

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

eam

# EAM SOLAR ASA **Q4 REPORT 2019**

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

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# HIGHLIGHTS

## Q4 2019

- EBITDA for the quarter was minus EUR 314 thousand and accumulated for the year EUR 400 thousand. Normal operations, adjusted for legal costs resulted in an EBITDA of EUR 20 thousand for the quarter and EUR 1 623 thousand accumulated for the year, equivalent to an adjusted EBITDA margin of 9 per cent and 51 percent, respectively.
- Cost of operations and SG&A were EUR 120 thousand and EUR 90 thousand for the quarter and EUR 409 thousand and EUR 1 134 thousand accumulated for the year respectively.
- Legal costs were EUR 335 thousand in the quarter and EUR 1 223 thousand accumulated for the year respectively.
- On 9 December 2019 EAM Solar ASA was informed that the Judge in the Civil Court of Brescia dismissed the petition by UBI Leasing to have an injunction against the Company declared as provisionally enforceable.

### Key figures

EUR 000'	Unaudited Q4 2019	Unaudited Q4 2018	Unaudited 2019	Audited 2018
<b>Revenues</b>	<b>230</b>	796	<b>3 166</b>	4 305
Cost of operations	(120)	(156)	(409)	(659)
Sales, general and administration expenses	(90)	(388)	(1 134)	(1 439)
Legal costs	(335)	(274)	(1 223)	(1 534)
<b>EBITDA</b>	<b>(314)</b>	(22)	<b>400</b>	674
Depreciation, amortizations and write downs	(548)	(466)	(2 041)	(1 864)
<b>EBIT</b>	<b>(862)</b>	(488)	<b>(1 641)</b>	(1 190)
Net financial items	562	587	1 799	(455)
<b>Profit before tax</b>	<b>(300)</b>	98	<b>158</b>	(1 645)
Income tax gain/(expense)	(61)	(168)	(206)	(388)
<b>Net income</b>	<b>(362)</b>	(69)	<b>(49)</b>	(2 033)
<b>Earnings per share (fully diluted):</b>	<b>(0.05)</b>	(0.01)	<b>(0.01)</b>	(0.30)
Distribution to shareholders per share	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%
Million no. of shares (fully diluted)	6.85	6.85	6.85	6.85
<b>EBITDA adjusted</b>	<b>20</b>	252	<b>1 623</b>	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.

The 4 power plants have a combined installed capacity of 4.0 MW with an average annual power production of 5.4 GWh (P50 production).

### Power production

Power production in the quarter was 948 MWh, 4.4 per cent below estimated production. Accumulated for the year the power production was 10 311 MWh, 1.2 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 186 thousand and the average FIT contract price revenue for the quarter per MWh was EUR 197. Accumulated for the year the FIT revenues were EUR 2 633 thousand and the average FIT contract price revenue was EUR 255 per MWh.

### Market price development

Market price revenues in the quarter were EUR 43 thousand. This represents an average market price for electricity of EUR 45 per MWh.

Accumulated for the year, market price revenues were EUR 519 thousand. This represents an average market price for electricity of EUR 50 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.

The financial take-over date was 1 August 2019. The final sales price has been subject to post-closing adjustments to the valuation of the net working capital in the EAM Solar Norway Holding AS following an audit of the opening balance.

The audit conducted post-closing increases the value of total assets to NOK 225.7 million and subtracted by the debt of NOK 89 million the adjusted sales price of the equity is NOK 136.8 million.

Cash payment for the shares will be NOK 79 million, when the debt that EAM Solar ASA owes EAM Solar Norway Holding AS of NOK 56.5 million and payments made in the period after financial take-over of NOK 1.2 million are subtracted from the purchase price.

The book value of the shares is NOK 83.9 million, the sale thus represents a capital gain for the parent company of approximately NOK 52.9 million, and on a group level a gain of approximately NOK 25.7 million.

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 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, 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 Company has at the date of release of this report not yet received the necessary documentation from the Criminal Court of Milan to serve the decision upon Aveleos SA., where by Aveleos SA was sentenced 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.

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;

"Sentences Akhmerov and Giorgi, along with the civilly liable party Aveleos S.A., to the compensation for damages in favour of the companies EAM Solar Italy Holding Srl and EAM Solar ASA, to be paid separately, with payment of a provisional amount determined in euros 5 000 000.00, as well as to the reimbursement of court expenses that corresponds to euros 15 840.00, plus VAT and CPA, and 15 percent of said amount as a lump-sum reimbursement of expenses "

In addition, the Criminal Court; "Rejects the claims for damage formulated against the civilly liable parties 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 on 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 in its reasoning describes that 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 Luxemburg 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 the court 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.

Following the publication of the grounds for the ruling in the Criminal Court the parties had 45 days to decide and prepare on a possible appeal. EAM Solar ASA and its subsidiary EAM Solar Italy Holding Srl filed an appeal before the deadline.

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 18 April 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 appeal 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 was held on 15 January 2020. In the hearing the appeal court accepted our request for appeal, and we have been granted an expedited track. The first hearing in this appeal process will occur on 3 February 2021. Under normal circumstances we would have expected a hearing date 2 years from now.

#### **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. On 8 December 2019 EAM was informed that the judge in the Civil Court of Brescia dismissed the petition by UBI Leasing to have

an injunction against the Company declared as provisionally enforceable.

The decision refers to the petition for the provisional enforceability only and follows a summary judgement on the introductory briefs and documents. That means that the final decision at the end of the full proceedings may differ from the present order. For the time being, UBI cannot start any enforcement procedure against EAM Solar ASA.

A further hearing was held on 21 January 2020. In this hearing the judge enabled the parties to submit further briefs in the period until mid-April and the next hearing is set for 14 May 2020.

#### *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 10 September 2019, the Company received a GSE order to suspend the incentives and relevant payments of feed-in-tariff to ENFO 25. The Company appealed shortly thereafter the aforementioned order before the Administrative Court "TAR" in Lazio (Rome).

The hearing held before TAR Lazio on 20 December 2019 was a precautionary hearing which is necessary to evaluate whether there are urgent reasons for suspending the claimed order, waiting for the hearing on the merits. Unfortunately, TAR Lazio has denied the precautionary request of suspension.

The Company consequently decided to appeal the TAR Ordinance before the second instance Court (i.e. Consiglio di Stato).

The relevant decision is expected to be issued within the next two months, and it is in any case still referred to the precautionary phase. This means that: (i) in case the Consiglio di Stato upholds the appeal, the order of the GSE is suspended and the lawsuit comes back to the TAR waiting for the merit phase (which is generally held after 12–16 months), therefore, the GSE shall continue paying the incentives (fully or partially) until the merit phase; as well, (ii) in case the Con-

siglio di Stato denies the appeal, the lawsuit comes back to the TAR waiting for the merit phase. Nevertheless, in the meantime, in this case, the GSE will not pay the incentives until the merit phase and it might pretend the reimbursement of those so far delivered.

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 230 thousand, of which EUR 186 thousand was received from FIT contracts and EUR 43 thousand from market sales of electricity. EUR 1 thousand were other revenues.

The quarterly revenues represent approximately 7 per cent of the expected annual revenues of EUR 3 307 thousand.

Accumulated for the year revenues were EUR 3 166 thousand, of which EUR 2 633 thousand was received from FIT contracts and EUR 519 thousand from markets sales of electricity. EUR 14 thousand were other revenues.

##### **Cost of operations**

Cost of operations in the quarter was EUR 120 thousand and accumulated for the year cost of operations was EUR 409 thousand.

##### **SG&A costs**

SG&A costs in the quarter were EUR 90 thousand and accumulated for the year SG&A costs were EUR 1 134 thousand.

##### **Legal costs**

The cost item consists almost entirely of legal costs. In the quarter legal costs stemming from the P31 Acquisition were EUR 335 thousand and accumulated for the year EUR 1 223 thousand. Legal costs are presented net of funds from Therium.

##### **EBITDA**

EBITDA in the quarter was minus EUR 314 thousand, representing an EBITDA margin of minus 137 per cent. Accumulated for the year EBITDA was EUR 400 thousand, representing an EBITDA margin of 13 per cent.

##### **EBIT**

Depreciation and amortization in the quarter were EUR 548 thousand, resulting in an operating profit of minus EUR 862 thousand. Accumulated for the year depreciation and amortization were EUR 2 041 thousand, resulting in an operating profit of minus EUR 1 641 thousand.

##### **Net financial items**

Net financial items in the quarter were positive with EUR 562 thousand. Accumulated for the year net financial items were positive with EUR 1 799 thousand.

##### **Pre-tax profit, taxes and net profit**

Pre-tax profit in the quarter was negative with minus EUR 300 thousand and accumulated for the year pre-tax profit was positive with EUR 158 thousand.

Taxes in the quarter were EUR 61 thousand. Accumulated for the year the tax cost was EUR 206 thousand.

Reported net income in the quarter was minus EUR 362 thousand and accumulated for the year net income was minus EUR 49 thousand.

##### **Cash flow**

Cash flow from operations in the reporting period was negative with EUR 134 thousand. Investment activities were minus EUR 12 thousand in the period. Financing activities were negative with EUR 332 thousand in the period.

Restricted and unrestricted cash at the end of the quarter was EUR 366 thousand, of which EUR 280 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 19.5 million, while book equity was EUR 11.1 million representing an equity ratio of 57.2 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, 25 February 2020

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 Q4 2019	Unaudited Q4 2018	Unaudited 2019	Audited 2018
<b>Revenues</b>	<a href="#">5, 12</a>	<b>229 784</b>	795 576	3 166 026	4 305 450
Cost of operations	<a href="#">12</a>	<b>(119 843)</b>	(155 559)	(409 428)	(658 559)
Sales, general and administration expenses	<a href="#">12</a>	<b>(89 600)</b>	(387 718)	(1 133 861)	(1 438 771)
Legal costs	<a href="#">12</a>	<b>(334 519)</b>	(274 398)	(1 222 577)	(1 533 656)
<b>EBITDA</b>	<a href="#">5</a>	<b>(314 177)</b>	(22 098)	400 161	674 463
Depreciation, amortizations and write downs	<a href="#">9</a>	<b>(548 180)</b>	(466 387)	(2 041 259)	(1 864 499)
<b>EBIT</b>	<a href="#">5</a>	<b>(862 357)</b>	(488 486)	(1 641 098)	(1 190 036)
Finance income	<a href="#">6</a>	<b>539 082</b>	790 019	3 487 083	956 997
Finance costs	<a href="#">6</a>	<b>23 008</b>	(203 299)	(1 688 218)	(1 411 534)
<b>Profit before tax</b>		<b>(300 267)</b>	98 234	157 767	(1 644 573)
Income tax gain/(expense)		<b>(61 240)</b>	(167 597)	(206 479)	(388 212)
<b>Profit after tax</b>		<b>(361 507)</b>	(69 363)	(48 712)	(2 032 786)
<b>Other comprehensive income</b>					
Translation differences		<b>(523 369)</b>	(489 827)	(518 110)	(118 519)
Other comprehensive income net of tax		<b>(523 369)</b>	(489 827)	(518 110)	(118 519)
<b>Total comprehensive income</b>		<b>(884 876)</b>	(559 190)	(566 822)	(2 151 305)
Profit for the year attributable to:					
Equity holders of the parent company		<b>(361 507)</b>	(69 363)	(48 712)	(2 032 786)
<b>Equity holders of the parent company</b>		<b>(361 507)</b>	(69 363)	(48 712)	(2 032 786)
Total comprehensive income attributable to:					
Equity holders of the parent company		<b>(884 876)</b>	(559 190)	(566 822)	(2 151 305)
<b>Equity holders of the parent company</b>		<b>(884 876)</b>	(559 190)	(566 822)	(2 151 305)
<b>Earnings per share:</b>					
Continued operation					
- Basic		<b>(0.05)</b>	(0.01)	(0.01)	(0.30)
- Diluted		<b>(0.05)</b>	(0.01)	(0.01)	(0.30)



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR	Note	Unaudited 2019	Audited 2018
<b>ASSETS</b>			
Property, plant and equipment	<a href="#">9</a>	6 812 546	19 845 162
Deferred tax asset		255 324	581 743
Intangible assets		263 861	283 293
Other long term assets		1 262 881	2 115 906
<b>Non-current assets</b>		<b>8 594 613</b>	<b>22 826 104</b>
Receivables	<a href="#">8</a>	9 114 115	1 865 385
Other current assets		1 392 256	1 818 798
Cash and short term deposits	<a href="#">7</a>	365 687	843 589
<b>Current assets</b>		<b>10 872 058</b>	<b>4 527 772</b>
<b>TOTAL ASSETS</b>		<b>19 466 671</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		(6 893 717)	(6 375 607)
Other equity		(17 695 866)	(17 647 156)
<b>Other equity</b>		<b>(24 589 583)</b>	<b>(24 022 763)</b>
<b>Total equity</b>		<b>11 140 402</b>	<b>11 707 223</b>
Leasing	<a href="#">10</a>	4 919 349	5 196 505
Long term loan - interest bearing	<a href="#">10</a>	-	6 354 403
Deferred tax liabilities	<a href="#">10</a>	623 308	976 353
Other non current liabilities	<a href="#">10</a>	531 033	668 754
<b>Total non-current liabilities</b>		<b>6 073 690</b>	<b>13 196 015</b>
Trade payables	<a href="#">10</a>	2 252 578	2 448 362
Tax payables	<a href="#">10</a>	-	2 275
<b>Total current liabilities</b>		<b>2 252 578</b>	<b>2 450 637</b>
<b>Total liabilities</b>		<b>8 326 268</b>	<b>15 646 652</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19 466 671</b>	<b>27 353 876</b>

Oslo, 25 February 2020

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 2019	Audited 2018
<b>Cash flow from operating activities</b>			
Ordinary profit before tax		157 767	(1 644 573)
Loss on disposal of property, plant and equipment		-	-
Paid income taxes		-	(133 780)
Depreciation	9	1 289 596	1 864 502
Write down of fixed assets	9	-	-
Currency translation effects	9	-	12 664
Changes in trade receivables and trade payable	8, 10	604 471	532 168
Changes in other accruals		(2 185 793)	(170 663)
<b>Net cash flow from operating activities</b>		<b>(133 959)</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	9	(12 288)	(151 256)
<b>Net cash flow used in investing activities</b>		<b>(12 288)</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		-	-
-		(331 654)	(566 452)
<b>Net cash flow from financing activities</b>		<b>(331 654)</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		(477 902)	(257 390)
<b>Cash and cash equivalents at end of period</b>	7	<b>365 687</b>	<b>843 589</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Share premium fund	Other equity	Currency translation reserve	Total equity
<b>Equity as at 1 January 2018</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(15 614 370)</b>	<b>(6 257 088)</b>	<b>13 858 529</b>
Profit (loss) After tax	-	-	(2 032 786)	-	(2 032 786)
Adjustment previous years	-	-	-	-	-
Other comprehensive income	-	-	-	(118 519)	(118 519)
<b>Equity as at 31 December 2018</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(17 647 156)</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>(17 647 156)</b>	<b>(6 375 607)</b>	<b>11 707 224</b>
Profit (loss) After tax	-	-	(48 712)	-	(48 712)
Other comprehensive income	-	-	-	(518 110)	(518 110)
<b>Equity as at 31 December 2019</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(17 695 868)</b>	<b>(6 893 717)</b>	<b>11 140 402</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 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.

Energieia AS manages the Company under a long-term management agreement. Energieia 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 366 thousand on 31 December 2019, of which EUR 280 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

Energieia AS is the manager of EAM. Energieia AS in Norway and Italy employs most of the personnel conducting the technical and administrative services for EAM. Energieia AS owns 9.5 per cent of the shares in EAM.

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

### Transactions with related parties

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

An addendum to the management agreement between Energieia AS and EAM Solar ASA was entered into on 9 December 2019 where the calculation of management fee was changed.

The parties agreed to change the calculation of management fee in order for it to be at market standard for these kinds of services. This means that Energieia AS will invoice all billable hours at a predetermined rate for each consultant working on the assignment. Out-of-pocket expenses will be billed separately at cost. The hourly rate per consultant will be adjusted yearly in conjunction with the budget process and approval in EAM Solar ASA. The calculation of management fee in accordance with the above-mentioned change has been done retrospectively from 1 January 2019.

Accumulated for the year Energieia AS' direct costs for the management of EAM was EUR 1 489 thousand, of which EUR 130 thousand was related to cost of operations, EUR 765 thousand was related to SG&A, and EUR 593 thousand was 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.

<b>EAM Solar Italy 1 s.r.l.</b> <sup>1</sup>	2019	2018
Revenues from external customers	607 973	950 345
EBITDA	441 550	660 191
EBIT	203 291	272 978
Non-current assets	-	4 097 913
<b>EAM Solar Italy 2 s.r.l.</b> <sup>1</sup>	2019	2018
Revenues from external customers	1 254 807	1 959 977
EBITDA	1 043 417	1 491 569
EBIT	557 667	703 972
Non-current assets	-	8 754 291
<b>ENS1 &amp; ENFO 25</b>	2019	2018
Revenues from external customers	1 303 245	1 295 346
EBITDA	684 231	582 940
EBIT	118 645	23 035
Non-current assets	8 053 751	8 580 013
<b>Other &amp; eliminations</b>	2019	2018
Revenues from external customers	-	99 781
EBITDA	(1 769 037)	(2 060 237)
EBIT	(2 520 701)	(2 190 021)
Non-current assets	540 862	1 393 887
<b>Total</b>	2019	2018
Revenues from external customers	3 166 026	4 305 450
EBITDA	400 161	674 463
EBIT	(1 641 098)	(1 190 036)
Non-current assets	8 594 613	22 826 104

<sup>1</sup> Sold with financial takeover on 1 August 2019.

**NOTE 06** FINANCIAL INCOME AND EXPENSES

	2019	2018
<b>Financial income</b>		
Interest income	252	644
Foreign exchange gain	337 065	956 353
Other financial income	-	-
Gain from sale	2 607 052	-
Redistribution of OCI <sup>1</sup>	542 714	-
<b>Total financial income</b>	<b>3 487 083</b>	<b>956 997</b>
<b>Financial expenses</b>		
Interest expense	(1 058 324)	(573 809)
Foreign exchange losses	(540 876)	(791 635)
Other financial expenses	(89 018)	(46 090)
<b>Total financial expenses</b>	<b>(1 688 218)</b>	<b>(1 411 534)</b>
<b>Net financial income (expenses)</b>	<b>1 798 865</b>	<b>(454 537)</b>

<sup>1</sup> Redistribution from Other Comprehensive Income to Profit and Loss as a result of the disposal of EAM Solar Norway Holding AS Group.

The average exchange rate used for the reporting period is EUR/NOK 9.8527, whereas the exchange rate used on 31 December 2019 is EUR/NOK 9.8638.

**NOTE 07** CASH AND CASH EQUIVALENTS

EUR	2019	2018
Cash Norway	22 761	16 835
Cash Italy	342 926	826 754
<b>Cash and cash equivalents</b>	<b>365 687</b>	<b>843 589</b>
<b>Restricted cash Italy</b>	<b>279 716</b>	<b>576 758</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 started to draw upon the third tranche. Unused litigation funding at the end of the quarter was EUR 59 thousand.

The restricted cash of EUR 280 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	2019	2018
Accounts receivables	-	74 536
Deferred revenue towards GSE	391 860	806 003
Receivable from sale	8 048 984	-
Other receivables	673 271	984 847
<b>Accounts receivables</b>	<b>9 114 115</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.

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

**NOTE 09** PROPERTY, PLANT AND EQUIPMENT

2019	Solar power plants
<b>Carrying value 1 January 2019</b>	<b>19 845 161</b>
Additions	12 288
Effect of IFRS 16	907 624
Write down	-
Depreciation	(1 270 164)
Disposals	(12 682 364)
Currency translation effect	-
<b>Carrying value 31 December 2019</b>	<b>6 812 546</b>

2018	Solar power plants
<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>19 845 161</b>

2019	Intangible assets
<b>Accumulated cost 1 January 2019</b>	<b>283 293</b>
Additions	-
Write downs	-
Depreciation	(19 432)
Disposals	-
Currency translation effect	-
<b>Carrying value 31 December 2019</b>	<b>263 861</b>

2018	Intangible assets
<b>Accumulated cost 1 January 2018</b>	<b>301 660</b>
Additions	-
Write downs	-
Depreciation	(19 430)
Disposals	-
Currency translation effect	1 063
<b>Carrying value 31 December 2018</b>	<b>283 293</b>

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 691 thousand has been reclassified from intangible assets to other long term assets.

On 15 August 2019 EAM Solar ASA 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 seller's credit issued by EAM Solar ASA to Energeia AS with final due date on 31 December 2020. The seller's 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 52.9 million for the parent company, and EUR 2.6 million on a group level.

31 July 2019	Sale of shares
Property, plant and equipment	12 682 364
Other current assets	355 029
Receivables	6 655 015
Cash and short term deposits	453 516
Other long term assets	311 322
Payables	(368 758)
Deferred tax liabilities	(406 636)
Tax payables	(146 133)
Land lease	(814 438)
Project finance debt	(7 361 417)
<b>Net assets sold</b>	<b>11 359 864</b>
Consideration received	13 986 888
<b>Accounting gain</b>	<b>2 627 023</b>

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

EUR	2019	2018
Interest bearing debt	-	6 354 403
Deferred tax liabilities	623 308	976 353
Other non current liabilities	531 033	668 754
Obligations under finance leases	4 919 349	5 196 505
<b>Total non-current liabilities</b>	<b>6 073 690</b>	<b>13 196 015</b>
Trade and other payables	2 252 578	2 448 362
Current interest bearing loans	-	-
Current project finance	-	-
Current leasing	-	-
Other current debt	-	-
Tax payable	-	2 275
<b>Related to ordinary operations</b>	<b>2 252 578</b>	<b>2 450 637</b>
<b>Total current liabilities</b>	<b>2 252 578</b>	<b>2 450 637</b>
<b>Total liabilities</b>	<b>8 326 268</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 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. No ruling was announced in the hearing that was held on 6 November 2019. On 8 December 2019 EAM was informed that the judge in the

Civil Court of Brescia dismissed the petition by UBI Leasing to have an injunction against the Company declared as provisionally enforceable.

The decision refers to the petition for the provisional enforceability only and follows a summary judgement on the introductive briefs and documents. That means that the final decision at the end of the full proceedings may differ from the present order. For the time being, UBI cannot start any enforcement procedure against EAM Solar ASA.

A further hearing was held on 21 January 2020. In this hearing the judge enabled the parties to submit further briefs in the period until mid-April and the next hearing is set for 14 May 2020.

#### **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 million. 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.

At the date of release of this report, has the Company not yet received the necessary documentation from the Criminal Court of Milan to serve the decision upon Aveleos SA., where by Aveleos SA was sentenced 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.

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.

## **NOTE 11 LIST OF SUBSIDIARIES**

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

<b>Company</b>	<b>Country</b>	<b>Main operation</b>	<b>Ownership</b>	<b>Vote</b>	<b>EBITDA</b>	<b>EBIT</b>	<b>Equity</b>	<b>Shareholder loans</b>
EAM Solar Norway Holding AS <sup>1</sup>	Norway	Holding company	100%	100%	(8 113)	(8 113)	-	-
EAM Solar Italy Holding II s.r.l. <sup>1</sup>	Italy	Holding company	100%	100%	(133 718)	(133 718)	-	-
EAM Solar Italy 1 s.r.l. <sup>1</sup>	Italy	Solar power plant	100%	100%	441 550	203 291	-	-
EAM Solar Italy 2 s.r.l. <sup>1</sup>	Italy	Solar power plant	100%	100%	1 043 417	557 667	-	-
EAM Solar Italy Holding s.r.l.	Italy	Holding company	100%	100%	(1 370 067)	(1 370 067)	(1 720 938)	12 491 958
Ens Solar One s.r.l.	Italy	Solar power plant	100%	100%	533 407	84 732	57 718	4 246 484
Energia Fotovoltaica 25 s.r.l.	Italy	Solar power plant	100%	100%	150 824	33 913	218 573	1 932 700

<sup>1</sup> Sold with financial takeover 1 August 2019.

## NOTE 12 OPERATIONAL COSTS BREAKDOWN FY 2019

EUR	EAM Solar Group	EAM Solar Italy 1	EAM Solar Italy 2	ENS1 & ENFO25	Other & Eliminations
<b>Revenues</b>	<b>3 166 026</b>	607 973	1 254 807	1 303 245	-
<b>Cost of operations</b>	<b>(409 428)</b>	(40 345)	(69 905)	(276 196)	(22 982)
Land rent	-	-	-	-	-
Insurance	(104 451)	(10 224)	(21 888)	(49 357)	(22 982)
Operation & Maintenance	(95 728)	(12 358)	(23 690)	(59 680)	-
Other operations costs	(209 249)	(17 763)	(24 327)	(167 160)	-
<b>Sales, General &amp; Administration</b>	<b>(1 133 861)</b>	(126 078)	(142 187)	(344 417)	(521 179)
Accounting, audit & legal fees	(148 630)	(5 678)	(6 704)	(41 627)	(94 622)
IMU tax	(28 381)	(10 553)	(5 004)	(12 824)	-
Energeia adm costs	(764 823)	(90 209)	(90 209)	(180 901)	(403 503)
Other administrative costs	(192 026)	(19 638)	(40 270)	(109 065)	(23 054)
<b>Legal costs</b>	<b>(1 222 577)</b>	-	700	1 599	(1 224 876)
Legal costs	(631 480)	-	-	-	(631 480)
Energeia legal costs	(593 397)	-	-	-	(593 397)
Other non-recurring items	2 300	-	700	1 599	-
<b>EBITDA</b>	<b>400 161</b>	441 550	1 043 417	684 231	(1 769 037)

## NOTE 13 EVENTS AFTER THE BALANCE SHEET DATE

### Arbitration

The first hearing in the appeal proceedings was held on 15 January 2020. In the hearing the appeal court accepted our request for appeal, and we have been granted an expedited track. The first hearing in this appeal process will occur on 3 February 2021. Under normal circumstances we would have expected a hearing date 2 years from now.

### Civil Court Italy

On 8 December 2019 EAM was informed that the judge in the Civil Court of Brescia dismissed the petition by UBI Leasing to have an injunction against the Company declared as provisionally enforceable.

The decision refers to the petition for the provisional enforceability only and follows a summary judgement on the introductory briefs and documents. That means that the final decision at the end of the full proceedings may differ from the present order. For the time being, UBI cannot start any enforcement procedure against EAM Solar ASA

A further hearing was held on 21 January 2020. In this hearing the judge enabled the parties to submit further briefs in the period until mid-April and the next hearing is set for 14 May 2020.





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