

# EAM Solar ASA



Company presentation

14 January 2013

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# Risk factors

Investing in the shares (the "Shares") of the Company involves inherent risks. Before deciding whether or not to invest in the Shares, a prospective investor should consider carefully all of the information set forth in this Presentation and otherwise available.

Below is a brief summary of the most relevant risk factors that may affect the Company and/or the value of the Company's Shares. The summary must be read in conjunction with the chapter "Risk Factors" in the appendix of this presentation, which provides for a more detailed description of certain of the risk factors that will apply to an investment in the Company's Shares.

An investment in the Company's Shares are suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. If any of the risks described below or in the chapter "Risk Factors", individually or together with other circumstances, they may have a material adverse effect on the Company's business, financial condition, results of operations and cash flow, which may cause a decline in the value and trading price of the Shares that could result in a loss of all or part of any investment in the Shares.

The actual results of the Company could differ materially from those anticipated as a consequence of many factors, including the following:

## **Risks related to the Company and its business**

- The Company is dependent on government subsidies, incentives and regulatory framework
- The Company may not be able to acquire additional power plants at commercially attractive terms
- If the Company is not able to obtain financing, or obtain such financing on acceptable terms, it may not be able to implement its growth strategy
- Increasing interest rates could have a significant negative impact on the profitability of investing in solar power plants
- Increasing inflation could have a significant negative impact on the profitability of investing in solar power plants
- The Company is exposed to exchange rate risks
- Weather variations and natural phenomena could have an adverse effect on the Company
- Falling power prices may reduce the Company's income and profitability
- Participation in the intraday imbalance power market adds uncertainty in the resulting power price
- Increasing operating expenses can have a negative effect on the Company's profit and cash-flow
- The Company may suffer losses due to insufficient quality of equipment, technical breakdowns, bureaucratic or executive errors and inefficiencies, and / or theft and vandalism
- The Company may be negatively affected by corruption and unethical practices
- The Company's insurance policies may not cover all losses which the Company may suffer
- The Company is dependent on key members of the management team in SPM
- The Company may be subject to changes in laws and regulations in respect of its operations
- Changes in, or interpretation of, tax laws create uncertainty with regard to taxation of the Company
- The Company may be negatively affected by late payments of invoices
- The Company may be negatively affected by disputes

# Risk factors cont'd

## Risks related to the Acquisition of the Target Companies

- The conditions precedents to closing may not be fulfilled for all Target Companies
- The information and the documentation received from the Seller may not be correct and complete
- Potential issues identified during the preliminary due diligence may not be fully covered in the SPA
- Further potential issues may be identified following completion of a full and comprehensive due diligence
- The due diligence might not identify all potential risks related to the Target SPPs and the Target Companies
- The assumptions on which the Purchase Price is calculated can only be verified after closing of the Acquisition
- The Target Companies have in the past executed EPC and O&M agreements with a company that has been declared bankrupt
- The current O&M operator of the Target Companies is insolvent
- The Seller may in the future go through extraordinary operations, such as a wind up
- Several criminal proceedings exist involving photovoltaic plants constructed in some of the Italian regions and, in particular, in the Puglia regions

# Agenda



- I. **EAM prior to the Acquisition**
- II. The Acquisition of the New Portfolio
- III. Concluding remarks

Appendix  
Risk factors

# Investment case with strong financial characteristics

## Dividend yield

- Potential for free cash flow yield to equity above 12% for the combined company
- Next dividend distribution in H1'2014 (including 2013 earnings from the New Portfolio)

## Revenue

- Feed-in Tariff (FiT) revenues at fixed nominal price until ~2031 (approx. 80% of revenues)
- RiD at market price for power plants above 1MW
- Minimum guaranteed RID for plants below 1MW

## EBITDA

- Project EBITDA-margins in the 75%-80% range
- Mainly “fixed” cost base, offering high operational leverage

## Risk assessment

- No project risk --- No risk related to construction, grid connection or the validity of the FiT contract
- Low operational risk --- Stable production input and output with limited maintenance

## Debt financing

- Debt post the Acquisition of EUR 73.4m with ~17 year repayment schedule

## Pipeline for growth

- Attractive acquisition opportunities in the second-hand market

# Brief introduction to EAM Solar ASA

## History

**January 2011**  
EAM Solar  
incorporated

**March/April 2011**  
Share issue of  
EUR 15m

**September  
2011**  
Varmo acquired

**February 2012**  
Codroipo acquired

**March 2013**  
EAM Solar  
completed  
IPO, raising  
EUR ~14m

**August 2013**  
Initial dividend of  
NOK 5 per share  
paid (5% on IPO)

**September  
2013**  
Momo and  
Caltignaga acquired

**December 2013**  
SPA signed for  
EUR 114.3m  
acquisition of the  
New Portfolio

- Investment company acquiring and operating solar power plants (“SPPs”)
- Current focus on feed-in tariff (“FiT”) markets in Europe
- Currently owns four SPPs in Italy, with combined capacity of 6.58 MW (the “Current Portfolio”)
- Objective is a steady dividend yield from low risk operations of SPPs
- Operated under strict investment criteria and dividend payment by-laws
- Management conducted by Energeia Asset Management through its subsidiary EAM Solar Park Management AS (“SPM”)
  - EAM Solar covers direct costs and pays 12.5% of pre-tax profits (included in operating costs in EAM Solar ASA)
- Listed at Oslo Axess under the symbol EAM – seeking OSE main-list in 2014



The Codroipo power plant



A Mover dual-axis tracker

# Current Portfolio – potential for leverage

## Current Portfolio



### Codroipo

Capacity: 3.13 MW  
Production: 4.6 GWh  
Start-up: 2011  
Acquired: 2011



### Varmo

Capacity: 1.52 MW  
Production: 2.4 GWh  
Start-up: 2010  
Acquired: 2012



### Momo

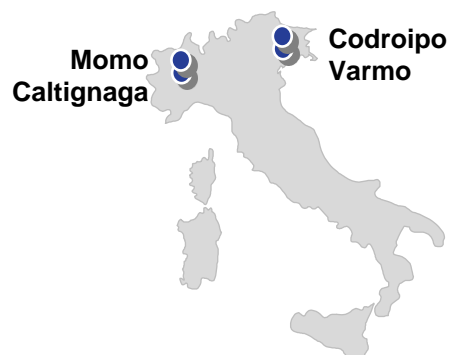
Capacity: 0.97 MW  
Production: 1.1 GWh  
Start-up: 2011  
Acquired: 2013



### Caltignaga

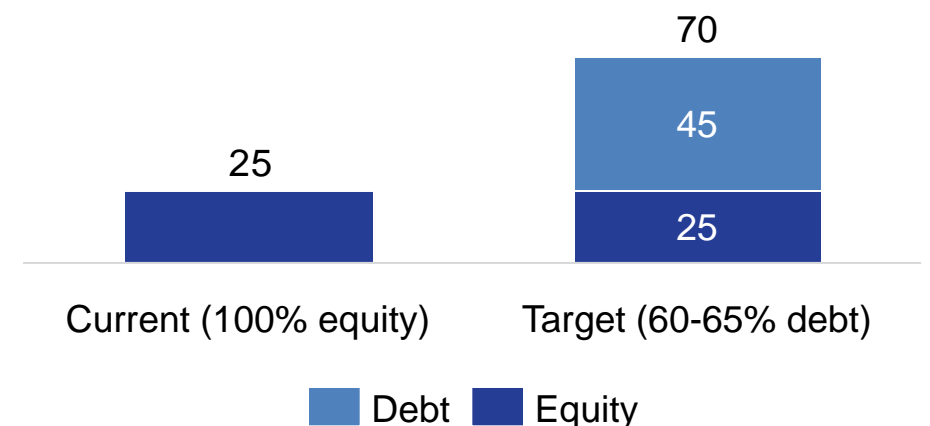
Capacity: 0.96 MW  
Production: 1.1 GWh  
Start-up: 2011  
Acquired: 2013

## Geographic locations (Italy)



## Capital structure and potential leverage

Illustrative example based on book value of portfolio of EUR 24.5 million as of Q3-2013



- EAM Solar is prior to the Acquisition 100% equity financed
  - Difficult financing climate in Europe/Italy the last couple of years
- In positive dialogues regarding leasing and non-recourse financing for existing portfolio
- Will only enter into financing agreements at desirable terms
  - Securing an attractive dividend yield and risk profile
- With debt financing of 60-65% based on current book equity, the Company may increase capital employed to a total of EUR 65-75 million
- In addition, the Company had EUR 4 million in cash as of Q3 2013 to be employed, increasing the potential capital employed to EUR 75-90m based on the balance sheet prior to the Acquisition

# Solar power plants – highly predictable revenue stream

**% of revenue**  
for an SPP depending on FiT level

**~80-85%**

**~15-20%**

## Feed-In Tariff (FiT)

### Flow of funds



### What is the FiT?

- 20-year fixed price electricity sales contract with GSE

### Who pays for the subsidy?

- The cost of the FiT is paid by the end consumer directly
  - Not paid out of the government budget

### Can the government change it?

- The Italian FiT system contains no provision that contemplates the possibility of an adjustment or review of the Feed-in Tariffs once they are granted
- Any retroactive revision of the FiT would be in breach of constitutional principles

### Even so, does the government have incentives to change it?

- The FiT system provides the government with an indirect taxation of the consumers
- Today's system is not paid out of the government budget
- An unconstitutional retroactive change would reduce the governments income from taxation of SPP revenues

## Market price (RiD)

### Flow of funds



### What is the RiD?

- The RiD price is equivalent to the market price
- EAM Solar expects the market price to be EUR ~60 per MWh in 2014

### Minimum price for power plants below 1MW<sup>2</sup>

- The minimum price is fixed for one year ahead at a guaranteed level
- Not a subsidy, just an administrative mechanism
- In 2013, this minimum price was EUR 80.0 per MWh
- On 19 December 2013, as expected by EAM Solar, Italy resolved to set the minimum price for 2014 to EUR 38.5 per MWh for 2014
- **Thus, with an expected market price of EUR ~60 per MWh in 2014, the minimum price will not come into effect for the major part of the year, and EAM Solar currently expects a RiD price of EUR ~60 per MWh for all of its assets in 2014**

<sup>1)</sup> GSE is the Italian renewable energy executive authority. GSE's sole shareholder is the Ministry of Economy and Finance, which exercises shareholder's rights together with the Ministry of Economic Development.

<sup>2)</sup> The Varmo and Codroipo SPPs are above 1MW. The Momo and Caltignaga SPPs, as well as the 31 SPPs to be acquired, are below 1MW.

# Agenda



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- II. The Acquisition of the New Portfolio**
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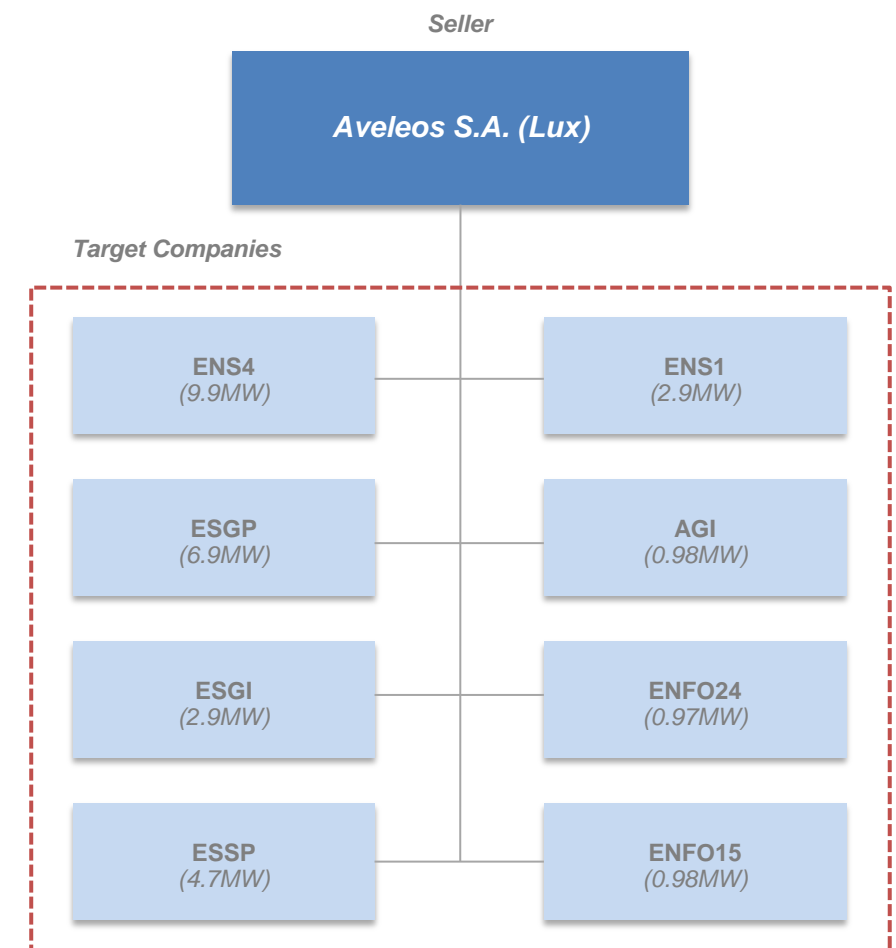
Risk factors

# The Acquisition in brief

## Key transaction terms

- **On 31 December 2013, EAM Solar signed the SPA to acquire a portfolio of 31 solar power plants in Puglia in Southern Italy**
  - Based on the Binding Term Sheet signed in November 2013
- The solar power plants have a combined capacity of 30MW and an annual electricity production capacity of approximately 44 GWh
- All solar power plants were constructed in 2011
- Long-term fixed-price electricity sales contracts with GSE, in line with EAM Solar's existing portfolio
- Acquisition is conditional on satisfaction of all CPs, including:
  - Certain confirmatory elements of the due diligence process
  - Continuation of existing financing agreements
  - Additional equity financing in place
- Financial take-over date: 1<sup>st</sup> of January 2013
- **Equity financing expected during January 2014**
- **Closing expected during Q1 2014**

## Target Companies



# Valuation and downside protection

Terms from the Binding Term Sheet marked in grey where changes was made in the final SPA

Valuation	Earn-out and downside protection
<ul style="list-style-type: none"> <li>• <b>Enterprise value of EUR 114.25m agreed</b> (previously EUR 115m) <ul style="list-style-type: none"> <li>— Cash equity payment of EUR 40.9m (previously EUR 41.4m)</li> <li>— Interest bearing debt of EUR 73.4 million (continuation of existing agreements)</li> </ul> </li> <li>• <b>Annual revenues of EUR 16-17m</b></li> <li>• <b>Annual EBITDA of EUR 13-14m</b></li> <li>• <b>EBITDA / EV = 11-12%</b></li> </ul>	<ul style="list-style-type: none"> <li>• Final acquisition price determined by an earn-out structure relating to the plants 2014 performance related to issues EAM Solar does not control: <ul style="list-style-type: none"> <li>• Change in guaranteed RID price</li> <li>• Production performance</li> </ul> </li> <li>• Earn-out &amp; guarantee based on capital return “stress-test” with minimum free cash flow yield to equity of 12%</li> <li>• Earn-out and guarantee payment to be made in 2015 based on 2014 performance</li> <li>• The acquisition price includes an earn-out amount of EUR 3.4m (previously EUR 6.0m<sup>1</sup>) to be retained on escrow</li> <li>• The seller has provided a production performance guarantee of EUR 4 million (unchanged)</li> </ul>

1) As a result of the due diligence and the resulting negotiations, the earn-out element related to the change in taxation level in Italy has been taken out of the final agreement (previously EUR 1.5 million). In addition, the earn-out related to the guaranteed RID price was reduced by EUR 1.125m along with the reduced purchase price of EUR 0.75m.

# Key pro forma figures including the New Portfolio

All figures in EUR thousand	EAM Solar 2012 IFRS Audited	Pro forma 2012 IFRS Unaudited	EAM Solar 9M 2013 IFRS Unaudited	Pro forma 9M 2013 IFRS Unaudited
<b>Revenue</b>	<b>3 106</b>	<b>20 648</b>	<b>2 612</b>	<b>16 493</b>
Cost of operations	-259	-1 095	-232	-1 838
SG&A	-1 133	-3 164	-689	-1 900
Acquisition and financing costs	-908	-2 928	-517	-2 020
<b>EBITDA</b>	<b>806</b>	<b>13 461</b>	<b>1 174</b>	<b>10 735</b>
Depreciation, amortization and write downs	-1 036	-8 285	-882	-6 186
Gain on bargain purchase	2 668	5 099	2 430	2 430
<b>EBIT</b>	<b>2 438</b>	<b>10 274</b>	<b>2 722</b>	<b>6 979</b>
Finance income	5	13	1 998	2 002
Finance costs	-1 853	-6 177	-209	-3 291
<b>EBT</b>	<b>590</b>	<b>4 110</b>	<b>4 511</b>	<b>5 690</b>
Income tax gain/(expense)	-61	-1 620	-106	-1 307
<b>Net profit</b>	<b>529</b>	<b>2 490</b>	<b>4 406</b>	<b>4 382</b>

*The unaudited pro forma condensed financial information has been prepared for illustrative purposes to show how the acquisition of Sistema Solar 1 GmbH (Codroipo) in February 2012, the acquisition of M&T Solare S.r.l. (Momo and Caltignaga) in September 2013, and the Acquisition of the Target Companies might have affected the Company's consolidated condensed statement of comprehensive income for 2012 and the nine months ended 30 September 2013 if the acquisitions had occurred on 1 January 2012 and 1 January 2013, respectively.*

*Because of its nature, the unaudited pro forma condensed financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.*

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Appendix  
Risk factors



# Investment highlights

Low risk operations

Stable, secure cash flows

Attractive dividend yield, frequent payouts



Favorable investment characteristics  
compared with other yield investment  
opportunities

# Agenda



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## Appendix

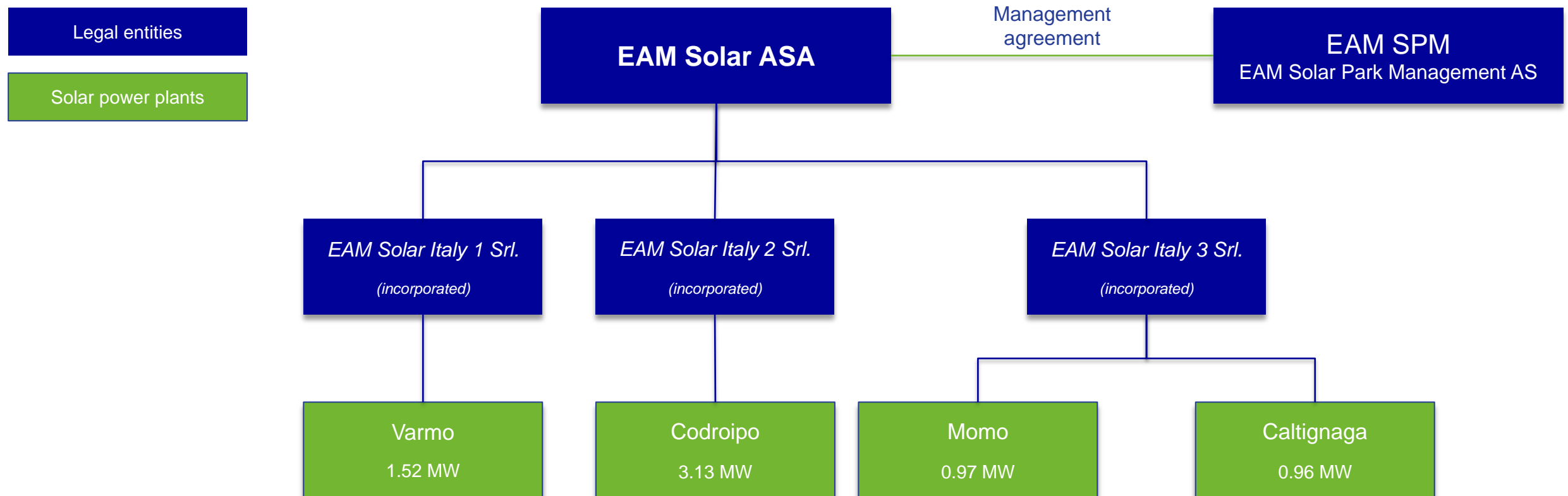
Risk factors

# Key definitions

Term	Description
Acquisition	The acquisition of the Target Companies
Binding Term Sheet	The binding term sheet signed on 26 November 2013 in order to acquire the Target Companies from the Seller
CPs	Conditions Precedents to the Acquisition
Current Portfolio	The Company currently owns and operates four solar power plants located in Northern Italy, with a combined production capacity of 6.6 MW and an annual electricity production of approximately 10 GWh, depending on the annual solar irradiation
Earn-out	The EUR 3.375 million to be deposited in escrow in relation to the Acquisition to mitigate certain risks that could occur in 2014 in relation to the Target Companies
FiT	Feed-in Tariff, long-term sales contract with the GSE
GSE	Gestore Servizi Energetici, the Italian renewable energy executive authority
Management Agreement	Management services for EAM Solar and the plants are provided by EAM Solar Park Management AS, a Norwegian private limited liability company, under an Administrative, Technical and Operational Management Agreement
New Portfolio	The Target SPPs
Production Adjustment	The agreement with the Seller to adjust the Purchase Price by EUR +/- 4 million based on the achieved production of the New Portfolio in 2014
Purchase Price	The EUR 41.6 million purchase price to acquire the entire share capital of the Target Companies
RiD	In Italy PV plant owners can sell the electricity produced to GSE through the standard contract "Ritiro Dedicato" at a guaranteed price, the RiD price
Seller	Aveleos S.A.
SPA	The sale and purchase agreement signed on 31 December 2013 to acquire the Target Companies from the Seller
SPM	EAM Solar Park Management AS
SPP	Solar power plant
Target Companies	The eight companies owning the Target SPPs / New Portfolio
Target SPPs	The 31 solar power plants in Southern Italy, with a combined capacity of 30 MW and an annual electricity production capacity of approximately 44 Gwh, depending on the annual solar irradiation

# Corporate structure before the Acquisition

- Structured as a holding company for the solar plant SPVs with no employees apart from minimum requirements
- All administrative, technical and commercial services will be conducted by SPM
- EAM Solar covers direct costs and pays 12.5% of pre-tax profit to SPM



# Structure of the Management Agreement

- **Rationale for management company and the Management Agreement**

- A Solar PV power plant is a long-term asset with no liquid or structured transaction market
  - Asset acquisition and selling process takes from 6-18 months to finalize
- Financial investors has varying interest with regards to geographical exposure and commercial risk profile of asset
- **Therefore:** Investment company structured as a listed limited liability company in order to facilitate possibility of redemptions and de-couple long-term ownership of assets with short-term liquidity in shares
- Management outside of investment company in order to secure focus and economies of scale over time for investment company

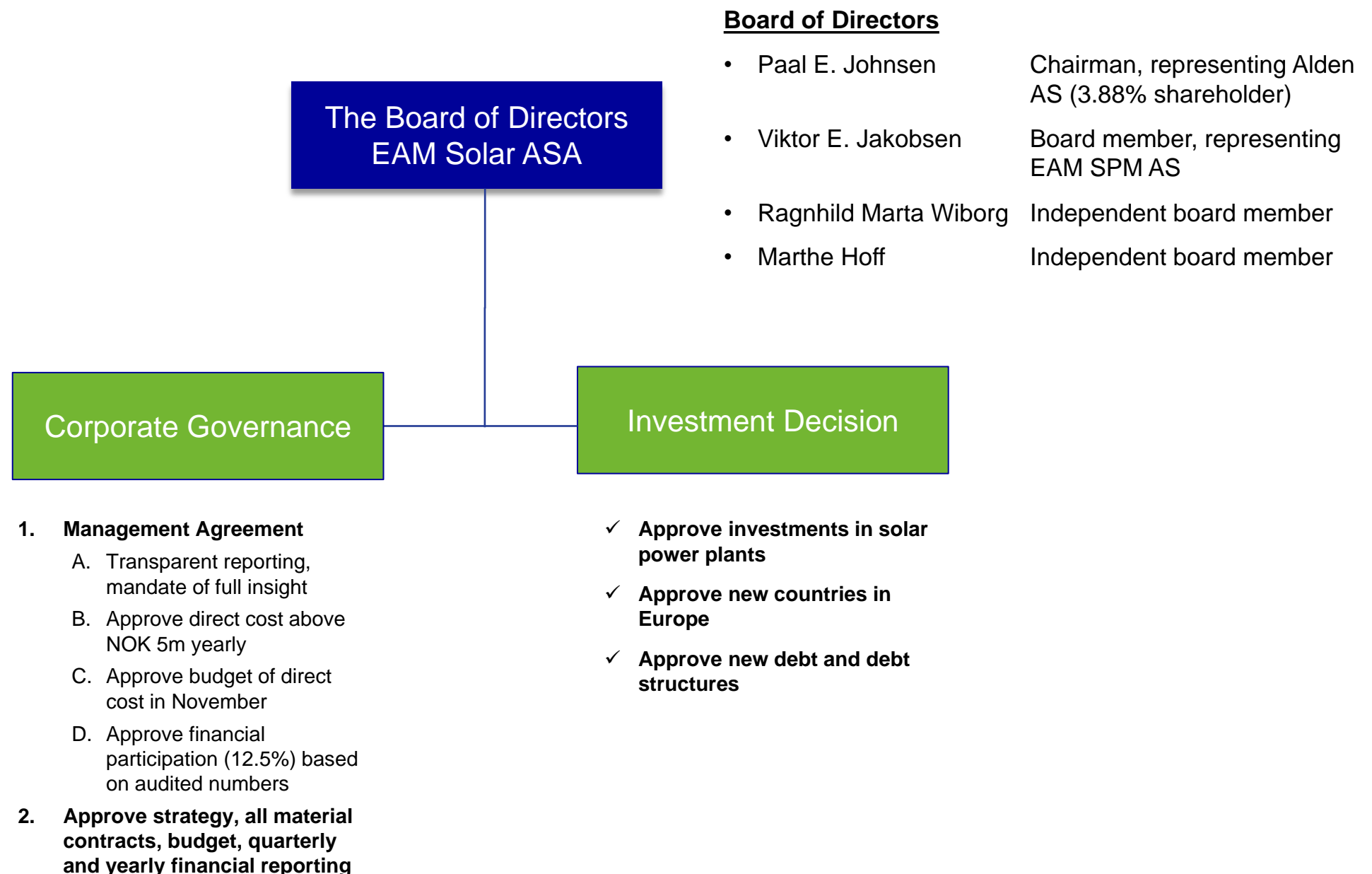
- **Management remuneration**

- **Direct costs** based on managers direct operating cost of managing investment company, invoiced without profit margin. Over time economies of scale will ensure that the unit cost of operations falls as volume of Investment company operations increase
- **Financial participation** in value creation of investment company through receiving 12.5% of pre-tax profit
- Manager incentives structured in order to secure alignment with investment management objective of maximizing running free cash flow and dividend yield to investors
- Management agreement based on market practice
  - Remuneration level approximately 50% of normal Private Equity model of 2/20%
- Duration until at least 2021
  - Subject to limited earlier termination rights in event of default or other special circumstances
  - Termination fee payable upon termination

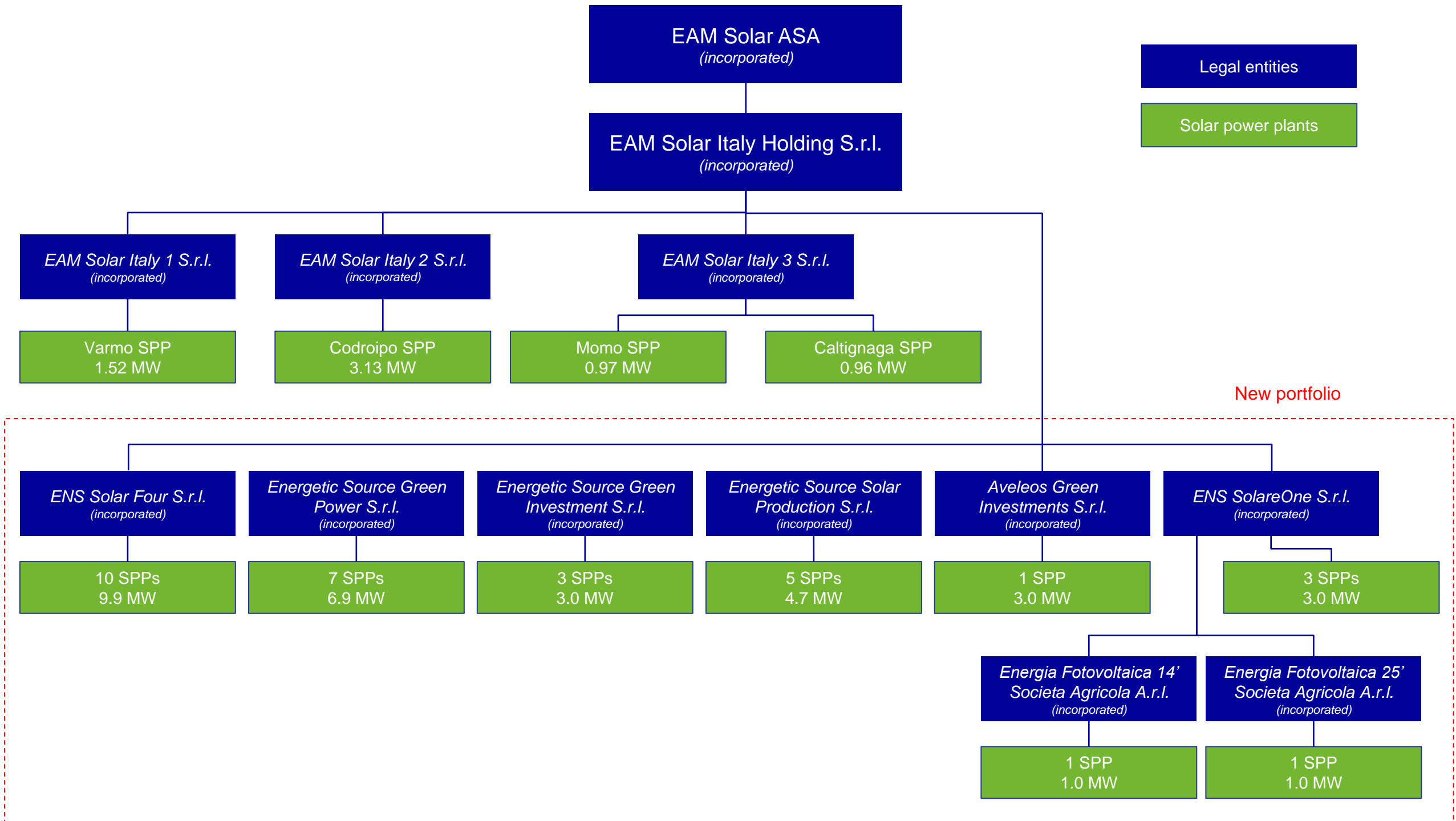
**Corporate governance:**  
Annual budget, all investment decisions and material agreements requires approval by the Board of Directors in EAM Solar ASA

# The role of the Board in EAM Solar ASA

The final responsibility for the overall management of EAM Solar ASA lies with EAM Solar ASA's Board of Directors, hereunder the duty to determine strategy, annual budgets, financial results, dividend policy, and sale, purchase, merger and swap of assets.



# Corporate structure after the Acquisition



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## Appendix

### **Risk factors**

# Risk factors (1/7)

*Investing in the shares (the "Shares") of the Company involves inherent risks. Before deciding whether or not to invest in the Shares, a prospective investor should consider carefully all of the information set forth in this Presentation and otherwise available, and in particular, the specific risk factors set out below. An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company, or that the Company currently deems immaterial, may also impair the Company's business operations and adversely affect the price of the Shares. The order in which the risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance. If any of the events or circumstances discussed actually occur, the Company's business, financial position and operating results could be materially and adversely affected, and this might have a material adverse effect on the price of the Shares. An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.*

## Risks related to the company and the business

***The Company is dependent on government subsidies, incentives and supportive regulatory framework.*** The Company depends substantially on government incentives. Without government incentives, the costs of electricity generated by solar power plants currently would not be competitive with conventional energy sources (e.g., nuclear power, oil, coal and gas) in most current markets, and the availability of profitable investment opportunities to the Company would be significantly lower. Political developments could lead to a material deterioration of the conditions for, or a discontinuation of, the incentives for solar power plants. It is also possible that government financial support for solar power plants will be subject to judicial review and determined to be in violation of applicable constitutional or legal requirements, or be significantly reduced or discontinued for other reasons. A reduction of government support and financial incentives for the installation of solar power plants in any of the markets in which the Company currently operates or intends to operate in the future could result in a material decline in the availability of investment opportunities, which would have a material adverse effect on the business prospects, financial condition and results of operations of the Company.

***The Company may not be able to acquire additional solar power plants at commercially attractive terms.*** The Company's growth strategy is dependent on acquiring additional power plants. There can be no assurance that the Company will be able to acquire additional solar power plants at commercially attractive terms. There are a number of market players that consider investment in projects or solar power plants in operation. It is thus a risk that few projects are available for the Company, or that the prices for each project increases due to competition. In addition, many projects may not fulfil the Company's investment criteria. The Company will not take any financial exposure in projects under development or construction, unless secured against a bank guarantee or corporate guarantee of the same amount and sufficient security, but the consequence can be that the portfolio of the Company builds up slower than planned, and that the cost of analysing and negotiating unsuccessful projects increases. Furthermore, the acquisition process is costly and lengthy.

***If the Company is not able to obtain financing, it may not be able to implement its growth strategy.*** The financial crisis has reduced the availability of project and debt financing, as well as equity financing. The Company's business plan is dependent on the availability of short- and long-term funding of small- and large-scale solar power plant projects. A continued scarcity of financing could limit the Company's ability to fund its acquisitions, and also reduce the availability of power plants for the Company to acquire.

***Increasing interest rates could have a significant negative impact on the profitability of investing in solar power plants.*** The Company plans to fund the acquisition of solar power plans with up to 60-75% debt. Increasing interest rates could significantly reduce the profitability of investing in solar power plants, which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

## Risk factors (2/7)

**Increasing inflation could have a significant negative impact on the profitability of investing in solar power plants.** As the major part of the income generated by solar power plants is fixed in nominal terms and operational expenses are subject to inflation there is a risk that increasing inflation will have an adverse effect on the profitability of the Company.

**The Company is exposed to exchange rate risks.** The Company is located in Norway, but has the main share of its operations through Italian subsidiaries. All revenues are denominated in EUR, while costs occur in both EUR and NOK. The Company's reporting currency is EUR, and the Company will thus be exposed to currency risk, primarily to fluctuations in EUR and NOK.

**Weather variations could have an adverse effect on the Company.** Even in a stable climate, the weather varies from year to year, and hence the production of energy from the solar power plants. This will influence the periodic revenues, and hence the results of operation and cash-flows of the Company. Over time the irradiation and production will likely approach the expected average, but still with the risk of less production than anticipated. However, due to climate changes it is also possible that the expected annual irradiation changes over long periods of time. It is possible that this may influence the expected performance of the plant during its technical lifetime of 20-40 years.

**Falling power prices may reduce the Company's income and profitability.** The market price for electricity changes according to market conditions. In Italy, the total revenue from power sales is composed of a fixed Feed-in Tariff plus the market price for electricity. The market price component currently represents 15-20% of revenues for both the Company's current portfolio and the Target SPPs, and in certain projects even more of the power sale revenues. If local power market prices fall, the Company's revenues, results of operation and cash flow may be adversely affected. Power prices may be affected by a number of factors, including the level of installed PV capacity and changes in the prices of hydrocarbons (oil, gas, carbon).

**Participation in the intraday imbalance power market adds uncertainty in the resulting power price.** Solar power plants in Italy are obliged to participate in the intraday imbalance power market, which adds an additional uncertainty in the resulting power price. This means that for each power plant the planned production for each hour of the next market day must be submitted to the Italian Power Exchange. An exact power production figure must be submitted for each of the 24 hours of the market day. If the real production in any particular hour deviates from the submitted production figure by more than 10 % for solar power plants in Italy, a penalty will be calculated based on the actual market balance. The penalty may be positive or negative, depending on the actual market balance. Capping the power price and / or the imbalance market risk by entering into commercial bilateral power purchase agreements is possible, but at a certain cost that may vary over time.

**Increasing operating expenses could have a negative effect on the Company's profit and cash-flow.** The Company plans to operate and maintain the power plants according to best practice and continuous improvements in a cost efficient manner. However, increased costs related to the amount of consumables or the manpower cost may change over time. Replacement of main or auxiliary systems may come at more frequent intervals than planned. Financing, insurance and regulatory requirements may also lead to increased operating cost. This may have an adverse effect on the Company's operating results and cash-flows.

## Risk factors (3/7)

***The Company may suffer losses due to insufficient quality of equipment and technical breakdowns.*** Revenues may be reduced due to insufficient quality of installed solar modules and other equipment resulting in faster than estimated degradation, and consequently lower revenues and higher maintenance costs, particularly if the product guarantees have expired or the supplier is unable or unwilling to respect its obligations. Even well-maintained high-quality solar power plants may from time to time experience technical break downs. These failures may have many different causes. Depending on the component that fails and the design of the plant, parts of or the entire capacity can be out of production for some time. There is a risk that the appropriate spare parts are not available for various reasons, causing a prolonged production stop. The grid operator may, from time to time, disconnect the solar power plant in periods of high grid loads. The power plants are typically designed to automatically reconnect, but experience shows that this is not always the case. There is also a risk of discrepancies between power meter readings and actual power production due to system or human failure. In such cases, it is upon the operator to justify claims for the correct revenue collection.

***The Company may suffer production losses due to natural phenomena.*** Severe weather phenomena such as strong wind, hail storms, snow and lightening or other weather phenomena may disrupt the functionality of components or even cause damage. Other phenomena that may occur are rodent damage and fires. The risk of floods, landslides, earthquakes and volcanic eruptions, and other geo hazards must be taken into account when evaluating the risk of solar power plant operations. Weather and other natural phenomena may increase operating costs as well as reduce revenues.

***The Company may suffer losses due to bureaucratic or executive errors and inefficiencies.*** The operation of the power plants includes from time to time exchange of information with relevant authorities and counterparties. Such exchange and verification of documents may take some time. This may influence the Company's ability to execute its business without delays. It may further happen that administrative procedures in the management of the Company are subject to inefficiencies or errors which may generate costs or losses, due to improper planning or execution of work flows.

***The Company may suffer losses due to theft and vandalism.*** Theft of photovoltaic modules and other equipment parts have occurred in Italy and elsewhere, particularly in Southern Italy. Thefts and vandalism may cause loss or damage of the Company's equipment and could result in disruption of production at the Company's power plants and thereby have an adverse effect on the Company's operating results.

***The Company may be negatively affected by corruption and unethical practices.*** Infrastructure projects are generally developed in close interaction with local and regional authorities. This poses a risk of corruption or other non-compliant processes with the effect that competitors have a non-compliant, but easier access to projects. It may also be a risk that projects acquired by the Company have been developed in non-transparent or non-compliant manners prior to the acquisition. Up until the award of license, the risk of non-compliant behaviour of a stakeholder is higher than when in production. This is a risk that is carried forward and which ultimately may under particular circumstances result in the revocation of one or several of the relevant licenses.

***The Company's insurance policies may not cover all losses which the Company may suffer.*** The power plants will have insurance against damage and revenue loss due to incidents such as technical breakdown, natural phenomena and criminal actions as described above. Liability insurance is also available and applicable to all power plant operations. However, the insurance policy may not cover all foreseeable and unforeseeable events, and the Company may be exposed to losses and cost of repairs that exceed normal O&M budgets and are outside the insurance agreements. Further, under special circumstances, it could be that the amount of damages received from the insurance company is reduced due to curtailments or other reasons due to, e.g. the magnitude of the total damages to be covered. The policies and policy prices may vary over time depending on the insurance products in the market and estimated risk for the relevant operation. Any increase in insurance premiums could have an adverse effect on the Company's results of operation and cash-flows. It might further happen that the insurance company cancels the policy.

## Risk factors (4/7)

***The Company is dependent on key members of the management team in EAM Solar Park Management AS.*** The Company's success depends, to a significant extent, on the continued services of the individual members of the management company, who have substantial experience in the industry. The Company's ability to continue to identify and develop opportunities depends on management's knowledge of, and expertise in the industry, and on their external business relationships. There can be no assurance that any management team member will remain with the Company. The management of EAM Solar AS is performed by EAM Solar Park Management AS under relevant agreements. If EAM Solar Park Management AS for any reason became unable or unwilling to perform management services for the Company, this could have material negative impact on the Company.

***The Company may be subject to changes in laws and regulations in respect of its operations.*** The Company is subject to an extensive range of laws and regulations, including, but not limited to, rules and regulations related to land utilization, development and zoning plans, property tax and HSE (health, safety and environmental), power market and grid operation rules and regulations. If the Company fails to comply with any such laws and regulations, permits or conditions, or to obtain any necessary permits or registrations, or to extend current permits or registrations upon expiry of their terms, or to comply with any restrictive terms its current permits or registrations, then the Company may be subject to, among other things, civil and criminal penalties and, in certain circumstances, the temporary or permanent curtailment or shutdown of a part of its operations. Furthermore, changes in the legislative and regulatory framework governing the activities of the Company may have a material adverse impact on the Company's business activities, cost and profitability.

***Changes in, or interpretation of, tax laws create uncertainty with regard to taxation of the Company.*** Changes in taxation law or the interpretation of taxation law may impact the business, results of operations and financial condition of the Company. To the extent tax rules change, this could have both a prospective and retrospective impact on the Company, both of which could have a material adverse effect on the Company's operations and financial condition.

***The Company may be negatively affected by late payments of invoices.*** There is a risk that payments of invoices for revenues are delayed due to bureaucratic procedures. This is particularly the case in the initial period of operation, since registering changes of directors and management of an SPV after an acquisition takes time. The relevant authorities cannot execute their obligations towards the power plant before the formalities are notarised and registered in official records, and after this it may still take several weeks before the changes are acknowledged with business partners and authorities. The risk of this occurring is significantly reduced about 3-9 months after completed transaction activities, but delayed receivables may nonetheless have an adverse effect on the Company's liquidity and cash-flows.

***The Company may be negatively affected by disputes.*** The Company will from time to time be involved in disputes in the ordinary course of its business activities. Such disputes may disrupt business operations and adversely affect the results of operations and the Company's financial condition.

# Risk factors (5/7)

## Risks related to the Acquisition of the Target Companies

***The conditions precedents to closing may not be fulfilled for all Target Companies.*** The acquisition of each Target Company may be closed separately in accordance with the SPA, provided that the first set of closings shall result in an indirect acquisition of no less than 20 of the 31 Target SPPs. The due diligence will not be considered completed by the Company before all conditions precedents have been satisfied or deliberately waived by the Company. If all conditions precedents to closing are not satisfied for one or more of the Target Companies by 30 April 2014, the Company may not be able to employ the entire proceeds from the Private Placement. This could have a temporary negative impact on the Company's return on equity.

***The information and the documentation received from the Seller may not be correct and complete.*** As of the date of execution of the SPA, some of the questions raised by the advisors have not been answered and parts of the documents requested have not yet been provided by the Seller. The Company will prior to the closing date of the Acquisition complete a full and comprehensive due diligence on both the Target Companies and the Target SPPs also based on the further information and documentation received by the Seller. However, the risk that the information provided by the Seller is incomplete and / or inaccurate cannot be excluded. Such lack of accurate and complete information may put the Company at risk of acquiring SPPs which are not compliant with technical specifications, legal and administrative requirements. The Company may experience additional expenses (due to sanctions and/or penalties or due to the need to conform the SPPs to the necessary standards) or, in the worst case scenario, to the (temporally or permanent) disconnection of the SPPs from the grid and/or revenue losses (e.g. deriving from the temporally or permanent loss of the revenue components).

***Potential issues identified during the preliminary due diligence may not be fully covered in the SPA.*** Although, in principle, all the issues which has been identified during the due diligence as of the signing of the SPA may be regulated through different mechanisms in the SPA, such as representation and warranties and conditions precedent to closing, the risk that said mechanisms would not adequately protect the Company with respect to all losses which may be incurred by the latter following violation of the relevant SPA provision, may not be excluded. E.g. the obligation of the Seller to indemnify the Company with respect to the suffered losses arising from breaches of the representation and warranties is subject to all the limitations included in the SPA (such as, de minimis, liability cap and liability limitations specifically included), as well as the Seller's financial solvability.

***Further potential issues may be identified following completion of a full and comprehensive due diligence.*** The due diligence activity performed so far by the advisors was only aimed at drafting a red flag report, which exclusively sets forth a summary of the main issues encountered on the most important documents relating to the SPPs and the Target Companies. Further potential issues may be identified following completion of a full and comprehensive due diligence. E.g. the obligation of the seller to assign the connection facilities serving the SPPs to the relevant grid operator is subject to the correctness and completeness of the authorization procedure thereof (including the acquisition of the titles over all the interested lands) and to the compliance of the realized works to the authorized projects, which will be verified during the course of the full and comprehensive due diligence.

***The due diligence might not identify all potential risks related to the Target SPPs and the Target Companies.*** There is a risk that the due diligence might not identify all the potential risks and/or underestimate possible negative impacts on the Company's operating results and financial position.

## Risk factors (6/7)

**The assumptions on which the Purchase Price is calculated can only be verified after closing of the Acquisition.** The Purchase Price is calculated based on certain assumptions that can only be verified after the closing of the Acquisition. In particular, the Purchase Price is calculated based on a particular annual energy production at the GSE meter for 2014, an estimated RiD price for the same year and on certain tax reimbursements under the so called “Tremonti Ambientale” which the Target Companies might receive. The SPA provides for positive or negative price adjustments in the event that one or more of the aforementioned assumptions are met. There is a risk that the 2014 energy production losses and changes in the market price for electricity are more significant than the parties anticipated, and the price adjustment mechanism might not cover the real losses. The Production Adjustment derived from the normalized annual production in 2014 being lower than 44.2 GWh is guaranteed by the Seller’s shareholders, or by an alternative substantially equivalent security. If the production is lower than promised by the Seller in 2014, and the Seller is not able to fulfil its financial obligations, the Company’s financial condition may be adversely affected.

**The Target Companies have in the past executed EPC and O&M agreements with Aion Renewables S.p.A., a company that was declared bankrupt in March 2013.** According to the information available to the Company, the O&M agreements have been replaced by further O&M agreements executed by the Target Companies with the current O&M contractor. The majority of the Target Companies have filed an application to be admitted to the relevant bankruptcy proceeding with reference to certain alleged credits. Since all of said applications were assessed to be in delay with respect to the terms set forth by the law, the reimbursement of the relevant credits would take place only subject to satisfaction of the creditors who have timely filed the relevant application (unless the Target Companies provide evidence that the delay in filing the application was not attributable to their fault).

**The current O&M operator of the Target Companies is insolvent.** The current O&M operator of the Target Companies is insolvent and there is a risk that in 2014 or subsequent years it might be declared bankrupt. In the event the O&M operator is declared bankrupted the Company might incur additional costs. The SPA includes that in the event of a bankruptcy for the O&M operator in 2014, the Company and the Seller shall in good faith discuss with a view to agreeing upon a reasonable adjustment to the Purchase Price. There is a risk that the damage the Company might suffer is higher than the related indemnification.

**The Seller may in the future go through extraordinary operations, such as a wind up.** According to the information provided, the Seller, in the next future, may go through extraordinary operations, such as wind up. The potential financial incapability of the Seller to satisfy its obligations under the SPA may require the starting of several long-lastly and costly proceedings in order to collect the indemnities which the Target Companies might be entitled to.

**Several criminal proceedings exist involving photovoltaic plants constructed in some of the Italian regions and, in particular, in the Puglia regions.** Many criminal investigations and proceedings have been commenced within some of the Italian regions against companies owning photovoltaic plants as well as original developers. Such proceedings in many cases led to the seizures of the relevant plants. In particular, with reference to the Puglia region, the main charges brought by the relevant public prosecutors within the relevant criminal proceedings concerns the fact that the simplified permit procedure would be illegitimate since several adjoining plants would (allegedly) hide one single “big” plant whose total nominal capacity would exceed the maximum capacity that in the Puglia region could (at that time) be authorized through the simplified permit procedure (i.e. 1 MW). Therefore according to the relevant public prosecutors view the correct authorization procedure would have been the more complex sole regional authorization (AU) and the relevant simplified permits would be invalid and void. As per the existence of additional solar fields that can be considered as joint or close to the SPPs, the Company’s advisors was not in a position to express any legal advice in relation to the risk that the nominal capacity of such additional plants (if any) be cumulated with the nominal power of the SPPs (with consequent effects on the theoretical validity of the authorizations at hand). Furthermore, in some of the mentioned criminal proceedings, the public prosecutors objected that the relevant simplified permits could not be considered as perfected due to the fact that further necessary authorizations required in order to realise a photovoltaic plant in a restricted area (e.g. landscape authorizations) had not been issued by the competent entities. In this respect, the continued due diligence prior to the closing of the Acquisition might not identify all possible violations of construction, landscape and environmental law provisions.

# Risk factors (7/7)

## Risks related to the shares

***The price of the Shares may fluctuate significantly.*** The trading price of the Shares could fluctuate significantly in response to a number of factors beyond the Company's control, including quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, announcements by competitors of new product and service offerings, significant contracts, acquisitions or strategic relationships, publicity about the Company, its products and services or its competitors, lawsuits against the Company, unforeseen liabilities, changes to the regulatory environment in which it operates or general market conditions. In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in the same industry. Those changes may occur without regard to the operating performance of these companies. The price of the Company's Shares may therefore fluctuate based upon factors that have little or nothing to do with the Company, and these fluctuations may materially affect the price of its Shares.

***Future issuances of Shares or other securities in the Company may dilute the holdings of shareholders and could materially affect the price of the Shares.*** It is possible that the Company may in the future decide to offer additional Shares or other securities in order to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes. Any such additional offering could reduce the proportionate ownership and voting interests of holders of Shares, as well as the earnings per Share and the net asset value per Share of the Company, and any offering by the Company could have a material adverse effect on the market price of the Shares.

***Investors in the United States may have difficulty enforcing any judgment obtained in the United States against the Company or its directors or executive officers in Norway.*** The Company is incorporated under the laws of the Kingdom of Norway, and all of its current directors and executive officers reside outside the United States. Furthermore, most of the Company's assets and most of the assets of the Company's directors and executive officers are located outside the United States. As a result, investors in the United States may be unable to effect service of process on the Company or its directors and executive officers or enforce judgements obtained in the United States courts against the Company or such persons in the United States, including judgements predicated upon the civil liability provisions of the federal securities laws of the United States. The Company has been advised by its Norwegian legal counsel that the United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitral awards) in civil and commercial matters.

***The transfer of the Shares may be subject to restrictions on transferability and resale in certain jurisdictions.*** The Shares have not been registered under the US Securities Act or any US state securities laws or any other jurisdiction outside of Norway and are not expected to be registered in the future. As such, the Shares may not be offered or sold except pursuant to an exemption from the registration requirements of the US Securities Act and applicable securities laws. In addition, there can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

***Shareholders outside of Norway are subject to exchange rate risk.*** The Shares are priced in NOK, and any future payments of dividends on the Shares will be denominated in NOK. Accordingly, any investor outside Norway is subject to adverse movements in the NOK against their local currency, as the foreign currency equivalent of any dividends paid on the Shares or price received in connection with any sale of the Shares could be materially adversely affected.

***Investors may not be able to exercise their voting rights for Shares registered in a nominee account.*** Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is re-registered in their names with the VPS prior to the Company's general meetings. The Company cannot guarantee that beneficial owners of the Shares will receive the notice of a general meeting in time to instruct their nominees to either affect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners.