

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

eam

The background of the entire page is a close-up, slightly blurred view of a solar panel array. The panels are arranged in a grid, and the sunlight creates a bokeh effect of bright, out-of-focus spots across the blue-tinted surface.

# EAM SOLAR ASA **ANNUAL REPORT** 2019



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# EAM SOLAR ASA IN BRIEF

EAM Solar ASA (EAM or the Company) is a public limited liability company, incorporated and domiciled in Norway, with registered address at Dronningen 1, 0287 Oslo, Norway.

Energieia AS established EAM on 5 January 2011. The Company was established with the purpose of owning Solar PV power plants under long-term electricity sales contracts and distributing dividends on a regular basis to its shareholders. The Company was listed on the Oslo Stock Exchange under the ticker EAM in March 2013, becoming the world's first publicly listed pure solar PV "YieldCo".

EAM has no employees and is managed by Energieia AS. Energieia AS conducts all administrative and technical tasks with own employees and subcontractors. The annual general meeting of EAM elects the Company's board of directors, who make all material investments, divestments and contractual decisions.

EAM acquired the first power plant in Italy in 2011. At the end of 2019 EAM owned and operated 4 power plants with a combined capacity of 4.0 MW generating an average annual production of 5.4 GWh annually (P50 production).

EAM entered into a Share Purchase Agreement with Aveleos S.A. in July 2014 to acquire 31 PV power plants in Italy, for a total consideration of EUR 115 million. One week after the transfer of 21 of the 31 power plants, it appeared that 27 of 31 power plants comprised by the Share Purchase Agreement, and two

directors of the sellers, were already the targets of a criminal investigation conducted by the Prosecutor's Office of Milan.

Based on the criminal proceedings, the companies contractual counterparty for purchase of electricity, the state owned utility company Gestore dei Servizi Energetici (GSE), firstly suspended and then terminated the long-term electricity sales contract for 17 of the 21 PV power plants transferred to EAM in July 2014. The Administrative Court of Lazio legalized GSE's termination decision in June 2016.

EAM's calculated loss of revenues due to terminated FIT contracts and permanent closure of power plants because of lacking technical certification, amounts to an amount in excess of EUR 300 million. This has resulted in the bankruptcy of the SPVs affected by the criminal proceedings in 2016.

The annual accounts of 2019 have identified a profit after tax of minus EUR 236 thousand, stemming mainly from legal costs.

On the basis of the fundamental breach of contract and contractual guarantees in the Share Purchase Agreement, resulting in losses now suffered by EAM, and the lack of willingness from the seller to remedy the flawed sale, EAM has been forced to initiate legal proceedings against the sellers to recover

losses and damages in excess of EUR 300 million. This situation has effectively changed EAM from a YieldCo to a large listed lawsuit.

As a consequence of the fraud, EAM's market valuation dropped to EUR 10 million in the beginning of 2016, 80 per cent below the invested equity capital of EUR 55 million. During 2016, 2017 and 2018 the market value has increased to EUR 27 million. In 2019 the market value has decreased to EUR 8 million.

Throughout 2019 the Company has continued to fight for its rights in various legal venues. In brief it can be summarized as follows:

## Criminal proceedings

On 18 April 2019 the Criminal Court of Milan published its ruling in the criminal proceedings where EAM Solar ASA has been included as a civil damaged party.

The Criminal Court found it evidenced and consequently decided that Both Mr Giorgi and Mr Akhmerov are guilty of criminal contractual fraud against EAM Solar ASA in conjunction with the sale of the so-called P31 portfolio, i.e. both are found guilty according to the State Prosecutors Office of Milano's Indictment point F.

The Criminal Court also decided that Aveleos S.A. must pay EAM Solar ASA provisional damages of EUR 5 million immediately, not awaiting appeal or the final damages decision.

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

The Company has at the date of release of this report not yet received the necessary documentation from the Criminal Court of Milan to serve the decision upon Aveleos SA., where by Aveleos SA was sentenced to pay damages in favour of the companies EAM Solar Italy Holding Srl and EAM Solar ASA, to be paid separately, with provisional payment determined at EUR 5 million, as well

## Valuation

(EUR million)





as reimbursement of court costs, which totalled EUR 15 840 plus VAT and CPA, and 15 per cent in the form of flat-rate reimbursement of expenses.

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

The Criminal Court of Milano found the two Aveleos directors Igor Akhmerov and Marco Giorgi guilty for criminal contractual fraud against EAM Solar ASA, and sentenced them to prison terms and a provisional damage;

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

In addition, the Criminal Court; "Rejects the claims for damage formulated against

the civilly liable parties Avelar Energy Ltd and Enovos Luxembourg S.A." as also stated in the court decision of 18 April.

On the matter of the civil responsibility for economic damages versus Enovos and Avelar, the Court chose in its decision on 18 April to reverse previous court resolutions on the financial liability based on the lack of autonomy of Aveleos SA versus its shareholders Enovos and Avelar in conjunction with financial liability. In the grounds published on 15 October the Court in its reasoning describes that in the preliminary questions, the Court had rejected the request for exclusion, as civil managers, of the two companies, noting that, in light of the elements offered by the parties, it had to be considered, with the obvious limitations of the preliminary ruling, that it was not possible to see a distinct subjectivity of Aveleos with respect to the integrally holding companies of its social capital and its actual administrators (Enovos Luxembourg for about 59 per cent and Avelar Energy for about 41 per cent, as stated above): this resulted in subsistence of an indicative framework indicative of the responsibility

of Enovos Luxembourg and Avelar Energy for the obligations assumed by Aveleos through their managers, as they refer to them. As a result of the judgment, the hypothesis formulated by the Court has not found the necessary confirmation, as elements of denial, or at least doubt, have emerged which do not allow the court to believe that proof has been reached that Aveleos was a mere legal shield of its members.

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

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

The Criminal Court of Milan has not given any statement concerning the total amount of damages award apart from the provisional,

now enforceable, amount of EUR 5 million. To EAM's knowledge the final damages award shall be determined in a civil court proceeding following a final ruling.

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

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

The requests by Aveleos ignore the decision rendered by the Criminal Court of Milan on 18 April 2019 condemning Aveleos' directors for contractual fraud at the expense of EAM.

Consequently, the requests are considered as an attempt to further profit of the established crime and as such EAM regards these requests as a continuation of the fraud, as well as a new attempt to harm EAM's interests.

No provisions are made in the accounts.

### Arbitration

In the third quarter 2016 the Company summoned Aveleos S.A. to the Milan Chamber of Arbitration in order to have the Share Purchase Agreement entered into in 2014 declared null and void based on the alleged fundamental breach of contract conducted by Aveleos S.A. and its directors.

On 3 April 2019 the Company received the final award made by the Arbitral Tribunal under the rules of the Chamber of Arbitration of Milan.

The Tribunal decided to dismiss EAM's claims for the annulment based on the claim of fraud and for the termination of the SPA. However, the Tribunal declared the right of the Company to be compensated for losses suffered in connection with the breach of the Representation and Warranties under the SPA within the limits of the liability cap as defined in the SPA. The liability cap in the SPA is defined to be approximately EUR 3.7 million.

The Arbitration decision was not unanimous, with one out of three arbitrators dissenting from dismissing the claims brought by EAM Solar ASA and EAM Solar Italy Holding Srl. The dissent to the ruling was substantiated in a separate dissenting opinion published together with the arbitration ruling.

The Tribunal also decided that the ascertainment of any fraudulent act or behaviour of Messrs Giorgi and Akhmerov falls outside

of the scope of the Arbitral Tribunal's jurisdiction, thus concluding that the arbitration decision was without any prejudice of any additional amount that might be found due because of any fraudulent act or behaviour of Mr Giorgi or Mr Akhmerov.

EAM Solar ASA filed on 4 July 2019 an appeal against the decision conducted by the Arbitration Tribunal of the Chamber of arbitration of Milan in the arbitration case no. 8816, where EAM Solar ASA and EAM Solar Italy Holding Srl filed a number of claims against Aveleos SA including the annulment of the purchase contract of 31 power plants in 2014. The appeal was filed in the civil Court of Appeal of Milan. EAM Solar ASA asks the Civil Court of Appeal of Milan to annul the arbitration award of 2 April 2019 based on 12 different accounts of breach of Italian law in its conclusions and the basis for the arbitration award.

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

### Civil Court Italy

On 21 November 2018 EAM Solar ASA was served with a notice that UBI Leasing had applied to the court of Brescia for an injunction over EUR 6 million of EAM assets. The court of Brescia granted a preliminary injunction, only enforceable upon further ruling. EAM challenged this decision and the first hearing in this matter was scheduled for 30 May 2019. A summary hearing was held, and the case was further postponed until 6 November 2019. No ruling was announced in the hearing that was held on 6 November 2019. On 8 December 2019 EAM was informed that the judge in the Civil Court of Brescia dismissed the petition by UBI Leasing to have an injunction against the Company declared as provisionally enforceable.

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

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

for 12 May 2020. Both the filing of the briefs and the hearing are postponed due to the COVID-19 situation.

### Civil Court Luxembourg

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

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

### Administrative Court Italy

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

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

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

The relevant decision is expected to be issued within the next two months, and it is in any case still referred to the precautionary phase. This means that: (i) in case the Consiglio di Stato upholds the appeal, the order of the GSE is suspended and the lawsuit comes back to the TAR waiting for the merit phase (which is generally held after 12–16 months), therefore, the GSE shall continue paying the incentives (fully or partially) until the merit phase; as well, (ii) in case the Consiglio di Stato denies the appeal, the lawsuit comes back to the TAR waiting for the merit phase. Nevertheless, in the meantime, in this case, the GSE will not pay the incentives until the merit phase and it might pretend the reimbursement of those so far delivered.

Please also see the annual report from previous year for further information on the legal processes.

# SOLAR PV POWER PLANTS

Varmo



Codroipo



# DIRECTORS' REPORT

## The 2019 annual report

EAM Solar ASA (EAM or the Company) is a public limited liability company, incorporated and domiciled in Norway, with registered address at Dronningen 1, Oslo, Norway. Energeia AS established EAM on 5 January 2011.

EAM Solar ASA ("EAM", "EAM ASA", or "the Company") is a company listed on the Oslo Stock Exchange under the ticker "EAM". The Company's primary business is to own solar power plants and sell electricity under long-term fixed price sales contracts, and to pursue legal proceedings in order to restore company values. The Company owns four power plants in Italy, which are located in the Puglia and Basilicata regions in Southern Italy. Energeia AS manages EAM under a long-term management agreement.

The geographical focus of EAM has since its inception been to acquire power plants under long-term contracts in Europe. EAM acquired its first power plant in Italy in 2011. Since then EAM has acquired in total 25 power plants with a combined capacity of 27.1 MW generating 38.3 GWh annually, representing annual revenue of EUR 13.5 million.

At the beginning of 2015, EAM had EUR 110 million in capital employed, EUR 180 million in contractual revenue reserve, EUR 50 million in future market price sales and an expected EBITDA from the 17-year contract period of EUR 200 million.

However, the period from 2014–2016 became very challenging for EAM on the back of the flawed acquisition of 21 PV power plants from Enovos Luxembourg S.A. and Avelar Energy Ltd. through their jointly owned single purpose vehicle Aveleos S.A.

17 of the 21 PV power plants transferred to EAM in July 2014 did not have valid long-term feed-in-tariff contracts (FIT) according to the contractual counterparty Gestore dei Servizi Energetici GSE S.p.A, owned by the State of Italy, as warranted by Enovos Luxembourg S.A. and Avelar Energy Ltd under the Share Purchase Agreement.

In the fourth quarter 2015, GSE terminated the FIT contracts, which had been suspended since August 2014, and demanded a repayment of previously received FIT from 5 of the 7 companies acquired by EAM.

Due to Enovos Luxembourg S.A. and Avelar Energy Ltd lack of willingness to assume

what the Company believes is their contractual obligation as owners of Aveleos S.A. and to remedy the situation, EAM has been forced to initiate legal proceedings in Italy, Luxembourg and Switzerland.

The events following the so-called "P31 acquisition" have effectively transformed EAM from a dividend paying "YieldCo" to a large lawsuit. Consequently the share price of EAM Solar ASA on the Oslo Stock Exchange has dropped considerably.

The board of directors and the management are directing all their effort and attention to resolve this challenging situation in the appropriate legal venues as fast as possible in order to restore the value of the Company and return the outcome to the shareholders.

Information on Corporate Governance is presented in a separate document below.

## Operational review

### Power production

For the first 7 months of 2019 EAM owned and operated 6 power plants that had a combined installed capacity of 8.7MW with an average annual power production of 12.4 GWh (P50 production), and for the remaining 5 months EAM ASA operated 4 power plants. The 4 power plants have a combined installed capacity of 4.0 MW with an average annual power production of 5.4 GWh (P50 production).

Accumulated for the year the power production was 10 311 MWh, 1.2 per cent below estimated production. The main reason for lower power production in the quarter was related to lower solar irradiation.

### Sale of shares and power plants to Energeia AS

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

The financial takeover date was 1 August 2019. The final sales price has been subject to post-closing adjustments to the valuation of the net working capital in the EAM Solar Norway Holding AS fol-

lowing an audit of the opening balance.

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

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

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

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

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

The transaction was subject to final approval on the Extraordinary General Meeting held on 6 September 2019. The decision to conduct the transaction was passed unanimously in accordance with the proposal made by the board of directors.

## Corporate status

### Legal proceedings

#### Criminal proceedings

On 18 April 2019 the Criminal Court of Milan published its ruling in the criminal proceedings where EAM Solar ASA has been included as a civil damaged party.

The Criminal Court found it evidenced and consequently decided that Both Mr Giorgi and Mr Akhmerov are guilty of criminal contractual fraud against EAM Solar ASA in conjunction with the sale of the so-called P31 portfolio, i.e. both are found guilty according to the State Prosecutors Office of Milano's Indictment point F.

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The Criminal Court of Milano found the two Aveleos directors Igor Akhmerov and Marco Giorgi guilty for criminal contractual fraud against EAM Solar ASA, and sentenced them to prison terms and a provisional damage;

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

In addition, the Criminal Court; "Rejects the claims for damage formulated against the civilly liable parties Avelar Energy Ltd and Enovos Luxembourg S.A." as also stated in the court decision of 18 April.

On the matter of the civil responsibility for economic damages versus Enovos and Avelar, the Court chose in its decision on 18 April to reverse previous court resolutions on the financial liability based on the lack of autonomy of Aveleos SA versus its shareholders Enovos and Avelar in conjunction with financial liability. In the grounds published on 15 October the Court in its reasoning describes that in the preliminary questions, the Court had rejected the request for exclusion, as civil managers, of the two companies, noting that, in light of the elements offered by the parties, it had to be considered, with the obvious limitations of the preliminary ruling, that it was not possible to see a distinct sub-

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

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

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

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

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

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

The requests by Aveleos ignore the decision rendered by the Criminal Court of Milan on 18 April 2019 condemning Aveleos' directors for contractual fraud at the expense of EAM.

Consequently, the requests are considered as an attempt to further profit of the established crime and as such EAM regards these requests as a continuation of the fraud, as well as a new attempt to harm EAM's interests.

No provisions are made in the accounts.

### **Arbitration**

In the third quarter 2016 the Company summoned Aveleos S.A. to the Milan Chamber of Arbitration in order to have the Share Purchase Agreement entered into in 2014 declared null and void based on the alleged fundamental breach of contract conducted by Aveleos S.A. and its directors.

On 3 April 2019 the Company received the final award made by the Arbitral Tribunal under the rules of the Chamber of Arbitration of Milan.

The Tribunal decided to dismiss EAM's claims for the annulment based on the claim of fraud and for the termination of the SPA. However, the Tribunal declared the right of the Company to be compensated for losses suffered in connection with the breach of the Representation and Warranties under the SPA within the limits of the liability cap as defined in the SPA. The liability cap in the SPA is defined to be approximately EUR 3.7 million.

The Arbitration decision was not unanimous, with one out of three arbitrators dissenting from dismissing the claims brought by EAM Solar ASA and EAM Solar Italy Holding Srl. The dissent to the ruling was substantiated in a separate dissenting opinion published together with the arbitration ruling.

The Tribunal also decided that the ascertainment of any fraudulent act or behaviour of Messrs Giorgi and Akhmerov falls outside of the scope of the Arbitral Tribunal's jurisdiction, thus concluding that the arbitration decision was without any prejudice of any additional amount that might be found due because of any fraudulent act or behaviour of Mr Giorgi or Mr Akhmerov.

EAM Solar ASA filed on 4 July 2019 an appeal against the decision conducted by the Arbitration Tribunal of the Chamber of arbitration of Milan in the arbitration case no. 8816, where EAM Solar ASA and EAM Solar Italy Holding Srl filed a number of claims against Aveleos SA including the annulment of the purchase contract of 31 power plants in 2014. The appeal was filed in the civil Court of Appeal of Milan. EAM Solar ASA asks the Civil Court of Appeal of Milan to annul the arbitration award of 2 April 2019 based on 12 different accounts of breach of Italian law in its conclusions and the basis for the arbitration award.

The first hearing in the appeal proceedings was held on 15 January 2020. In the hearing the appeal court accepted our request for appeal, and we have been granted an expedited track. The first hearing in this appeal process will occur on 3 February 2021.

Under normal circumstances we would have expected a hearing date 2 years from now.

#### **Civil Court Italy**

On 21 November 2018 EAM Solar ASA was served with a notice that UBI Leasing had applied to the court of Brescia for an injunction over EUR 6 million of EAM assets. The court of Brescia granted a preliminary injunction, only enforceable upon further ruling. EAM challenged this decision and the first hearing in this matter was scheduled for 30 May 2019. A summary hearing was held, and the case was further postponed until 6 November 2019. No ruling was announced in the hearing that was held on 6 November 2019. On 8 December 2019 EAM was informed that the judge in the Civil Court of Brescia dismissed the petition by UBI Leasing to have an injunction against the Company declared as provisionally enforceable.

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

A further hearing was held on 21 January 2020. In this hearing the judge enabled the parties to submit further briefs in the period until mid-April and the next hearing is set for 12 May 2020. Both the filing of the briefs and the hearing are postponed due to the COVID-19 situation.

#### **Civil Court Luxembourg**

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

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

#### **Administrative Court Italy**

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

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

the precautionary request of suspension.

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

The relevant decision is expected to be issued within the next two months, and it is in any case still referred to the precautionary phase. This means that: (i) in case the Consiglio di Stato upholds the appeal, the order of the GSE is suspended and the lawsuit comes back to the TAR waiting for the merit phase (which is generally held after 12–16 months), therefore, the GSE shall continue paying the incentives (fully or partially) until the merit phase; as well, (ii) in case the Consiglio di Stato denies the appeal, the lawsuit comes back to the TAR waiting for the merit phase. Nevertheless, in the meantime, in this case, the GSE will not pay the incentives until the merit phase and it might pretend the reimbursement of those so far delivered.

#### **Business operations in 2019**

At the end of 2019 EAM owned or controlled 4 power plants operating under normal conditions and contracts, with a combined installed capacity of 4.0 MW with an average annual power production of 5.4 GWh (P50 production).

The financial statements and annual report are prepared under the assumption of going concern. It is the board's opinion that the Group has sufficient liquidity to support operations for the next twelve months.

Accumulated extraordinary costs related to the fraudulent sale amounted to approximately EUR 1.3 million in 2019 including funds received from Therium. For the full year Therium has paid out EUR 574 thousand in litigation finance.

#### **Financial review**

In 2019 EAM Solar ASA has continued the legal processes to restore the shareholder values. The legal processes are expensive and are heavily contributing to the loss in 2019.

#### **Consolidated statement of profit and loss and comprehensive income** **Revenue and production**

All 6, and later 4, power plants owned or controlled by EAM produced electricity and delivered this to the grid in 2019. Total electricity production in 2019 was 10 311 MWh, 1.2 per cent below estimated production. Accumulated for the year revenues were EUR 3 166 thousand, of which EUR 2 633 thousand was received from FIT contracts and EUR 519 thousand from markets sales of electricity. EUR 14 thousand were other revenues.

All EAM's electricity sales are made under 20-year sale agreements in the feed-in-tariff (FIT) scheme, with the Italian renewable energy authority Gestore Servizi Energetici (GSE) as commercial counterparty.

The fixed price sales contracts (FIT) accounts for 83.2 per cent of revenues, with electricity sales at market prices accounting for 16.4 per cent. Other revenues accounts for the remaining 0.4 per cent.

FIT revenues for 2019 were EUR 2 633 thousand and the average FIT contract price revenue was EUR 255 per MWh

Market price contracts are renewed yearly. Market prices for electricity dropped from a year average of EUR 60.0 per MWh in 2018 to EUR 50.0 per MWh in 2019. The average electricity market price in the northern part of Italy accumulated for the year was EUR 54 per MWh and in the southern part of Italy EUR 47 per MWh. Total market price revenues for 2019 were EUR 519 thousand.

#### **Operating costs**

Total cost of operations in 2019 amounted to EUR 409 thousand. The cost of operations consisted mainly of operating and maintenance costs, and insurance. SG&A expenses amounted to EUR 1 886 thousand for the year.

#### **Legal costs**

The cost item consists almost entirely of legal costs. Accumulated for the year the amount to EUR 1 313 thousand. Legal costs are presented net of funds from Therium.

#### **Operational earnings**

Earnings before interest, depreciation, amortisation and taxes (EBITDA) amounted to minus EUR 441 thousand for 2019.

Accumulated for the year depreciation and amortisation were EUR 1 289 thousand, resulting in an operating profit (EBIT) of minus EUR 1 731 thousand.

#### **Net financial items**

Net financial items amounted to EUR 1 798 thousand for the full year 2019. The gain from the sale of EAM Solar Norway Holding AS amounted to EUR 2 607 thousand. The gain from the sale is calculated with the average exchange rate used for 12M 2019.

#### **Profit before tax and net income after tax**

Profit before tax amounted to EUR 68 thousand for 2019. Net tax amounted to EUR 304 thousand.

Reported net income after tax was minus EUR 236 thousand for 2019 and reported loss per share were EUR -0.03 on a diluted basis.

## Cash flow and balance sheet statements

### Consolidated statement of financial position

Total assets amounted to EUR 19.3 million at 31 December 2019. This was down by EUR 8 million over the year as a result of the sale of EAM Solar Norway Holding AS

Total equity amounted to EUR 11.0 million at 31 December 2019, a decrease by EUR 0.75 million over the year. The change is mainly related to currency translation differences. The equity ratio was positive with 56.8 per cent at 31 December 2019, up from 42.8 per cent at 31 December 2018. Net working capital amounted to EUR 8 160 thousand at 31 December 2019.

### Cash flow

Net cash flow from operating activities was positive with EUR 586 thousand in 2019. Net cash flow from investing activities was negative with EUR 466 thousand. Net cash flow from financing activities was negative with EUR 598 thousand. Cash and cash equivalents amounted to EUR 366 thousand at 31 December 2019, of which 280 thousand was restricted at year-end and 62 was seized (see [note 17](#)).

## EAM Solar ASA (parent company)

### Profit and loss statement

Revenues are management services provided to subsidiaries (see [note 3](#)). Other operating expenses consist mainly of purchased services. Net Financial items for 2019 were positive with NOK 11.4 million.

### Balance sheet

Total assets amounted to NOK 144.3 million, of which NOK 56.0 million is intercompany. Cash amounted to NOK 224 507 at year-end. Total equity amounted to NOK 126.3 million equal to 88 per cent of total assets, compared to 65 per cent in 2018. Current liabilities amounted to NOK 11.9 million.

### Cash flow

Net cash flow from operational activities was positive at NOK 12.5 million and borrowings to group companies were negative with NOK 12.4 million.

## Allocation of net income

The board has proposed that the net income of NOK 989 865 to be allocated to other equity.

## Going concern

The financial statements and annual report are made under the assumption of going concern. The basis for this assumption is that the Company has sold assets to obtain the

necessary cash to continue the legal proceedings for the foreseeable future, and that the revenue contribution from the 4 power plants in the fixed contract period to 2031 is, sufficient to cover the long-term lease obligation and operational costs relating to these assets.

## Market overview

### Power prices in Italy

The average wholesale power price in Italy for 2019 was EUR 50 per MWh. The price fluctuated mainly between EUR 20 and EUR 80 per MWh during the year. The lowest and highest price observed was EUR 12 and EUR 100 respectively.

## Business strategy

EAM's strategy was in the outset to create value by acquiring operational power plants and, through an active ownership, to optimise operations and achieve the best possible electricity yield, lowest possible cost of operations, and highest possible dividend yield.

In light of the legal proceedings and their impact on the Company value, EAM has changed from a YieldCo to a large lawsuit. As previously stated; the directors and the management directs all their effort and attention to resolve the legal issues in order to restore the value of the Company.

## Events after the balance sheet date

### Criminal proceedings

#### Arbitration

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

#### Civil Court Italy

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

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

A further hearing was held on 21 January 2020. In this hearing the judge enabled the

parties to submit further briefs in the period until mid-April and the next hearing is set for 12 May 2020. Both the filing of the briefs and the hearing are postponed due to the COVID-19 situation.

### Covid-19

The outbreak of Covid-19 is most likely to affect the progress of the various legal proceedings as these are expected to be delayed or for a period halted due to the courts working slow or being completely closed.

The board of directors does not expect as a result of Covid-19 neither loss of customers nor loss on receivables. The access to spare parts and the ability to maintain the power plants are also expected to be satisfactory due to energy supply being of crucial importance.

None of the above mentioned events are expected to significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

The annual report was approved for publication on 21 April 2020 by the board of directors.

## Risk factors

The Company is exposed to a number of risk factors.

The largest risk to our current operation is regulatory (political) risk in Italy, i.e. retroactive changes in government incentives schemes, changes to regulatory framework for operation and changes in taxation of assets and renewable energy operations.

EAM is also exposed to risk related to market power price fluctuations and general technical operational risks. The Company mitigate these risks as far as possible through long-term electricity sales contracts with limited counterparty risk, hands-on operation and insurance.

## Regulatory risk

The unilateral and retroactive 8 per cent reduction of the long-term electricity price of the FIT contracts conducted by the State of Italy in 2015 through their wholly owned subsidiary, Gestore dei Servizi Energetici GSE S.p.A., is believed illegal and in a breach of the constitutional law of Italy by leading legal experts, law firms and courts of law in Italy. However, the state of Italy has made no attempt to amend this situation. The regulatory risk experienced in Italy is by far the largest risk to PV power plant financial return and operation at the current moment.

It is unfortunately impossible to hedge against this type of regulatory risk in Italy at this point in time. The international market for insurance against State Government risk only is possible to achieve for countries classified as “underdeveloped” or “developing” by the United Nations system through the World Bank Group insurance institute MIGA (MIGA underwrite insurance against state confiscation, unlawful punitive taxation etc.). Since Italy is classified as a developed country, insurance against regulatory risk in Italy is not possible to obtain.

The new regulatory environment of the operation of solar PV power plants in Italy, partially implemented in 2015, poses a significant risk to PV power plant owners since these rules may be exploited in order to reduce or revoke long-term FIT contracts for non-material or non-technical reasons. This creates significant risk for corruption in conjunction with administrative processes since the legal treatment of administrative decisions takes several years, in breach of Italy's administrative law, exposing owners to financial default and bankruptcy without having administrative measures judged in a court of law.

#### Financial risk

For the external financing contracts with floating interest rate there is an interest rate swap agreement in place.

#### Litigation risk

The Company is involved in several legal processes where the outcome is unknown. There is a risk that the Company might lose some or all of these processes and that it can result in a counter claim from the other party in such legal processes. It is also a risk that the counterpart is unable to settle an award in favour or the Company.

#### Credit risk

Under normal circumstances the risk of credit losses is considered low, since the main contractual counterparty is GSE, a state owned entity. The Group has not made any set-off or other derivative agreements to reduce the credit risk against GSE.

The Company's gross credit risk exposure against GSE on 31 December 2019 was EUR 391 thousand. EAM has made no financial arrangements to limit the credit risk further.

#### Asset value risk

EAM's cash balance was EUR 366 thousand at 31 December 2019, of which the Prosecutors Office of Milan has seized EUR 62 thousand.

EAM has identified no indicators for impairment of the power plants as described in IAS 36 after write-downs conducted in 2015 and the second quarter of 2016. The assumptions used in the impairment test, when there are indicators present, represent business development scenarios EAM finds most likely at the reporting date, although the actual outcome may be materially different due to on-going legal processes.

Finally, on a positive note, equipment prices have continued to drop during 2019. Consequently, the replacement cost risk of equipment fault is reduced in 2019. EAM expects the replacement cost to continue being reduced going forward.

#### Transactions with related parties

##### Related parties

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

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

##### Transactions with related parties

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

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

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

Accumulated for the year Energeia AS' direct costs for the management of EAM was EUR 1 489 thousand, of which EUR 130 thousand was related to cost of operations,

EUR 765 thousand was related to SG&A, and EUR 593 thousand was related to legal and litigation work in conjunction with the P31 Acquisition fraud.

On 15 August 2019 EAM Solar ASA sold the shares in the subsidiary EAM Solar Norway Holding AS to Energeia AS.

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

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

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

#### Health, safety and the environment

EAM has no employees, and therefore no statistics related to health issues, recruiting processes, salaries or working conditions.

The board of directors comprised at year end of two male and one female director.

Energeia AS and sub-suppliers to the manager provide all administrative, technical and commercial services. The manager is responsible for requirements related to gender neutrality, non-discrimination and equal opportunities. The manager recruits employees on a gender-neutral and non-discriminatory basis.

Solar power plants offer a power source that is environmentally superior to fossil fuels. The power plants do not expose the environment to any harm, other than by occupying land and possibly altering its visual appearance. EAM's power plants are built with silicon-based solar panels, and the power production facilities produce no harmful waste.

Activities related to the management of the business have no impact on the natural environment apart from effects related to normal office work.

#### Values and guidelines for business ethics and CSR

Honesty, transparency and trust are essential to the success of the Company. EAM is committed to transparency in its manage-

ment practices, and in particular in the relationship between EAM and Energeia AS. The board of directors have at all times access to all information and assistance from the employees of the manager.

The Company has not established separate guidelines for corporate social responsibility (CSR) as recommended by the code.

The Company was listed on Oslo Axess in 2013 and aims to establish guidelines for CSR when the Company has entered into a normal mode of operation.

#### **Presentation of the financial statements**

Pursuant to Section 4-5 of the Norwegian Accounting Act, the board of directors of

EAM confirms that the financial statements have been prepared under the assumption that the enterprise is a going concern, and that this assumption was appropriate at the date when the financial statements were approved.

Oslo, 21 April 2020

Stephan L Jervell

*Non-executive  
director*

Pål Hvammen

*Non-executive  
director*

Ragnhild M Wiborg

*Chair*

Viktor E Jakobsen

*CEO*

# CORPORATE GOVERNANCE

EAM Solar ASA is committed to pursuing corporate governance practices that supports the trust in the Company, its directors and management, and thereby contribute to value creation.

The objective of corporate governance is to regulate the roles and responsibilities of shareholders, directors and management in a more comprehensive manner than is required by legislation.

## Implementation and reporting on corporate governance

### Implementation

EAM Solar ASA's board of directors is responsible for executing best practice corporate governance and has prepared and approved the Company's policy for corporate governance.

Through its board and management, the Company conducts a review and evaluation of its principles for corporate governance on an annual basis.

EAM Solar ASA is a Norwegian public limited company listed on the Oslo Stock Exchange. Section 3-3b of Norway's Accounting Act requires the Company to provide an annual statement of its corporate governance principles and practices. These provisions also specify the minimum requirements for the content of this report.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian code of practice for corporate governance (the code). Adherence to the code is based on the "comply or explain" principle, which means that a company must comply with the recommendations of the code or explain why it has chosen an alternative approach to specific recommendations.

The Oslo Stock Exchange requires listed companies to publish an annual statement of their policy on corporate governance in accordance with the code in force at the time. Rules on the continuing obligations of listed companies are available at [www.oslobors.no](http://www.oslobors.no).

EAM Solar ASA will comply with the above-mentioned rules and regulations, and the current code, issued on 17 October

2018 with the exception of the following:

1. Pursuant to the Company's articles of association, the manager has the right to recommend to the Company's nomination committee two of the directors in the board. The general meeting elects the Company's directors. The manager's right of recommendation is intended to ensure good communication between the Company's board and the manager based on the fact that the Company has no employees and that all day-to-day management activities are conducted by the manager. At year-end 2019 the manager had not recommended nor did it have representatives in the board of directors.
2. The Company has not established separate guidelines for corporate social responsibility (CSR) as recommended by the code. The Company has decided not to prioritise this work given the challenging situation the Group is in. EAM aims to establish guidelines for CSR when the situation for the Group is normalised and the need for such guidelines again will materialise.

EAM Solar ASA provides a statement on its principles for corporate governance in its annual report, and this information is also available on its website at [www.eamsolar.no](http://www.eamsolar.no).

### Business

The business purpose of EAM is defined in article 3 of the Company's articles of association, which states that:

"The Company's business activities include identification, analysis, financing, operating, purchase and sale of Solar power plants outside Norway, and naturally related activities, such as ownership in similar companies. In addition, the Company's business

is lawsuits in relation to Solar power plants."

## Equity and dividends

### Equity

Total equity for the Group amounted to EUR 11.0 million at 31 December 2019, representing an equity ratio of 57 per cent.

The equity of the parent company amounted to EUR 12.8 million at 31 December 2019, representing an equity ratio of 88 per cent.

### Dividend policy

The Company's primary objective is to generate a capital return and distribute this to its shareholders through dividends.

Article 11 of the Company's articles of association specifies that the entire annual cash surplus will be distributed as dividend to the shareholders to the extent permitted by applicable law. Changes to, or exemptions from this article require the support of at least 90 per cent of the votes cast, of the share capital represented, at the general meeting.

Based on the status of the Company no dividend will be declared for 2019.

## Equal treatment of shareholders and transactions with close associates

### Equal treatment

All the shares in the Company and shareholders have equal rights, including voting rights. Each share carries the right to one vote at the Company's general meeting.

In the event that the board is mandated to buy the Company's own shares and decides to exercise this mandate, the transactions will be conducted through the stock exchange or at prevailing market prices if conducted in any other way.

## Transactions with related parties

EAM has a long-term management agree-

ment with Energeia AS. The latter provides all administrative, technical, and operational services required by the Company. EAM has no employees.

The transactions between EAM and the manager in 2019 have been conducted both as part of ordinary operations in accordance with the management agreement, and also conducted by the manager in pursuing legal objectives in the various processes of the fraud case against EAM.

Any transactions, agreements or arrangements between the Company and its shareholders, directors, members of the executive management team or close associates of any such parties will only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions will comply with the procedures set out in the Norwegian Public Limited Liability Companies Act or similar provisions, as applicable.

On 15 August 2019 EAM Solar ASA sold the shares in the subsidiary EAM Solar Norway Holding AS to Energeia AS.

Energeia AS is both shareholder in, and manager of EAM Solar ASA. In addition, several of the shareholders in Energeia AS are also direct shareholders in EAM Solar ASA. The transaction was subject to final approval by the Extraordinary General Meeting of EAM Solar ASA held on 6 September 2019 in accordance with the Norwegian Public Limited Liability Companies Act § 3-8, "transactions between the company and shareholders". The decision to conduct the transaction was passed unanimously in accordance with the proposal made by the board of directors.

### Transfer of shares

The Company's articles of association place no general restrictions on transfers of the Company's shares.

No provisions in the articles would have the effect of delaying, deferring or preventing a change of control of the Company, or would require disclosure of a level of ownership above any specified threshold, unless such transaction would be in violation of Norwegian law and in conjunction with criminal activities.

Transfers of shares in the Company do not require the consent of the board. Nor do they trigger any pre-emptive rights for other shareholders.

### General meetings

#### Annual general meeting

The annual general meeting (AGM) is the Company's highest authority. The board

strives to ensure that the AGM is an effective forum for communication between the shareholders and the board, and encourages shareholders to attend.

#### Preparations for the AGM

The AGM will be held before 30 June, which is the latest date permitted by Norwegian company law. It will approve the annual report and annual accounts, including the distribution of any dividend, election of board, auditor and nomination committee and such other matters as may be set out in the notice of the meeting.

The AGM for 2020 will be held on 18 May 2020 at the Company offices in Oslo, Norway.

The board can call for extraordinary general meetings. It will also call for an extraordinary general meeting at the request in writing of the auditor or shareholders representing at least five per cent of the share capital in order to deal with a specific subject.

The board summons general meetings. Notice of a general meeting will be issued at the latest 21 days before the date of the meeting, and will include a proposed agenda. The notice will also be made available on the Company's website at [www.eamsolar.no](http://www.eamsolar.no).

A shareholder is entitled to submit proposals to be discussed at general meetings provided such proposals are submitted in writing to the board in time for the proposal to be entered in the agenda for the meeting.

The date of the next AGM is included in the Company's financial calendar. The financial calendar for the coming year will be published no later than 31 December in the form of a stock exchange announcement, and will also be made available on the Company's website.

#### Participation in a general meeting

The Company's articles of association do not specify any requirements for giving notice of attending a general meeting.

Shareholders who are unable to attend the meeting are encouraged to appoint a proxy. The arrangements for appointing a proxy allow shareholders to specify how their proxy should vote on each matter to be considered. Directors attend the AGM, together with at least one member of the nomination committee and the auditor. The CEO represents the management at the AGM.

#### Agenda and conduct of the AGM

The board decides the agenda for the AGM. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act and arti-

cle 9 of the articles of association of EAM.

The board will seek to propose a person independent of the Company and the board to chair general meetings, ensuring that the AGM has an independent chair as recommended by the code.

The board and the chair of the meeting will make appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the Company's governing bodies.

The minutes of the AGM are published in the form of a stock exchange announcement, and are also made available on the Company's website at [www.eamsolar.no](http://www.eamsolar.no).

#### Nomination committee

EAM will have a nomination committee consisting of three members. The Company's current nomination committee was elected for one year on the extraordinary general meeting 29 April 2019 and consists of:

- Leiv Askvig, chair
- Nils Erling Ødegaard, member
- Georg Johan Espe, member

Members of the nomination committee will be shareholders or shareholder representatives.

The general meeting elects the members of the nomination committee, including its chair. These members will serve for two years unless the general meeting decides otherwise. This term commences from the date of election unless otherwise decided. It terminates at the end of the annual general meeting in the year when the term expires. Even if the term has expired, the member must remain in their post until a new member has been elected.

Remuneration for members of the nomination committee is determined by the general meeting.

The nomination committee has the following responsibilities:

- To provide the general meeting with recommendations on directors to be elected by the shareholders, subject to the provision that the manager has the right to recommend up to two directors
- To provide the general meeting with recommendations on the remuneration of directors
- To provide the general meeting with recommendations on members of the nomination committee
- To provide the general meeting with recommendations on the remuneration of the members of the nomination committee.

The general meeting may issue further guidelines for the nomination committee's work.

### **Board of directors: composition and independence**

#### **Elections to the board**

The general meeting elects directors. The Company's articles of association provide that the board will have no fewer than three members and no more than seven. In accordance with Norwegian law, the CEO and at least half the directors must be either resident in Norway or citizens of or resident in an EU/EEA country.

#### **Composition of the board**

On 31 December 2019, the board of EAM Solar ASA consisted of three directors, two men and one woman:

- Ragnhild M Wiborg, chair
- Stephan L Jervell, non-executive director
- Pål Hvammen, non-executive director

At the annual general meeting on 23 May 2018 Ragnhild M Wiborg was re-elected as chair of the board, and at the same date Stephan L Jervell was elected as a new member of the board. Pål Hvammen was elected as a new member of the board on the extraordinary general meeting held on 29 April 2019. The function period for Pål Hvammen is until the annual general meeting in 2020.

Directors have been elected to serve for a period of two years unless otherwise stated.

Directors represent varied and broad experience from relevant industries and areas of technical speciality, and contribute knowledge from both Norwegian and international companies. More information about the expertise and background of directors can be found on the Company's website.

#### **Independence of the board**

Ragnhild M Wiborg, Stephan L Jervell and Pål Hvammen are all independent of the Company's manager, material business contacts and largest shareholders.

The board included at year end 2019 no members proposed by the manager.

#### **Work of the board of directors**

##### **Board's duties and responsibility**

The board has the ultimate responsibility for managing the Company and for supervising management and make strategic decisions.

This includes participating in the development and approval of the Company's strategy, performing necessary monitoring functions, including supervision, to ensure that the Company manages its business and

assets and carries out risk management in a prudent and satisfactory manner, and acting as an advisory body for the manager.

In the management agreement between the Company and the manager, the manager is effectively the CEO of the Company. Should an individual have to be appointed as the CEO, the manager will propose this person for approval by the board. The board of directors defines objectives, strategies and risk profiles for the company's business activities to facilitate that the company creates value for shareholders.

The board of directors ensures that its members and executive personnel make the Company aware of any material interests that they may have in items which are considered by the board.

##### **Mandate for the board**

In accordance with the provisions of Norwegian company law, the terms of reference for the board are set out in a formal mandate that includes specific rules and guidelines on the work of the board and decision-making. The chair is responsible for ensuring that the work of the board is carried out in an effective and proper manner in accordance with legislation.

##### **Mandate for the CEO**

The CEO is the representative of the manager. The manager is responsible for executive management and day-to-day operations of the Company as defined in the management agreement.

##### **Financial reporting**

The board receives periodic reports on the Company's commercial and financial status. The Company follows the timetable laid down by the Oslo Stock Exchange for the publication of interim and annual reports.

##### **Board meetings**

The board holds regular meetings each year. Extraordinary board meetings are held when required to consider matters that cannot wait until the next regular meeting. The board has also appointed an audit committee.

During 2019, the board of directors had several meetings in addition to the formal meetings each quarter. In addition, both the board and individual directors held informal discussions and meetings on specific issues. In 2019 the board of directors met on 10 occasions, either in person or by circulation.

##### **Audit committee**

EAM is exempted from the obligation to have

an audit committee since it satisfies the criteria in section 2.3.3 (3) no 4 of the Listing Rules and section 6-41 (2) of the Norwegian Public Limited Liability Companies Act.

The Company has nevertheless established an audit committee. Currently, the full board serves as the audit committee, and the Company believes that the audit committee satisfies the requirements in section 6-42 of the Norwegian Public Limited Liability Companies Act.

None of the members of the committee are employees of the Company. The audit committee will not make any decisions on behalf of the board, since it is effectively the board.

##### **Board's evaluation of its own work**

The board carries out an annual evaluation of its own performance, working arrangements and competence. The chair prepares a report on this evaluation, which is made available to the nomination committee.

##### **Risk management and internal control**

EAM's board is responsible for ensuring that the Company has a sound internal control and sufficient systems for risk management. The Company's systems for internal control and procedures for risk management are intended to ensure timely and correct financial reporting, as well as compliance with the legislation and regulations to which the Company is subject.

Follow-up of internal controls relating to financial reporting is undertaken by means of management's day-to-day monitoring, periodic reports to the board and the work of the audit committee.

The board carries out an annual review of the Company's most important areas of exposure to risk and its internal control procedures. In addition, the auditor presents an annual review of the Company's internal control procedures to the audit committee, including the Company's accounting principles, risk areas, internal control routines and proposals for improvement.

The size and activity of the Company does not support the establishment of an internal audit function.

##### **Remuneration of the board of directors**

The AGM determines the board's remuneration, based on a recommendation from the nomination committee. Remuneration of directors will be reasonable and based on the board's responsibilities, work, the time invested and the complexity of the enterprise. Compensation will be a fixed annual amount. The chair receives a high-

er compensation than the other directors.

The board will be informed if individual directors perform other tasks for the Company than their role as directors. Work in sub-committees may be remunerated in addition to the remuneration received for the directorship. The Company's annual accounts provide information about the board's compensation.

There are no share options issued to members of the board of directors.

### Remuneration of the manager and the CEO

Pursuant to the management agreement, the CEO receives no direct remuneration from the Company.

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

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

The board has also evaluated if these amendments are subject to clause §3-8 in the Public Limited Liability Companies Act and has concluded that it is not, given the fact that this transaction is an agreement entered into in the course of ordinary business at a price and terms that are standard for these kind of agreements, c.f. §3-8, 4. of the Public Limited Liability Companies Act.

The management agreement has been entered into for an initial term of 10 years. After the initial term, both parties may terminate the agreement by giving 12 months' notice, with effect at the earliest from 2021. Termination by the Company triggers a termination fee of five times the average fee for the two preceding fiscal years.

No member of the Company's board or other administrative or supervisory body has service contracts with the Company or any of its subsidiaries that provide benefits on the termination of employment. No loans or guarantees have been given to any members of the board or other company bodies.

### Information and communications

EAM maintains regular dialogue with analysts and investors. The Company strives to publish relevant information continuously to the market in a timely, effective and non-discriminatory manner, and considers it very important to inform shareholders and investors about the Company's commercial and financial performance. All stock exchange announcements are made available both on the Company's website and on the Oslo Stock Exchange news website at [www.news-web.no](http://www.news-web.no).

### Financial reports

EAM publishes its fourth quarter results by the end of February, and the full annual report, including approved and final financial statements and the directors' report, is available no later than 30 April each year as required by the Securities Trading Act. The complete annual report and financial statements are made available to shareholders no later than three weeks prior to the AGM.

Quarterly interim reports are published within eight weeks of the end of the quarter. The Company's financial calendar for the coming year is published as a stock exchange announcement and made available on the Company's website and on the Oslo Stock Exchange website in accordance with the continuing obligations for companies listed on the Oslo Stock Exchange. The Company will continue to publish quarterly reports in accordance with Oslo Børs Code of Practice for IR.

### Other market information

EAM may give open presentations in conjunction with the publication of the Company's interim results. At these presentations, the manager will review and comment on the published results, market conditions and the company's future prospects.

### Communication with shareholders

The manager gives high priority to communication with the investor market. Individual meetings are organised for major investors, investment managers and analysts. The Company also attends investor conferences.

The board has issued guidelines for the Company's investor relations' function, including the designation of authorised spokespersons for the company.

### Takeovers

The board endorses the principle of non-discrimination of shareholders. In the event of a takeover, the board undertakes to act in

a professional manner and in accordance with applicable legislation and regulations.

The board will seek to comply with the recommendations in the code relating to the board's responsibilities and duties in a takeover situation.

### Auditor

EAM is audited by RSM Norge AS, Norway.

The auditor presents a plan annually to the board for the audit work and confirms that the auditor satisfies established requirements for independence and objectivity.

In connection with the auditor's presentation of the annual work plan to the board, the board will specifically consider whether the auditor also exercises a control function to a satisfactory extent. The auditor attends board meetings that deal with the annual accounts, and presents a review of the Company's internal control procedures to the audit committee, including the Company's accounting principles, risk areas, internal control routines and so forth, and proposals for improvement.

The board has established guidelines on the use of the auditor by the Company's executive management for services other than auditing. The board reports the remuneration paid to the auditor to the AGM, including details of fees paid for audit work and for other specific assignments.

# FINANCIAL STATEMENTS

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# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

EUR	Note	2019	2018
Revenue	<a href="#">9</a>	3 166 304	4 305 450
<b>Total revenue</b>		<b>3 166 304</b>	<b>4 305 450</b>
Cost of operations		(409 428)	(658 559)
Sales, general and administration expenses	<a href="#">5, 6</a>	(1 885 525)	(1 568 558)
Legal costs		(1 312 577)	(1 533 656)
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<a href="#">7, 9, 10</a>	<b>(441 226)</b>	<b>544 677</b>
Depreciation, amortisations and write-downs	<a href="#">13, 22</a>	(1 289 339)	(1 734 713)
<b>Operating profit (EBIT)</b>		<b>(1 730 565)</b>	<b>(1 190 036)</b>
Finance income	<a href="#">8</a>	3 487 083	956 997
Finance costs	<a href="#">7, 8</a>	(1 688 813)	(1 411 534)
<b>Profit before tax</b>		<b>67 704</b>	<b>(1 644 573)</b>
Income tax gain/(expense)	<a href="#">11</a>	(303 583)	(388 212)
<b>Profit after tax</b>		<b>(235 879)</b>	<b>(2 032 786)</b>
<b>Other comprehensive income<sup>1</sup></b>			
Translation differences		(518 110)	(118 519)
<b>Other comprehensive income for the year, net of tax</b>		<b>(518 110)</b>	<b>(118 519)</b>
<b>Total comprehensive income for the year</b>		<b>(753 989)</b>	<b>(2 151 305)</b>
Profit for the year attributable to:			
Equity holders of the parent company		(235 879)	(2 032 786)
<b>Equity holders of the parent company</b>		<b>(235 879)</b>	<b>(2 032 786)</b>
Total comprehensive income attributable to:			
Equity holders of the parent company		(753 989)	(2 151 305)
<b>Equity holders of the parent company</b>		<b>(753 989)</b>	<b>(2 151 305)</b>
<b>Earnings per share</b>		<b>2019</b>	<b>2018</b>
Continued operation			
- Basic	<a href="#">12</a>	(0.03)	(0.30)
- Diluted	<a href="#">12</a>	(0.03)	(0.30)

<sup>1</sup> Other comprehensive income that may be reclassified to profit and loss in subsequent periods.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	7 655 709	20 688 412
Intangible assets	22	11 203	11 903
Other long term assets		690 968	1 544 046
Deferred tax assets	11	159 332	581 743
<b>Total non-current assets</b>	9	<b>8 517 212</b>	<b>22 826 104</b>
<b>Current assets</b>			
Trade and other receivables	7, 16	9 934 267	2 738 701
Other current assets		481 322	945 482
Cash and cash equivalents	17	365 687	843 589
<b>Total current assets</b>		<b>10 781 276</b>	<b>4 527 772</b>
<b>TOTAL ASSETS</b>		<b>19 298 488</b>	<b>27 353 876</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Paid in capital</b>			
Issued capital		8 126 110	8 126 110
Share premium		27 603 876	27 603 876
<b>Total paid in capital</b>	18	<b>35 729 986</b>	<b>35 729 986</b>
<b>Other equity</b>			
Translation differences		(6 893 717)	(6 375 607)
Other equity		(17 883 034)	(17 647 156)
<b>Total other equity</b>		<b>(24 776 751)</b>	<b>(24 022 763)</b>
<b>Total equity</b>		<b>10 953 235</b>	<b>11 707 223</b>
<b>Non-current liabilities</b>			
Leasing	13	4 569 303	4 849 689
Long term loan – interest bearing	7	-	6 354 403
Deferred tax liabilities	11	623 308	976 353
Other non current liabilities	20	531 033	668 754
<b>Total non-current liabilities</b>	19	<b>5 723 644</b>	<b>12 849 199</b>
<b>Current liabilities</b>			
Leasing	13	369 031	346 816
Trade and other payables		2 252 578	2 448 362
Tax payables	11	-	2 275
<b>Total current liabilities</b>	19	<b>2 621 609</b>	<b>2 797 453</b>
<b>Total liabilities</b>		<b>8 345 253</b>	<b>15 646 652</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19 298 488</b>	<b>27 353 876</b>

Oslo, 21 April 2020

Stephan L Jervell  
Non-executive  
director

Pål Hvammen  
Non-executive  
director

Ragnhild M Wiborg  
Chair

Viktor E Jakobsen  
CEO

# CONSOLIDATED STATEMENT OF CASH FLOW

EUR	Note	2019	2018
<b>Cash flow from operations</b>			
Profit before income taxes		67 704	(1 644 573)
Taxes paid in the period		-	(133 780)
Gain/loss from sale of subsidiaries	3, 8	(2 627 023)	-
Depreciation	13, 22	1 289 341	1 734 716
Change in trade debtors	16	489 219	594 262
Change in trade creditors	19	(421 041)	(62 094)
Effect of exchange fluctuations		(24 604)	(118 519)
Change in other provisions		1 812 262	343 123
<b>Net cash flow from operations</b>		<b>585 858</b>	<b>713 134</b>
<b>Cash flow from investments</b>			
Purchase of fixed assets	13	(12 288)	(151 256)
Cash effect sale of subsidiaries	3	(453 516)	
<b>Net cash flow from investments</b>		<b>(465 804)</b>	<b>(151 256)</b>
<b>Cash flow from financing</b>			
Repayment of long term loans		(346 816)	(566 452)
Interest paid		(251 139)	(252 817)
<b>Net cash flow from financing</b>	13	<b>(597 955)</b>	<b>(819 269)</b>
<b>Exchange gains / (losses) on cash and cash equivalents</b>			
Net change in cash and cash equivalents		(477 901)	(257 390)
Cash and cash equivalents at the beginning of the period		843 589	1 100 979
<b>Cash and cash equivalents at the end of the period</b>	17	<b>365 688</b>	<b>843 589</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR	Issued capital	Share premium fund	Other equity	Translation differences	Total equity
<b>Equity as at 1 January 2018</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(15 614 370)</b>	<b>(6 257 088)</b>	<b>13 858 528</b>
Profit (loss) After tax	-	-	(2 032 786)	-	(2 032 786)
Adjustment previous years	-	-	-	-	-
Other comprehensive income	-	-	-	(118 519)	(118 519)
<b>Equity as at 31 December 2018</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(17 647 156)</b>	<b>(6 375 607)</b>	<b>11 707 223</b>
<b>Equity as at 1 January 2019</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(17 647 156)</b>	<b>(6 375 607)</b>	<b>11 707 223</b>
Profit (loss) After tax	-	-	(235 879)	-	(235 879)
Other comprehensive income	-	-	-	(518 110)	(518 110)
<b>Equity as at 31 December 2019</b>	<b>8 126 110</b>	<b>27 603 876</b>	<b>(17 883 035)</b>	<b>(6 893 717)</b>	<b>10 953 234</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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## NOTE 01 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of EAM for the year ending 31 December 2019 were authorised for issuance by the board on 21 April 2020.

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. EAM Solar ASA is the parent company of the Group. The primary business activity of EAM is both to own solar photovoltaic power plants and sell electricity under long-term fixed price sales contracts, and to pursue legal proceedings in order to restore company values. EAM was structured to create a steady long-term dividend yield for its shareholders. Following the P31 Acquisition, the main value of EAM is dependent on the future outcome of litigation activities.

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

### 01.01 Basis for preparation of the financial statement

The EAM Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and mandatory for financial years beginning on or after 1 January 2019.

The consolidated financial statements are based on historical cost. In addition, interest rate swaps used for hedging is measured at fair value.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under similar circumstances.

The Group's presentation currency is Euro (EUR) and the parent company's functional currency is Norwegian Krone (NOK). The majority of the Group's revenue and cost are in Euro, thus the group accounts are presented in Euro. Balance sheet items in the Group companies with a functional currency other than EUR are converted to Euro by applying the currency rate applicable on the balance sheet date. Currency translation differences are booked against other comprehensive income. Income statement items are converted by applying the average currency rate for the period.

The financial statements and figures presented in the directors' report are prepared under the assumption of going concern. 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. The board and manager are placing all their effort into operating the Company in a prudent manner, pending the legal proceedings that is expected to ultimately solve the situation for EAM.

### 01.02 Consolidation principles

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The acquisition method is applied when accounting for business com-

binations. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative transaction differences recorded in equity
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

### 01.03 Use of estimates in the financial statements

Management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses, deferred tax asset and information on potential liabilities. Due to the termination of the FIT contracts, the accounts reflect fully loss of values, but not reduction of debt obligations, although these obligations are disputed due to the criminal fraud.

Future events may lead to estimates being changed, and estimates and their underlying assumptions are reviewed on a regular basis. Changes in accounting estimates are recognised during the period when the changes take place. If the changes also apply to future periods, the effect is accounted for prospectively. See also [note 4](#).

### 01.04 Foreign currency

The Group's consolidated financial statements are presented in EUR. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

#### Transactions in foreign currency

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into the functional currency using the exchange rate applicable at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchanges at the date when the fair value is determined. Change in exchange rates are recognised in the statement of comprehensive income as they occur during the accounting period.

#### Foreign operations

On consolidation, the assets and liabilities of operations with a functional currency other than the EUR are translated to EUR at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions.

The average exchange rates are used as an approximation of the transaction exchange rate. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the accumulated translation differences relating to the subsidiary are recognised in the statement of comprehensive income.

Translation differences arising from the translation of a net investment in foreign operations are specified as translation differences in the statement of equity.

### 01.05 Revenue recognition

Revenue is recognized when a customer obtains control of the goods or services.

#### Sale of solar power

EAM owns and operates four solar power plants in Italy, which generate electricity. Revenue from the sale of electricity is recognised in the

statement of comprehensive income once delivery has taken place and the risk and return have been transferred.

All EAM's electricity sales are made under 20-year sale agreements in the feed-in-tariff (FIT) scheme, with the Italian renewable energy authority Gestore Servizi Energetici (GSE) as commercial counterparty.

The fixed price sales contracts (FIT) accounts for approximately 80 per cent of revenues, with electricity sales at market prices accounting for approximately 20 per cent.

Market price contracts are renewed yearly.

#### Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate which exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

### 01.06 Segments

The Group's activities are uniform, where the business strategy is to operate solar power plants in different European countries. For management purposes, the Group is organised into segments related to the individual solar power plants and when they were purchased. Financial information relating to segments is presented in [note 9](#).

Internal gains on sales between the various segments are eliminated in the segment reporting.

### 01.07 Income tax

Income tax consists of tax payable and changes to deferred tax. Deferred tax liability/tax asset is calculated on all differences between the carrying and tax value of assets and liabilities, with the exception of temporary differences related to investments in subsidiaries where the Group controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the deferred tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax liability and deferred tax asset are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax liability and deferred tax asset are recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet. Tax payable and deferred tax are recognised directly in equity to the extent that they relate to equity transactions.

### 01.08 Property, plant and equipment

All property, plant and equipment (including solar power plants) are valued at their cost less accumulated depreciation and impairment. When assets are sold or disposed of, the carrying amount is derecognised and any gain or loss is recognised in the statement of comprehensive income.

The cost of tangible non-current assets is the purchase price, including taxes/duties and costs directly linked to preparing the asset for its intended use. Costs incurred after the asset is in use, such as regular maintenance costs, are recognised in the statement of comprehensive income as incurred, while other costs expected to provide future financial benefits are capitalised.

Depreciation is calculated using the straight-line method over the following useful lives:

- Movers, modules and cable connectors 20 years
- Land lease rights 25 years.

The depreciation period and method are assessed each year. A residual

value is estimated at each year-end, and changes to the estimated residual value are recognised as a change in an estimate.

### 01.09 Leases

#### 2019

The Group has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases.

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

#### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### 2018

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

The Group does not have any operational leases.

### 01.10 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and at the amount of any non-controlling interest in the acquired company. For each business combination, the Group elects whether it measures the

non-controlling interest in the acquired company either at fair value or at the proportionate share of the acquired company's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquired company.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquired company is measured to fair value at the acquisition date through profit and loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised as profit or loss.

After initial recording, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units which are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### Bargain purchase transactions

If the net of the acquisition-date fair values of identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred (measured at acquisition-date fair value), the excess amount is recognised as a gain in the statement of comprehensive income on the acquisition date. Having done so, the company has reviewed the procedures used to measure all of the following:

- the identifiable assets acquired and liabilities assumed
- the non-controlling interest in the acquired, if any
- the consideration transferred.

### 01.11 Classification and measurement of financial assets and liabilities

#### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 60 days for the feed-in-tariff contracts, and 15 days for the market price contracts.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost

and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **01.12 Cash and cash equivalents**

Cash includes cash in hand, at the bank or cash seized by the Prosecutors Office of Milan.

Cash equivalents are short-term liquid investments which can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

#### **01.13 Equity**

##### **Costs of equity transactions**

Transaction costs directly related to an equity transaction are recognised directly in equity after deducting tax expenses.

#### **01.14 Provisions**

A provision is recognised when the Group has an obligation (legal or constructive) as a result of a previous event, it is probable (more likely than not) that a financial settlement will take place as a result of this obligation, and the size of the amount can be measured reliably. If the effect is considerable, the provision is calculated by discounting estimated future cash flows using a discount rate before tax which reflects the market's pricing of the time value of money and, if relevant, risks specifically linked to the obligation.

Restructuring provisions are recognised when the Group has approved a detailed, formal restructuring plan and the restructuring has either started or been publicly announced.

Provisions for loss-making contracts are recognised when the Group's estimated revenues from a contract are lower than unavoidable costs that were incurred to meet the obligations pursuant to the contract.

#### **01.15 Contingent liabilities and assets**

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Group.

#### **01.16 Current/non-current classification**

Assets and liabilities are presented on the basis of current and non-current classification.

An asset is classified as current when it is expected to be sold or utilised or sold in the consolidated entity's normal operating cycle, or within 12 months after the reporting period, all other assets are classified as non-current.

A liability is classified as current when it is expected to be paid in the consolidated entity's normal operating cycle or within 12 months after the reporting period, all other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### **01.17 Derivative financial instruments and hedging activities**

Derivatives at fair value classified as hedging instruments are carried in the statement of financial position at fair value with net changes in fair value in OCI.

Derivatives at fair value not classified as hedging instruments are carried in the statement of financial position at fair value with net changes in fair value in profit and loss statement.

The categories includes foreign exchange contracts and interest rate swaps.

#### **01.18 Earnings per share**

Earnings per share are calculated by dividing the majority shareholders' share of the profit/loss for the period by the weighted average number of ordinary shares outstanding over the course of the period. When calculating diluted earnings per share, the average number of shares outstanding is adjusted for all share options that have a potential dilutive effect. Options that have a dilutive effect are treated as shares from the date they are issued.

#### **01.19 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

#### **01.20 Events after the reporting period**

New information on the Company's financial position at the end of the reporting period, which becomes known after the reporting period, is recorded in the annual accounts. Events after the reporting period which do not affect the Company's financial position at the end of the reporting period but which will affect the Company's financial position in the future are disclosed if significant. See [note 23](#).

#### **01.21 Application of new IFRS requirements**

For the preparation of these consolidated financial statements, the following new standards were effective from 1 January 2019.

IFRS 16 Leases (effective from 1 January 2019): The Standard replaces IAS 17 and its Interpretations. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. The effect of the implementation of IFRS 16 can be found in [note 13](#).

#### **01.22 New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## NOTE 02 ALTERNATIVE PERFORMANCE MEASURES “APMS”

EAM uses financial performance measures not within the applicable financial reporting framework also referred to as Alternative performance measures or APMS. These are used to give the reader relevant figures for comparison, analysis and additional information. The Company uses the APMS in a consistent and transparent manner to make it understandable to users of the financial reports.

In order to provide a basis for analysis the Company presents EBITDA and EBIT.

### Definitions:

EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation  
EBIT - Earnings Before Interest and Tax

## NOTE 03 LIST OF SUBSIDIARIES AND CHANGES IN GROUP STRUCTURE

On 15 August 2019 EAM Solar ASA sold the shares in the subsidiary EAM Solar Norway Holding AS to Energeia AS.

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

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

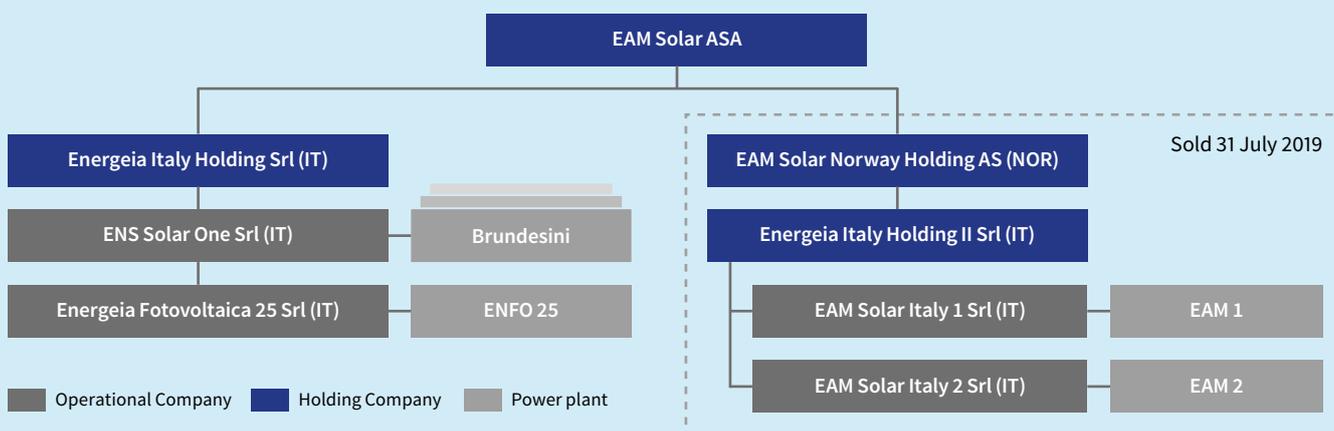
Cash payment for the shares will be NOK 79 million, when the debt that EAM Solar ASA owes EAM Solar Norway Holding AS of NOK 56.5 million and payments made in the period after financial takeover of NOK 1.2 million are subtracted from the purchase price.

The book value of the shares is NOK 83.9 million, the sale thus represents a capital gain for the parent company of approximately NOK 52.9 million, and on a group level a gain of approximately NOK 25.7 million or EUR 2.6 million.

31 July 2019	(EUR)
Property, plant and equipment	12 682 364
Other current assets	355 029
Receivables	6 655 015
Cash and short term deposits	453 516
Other long term assets	311 322
Payables	(368 758)
Deferred tax liabilities	(406 636)
Tax payables	(146 133)
Land lease	(814 438)
Project finance debt	(7 361 417)
<b>Net assets sold</b>	<b>11 359 864</b>
Consideration received	13 986 888
<b>Accounting gain<sup>1</sup></b>	<b>2 627 023</b>

<sup>1</sup> Gain calculated with the exchange rate of the transaction date.

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



The following subsidiaries are included in the consolidated financial statements. (All amounts in EUR)

Company	Country	Principal activity	Ownership	Vote	Profit <sup>2</sup>	Equity
EAM Solar Norway Holding AS <sup>1</sup>	Norway	Holding company	100%	100%	(777 575)	-
EAM Solar Italy Holding II Srl <sup>1</sup>	Italy	Holding company	100%	100%	50 929	-
EAM Solar Italy 1 Srl <sup>1</sup>	Italy	Solar power plant	100%	100%	71 278	-
EAM Solar Italy 2 Srl <sup>1</sup>	Italy	Solar power plant	100%	100%	289 017	-
EAM Solar Italy Holding Srl	Italy	Holding company	100%	100%	(1 750 241)	(1 760 491)
Ens Solar One Srl	Italy	Solar power plant	100%	100%	(196 020)	(97)
Energeia Fotovoltaica 25 Srl	Italy	Solar power plant	100%	100%	(66 716)	128 774

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

<sup>2</sup> Profit included in the Group financial statement for the ownership period.

All subsidiaries based in Italy have registered office at Piazza Cinque Giornate 10, 20129 Milano, Italy.

**NOTE 04** SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, ASSUMPTIONS AND COMPARABLE FIGURES

In the process of applying the Group's accounting policies in accordance 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 year. The Company's most important accounting estimates are the following items:

**Revenue and receivables**

The Group has receivables against various parties including the Italian state and companies involved in the criminal proceedings in Milano. It is uncertainty regarding the willingness or ability for these parties to pay. To the extent the Company or its subsidiary is aware of any doubt in the likelihood of collecting such receivable a provision has been made. Significant judgement is required in estimating the soundness of such receivable.

In the case of ENFO 25 where the Company received a GSE order to suspend the incentives and relevant payments of feed-in-tariff, the Company has decided to recognise revenue in full.

The full recognition of revenue is based on the arguments in the appeal of the decision to suspend, together with the likelihood of success, if the Company is unsuccessful in its appeal the revenue for ENFO 25 can be reduced or lost in its entirety.

The yearly revenue for ENFO 25 is approximately EUR 350 000. The Company may lose future revenue until the end of the contract

period as well as being asked to repay earlier revenue received.

There is an institute of amnesty whereby companies may apply for a reduced tariff if GSE wins forward in their arguments and that is the more likely outcome should the Company not win forward with its arguments. The reduced tariff is subject to negotiations with GSE.

**Tax assets**

The Group has recognised deferred tax asset because it is considered that it is probable that future taxable amounts will be available to utilise those temporary differences and losses carried forward. If such assumption proves to be incorrect the tax can be lost partly or in its entirety. Total recognised tax asset at the reporting date is EUR 159 332.

**Comparable figures**

The Group has made a restatement of some of its 2018 figures in order to be comparable with 2019. In the profit and loss statement accrual of prepaid cost has been moved from depreciation to SG&A, and cash flow hedge including tax has been moved from other comprehensive income to finance costs and income tax gain/(expense).

In the balance sheet, accrual of prepaid cost has been moved from intangible assets to other long term assets. Land lease rights have been moved from intangible assets to property, plant and equipment and land has been moved from other long term assets to property, plant and equipment. VAT has been moved from other current assets to trade and other receivables. In addition, the short term portion of the leasing debt has been moved to current liabilities.

**NOTE 05** OTHER OPERATING EXPENSES

VAT is not included in the fees specified below.

Specification of auditor's fee (EUR)	2019	2018
Statutory audit	23 626	35 559
Other non-assurance services	990	-
Tax consultant services	-	33 389
Other services	24 993	-
<b>Total fee to auditor's</b>	<b>49 609</b>	<b>68 948</b>

**NOTE 06** SALARY AND PERSONNEL EXPENSE AND MANAGEMENT REMUNERATION

Board of directors year-end 2019:

- Ragnhild M Wiborg (chair)
- Stephan L Jervell (non-executive director)
- Pål Hvammen (non-executive director)

The CEO in 2019, Viktor Erik Jakobsen, is hired and remunerated by the manager (see [note 7](#) for description of management agreement).

Ragnhild M Wiborg, has received in 2019 NOK 450 000 in remuneration for her work as Chair. Erling Christiansen has received NOK 137 500 and Stephan L Jervell has received NOK 275 000 in 2019. Pål Hvammen has

received NOK 137 500 in 2019. At year end 2019 Ragnhild Wiborg held directly or through companies she controls 3 765 shares in EAM Solar ASA, no shares were held by other directors or CEO.

No member of the management receives remuneration or financial benefits from other companies in the Group other than those stated above. No additional remuneration has been paid for services outside the normal functions of a director. No loans or guarantees have been given to any members of the Group management, the board of directors or other company bodies.

## NOTE 07 TRANSACTIONS WITH RELATED PARTIES

### Related parties

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

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

### Transactions with related parties

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

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

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

In 2019 Energeia direct costs of the management of EAM was EUR 1.5 m (2018: EUR 1.6 m). For 2019 the direct cost was EUR 0.14 per kWh based on full year figures. (against EUR 0.13 per kWh in 2018).

On 15 August 2019 EAM Solar ASA sold the shares in the subsidiary EAM Solar Norway Holding AS to Energeia AS.

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

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

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

In 2019 the Group had net receivables from related parties (Energeia AS) of EUR 8 049 thousand.

### Energeia AS ownership

Company/owner	Ownership	Person	Position year-end 2019
Jakobsen Energeia AS	26.28%	Viktor E Jakobsen	Chief Exececutive Officer of EAM Solar ASA
Sundt AS	26.28%	Family office	Shareholder of EAM Solar ASA
Naben AS	14.45%	Audun W Iversen	Shareholder of EAM Solar ASA
Canica AS	6.96%	Family office	Shareholder of EAM Solar ASA
Chold AS	9.07%	Christian Hagemann	Chief Operating Officer - Energeia AS
Jemma Invest AS	5.00%	Jarl Egil Markussen	Chief Administrative Officer - Energeia AS
Trimtabber BV	5.00%	Robert Veenstra	Chief Executive Officer - EAM Netherlands BV

## NOTE 08 FINANCIAL INCOME AND EXPENSES

Financial income (EUR)	2019	2018
Interest income	252	644
Foreign exchange gain	337 065	956 353
Other financial income	-	-
Gain from sale <sup>2</sup>	2 607 052	-
Redistribution of OCI <sup>1</sup>	542 714	-
<b>Total financial income</b>	<b>3 487 083</b>	<b>956 997</b>

Financial expenses (EUR)	2019	2018
Interest expense	(1 058 324)	(573 809)
Foreign exchange losses	(540 876)	(791 635)
Other financial expenses	(89 613)	(46 090)
<b>Total financial expenses</b>	<b>(1 688 813)</b>	<b>(1 411 534)</b>
<b>Net financial income (expenses)</b>	<b>1 798 270</b>	<b>(454 537)</b>

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

<sup>2</sup> Gain from sale is calculated with the average exchange rate used for 12M 2019.

The average exchange rate used for 12M 2019 is EUR/NOK 9.8527 (12M 2018: EUR/NOK 9.5962), whereas the exchange rate used on 31 December 2019 is EUR/NOK 9.8638 (31 December 2018: EUR/NOK 9.9483)

## NOTE 09 SEGMENT INFORMATION

The Group owns and operates four solar PV power plants in Italy as of year-end 2019. EAM Solar Italy 1 and EAM Solar Italy 2 have been sold during the year, and only one business segment remains. The business is investing in and operating power plants that have similar economic characteristics.

During the year ended 31 December 2019 approximately EUR 2 633 thousand (2018: EUR 3 407 thousand) of the Group's external revenue was derived from sales to the Italian state, represented by GSE for the Feed In Tariff contracts. Approximately EUR 519 thousand (2018: EUR 750 thousand) of the Group's external revenue was derived from sales to an international commodities trading house for the market price contracts.

**NOTE 10** OPERATIONAL COSTS BREAKDOWN 2019

EUR	EAM Solar Group	EAM Solar Italy 1 <sup>1</sup>	EAM Solar Italy 2 <sup>1</sup>	ENS1 & ENFO25	Other & Eliminations
<b>Revenues</b>	<b>3 166 304</b>	<b>607 973</b>	<b>1 254 807</b>	<b>1 303 523</b>	<b>-</b>
<b>Cost of operations</b>	<b>(409 428)</b>	<b>(40 345)</b>	<b>(69 905)</b>	<b>(276 196)</b>	<b>(22 982)</b>
Land rent	-	-	-	-	-
Insurance	(104 451)	(10 224)	(21 888)	(49 357)	(22 982)
Operation & Maintenance	(95 728)	(12 358)	(23 690)	(59 680)	-
Energeia operating costs	(130 363)	(13 203)	(13 203)	(103 958)	-
Other operations costs	(78 886)	(4 560)	(11 124)	(63 202)	-
<b>Sales, General &amp; Administration</b>	<b>(1 885 525)</b>	<b>(126 078)</b>	<b>(142 187)</b>	<b>(344 417)</b>	<b>(1 272 843)</b>
Accounting, audit & legal fees	(148 630)	(5 678)	(6 704)	(41 627)	(94 622)
IMU tax	(28 381)	(10 553)	(5 004)	(12 824)	-
Energeia direct costs	(764 823)	(90 209)	(90 209)	(180 901)	(403 503)
Other administrative costs	(943 690)	(19 638)	(40 270)	(109 065)	(774 718)
<b>Legal costs</b>	<b>(1 312 577)</b>	<b>-</b>	<b>700</b>	<b>(88 401)</b>	<b>(1 224 876)</b>
Legal costs	(719 180)	-	700	(88 401)	(631 480)
Energeia legal costs	(593 397)	-	-	-	(593 397)
<b>EBITDA</b>	<b>(441 226)</b>	<b>441 550</b>	<b>1 043 417</b>	<b>594 509</b>	<b>(2 520 701)</b>

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

## NOTE 11 INCOME TAX

The basis for the recognition a deferred tax asset is forecasted results in the operating segments. There are no expiry dates on any of the losses carried forward. Property tax payable is expensed as an operating expense under SG&A.

<b>Income tax expense (EUR)</b>	2019	2018
Current taxes	148 300	246 648
Changes in deferred taxes	155 283	94 034
Correction for previous years tax	-	47 530
<b>Total income tax expense</b>	<b>303 583</b>	<b>388 212</b>
Income tax net income	303 583	354 394
Income tax other comprehensive income	-	33 818
<b>Total income tax expense</b>	<b>303 583</b>	<b>388 212</b>
<b>Tax payable (EUR)</b>	2019	2018
Tax payable for the year	(148 300)	246 648
Prepaid tax	148 300	(244 373)
<b>Total payable tax</b>	<b>-</b>	<b>2 275</b>
<b>Temporary differences Norway</b>		
Receivables	-	(439 735)
Intercompany interest	(4 155 388)	(4 340 486)
<b>Total temporary differences</b>	<b>(4 155 388)</b>	<b>(4 780 221)</b>
Tax losses carried forward	1 358 047	733 528
Tax losses carried forward not recognised as an asset	(1 358 047)	(380 421)
<b>Basis for deferred tax</b>	<b>(4 155 388)</b>	<b>(4 427 114)</b>
<b>Deferred tax</b>	<b>(623 308)</b>	<b>(976 353)</b>
<b>Temporary differences Italy</b>		
Tangible assets	51 623	1 166 365
Intangible assets	-	164 802
Leasing	390 337	410 534
Cash flow hedge	145 276	237 997
<b>Total temporary differences</b>	<b>587 236</b>	<b>1 979 698</b>
Tax losses carried forward	8 509 777	7 158 089
Tax losses carried forward not recognised as an asset	(8 433 356)	(6 713 856)
<b>Basis for deferred tax asset</b>	<b>663 657</b>	<b>2 423 931</b>
<b>Deferred tax asset</b>	<b>159 332</b>	<b>581 743</b>
<b>Tax expense reconciliation (EUR)</b>	2019	2018
<b>Profit before tax</b>	<b>67 705</b>	<b>(1 805 515)</b>
Corporation tax charge thereon at 22% (2018: 23%)	14 895	(415 268)
<i>Adjusted for the effects of:</i>		
Expenses not deductible for tax purposes	56 480	1 136 011
Gain from sale, not taxable	(573 551)	-
Change in temporary differences	49 741	-
Change in tax rates	-	2 077
Different tax rates in foreign jurisdictions	-	(971 162)
Change in tax loss not carried forward	593 368	484 561
Change in deferred tax	-	43 868
Withholding tax on intercompany interest	40 843	-
Adjustments to tax in respect of previous periods	-	-
Translation differences	119 397	-
Other minor items	2 411	108 125
<b>Income tax expense for the year</b>	<b>303 583</b>	<b>388 212</b>
<i>Effective tax rate</i>	<i>448%</i>	<i>(22%)</i>

## NOTE 12 EARNINGS PER SHARE

Basic earnings per share is calculated as the ratio of the profit for the year due to the shareholders of the parent company, divided by the weighted average number of ordinary shares outstanding. The Company had 6 852 210 shares outstanding on 31 December 2019. There is no dilutive potential on the ordinary shares, so the earnings will be the same for both basic and diluted basis.

<b>Earnings per share (EUR)</b>	2019	2018
Profit for holders of ordinary shares	(235 879)	(2 032 786)
<b>Basis for earnings per share</b>	<b>(235 879)</b>	<b>(2 032 786)</b>
<b>Earnings per share (EUR)</b>	2019	2018
- Basic	(0.03)	(0.30)
- Diluted	(0.03)	(0.30)
<b>Earnings per share in NOK<sup>1</sup></b>	2019	2018
<b>Continued operation</b>		
- Basic	(0.34)	(2.85)
- Diluted	(0.34)	(2.85)
<b>Total shares outstanding at period end</b>	<b>6 852 210</b>	<b>6 852 210</b>
Weighted average number of ordinary shares outstanding	6 852 210	6 852 210
Weighted average number of shares adjusted for dilutive shares	6 852 210	6 852 210
<sup>1</sup> Average NOK/EUR exchange rate	9.853	9.596

## NOTE 13 PROPERTY, PLANT AND EQUIPMENT

2019 (EUR)	Solar power plants	Solar power plants under lease	Leashold improvements	Total
<b>Carrying value 1 January 2019</b>	14 369 839	5 902 286	416 288	<b>20 688 413</b>
Additions	12 288	-	-	<b>12 288</b>
Effect of IFRS 16	-	926 013	-	<b>926 013</b>
Write-downs	-	-	-	-
Depreciation	(803 507)	(450 412)	(34 722)	<b>(1 288 640)</b>
Disposals	(11 886 002)	(796 362)	-	<b>(12 682 364)</b>
Currency translation effect	-	-	-	-
<b>Carrying value 31 December 2019</b>	<b>1 692 619</b>	<b>5 581 526</b>	<b>381 566</b>	<b>7 655 710</b>
2018 (EUR)	Solar power plants	Solar power plants under lease	Leashold improvements	Total
<b>Carrying value 1 January 2018</b>	15 647 506	6 309 860	313 808	<b>22 271 174</b>
Additions	14 054	-	137 202	<b>151 256</b>
Write-downs	-	-	-	-
Depreciation	(1 291 721)	(407 574)	(34 722)	<b>(1 734 017)</b>
Disposals	-	-	-	-
Currency translation effect	-	-	-	-
<b>Carrying value 31 December 2018</b>	<b>14 369 839</b>	<b>5 902 286</b>	<b>416 288</b>	<b>20 688 413</b>

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

The implementation of IFRS 16 relates to land rent and surface rights for ENS 1, EAM 1 and EAM 2.

Solar power plants under lease include a plot of land, that is not being depreciated since the land has an unlimited useful life, with a carrying amount of EUR 572 thousand.

2019 (EUR)	Amount	2018 (EUR)	Amount
Plant and equipment – at cost	2 771 466	Plant and equipment – at cost	23 556 014
Less: Accumulated depreciation	(1 078 846)	Less: Accumulated depreciation	(9 186 174)
	<b>1 692 620</b>		<b>14 369 839</b>
Plant and equipment under lease	8 041 834	Plant and equipment under lease	8 041 834
Less: Accumulated depreciation	(2 460 308)	Less: Accumulated depreciation	(2 139 548)
	<b>5 581 526</b>		<b>5 902 286</b>
Leasehold improvements - at cost	503 869	Leasehold improvements - at cost	503 869
Less: Accumulated depreciation	(122 303)	Less: Accumulated depreciation	(87 581)
	<b>381 566</b>		<b>416 288</b>

### Leasing

Total obligation	Contracts that were		Total
	Contracts identified as leases applying IFRS 16	previously identified as leases applying IAS 17	
ENS Solar One	88 644	4 849 690	<b>4 938 334</b>
<b>Total obligation 31 December 2019</b>	<b>88 644</b>	<b>4 849 690</b>	<b>4 938 334</b>
Long term obligation	Amount	Amount	Total
ENS Solar One	84 872	4 484 431	<b>4 569 303</b>
<b>Total long term obligation 31 December 2019</b>	<b>84 872</b>	<b>4 484 431</b>	<b>4 569 303</b>
Short term obligation	Amount	Amount	Total
ENS Solar One	3 771	365 259	<b>369 031</b>
<b>Total short term obligation 31 December 2019</b>	<b>3 771</b>	<b>365 259</b>	<b>369 031</b>

The interest rate used for the recognition of contracts identified as leases applying IFRS 16 and contracts that were previously identified as leases applying IAS 17 is 4.92 per cent p.a., equal to the interest rate of the underlying agreements with the financial institution for obligations measured as of 31 December 2019. The contracts identified as leases applying IFRS 16 run to 2035. The contracts that were previously identified as leases applying IAS 17 run to 2030. The lease contracts recognized in applying IFRS 16 is the land rent and surface rights for ENS One, and the lease contracts that were previously identified as leases applying IAS 17 are leases of the solar power plants of ENS One. The "Right Of Use" is calculated as the same value as the lease obligation at the time of initial application.

### Undiscounted lease liabilities and maturity of cash outflows

Year (EUR)	Amount
2020	697 000
2021	697 000
2022	697 000
2023	697 000
2024	697 000
After 2024	4 222 000
<b>Total undiscounted lease liabilities at 31 December 2019</b>	<b>7 707 000</b>

Summary of the lease liabilities	Contracts that were		Total
	Contracts identified as leases applying IFRS 16	previously identified as leases applying IAS 17	
At initial application 1 January 2019	926 013	5 196 505	<b>6 122 518</b>
New lease liabilities recognised in the year	-	-	-
Cash payments for the principal portion of the lease liability	(22 932)	(346 816)	<b>(369 748)</b>
Cash payments for the interest portion of the lease liability	(49 876)	(251 139)	<b>(301 015)</b>
Interest expense on lease liabilities	49 876	251 139	<b>301 015</b>
Disposal	(814 437)	-	<b>(814 437)</b>
<b>Total lease liabilities at 31 December 2019</b>	<b>88 645</b>	<b>4 849 689</b>	<b>4 938 334</b>

The Company has chosen to apply the practical expedient laid out in IFRS 16 where there is no reassessment whether a contract is, or contains, a lease at the date of initial application. Instead IFRS 16 is applied to all contracts that were previously identified as leasing applying 17. Further, the Company has chosen to apply the modified retrospective approach in the new standard.

## NOTE 14 OTHER CONTRACTUAL OBLIGATIONS

The Group has the following contractual obligations not recognized in the balance sheet relating to operations and maintenance, and insurance for ENS 1 and ENFO 25 (All amounts are undiscounted).

Year (EUR)	Amount
2020	106 000
2021	106 000
2022	106 000
2023	106 000
2024	106 000
After 2024	748 000
<b>Total</b>	<b>1 278 000</b>

## NOTE 15 FINANCIAL RISK MANAGEMENT

### Regulatory risk

The largest risk to the Company's operations and profitability are regulatory risk relating to changes in agreements, taxation or operational regulations made by the State of Italy. This risk is difficult to hedge against apart from securing that operations at all times are in compliance with the prevailing rules and regulations.

### Financial risk

The Group has different financial instruments; a) trade and other receivables and trade accounts payable, b) project finance (bank loan at amortised cost), c) leasing. In addition the Group has derivative financial instruments in the form of interest rate swaps, swapping from floating to fixed interest.

### Credit risk

Under normal circumstances the risk for losses is considered to be low, as the counterparts will be sovereign states in Western Europe. The Group has not made any offsets or other derivative agreements to reduce the credit risk in EAM.

### Interest-rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relate primarily to the Group's debt with floating interest rates. For the leasing debt the Group has entered into a derivative instrument hedging 80 per cent of the interest.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Surplus liquidity is primarily placed on a bank deposit account.

### Capital structure and equity

The primary focus of the Group's capital management is to ensure that it maintains an acceptable capital ratio in order to support its business operations and the ongoing legal proceedings.

The financial statement is prepared on the basis of going concern. It is the board's opinion that the Group has sufficient liquidity for the next twelve months.

## NOTE 16 TRADE RECEIVABLES

Trade and other receivables (EUR)	2019	2018
Accounts receivables	-	74 536
Deferred revenue towards GSE	391 319	806 003
Receivable from sale	8 048 984	-
Other receivables	1 493 963	1 858 162
<b>Accounts receivables</b>	<b>9 934 267</b>	<b>2 738 701</b>

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

The receivable against GSE is not overdue and we have not had any loss on receivable against GSE historically. 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 the expected annual revenues, thereby being paid in June the following year

Other receivables is mainly receivable on VAT for Italian subsidiaries that does not expire and can be utilised against other taxes, or cashed out in the event the companies ceases to exist.

## NOTE 17 CASH AND CASH EQUIVALENTS

EUR	2019	2018
Cash Norway	22 761	16 835
Cash Italy	342 926	826 754
Seized cash in the period	-	-
<b>Cash and cash equivalents</b>	<b>365 687</b>	<b>843 589</b>
Restricted cash	279 716	592 225
Seized cash Italy	61 616	61 616

Restricted cash at year end 2019 is related to the debt service reserve account of ENS 1. The seized cash of EUR 62 is taken from companies not included in the criminal proceedings.

The Group had no undrawn credit facilities at 31 December 2019.

**NOTE 18** SHARE CAPITAL, SHAREHOLDER INFORMATION AND DIVIDEND

The 20 main shareholders as at 31 December 2019 are:

Shareholder	Shares	Ownership
SUNDT AS	1 054 580	15.4%
CANICA AS	886 762	12.9%
ENERGEIA AS	650 956	9.5%
MP PENSJON PK	281 283	4.1%
DNB LIVSFORSIKRING AS	269 086	3.9%
PARK LANE FAMILY OFFICE AS	237 300	3.5%
NORDNET LIVSFORSIKRING AS	157 179	2.3%
MELLEM NES INVEST AS	156 928	2.3%
IMENES ANDERS GRAVIR	140 933	2.1%
AKA AS	125 000	1.8%
ALDEN AS	108 398	1.6%
BRUNSBICA AS	62 078	0.9%
VIRO AS	61 156	0.9%
JESEM AS	60 000	0.9%
KARSTEN ELLINGSEN AS	55 003	0.8%
VERPENTANGEN AS	52 950	0.8%
RO INVEST AS	50 000	0.7%
MATHIASSEN ALEKSANDER	42 513	0.6%
LOTSO AS	40 000	0.6%
Nordnet Bank AB	35 297	0.5%
<b>Total of the 20 main shareholders</b>	<b>4 527 402</b>	<b>66.1%</b>

Share capital	1 Jan 2019	31 Dec 2019
No of shares	6 852 210	6 852 210
Nominal value (NOK)	10	10
Share capital	68 522 100	68 522 100

All the shares in the Company and shareholders have equal rights, including voting rights. Each share carries the right to one vote at the Company's general meeting.

Share premium is the difference between nominal value of the Company's shares and the total amount the Company received for shares issued.

Due to the financial situation of the Company the board of directors propose no dividend payments for 2019.

**NOTE 19** DEBT

EUR	2019	2018
Interest bearing debt	-	6 354 403
Other non current liabilities	531 033	668 754
Obligations under finance leases	4 569 303	4 849 689
Deferred tax	623 308	976 353
<b>Total non-current liabilities</b>	<b>5 723 644</b>	<b>12 849 199</b>
Trade payables	1 774 106	2 195 147
Other payables	403 771	129 143
Social security	7 541	7 477
Taxes other than income taxes	34 156	78 859
Accrued liabilities	33 004	37 736
Deferred income	-	-
<b>Trade and other payables</b>	<b>2 252 578</b>	<b>2 448 362</b>
Current interest bearing loans	-	-
Current project finance	-	-
Current leasing	369 031	346 816
Other current debt	-	-
Tax payable	-	2 275
<i>Related to ordinary operations</i>	<i>2 621 609</i>	<i>2 797 453</i>
AION Renewables	-	-
Aveleos S.A.	-	-
GSE repayment claim	-	-
<i>Related to criminal proceedings</i>	<i>-</i>	<i>-</i>
<b>Total current liabilities</b>	<b>2 621 609</b>	<b>2 797 453</b>
<b>Total liabilities</b>	<b>8 345 253</b>	<b>15 646 652</b>

The change in "Interest bearing debt" relates to the sale of EAM Solar Norway Holding AS where the loan from Sundt AS was transferred to the buyer. This transaction had no cash effect since it was settled with offset and a seller's credit.

The change in "Other non current liabilities" are mainly related to change of the derivative financial instruments (interest rate swap) (EUR 90 thousand) and payments of debt to third parties (EUR 45 thousand).

**Equity contribution agreement and patronage letter**

In conjunction with the "P31 acquisition", EAM Solar Italy Holding Srl entered into a so-called patronage letter and an equity contribution agreement with UBI Leasing and UniCredit respectively. These agreements may under certain circumstances require EAM Solar Italy Holding Srl to inject additional equity into the debt financed SPVs to cover any shortfall or breach of the debt repayment obligations of the SPVs.

The FIT contracts of the SPVs have been terminated by GSE due to a criminal fraud against the State of Italy. EAM has been acknowledged as victims of contractual fraud. It is EAM's belief that an important motive behind the fraud conducted against EAM by the directors of Aveleos, was in order for Aveleos and their respective shareholders to escape their debt repayment responsibilities by transferring this to EAM through the sale of the companies. Consequently, EAM considers the patronage letter/equity contribution agreement as an integrated part of the criminal contractual fraud, thus being void.

On 21 November 2018 EAM Solar ASA was served with a notice that UBI Leasing had applied to the court of Brescia for an injunction over EUR 6 million of EAM assets. The court of Brescia granted a preliminary injunction, only enforceable upon further ruling. EAM challenged this decision and the first hearing in this matter was scheduled for 30 May 2019. A summary hearing was held, and the case was further postponed until 6 November 2019. No ruling was announced in the hearing that was held on 6 November 2019. On 8 December 2019 EAM was informed

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

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

A further hearing was held on 21 January 2020. In this hearing the judge enabled the parties to submit further briefs in the period until mid-April and the next hearing is set for 12 May 2020. Both the filing of the briefs and the hearing are postponed due to the COVID-19 situation.

#### Receivable and payable against Aveleos S.A., its directors and its two shareholders Enovos Luxembourg S.A. and Avelar Energy Ltd.

The Criminal Court also decided that Aveleos S.A. must pay EAM Solar ASA provisional damages of EUR 5 million immediately, not awaiting appeal or the final damages decision.

The Criminal Court found it evidenced and consequently decided that Both Mr Giorgi and Mr Akhmerov are guilty of criminal contractual fraud against EAM Solar ASA in conjunction with the sale of the so-called P31 portfolio, i.e. both are found guilty according to the State Prosecutors Office of Milano's Indictment point F.

The Company estimates the claim to be in excess of EUR 300 million. The claim is a contingent asset that will not be recognised in the balance sheet.

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

Based on the Share Purchase Agreement and the addendums, the Company is entitled to a payment from Aveleos due to the overpayment for ENS4 and the post-closing adjustments including interest. This amount has been confirmed by EY in a separate audit on the issue.

In addition, the company has recognised a loan of EUR 2.5 million given by Aveleos in 2014.

At the date of release of this report, has the Company not yet received the necessary documentation from the Criminal Court of Milan to serve the decision upon Aveleos SA., where by Aveleos SA was sentenced to pay damages in favour of the companies EAM Solar Italy Holding Srl and EAM Solar ASA, to be paid separately, with provisional payment determined at EUR 5 million, as well as reimbursement of court costs, which totalled EUR 15 840 plus VAT and CPA, and 15 per cent in the form of flat-rate reimbursement of expenses.

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

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

No provisions are made in the accounts.

#### Litigation funding agreement with Therium

The funding being received from Therium is a contribution to lower the legal costs incurred in pursuing the claim, and legal costs are reduced with the contribution from Therium, and any subsequent repayment to Therium is conditional on EAM receiving a claim award. Therefore, there is no liability to recognise a payment to Therium at this stage in the financial statements. EAM will recognise a claim award after having reimbursed Therium of their amount. Unused litigation funding at the end of the year was EUR 59 thousand. Therium has committed to invest a maximum amount of up to EUR 2.3 million. The agreement entitles Therium to receive the invested amount plus a contingency fee of 3X the committed funds under any incepted tranche of funding as a first priority payment from any litigation claim awarded to the Company.

#### NOTE 20 HEDGING

The table below details the consolidated entity's assets and liabilities measured or disclosed at fair value using a three-level hierarchy. The interest rate swap where we pay fixed and receive variable interest is categorised within level 2 and based on information received from the financial institution where the underlying financing is placed.

Derivatives	Liabilities	
	Fair value	Notional amount
Current portion (EUR)		
Interest rate swap	145 276	3 978 690
<b>Derivatives year-end</b>	<b>145 276</b>	<b>3 978 690</b>
<b>Total non-current debt</b>	<b>145 276</b>	<b>3 978 690</b>
<b>Current portion</b>	<b>-</b>	<b>-</b>

Purpose of the derivative: hedging of the variable interest rate of the leasing debt. Risk coverage: 80 per cent of the debt. Fixing rate (swap rate): 2.34 per cent. Duration: The interest swap will expire on 10 April 2021.

#### NOTE 21 IMPAIRMENT

EAM has not identified indicators for impairment of the power plants as described in IAS 36 at year end.

#### NOTE 22 INTANGIBLE ASSETS

2019	Intangible assets
<b>Carrying value 1 January 2019</b>	<b>11 903</b>
Additions	-
Write-downs	-
Depreciation	(701)
Disposals	-
Currency translation effect	-
<b>Carrying value 31 December 2019</b>	<b>11 202</b>
<b>2018</b>	<b>Intangible assets</b>
<b>Carrying value 1 January 2018</b>	<b>11 539</b>
Additions	-
Write-downs	-
Depreciation	(699)
Disposals	-
Currency translation effect	1 063
<b>Carrying value 31 December 2018</b>	<b>11 903</b>

Intangible assets are depreciated linear over the lifetime of the FIT contracts. The FIT contract period is running to 2031.

**NOTE 23** EVENTS AFTER THE BALANCE SHEET DATE**Arbitration**

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

**Civil Court Italy**

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

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

A further hearing was held on 21 January 2020. In this hearing the judge enabled the parties to submit further briefs in the period until mid-April and the next hearing is set for 12 May 2020.

Both the filing of the briefs and the hearing are postponed due to the COVID-19 situation.

**Covid-19**

The outbreak of Covid-19 is most likely to affect the progress of the various legal proceedings as these are expected to be delayed or for a period halted due to the courts working slow or being completely closed.

The board of directors does not expect as a result of Covid-19 neither loss of customers nor loss on receivables. The access to spare parts and the ability to maintain the power plants are also expected to be satisfactory due to energy supply being of crucial importance.

None of the above mentioned events are expected to significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

The annual report was approved for publication on 21 April 2020 by the board of directors.

# PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

NOK	Note	2019	2018
Revenue	<a href="#">3</a>	15 823 945	13 758 662
<b>Total revenue</b>	<a href="#">3</a>	<b>15 823 945</b>	<b>13 758 662</b>
Personnel expenses	<a href="#">5, 11</a>	(1 203 755)	(1 260 805)
Depreciation, amortisations and write-downs		-	-
Other operating expenses	<a href="#">4, 6, 11</a>	(24 658 697)	(19 119 169)
<b>Total operating expenses</b>		<b>(25 862 452)</b>	<b>(20 379 974)</b>
<b>Operating profit</b>		<b>(10 038 507)</b>	<b>(6 621 311)</b>
<b>Financial income and financial expense</b>			
Interest income from group companies		3 207 875	3 158 022
Other interest income		2 456	2 330
Gain from sale of subsidiaries	<a href="#">6</a>	52 896 090	-
Other financial income		2 850 490	7 460 094
Write-down of long term investments and receivables	<a href="#">13</a>	(41 892 402)	(42 651 736)
Interest expense from group companies		-	(1 867 023)
Other interest expense		(1 435 949)	(3 882)
Other financial expense		(4 197 325)	(5 915 183)
<b>Net financial items</b>		<b>11 431 235</b>	<b>(39 817 379)</b>
<b>Profit before tax</b>		<b>1 392 728</b>	<b>(46 438 690)</b>
Income tax gain/(expense)	<a href="#">7</a>	(402 863)	(549 467)
<b>Profit after tax</b>		<b>989 865</b>	<b>(46 988 157)</b>
<b>Attributable to</b>			
Share premium		-	(46 988 157)
Other equity	<a href="#">10</a>	989 865	-

# PARENT COMPANY STATEMENT OF FINANCIAL POSITION

NOK	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Investment in subsidiaries	2, 13	1 044 924	84 909 823
Intercompany loan	8, 13	51 891 535	83 941 702
Other long term receivables		6 816 096	15 360 625
<b>Total financial assets</b>		<b>59 752 555</b>	<b>184 212 150</b>
<b>Total non-current assets</b>		<b>59 752 555</b>	<b>184 212 150</b>
<b>Current assets</b>			
<b>Receivables</b>			
Short term receivables group companies		3 031 198	1 830 828
Other current receivables	13	81 322 952	5 561 237
<b>Total receivables</b>	8	<b>84 354 150</b>	<b>7 392 065</b>
Cash and cash equivalents	9	224 507	157 965
<b>Total current assets</b>		<b>84 578 657</b>	<b>7 550 030</b>
<b>TOTAL ASSETS</b>		<b>144 331 212</b>	<b>191 762 180</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Paid in capital</b>			
Issued capital		68 522 100	68 522 100
Share premium		56 807 263	56 807 262
<b>Total paid in capital</b>		<b>125 329 363</b>	<b>125 329 362</b>
Other equity		989 866	-
<b>Total retained earnings</b>		<b>989 866</b>	<b>-</b>
<b>Total equity</b>	10	<b>126 319 228</b>	<b>125 329 362</b>
<b>Liabilities</b>			
<b>Allowances for liabilities</b>			
Deferred tax liabilities	7	6 148 188	7 452 658
<b>Total allowances for liabilities</b>		<b>6 148 188</b>	<b>7 452 658</b>
<b>Other long term liabilities</b>			
Intercompany loan	8, 13	-	52 203 347
<b>Total long term liabilities</b>		<b>-</b>	<b>52 203 347</b>
<b>Current liabilities</b>			
Trade payables		8 590 188	6 058 869
Tax payables	7	-	-
Public dues		242 409	227 358
Other current liabilities group companies		-	-
Other current liabilities		3 031 199	490 586
<b>Total current liabilities</b>	8	<b>11 863 796</b>	<b>6 776 813</b>
<b>Total liabilities</b>		<b>18 011 984</b>	<b>66 432 818</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>144 331 212</b>	<b>191 762 180</b>

Oslo, 21 April 2020

Stephan L Jervell  
Non-executive  
director

Pål Hvammen  
Non-executive  
director

Ragnhild M Wiborg  
Chair

Viktor E Jakobsen  
CEO

## PARENT COMPANY STATEMENT OF CASH FLOW

NOK	Note	2019	2018
<b>Cash flow from operating activities</b>			
Profit before income taxes		1 392 728	(46 438 690)
Taxes paid in the period		-	(1 283 778)
Gain/loss from sale of shares in subsidiaries		(52 896 090)	-
Impairment of fixed assets	13	41 892 402	42 651 737
Change in trade debtors		-	5 222 462
Change in trade creditors	8	2 531 319	(2 621 827)
Change in other provisions		19 529 006	(737 231)
<b>Net cash flow from operations</b>		<b>12 449 365</b>	<b>(3 207 327)</b>
<b>Cash flow from investments</b>			
Change in intercompany balances		(12 382 823)	(12 143 742)
<b>Net cash flow from investments</b>		<b>(12 382 823)</b>	<b>(12 143 742)</b>
<b>Cash flow from financing</b>			
Group contribution received		-	14 550 791
<b>Net cash flow from financing</b>		<b>-</b>	<b>14 550 791</b>
<b>Exchange gains / (losses) on cash and cash equivalents</b>			
Net change in cash and cash equivalents		66 542	(800 278)
Cash and cash equivalents at the beginning of the period		157 965	958 244
<b>Cash and cash equivalents at the end of the period</b>	9	<b>224 507</b>	<b>157 965</b>

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENT

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## NOTE 01 ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. EAM Solar ASA 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. EAM Solar ASA is the parent company of the Group. The primary business activity of EAM is both to own solar photovoltaic power plants and sell electricity under long-term fixed price sales contracts, and to pursue legal proceedings in order to restore company values. EAM was structured to create a steady long-term dividend yield for its shareholders. Following the P31 Acquisition, the main value of EAM is dependent on the future outcome of litigation activities.

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

### Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, income, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

The impairment analysis of goodwill and tangible and other intangible assets requires an estimation of the value in use of the asset or the cash-generating unit to which the assets are allocated. Estimation of the value in use is primarily based on discounted cash flow models which require the Company to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of the cash flows.

### Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in foreign currency are translated into NOK using an exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

### Revenue recognition

The Company's revenues consist of management services provided to the subsidiaries. Management services have been presented net in the profit and loss statement. Revenue is recognised once delivery has taken place and most of the risk have been transferred.

### Income tax

Tax expense consists of tax payable and changes to deferred tax. Deferred tax/tax asset are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22 per cent of temporary differences and tax effect of tax losses carried forward. Deferred tax asset is recorded in the balance sheet when it is more likely than not that the tax asset will be utilised.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

#### Balance sheet classification

Current assets and liabilities consist of receivables and payables falling due within one year. Other balance sheet items are classified as non-current assets.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognised at nominal value.

Non-current assets consist of investments in subsidiaries, intercompany loans and intangible assets and fall due after one year or more.

Non-current assets are valued at the lower of cost and fair value.

#### Subsidiaries

Investments in subsidiaries are measured at cost in the company accounts, less any impairment. In accordance with generally accepted accounting principles, an impairment charge is recognised if impairment is not considered temporary. Impairment charges are reversed if the reason for the impairment disappears in a later period.

Dividends and other contributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital and the distribution will be deducted from the recorded value of the acquisition in the balance sheet.

#### Trade receivables and other receivables

Trade receivables and other receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provision for doubtful accounts is based on an individual assessment of different receivables. For the remaining receivables, a general provision is estimated on the basis of expected loss.

#### Cash and cash equivalents

Cash includes cash in hand and bank deposits. Cash equivalents are short-term liquid investments that can be converted to a known amount of cash within three months.

#### Cash flow statement

The cash flow statement is presented using the indirect method.

#### Depreciation of Intangible assets

Intangible assets are depreciated linear over the lifetime of the feed-in-tariff contracts.

#### Provisions

Where, at the reporting date, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

#### Comparable figures

EAM Solar ASA have made a restatement of some of its 2018 figures in order to be comparable with 2019. In the profit and loss statement accrual of prepaid cost has been moved from depreciation to other operating expenses.

In the balance sheet, accrual of prepaid cost has been moved from intangible assets to other long term receivables.

## NOTE 02 GROUP ENTITIES

See [note 3](#) in the consolidated accounts and [note 13](#).

## NOTE 03 REVENUE

By business area (NOK)	2019	2018
Management services to subsidiaries	15 823 945	13 758 662
<b>Net revenue</b>	<b>15 823 945</b>	<b>13 758 662</b>

Geographical distribution	2019	2018
Norway	-	-
Italy	15 823 945	13 758 662
<b>Net revenue</b>	<b>(15 823 945)</b>	<b>(13 758 662)</b>

## NOTE 04 OTHER OPERATING EXPENSES

Specification auditor's fee (NOK)	2019	2018
Statutory audit	223 750	353 750
Tax consultant services	-	-
Other assurance services	9 750	332 165
Other services	231 688	-
<b>Total</b>	<b>465 188</b>	<b>685 915</b>

VAT is not included in the fees specified above.

## NOTE 05 SALARY AND PERSONNEL EXPENSE

The Company does not have any employees and is not required to have any pension plan.

Board of directors year-end 2019:

- Ragnhild M Wiborg (chair)
- Pål Hvammen (non-executive director)
- Stephan L Jervell (non-executive director)

The CEO in 2019, Viktor Erik Jakobsen, is hired and remunerated by the manager (see [note 6](#) for description of management agreement).

There are no agreements for severance pay, bonus, profit sharing or similar arrangements to neither CEO nor board of directors.

Ragnhild M Wiborg, has received in 2019 NOK 450 000 in remuneration for her work as Chair. Erling Christiansen has received NOK 137 500 and Stephan L Jervell has received NOK 275 000 in 2019 which was invoiced directly to Wiersholm. Pål Hvammen received NOK 137 500 in 2019. At year end 2019 Ragnhild Wiborg held directly or through companies she controls 3 765 shares in EAM Solar ASA, no shares were held by other directors or CEO.

## NOTE 06 TRANSACTIONS WITH RELATED PARTIES

### Related parties

Energeia AS is the manager of EAM. Energeia AS in Norway and Italy employs most of the personnel conducting the technical and administrative services for EAM.

Sundt AS and Canica AS are among the 2 largest shareholders in EAM. They are also shareholders in Energeia, but not involved in the day-to-day operations of Energeia AS.

### Transactions with related parties

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

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

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

### Energeia AS ownership

Company/owner	Ownership	Person	Position year-end 2019
Jakobsen Energia AS	26.28%	Viktor E Jakobsen	Chief Exececutive Officer of EAM Solar ASA
Sundt AS	26.28%	Family office	Shareholder of EAM Solar ASA
Naben AS	14.45%	Audun W Iversen	Shareholder of EAM Solar ASA
Canica AS	6.96%	Family office	Shareholder of EAM Solar ASA
Chold AS	9.07%	Christian Hagemann	Chief Operating Officer - Energeia AS
Jemma Invest AS	5.00%	Jarl Egil Markussen	Chief Administrative Officer - Energeia AS
Trimtabber BV	5.00%	Robert Veenstra	Chief Executive Officer - EAM Netherlands BV

On 15 August 2019 EAM Solar ASA sold the shares in the subsidiary EAM Solar Norway Holding AS to Energeia AS.

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

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

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

In 2019 Energeia direct costs of the management of the parent Company was NOK 8.7 million. (2018: NOK 8.6 million). Approximately NOK 5.9 million of the direct costs charged in 2018 was related to extraordinary costs incurred due to the legal processes in conjunction with the P31 fraud.

### Intercompany transactions

A mark-up on 5 per cent is calculated on intercompany transactions on management services from EAM Solar ASA to its subsidiaries.

## NOTE 07 INCOME TAXES

Income tax expense (NOK)	2019	2018
Tax payable	-	-
Changes in deferred tax	(1 304 470)	549 468
Change as a result of sale of subsidiaries	1 707 333	-
<b>Income tax expense</b>	<b>402 863</b>	<b>549 468</b>

Tax base calculation	2019	2018
<b>Profit before income tax</b>	<b>1 392 728</b>	<b>(46 438 690)</b>
Permanent differences	(11 003 688)	42 654 150
<b>Tax base</b>	<b>(9 610 960)</b>	<b>(3 784 540)</b>

Temporary difference	2019	2018
Intercompany interest	(40 987 920)	(49 684 387)
Tax losses carried forward	(13 395 500)	(3 784 540)
<b>Total temporary difference</b>	<b>(54 383 420)</b>	<b>(53 468 927)</b>

Tax losses carried forward not recognised as an asset	13 395 500	3 784 540
<b>Total</b>	<b>(40 987 920)</b>	<b>(49 684 387)</b>

<b>Deferred tax</b>	<b>6 148 188</b>	<b>7 452 658</b>
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This year's income tax expense only refers to change in deferred tax. The change in deferred tax is in its entirety related to withholding tax in Italy, with an unchanged tax rate of 15 per cent.

## NOTE 08 LIABILITIES AND RECEIVABLES

Receivables (NOK)	2019	2018
Short term receivables group companies	3 031 198	1 830 828
Other current receivables	81 322 952	5 561 237
<b>Total receivables</b>	<b>84 354 150</b>	<b>7 392 065</b>
Liabilities (NOK)	2019	2018
Trade payables	8 590 188	6 058 869
Tax payables	-	-
Social security	74 384	74 383
Advance tax withholdings	168 025	152 975
Other current liabilities group companies	-	-
Other current liabilities	3 031 199	490 586
<b>Total liabilities</b>	<b>11 863 796</b>	<b>6 776 813</b>
Receivables (NOK) falling due after one year	2019	2018
Intercompany loan	51 891 535	83 941 702
<b>Total receivables falling due after one year</b>	<b>51 891 535</b>	<b>83 941 702</b>
Liabilities (NOK) falling due after five years	2019	2018
Intercompany loan	-	52 203 347
<b>Total liabilities falling due after five years</b>	<b>-</b>	<b>52 203 347</b>

Liabilities falling due after five years have no defined repayment plan.

## NOTE 09 CASH AND CASH EQUIVALENTS

NOK	2019	2018
Cash	55 190	4 090
Restricted cash	169 317	153 875
<b>Cash and cash equivalents</b>	<b>224 507</b>	<b>157 965</b>

The Company had no credit facilities at 31 December 2019.

## NOTE 10 EQUITY

The 20 main shareholders as at 31 December 2019 are:

Shareholder	Shares	Ownership
SUNDT AS	1 054 580	15.4%
CANICA AS	886 762	12.9%
ENERGEIA AS	650 956	9.5%
MP PENSJON PK	281 283	4.1%
DNB LIVSFORSIKRING AS	269 086	3.9%
PARK LANE FAMILY OFFICE AS	237 300	3.5%
NORDNET LIVSFORSIKRING AS	157 179	2.3%
MELLEM NES INVEST AS	156 928	2.3%
IMENES ANDERS GRAVIR	140 933	2.1%
AKA AS	125 000	1.8%
ALDEN AS	108 398	1.6%
BRUNSBICA AS	62 078	0.9%
VIRO AS	61 156	0.9%
JESEM AS	60 000	0.9%
KARSTEN ELLINGSEN AS	55 003	0.8%
VERPENTANGEN AS	52 950	0.8%
RO INVEST AS	50 000	0.7%
MATHIASSEN ALEKSANDER	42 513	0.6%
LOTSO AS	40 000	0.6%
NORDNET BANK AB	35 297	0.5%
<b>Total of the 20 main shareholders</b>	<b>4 527 402</b>	<b>66.1%</b>

	No of shares	Nominal value	Share capital	
<b>Share capital 2019</b>				
<b>Ordinary shares outstanding</b>	<b>6 852 210</b>	<b>10</b>	<b>68 522 100</b>	
NOK	Share capital	Share premium	Other equity	Total equity
<b>Equity as at 1 Jan 2019</b>	<b>68 522 100</b>	<b>56 807 263</b>	<b>-</b>	<b>125 329 363</b>
Profit (loss) after tax	-	-	989 865	989 865
<b>Equity as at 31 Dec 2019</b>	<b>68 522 100</b>	<b>56 807 263</b>	<b>989 865</b>	<b>126 319 228</b>

## NOTE 11 OPERATIONAL COSTS BREAKDOWN

NOK	2019	2018
<b>Revenues</b>	<b>15 823 945</b>	<b>13 758 662</b>
<b>Cost of operations</b>	<b>(226 435)</b>	<b>(255 330)</b>
Insurance	(226 435)	(255 330)
<b>Sales, General &amp; Administration</b>	<b>(12 459 079)</b>	<b>(7 354 313)</b>
Personnel expenses	(1 203 755)	(1 260 805)
Accounting, audit & legal fees	(383 728)	(685 915)
Financial & tax fees	(485 613)	(401 151)
Energeia direct costs	(2 843 744)	(3 777 138)
Other administrative expenses	(7 542 240)	(1 229 304)
<b>Legal costs</b>	<b>(13 176 938)</b>	<b>(12 770 331)</b>
Litigation costs	(7 330 378)	(8 001 649)
Energeia legal costs	(5 846 561)	(4 768 682)
<b>EBITDA</b>	<b>(10 038 507)</b>	<b>(6 621 311)</b>

## NOTE 12 SUBSEQUENT EVENTS

### Criminal proceedings

#### Arbitration

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

#### Civil Court Italy

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

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

A further hearing was held on 21 January 2020. In this hearing the judge

enabled the parties to submit further briefs in the period until mid-April and the next hearing is set for 12 May 2020. Both the filing of the briefs and the hearing are postponed due to the COVID-19 situation.

#### Covid-19

The outbreak of Covid-19 is most likely to affect the progress of the various legal proceedings as these are expected to be delayed or for a period halted due to the courts working slow or being completely closed.

The board of directors does not expect as a result of Covid-19 neither loss of customers nor loss on receivables. The access to spare parts and the ability to maintain the power plants are also expected to be satisfactory due to energy supply being of crucial importance.

None of the above mentioned events are expected to significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

The annual report was approved for publication on 21 April 2020 by the board of directors.

## NOTE 13 SUBSIDIARIES AND INTERCOMPANY BALANCES

Subsidiaries	Office	Ownership /Vote	Book value	Write-down during the period
EAM Solar Italy Holding Srl	Milan	100%	1 044 924	-
<b>Total</b>			<b>1 044 924</b>	<b>-</b>

Investments in subsidiaries are measured at cost in the company accounts, less any impairment. In accordance with generally accepted accounting principles, an impairment charge is recognised if impairment is not considered temporary. Impairment charges are reversed if the reason for impairment disappears in a later period.

### Intercompany:

Receivables	2019	2018
Accounts receivables	3 031 198	1 830 828
Long term receivables	122 231 073	128 693 230
Accumulated write-downs of long term receivables	(70 339 538)	(44 751 528)
<b>Total receivables</b>	<b>54 922 733</b>	<b>85 772 530</b>
<b>Write-down during the period</b>	<b>41 892 402</b>	<b>(42 651 737)</b>
Liabilities	2019	2018
Other current liabilities	-	-
Long term liabilities	-	52 203 347
<b>Total liabilities</b>	<b>-</b>	<b>52 203 347</b>

### Assumptions for impairment write-down:

The Company has identified indicators for impairment at year end. Based on this, the Company has conducted an impairment test to see if there is a need to write-down the investment and receivables in subsidiaries. The assumptions in the impairment test are made with scenarios that the management finds explanatory and relevant at the reporting date. The underlying cash flow from the power plants are the basis for the investment and for servicing the loans. The amount of impairment loss recognised for financial assets is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the weighted average cost of capital of 5.36 per cent.

In 2019 a conversion of debt was carried out, of NOK 16 million, due to the write-down of long term receivables.

**NOTE 14** PROVISIONS

The Company has not made any provisions for the legal proceedings described below, since the Company considers it

more than 50 per cent likely that the proceedings will not lead to any unfavourable ruling.

In conjunction with the "P31 acquisition", EAM Solar Italy Holding Srl entered into a so-called patronage letter and an equity contribution agreement with UBI Leasing and UniCredit respectively. These agreements may under certain circumstances require EAM Solar Italy Holding Srl to inject additional equity into the debt financed SPVs to cover any shortfall or breach of the debt repayment obligations of the SPVs.

The FIT contracts of the SPVs have been terminated by GSE due to a criminal fraud against the State of Italy. EAM has been acknowledged as victims of contractual fraud. It is EAM's belief that an important motive behind the fraud conducted against EAM by the directors of Aveleos, was in order for Aveleos and their respective shareholders to escape their debt repayment responsibilities by transferring this to EAM through the sale of the companies. Consequently, EAM considers the patronage letter/equity contribution agreement as an integrated part of the criminal contractual fraud, thus being void.

On 21 November 2018 EAM Solar ASA was served with a notice that UBI Leasing had applied to the court of Brescia for an injunction over EUR 6 million of EAM assets. The court of Brescia granted a preliminary injunction, only enforceable upon further ruling. EAM challenged this decision and the first hearing in this matter was scheduled for 30 May 2019. A summary hearing was held, and the case was further postponed until 6 November 2019. No ruling was announced in the hearing that was held on 6 November 2019. On 8 December 2019 EAM was informed that the judge in the Civil Court of Brescia dismissed the petition by UBI Leasing to have an injunction against the Company declared as provisionally enforceable.

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

A further hearing was held on 21 January 2020. In this hearing the judge enabled the parties to submit further briefs in the period until mid-April and the next hearing is set for 12 May 2020. Both the filing of the briefs and the hearing are postponed due to the COVID-19 situation.

Due to the uncertainty of the legitimacy of the claim made by UBI Leasing, hereunder the timing and amount of any settlement, it is not possible to estimate neither the outcome nor the accounting effects of any ruling by the court. After the first hearing the Company will re-evaluate its estimates.

# POWER PRODUCTION

Reported production (MWh)	2012	2013	2014	2015	YTD'16	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
EAM Solar Italy 1 Srl <sup>3</sup>	2 571	2 315	2 219	2 488	376	374	801	710	334	460	841	832	355	376	745	871	376	500	868	848	370	368	880	888	357	570	738	321	-
EAM Solar Italy 2 Srl <sup>3</sup>	5 237	4 806	4 565	4 138	742	754	1 616	1 502	693	933	1 275	1 195	735	742	1 449	1 770	760	995	1 803	1 733	791	769	1 807	1 834	751	1 195	1 508	661	-
EAM Solar Italy 3 Srl <sup>1</sup>		326	2 160	2 482	431	404	881	603	271	438	858	816	370	431	507	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ens Solar One Srl			1 882	4 305	749			1 115	767	797	1 377	1 349	781	749	1 234	1 242	754	860	1 249	1 177	674	695	1 137	1 218	652	862	1 156	1 228	706
Energia Fotovoltaica 25			611	1 395	268			357	254	251	443	417	284	268	428	442	266	266	434	431	275	239	375	416	221	296	395	434	242
<b>MWh</b>	<b>7 808</b>	<b>7 447</b>	<b>11 436</b>	<b>14 808</b>	<b>2 566</b>	<b>1 533</b>	<b>3 298</b>	<b>4 287</b>	<b>2 318</b>	<b>2 879</b>	<b>4 794</b>	<b>4 610</b>	<b>2 526</b>	<b>2 566</b>	<b>4 363</b>	<b>4 325</b>	<b>2 157</b>	<b>2 621</b>	<b>4 354</b>	<b>4 189</b>	<b>2 110</b>	<b>2 071</b>	<b>4 200</b>	<b>4 357</b>	<b>1 981</b>	<b>2 922</b>	<b>3 797</b>	<b>2 645</b>	<b>947</b>

Actual production	2012	2013	2014	2015	YTD'16	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Varmo <sup>3</sup>	2 571	2 315	2 219	2 488	376	374	801	710	334	460	841	832	355	376	745	871	376	500	868	848	370	368	880	888	357	570	738	321	-
Codroipo <sup>3</sup>	5 237	4 806	4 565	4 138	742	754	1 616	1 502	693	933	1 275	1 195	735	742	1 449	1 770	760	995	1 803	1 733	791	769	1 807	1 834	751	1 195	1 508	661	-
Momo <sup>1</sup>		1 219	990	1 234	226	198	451	214	127	213	425	410	186	226	258														
Caltignaga <sup>1</sup>		1 160	1 170	1 248	205	207	430	389	144	225	433	406	184	205	249														
Lorusso	1 407	1 378	1 420	234	274	421	444	238	250	470	443	258	234	380	396	225	282	390	375	201	247	421	448	229	304	413	441	245	
Brundesini	1 393	1 427	1 461	255	286	419	455	267	277	472	456	256	255	416	403	261	291	434	412	209	234	400	438	243	313	427	446	268	
Scardino	1 352	1 424	1 424	259	286	426	451	261	270	436	450	268	259	437	443	268	286	425	390	265	214	317	332	181	245	315	342	192	
Enfo 25	1 339	1 367	1 395	268	267	413	432	254	251	443	417	284	268	428	442	266	266	434	431	275	239	375	416	221	296	395	434	242	
<b>MWh</b>	<b>7 808</b>	<b>14 992</b>	<b>14 537</b>	<b>14 808</b>	<b>2 566</b>	<b>2 646</b>	<b>4 977</b>	<b>4 597</b>	<b>2 318</b>	<b>2 879</b>	<b>4 794</b>	<b>4 610</b>	<b>2 526</b>	<b>2 566</b>	<b>4 363</b>	<b>4 325</b>	<b>2 157</b>	<b>2 621</b>	<b>4 354</b>	<b>4 189</b>	<b>2 110</b>	<b>2 071</b>	<b>4 200</b>	<b>4 357</b>	<b>1 981</b>	<b>2 922</b>	<b>3 797</b>	<b>2 645</b>	<b>947</b>

## Power plants affected by criminal proceedings and permanently shut down as of 18 June 2016

Selvaggi <sup>2</sup>	1 347	1 384	1 303	261	277	420	438	249	174	444	417	269	261	325															
Di Mauro <sup>2</sup>	1 322	1 382	1 417	255	274	413	440	254	260	464	423	270	255	354															
Ninivaggi <sup>2</sup>	1 312	1 384	1 400	256	274	423	434	253	243	444	440	273	256	358															
Lomurno <sup>2</sup>	1 356	1 348	1 382	259	270	410	426	242	250	453	421	258	259	341															
Giordano D. <sup>2</sup>	1 330	1 387	1 412	242	280	419	441	247	239	472	436	265	242	350															
Gagnazzi <sup>2</sup>	1 374	1 364	1 416	244	276	412	430	246	259	459	430	267	244	177															
Gentile <sup>2</sup>	1 258	1 334	1 361	265	260	411	423	240	254	438	400	269	265	354															
Lorusso <sup>2</sup>	1 278	1 300	1 264	241	267	403	401	229	198	434	427	204	241	331															
Cirasole <sup>2</sup>	1 367	1 461	1 217	253	292	441	462	267	271	369	320	258	253	323															
Scaltrito <sup>2</sup>	1 335	1 373	1 411	267	278	405	435	256	262	449	436	263	267	338															
Pasculi <sup>2</sup>	1 395	1 398	1 375	244	283	412	448	255	252	459	415	249	244	305															
Pisicoli N. <sup>2</sup>	1 469	1 396	1 427	266	275	424	449	248	257	467	437	266	266	363															
Pisicoli T. <sup>2</sup>	1 327	1 369	1 318	143	272	414	439	244	248	446	433	191	143	310															
Marulli <sup>2</sup>	934	1 022	1 045	203	197	312	330	183	194	348	326	177	203	268															
Antonacci <sup>2</sup>	1 310	1 418	1 419	124	285	430	454	249	269	471	410	269	124	273															
Piangevino <sup>2</sup>	1 183	1 358	1 380	142	273	415	425	246	255	457	443	225	142	291															
Enfo 14 <sup>2</sup>	1 313	1 377	1 417	243	280	415	417	265	262	456	430	269	243	228															
<b>MWh</b>	<b>22 207</b>	<b>23 055</b>	<b>22 964</b>	<b>3 908</b>	<b>4 613</b>	<b>6 978</b>	<b>7 290</b>	<b>4 174</b>	<b>4 147</b>	<b>7 531</b>	<b>7 045</b>	<b>4 241</b>	<b>3 908</b>	<b>5 289</b>															
<b>Total produced MWh</b>	<b>7 808</b>	<b>37 199</b>	<b>37 593</b>	<b>37 772</b>	<b>6 474</b>	<b>7 258</b>	<b>11 955</b>	<b>11 886</b>	<b>6 493</b>	<b>7 026</b>	<b>12 325</b>	<b>11 655</b>	<b>6 766</b>	<b>6 474</b>	<b>9 652</b>	<b>4 325</b>	<b>2 157</b>	<b>2 621</b>	<b>4 354</b>	<b>4 189</b>	<b>2 110</b>	<b>2 071</b>	<b>4 200</b>	<b>4 357</b>	<b>1 981</b>	<b>2 922</b>	<b>3 797</b>	<b>2 645</b>	<b>947</b>

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

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

<sup>3</sup> Sold with financial takeover 1 August 2019.

# POWER PLANT CAPACITY

<b>Power plant</b>	Capacity kW	Annual production MWh	Location Province	Power plant design	Ownership company
Varmo <sup>1</sup>	1 542	2 301	Udine	Dual axis tracker	EAM Solar Italy 1 Srl
Codroipo <sup>1</sup>	3 184	4 766	Udine	Dual axis tracker	EAM Solar Italy 2 Srl
Lorusso	984	1 346	Puglia	Fixed tilt	Ens Solar One Srl
Brundesini	994	1 392	Puglia	Fixed tilt	Ens Solar One Srl
Scardino	993	1 253	Puglia	Fixed tilt	Ens Solar One Srl
Enfo 25	983	1 367	Puglia	Fixed tilt	Energia Fotovoltaica 25
<b>MWh</b>	<b>8 680</b>	<b>12 426</b>			

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

# RESPONSIBILITY STATEMENT

From the board of directors and the CEO

We confirm, to our best knowledge that the financial statements for the period 1 January to 31 December 2019 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, financial position and profit or loss of the entity and the Group taken as a whole. We also confirm that the board of directors' Report includes a true and fair view of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties.

Oslo, 21 April 2020

**Stephan L Jervell**  
*Non-executive  
director*

**Pål Hvammen**  
*Non-executive  
director*

**Ragnhild M Wiborg**  
*Chair*

**Viktor E Jakobsen**  
*CEO*



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To the General Meeting of EAM Solar ASA

## Independent Auditor's Report

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of EAM Solar ASA, which comprise:

- The financial statements of the parent company EAM Solar ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement showing a profit of NOK 989 865, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of EAM Solar ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement showing a loss of EUR 235 879, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING

RSM Norge AS is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Norge AS er medlem av/er a member of Den norske Revisorforening.

## Independent Auditor's Report 2019 for EAM Solar ASA

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Ongoing lawsuits*

In conjunction with the ongoing criminal proceedings regarding the company's purchase of 31 solar power plants in 2014, the company has received both counterclaims, claims of injunctions for breach of contract and termination notice of the Feed-in-Tariff contract from GSE on one of the remaining power plants. Management's assessment of the possible impact on the financial statement is based on an evaluation of the possibility of a negative conclusion on these matters, both in regard to the possible effect on future cashflows and in regard to contingent liabilities.

The assessments are complex and involve significant use of management judgment, and due to the possible significant impact on the consolidated financial statements, the control assessments are considered a key audit matter.

We have evaluated management's assessment, as well as the statements from the attorneys representing the company in the lawsuits. We have compared the assessments with the requirements in IAS 37.

We evaluated the information provided in notes and that the description in note 19 and 23, and the Board of Directors' report, is consistent with the assessments performed by management.

*Going concern*

The ongoing lawsuits are challenging for the company's liquidity position. Management are continuously working to ensure sufficient funding and cash flow.

We have evaluated the company's liquidity position and the actions the company has taken to ensure going concern and sufficient funding for the ongoing lawsuits.

We evaluated the information provided in notes and that the description in the Board of Directors' report is consistent with the assessments performed by management.

*Other information*

Management is responsible for the other information. The other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independent Auditor's Report 2019 for EAM Solar ASA

*Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Independent Auditor's Report 2019 for EAM Solar ASA



- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements***Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 April 2020  
RSM Norge AS

Lars Løyning  
State Authorised Public Accountant

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