

Financial report

eam

Q3
2015

EAM Solar ASA

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Highlights in the third quarter 2015

- The reported Q3 power production was 11.7 GWh, 4.0% below the seasonal average for the period, accumulated for the year the production was 31.0 GWh, 0.5% below the average for the period.
- Reported EBITDA in the quarter was EUR 1.1m, adjusted for acquisition and transaction costs, EBITDA was EUR 2.9m.
- The Company has received terminations from GSE of the FIT contract of all 17 power plants affected by the suspension measures. The termination letters were received in October and November.
- The Company has received to its SPV ESSP a formal notice of breach of the loan agreement following the termination of the FIT contracts by GSE.
- The general meeting held 25 November 2015 authorized the board of directors to carry out a split of the Company as described in the notice to the general meeting.
- In July the company received payments for RID revenue for the period June to September last year.
- The Company received 31 July 2015 the final tranche of the loan from Credit Agricole to ENS1 of EUR 676,000.

Key figures

<i>(EUR 000')</i>	Unaudited Q3 2015	Unaudited Q3 2014	Unaudited 9M 2015	Unaudited 9M 2014	Audited 2014
Revenues	4 274	3 947	10 905	5 920	8 715
Cost of operations	-510	-366	-1 261	-686	-1 158
Sales, general and administration expenses	-833	-704	-2 211	-1 279	-2 356
Acquisition and transaction costs	-1 831	-181	-2 180	-1 132	-2 989
EBITDA	1 100	2 696	5 253	2 823	2 213
Depreciation, amortizations and write downs	-1 351	-1 112	-3 996	-1 833	-3 365
EBIT	-252	1 584	1 257	990	-1 152
Net financial items	1 564	-1 760	-1 229	-1 852	561
Profit before tax	1 312	-176	28	-862	-591
Income tax gain/(expense)	11	-377	-313	-125	-1 034
Net income	1 323	-553	-285	-987	-1 625
Earnings per share (fully diluted) :	0,26	-0,11	-0,06	-0,19	-0,32
Distribution to shareholders per share	0,00	0,00	0,00	0,36	0,36
Dividend yield	0,0 %	0,0 %	0,0 %	3,6 %	0,0 %
Million no. of shares (fully diluted)	5,07	5,07	5,07	5,07	5,07
EBITDA adjusted	2 931	2 877	7 433	3 954	5 202
EBIT adjusted	1 579	1 765	3 437	2 121	1 837
Net income adjusted	441	-66	494	1 204	1 363

Adjusted EBITDA, EBIT and Net income are adjusted for non-recurring items such as cost of acquisition and financing, gains from bargain purchase and non-cash currency movements.

Interim report third quarter 2015

EAM Solar ASA is an investment company listed on the Oslo Stock Exchange under the ticker EAM. The Company's business is to own solar power plants and sell produced electricity under long-term fixed price sales contracts. The initial geographical focus is Italy, where the company owns twenty-five power plants of which four power plants are located in the Friuli and Piemonte regions in Northern Italy, and twenty-one power plants are located in the Puglia region in Southern Italy. Energeia Asset Management AS manages EAM Solar ASA under a long-term management agreement.

Operational review

The quarterly power production of 11.7 GWh was 4.0% below normal level due to less than normal solar irradiation in Italy during the quarter and repair after a lightning strike on the Codroipo plant.

All 25 power plants produced and delivered electricity to the grid in accordance with their contracts as normal throughout the quarter.

Codroipo power plant experienced a lightning strike in June that resulted in a temporary shutdown of electricity production partly in July and August. The production shortfall and associated repair work is covered by the insurance contract of the power plant.

Market price development

14.9% of the total revenue in the third quarter of 2015 came from variable market price contracts (PPA/RiD).

In the third quarter, the price has reached an average of EUR 54.7 per MWh. Accumulated in 2015, the price has reached an average of EUR 48.7 per MWh. The market price in 2014 was on average EUR 52 per MWh; in 2013 it was between EUR 55 and 65 per MWh. In 2011 and 2012, the wholesale market price of electricity in Italy was between EUR 75 to 85 per MWh,

P31 portfolio

On 15 July 2014, EAM Solar ASA executed the transfer of the shares of 7 out of a total of 8 companies that comprise the P31 portfolio. Afterwards it has become evident that Aveleos S.A. received money from EAM Solar ASA for the sale of companies that were involved in criminal investigations, and with substantial future liabilities. This fact is now firmly established through the termination of 17 electricity feed-in-tariff contracts by the Italian regulatory authority Gestore dei Servizi Energetici GSE Spa in October and November 2015.

Standstill agreement

EAM Solar ASA entered into a time limited standstill agreement on 11th of October 2014, with Aveleos SA with a duration until the 30th of March 2015.

Under the standstill agreement EAM and the seller agreed to jointly clarify all relevant facts related to the power plants and the viability of the FIT contracts that have been affected by the preliminary investigations conducted by the public prosecutor in Milan.

The parties agreed that Aveleos would provide EAM with EUR 5 million in liquidity to cover the cost of operations of the affected plants. So far EAM has spent more than EUR 5 million to maintain the financial integrity of the plants, of which EUR 2.5 million has been received from Aveleos.

As a result of the standstill agreement EAM lifted the injunction on the bank accounts of Aveleos SA as approved by the court of Luxembourg, thereby avoiding the bankruptcy of Aveleos SA as stated by the shareholders Enovos and Avelar.

EAM sent a termination notice of the standstill agreement in July 2015, following the warning of termination sent in February 2015. The basis for the termination is repeated breaches of the standstill conditions and intentions.

A few days before the criminal hearing in September the Company received a summoning from the civil court in Milano initiated by Aveleos, the seller of the P31 portfolio. Aveleos put forward a request to exclude Avelar, Enovos and Aveleos from the criminal proceedings as parties civilly liable for the crime. This was not accepted by the civil court and the court also ruled that Aveleos would cover EAM's legal cost for this matter.

Further, the Company and EAM Solar Italy Holding srl have received from the civil court in Luxembourg summoning from Aveleos on December 4th and December 11th regarding the standstill agreement. Aveleos is arguing that EAM is in breach of the standstill and that EAM has damaged Aveleos' reputation. For this they are seeking repayment of the loan paid out in connection with the standstill and tort for the alleged damage to their reputation. EAM does not consider it likely that Aveleos will succeed in these matters.

Several on-going legal processes

Criminal court

The transfer of 7 companies, owning 21 solar PV power plants, from Aveleos S.A., conducted the 15th of July 2014, is by EAM Solar ASA and the Criminal Prosecutors Office of Milan considered as the result of a criminal contractual fraud.

The prosecutor of the court of Milan has identified EAM Solar ASA and EAM Solar Italy Holding Srl, as civil victims of criminal contractual fraud.

The first hearing of the criminal proceedings took place 3 June 2015. In the hearing EAM Solar ASA and EAM Solar Italy Holding Srl maintained their status at victims of criminal contractual fraud. The court further decided to continue with a second and third hearing at the 15th and 17th of September 2015. In the hearing of 15th of September the criminal Judge dismissed the counterparties' request to exclude Avelar, Enovos and Aveleos from the criminal proceedings as parties civilly liable for the crime. A fourth hearing was scheduled for December 2nd 2015, however this has been postponed until further notice.

Administrative court

Following the suspension of FIT, which in its nature is a temporary measure, EAM has during the last 16 months conducted several legal proceedings in the administrative court and the State Council. The purpose of these legal proceedings have been to receive a permanent decision on the validity of the FIT contracts from GSE in order to protect the legal rights of EAM Solar ASA. With the terminations received in October and November GSE has reached a final conclusion on FIT contracts. See also subsequent events below.

Dividends

In the extraordinary general meeting ("EGM") the 25th of November 2015, the board of directors was granted the mandate to split the company by distributing as dividend the shares in EAM Solar Italy Holding Srl to the existing shareholders. This mandate expires at the annual general meeting ("AGM") in 2016. At the release of these financial statements no decision on dividend has been made.

Debt financing and restructuring

The affected SPVs have not paid interest or instalments on the leasing and project financing. This is related to the SPV's ESGI, ESGP and ESSP. The SPV's have used the free cash flow to maintain the assets by covering costs for insurance, O&M (Operation and Maintenance), security and utilities. EAM has in addition provided necessary liquidity through loans in order to maintain the financial integrity of the SPV's pending the outcome of the various legal proceedings as described above. The absence of payment on the financing can be seen as a breach of the payment terms, the relevant financing was reclassified to current debt in the fourth quarter last year, and still remains classified in the same way this quarter.

In the first quarter, the company came to an agreement with Sundt AS to convert the short-term acquisition facility to a longer-term debt facility. The new debt facility has 15 years to maturity at acceptable conditions.

Subsequent Events

Termination of FIT contracts

Subsequent to the reporting date but before the release of this report the Company has received to its subsidiaries terminations from GSE of the FIT contract of all 17 power plants affected by the suspension measures. Terminations were received on 28 October 2015 (three plants), 20 November 2015 (twelve plants) and on the 25 November (two plants).

GSE base their termination decision on the assumption that the completion of works have not been fulfilled in time and that the modules does not have adequate certification. The decision by GSE is based on their own investigation and inspection in addition to the documentation they have received from the ongoing criminal proceedings.

The termination of FIT contracts will most likely result in write down of receivables and fixed assets in the fourth quarter.

The subsidiaries have the possibility to appeal the terminations within 60 days from each termination date, and will do so if it is deemed beneficial and grounded.

These termination letters received are not considered an adjusting event in the quarter but will result in write downs of both fixed assets and receivables in the fourth quarter for the affected SPVs.

Formal notice of breach of loan agreement

The SPV ESSP has received formal notice of breach of the loan agreement following the termination of the FIT contracts by GSE.

EGM granting power to split and distribute

The general meeting held 25 November 2015 authorized the board of directors to carry out a split of the Company as described in the notice to the general meeting. If the board of directors resolves to carry out the split, this shall be done by way of a distribution of shares in EAM Solar Italy Holding Srl on the basis of the dividend authority described below.

Decision on distribution of the shares in EAM Solar Italy Holding Srl

(i) The board of directors is authorized pursuant to the Public Limited Companies Act § 8-2(2) to approve the distribution of dividends based on the Company annual accounts for 2014.

(ii) The authority may only be used to approve the distribution of dividends in the form of distribution of shares in EAM Solar Italy Holding Srl.

(iii) The authority shall remain in force until the annual general meeting in 2016.

Financial review

Income Statement

Going concern

The financial statements and figures presented in the report have been prepared under the assumption of going concern.

The situation is similar to the situation at year end 2014 with the difference that FIT has now been terminated instead of suspended.

The reason for preparing the financial statements as going concern is due to the board's opinion that the group has sufficient liquidity for the next twelve months' subject to a de facto standstill with the financing banks. Given all the uncertainties, the board and the manager are putting all their effort into finding a solution, and find it realistic that such a solution can be reached. It is in the interest of the shareholders, the financing banks, the employees of the manager and suppliers, the landowners and other stakeholders that the assets are intact. Upon keeping the assets running the group receives monthly payments for the market price contracts.

In addition, the company pursues its legal rights in the different courts to get both the consideration paid for the SPVs returned and the money injected into the SPVs at closing returned. In addition, comes tort and damage claims.

Should the situation not be resolved, the cash flow generated will only be sufficient to cover the direct costs of the power plants as described above.

Revenues

Third quarter revenues came in at EUR 4.3m. Achieved average electricity price for the quarter was EUR 343 per MWh against EUR 345 per MWh in the second quarter last year.

Operational cost

Cost of operations came in at EUR 0.5m for the quarter. SG&A costs came in at EUR 0.8m for the quarter. Acquisition and transaction costs in the period amounted to EUR 1.8m.

Operational earnings

The third quarter EBITDA came in at EUR 1.1m, adjusted EBITDA from operations came in at EUR 2.9m.

Net financial items

Change in net financial items from the second to the third quarter is mainly affected by the payment and accumulation of interest in addition change in agio/disagio.

Profit before tax and net income after tax

The result for the third quarter was a profit of EUR 1.3m and adjusted for acquisition costs and non-cash currency gain/loss, a gain of EUR 0.4m in the quarter.

Cash Flow and Balance Sheet Statements

Cash Flow

Cash flow from operations for the first nine months came in at negative EUR 1.0m. Cash flow from investing activities was negative EUR 0.1m. Cash flow from

financing activities was in total EUR 0.4m. Restricted and unrestricted cash by the end of the quarter was EUR 7.7m.

Balance Sheet

Total assets at the end of the period are EUR 117.4m, with an equity ratio of 40.8%. Net working capital (excluding non serviced interest bearing debt) was EUR 15.3m at end of September.

Oslo 30 November 2015

Marthe Hoff
Director

Ragnhild Wiborg
Chair

Pål Hvammen
Director

Viktor E Jakobsen
Executive Director

Audun Wickstrand Iversen
CEO

Condensed consolidated interim financial information

Interim condensed statement of comprehensive income

<i>(EUR)</i>	Note	Unaudited Q3 2015	Unaudited Q3 2014	Unaudited 9M 2015	Unaudited 9M 2014	Audited 2014
Revenues	1,8,13	4 274 248	3 947 177	10 904 926	5 919 511	8 715 437
Cost of operations	11	-510 170	-366 305	-1 260 960	-686 323	-1 157 952
Sales, general and administration expenses	11	-833 315	-704 098	-2 211 297	-1 279 324	-2 355 590
Acquisition and transaction costs	11	-1 831 077	-181 094	-2 179 772	-1 131 714	-2 988 966
EBITDA		1 099 686	2 695 680	5 252 898	2 822 150	2 212 929
Depreciation, amortizations and write downs	9	-1 351 447	-1 112 176	-3 996 045	-1 832 994	-3 365 187
EBIT		-251 761	1 583 504	1 256 853	989 156	-1 152 258
Finance income		2 716 529	127 435	3 049 409	1 469 774	4 869 785
Finance costs		-1 152 816	-1 886 967	-4 278 482	-3 321 455	-4 308 783
Profit before tax		1 311 952	-176 029	27 780	-862 525	-591 256
Income tax gain/(expense)		10 908	-376 749	-312 916	-124 791	-1 034 211
Profit after tax		1 322 860	-552 778	-285 136	-987 316	-1 625 467
Other comprehensive income						
Translation differences		711 957	-305 796	1 118 831	-305 796	-2 216 185
Cash flow hedges		-1 773 253	0	-1 149 970	0	-597 840
Other comprehensive income net of tax		-1 061 296	-305 796	-31 139	-305 796	-2 814 025
Total comprehensive income		261 563	-858 574	-316 275	-1 293 112	-4 439 492
Profit for the year attributable to:						
Equity holders of the parent company		1 322 860	-552 778	-285 136	-987 316	-1 625 467
Equity holders of the parent company		1 322 860	-552 778	-285 136	-987 316	-1 625 467
Total comprehensive income attributable to:						
Equity holders of the parent company		261 563	-858 574	-316 275	-1 293 112	-4 439 492
Equity holders of the parent company		261 563	-858 574	-316 275	-1 293 112	-4 439 492
Earnings per share:						
Continued operation						
- Basic		0,26	-0,11	-0,06	-0,19	-0,33
- Diluted		0,26	-0,12	-0,06	-0,21	-0,33

The interim financial statement information has not been subject to audit or review. Diluted number of shares at the end of the third quarter 2015 is 5,070,000.

Consolidated condensed statement of financial position

(EUR)	Note	Unaudited Q3 2015	Audited 2014	Audited 2013
ASSETS				
Property, plant and equipment	4,9	81 703 792	85 620 879	23 721 735
Deferred tax asset		1 034 820	1 034 820	0
Intangible assets		962 427	962 427	0
Other long term assets		344 791	788 457	422 867
Non-current assets		84 045 830	88 406 583	24 144 602
Receivables		25 122 527	13 735 899	802 046
Other current assets		541 801	452 703	77 723
Cash and short term deposits	10	7 659 559	8 326 068	4 861 406
Current assets		33 323 886	22 514 670	5 741 174
TOTAL ASSETS		117 369 716	110 921 253	29 885 776
EQUITY AND LIABILITIES				
Issued capital		6 214 380	6 214 380	2 932 561
Share premium		24 606 370	24 606 370	2 683 821
Paid in capital		30 820 750	30 820 750	5 616 382
Other components of equity		-4 935 161	-4 306 182	-2 089 997
Other equity		22 018 509	21 705 804	25 797 776
Other equity		17 083 348	17 399 622	23 707 779
Total equity		47 904 098	48 220 372	29 324 160
Project finance		9 893 382	0	0
Leasing		6 207 227	6 417 275	0
Total non-current liabilities		16 100 608	6 417 275	0
Trade payables		7 914 766	4 755 495	167 772
Tax liabilities		0	1 109 122	174 311
Short term financing - interest bearing		35 327 439	43 115 581	0
Other current liabilities		10 122 805	7 303 408	219 533
Total current liabilities		53 365 010	56 283 606	561 616
Total liabilities		69 465 618	62 700 881	561 616
TOTAL EQUITY AND LIABILITIES		117 369 716	110 921 253	29 885 776

Oslo, 30 November 2015

Board of Directors

Consolidated condensed statement of changes in equity

<i>(EUR)</i>	Share capital	Share premium fund	Other equity	Cash flow hedge reserve	Currency translation reserve	Total equity
Equity as at 1 January 2013	1 523 423	13 400 695	-455 720	0	1 048 158	15 516 556
Capital increase 25 March 2013	1 409 138	13 519 263				14 928 401
Costs related to capital increase		-1 026 588				-1 026 588
Conversion of share premium fund		-23 209 549	23 209 549			0
Dividends or distribution to shareholders			-1 607 797			-1 607 797
Profit (loss) After tax			4 651 744			4 651 744
Other comprehensive income				0	-3 138 155	-3 138 155
Equity as at 31 December 2013	2 932 561	2 683 821	25 797 776	0	-2 089 997	29 324 161
Equity as at 1 January 2014	2 932 561	2 683 821	25 797 776	0	-2 089 997	29 324 161
Capital increase 17 January 2014	3 281 819	22 972 731				26 254 550
Costs related to capital increase		-1 050 182				-1 050 182
Dividends or distribution to shareholders			-1 868 665			-1 868 665
Profit (loss) After tax			-1 625 467			-1 625 467
Other comprehensive income				-597 840	-2 216 185	-2 814 025
Equity as at 31 December 2014	6 214 380	24 606 370	22 303 644	-597 840	-4 306 182	48 220 372
Equity as at 1 January 2015	6 214 380	24 606 370	22 303 644	-597 840	-4 306 182	48 220 372
Profit (loss) After tax			-285 136			-285 136
Other comprehensive income				-1 149 970	1 118 831	-31 139
Equity as at 30 September 2015	6 214 380	24 606 370	22 018 508	-1 747 810	-3 187 351	47 904 097

Consolidated condensed cash flow statement

<i>(EUR)</i>	Note	Unaudited 9M 2015	Unaudited 9M 2014	Audited 2014
Ordinary profit before tax		-285 136	-987 316	-591 256
Paid income taxes		0	-310 270	-1 007 617
Depreciation	9	3 996 045	1 832 994	3 365 187
Changes in trade receivables and trade payable		-5 407 961	-6 574 508	-8 346 130
Changes in other accruals		717 493	2 516 085	2 923 511
Cash flow from operations		-979 558	-3 523 014	-3 656 305
Acquisition of subsidiary net of cash acquired		-78 958	0	-24 477 899
Acquisition of property, plant and equipment			-23 519 621	
Cash flow from investments		-78 958	-23 519 621	-24 477 899
Proceeds from issue of share capital		0	25 259 554	25 204 368
Dividends or shareholder distributions		0	-1 868 665	-1 868 665
Proceeds from new loans		676 000	8 144 014	10 291 896
Repayment of loans		-252 856	-1 713 621	-2 028 732
Cash flow from financing		423 144	29 821 282	31 598 867
Free cash at beginning of period		1 941 384	4 861 406	4 861 406
Net currency translation effect		-31 139	3 087 532	0
Seizure of cash	10	-155 638	0	-6 384 685
Net increase/(decrease) in cash and cash equivalents		-635 373	2 778 647	3 464 663
Free cash at end of period	10	1 119 234	10 727 585	1 941 384

EUR 6.5m is seized at the end of Q3 2015. See Note 10 for further detail.

Notes to the Interim Condensed Consolidated Financial Statements

Note 1 - Basis of preparation

General accounting principles

EAM Solar ASA (the Group) is a public limited liability company, incorporated and domiciled in Norway. The registered office of EAM Solar ASA is Dronningen 1, NO-0287 Oslo, Norway. The Company was founded the 5 January 2011.

The Company is listed on the Oslo Stock Exchange under the ticker EAM.

The main activity of EAM Solar ASA is to own solar PV power plants and sell the electricity produced under long-term contracts. EAM's main purpose is to create a steady long-term dividend yield for its shareholders. EAM Solar ASA currently owns twenty-five photovoltaic power plants and eleven subsidiaries in Italy. The company has no employees.

Energieia Asset Management AS manages EAM Solar ASA under a long-term management agreement. EAM Solar Park Management AS (EAM SPM), a subsidiary of Energieia Asset Management AS, is conducting most of the day-to-day management tasks directly or through the use of subcontractors and own employees.

This interim condensed consolidated financial statement for the third quarter 2015 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, and should be read in conjunction with the Group's Annual Report 2014

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 2014. Standards and interpretations as mentioned in the Group's Annual Report 2014 Note 1 and effective from the 1 January 2014 did not have a significant impact on the Group's consolidated interim financial statements.

Financial risk

For some of the external financing contracts with floating interest there are interest rate swaps for the full duration of the contact period and for the full amount; swapping the interest from floating to fixed.

Credit risk

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

The current situation for EAM in Italy is that GSE has terminated the FIT payments for 17 power plants.

GSE base their termination decision on the assumption that the completion of works have not been fulfilled in time and that the modules does not have adequate certification. The decision by GSE is based on their own investigation and inspection in addition to the documentation they have received from the ongoing criminal proceedings.

The termination of FIT contracts will most likely result in write down of receivables and fixed assets in the fourth quarter.

GSE's termination decision is based on their judgment of evidence that the completion of works has not been fulfilled in time and that the modules does not have adequate certification.

The subsidiaries have the option to appeal the terminations within 60 days from each termination date, and will do so if it is deemed beneficial and grounded.

These termination letters received are not considered an adjusting event in the quarter but will result in write downs of both fixed assets and receivables in the fourth quarter for the affected SPVs.

The Company's gross credit risk exposure at 30 September 2015, before any write down, was EUR 25.1 million. EAM Solar has made no financial arrangements to limit the credit risk further.

Asset value risk

EAM Solar ASA group cash balance was EUR 7.7 million at 30 September 2015 of which EUR 6.5 million has been seized by the Italian authorities. The seized cash has limited the Company from paying its obligations under the leasing and loan agreements and the relevant financing has been reclassified as short-term debt since the lack of payment can be viewed as a breach of contract. The Company has received, subsequent to the reporting period, to its SPV ESSP formal notice of breach of the loan agreement following the termination of the FIT contracts by GSE.

During the annual impairment test, EAM has identified indicators for impairment as described in IAS 36. We have therefore done a full impairment test of all solar power plants owned by EAM.

The impairment test has been conducted under the assumption that all FIT for the P31 plants are reinstated and paid out, also the outstanding amounts for 2014. Based on this assumption it will not necessitate any adjustments to the book value of the power plants.

However, since the Company has received termination of the FIT for the suspended power plants a write down of the assets will most likely be conducted in the fourth quarter. The termination letters received in October and November are not considered to be adjusting events in the third quarter.

Market and regulatory risk

In Italy, the main incentive program expired in 2013, which has reduced the volume of new built solar power plant. As the cost of Solar PV power plants has come down, Italian authorities expect 1 – 2 GW of new capacity to be installed annually without subsidies.

The secondary market is abundant, especially in Italy, with a steady availability of projects that have been in operation for 3 – 4 years.

During the last years, there have been changes in different taxes that impact the profitability of solar power plants. An increase in IMU (real estate taxes) and corporate tax has had a negative impact during the last years.

The Italian government made a retroactive cut of the Feed in-Tariff (FIT) during the 3rd quarter of 2014. This has resulted in a permanent 8% annual reduction in the FIT. In addition, the payments terms of the FIT have been changed; the Company receives each month 1/12 of the average production of the previous year, multiplied by 90%. The remaining 10% is received in June the following year.

With the transition from a subsidy-based industry to grid parity, with pure commercial considerations, off-take agreements and new valuation models to factor in new risk elements will have to be developed.

Note 4 – Acquisition accounting and impairment test

EAM Solar ASA's core business is to acquire and operate solar PV power plants (SPPs). Acquisitions are either conducted by acquiring companies that owns SPPs, or by acquiring the power plant directly (asset purchase). Choice of acquisition method has tax implications, and implications for the asset value used in the Company's accounts post acquisition.

Impairment test

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the remaining feed in tariff period. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows.

We would like to point out that the assumptions in the impairment test are made to indicate scenarios that management find explanatory at the reporting date. Actual outcome might be materially different, due to, but not limited to the inherent risk in the on-going legal processes.

No impairment test has been concluded for the third quarter 2015 accounts. However, due to the termination decision of GSE conducted in the fourth quarter, and impairment test will be conducted based on new financial assumptions. The impairment test in the fourth quarter will most probably result in a write down of assets values in the Company.

Note 5 - List of subsidiaries

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

Company	Country of incorporation	Main operation	Ownership	Voting power
EAM Solar Norway Holding AS	Norway	Holding company	100%	100%
EAM Solar Italy Holding Srl	Italy	Holding company	100%	100%
EAM Solar Italy Holding II Srl	Italy	Holding company	100%	100%
EAM Solar Italy 1 Srl	Italy	Solar power plant	100%	100%
EAM Solar Italy 2 Srl	Italy	Solar power plant	100%	100%
EAM Solar Italy 3 Srl	Italy	Solar power plant	100%	100%
Energetic Source Green Power s.r.l.	Italy	Solar power plant	100%	100%
Energetic Source Green Investment s.r.l.	Italy	Solar power plant	100%	100%
Energetic Source Solar Production s.r.l.	Italy	Solar power plant	100%	100%
Aveleos Green Investment s.r.l.	Italy	Solar power plant	100%	100%
Ens Solar One s.r.l.	Italy	Solar power plant	100%	100%
Energia Fotovoltaica 14 Soc. Agr. A r.l.	Italy	Solar power plant	100%	100%
Energia Fotovoltaica 25 Soc. Agr. A r.l.	Italy	Solar power plant	100%	100%

Note 6 - Segment information

EAM Solar Italy 1 s.r.l.	9M 2015	9M 2014
Revenues from external customers	816 746	761 758
EBITDA	622 535	553 513
EBIT	332 201	263 965
Investments	0	0
Non-current assets	5 491 145	5 822 948

EAM Solar Italy 2 s.r.l.	9M 2015	9M 2014
Revenues from external customers	1 706 813	1 669 250
EBITDA	1 147 782	1 277 961
EBIT	556 732	687 887
Investments	0	0
Non-current assets	11 273 272	12 051 700

EAM Solar Italy 3 s.r.l.	9M 2015	9M 2014
Revenues from external customers	591 721	647 673
EBITDA	504 246	432 716
EBIT	299 113	231 090
Investments	0	217 854
Non-current assets	5 004 348	5 218 124

P21	9M 2015	9M 2014
Revenues from external customers	7 789 647	2 840 830
EBITDA	4 285 152	2 232 774
EBIT	1 851 486	1 481 027
Investments	0	30 000 000
Non-current assets	56 282 047	66 284 187

Other & eliminations	9M 2015	9M 2014
Revenues from external customers	0	0
EBITDA	-1 306 819	-1 674 814
EBIT	-1 306 819	-1 674 814
Investments	0	0
Non-current assets	5 995 019	312 723

Total	9M 2015	9M 2014
Revenues from external customers	10 904 926	5 919 511
EBITDA	5 252 898	2 822 150
EBIT	1 732 715	989 155
Investments	0	30 217 854
Non-current assets	84 045 830	89 689 682

Non-current assets consist of the solar power plants in Italy, land, deferred tax asset and capitalized acquisition costs.

In the third quarter EAM Solar ASA owned, through ten 100% owned Italian subsidiaries, 25 solar power plants in Italy.

Single purpose vehicle (SPV)	Power plant	MWp	Ownership
EAM Solar Italy 1 Srl	Varmo	3,128	100%
EAM Solar Italy 2 Srl	Codroipo	1,522	100%
EAM Solar Italy 3 Srl	Momo	0,994	100%
EAM Solar Italy 3 Srl	Caltignaga	0,992	100%
Energetic Source Green Power srl (ESGP)	Selvaggi	0,989	100%
Energetic Source Green Power srl (ESGP)	Di Mauro	0,989	100%
Energetic Source Green Power srl (ESGP)	Ninivaggi	0,984	100%
Energetic Source Green Power srl (ESGP)	Lomurno	0,987	100%
Energetic Source Green Power srl (ESGP)	Giordano D.	0,989	100%
Energetic Source Green Power srl (ESGP)	Gagnazzi	0,989	100%
Energetic Source Green Power srl (ESGP)	Genile	0,987	100%
Energetic Source Green Investments srl (ESGI)	Lorusso	0,989	100%
Energetic Source Green Investments srl (ESGI)	Cirasole	0,986	100%
Energetic Source Green Investments srl (ESGI)	Scaltrito	0,989	100%
Energetic Source Solar Production srl (ESSP)	Pasculli	0,987	100%
Energetic Source Solar Production srl (ESSP)	Pisicoli N.	0,987	100%
Energetic Source Solar Production srl (ESSP)	Pisicoli T.	0,987	100%
Energetic Source Solar Production srl (ESSP)	Marulli	0,742	100%
Energetic Source Solar Production srl (ESSP)	Antonacci	0,986	100%
Aveleos Green Investment srl (AGI)	Piangevino	0,989	100%
Ens Solar One srl (ENS1)	Lorusso	0,984	100%
Ens Solar One srl (ENS1)	Brundesini	0,994	100%
Ens Solar One srl (ENS1)	Scardino	0,993	100%
Energia Fotovoltaica 14 Soc. Agr. a r.l. (ENFO14)	Enfo 14	0,977	100%
Energia Fotovoltaica 25 Soc. Agr. a r.l. (ENFO25)	Enfo 25	0,983	100%

Note 7 - Transactions with related parties

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

Energieia Asset Management, and its daughter company EAM SPM, delivers management services to EAM Solar ASA according to the Management Agreement. EAM SPM is 100% owned by Energieia Asset Management AS.

According to the Management Agreement, the Energieia group charges EAM Solar ASA the direct operating costs, without any profit margin, related to the management services provided. At the moment any direct operating costs above NOK 5 million a year must be approved by the board of directors in EAM Solar ASA.

Furthermore, the Energieia group receives 12.5% of the Groups pre-tax profit as royalty from EAM Solar ASA, known as the financial participation mechanism. The royalty is based on the fact that EAM Solar is developed, created and managed by Energieia Asset Management AS. The royalty structure aligns the interests of the Energieia group with the interests of the shareholders of EAM Solar ASA.

Direct cost charged by the Energieia group according to the Management Agreement amounts can be seen in note 11.

In the calculation of the royalty, any non-cash currency gain or non-cash gain on bargain purchase is subtracted from the royalty calculation base.

In the financing of the P31 acquisitions, EAM used a credit facility of EUR 8,1m provided by the largest shareholder in EAM Solar ASA, Sundt AS.

Note 8 – Information on major customers

Of the groups' revenues of EUR 4.3m in Q3 2015, all came from the sale of electrical power.

85.1% of electricity sale is conducted through long-term electricity sales contracts (the FIT contracts), and the remainder from sales at market price.

The Company's major customer is GSE for the FIT contracts. GSE is short for Gestore dei Servizi Energetici GSE S.p.A., a company owned by the Italian Ministry of Economy and Finance. For further information about GSE visit the following web page: www.gse.it.

Note 9 – Property, plant and equipment

2015	Power plants
Carrying value 1 January 2015	85 620 879
Additions	78 958
Depreciation	-3 996 045
Carrying value 31 December 2015	81 703 792

2014	Power plants
Carrying value 1 January 2014	23 721 735
Additions	65 264 331
Depreciation	-3 365 187
Carrying value 31 December 2014	85 620 879

2013	Power plants
Carrying value 1 January 2013	81 703 792
Additions	-56 742 037
Depreciation	-1 240 020
Carrying value 31 December 2013	23 721 735

The assets are depreciated based over an economic life of 11 to 20 years and linear depreciation.

In the fourth quarter 2013 the tax depreciation period for SPPs was changed from 20 to 25 years according to a regulatory change in Italy. This has not impacted our IFRS practise of depreciation over 20 years equivalent to the FIT electricity sales contract period.

Note 10 - Cash and cash equivalents

(EUR)	Q3 2013	Q4 2013	Q1'2014	Q2'2014	Q3 2014	Q4 2014	Q1'2015	Q2'2015	Q3'2015
Restricted/Unrestricted cash Norway	1 746 242	1 435 170	25 975 787	969 095	203 138	496 460	44 483	151 092	155 543
Restricted/Unrestricted cash Italy	2 105 870	3 176 028	3 365 968	33 499 741	1 150 985	1 480 609	1 473 296	1 009 022	963 693
Seized cash Italy	250 208	250 208	250 208	250 208	9 373 462	6 348 999	6 501 021	6 499 446	6 540 323
Cash	4 102 320	4 876 716	29 591 962	34 719 044	10 727 584	8 326 068	8 018 799	7 659 559	7 659 559

The group has no unused credit facilities at the end of the third quarter 2015.

The restricted cash is partly tied up in debt service reserve accounts related to the debt financing of the power plants, but also funds that have been seized in conjunction with the preliminary investigations conducted by the Public Prosecutor in Milan.

Note 11 – Detailed operational cost overview

(EUR)	EAM Solar ASA Group	EAM Solar Italy 1	EAM Solar Italy 2	EAM Solar Italy 3	P21	Other & Eliminations
Revenues	10 904 926	816 746	1 706 813	591 721	7 789 647	0
Cost of operations	-1 260 960	-75 304	-333 193	-52 757	-796 241	-3 465
Land rent	-252 597	-26 528	-55 385	0	-170 684	0
Insurance	-169 952	-13 138	-48 140	-9 087	-96 122	-3 465
Operation & Maintenance	-622 365	-30 680	-221 585	-31 888	-338 211	0
Other operations costs	-216 046	-4 959	-8 082	-11 781	-191 224	0
Sales, General & Administration	-2 211 297	-118 907	-231 013	-99 467	-2 269 244	507 333
Commercial management	-2 096	-2 096	0	0	0	0
Accounting, audit & legal fees	-369 425	-8 985	-9 045	-8 760	-121 577	-221 057
IMU tax	-500 233	-26 882	-48 273	-40 570	-384 508	0
EAM SPM direct costs	-1 107 447	-78 000	-159 000	-46 500	-1 744 115	920 168
EAM SPM management service contract	0	0	0	0	0	0
Other administrative costs	-232 096	-2 944	-14 695	-3 637	-19 044	-191 777
Acquisition & financing cost	-2 179 772	0	5 175	64 749	-439 009	-1 810 687
Acquisition transaction costs	-1 687 054	0	0	0	0	-1 687 054
Funding & IPO costs	0	0	0	0	0	0
Other non-recurring items	-492 717	0	5 175	64 749	-439 009	-123 632
EBITDA	5 252 898	622 535	1 147 782	504 246	4 285 152	-1 306 819

The costs under other & eliminations are costs of EUR 1.8m related to the due diligence and transaction costs of the P31 acquisition both before and after closing by EAM Solar Italy Holding Srl.

Note 12 – Quarterly P&L overview 2013 - 2015

(EURm)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Production (GWh)	2,692	1,629	1,521	3,283	11,691	6,375	7,026	12,325	11,654
% of annual production	50%	30%							
Revenues	1,131	0,497	0,592	1,380	3,947	2,796	2,383	4,248	4,274
Total operating costs	-0,431	-0,455	-0,934	-0,912	-1,251	-3,405	-1,366	-1,112	-3,175
Operations costs	-0,068	-0,128	-0,116	-0,204	-0,366	-0,472	-0,379	-0,372	-0,510
SG&A costs	-0,234	-0,332	-0,260	-0,315	-0,704	-1,076	-0,676	-0,702	-0,833
A&T costs	-0,129	0,005	-0,558	-0,393	-0,181	-1,857	-0,311	-0,038	-1,831
EBITDA	0,700	0,042	-0,342	0,468	2,696	-0,609	1,017	3,136	1,100
EBITDA margin	62%	9%	-58%	34%	68%	-22%	43%	74%	26%
Depreciation	-0,295	-0,358	-0,360	-0,360	-1,112	-1,533	-1,313	-1,332	-1,351
Gain on bargain purchase	2,422	-0,179	0,000	0,000	0,000	0,000	0,000	0,000	0,000
EBIT	2,826	-0,494	-0,702	0,108	1,584	-2,142	-0,296	1,805	-0,252
Financial income	0,666	0,755	0,043	1,300	0,127	3,399	0,042	0,290	2,717
Financial costs	-0,049	-0,006	-0,258	-1,176	-1,887	-0,988	-2,201	-0,925	-1,153
Profit before tax	3,444	0,254	-0,917	0,232	-0,176	0,270	-2,454	1,170	1,312
Adjusted EBITDA	0,828	0,037	0,216	0,861	2,877	1,248	1,328	3,174	2,931

EBITDA adjusted is adjusted for acquisition, transaction and funding costs.

Note 13 – Power production

The following power plants are included in the consolidated financial statements:

Actual power production	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014*	Q2 2014*	Q1 2014*	Q1 2013	Q2 2013	Q3 2013	Q4 2013	FY2014	FY2013
Varmo	832	841	460	334	710	796	367	352	785	862	315	2 207	2 315
Codroipo	1 195	1 275	933	693	1 502	1 605	749	750	1 550	1 798	707	4 548	4 806
Momo	410	425	213	127	214	451	198	0	0	460	287	990	747
Caltignaga	406	433	225	144	389	430	208	0	0	439	144	1 171	583
Selvaggi	417	444	174	245	431	420	277	199	436	457	255	1 373	1 347
Di Mauro	423	464	260	250	433	413	274	167	421	454	280	1 371	1 322
Ninivaggi	440	444	243	249	427	423	274	197	405	458	252	1 373	1 312
Lomurno	421	453	250	238	419	410	270	204	444	453	256	1 337	1 356
Giordano D.	436	472	239	243	434	419	280	197	420	445	267	1 376	1 330
Gagnazzi	430	459	259	242	423	412	276	201	452	458	264	1 353	1 374
Gentile	400	438	254	236	416	411	260	192	383	438	245	1 324	1 258
Lorusso	427	435	198	224	393	403	267	169	433	441	235	1 287	1 278
Cirasole	320	369	271	261	452	441	292	200	438	468	260	1 445	1 367
Scaltrito	436	449	262	250	426	405	278	199	428	459	249	1 359	1 335
Pasculli	415	460	252	252	441	412	283	272	464	417	242	1 388	1 395
Piscicoli N.	437	467	257	245	442	424	275	270	483	469	247	1 385	1 469
Piscicoli T.	433	446	249	241	433	414	272	244	397	441	245	1 359	1 327
Marulli	326	348	194	180	325	312	197	141	273	338	182	1 014	934
Antonacci	410	471	269	246	447	430	285	101	482	472	255	1 407	1 310
Piangevino	443	457	255	241	417	415	273	202	387	358	235	1 347	1 183
Lorusso	443	470	250	230	429	421	274	216	472	469	251	1 354	1 407
Brundesini	456	472	277	258	439	419	286	218	469	454	253	1 402	1 393
Scardino	450	436	270	253	436	426	286	204	428	440	280	1 400	1 352
Enfo 14	430	456	262	248	396	415	280	205	418	424	265	1 339	1 313
Enfo 25	417	443	251	246	417	413	267	195	430	456	258	1 343	1 339
Total	11 654	12 325	7 026	6 375	11 691	11 940	7 246	5 296	11 297	12 829	6 729	37 252	36 150

(*) Production is based on historical average solar irradiation

Note 15– Going concern

The financial statements and figures presented in the report have been prepared under the assumption of going concern.

The situation is similar to the situation at year end 2014 with the difference that FIT has now been terminated instead of suspended.

The reason for preparing the financial statements as going concern is due to the board's opinion that the group has sufficient liquidity for the next twelve months' subject to a de facto standstill with the financing banks. Given all the uncertainties, the board and the manager are putting all their effort into finding a solution, and find it realistic that such a solution can be reached. It is in the interest of the shareholders, the financing banks, the employees of the manager and suppliers, the landowners and other stakeholders that the assets are intact. Upon keeping the assets running the group receives monthly payments for the market price contracts.

In addition, the company pursues its legal rights in the different courts to get both the consideration paid for the SPVs returned and the money injected into the SPVs at closing returned. In addition, comes tort and damage claims.

Should the situation not be resolved, the cash flow generated will only be sufficient to cover the direct costs of the power plants as described above.

Note 16 – Financial liabilities

EAM has decided not to pay interest or instalments on the leasing and project financing related to the SPVs ESGI, ESGP and ESSP. Instead EAM has decided to use the free cash flow to maintain the assets by covering costs for O&M (Operation and Maintenance), security and utilities. Since the absent of payment on the financing can be seen as a breach of the payment terms, the relevant financing has been reclassified to current debt. The Company has received to its SPV ESSP formal notice of breach of the loan agreement following the termination of the FIT contracts by GSE.

The financing institutions have not paid out the last tranche, in total EUR 2.6m, this amount have been netted, see Note 10 for further detail.

Note 17 – Events after the interim period

Termination of FIT contracts

Subsequent to the reporting date but before the release of this report the Company has received to its subsidiaries terminations from GSE of the FIT contract of all 17 power plants affected by the suspension measures. Terminations were received on 28 October 2015 (three plants), 20 November 2015 (twelve plants) and 25 November (two plants).

GSE base their termination decision on the assumption that the completion of works have not been fulfilled in time and that the modules does not have adequate certification. The decision by GSE is based on their own investigation and inspection in addition to the documentation they have received from the ongoing criminal proceedings.

The termination of FIT contracts will most likely result in write down of receivables and fixed assets in the fourth quarter.

The terminations are based on evidence that the completion of works have not been fulfilled in time and that the modules does not have adequate certification. In addition, there are various other not so material points.

The subsidiaries have the option to appeal the terminations within 60 days from each termination date, and will do so if it is deemed beneficial and grounded.

These termination letters received are not considered an adjusting event in the quarter but will result in write downs of both fixed assets and receivables in the fourth quarter for the affected SPVs.

Formal notice of breach of loan agreement

The SPV ESSP has received formal notice of breach of the loan agreement following the termination of the FIT contracts by GSE.

EGM granting power to split and distribute

The general meeting held 25 November 2015 authorized the board of directors to carry out a split of the Company as described in the notice to the general meeting. If the board of directors resolves to carry out the split, this shall be done by way of a distribution of shares in EAM Solar Italy Holding Srl on the basis of the dividend authority described below.

Decision on distribution of the shares in EAM Solar Italy Holding Srl

- (i) The board of directors is authorized pursuant to the Public Limited Companies Act § 8-2(2) to approve the distribution of dividends based on the Company annual accounts for 2014.
- (ii) The authority may only be used to approve the distribution of dividends in the form of distribution of shares in EAM Solar Italy Holding Srl.
- (iii) The authority shall remain in force until the annual general meeting in 2016.

Third quarter 2015

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