe that proof has been reached that Aveleos was a mere legal shield of its members."

The Criminal Court proceedings in Milan involved only two out of six directors of Aveleos involved in the fraudulent sale to EAM. The Enovos appointed directors, that are subject to a criminal complaint filed by EAM in Luxembourg in 2016 together with Enovos Luxembourg et.al., has so far, to our knowledge, not been subject to any investigation or equivalent process.

As previously reported, EAM filed a civil lawsuit against the Enovos directors and Enovos et.al. subordinated the criminal complaint in July 2019.

The Criminal Court of Milan has not given any statement concerning the total amount of damages award apart from the provisional, now enforceable, amount of EUR 5 million. To EAMs knowledge the final damages award shall be determined in a civil court proceeding following a final ruling.

Appeals against the Criminal Court ruling must be filed within 45 days of the publication of the grounds for the Courts decision, i.e. late November 2019.

EAM has during the second and third quarter received requests from Aveleos to make payments to them in relation to the SPA. EAM contests Aveleos' requests, both in their principle and in their quantum.

The requests by Aveleos ignore the decision rendered by the Criminal Court of Milan on April 18, 2019 condemning Aveleos' directors for contractual fraud at the expense of EAM. Consequently, the requests are considered as an attempt to further profit of the established crime and as such EAM regards these requests as a continuation of the fraud, as well as a new attempt to harm EAM's interests.

No provisions are made in the accounts.

Arbitration

In the third 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.

EAM Solar ASA filed on 4 July 2019 an ap-

peal against the decision conducted by the Arbitration Tribunal of the Chamber of arbitration of Milan in the arbitration case no. 8816, where EAM Solar ASA and EAM Solar Italy Holding Srl filed a number of claims against Aveleos SA including the annulment of the purchase contract of 31 power plants in 2014. The appeal was filed in the civil Court of Appeal of Milan. EAM Solar ASA asks the Civil Court of Appeal of Milan to annul the arbitration award of 2 April 2019 based on 12 different accounts of breach of Italian law in its conclusions and the basis for the arbitration award. The first hearing in the appeal proceedings are scheduled for 15 January 2020.

Civil Court Italy

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 was scheduled for 30 May 2019. A summary hearing was held, and the case was further postponed until 6 November 2019. No ruling was announced in the hearing that was held on 6 November 2019, and the injunction is still not enforceable. A ruling is expected before year end.

Civil Court Luxembourg

In Luxembourg, EAM Solar ASA filed on 11 July 2019 a civil lawsuit against the Aveleos shareholder, Enovos, along with the four Enovos-employed directors of Aveleos.

This civil claim is subordinate to the original criminal complaint with civil action from 2016, meaning that it can only proceed if the 2016 claim is dismissed.

Administrative Court Italy

On September 10, 2019, ENFO 25 received a termination notice of the Feed-in-Tariff contract from GSE following an inspection that took place in 2016. The termination notice has been given as a result of 73 modules out of a total of 4 300 modules being deemed not correctly labelled.

The Company finds the measures taken by GSE to be disproportionate to the potential violation the missing labels represents

and has filed an appeal before The Administrative Court of Lazio (TAR).

GSE has stopped payment of the incentive with effect from September 2019 for ENFO 25.

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

Subsequent events

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

Financial review

Revenues

Revenues in the quarter were EUR 782 thousand, of which EUR 639 thousand was received from FIT contracts and EUR 135 thousand from market sales of electricity. EUR 7 thousand were other revenues.

The quarterly revenues represent approximately 23 per cent of the expected annual revenues of EUR 3 307 thousand.

Accumulated for the year revenues were EUR 2 936 thousand, of which EUR 2 447 thousand was received from FIT contracts and EUR 476 thousand from markets sales of electricity. EUR 13 thousand were other revenues.

Cost of operations

Cost of operations in the quarter was EUR 61 thousand and accumulated for the year cost of operations was EUR 290 thousand.

SG&A costs

SG&A costs in the quarter were EUR 249 thousand and accumulated for the year SG&A costs were EUR 1 048 thousand.

Legal costs

The cost item consists almost entirely of legal costs. In the quarter legal costs stemming from the P31 Acquisition were EUR 424 thousand and accumulated for the year EUR 894 thousand. Legal costs are presented net of funds from Therium.

EBITDA

EBITDA in the quarter was EUR 49 thousand, representing an EBITDA margin of 6 per cent. Accumulated for the year EBITDA was EUR 705 thousand, representing an EBITDA margin of 24 per cent.

EBIT

Depreciation and amortization in the quarter were EUR 529 thousand, resulting in an operating profit of minus EUR 480 thousand. Accumulated for the year depreciation and amortization were EUR 1 496 thousand, resulting in an operating profit of minus EUR 791 thousand in the period.

Net financial items

Net financial items in the quarter were positive with EUR 2 088 thousand. Accumulated for the year net financial items were positive with EUR 1 250 thousand.

Pre-tax profit, taxes and net profit

Pre-tax profit in the quarter was EUR 1 608 thousand and accumulated for the year pre-tax profit was positive with EUR 458 thousand.

Taxes in the quarter were EUR 23 thousand. Accumulated for the year the tax cost was EUR 132 thousand.

Reported net income in the quarter was EUR 1 585 thousand and accumulated for the year net income was EUR 326 thousand.

Cash flow

Cash flow from operations in the reporting period was negative with EUR 138 thousand. Investment activities were minus EUR 12 thousand in the period. Financing activities were negative with EUR 243 thousand in the period.

Restricted and unrestricted cash at the end of the quarter was EUR 450 thousand, of which EUR 297 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 21 million, while book equity was EUR 12.1 million representing an equity ratio of 57 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, 20 November 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 Q3 2019	Unaudited Q3 2018	Unaudited 9M 2019	Unaudited 9M 2018	Audited 2018
Revenues	5, 12	781 805	1 461 514	2 936 242	3 525 730	4 305 450
Cost of operations	12	(60 539)	(130 705)	(289 724)	(494 704)	(658 559)
Sales, general and administration expenses	12	(248 532)	(302 792)	(1 048 097)	(1 027 480)	(1 438 771)
Legal costs	12	(423 885)	(28 306)	(893 616)	(1 273 924)	(1 533 656)
EBITDA	5	48 849	999 712	704 805	729 622	674 463
Depreciation, amortizations and write downs	9	(529 047)	(466 360)	(1 496 008)	(1 398 329)	(1 864 499)
EBIT	5	(480 198)	533 352	(791 203)	(668 707)	(1 190 036)
Finance income	6	2 912 650	11 323	2 973 039	386 114	956 997
Finance costs	6	(824 789)	(206 505)	(1 723 418)	(1 391 594)	(1 572 476)
Profit before tax		1 607 663	338 170	458 418	(1 674 187)	(1 805 515)
Income tax gain/(expense)		(22 502)	(41 119)	(131 980)	(130 290)	(354 394)
Profit after tax		1 585 161	297 052	326 438	(1 804 477)	(2 159 910)
Other comprehensive income						
Translation differences		(270 247)	42 496	5 259	204 099	(118 519)
Cash flow hedges		21 078	31 941	55 361	70 115	160 942
Income tax related to cash flow hedge		(5 059)	-	(13 287)	-	(33 818)
Other comprehensive income net of tax		(254 228)	74 437	47 333	274 214	8 605
Total comprehensive income		1 330 933	371 488	373 771	(1 530 263)	(2 151 305)
Profit for the year attributable to:						
Equity holders of the parent company		1 585 161	297 052	326 438	(1 804 477)	(2 159 910)
Equity holders of the parent company		1 585 161	297 052	326 438	(1 804 477)	(2 159 910)
Total comprehensive income attributable to:						
Equity holders of the parent company		1 330 933	371 488	373 771	(1 530 263)	(2 151 305)
Equity holders of the parent company		1 330 933	371 488	373 771	(1 530 263)	(2 151 305)
Earnings per share:						
Continued operation						
- Basic		0.23	0.04	0.05	(0.26)	(0.32)
- Diluted		0.23	0.04	0.05	(0.26)	(0.32)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR	Note	Unaudited 9M 2019	Audited 2018
ASSETS			
Property, plant and equipment	9	6 949 085	19 845 162
Deferred tax asset		235 123	581 743
Intangible assets		268 719	283 293
Other long term assets		1 818 021	2 115 906
Non-current assets		9 270 948	22 826 104
Receivables	8	9 234 299	1 865 385
Other current assets		2 242 384	1 818 798
Cash and short term deposits	7	450 268	843 589
Current assets		11 926 950	4 527 772
TOTAL ASSETS		21 197 899	27 353 876
EQUITY AND LIABILITIES			
Issued capital		8 126 110	8 126 110
Share premium		27 603 876	27 603 876
Paid in capital		35 729 986	35 729 986
Translation differences		(6 370 348)	(6 375 607)
Other equity		(17 278 642)	(17 647 156)
Other equity		(23 648 990)	(24 022 763)
Total equity		12 080 995	11 707 223
Leasing	10	5 008 793	5 196 505
Long term loan - interest bearing	10	-	6 354 403
Deferred tax liabilities	10	580 612	976 353
Other non current liabilities	10	583 323	668 754
Total non-current liabilities		6 172 727	13 196 015
Trade payables	10	2 943 934	2 448 362
Tax payables	10	242	2 275
Total current liabilities		2 944 176	2 450 637
Total liabilities		9 116 903	15 646 652
TOTAL EQUITY AND LIABILITIES		21 197 899	27 353 876

Oslo, 20 November 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 9M 2019	Audited 2018
Cash flow from operating activities			
Ordinary profit before tax		458 418	(1 805 515)
Loss on disposal of property, plant and equipment		-	-
Paid income taxes		-	(133 780)
Depreciation	9	1 148 199	1 864 502
Write down of fixed assets	9	-	-
Currency translation effects	9	-	12 664
Changes in trade receivables and trade payable	8, 10	1 180 066	532 168
Changes in other accruals		(2 924 457)	(9 721)
Net cash flow from operating activities		(137 774)	460 318
Cash flows from investing activities			
Acquisition of subsidiary net of cash acquired		-	-
Acquisition of property, plant and equipment	9	(12 288)	(151 256)
Net cash flow used in investing activities		(12 288)	(151 256)
Cash flows from financing activities			
Proceeds from sale of property, plant and equipment		-	-
Proceeds from issue of share capital		-	-
Proceeds from new loans		-	-
Repayment of loans		(243 258)	(566 452)
Net cash flow from financing activities		(243 258)	(566 452)
Cash and cash equivalents at beginning of period		843 589	1 100 979
Net currency translation effect		-	-
Seizure of cash		-	-
Net increase/(decrease) in cash and cash equivalents		(393 320)	(257 390)
Cash and cash equivalents at end of period	7	450 269	843 589

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Share premium fund	Other equity	Cash flow hedge reserve	Currency translation reserve	Total equity
Equity as at 1 January 2018	8 126 110	27 603 876	(15 249 249)	(365 121)	(6 257 088)	13 858 529
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
Equity as at 31 December 2018	8 126 110	27 603 876	(17 466 278)	(180 878)	(6 375 607)	11 707 224
Equity as at 1 January 2019	8 126 110	27 603 876	(17 466 278)	(180 878)	(6 375 607)	11 707 224
Profit (loss) After tax	-	-	326 438	-	-	326 438
Other comprehensive income	-	-	-	42 074	5 259	47 333
Equity as at 30 September 2019	8 126 110	27 603 876	(17 139 840)	(138 803)	(6 370 348)	12 080 996

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 dependent on the future outcome of litigation activities.

EAM currently owns 4 photovoltaic power plants and 2 subsidiaries in Italy. The Company has no employees.

Energeia AS manages the Company under a long-term management agreement. Energeia 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 74 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 450 thousand on 30 September 2019, of which EUR 297 thousand 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 four 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.

In the quarter Energeia AS' direct costs of the management of EAM was EUR 344 thousand, of which EUR 17 thousand is related to cost of operations, EUR 231 thousand is related to SG&A and EUR 96 thousand is cost related to legal and litigation work in conjunction with the P31 Acquisition fraud.

NOTE 05 SEGMENT INFORMATION

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

EAM Solar Italy 1 s.r.l. ¹	9M 2019	9M 2018
Revenues from external customers	607 973	807 338
EBITDA	441 550	613 564
EBIT	203 291	323 053
Non-current assets	-	4 197 521
EAM Solar Italy 2 s.r.l. ¹	9M 2019	9M 2018
Revenues from external customers	1 254 807	1 666 644
EBITDA	1 043 417	1 386 745
EBIT	557 667	796 048
Non-current assets	-	8 973 882
ENS1 & ENFO 25	9M 2019	9M 2018
Revenues from external customers	1 073 461	1 051 747
EBITDA	111 320	25 915
EBIT	(312 870)	(393 784)
Non-current assets	8 212 188	8 672 976
Other & eliminations	9M 2019	9M 2018
Revenues from external customers	-	-
EBITDA	(891 481)	(1 296 602)
EBIT	(1 239 291)	(1 394 023)
Non-current assets	1 058 760	1 464 918
Total	9M 2019	9M 2018
Revenues from external customers	2 936 242	3 525 730
EBITDA	704 805	729 622
EBIT	(791 203)	(668 707)
Non-current assets	9 270 948	23 309 297

¹ Sold with financial takeover on 1 August 2019.

NOTE 06 FINANCIAL INCOME AND EXPENSES

	9M 2019	9M 2018
Financial income		
Interest income	106	164
Foreign exchange gain	334 541	166 953
Other financial income	-	218 997
Gain from sale	2 638 392	-
Total financial income	2 973 039	386 114
Financial expenses		
Interest expense	(1 136 506)	(555 192)
Foreign exchange losses	(508 957)	(801 160)
Other financial expenses	(77 954)	(35 242)
Total financial expenses	(1 723 418)	(1 391 594)
Net financial income (expenses)	1 249 621	(1 005 480)

The average exchange rate used for the reporting period is EUR/NOK 9.7697, whereas the exchange rate used on 30 September 2019 is EUR/NOK 9.8953.

NOTE 07 CASH AND CASH EQUIVALENTS

EUR	Q3 2019	Q3 2018
Cash Norway	48 386	83 388
Cash Italy	401 882	788 146
Cash and cash equivalents	450 268	871 534
Restricted cash Italy	297 020	598 710
Seized cash Italy	61 616	61 616

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 started to draw upon the third tranche. Unused litigation funding at the end of the quarter was EUR 90 thousand.

The restricted cash of EUR 297 thousand is the debt service reserve account of ENS Solar One Srl. The EUR 62 thousand of the seized cash is taken from companies not included in the criminal proceedings. The rest are funds dedicated to dismantling and restoration costs.

NOTE 08 ACCOUNTS RECEIVABLES

Receivables	Q3 2019	Q3 2018
Accounts receivables	1 558	94 667
Deferred revenue towards GSE	390 318	1 251 487
Receivable from sale	8 054 009	-
Other receivables	788 415	1 740 114
Accounts receivables	9 234 299	3 086 268

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

The receivable from the sale of EAM Solar Norway Holding AS is due on 31 December 2020.

NOTE 09 PROPERTY, PLANT AND EQUIPMENT

	Solar power plants
Q3 2019	
Carrying value 1 January 2019	19 845 161
Additions	12 288
Effect of IFRS 16	907 624
Write down	-
Depreciation	(1 133 625)
Disposals	(12 682 364)
Currency translation effect	-
Carrying value 30 September 2019	6 949 085
2018	
Carrying value 1 January 2018	21 409 192
Additions	151 256
Write down	-
Depreciation	(1 715 286)
Disposals	-
Carrying value 31 December 2018	19 845 161
	Intangible assets
Q3 2019	
Accumulated cost 1 January 2019	283 293
Additions	-
Write downs	-
Depreciation	(14 574)
Disposals	-
Currency translation effect	-
Carrying value 30 September 2019	268 719
2018	
Accumulated cost 1 January 2018	301 660
Additions	-
Write downs	-
Depreciation	(19 430)
Disposals	-
Currency translation effect	1 063
Carrying value 31 December 2018	283 293

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

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

Royalty rights of EUR 1 209 thousand has been reclassified from intangible assets to other long term assets.

EAM Solar ASA has during the quarter sold the shares in the company EAM Solar Norway Holding AS to Energeia AS. EAM Solar Norway Holding AS owns through two 100 per cent owned Italian subsidiaries two power plants with a combined installed capacity of approximately 4.7 MW.

The cash payment of the shares is subject to a sellers credit issued by EAM Solar ASA to Energeia AS with final due date on 31 December 2020. The seller credit yields an annual interest of 9 per cent, from 1 January 2020, equivalent to the discount rate used in the valuation of the Company.

The capital gain from the sale of the shares amounts to NOK 53 million for the parent company, and EUR 2.6 million on a group level.

1 August 2019	Sale of shares
Property, plant and equipment	12 682 364
Other current assets	355 029
Receivables	6 634 873
Cash and short term deposits	453 509
Other long term assets	311 322
Payables	(368 785)
Deferred tax liabilities	(405 219)
Tax payables	(146 133)
Land lease	(814 438)
Project finance debt	(7 335 758)
Net assets sold	11 366 764
Consideration received	13 993 787
Accounting gain	2 627 023

NOTE 10 SHORT- AND LONG-TERM DEBT

EUR	Q3 2019	Q3 2018
Interest bearing debt	-	6 631 805
Deferred tax liabilities	580 612	241 496
Other non current liabilities	583 323	680 370
Obligations under finance leases	5 008 793	5 280 438
Total non-current liabilities	6 172 727	12 834 109
Trade and other payables	2 943 934	2 594 038
Current interest bearing loans	-	-
Current project finance	-	-
Current leasing	-	-
Other current debt	-	-
Tax payable	242	1 036 498
Related to ordinary operations	2 944 176	3 630 536
Total current liabilities	2 944 176	3 630 536
Total liabilities	9 116 903	16 464 645

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 was scheduled for 30 May 2019. A summary hearing was held, and the case was further postponed until 6 November 2019. A hearing was held 6 November 2019. The hearing did not have a conclusive ruling, and the injunction is still not enforceable.

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. must 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 Company estimates the claim to be in excess of EUR 300 mil-

lion. The claim is a contingent asset that will not be recognised in the balance sheet.

The Criminal Court of Milan has not given any statement concerning the total amount of damages award apart from the provisional, now enforceable, amount of EUR 5 million. To EAMs knowledge the final damages award shall be determined in a civil court proceeding following a final ruling.

Based on the Share Purchase Agreement and the addendums, the Company is 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 ¹	Norway	Holding company	100%	100%	(8 182)	(8 182)	-	-
EAM Solar Italy Holding II s.r.l. ¹	Italy	Holding company	100%	100%	(133 718)	(133 718)	-	-
EAM Solar Italy 1 s.r.l. ¹	Italy	Solar power plant	100%	100%	441 550	203 291	-	-
EAM Solar Italy 2 s.r.l. ¹	Italy	Solar power plant	100%	100%	1 043 417	557 667	-	-
EAM Solar Italy Holding s.r.l.	Italy	Holding company	100%	100%	(547 440)	(547 440)	(820 536)	11 630 274
Ens Solar One s.r.l.	Italy	Solar power plant	100%	100%	96 532	(239 975)	(222 942)	4 212 362
Energia Fotovoltaica 25 s.r.l.	Italy	Solar power plant	100%	100%	14 788	(72 896)	121 146	1 889 463

¹ Sold with financial takeover 1 August 2019.

NOTE 12 OPERATIONAL COSTS BREAKDOWN 9M 2019

EUR	EAM Solar Group	EAM Solar Italy 1	EAM Solar Italy 2	ENS1 & ENFO25	Other & Eliminations
Revenues	2 936 242	607 973	1 254 807	1 073 461	-
Cost of operations	(289 724)	(40 345)	(69 905)	(163 018)	(16 456)
Land rent	-	-	-	-	-
Insurance	(86 286)	(10 224)	(21 888)	(37 718)	(16 456)
Operation & Maintenance	(80 282)	(12 358)	(23 690)	(44 234)	-
Other operations costs	(123 156)	(17 763)	(24 327)	(81 067)	-
Sales, General & Administration	(1 048 097)	(126 078)	(142 187)	(801 194)	21 361
Accounting, audit & legal fees	(102 952)	(5 678)	(6 704)	(17 300)	(73 271)
IMU tax	(25 447)	(10 553)	(5 004)	(9 890)	-
Energieia adm costs	(800 669)	(90 209)	(90 209)	(198 538)	(421 712)
Other administrative costs	(119 030)	(19 638)	(40 270)	(575 467)	516 344
Legal costs	(893 616)	-	700	2 070	(896 386)
Legal costs	(549 582)	-	-	-	(549 582)
Energieia legal costs	(346 804)	-	-	-	(346 804)
Other non-recurring items	2 770	-	700	2 070	-
EBITDA	704 805	441 550	1 043 417	111 320	(891 481)

NOTE 13 EVENTS AFTER THE REPORTING DATE**Criminal Proceedings**

On Tuesday 15 October 2019, the Criminal Court of Milan released the grounds for the ruling published on 18 April 2019.

The document is more than 300 pages written in Italian, describing the trial and the grounds for the Criminal Court rulings. The document is now subject to a “court approved” translation to English and will be published by EAM in its entirety when this translation is received. The translation is expected to be ready in mid-January.

The Criminal Court ruling in favour of EAM Solar ASA, as published on 18 April is repeated in the grounds published by the Court;

The Criminal Court of Milano found the two Aveleos Directors Igor Akhmerov and Marco Giorgi guilty for criminal contractual fraud against EAM Solar ASA, and sentenced them to prison terms and a provisional damage (preliminary “non-court approved” translation);

“Sentenced Akhmerov and Giorgi, together with the civil responsible Aveleos SA, to pay damages in favour of the companies EAM Solar Italy Holding srl and EAM Solar ASA, to be paid separately, with provisional payment determined at 5 000 000.00 euros, as well as reimbursement of court costs, which totalled 15 840.00 euros plus VAT and CPA, and 15 per cent in the form of flat-rate reimbursement of expenses.”

In addition, the Criminal Court (preliminary “non-court approved” translation); “rejected the claim for “compensation in relation to the civil responsible Avelar Energy Ltd. And Enovos Luxembourg S.A.” as also stated in the court decision of 18 April.

On the matter of the civil responsibility for economic damages versus Enovos and Avelar, the Court chose in its decision 18 April to reverse previous court resolutions on the financial liability based on the lack of autonomy of Aveleos SA versus its shareholders Enovos and Avelar in conjunction with financial liability. In the grounds published on 15 October the Court states concerning the financial liability the following (preliminary “non-court approved” translation);

“In the preliminary questions, the Court had rejected the request for exclusion, as civil managers, of the two companies, noting that, in light of the elements offered by the parties, it had to be considered, with the obvious limitations of the preliminary ruling, that it was not possible to see a distinct subjectivity of Aveleos with respect to the integrally holding companies of its social capital and its actual administrators

(Enovos Luxembourg for about 59 per cent and Avelar Energy for about 41 per cent, as stated above): this resulted in subsistence of an indicative framework indicative of the responsibility of Enovos Luxembourg and Avelar Energy for the obligations assumed by Aveleos through their managers, as they refer to them. As a result of the judgment, the hypothesis formulated by the Court has not found the necessary confirmation, as elements of denial, or at least doubt, have emerged which do not allow us to believe that proof has been reached that Aveleos was a mere legal shield of its members.”

The Criminal Court proceedings in Milan involved only two out of six directors of Aveleos involved in the fraudulent sale to EAM. The Enovos appointed directors, that are subject to a criminal complaint filed by EAM in Luxembourg in 2016 together with Enovos Luxembourg et.al., has so far, to our knowledge, not been subject to any investigation or equivalent process.

As previously reported, EAM filed a civil lawsuit against the Enovos directors and Enovos et.al. subordinated the criminal complaint in July 2019.

The Criminal Court of Milan has not given any statement concerning the total amount of damages award apart from the provisional, now enforceable, amount of EUR 5 million. To EAMs knowledge the final damages award shall be determined in a civil court proceeding following a final ruling.

Appeals against the Criminal Court ruling must be filed within 45 days of the publication of the grounds for the Courts decision, i.e. late November 2019.

Civil Court Italy

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 was scheduled for 30 May 2019. A summary hearing was held, and the case was further postponed until 6 November 2019. No ruling was announced in the hearing that was held on 6 November 2019, and the injunction is still not enforceable. A ruling is expected before year end.

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