

# EAM SOLAR ASA **Q3 REPORT 2017**

Interim condensed consolidated financial statements for the period ended 30 September 2017

# CONTENTS

## Financial report

Highlights Q3 2017	3
Interim report	5
Corporate structural strengthening executed in the third quarter	5
One-off accounting effects in the third quarter and future guidance	6
Operational review and outlook	6
Subsequent events	6
Financial review	6

## Financial statement

Consolidated statement of comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of cash flow	10
Consolidated statement of changes in equity	11
Notes to the interim consolidated financial statement	12
Note 01 Basis for preparation	12
Note 02 Significant accounting judgements	12
Note 03 Currency exposure	12
Note 04 Transactions with related parties	13
Note 05 Segment information	13
Note 06 Financial income and expenses	14
Note 07 Cash and cash equivalents	14
Note 08 Accounts receivables	14
Note 09 Property, plant and equipment	14
Note 10 Short- and long-term debt	14
Note 11 List of subsidiaries	15
Note 12 Operational costs break-down 2017	15
Note 13 Events after the reporting date	15



# HIGHLIGHTS

## Q3 2017

- In the quarter the Company made a share capital increase by the issuance of 532 210 shares in the Company to EAM Solar Park Management AS (“the Manager”). The shares were consideration for the financial participation mechanism in the Management Agreement, and were non-dilutive for the shareholders. As part of the transaction the Company recognised a cost and debt of EUR 1 888 thousand that was settled with the shares.
- In the quarter the Company also conducted a fully underwritten rights issue with gross proceeds of NOK 30 million, resulting in 1 250 000 shares being issued.
- EBITDA for the first nine months 2017 came in at minus EUR 6.1 million. Adjusted for legal costs and the purchase of the financial participation mechanism, and write down of receivable against Aveleos SA, normal operations yielded an EBITDA of EUR 1.9 million in the first nine months of 2017, equivalent to an EBITDA margin of 52 per cent.
- The following special items have been recognised during the quarter;
  - Provision for doubtful debt against Aveleos SA of EUR 4 418 thousand, given that Aveleos SA is de-facto bankrupt.
  - Provision for cost coverage of legal cost based on the agreement with Therium of EUR 191 thousand.
  - Cost of settling the financial participation mechanism of EUR 1 888 thousand.
  - Change in the management agreement with effect of EUR 55 thousand.

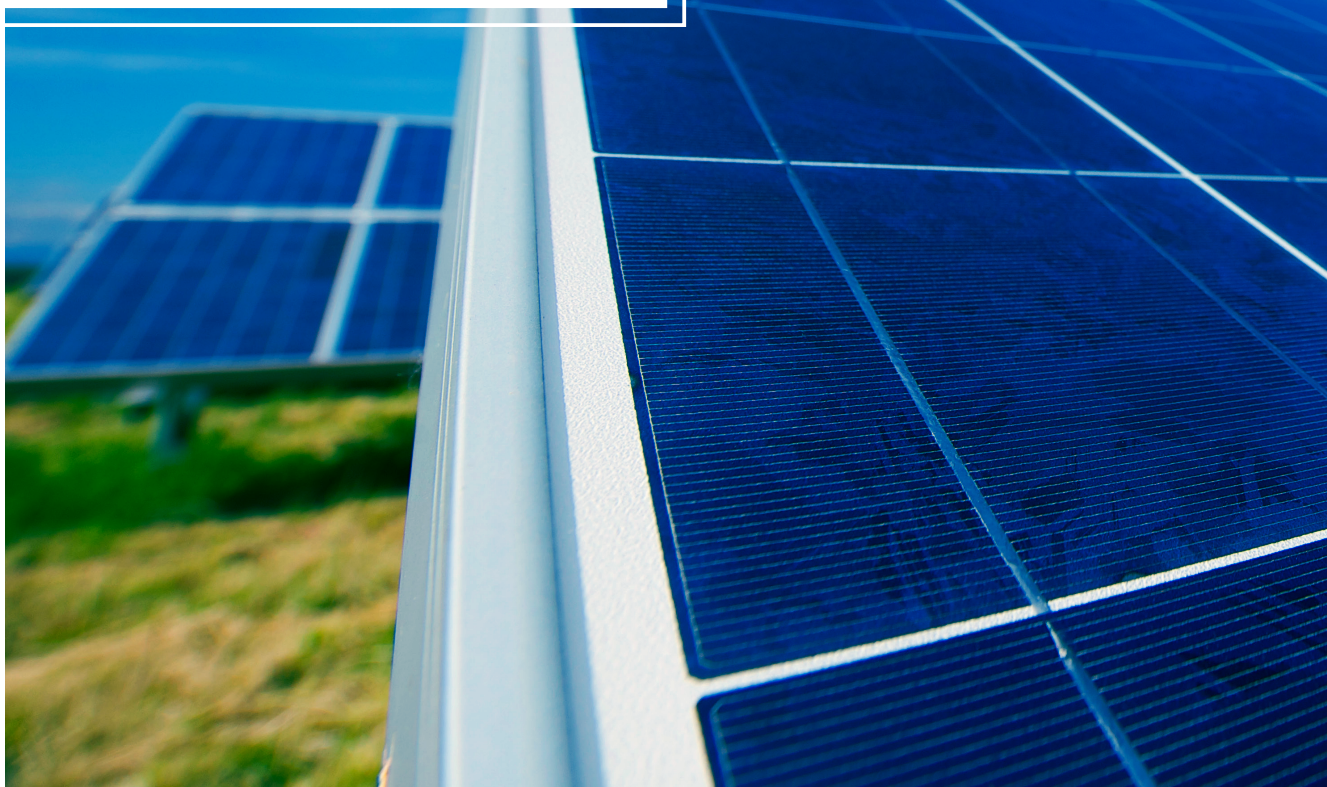
EUR 000'	Unaudited Q3 2017	Unaudited Q3 2016	Unaudited 9M 2017	Unaudited 9M 2016	Audited 2016	Audited 2015	Audited 2014
<b>Revenues</b>	<b>1 340</b>	1 346	3 534	3 761	4 454	6 131	8 715
Cost of operations	(218)	(224)	(496)	(1 019)	(1 122)	(1 606)	(1 158)
Sales, general and administration expenses	(543)	(359)	(1 186)	(1 211)	(2 003)	(3 113)	(2 356)
Legal costs	(7 166)	(8 471)	(7 967)	(10 028)	(12 149)	(20 361)	(2 989)
<b>EBITDA</b>	<b>(6 587)</b>	(7 708)	(6 115)	(8 497)	(10 820)	(18 949)	2 213
Depreciation, amortizations and write downs	(427)	(1 014)	(1 281)	(6 261)	(6 677)	(49 573)	(3 365)
<b>EBIT</b>	<b>(7 014)</b>	(8 722)	(7 396)	(14 757)	(17 497)	(68 522)	(1 152)
Net financial items	(669)	649	(722)	(2 600)	(2 580)	(1 508)	561
<b>Profit before tax</b>	<b>(7 683)</b>	(8 073)	(8 118)	(17 357)	(20 077)	(70 031)	(591)
Income tax gain/(expense)	37	12	3	30	66	167	(1 034)
<b>Net income</b>	<b>(7 647)</b>	(8 062)	(8 115)	(17 327)	(20 011)	(69 864)	(1 625)
<b>Earnings per share (fully diluted):</b>	<b>(1.34)</b>	(1.59)	(1.54)	(3.42)	(3.95)	(13.78)	(0.32)
Distribution to shareholders per share	-	-	-	-	-	-	0.33
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Million no. of shares (fully diluted)	5.71	5.07	5.28	5.07	5.07	5.07	5.07
<b>EBITDA adjusted</b>	<b>579</b>	763	1 852	1 531	1 329	1 412	5 202

# 8.11%

## INCREASE

IN POWER PRODUCTION FROM 2016

MWh	2015	2016	2017
Q1	2 441	2 135	2 621
Q2	3 936	3 856	4 345
Q3	3 793	4 325	4 187
9M	10 170	10 316	11 153
	9M 2016	9M 2017	Change
MWh	10 316	11 153	8.11%



# INTERIM REPORT

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

This interim report should be read in conjunction with the annual report for 2016, published on 29 April 2016, the first and second quarter reports for 2017, the equity issue prospectus published on 9 August 2017, and the stock exchange notices in the reporting period.

## Corporate structural strengthening executed in the third quarter

In the third quarter 2017 EAM Solar ASA underwent several structural changes that have improved the Company’s capability of pursuing justice and compensation for the fraudulent sale of the P31 power plants.

In addition, other external events occurred in the quarter that impacts the quarterly accounts with one-off effects and potentially legal processes going forward.

The main events may be summarised as follows;

1. Execution of a EUR 3.2 million rights issue
2. Subsequent consummation of a EUR 2.3 million Litigation Funding Agreement
3. Restructuring of the EAM Management Agreement
4. The de facto bankruptcy of Aveleos SA.

## Equity rights issue

On 28 August EAM Solar ASA concluded its equity rights issue by issuing 1 250 000 new shares at a subscription price of NOK 24 per share. Gross proceeds from the equity issue was NOK 30 million (EUR 3.2 million).

The equity issue was conducted with tradable subscription rights. In total 2 604 740 shares were subscribed for and the rights issue was consequently oversubscribed.

## Consummation of Litigation Funding Agreement

The litigation fund Therium had set as a condition to the execution of the Litigation Funding Agreement (LFA) the performance of an equity issue of an amount at least equal to the funds provided for by Therium under the LFA. This was solved by EAM in the second quarter through entering into an equity issue guarantee agreement with mainly the largest shareholders in EAM.

The LFA represents a commitment from Therium to invest a maximum amount, under certain conditions, of EUR 2.3 million divided into three tranches of EUR 775 thousand.

## Restructuring of the EAM Management Agreement

As a consequence of the operational change in EAM’s business from being a Solar YieldCo to becoming a predominant litigation case, the bylaws of the Company were changed to also include litigation activity, in the extraordinary shareholders meeting, on 8 August 2017. The changes in the Management Agreement were described extensively in the second quarter report.

In the extraordinary shareholders meeting on 8 August 2017 the purchase of the Manager’s royalty right was executed in a paper deal that entailed the issuance of 532 210 new shares in EAM ASA at a subscription price of NOK 32.76 per share to the Manager.

## The de facto bankruptcy of Aveleos SA

Aveleos SA (owned by Enovos Luxembourg SA with 59 per cent and Averlar Energy Ltd./Renova Group with 41 per cent) issued their annual report for 2016 in the third quarter

2017. The filing is open to the public through the commercial register.

Aveleos SA has for the second year in a row received a qualified audit opinion from its Auditor PWC, i.e. PWC states that they are unable to verify the truthfulness of the annual accounts and the going concern capability of the company.

The annual accounts 2016 of Aveleos SA reflects that the company has negative equity and operates at a loss. The accounts further identifies that Aveleos SA has no free funds to finance its ongoing operating losses at the beginning of 2017. In addition, the Board of Directors in Aveleos SA have included receivables in companies that were bankrupted before the year-end 2016. EAM ASA deemed it necessary to write down the entire amounts in the same bankrupted companies in the 2016 annual accounts, due to the fact that no value can be expected to be received by the creditors in the bankruptcies, of which EAM is one.

The total uncovered net debt in Aveleos SA (prior to any damages claim) is in our view more than EUR 60 million at the beginning of 2017, consequently the negative equity of Aveleos SA is estimated to be in excess of EUR 50 million.

EAM ASA has obtained an independent expert assessment of the 2016 annual accounts of Aveleos SA. The conclusion is that Aveleos SA, in 2016 was operating at the expense of the creditors. Consequently, EAM Solar ASA is of the opinion that Aveleos SA as a legal entity is de facto bankrupt.

Based on this, the third quarter accounts of EAM ASA reflects this premise, with a resulting net write down EUR 4.4 million



booked in the quarter. The write down does not construe in any way any renouncement of EAM's claims against Enovos Luxembourg SA, Avelar Energy Ltd/Renova Group, Aveleos SA or any associated companies or individuals.

#### **Aveleos SA's de-facto bankruptcy impact on future claims**

The Criminal Court of Milan ruled on 14 December 2016 that;

- a) Aveleos SA is not a self-sufficient company but deemed an "alter ego" of Enovos Luxembourg SA and Avelar Energy Ltd./Renova Group.
- b) Due to this fact, Enovos Luxembourg SA and Avelar Energy Ltd. are held as financially liable towards EAM Solar ASA by the Court for the damages incurred on EAM ASA by the criminal actions of the directors of Aveleos SA.

The ruling by the Criminal Court of Milan effectively has pierced the corporate veil between Aveleos SA and its shareholders. EAM ASA is therefore of the opinion that future claims following the fraudulent sale of the P31 Solar PV plants, as performed by Enovos Luxembourg SA and Avelar Energy Ltd./Renova Group and its directors, shall be payable by all of the above companies.

The eventual bankruptcy of Aveleos SA has been anticipated by EAM ASA since the beginning of 2015. Due to the fact that the shareholders of Aveleos SA has shown no real intent in reaching an equitable remedy with EAM for the fraud conducted through the sale of the P31 Solar PV power plants and the fundamental breach of contract as performed by Enovos Luxembourg SA and Avelar Energy Ltd/Renova Group.

#### **One-off accounting effects in the third quarter and future guidance**

Based on the above events, EAM Solar ASA's third quarter results will contain several one-off accounting effects. The Company will therefore highlight the effects and also provide guidance for both normal operations and going concern for the future.

#### **The third quarter result has the following one-off accounting effects:**

(EUR thousand)

Q3

#### **Third quarter one-off items without cash effect:**

1. Write down of net position against Aveleos	(4 418)
2. Share issue against EAM SPM	(1 888)
3. Litigation funding agreement	191

#### **Third quarter one-off items with cash effect:**

1. Change in Management agreement	55
-----------------------------------	----

### **Operational review and outlook**

#### **Power plants in operation**

EAM ASA operated 6 remaining power plants in the third quarter. EAM ASA's own operation and maintenance team conducted normal operational inspections and maintenance work during the third quarter, 2017.

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

#### **Power production**

Power production in the third quarter amounted to 4 187 MWh, and for the first nine months 11 153 MWh, 7 per cent above estimated production for both periods.

#### **FIT revenues**

In the third quarter 2017, EAM revenues amounted to EUR 1 135 thousand and for the first nine months to EUR 3 011 thousand, equivalent to an average FIT contract price of EUR 271 for the quarter and EUR 270 for the first nine months per MWh. 2 power plants in the north of Italy and 4 power plants in the south of Italy receives FIT contract revenues.

#### **Market price development**

Market price revenues in the third quarter amounted to EUR 205 thousand representing an average market price for electricity of EUR 49 per MWh. The average electricity market price achieved in the northern part of Italy was EUR 53 per MWh and in the southern part of Italy EUR 42 per MWh.

The average market price of electricity in Italy has fluctuated over the past 12 months. The increase, especially in the northern price zone is due to an effect of reduced import of electricity from France because of the reduced production of electricity from French nuclear power plants.

#### **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 decided by the outcome of various legal actions and litigation procedures.

The criminal proceeding in Milan has continued with court hearings in July, September and October, where the Court continued with questioning of witnesses and presentation of evidence. In the hearing in September the Criminal Court again dismissed a petition to exclude EAM ASA as civil liable party.

Please also see the Annual Report 2016 for further information on the legal processes.

#### **Dividends**

EAM will pay no dividend in conjunction with the third quarter 2017.

#### **Changes in the Management Agreement and rights issue**

The Company's extraordinary general meeting held on 8 August 2017 approved the Rights Issue. The general meeting also approved the amendments to the Management Agreement. Please see the second quarter report for more details on the rights issue and changes to the Management Agreement.

The subscription period for the Rights Issue expired 28 August 2017 at 16:30 hours (CET). The final result showed that a total of 2 604 740 shares were subscribed for during the subscription period. The Rights Issue was therefore oversubscribed by 108 per cent.

The Company's new registered share capital after the changes in the Management Agreement and Rights Issue is NOK 68 522 100 divided into 6 852 210 shares, each with a nominal value of NOK 10.

#### **Subsequent events**

There are no subsequent events to be mentioned.

### **Financial review**

#### **Revenues**

Third quarter revenues came in at EUR 1 340 thousand, of which EUR 1 135 thousand was received from FIT contracts and EUR 205 thousand from market sales of electricity. Revenues for the first nine months came in at EUR 3 534 thousand of which EUR 3 011 thousand was received from FIT contracts and EUR 523 thousand from market sales of electricity.

The third quarter 2017 revenues represent approximately 33 per cent of the expected annual revenues of EUR 4 116 thousand based on the current corporate structure with 6 power plants in operations.

#### **Cost of operations**

Cost of operations in the third quarter was EUR 218 thousand and EUR 496 thousand for the first nine months.

**SG&A costs**

SG&A costs in the third quarter were EUR 543 thousand and EUR 1 186 thousand for the first nine months.

**Legal costs**

The cost items consist more or less solely of legal costs, except for the third quarter when it also includes:

- the purchase of the financial participation mechanism in the Management Agreement of EUR 1 888 thousand.
- a provision for cost coverage from The-rium for 50 per cent of the legal costs incurred during the quarter of EUR 191 thousand, effectively reducing the legal costs with the same amount.
- a provision for doubtful debt against Aveleos SA of EUR 4 418 thousand in order to bring the net receivable against Aveleos SA to zero. Aveleos SA has negative equity and has for two consecutive years failed to obtain an unqualified audit opinion. In our view, Aveleos SA is overstating their receivables and understating their debt. They are running the company at the creditor's expense and are de-facto bankrupt. This does not alter the fact that the shareholders of Aveleos SA; Enovos Luxembourg SA and Avelar Energy Ltd, are still civil liable parties towards EAM should their former directors be found guilty on fraud against EAM, as stated by the Criminal Court of Milan in 2016.

In the third quarter 2017 costs stemming from the P31 Acquisition were EUR 753 thousand and for the first nine months EUR 1 540 thousand.

**EBITDA**

EBITDA in the third quarter came in at minus EUR 6 587 thousand and minus EUR 6 115 thousand for the first nine months.

EBITDA for the first nine months 2017, excluding legal costs, amounts to approximately EUR 1.9 million representing an EBITDA margin of approximately 52 per cent. Full year 2017 guidance for EBITDA before legal costs is in the range EUR 2.2 to 2.5 million, and legal costs is expected to amount to approximately EUR 2.0 to 2.2 million.

**EBIT**

Depreciation in the third quarter 2017, was EUR 427 thousand and EUR 1 281 thousand for the first nine months, resulting in an operating loss of EUR 7 014 thousand in the third quarter 2017 and a loss of EUR 7 396 for the first nine months 2017.

**Net financial items**

Net financial items in the third quarter were negative with EUR 669 thousand in the quarter and negative with EUR 722 thousand for the nine months.

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

Pre-tax loss in the third quarter 2017 was EUR

7 683 thousand and a loss of EUR 8 118 thousand for the first nine months 2017.

Taxes in the third quarter amounted to a net tax gain of EUR 37 thousand and a net tax gain of EUR 3 thousand for the first nine months.

Reported net loss was in the third quarter EUR 7 647 thousand and a net loss of EUR 8 115 thousand for the first nine months.

**Cash Flow**

Cash flow from operations for the first nine months came in at minus EUR 396 thousand. No investment activities took place in the period. Financing activities was positive with EUR 1 822 thousand following the rights issue.

Restricted and unrestricted cash by the end of the quarter was EUR 2 994 thousand, of which EUR 53 thousand remains seized by the Prosecutors Office in Milan in companies not affected by the criminal proceedings.

**Balance Sheet**

Total assets at the end of the period amount to EUR 30.3 million, while book equity amounted to EUR 13.9 million representing an equity ratio of 45.8 per cent.

**Shares and share capital**

The Company's share capital has increased in the third quarter to NOK 68 522 100. The Company's new registered share capital after the equity issue and acquisition of royalty rights is NOK 68 522 100 divided into 6 852 210 shares, each with a nominal value of NOK 10.

Oslo, 14 November 2017

Pål Hvammen  
Non-executive  
director

Erling Christiansen  
Non-executive  
director

Ragnhild Wiborg  
Chair

Viktor E Jakobsen  
CEO

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR	Note	Unaudited Q3 2017	Unaudited Q3 2016	Unaudited 9M 2017	Unaudited 9M 2016	Audited 2016
<b>Revenues</b>	5, 12	<b>1 339 779</b>	1 345 812	3 534 389	3 761 483	4 453 648
Cost of operations	12	(217 960)	(223 848)	(495 928)	(1 018 777)	(1 121 753)
Sales, general and administration expenses	12	(542 613)	(359 171)	(1 186 251)	(1 211 294)	(2 003 236)
Legal costs	12	(7 166 165)	(8 471 046)	(7 966 854)	(10 028 255)	(12 148 595)
<b>EBITDA</b>	5	<b>(6 586 960)</b>	(7 708 253)	(6 114 643)	(8 496 843)	(10 819 936)
Depreciation, amortizations and write downs	9	(427 433)	(1 013 790)	(1 281 403)	(6 260 622)	(6 677 455)
<b>EBIT</b>	5	<b>(7 014 393)</b>	(8 722 043)	(7 396 046)	(14 757 465)	(17 497 391)
Finance income	6	52 274	732 836	1 666 411	856 893	1 222 427
Finance costs	6	(721 135)	(83 976)	(2 388 093)	(3 456 514)	(3 801 978)
<b>Profit before tax</b>		<b>(7 683 254)</b>	(8 073 183)	(8 117 728)	(17 357 086)	(20 076 942)
Income tax gain/(expense)		36 565	11 611	2 505	29 820	65 788
<b>Profit after tax</b>		<b>(7 646 689)</b>	(8 061 572)	(8 115 223)	(17 327 266)	(20 011 154)
<b>Other comprehensive income</b>						
Translation differences		2 206 456	(324 798)	1 240 377	1 436 704	2 606 326
Cash flow hedges		(16 928)	6 882	16 623	(33 011)	(129 880)
Other comprehensive income net of tax		2 189 528	(317 916)	1 257 000	1 403 693	2 476 446
<b>Total comprehensive income</b>		<b>(5 457 161)</b>	(8 379 488)	(6 858 223)	(15 923 573)	(17 534 708)
Profit for the year attributable to:						
Equity holders of the parent company		(7 646 689)	(8 061 572)	(8 115 223)	(17 327 266)	(20 011 154)
<b>Equity holders of the parent company</b>		<b>(7 646 689)</b>	(8 061 572)	(8 115 223)	(17 327 266)	(20 011 154)
Total comprehensive income attributable to:						
Equity holders of the parent company		(5 457 161)	(8 379 488)	(6 858 223)	(15 923 573)	(17 534 708)
<b>Equity holders of the parent company</b>		<b>(5 457 161)</b>	(8 379 488)	(6 858 223)	(15 923 573)	(17 534 708)
<b>Earnings per share:</b>						
Continued operation						
- Basic		(1.34)	(1.59)	(1.54)	(3.42)	(3.95)
- Diluted		(1.34)	(1.59)	(1.54)	(3.42)	(3.95)
Basic shares		5 712 053	5 070 000	5 281 640	5 070 000	5 070 000
Diluted shares		5 712 053	5 070 000	5 281 640	5 070 000	5 070 000



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR	Note	Unaudited 9M 2017	Audited 2016
<b>ASSETS</b>			
Property, plant and equipment	9	21 796 178	23 077 581
Deferred tax asset		-	-
Intangible assets		306 519	321 012
Other long term assets		1 063 870	1 089 563
<b>Non-current assets</b>		<b>23 166 567</b>	<b>24 488 156</b>
Receivables	8	2 825 396	14 290 217
Other current assets		1 277 080	127 897
Cash and short term deposits	7	2 993 620	1 568 193
<b>Current assets</b>		<b>7 096 096</b>	<b>15 986 307</b>
<b>TOTAL ASSETS</b>		<b>30 262 663</b>	<b>40 474 463</b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital		8 126 110	6 214 380
Share premium		27 603 876	24 606 370
<b>Paid in capital</b>		<b>35 729 986</b>	<b>30 820 750</b>
Translation differences		(5 022 979)	(6 263 356)
Other equity		(16 852 761)	(8 754 163)
<b>Other equity</b>		<b>(21 875 740)</b>	<b>(15 017 519)</b>
<b>Total equity</b>		<b>13 854 246</b>	<b>15 803 231</b>
Leasing	10	5 605 506	5 838 488
Long term loan - interest bearing	10	7 280 494	7 370 641
Other non current liabilities	10	782 038	-
<b>Total non-current liabilities</b>		<b>13 668 038</b>	<b>13 209 129</b>
Trade payables	10	1 926 025	2 552 747
Tax liabilities	10	814 354	829 367
Short term financing - interest bearing	10	-	-
Other current liabilities	10	-	8 079 989
<b>Total current liabilities</b>		<b>2 740 379</b>	<b>11 462 103</b>
<b>Total liabilities</b>		<b>16 408 417</b>	<b>24 671 232</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30 262 663</b>	<b>40 474 463</b>

Oslo, 14 November 2017

Pål Hvammen  
Non-executive  
director

Erling Christiansen  
Non-executive  
director

Ragnhild Wiborg  
Chair

Viktor E Jakobsen  
CEO

# CONSOLIDATED STATEMENT OF CASH FLOW

EUR	Note	Unaudited 9M 2017	Unaudited 9M 2016	Audited 2016	Audited 2015	Audited 2014
<b>Cash flow from operating activities</b>						
Ordinary profit before tax		(7 683 254)	(17 357 086)	(20 076 943)	(70 030 585)	(591 256)
Loss on disposal of property, plant and equipment			1 137 652	1 137 653		
Paid income taxes						(1 007 617)
Depreciation	9	1 281 403	1 474 725	1 891 558	4 181 074	3 365 187
Write down of fixed assets	9		4 785 897	4 785 897	45 392 130	
Changes in trade receivables and trade payable	8	2 758 114	3 028 044	6 918 120	30 279	(8 346 130)
Changes in other accruals <sup>1</sup>		3 247 342	(3 763 897)	(5 839 666)	20 474 559	2 923 511
<b>Net cash flow from operating activities</b>		<b>(396 395)</b>	<b>(10 694 665)</b>	<b>(11 183 381)</b>	<b>47 457</b>	<b>(3 656 305)</b>
<b>Cash flows from investing activities</b>						
Acquisition of subsidiary net of cash acquired				(6 001)	(630 403)	(24 477 899)
Acquisition of property, plant and equipment						
<b>Net cash flow used in investing activities</b>		<b>-</b>	<b>-</b>	<b>(6 001)</b>	<b>(630 403)</b>	<b>(24 477 899)</b>
<b>Cash flows from financing activities</b>						
Proceeds from sale of property, plant and equipment			3 550 000	3 550 000		
Purchase of property, plant and equipment						
Proceeds from issue of share capital		2 097 694				25 204 368
Dividends or shareholder distributions						(1 868 665)
Proceeds from new loans					676 327	10 291 896
Repayment of loans		(275 875)	(1 300 608)	(1 510 594)	(320 147)	(2 028 732)
<b>Net cash flow from financing activities</b>		<b>1 821 819</b>	<b>2 249 392</b>	<b>2 039 406</b>	<b>356 180</b>	<b>31 598 867</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1 568 196</b>	<b>10 718 172</b>	<b>10 718 172</b>	<b>10 944 938</b>	<b>4 861 406</b>
Net currency translation effect		-			-	-
Seizure of cash	7	-			-	(6 384 685)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 425 424</b>	<b>(8 445 273)</b>	<b>(9 149 976)</b>	<b>(226 766)</b>	<b>3 464 663</b>
<b>Cash and cash equivalents at end of period</b>		<b>2 993 620</b>	<b>2 272 899</b>	<b>1 568 196</b>	<b>10 718 172</b>	<b>1 941 384</b>

<sup>1</sup> Includes effect of derecognition of SPVs in bankruptcy in 2016

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Share premium fund	Other equity	Cash flow hedge reserve	Currency translation reserve	Total equity
<b>Equity as at 1 January 2016</b>	<b>6 214 380</b>	<b>24 606 370</b>	<b>(47 559 913)</b>	<b>(544 032)</b>	<b>(8 869 682)</b>	<b>(26 152 877)</b>
Profit (loss) After tax			(20 011 154)			(20 011 154)
Derecognition of SPVs in bankruptcy			59 490 817			59 490 817
Other comprehensive income				(129 880)	2 606 326	2 476 446
<b>Equity as at 31 December 2016</b>	<b>6 214 380</b>	<b>24 606 370</b>	<b>(8 080 250)</b>	<b>(673 912)</b>	<b>(6 263 356)</b>	<b>15 803 232</b>
<b>Equity as at 1 January 2017</b>	<b>6 214 380</b>	<b>24 606 370</b>	<b>(8 080 250)</b>	<b>(673 912)</b>	<b>(6 263 356)</b>	<b>15 803 232</b>
Profit (loss) After tax			(8 115 223)			(8 115 223)
Issue of new shares	1 911 730	2 997 506				4 909 236
Other comprehensive income				16 623	1 240 377	1 257 000
<b>Equity as at 30 September 2017</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(16 195 473)</b>	<b>(657 289)</b>	<b>(5 022 979)</b>	<b>13 854 245</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 produced electricity under long-term fixed price sales contracts, and to pursue legal proceedings in order to restore company values. EAM was structured to create a steady long-term dividend yield for its shareholders. Following the P31 Acquisition, the main value of EAM is dependant on the future outcome of litigation activities.

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

Energeia Asset Management AS manages the Company under a long-term Management Agreement. EAM Solar Park Management AS, a subsidiary of Energeia Asset Management AS, conducts most of the day-to-day operational tasks with own employees and through the use of subcontractors.

This interim condensed consolidated financial statement for the third quarter 2017 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 third quarter report should therefore be read in conjunction with the Group's Annual Report 2016 that was published on 29 April 2017, the first and second quarter reports for 2017, the equity issue prospectus published on 9 August 2017, 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 2016. Standards and interpretations as mentioned in the Group's Annual Report 2016 [Note 1](#) and effective from 1 January 2017 did not have a significant impact on the Group's consolidated interim financial statements.

### Financial risk

For one of the external financing contracts with floating interest there is an interest rate swaps hedging fluctuations in floating interest.

### 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. For write down of receivables against Aveleos SA, see [note 08](#).

### Asset value risk

EAM Group's cash balance was EUR 3.0 million on 30 September 2017, of which EUR 53 thousand are seized.

The subsidiaries affected by the criminal proceedings have gone into voluntary bankruptcy and have been derecognised from the Group accounts.

### Market and regulatory risk

The main risk of operations in Italy is related to regulatory risk, whereby the contractual counterparty, the Government of Italy, has shown willingness to conduct unilateral and retroactive changes to the commercial

electricity sales contracts and also to the operational regulatory regime governing the 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 and the subsequent Share Issue, the board and management considers the Company's ability to operate as a going concern for the next 12 months as secured. The going concern consideration is mainly related to the assessment of adequate liquidity to meet the Company's running operational financial obligations and legal costs.

## NOTE 03 CURRENCY EXPOSURE

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

**NOTE 04** TRANSACTIONS WITH RELATED PARTIES**Related parties**

Energeia Asset Management AS is the manager of EAM. Energeia Asset Management AS owns EAM Solar Park Management AS 100 per cent. EAM Solar Park Management AS in Norway and Italy employs most of the personnel conducting the technical and administrative services for EAM.

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

**Transactions with related parties**

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

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

In the third quarter 2017 EAM Solar Park Management AS' direct costs of the management of EAM was EUR 824 thousand, of which EUR 90 thousand is related to cost of operations, EUR 527 thousand is related to SG&A and EUR 207 thousand is cost related to legal and litigation work in conjunction with the P31 Acquisition fraud.

**Credit facility from shareholder**

EAM entered on 20 June 2014 into a short-term acquisition credit facility agreement of NOK 65 million with the largest shareholder in EAM, Sundt AS. The credit facility originally expired on 10 December 2014, but has been extended twice thereafter. In March 2015 the parties agreed to convert the short-term facility to a long-term facility with 15 years duration, carrying an all-inclusive interest of 10 per cent. The lending facility is secured against EAM Solar Norway Holding AS and EAM Solar Italy Holding II Srl. The previously announced waiver for payment of instalments and interest for the period from February to July 2017 has been repaid in the fourth quarter.

In order to bridge financing until proceeds from the rights issue has been received by the Company, Sundt AS has given a short term liquidity loan in the size of NOK 4 million, carrying an annual interest of 15 per cent. This was repaid during the quarter.

**NOTE 05** SEGMENT INFORMATION

EAM owns and operates six solar PV power plants at the end of the third quarter 2017. Due to the criminal proceedings affecting 17 of the "P31 portfolio" power plants, that ultimately have lead to their bankruptcy, EAM derecognised the affected power plants and SPVs in 2016.

<b>EAM Solar Italy 1 s.r.l.</b>	<b>9M 2017</b>	<b>9M 2016</b>
Revenues from external customers	<b>816 427</b>	714 007
EBITDA	<b>559 744</b>	526 123
EBIT	<b>269 631</b>	225 013
Non-current assets	<b>4 586 313</b>	5 029 522
<b>EAM Solar Italy 2 s.r.l.</b>	<b>9M 2017</b>	<b>9M 2016</b>
Revenues from external customers	<b>1 668 112</b>	1 437 757
EBITDA	<b>1 299 024</b>	1 101 921
EBIT	<b>708 326</b>	511 426
Non-current assets	<b>9 749 655</b>	10 507 644
<b>EAM Solar Italy 3 s.r.l.<sup>1</sup></b>	<b>9M 2017</b>	<b>9M 2016</b>
Revenues from external customers	-	255 382
EBITDA	-	175 803
EBIT	-	61 854
Non-current assets	-	-
<b>ENS1 &amp; ENFO 25</b>	<b>9M 2017</b>	<b>9M 2016</b>
Revenues from external customers	<b>1 049 850</b>	1 010 345
EBITDA	<b>312 287</b>	(2 094 871)
EBIT	<b>(88 305)</b>	(2 495 347)
Non-current assets	<b>9 022 264</b>	9 674 785
<b>SPV's in criminal proceedings<sup>2</sup></b>	<b>9M 2017</b>	<b>9M 2016</b>
Revenues from external customers	-	354 204
EBITDA	-	(1 718 324)
EBIT	-	(6 572 917)
Non-current assets	-	-
<b>Other &amp; eliminations</b>	<b>9M 2017</b>	<b>9M 2016</b>
Revenues from external customers	-	(10 212)
EBITDA	<b>(8 285 698)</b>	(6 487 494)
EBIT	<b>(8 285 698)</b>	(6 487 494)
Non-current assets	<b>(191 665)</b>	(984 247)
<b>Total</b>	<b>9M 2017</b>	<b>9M 2016</b>
Revenues from external customers	<b>3 534 389</b>	3 761 483
EBITDA	<b>(6 114 643)</b>	(8 496 842)
EBIT	<b>(7 396 046)</b>	(14 757 465)
Non-current assets	<b>23 166 567</b>	24 227 704

<sup>1</sup> Sold with financial takeover 1 June 2016

<sup>2</sup> Derecognised with effect from 28 September 2016

**NOTE 06 FINANCIAL INCOME AND EXPENSES**

Financial income	9M 2017	9M 2016
Interest income	1 038	615 246
Foreign exchange gain	1 665 373	53 625
Other financial income	-	188 022
<b>Total financial income</b>	<b>1 666 411</b>	<b>856 893</b>
<b>Financial expenses</b>	<b>9M 2017</b>	<b>9M 2016</b>
Interest expense	(719 762)	(1 238 968)
Foreign exchange losses	(583 852)	(2 082 615)
Other financial expenses	(1 084 480)	(134 931)
<b>Total financial expenses</b>	<b>(2 388 093)</b>	<b>(3 456 514)</b>
<b>Net financial income (expenses)</b>	<b>(721 682)</b>	<b>(2 599 621)</b>

The average exchange rate used for the first nine months 2017 is EUR/NOK 9.2341, whereas the exchange rate used on 30 September 2017 is EUR/NOK 9.4125.

**NOTE 07 CASH AND CASH EQUIVALENTS**

EUR	Q3 2017	Q3 2016
Cash Norway	1 855 921	536 711
Cash Italy	1 137 698	1 736 189
<b>Cash and cash equivalents</b>	<b>2 993 620</b>	<b>2 272 900</b>
<b>Restricted cash Italy</b>	<b>920 980</b>	<b>920 980</b>
<b>Seized cash Italy</b>	<b>53 512</b>	<b>463 757</b>

The Company had no unused credit facilities at 30 September 2017, except for the Litigation Funding Agreement with Therium.

Of the restricted cash, EUR 670 thousand is the debt service reserve account of ENS Solar One Srl. The EUR 53 thousand of the seized cash is taken from companies not included in the criminal proceedings. The rest are funds dismantling and restoration costs.

**NOTE 08 ACCOUNTS RECEIVABLES**

Receivables	Q3 2017	Q3 2016
Accounts receivables	67 667	1 278 038
Deferred revenue towards GSE	1 666 196	987 208
Receivable from Aveleos	(2 105)	11 528 996
Other receivables	1 093 638	905 752
<b>Accounts receivables</b>	<b>2 825 396</b>	<b>14 699 994</b>

The substantial amount of the receivable outstanding is towards GSE and the sellers of P31. GSE normally has 60 days payment terms from receiving an invoice. In 2015, GSE introduced a 12 month delayed payment on 10 per cent of expected annual revenues, which accounts for the deferred revenue against GSE. A provision for doubtful debt against Aveleos SA of EUR 4 418 thousand has been made in the quarter in order to bring the net receivable against Aveleos SA to zero.

**NOTE 09 PROPERTY, PLANT AND EQUIPMENT**

Q3 2017	Solar power plants
<b>Carrying value 1 January 2017</b>	<b>23 077 581</b>
Additions	-
Write down	-
Depreciation	(1 281 403)
Disposals	-
<b>Carrying value 30 September 2017</b>	<b>21 796 178</b>
<b>2016</b>	<b>Solar power plants</b>
<b>Carrying value 1 January 2016</b>	<b>34 436 689</b>
Additions	6 001
Write down	(4 785 897)
Depreciation	(1 891 558)
Disposals	(4 687 654)
<b>Carrying value 31 December 2016</b>	<b>23 077 581</b>

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

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

EUR	Q3 2017	Q3 2016
Interest bearing debt	7 280 494	7 533 450
Other non current liabilities	782 038	-
Obligations under finance leases	5 605 506	5 914 159
<b>Total non-current liabilities</b>	<b>13 668 038</b>	<b>13 447 609</b>
Trade and other payables	1 926 025	1 954 311
Current interest bearing loans	-	-
Current project finance	-	-
Current leasing	-	-
Other current debt	-	-
Deferred tax	-	472 982
Tax payable	814 354	662 033
Related to ordinary operations	2 740 379	3 089 326
AION Renewables	-	-
Aveleos S.A.	-	8 045 518
GSE repayment claim	-	-
Related to criminal proceedings	-	8 045 518
<b>Total current liabilities</b>	<b>2 740 379</b>	<b>11 134 844</b>
<b>Total liabilities</b>	<b>16 408 417</b>	<b>24 582 453</b>

**Equity contribution agreement and patronage letter**

EAM Solar Italy Holding Srl and EAM entered into an equity contribution agreement and patronage letter with UBI Leasing and UniCredit in conjunction with the acquisition of ESGP, ESGI and ESSP.

In the outset, the agreements require EAM Solar Italy Holding Srl to inject equity into the SPVs under certain circumstances of breach of the lending agreement.

In the current situation, whereby the transfer of the companies came about as a deliberate fraud conducted by the previous owners, Enovos Luxembourg SA and Avelar Energy Ltd, the transfer also released Enovos and Avelar from their equity contribution obligations against UBI Leasing and UniCredit.



In the legal proceedings EAM has alleged that the main motive behind the contractual fraud conducted was in order for Enovos and Avelar to achieve to be formally released by the financing banks from their debt guarantee obligations, thus avoiding the losses that would come as a consequence of a FIT contract termination decision by GSE.

Consequently, the equity contribution commitments of EAM and EAM Solar Italy Holding srl are considered void since this was brought about as a result of a criminal contractual fraud. It is the Company's opinion that there is a less than 50 per cent likelihood that EAM will have to honour the agreements, and consequently no liability has been recognised.

## NOTE 11 LIST OF SUBSIDIARIES

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

Company	Country	Main operation	Ownership	Vote	EBITDA	EBIT	Equity	Shareholder loans
EAM Solar Norway Holding AS	Norway	Holding company	100%	100%	(20 545)	(20 545)	8 368 553	155 925
EAM Solar Italy Holding II s.r.l.	Italy	Holding company	100%	100%	(59 356)	(59 356)	6 958 058	5 726 944
EAM Solar Italy 1 s.r.l.	Italy	Solar power plant	100%	100%	559 744	269 631	(76 210)	5 205 150
EAM Solar Italy 2 s.r.l.	Italy	Solar power plant	100%	100%	1 299 024	708 326	2 630 891	8 372 447
EAM Solar Italy Holding s.r.l.	Italy	Holding company	100%	100%	(5 436 008)	(5 436 008)	(6 002 053)	19 496 402
Ens Solar One s.r.l.	Italy	Solar power plant	100%	100%	238 734	(74 236)	(92 623)	161 262
Energia Fotovoltaica 25 s.r.l.	Italy	Solar power plant	100%	100%	73 553	(14 069)	286 976	1 983 974

## NOTE 12 OPERATIONAL COSTS BREAK-DOWN 2017

EUR	EAM Solar Group	EAM Solar Italy 1	EAM Solar Italy 2	ENS1 & ENFO25	Other & Eliminations
<b>Revenues</b>	<b>3 534 389</b>	816 427	1 668 112	1 049 850	-
<b>Cost of operations</b>	<b>(495 928)</b>	(103 669)	(182 173)	(187 923)	(22 163)
Land rent	(91 625)	(26 775)	(55 711)	(9 139)	-
Insurance	(105 370)	(13 163)	(48 099)	(21 945)	(22 163)
Operation & Maintenance	(97 728)	(18 935)	(28 674)	(50 119)	-
Other operations costs	(201 205)	(44 796)	(49 689)	(106 720)	-
<b>Sales, General &amp; Administration</b>	<b>(1 186 251)</b>	(153 014)	(186 915)	(429 027)	(417 295)
Accounting, audit & legal fees	(115 553)	(14 907)	(17 741)	(1 780)	(81 125)
IMU tax	(20 641)	(8 364)	(7 331)	(4 946)	-
EAM SPM adm costs	(895 137)	(125 442)	(155 442)	(196 480)	(417 773)
Other administrative costs	(154 920)	(4 301)	(6 401)	(225 821)	81 603
<b>Acquisition &amp; financing cost</b>	<b>(7 966 854)</b>	-	-	(120 613)	(7 846 241)
Legal costs	(1 187 622)	-	-	-	(1 187 622)
Other non-recurring items	(6 779 232)	-	-	(120 613)	(6 658 619)
<b>EBITDA</b>	<b>(6 114 643)</b>	559 744	1 299 024	312 287	(8 285 698)

## NOTE 13 EVENTS AFTER THE REPORTING DATE

None.

**EAM SOLAR ASA**

Dronningen 1  
NO-0287 Oslo  
NORWAY

Phone: +47 2411 5716  
E-mail: [viktor@eam.no](mailto:viktor@eam.no)  
Web: [www.eam.no](http://www.eam.no)