

Financial report

eam

Q3
2013

EAM Solar ASA

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Highlights in the 3rd quarter 2013

- The acquisition of the Momo and Caltignaga power plants in Piemonte, Italy, was finalized with an acquisition price of EUR 3,52m resulting in a one-off gain on bargain purchase of EUR 2,4m due to the positive difference between the book value of the assets in the acquired company and the purchase price.
- Adjusted EBITDA came in at EUR 828k in the quarter and EUR 1,69m year to date.
- EAM Solar ASA distributed EUR 0,62 per share (NOK 5) to the shareholders in August, representing a 5,5% yield on the share price.
- Power production in the quarter was 2,6GWh, 10% higher than seasonal average due to good weather conditions in July and August, and production year to date is 4,3% above budget. Technical performance is good and commercial availability for EAM operated power plants are 99,5% year to date, and 99% including the power plants acquired in September.

Key figures

<i>(EUR 000')</i>	Unaudited Q3 2013	Unaudited Q3 2012	Unaudited 9M 2013	Unaudited 9M 2012	Audited 2012	Audited 2011
Revenues	1 131	1 085	2 612	2 633	3 106	340
Cost of operations	-68	-64	-232	-199	-259	-25
Sales, general and administration expenses	-234	-255	-689	-654	-1 133	-343
Acquisition and transaction costs	-129	-129	-517	-931	-908	-1 123
EBITDA	700	637	1 174	849	806	-1 151
Depreciation, amortizations and write downs	-295	-292	-882	-743	-1 036	-148
Gain on bargain purchase	2 422	0	2 430	2 668	2 668	0
EBIT	2 826	345	2 722	2 773	2 438	-1 299
Net financial items	617	-655	1 789	-1 353	-1 848	-41
Profit before tax	3 444	-310	4 511	1 421	590	-1 340
Income tax gain/(expense)	-64	27	-106	-60	-61	355
Net income	3 379	-283	4 406	1 360	529	-985
Earnings per share (fully diluted):	1,46	-0,24	2,26	1,13	0,44	-0,82
Distribution to shareholders per share	0,62	0,00	0,62	0,00	0,00	0,00
Dividend yield	5,5 %	0,0 %	5,5 %	0,0 %	0,0 %	0,0 %
Million no. of shares (fully diluted)	2,32	1,20	1,95	1,20	1,20	1,20
EBITDA adjusted	828	766	1 691	1 780	1 714	-28
EBIT adjusted	533	474	809	1 036	678	-176
Net income adjusted	489	298	575	430	-424	259

Adjusted EBITDA, EBIT and Net income are adjusted for non-recurring items such as cost of acquisition and financing, gains from bargain purchase and non-cash currency movements. Non-cash currency gain amounted to EUR 1,9 million the first 9 months of 2013. The gain on bargain purchase is provisional and subject to revision; see note 4 "acquisition accounting and impairment testing" for further information.

Interim report 3rd quarter 2013

EAM Solar ASA is a listed investment company on the Oslo Stock Exchange under the ticker EAM. The Company's business is to own solar photovoltaic power plants and sells the produced electricity under long-term fixed price sales contracts. Initial geographical focus is Italy where the company owns four power plants in the Friuli and Piemonte regions in Northern Italy. EAM Solar Park Management AS manages EAM Solar ASA under a long-term management agreement.

Operational review and outlook

Market and power prices

PV power plants in Italy are exposed to the general power market price fluctuations. In addition to the feed-in-tariff (FIT), PV power plants sell power in the ordinary market (RID sales). The market contracts vary from spot-price contracts (hourly) to longer-term fixed-price contracts. At current, EAM sells power in the spot market (two plants) and on annual guaranteed minimum price contracts with GSE (two plants).

Spot market prices have come down from a level of EUR 80 per MWh in mid 2012 to EUR 60 per MWh. This affects revenues for the Varmo and Codroipo power plants. Revenues year to date are above budget since higher production has compensated the decrease in overall sales price from EUR 411 (EAM 2013 budget) to approximately 406 per MWh.

The Government and energy authorities in Italy are reviewing various aspects of the regulatory situation, which may influence PV power plants. Some proposals discussed are in order to strengthen the funding of GSE Spa, the State Company in charge of renewable energy incentives and power purchase agreements from PV plants. It is not expected that the FIT contracts will be changed.

PV power plants below 1 MW capacity are entitled to annual guaranteed minimum price contracts from GSE. Due to the weakening in market price there is now a negative gap between the guaranteed minimum price and the reselling price GSE achieves in the market. Consequently, the level and structure of the guaranteed minimum price contracts is reviewed. A change in the guaranteed minimum RID contract would influence the Momo and Caltignaga power plants.

Acquisitions

The Momo & Caltignaga acquisition

The 27th of September EAM finalized the acquisition of the Italian company M&T Solare Srl for EUR 3,52m. The purchase price was slightly below initially agreed, but findings during the due diligence gave reason for adjustments to the purchase price.

M&T Solar owns two power plants, Momo and Caltignaga, located about 5km apart in the Novara province in Northern Italy. The power plants have similar design and size, with fixed tilt design and an installed capacity of 994kW and 992kW respectively.

The power plants have 20-year fixed-price contracts with GSE with a FIT of EUR 245 per MWh. In addition the electricity is sold on one-year guaranteed minimum price contracts to GSE. The price is currently slightly above EUR 80 per MWh. If the guaranteed RID price drops to the current market price of EUR 60 per MWh, revenues will be reduced with EUR 30k to 40k per year for the combined power plants.

M&T Solare will contribute with annual sales of approximately EUR 700k to 750k, and an annual EBITDA in the range EUR 500k to 550k.

EAM's daughter company EAM Solar Italy 3 Srl has acquired 100% of the capital of M&T Solare. Assets include the power plants and the land the power plants are constructed on. The long-term assets of the company have a book value of EUR 5,4m at the end of the quarter.

Further acquisitions

EAM Solar ASA is currently in advanced stages of negotiation to acquire several new PV power plants. Subject to a positive outcome of the current negotiations

in October and November, EAM expects to sign binding term-sheets during the 4th quarter 2013 for further power plant acquisitions.

Debt financing

Although the market for non-recourse project financing to renewable energy still largely is inactive, EAM is conducting discussions in order to secure long-term debt financing.

During 2012 and the first half 2013 EAM received indicative offers and held discussion on debt financing opportunities. However, EAM chose not to pursue these opportunities since the price of debt where too high relative to the inherent and relevant risk of our operations and assets.

EAM is currently evaluating a set of debt financial instruments, and also sees possible acquisition candidates with debt financing that may add to the Company's financial gearing.

Dividends

Apart from performing good acquisitions and good operations, EAM's main focus is to secure a running dividend/cash distribution to the shareholders.

EAM distributed the first cash payment to the shareholders of EUR 0,62 (NOK 5) per share in August. The distribution of EUR 1,48m represents a dividend yield of approximately 5,5%.

The distribution was based on the free cash flow from the assets in operation (Varmo and Codroipo) representing an asset base of approximately EUR 19m.

EAM will distribute dividends to the shareholders on a continuous basis from operations going forward.

At the end of the 3rd quarter EAM has approximately EUR 5,5m in cash and short term receivables to conduct

further acquisitions and/or distributions to the shareholders during the remainder of 2013.

Power & performance

Winter and spring 2013 experienced unusually poor weather conditions for PV power production, unlike the same period in 2012 that was unusually dry and sunny.

Although such monthly variations are normal, during longer periods irradiation and production variations are less pronounced.

3rd quarter 2013 experienced good solar irradiation in July and August. Consequently, production in the quarter was 3 559 MWh, 10,3% higher than the budget of 3 226 MWh. This compensated the poor production in the 1st quarter. Full year 2013 prognosis is 3,6% above budget assuming normal solar irradiation in the 4th quarter.

Technical performance was high in 3rd quarter and no significant disruptions were recorded. This resulted in a commercial availability of 99,4% for EAM operated power plants.

EAM assumed operational control of Momo and Caltignaga on the 27th of September. Momo and Caltignaga had lower availability due to inefficiently scheduled maintenance, achieving commercial availability of 99,1%.

The power plants have operated as planned. No external disturbances (i.e. grid instability) have been experienced. The 3rd quarter inspections in September and October found the power plants in good condition.

Financial review

Income Statement

Revenues

Revenues in the 3rd quarter were EUR 1 113k, 4% above last year. Production was 4,6% higher at 2 692MWh, and sales price 0,4% with an average sales price of EUR 420 per MWh against EUR 421 per MWh in Q3'2012.

Year to date revenues are 0,8% lower than last year, however, the Codroipo power plant was first included in the 2012 accounts the 1st of March. Consequently, production in 2012 was particularly strong in the spring.

Actual production first 9 months 2012 was 12% higher than in 2013 at 6,8GWh, but the achieved price so far in 2013 is approximately 1,5% higher than last year at EUR 428 per MWh resulting in revenue of EUR 2,6m the first 9 months of 2013.

Operational cost

Total operating costs the first 9 months became EUR 1,44m, however, EUR 517k was related to the IPO (EUR 386k) and the M&T Solare acquisition (EUR 108k).

Operational earnings

Adjusted EBITDA in Q3'2013 came in at EUR 828k, an 8% improvement from last year, partly due to higher production but also due to a slightly lower operating cost.

Net financial items

EAM Solar ASA has no debt financing in the quarter, subsequently all financial income and costs stems mainly from currency exchange rate movements between NOK and EUR. The NOK has weakened significantly from the start of the year and consequently EAM has booked a net non-cash currency gain of EUR 1,9m year to date.

Profit before tax and net income after tax

Reported net profit is EUR 3,37m in the 3rd quarter. EUR 2,4m stems from the gain on bargain purchase, i.e. the

positive difference between the book value and the acquisition price of M&T Solare Srl (see note 4 and 10 for further information).

Adjusted net profit in the 3rd quarter came in at EUR 488k, an improvement of EUR 191k or 64% year-on-year. This is mainly due to the reduction in debt and interest expense booked in 2012 on the debt financing.

4th quarter 2013 guidance

Momo and Caltignaga will be included in the P&L from the 4th quarter. The power plants have a lower FIT price than Varmo and Codroipo of EUR 245 per MWh against EUR 346 per MWh.

Cash Flow and Balance Sheet Statements

Cash Flow

The cash flow from operations was strong in the 3rd quarter with a positive cash flow of EUR 1,2m. With an investment of EUR 3,5m and cash distribution to shareholders of EUR 1,48m, net cash flow in the period was negative with EUR 4,3m.

Balance Sheet

Total operating assets increased at the end of the month from EUR 19,3m to EUR 24,1m due to the acquisition of M&T Solare Srl.

Based on the current cash position and short-term receivables, EAM should be able to conduct additional acquisitions in the range EUR 4m to 5m (equity) during the 4th quarter 2013.

The company's capacity to assume debt financing is significant and the company is actively seeking to explore this opportunity in 2013.

Oslo 23rd of October 2013

Ragnhild Wiborg
Director

Paal E Johnsen
Chairman

Marthe Hoff
Director

Viktor E Jakobsen
Executive Director

Audun Wickstrand Iversen
CEO

Condensed consolidated interim financial information

Interim condensed statement of comprehensive income

<i>(EUR)</i>	Note	Unaudited Q3 2013	Unaudited Q3 2012	Unaudited 9M 2013	Unaudited 9M 2012	Audited 2012	Audited 2011
Revenues	6,8,13	1 130 527	1 084 995	2 612 443	2 632 526	3 106 472	340 075
Cost of operations	12	-67 655	-63 983	-232 274	-198 693	-259 260	-25 230
Sales, general and administration expenses	12	-234 473	-255 197	-688 981	-654 170	-1 133 138	-342 639
Acquisition and transaction costs	12	-128 765	-128 976	-517 427	-931 030	-907 671	-1 122 832
EBITDA		699 634	636 839	1 173 761	848 633	806 403	-1 150 626
Depreciation, amortizations and write downs	9	-295 446	-291 837	-881 861	-743 373	-1 036 269	-148 012
Gain on bargain purchase	10	2 422 269	0	2 430 332	2 668 237	2 668 237	0
EBIT		2 826 457	345 002	2 722 233	2 773 497	2 438 371	-1 298 638
Finance income		666 321	2 927	1 998 192	4 016	4 711	86 740
Finance costs		-48 861	-657 943	-209 131	-1 356 807	-1 853 042	-128 021
Profit before tax		3 443 917	-310 014	4 511 293	1 420 706	590 040	-1 339 919
Income tax gain/(expense)		-64 450	26 888	-105 650	-60 451	-61 171	355 330
Profit after tax		3 379 466	-283 126	4 405 643	1 360 255	528 869	-984 589
Other comprehensive income							
Translation differences		-553 648	322 468	-1 960 454	756 957	812 044	236 114
Other comprehensive income net of tax		-553 648	322 468	-1 960 454	756 957	812 044	236 114
Total comprehensive income		2 825 819	39 342	2 445 189	2 117 212	1 340 913	-748 475
Profit for the year attributable to:							
Equity holders of the parent company		3 379 466	-283 126	4 405 643	1 360 255	528 869	-984 589
Non-controlling interests		0	0	0	0	0	0
Equity holders of the parent company		3 379 466	-283 126	4 405 643	1 360 255	528 869	-984 589
Total comprehensive income attributable to:							
Equity holders of the parent company		2 825 819	39 342	2 445 189	2 117 212	1 340 913	-748 475
Non-controlling interests		0	0	0	0	0	0
Equity holders of the parent company		2 825 819	39 342	2 445 189	2 117 212	1 340 913	-748 475
Earnings per share:							
Continued operation							
- Basic		1,46	-0,24	2,26	1,13	0,44	-1,15
- Diluted		1,46	-0,24	1,90	1,13	0,44	-1,15

The interim financial statement information has not been subject to audit or review. Basic and diluted number of shares in the 3rd quarter 2013 is 2,320,000, basic number of shares in the first 9 months 2013 is 1,946,667, and the basic and diluted number of shares in 2011 and 2012 is 1,200,000.

Consolidated condensed statement of financial position

(EUR)	Note	Unaudited 9M 2013	Unaudited 9M 2012	Audited 2012	Audited 2011
ASSETS					
Property, plant and equipment	9	24 115 653	19 816 905	19 533 095	6 563 352
Other long term assets		350 311	272 964	338 210	355 330
Non-current assets		24 465 965	20 089 869	19 871 305	6 918 682
Receivables		1 942 242	1 193 778	950 882	429 266
Other current assets		180 582	634 642	598 551	209 770
Cash and short term deposits	11	4 102 078	1 375 927	713 730	8 000 351
Current assets		6 224 902	3 204 347	2 263 163	8 639 387
TOTAL ASSETS		30 690 867	23 294 216	22 134 468	15 558 069
EQUITY AND LIABILITIES					
Issued capital		2 859 256	1 523 423	1 523 423	1 523 423
Share premium		0	13 400 695	13 400 695	13 400 695
Paid in capital		2 859 256	14 924 118	14 924 118	14 924 118
Translation differences		350 311	993 072	1 048 158	236 114
Other equity		26 494 729	375 664	-455 720	-984 589
Other equity		26 845 040	1 368 736	592 438	-748 475
Total equity		29 704 296	16 292 854	15 516 556	14 175 643
Total non-current liabilities		0	6 106 249	0	0
Trade payables		814 273	0	1 004 610	590 729
Income tax payable		172 298	120 454	164 106	175 591
Short term loan - interest bearing		0	0	5 420 265	0
Other current liabilities		0	774 659	28 931	616 106
Total current liabilities		986 571	895 113	6 617 912	1 382 426
Total liabilities		986 571	7 001 362	6 617 912	1 382 426
TOTAL EQUITY AND LIABILITIES		30 690 867	23 294 216	22 134 468	15 558 069

Oslo, 23rd of October 2013

Board of Directors

Consolidated condensed statement of changes in equity

<i>(EUR)</i>	Share capital	Share premium fund	Retained earnings	Currency translation reserve	Total equity
Equity as at 5 January 2011 (date of incorporation)	12 838	0	0	0	12 838
Capital decrease 14.04.2011	-12 838	0			-12 838
Capital increase 14.04.2011	1 523 423	13 710 804			15 234 227
Costs related to capital increase		-310 109			-310 109
Profit (loss) after tax			-984 589		-984 589
Other comprehensive income				236 114	236 114
Equity as of 31 December 2011	1 523 423	13 400 695	-984 589	236 114	14 175 643
Equity as at 1 January 2012	1 523 423	13 400 695	-984 589	236 114	14 175 643
Profit (loss) After tax			528 869		528 869
Other comprehensive income				812 044	812 044
Equity as of 31 December 2012	1 523 423	13 400 695	-455 720	1 048 158	15 516 556
Equity as at 1 January 2013	1 523 423	13 400 695	-455 720	1 048 158	15 516 556
Capital increase 25 March 2013	1 485 510	13 369 587			14 855 096
Costs related to capital increase		-1 026 588			-1 026 588
Dividends or distribution to shareholders		-1 484 705			-1 484 705
Profit (loss) After tax			3 379 466		3 379 466
Other comprehensive income				-487 372	-487 372
Equity as of 30 September 2013	3 008 933	24 258 989	2 923 746	560 786	29 704 296

Consolidated condensed cash flow statement

<i>(EUR)</i>	Unaudited Q3 2013	Unaudited Q3 2012	Unaudited 9M 2013	Unaudited 9M 2012	Audited 2012	Audited 2011
Ordinary profit before tax	3 443 917	-310 014	4 511 293	1 420 706	590 040	-1 339 919
Paid income taxes	-16 078	0	-130 672	0	-727 658	0
Depreciation	295 446	291 837	881 861	743 373	1 036 269	148 012
Gain on bargain purchase	-2 422 269	0	-2 430 332	-2 668 237	-2 668 237	0
Changes in trade receivables and trade payable	-600 556	242 440	-1 181 697	-1 355 241	130 944	861 238
Changes in other accruals	542 245	-324 523	397 230	-642 314	-390 824	188 526
Cash flow from operations	1 242 706	-100 260	2 047 683	-2 501 713	-2 029 466	-142 143
Purchase of property, plant and equipment	0	0	-66 240	0	-73 685	0
Acquisition of subsidiary, net of cash acquired	-3 518 720	0	-3 518 720	-10 985 916	-11 696 898	-6 933 426
Cash flow from investments	-3 518 720	0	-3 584 960	-10 985 916	-11 770 583	-6 933 426
Proceeds from issue of share capital	0	0	13 770 205	0	0	14 924 118
Dividends or shareholder distributions	-1 484 705	0	-1 484 705		0	0
Proceeds from new loans	0	132 533	0	6 106 249	6 106 249	0
Repayment of loans	0	0	-5 512 476	0	-685 984	0
Cash flow from financing	-1 484 705	132 533	6 773 024	6 106 249	5 420 265	14 924 118
Cash at beginning of period	8 416 445	1 021 187	713 730	8 000 351	8 000 351	0
Net currency translation effect	-553 648	322 468	-1 847 399	756 957	1 093 163	151 802
Net increase/(decrease) in cash and cash equivalents	-3 760 719	354 741	5 235 747	-6 624 423	-7 286 621	8 000 351
Cash at end of period	4 102 078	1 375 928	4 102 078	1 375 928	713 730	8 000 351

Notes to the Interim Condensed Consolidated Financial Statements

Note 1 - Basis of preparation

General accounting principles

EAM Solar ASA (the Group) is a public limited company, incorporated and domiciled in Norway. The registered office of EAM Solar ASA is Dronningen 1, N-0287 Oslo, Norway. The Company was founded 5 January 2011.

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

The main activity of EAM Solar ASA is to own solar PV power plants and sell the electricity produced under long-term contracts. EAM's main purpose is to create long term stable dividend yield for its shareholders.

EAM Solar ASA currently owns four photovoltaic power plants in Italy. The company has three subsidiaries in Italy and no employees.

EAM Solar Park Management AS manages EAM Solar ASA under a long-term management agreement (EAM SPM). EAM SPM is responsible for, and conducts all day-to-day operations of EAM Solar ASA directly or through the use of subcontractors.

This interim condensed consolidated financial statement for the 3rd quarter and first 9 months of 2013 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Report 2012.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012. Standards and interpretations as mentioned in the Group's Annual Report 2012 Note 1 and effective from 1 January 2013 did not have a significant impact on the Group's consolidated interim financial statements.

Financial risk

The primary focus of the Group's capital management is to ensure good solidity and liquidity that will support a strong credit rating and healthy capital ratio in order to support its business and maximize the shareholders values.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives policies or processes during the first 9 months of 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by enterprise value. The Group's policy and ambition is to keep the gearing ratio between 60% and 75%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to equity holders of the parent.

Following the IPO of the Company in March, the Company is currently debt free. However, as financial markets seems to improve, the Company will seek to increase its acquisition capacity by assuming debt on the currently 100% equity financed power plants.

Market risk

2011 and 2012 marked a dramatic change for the renewable energy industry. Sales prices for solar PV modules dropped by 75% globally, and in Europe the construction cost of solar PV power plants dropped by between 60% and 75%.

Renewable energy incentives through subsidized electricity sales price contracts for new power plants have been reduced in many European in the same period, a development expected to continue in the years to come.

In the Solar PV industry the profitability of equipment manufacturers and project developers have been reduced to the extent that the industry is experiencing many bankruptcies across the world. This development accelerated in 2012 and is still continuing with major companies in the PV industry undergoing insolvency proceedings and financial restructuring.

Construction cost for utility power plants (above 5MW) in Europe in the 4th quarter 2012 and 1st quarter 2013 was EUR 0,95 to 1,05 per Watt peak depending on the market. However, due to the anti-dumping measures imposed by the European Union in June 2013 against Chinese manufactured solar PV modules, it is expected that the cost of construction may increase again. The EU anti-dumping measure imposed a minimum price for Chinese made modules of EUR 0,56 per Watt. The lowest price

seen in the market before the minimum price level was set was in the range EUR 0,48 to 0,50 per Watt.

The European financial crisis and Basel III funding requirements have reduced European banks possibilities to secure funding for long-term project finance. This has significantly limited the financing of solar power plants in Europe from August 2011. Although the project financing has shown signs of reopening in 2013 the recovery to normalized bank financing seems to take longer than previously anticipated.

This has affected EAM Solar, although the outcome is positive so far through the acquisition of a power plant of high quality and with a price significantly below market terms in 2012. The negative side is that business development is slower than anticipated in 2011 and 2012.

The market expectations for 2013 vary according to outlook and focus. With the installation rates and cost reductions faster than anticipated, policy objectives in many markets have been reached earlier than expected. Policy makers in many markets have thus reduced the incentives for new power plants significantly.

In Italy the main incentive program will expire in 2013, which creates uncertainty regarding the volume of new built solar power plants the next couple of years. As Solar PV power plants have become cheaper, Italian authorities expect 1 – 2 GW of new capacity to be installed annually without subsidies. In Spain, Germany and Italy grid parity projects are under planning and may be constructed in 2014.

The secondary market is strong, with a steady availability of projects that have been in operation for typically 1 – 3 years. The typical sellers are EPC companies and financial investors who need to sell assets to improve their financial situation.

With financial stress upstream in the PV industry, equipment warranties is considered to be of less value in the future as we expect most equipment manufacturers to disappear in the coming year. EAM Solar ASA's strategy in light of this development is to back product warranties with appropriate insurance policies, as has been implemented on the power plants owned and operated by EAM Solar.

As EAM Solar builds scale of operations, there will be a continuous focus on maintaining flexibility with partner agreements to be able to fully exploit potential economies of scale.

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

Credit risk

The risk for losses is considered to be low, as the counterpart will be sovereign states in Western Europe. The group has not made any set-off or other derivative agreements to reduce the credit risk in EAM Solar ASA.

Note 2 - Agio

Due to the weakening of the Norwegian krone against the Euro, EAM has booked a non-realized currency exchange gain (agio) in year to date of EUR 1,9m.

Note 3 - Tax

The subsidiaries are partly financed through intercompany loans granted by the Mother Company. Interest charged on loans from Norway to Italy is subject to a 15% withholding tax in Italy. The withholding tax is payable at the time of transfer of funds from Italy to Norway as payment for accrued interest.

Note 4 – Acquisition accounting and impairment testing

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

As experienced in the 3rd quarter (see note 10), the book value of assets owned by the acquired company was higher than the purchase price. In conjunction with the accounting principles used in the group accounts by EAM Solar ASA in 2012 and so far in 2013, a difference between purchase price and the book value of assets results in an accounting gain or loss recognized in the Company's profit and loss statement.

Since EAM is experiencing that the current accounting practise of recognising such difference in the P&L statement results in significant gains, which may distort the perception of the underlying economic activity of the company, the Board of Directors have decided to evaluate this accounting practise in the 4th quarter 2013.

A decision on any changes to the company's current accounting practise in this matter will be implemented in conjunction with the auditing of the full year 2013 accounts. Arguments that goes in favour of the current accounting practise is that the balance sheet represents a more fair representation of the underlying value of the company, this is particularly the case with SPP's under long term power purchase contracts.

Furthermore, on the basis of these deliberations, the Board of Directors have decided to implement as a standard practise in conjunction with the finalization and

audit of the full year accounts to conduct impairment tests of all the company's SPP's on a continuous basis.

The Annual report will identify the results of the annual impairment test conducted in accordance with International Accounting Standards no.36. EAM's impairment test entails a complete valuation of each individual power plant asset.

Note 5 - List of subsidiaries

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

Company	Country of incorporation	Main operation	Ownership
EAM Solar Italy 1 Srl	Italy	Solar power plant	100 %
EAM Solar Italy 2 Srl	Italy	Solar power plant	100 %
EAM Solar Italy 3 Srl	Italy	Solar power plant	100 %

Note 6 - Segment information

EAM Solar Italy 1 Srl	9M 2013	9M 2012
Revenues from external customers	824 947	972 228
EBITDA	567 865	532 656
EBIT	278 318	329 749
Investments	48 080	739 205
Non-current assets	6 213 218	6 579 699

EAM Solar Italy 2 Srl	9M 2013	9M 2012
Revenues from external customers	1 777 101	1 671 910
EBITDA	1 298 102	719 307
EBIT	708 028	2 847 077
Investments	44 160	11 634 542
Non-current assets	12 799 880	13 508 976

EAM Solar Italy 3 Srl	9M 2013	9M 2012
Revenues from external customers	10 395	0
EBITDA	-150 931	-18 498
EBIT	2 277 161	-18 498
Investments	3 518 720	0
Non-current assets	5 452 867	3 163

Other & eliminations	9M 2013	9M 2012
Revenues from external customers	0	-11 612
EBITDA	-541 274	-384 832
EBIT	-541 274	-384 832
Investments	10 676	-1 387 831
Non-current assets	0	-1 969

Total	9M 2013	9M 2012
Revenues from external customers	2 612 443	2 632 526
EBITDA	1 173 761	848 633
EBIT	2 722 233	2 773 497
Investments	3 621 636	10 985 916
Non-current assets	24 465 965	20 089 869

EAM Solar ASA owns, through three 100% owned Italian subsidiaries, four solar power plants in Italy.

EAM Italy 1 Srl owns the Varmo power plant, EAM Italy 2 Srl the Codroipo power plant, and EAM Solar Italy 3 Srl owns, through the 100% acquired company M&T Solare Srl, the Momo and Caltignaga power plants.

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

Note 7 - Transactions with related parties

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

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

Furthermore, EAM SPM receives 12,5% of the Groups pre-tax profit as royalty from EAM Solar ASA – the financial participation mechanism. The royalty is based on the fact EAM Solar is developed, created and managed by EAM SPM. The royalty structure aligns the interests of EAM SPM with the interests of the shareholders of EAM Solar ASA.

EAM SPM is a 100% owned by Energeia Asset Management AS.

Direct cost charged by EAM SPM according to the Management Agreement amounts to EUR 492k in the first 9 months of 2013. No royalty has been charged so far in 2013.

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

Note 8 – Information on major customers

Of the groups' revenues of EUR 2 612 443 in the first 9 months of 2013, all consisted of sale of electrical power from the solar power plants to the Company's customer, GSE, short for Gestore dei Servizi Energetici GSE S.p.A. GSE is a company owned by the Ministry of Economy and Finance.

The sale of electricity is partly (80%) conducted through long-term electricity sales contracts (the FIT contracts), and the rest is from sales at market price.

For further information about GSE visit the following web-page: www.gse.it.

Note 9 – Property, plant and equipment

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

(EUR)	
2013	Power plants
Carrying value 1 January 2013	19 533 095
Additions	5 676 243
Depreciation	-743 373
Carrying value 30 September 2013	24 465 965
2012	Power plants
Carrying value 1 January 2012	6 563 352
Additions	14 006 012
Depreciation	-1 036 269
Carrying value 31 Desember 2012	19 533 095
2011	Power plants
Additions from aquisition of companies	6 711 364
Depreciation	-148 012
Carrying value 31 December 2011	6 563 352
5 January 2011 - 30 June 2013	Power plants
Carrying value 5 January 2011	0
Additions	26 393 619
Accumulated depreciations and write downs	-1 927 654
Carrying value 30 June 2013	24 465 965

Note 10 - Acquisition of M&T Solare Srl.

EAM Solar Italy 3 Srl, a 100% owned daughter company of EAM Solar ASA, acquired the entire corporate capital of M&T Solare Srl the 27th of September 2013.

The acquisition amount was EUR 3 518 720 and was divided in two payments of EUR 1,25m for a shareholder loan and EUR 2 268 720 for the equity of the company.

Due to the positive difference in the book value of the assets in M&T Solare Srl and the acquisition amount, EAM Solar Italy 3 Srl booked a positive gain on bargain purchase of EUR 2 422 268 in the 3rd quarter. This gain was recognized in the group profit and loss statement in the quarter.

The identified gain on bargain purchase is provisional and subject to revision in conjunction with the full year results for EAM Solar ASA.

AS identified in note 4, EAM will both review the current accounting practise of recognizing such gains/losses in the P&L, as well as conduct an annual valuation that may impact the preliminary accounting valuation of the assets in M&T Solare Srl/EAM Solar Italy 3 Srl.

The seller of M&T Solare was a German company in insolvency proceeding, thus enabling EAM Solar ASA to acquire the assets for a lower value than what normally would be the case with a willing and not forced seller.

M&T Solare Srl.

EUR (unaudited figures)

**Fair value
recognised on
Acquisition**

Current assets & liabilities	525 242
Cash, bank & securities	149 731
Receivables	515 809
Inventories, advances to suppliers etc.	124 802
Accounts Payable and Accrued Liabilities	-101 163
Corporate tax	-142 499
Tax withholdings, public fees, payroll tax, etc	-6 080
Other current liabilities	-15 359
Long term assets	5 415 747
Deferred tax advantage	21 884
Land & buildings, offices etc.	555 720
Operational machinery	4 838 143
Assets identified for acquisition	5 940 989
Acquisition price paid for corporate capital	3 518 720
Gain on bargain purchase	2 422 269

Based on a valuation of the assets assuming zero residual value at the end of the fixed price contract period, the enterprise value of the power plant may be in the range EUR 4,7 to 6,2m depending on the chosen solar irradiation, risk adjustments and other main value drivers.

M&T Solare Srl and EAM Solar Italy Srl will be merged following the acquisition. The merger will most probably take place formally in the 1st quarter 2014.

The preliminary accounting consolidation of M&T Solare Srl and EAM Solar Italy 3 Srl:

IFRS, EUR

Balance sheet	M&T Solare	EAM 3	Adj.	Consolidated
Current assets & liabilities	790 343	99 353	0	889 695
Cash, bank & securities	149 731	69 814	0	219 545
Receivables	515 809	29 352	0	545 161
Inventories, advances to suppliers etc.	124 802	186		124 989
Long term assets	5 415 747	3 555 841	-3 518 720	5 452 867
Deferred tax advantage	21 884	37 120		59 004
Investments in daughter companies (>50%)		2 268 720	-2 268 720	0
Other financial assets		1 250 000	-1 250 000	0
Land & buildings, offices etc.	555 720			555 720
Operational machinery	4 838 143			4 838 143
Total assets	6 206 089	3 655 193	-3 518 720	6 342 562
Current liabilities	6 200 159	90 599	-5 940 989	349 770
Shareholder loan	5 945 157		-5 945 157	0
Accounts Payable and Accrued Liabilities	101 163	70 919		172 082
Corporate tax	142 499	0		142 499
Tax withholdings, public fees, payroll tax, etc	6 080	18 180		24 260
Other current liabilities	5 260	1 500	4 168	10 929
Long-term liabilities	0	3 750 000	0	3 750 000
Debt to daughter companies		3 750 000		3 750 000
Equity	5 929	-185 406	2 422 269	2 242 792
Share capital	50 000	10 000	-50 000	10 000
Other paid in capital	182 467	18 674	-182 467	18 674
Retained Earnings (Deficit) earlier years		-30 337		-30 337
Retained Earnings (Deficit) of the year	-226 537	-183 744	2 654 736	2 244 454
Liabilities & equity	6 206 089	3 655 193	-3 518 720	6 342 561

Note 11 - Cash and cash equivalents

(EUR)	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Unrestricted cash Norway	7 190 050	225 149	725	860 075	249 256	9 860 020	7 507 109	1 746 242
Unrestricted cash Italy	720 181	1 448 391	756 072	254 943	203 564	588 323	659 126	2 105 870
Restricted cash Italy	90 120	260 910	260 910	260 910	260 910	260 885	250 208	250 208
Cash	8 000 351	1 934 449	1 017 707	1 375 927	713 730	10 709 227	8 416 443	4 102 320

The group has no credit facilities at the end of the 3rd quarter 2013.

Note 12 – Detailed operational cost overview

(EUR)	EAM Solar ASA	EAM Solar Italy 1	EAM Solar Italy 2	EAM Solar Italy 3	Other & Eliminations
Revenues	2 612 443	824 947	1 777 101	10 395	0
Cost of operations	-232 274	-74 745	-154 641	-1 000	-1 888
Land rent	-88 934	-26 348	-62 586	0	0
Insurance	-46 934	-11 005	-34 041	0	-1 888
Operation & Maintenance	-86 042	-33 325	-51 717	-1 000	0
Other operations costs	-10 364	-4 067	-6 297	0	0
Sales, General & Administration	-688 981	-179 866	-333 692	-50 596	-124 826
Commercial management	-36 793	-12 368	-24 425	0	0
Accounting, audit & legal fees	-75 857	-16 589	-14 752	-7 438	-37 079
IMU tax	-53 582	-26 822	-26 760	0	0
Other external fees	-30 142	-11 870	-28 536	-23 714	33 978
EAM SPM direct costs	-492 606	-112 218	-239 219	-19 444	-121 725
EAM SPM management service contract	0	0	0	0	0
Other administrative costs	0	0	0	0	0
Acquisition & financing cost	-517 427	-2 470	9 334	-108 730	-415 561
Acquisition transaction costs	-108 730	0	0	-108 730	0
Funding & IPO costs	-386 516	0	0	0	-386 516
Bank financing structure costs	-29 044	0	0	0	-29 044
Other non-recurring items	6 864	-2 470	9 334	0	0
EBITDA	1 173 761	567 865	1 298 102	-149 931	-542 274

From the 1st of October the distribution of the direct costs for the management of EAM Solar ASA by EAM SPM will be distributed differently than the previous months in 2013 due to the fact that EAM Solar Italy 3 Srl then will be an operational company with earnings from electricity sales.

The costs under other & eliminations is non-allocated costs in the Norwegian mother company. Most of the costs relates to the IPO in the 1st quarter.

Note 13 – Power production

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

Power plant	Capacity kW	Production MWh (*)	Location Province	Type
Codroipo	3 128	4 623	Udine	Dual axis tracker
Varmo	1 521	2 298	Udine	Dual axis tracker
Momo	994	1 133	Piemonte	Fixed tilt
Caltignaga	992	1 120	Piemonte	Fixed tilt
Total	6 635	9 173		

(*) Production is based on historical average solar irradiation.

Reported power production	Q1 2013	Q2 2013	Q3 2013	Q1 2012	Q2 2012	Q3 2012	Q4 2012	FY 2012	FY 2011
Codroipo	750	1 550	1 798	576	1 673	1 701	645	4 595	0
Varmo	352	785	862	600	811	873	286	2 571	692
Momo	0	0	16	0	0	0	0	0	0
Caltignaga	0	0	15	0	0	0	0	0	0
Total	1 102	2 335	2 692	1 176	2 484	2 574	931	7 166	692

Actual power production	Q1 2013	Q2 2013	Q3 2013	Q1 2012	Q2 2012	Q3 2012	Q4 2012	FY 2012	FY 2011
Codroipo	750	1 550	1 798	1 218	1 673	1 701	645	5 238	3 262
Varmo	352	785	862	600	811	873	286	2 571	2 623
Momo	0	0	460	0	0	0	0	0	0
Caltignaga	0	0	439	0	0	0	0	0	0
Total	1 102	2 335	3 559	1 818	2 484	2 575	931	7 808	5 885

Varmo commenced commercial operations in December 2010, Codroipo in May 2011, and Momo and Caltignaga since September 2011. All power plants are on 20-year fixed price electricity sales contracts with the GSE in Italy. Varmo and Codroipo receive a fixed price (FIT) of EUR 346 per MWh delivered and Momo and Caltignaga receives a fixed price of EUR 245 per MWh. In addition all power plants receives a market-determined price (RID-price). The market price for electricity in Italy has dropped from a level of approximately EUR 80 per MWh to EUR 60 per MWh the past 12 months.

All power plants are included in the financial report from the time of the financial close. Varmo since September 2011, Codroipo since March 2012, and Momo and Caltignaga from the 27th of September 2013. However, the financial ownership of the power plants took place earlier. EAM Solar ASA assumed ownership of Varmo and Codroipo the 1st of September 2011 and Momo and Caltignaga the 1st of July 2013.

The power plants are located on the North of Italy, and production follows the seasonality of solar irradiation, implying that about 18% of annual power production is in Q1, 32% in Q2, 35% in Q3 and 15% in Q4.

Electricity production in the Q3 2013 was 10,3 % higher than budget (based on historic average irradiation), which is within normal weather variations.

Electricity production YTD 2013 was 4,3 % above budget (including Momo and Caltignaga from the 1st of July).

With normal solar irradiation in second half 2013, annual electricity production could be 3.6 % above normalized production.

Technical status for the EAM controlled power plants (Varmo and Codroipo) in the period was good with no significant disruptions recorded, resulting in commercial availability of 99,4% in the 3rd quarter and 99,5% year to date. EAM assumed operational control of Momo and Caltignaga the 27th of September. Both plants had a somewhat lower commercial availability due to inefficiently scheduled maintenance, but the overall commercial availability in the quarter is estimated to be 99,1%, which is deemed to be good.

The power plants have operated as planned. No external disturbances (i.e. grid instability) have been experienced. The inspections in September and October found the plants in good condition.

Third quarter 2013

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