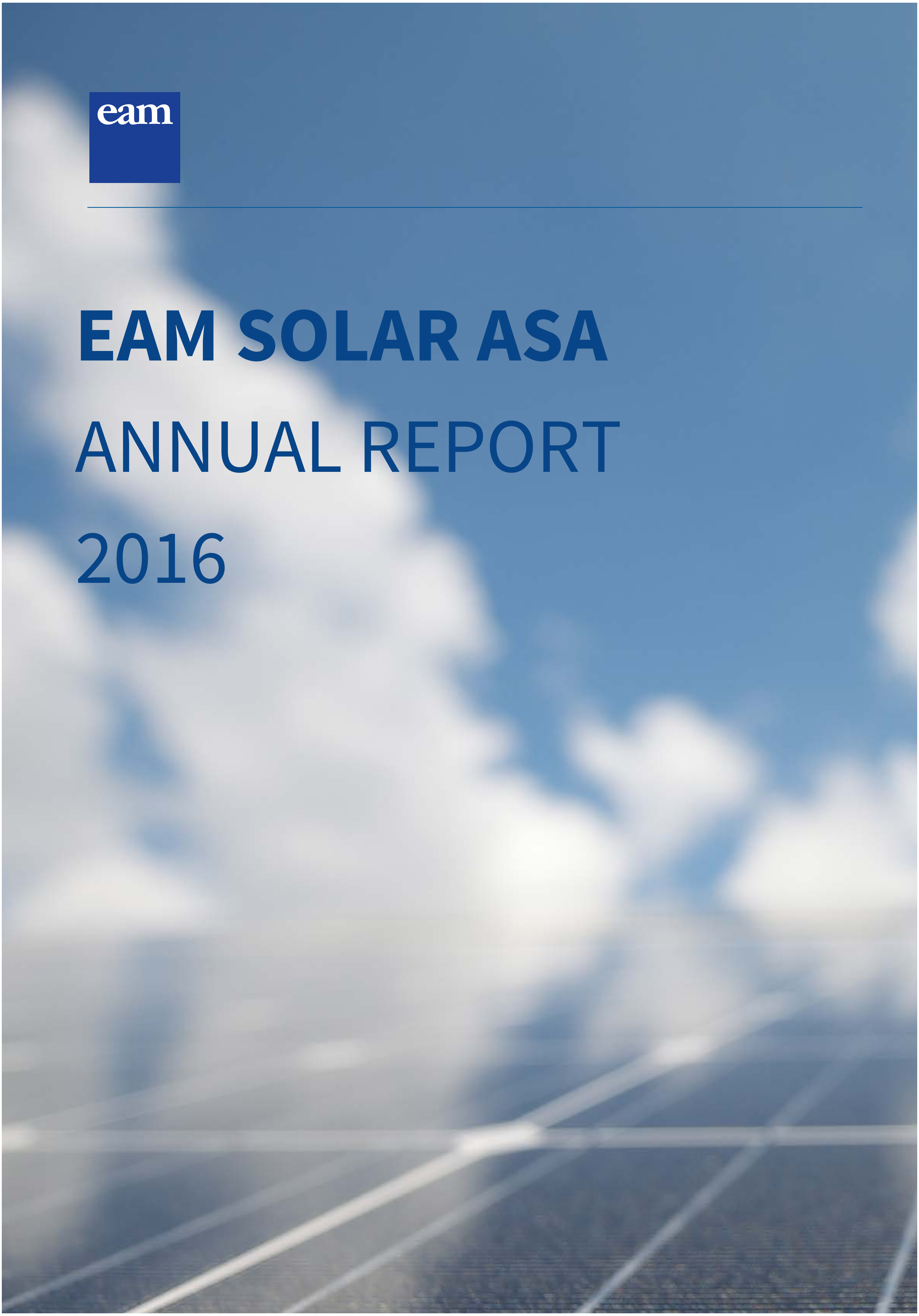
EAM SOLAR ASA

ANNUAL REPORT

2016



Contents

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, Oslo, Norway.

Energeia Asset Management 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 distribute 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 worlds first publicly listed pure solar PV "YieldCo".

EAM has no employees and is managed by Energeia Asset Management AS. EAM Solar Park Management AS, a subsidiary of Energeia Asset Management 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 makes all material investments, divestments and contractual decisions.

EAM acquired the first power plant in Italy in 2011. At the beginning of 2016 EAM owned and operated 25 power plants with a combined capacity of 27.1MW generating 38.3GWh annually.

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 Prosecutors 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.

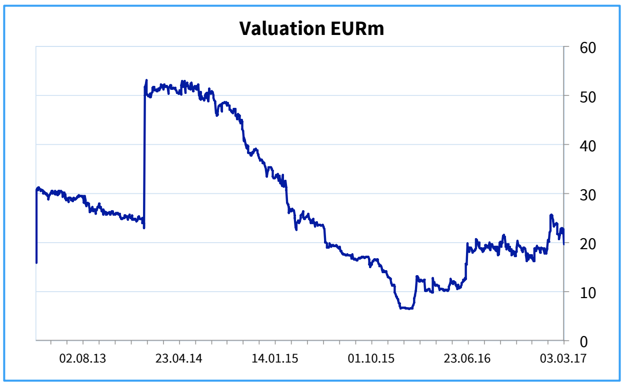
EAM's calculated loss of revenues due to terminated FIT contracts and permanent closure of power plants because of lacking technical certification, amounts to approximately EUR 270 million. This has resulted in the bankruptcy of the SPVs affected by the criminal proceedings in 2016.

The annual accounts of 2016 have identified a total loss of EUR 20.0 million, stemming mainly from extraordinary legal costs and write down of assets on a group level. Most of the economic loss was recognized in the 2015 annual accounts.

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 250 million. This situation has effectively changed EAM from a YieldCo to a large listed lawsuit.

In the beginning of 2016 EAM was acknowledged as a victim of criminal contractual fraud by the Criminal Court of Milano.

As a consequence of the fraud, EAMs market valuation dropped to EUR 10 million in the beginning of 2016, 80% below the invested equity capital of EUR 55 million. During 2016 and the first quarter of 2017 the market value has increased to EUR 20 million as a consequence of the legal position the Company has assumably achieved.



The 17 power plants with terminated FIT contracts were permanently shut down on 16 and 17 June 2016. This came as a consequence of the ruling by the Administrative Court of Lazio (TAR) confirming the legal validity of Gestore dei Servizi Energetici's (GSE) termination decision in the 4th quarter 2015.

GSE's termination decision of the FIT contracts are partly based on the invalidity of the certification of the PV modules installed on the power plants, and partly based on the falsification of the application documents, as stated in the criminal proceedings. The ruling in the Administrative Court confirms this legal position. Consequently, with invalid certificates the plants are illegal to operate, a view also confirmed by a legal opinion from our legal counsel in Italy.

Based on the invalidity of the certificates the power plants operational insurance is no longer valid for technical failure or third party liability. EAM took in June 2016 the necessary measures to secure the plants to minimize any risks. The PV power plants of the SPVs affected by the termination decision were consequently shut down and without any revenues from 18 June 2016.

As a consequence of the ruling in the Administrative Court, the remaining book value of the terminated plants has been written down to zero (EUR 4.2m) and accruals for dismantling and recycling has been recognized (EUR 510k).

The SPVs filed for bankruptcy in September 2016 and the court formally accepted the filing on 28 September 2016. Accordingly, the SPVs were derecognised from the balance sheet of the Group from the same date.

By year end 2016 the SPVs affected by the termination were handed over to the appointed bankruptcy trustees. The trustees are now managing the SPVs.

Throughout 2016 the Company has continued to fight for its rights in various legal venues. In brief it can be summarized as follows:

In the criminal proceedings the Company's status as victim is maintained and Enovos Luxembourg S.A., Avelar Energy Ltd and Aveleos S.A. are still financially liable for the actions of the former directors of Aveleos S.A., Marco Giorgi and Igor Akhmerov.

The Company has summoned Aveleos S.A. before the arbitration court of Milan to have the Share Purchase Agreement entered into in July 2014 declared null and void.

The criminal complaint in Luxembourg is residing with prosecutor's office awaiting their evaluation.

The standstill proceeding in Luxembourg is put to a halt awaiting the outcome of the arbitration proceedings in Milan.

A summoning for false accusations made by Enovos Luxembourg S.A., Encevo S.A. (formerly: Enovos International S.A.) and the directors Jean Lucius, Michel Schaus, Peter Hamacher and Martin Technau in 2016 against the Company has also been put to a halt awaiting the outcome of the prosecutor's action on the criminal complaint filed in Luxembourg.

During 2016, EAM sold two power plants in order to finance the extraordinary legal costs incurred by the P31 fraud.

At the end of 2016, EAM has 6 operational power plants in Italy, generating annual revenues of approximately EUR 4 million.

SOLAR PV POWER PLANTS

Pictures of Varmo & Codroipo

DIRECTORS REPORT

The 2016 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 Asset Management AS established EAM on 5 January 2011.

The Company's activity is to own and operate Solar PV power plants under long-term electricity sales contracts and distribute dividends on a regular basis to its shareholders.

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 27.1MW 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 4th 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 outome to the shareholders.

Operational review

In the beginning of 2016 EAM owned and operated 25 PV power plants with a combined capacity of 27.1MW that generated 37.8GWh of electricity, of which only 14.8GWh received revenues from long-term electricity sales contracts.

Following the ruling in the Administrative Court (TAR) in June 2016 the 17 power plants with terminated FIT contracts were permanently shut down.

EAM Solar Italy 3 srl and its 2 power plants were sold in the second quarter of 2016.

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

The annual solar irradiation in Italy in 2016 was approximately 4% below the level seen in 2015, and 1,5% below the level seen in 2014. The seasonal distribution of power production in 2016 was in accordance with normal distribution.

Corporate status

Legal proceedings

In the opinion of the board of directors the Company has during 2016 strengthened its legal position.

Criminal proceedings

The Criminal Court of Milan has in 2016 ruled that Enovos Luxembourg SA, Avelar Energy Ltd and Aveleos S.A. are financially liable for the economic damages suffered by EAM and related parties due to the criminal actions conducted by their directors Marco Giorgi and Igor Akhmerov.

Should the directors be sentenced on the Milan Prosecutors indictment point "F", concerning fraud against the Company, Enovos Luxembourg SA, Avelar Energy Ltd and Aveleos S.A. will be responsible for paying the damages incurred by the Company.

To the extent the Company can provide adequate documentation, there is no limitation to the damages that can be claimed. It is also the sole decision of the Company how much damages it will seek from each party, in other words, the Company may seek the full compensation from only one party.

It is expected that the criminal case will have one more hearing, scheduled for 30 March 2017, before the case is declared opened and presentation of evidence and calling of witnesses will start.

The length of the criminal case is highly uncertain. The first instance of the criminal case can last for years, and after that an appeal can be filed to the second instance and finally to the Supreme Court.

Arbitration proceedings

In the 3rd 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 SA and its directors.

The first hearing in the Arbitration Court was held in January 2017 where the parties together with the Arbitration Panel agreed on the timeline of the proceedings. A final ruling by the panel is expected in the 2nd quarter of 2018 but may delayed.

Criminal complaint with civil action in Luxembourg against Encevo S.A. Group (formerly known as Enovos International S.A. Group), and managing directors in Encevo S.A.

In February 2016, based on the evidence at hand, EAM and associated companies and individuals filed two criminal complaints with civil damages actions to the Court of Luxembourg. One criminal complaint was filed against Aveleos S.A., and one criminal complaint against Enovos Luxembourg SA, Encevo S.A. (formerly known as Enovos International S.A.), Avelar Energy Ltd and Aveleos S.A., Jean Lucius, Michel Schaus, Peter Hamacher and Martin Technau (all employees in the Encevo Group), and the Aveleos S.A. board directors, Igor Akhmerov and Marco Giorgi (employees of Avelar Energy Ltd).

The Prosecutors office in Luxembourg currently handles the criminal complaints.

The civil action contains damages claims in excess of EUR 250 million stemming from the contractual fraud against EAM in conjunction with the P31 Acquisition.

Breach of standstill agreement proceedings against Aveleos S.A. in the Court of Luxembourg

In October 2014, EAM entered into a so-called standstill agreement with Aveleos S.A. that also encompassed Enovos Luxembourg SA, Avelar Energy Ltd and its directors..The purpose of the standstill agreement was to give the sellers time to resolve the payment suspension measures of GSE and to document the necessary facts confirming the validity of the FIT contracts and the technical feasibility of the power plants within a limited time frame of 6 months. In exchange for this the sellers pledged to finance the running costs of the criminally affected power plants with a minimum of EUR 5 million in liquidity until the above matters was resolved.

In exchange for this pledge and the promises given by the sellers, EAM lifted the injunction achieved on the bank accounts of Aveleos S.A. in Luxembourg in September 2014 in order to avoid the immediate bankruptcy of Aveleos S.A. in October 2014 as threatened by the Enovos Luxembourg SA, and Avelar Energy Ltd directors.

Aveleos S.A. and its directors breached the standstill agreement already in November 2014, as confirmed in the ruling by the Civil Court of Milan (Enterprise Matters Specialized Section) in September 2015 and by the Criminal Court of Milan in the ruling of 13 September 2016.

In the autumn of 2015 Aveleos summoned EAM again in Luxembourg court in order to misuse the standstill agreement to achieve exclusion from the criminal proceedings in Milan in order for Enovos Luxembourg S.A., and Avelar Energy Ltd to escape legal proceedings. On 20 September 2016 Aveleos S.A. asked the court of Luxembourg for a postponement of these proceedings, which was granted until January 2017.

The first hearing in the standstill agreement procedures in Luxembourg took place on 17 January 2017 where both parties filed their note of pleadings and presented to the judge.

In a ruling communicated in March 2017 the court decided that the Luxembourg civil proceedings regarding the standstill agreement shall be put to a halt until the award before the Arbitration Court of Milan is rendered i.e. all claims of Aveleos S.A. have been suspended until further.

Defamation case - allegations of false complaint to be tried in the Luxembourg District Court

The companies EAM and EAM Solar Italy Holding srl, as well as their CEO and Managing Director, Mr Viktor E. Jakobsen, received in January 2017 a subpoena to meet in court in Luxembourg on 13 March 2017. The plaintiffs are Encevo S.A. (formerly known as Enovos International S.A.), Enovos Luxembourg S.A. and their directors Jean Lucius, Michel Schaus, Peter Hamacher and Martin Technau. The plaintiffs claim that the criminal complaint filed by EAM in February 2016 is false and not merited. As the board of directors sees it, this is an attempt by the directors to evade the ongoing investigation by the criminal court of Luxembourg that followed after the criminal complaint was filed.

In a communication received in early March 2017 the Company has been informed that the case will not be heard until the Prosecutor's Office have decided on the criminal complaints filed in February 2016 that are still in their hands.

Therefore, the case was not pleaded on 13 March 2017 and will be rescheduled.

Financial restructuring and voluntary liquidation plan for the criminally indicted SPVs in the Bankruptcy Court of Milan

Following the FIT termination decision by GSE, the 5 criminally affected SPVs filed for a financial restructuring procedure ("Concordato Preventivo") with creditor protection. This was granted by the bankruptcy Court of Milan until 8 July 2016, and then further extended to 6 September 2016.

EAM has been forced to act as a custodian for the SPVs affected by the criminal proceedings since July 2014. EAM has performed this task in order to protect the values of the SPVs and minimize any financial damage arising from the criminal proceedings and its legal and operational consequences.

Following legal and technical clarifications achieved during July and August 2016, the SPVs, in an understanding with the Bankruptcy Court of Milan, determined that a financial restructuring would be unachievable under the laws governing such procedures, mainly due to the fact that the SPVs are criminally indicted, but also due to technical administrative reasons. Therefore the companies filed for a voluntary liquidation and bankruptcy procedure with the Bankruptcy Court of Milan on 22 September 2016.

The bankruptcy proceedings continued with a hearing on 16 January 2017. No decision was taken by the court on the claims submitted by EAM and another hearing has been scheduled for 10 April 2017.

Administrative legal proceedings against GSE in the Administrative Court of Lazio

Following the suspension of payments of the FIT contracts initiated by GSE in August 2014, and the permanent termination of the FIT contracts in the fourth quarter 2016, EAM appealed GSE's termination decision to the appropriate legal venue, the Administrative Court of Lazio in Rome. The appeal was based on the necessity to achieve a decision in the matter sanctioned by the appropriate court.

EAM also summoned Aveleos S.A. and the financing banks to participate in the appeal of the termination decision. However, both Aveleos S.A. and the financing banks abstained from participating in court or to provide any factual information that would result in an annulment of GSE's termination decision, thereby waiving their rights of remedy on accordance with the rights and obligations in the Share Purchase Agreement.

On 9June 2016 the Administrative Court of Lazio issued their ruling that gave unreserved support and legal verification of the termination decision by GSE, thus making the termination a lawful fact.

The court concluded that the power plants do not have the right to the FIT contracts due to the fact that they have not been built in accordance with technical rules and regulations, and that the FIT contracts was obtained based on falsified documentation.

An important consequence of the ruling is that most of the PV modules on the power plants no longer have valid CE certification, consequently the power plants have lost the right to operate and be connected to the grid and insurance is no longer valid. Based on this the power plants permanently closed operation in mid June 2016, and are now considered electronic scrap with a recycling obligation in accordance with the EU WEEE Directive.

Business operations in 2016

At the end of 2016 EAM owned 6 power plants operating under normal conditions and contracts, with a combined installed capacity of 8.6 MW with an average annual power production of 12.7 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.

Reported revenue in 2016 was EUR 4.5 million and EBITDA came to EUR -10.8 million and EBIT at EUR -17.5 million. The Group reduced total asset to EUR 40.5 million following the derecognition of the bankrupted SPVs.

Accumulated extraordinary costs related to the fraudulent sale amounted to approximately EUR 11 million in 2016.

At current EAM has engaged legal teams in 6 different law firms to assist the Company in all the various legal proceedings in Italy, Luxembourg and Switzerland.

Cash flow from operation was negative with EUR -11.2 million for the year. The working capital is positive with EUR 4.5 million. The reason for the positive working capital is the receivable against Aveleos S.A. under the SPA (overpayment for ENS4 and post closing adjustment). This receivable has been subject to a special audit by EY who has confirmed the Company's position and calculation.

Going concern

The financial statements and annual report is made under the assumption of going concern. The basis for this assumption is that the Company has annual revenues of EUR 4 million from fixed price contracts for the next 15 years, in total EUR 72.6 million in future contract revenues, from 6 power plants that are operating under normal conditions.

The EBITDA contribution from the 6 power plants in the fixed contract period to 2031 is EUR 40.1 million, sufficient to cover the long-term debt obligation of EUR 12.8 million relating to these assets.

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 EAMs 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.

If any of the financing banks should try to enforce the fraudulent debt repayment agreements it would for EAM constitute an addition to the criminal acts conducted against EAM, and EAM will respond accordingly.

During the period 2014 until September 2016, EAM has subsidized the operation of the affected SPVs. This is done by EAM in order to maintain the safety and operational integrity of the SPVs, and assist the SPVs in their defence of their legal rights.

Due to the heavy burden of subsidizing the affected SPVs with operating costs and legal costs, EAM has been forced in the period 2014 - 2016 to cover the costs for 25 power plants and legal processes with the revenues from 8 power plants, and since June 2016, 6 power plants. This has placed a significant strain on EAMs running liquidity. However, since the affected SPVs now are bankrupt, EAM will no longer have the same need to subsidize the costs of operations going forward.

Finally, in order to ensure that EAM has the necessary buffer needed to meet future legal cost, the Company considers to make funding available through sale of existing assets, share issue, litigation finance or loan.

Market overview

Global Solar PV developments

2016 was a year of strong growth in the global solar PV industry. Volume growth (from various sources) in 2016 is estimated in the range 72GW to 77GW, representing a 35% to 40% annual growth rate. Total accumulated installed solar PV generating capacity increased then to approximately to 295 GW.

According to Solar Power Europe, European countries installed 6.9 GW in 2016, which represents a 20% decrease from 2015 of 8.6 GW.

The world's largest solar market in 2016 was China that added 34.2 GW, 125% increase from 2015. USA installed 14 GW, up from 7.3 GW in 2015. Japan installed 8.6 GW and India with 4.5 GW.

Prices for solar PV modules and balance of system components continued falling in 2016. At the end of 2016, EAM has experienced that the total cost of construction for a new PV power plant in Europe, excluding cost of land, may be in the range EUR 0.60 to 0.75 per watt depending on design and quality of equipment.

EAM is currently offered PV modules in both Europe and Asia at prices below USD 0,35 per W_p.

Power prices in Italy

The average wholesale power price in Italy started 2016 with a continued fall from the 2015 price level. Market prices bottomed out in April 2016 at an average level of EUR 31 per MWh, representing a 60% drop in prices as seen in 2011/2012.

Prices started to increase in May until reaching a level of EUR 57 per MWh in average in the end of the year. Average wholesale prices in Italy in 2016 ended at EUR 42,78 per MWh.

Into 2017 the average wholesale prices in Italy was above EUR 60 per MWh.

Business strategy

EAM's strategy was in the outset to create value by acquiring operational power plants and through an active ownership in order 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 its 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

Updates on legal proceedings are described in Corporate Status above.

Risk factors

Apart from the direct risk mentioned before, EAM is exposed to a number of risk factors.

The largest risk to our current operation is regulatory 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% 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.

EAM is informed of current lawsuits in international arbitration courts directed against the State of Italy for fundamental breach of the International Energy Charter Treaty's (ECT) protection of International Infrastructure Investors. On 31 December 2014 Italy notified the Depository of its withdrawal from the Energy Charter Treaty (ECT). Therefore, the withdrawal from the ECT by the Italian Republic took effect on 1 January 2016, however, this means any new investments in the energy sector in Italy are not protected anymore by the ECT, while existing investments will remain protected until 2036.

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 one of the external financing contracts with floating interest rate there is an interest rate swap agreement in place for the full duration of the contact period and the full lending amount.

Litigation risk

The Company is involved in several legal processes where the outcome is unknown. There is a risk that the Company might loose 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 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 derivate agreements to reduce the credit risk against GSE.

The Company's gross credit risk exposure against GSE on 31 December 2016 was EUR 1.1 million. EAM has made no financial arrangements to limit the credit risk further.

Asset value risk

EAM's cash balance was EUR 1.6 million at the 31st of December 2016, of which the Prosecutors Office of Milan has seized EUR 0.5 million.

During the annual impairment test, EAM has identified no further indicators for impairment as described in IAS 36 after write downs conducted in 2015 and the second quarter of 2016. The assumptions used in the impairment test represents 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 continues to drop, and has dropped by approximately 35% during 2016. Consequently, the replacement cost risk of equipment fault is reduced in 2016. EAM expects the replacement cost to continue being reduced going forward.

Transactions with related parties

Energeia Asset Management AS and its subsidiary EAM Solar Park Management AS are providing management and consulting services for EAM on a continuous basis under a long-term management agreement. All transactions are conducted as part of ordinary operations and in accordance with the management agreement.

Pursuant to the management agreement, the manager charges EAM direct costs, without any profit margin, for all services conducted. The manager is also entitled to a royalty of 12.5% of the Company's pre-tax profits. The royalty structure aligns the interest of the manager with those of the shareholders in EAM (note 7). In conjunction with the "P31 acquisition" fraud the manager has waived any payment of royalties until the matter is resolved and values are restored.

EAM entered on 20 June 2014 into a short-term acquisition credit facility agreement of NOK 65 million with the largest shareholder in the Company, Sundt AS. The credit facility, which is secured against EAM Solar Norway Holding AS and EAM Solar Italy Holding II Srl, originally expired on 10 December 2014, but has been extended twice thereafter. In March 2015 the parties agreed to convert the short-term facility to a long-term facility with 15 years duration, carrying an all-inclusive interest of 10%. In August 2016 the Company made and extra down payment of EUR 1 million and renegotiated the terms. At current the loan carries a running interest rate of 7% with a balloon at the end of the term. The lender has given a waiver for payment of instalments and interest for the period from February to July 2017.

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 two female and one male director in the period from year-end 2015 to the Annual General Meeting in 2016, and two male and one female director thereafter.

Energeia Asset Management 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 management practices, and in particular in the relationship between EAM and Energeia Asset Management 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 3-3 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, 28 April 2017

Pål Hvammen Non-executive director	Erling Christiansen 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.

EAM Solar ASA will comply with the above-mentioned rules and regulations, and the current code, issued on the 30th of October 2014 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 2016 the Manager had no representative 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.

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."*

EAM Solar ASA's articles of association are available on the company's website at www.eamsolar.no

Equity and dividends

Equity

Total equity for the Group amounted to EUR 15.8 million at 31 December 2016, representing an equity ratio of 39%.

The equity of the parent company amounted to EUR 21.6 million at 31 December 2016, representing an equity ratio of 74%.

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 2016.

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 agreement with the Energeia Asset Management 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 2016 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.

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 2017 will be held on 23 May 2017 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.

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 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 article 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.

Nomination committee

EAM will have a nomination committee consisting of three members. The Company's current nomination committee was re-elected for two years on 26 May 2016 and consists of:

- Leiv Askvig, chair (representing Sundt AS)
- Truls Tollefsen, member (representing DNB Livsforsikring AS)
- Nils Foldal, member (representing Lorentzen Group)

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.

Corporate assembly and 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 a EU/EEA country.

Composition of the board

On 31 December 2016, the board of EAM Solar ASA consisted of three directors, two men and one woman:

- Ragnhild M Wiborg, chair
- Pål Hvammen, non-executive director
- Erling Christiansen, non-executive director

At the annual general meeting on 26 May 2016 Ragnhild M Wiborg was re-elected as chair of the board and Pål Hvammen was re-elected as a new member of the board, and at the same date was Erling Christiansen elected as a new member of the board.

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, Pål Hvammen and Erling Christiansen are all independent of the Company's manager, material business contacts and largest shareholders.

The board included at year-end 2016 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 manager prepares the annual plan for the board's work.

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 2016, 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 2016 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.

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 higher 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.

Remuneration of the manager and the CEO

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

The manager is entitled to receive revenues from the Company equal to its directly attributable costs for providing services to the Company, pursuant to article 5 of the management agreement and article 1 of appendix 1. Consequently the direct costs of management services provided are invoiced without any profit margin.

In addition to coverage of its direct costs, the manager is entitled to receive a royalty equal to 12.5% of the pre-tax profits of EAM. The annual pre-tax profit, which forms the basis for calculating the annual royalty to the manager, is subject to certain adjustments. These are described in article 6 of the management agreement and article 2 of appendix 1, and are as follows:

- Adjustments for non-cash accounting items (e.g., asset write-downs and revaluation)
- Acquisition and transaction costs which would otherwise have been expensed in the year when the costs have been incurred (such costs will be capitalised and depreciated over the asset's operating life).

The royalty will be based on the audited annual accounts, and is paid quarterly on the basis of interim accounts. The royalty structure is meant to align the interests of the manager with the interests of the shareholders in the Company. To date no royalty has been received by the manager given the situation of the Company.

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 royalty 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.newsweb.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 Parctice 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.

Take-overs

The board endorses the principle of non-discrimination of shareholders. In the event of a take-over, 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 take-over situation.

Auditor

EAM is audited by RSM 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 REVIEW

In 2016 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 2016. Most of the write down on assets were taken in 2015 and only smaller amounts are written down in 2016. The derecognition of the SPVs in bankruptcy removed a considerable amount of the external debt of the Group, thereby making the equity ratio at group level positive again.

Consolidated statement of comprehensive income

Revenue and production

All 6 power plants owned and controlled by EAM produced electricity and delivered this to the grid in 2016. Total electricity production in 2016 was 22.7 GWh, representing total revenue of EUR 4.5 million, including the two power plants sold in the 2nd quarter of 2016.

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 80% of revenues, with electricity sales at market prices accounting for the remaining 20%.

Market price contracts are renewed yearly. Market prices for electricity continued its decline in 2016 from an average of EUR 55 per MWh in 2014 to an average of EUR 48.5 per MWh in 2015 and EUR 37.8 per MWh in 2016. The falling trend turned in the last half of 2016 and the trend with increasing prices has continued into 2017.

Operating costs

Total cost of operations in 2016 amounted to EUR 1.1 million. The cost of operations consisted mainly of land rent, operating and maintenance costs, and insurance. SG&A expenses amounted to EUR 2.0 million for the year.

Operational earnings

Earnings before interest, depreciation, amortisation and taxes (EBITDA) amounted to EUR -10.8 million for 2016. Acquisition and transaction costs amounted to EUR 12.1 million.

Depreciation amounted to EUR 1.9 million for the year and write down of power plants to EUR 4.8 million. Operating profit (EBIT) for 2016 was thereby EUR -17.5 million.

Net financial items

Net financial items amounted to EUR -2.6 million for the full year 2016.

Profit before tax and net income after tax

Profit before tax amounted to EUR -20.1 million for 2016. Net tax amounted to EUR 0.1 million.

Reported net income after tax was thus EUR -20.0 million for 2016, and reported loss per share were EUR -3.95 on a diluted basis.

Cash flow and balance sheet statements

Consolidated statement of financial position

Total assets amounted to EUR 40.5 million at 31 December 2016. This was down by EUR 29.4 million over the year, mainly because of the derecognition of the SPVs of the P31 portfolio that filed for bankruptcy and the sale of EAM Solar Italy 3 srl.

Total equity amounted to EUR 15.8 million at 31 December 2016, an increase by EUR 42.0 million over the year. The increase is explained by the derecognition of the bankrupted SPVs of the P31 portfolio being derecognised from the balance sheet of the Group. The equity ratio was positive with 39.0 per cent at 31 December, up from -37.4 per cent at 31 December 2015. Net working capital amounted to EUR 4.5 million at 31 December 2016. The increase from 2015 relates to the derecognition of the SPVs in bankruptcy as described above.

Cash flow

Net cash flow from operating activities was EUR -11.2 million in 2016. Net cash flow from financing activities amounted to EUR 2.0 million. Cash and cash equivalents amounted to EUR 1.6 million at 31 December 2016, of which 0.5 million was restricted at year-end (see note 17).

EAM Solar ASA (parent company)

Profit and loss statement

Revenues are management services provided to subsidiaries (see note 3). SG&A consist mainly of purchased services. Net Financial cost for 2016 was NOK -69.8 million of which the most relates to write down of receivables against former subsidiaries of the Group now in bankruptcy.

Balance sheet

Total assets amounted to NOK 266.2 million, of which NOK 260.0 million is intercompany. Cash amounted to NOK 20,000 at year-end. Total equity amounted to NOK 196.2 million, 73.7 per cent of total assets, compared with 70 per cent in 2015. Current liabilities amounted to NOK 70.0 million.

Cash flow

Net cash flow from operational activities was negative at NOK 27.0 million and proceeds from borrowing from group companies were positive with NOK 26.7 million.

Allocation of net income

The board has proposed that the net income of NOK -80,419,241 to be allocated to other equity.

CONSOLIDATED FINANCIAL INFORMATION

Statement of comprehensive income

EUR	Note	Audited 2016	Audited 2015
Revenue		4 453 648	6 130 955
Total revenue		**4 453 648**	**6 130 955**
Cost of operations	9,1	-1 121 753	-1 605 821
Sales, general and administration expenses	5,6,7,9,10	-2 003 236	-3 113 255
Acquisition and transaction costs	9,10,21, 22	-12 148 595	-20 360 928
Operating profit before depreciation and amortisation		**-10 819 936**	**-18 949 049**
Depreciation, amortizations and write downs	13	-6 677 455	-49 573 204
Operating profit		**-17 497 392**	**-68 522 253**
Finance income	8	1 222 427	3 963 924
Finance costs	8	-3 801 978	-5 472 255
Profit before tax		**-20 076 943**	**-70 030 584**
Income tax gain/(expense)	11	65 788	167 027
Profit after tax		**-20 011 155**	**-69 863 557**
Other comprehensive income (1)			
Translation differences		2 606 326	-4 563 500
Cash flow hedges	20	-129 880	53 808
Other comprehensive income for the year, net of tax		**2 476 446**	**-4 509 692**
Total comprehensive income for the year		**-17 534 709**	**-74 373 249**
Profit for the year attributable to:			
Equity holders of the parent company		-20 011 155	-69 863 557
Equity holders of the parent company		**-20 011 155**	**-69 863 557**
Total comprehensive income attributable to:			
Equity holders of the parent company		-17 534 709	-74 373 249
Equity holders of the parent company		**-17 534 709**	**-74 373 249**

Earnings per share		2016	2015
Continued operation			
- Basic	12	-3,95	-13,78
- Diluted	12	-3,95	-13,78

1) Other comprehensive income that may be reclassified to profit and loss in subsequent periods.

Consolidated statement of financial position

EUR	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Property, plant and equipment	1,3,13,21	23 077 581	34 436 689
Intangible assets		321 012	277 089
Other long term assets		1 089 563	1 598 603
Total non-current assets		**24 488 157**	**36 312 381**
Current assets			
Receivables	16	14 290 216	21 744 787
Other current assets		127 897	1 076 836
Cash and cash equivalents	17	1 568 193	10 718 169
Total current assets		**15 986 306**	**33 539 792**
TOTAL ASSETS		**40 474 463**	**69 852 173**
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Issued capital	18	6 214 380	6 214 380
Share premium	18	24 606 370	24 606 370
Total paid in capital		**30 820 750**	**30 820 750**
Other equity			
Translation differences		-6 263 356	-8 869 682
Other equity		-8 754 163	-48 103 947
Total other equity		**-15 017 519**	**-56 973 629**
Total equity		**15 803 231**	**-26 152 879**
Leasing	19	5 838 488	6 135 377
Long term loan - interest bearing	7,19	7 370 641	7 632 405
Other non current liabilities	19	0	1 079 505
Total non-current liabilities		**13 209 129**	**14 847 287**
Current liabilities			
Trade payables	19	2 552 748	3 089 199
Tax liabilities	11,19	829 367	1 228 267
Short term loan - interest bearing	19	0	41 063 191
Other current liabilities	19	8 079 989	35 777 108
Total current liabilities		**11 462 104**	**81 157 765**
Total liabilities		**24 671 233**	**96 005 052**
TOTAL EQUITY AND LIABILITIES		**40 474 463**	**69 852 173**

Oslo, 28 April 2017

Pål Hvammen Non-executive director	Erling Christiansen Non-executive director	Ragnhild M Wiborg Chair	Viktor E Jakobsen CEO

Consolidated cash flow statement

EUR	Note	2016	2015
Cash flow from operating activities			
Ordinary profit before tax		-20 076 943	-70 030 585
Loss on disposal of property, plant and equipment		1 137 653	
Income taxes paid			
Depreciations and write downs	13	1 891 558	4 181 074
Write down of fixed assets		4 785 897	45 392 130
Currency translation effects			
Changes in trade receivable and trade payable	16,20	6 918 120	30 279
Changes in other accruals*		-5 839 666	20 474 559
Net cash flow from operating activities		**-11 183 381**	**47 457**
Cash flows from investing activities			
Acquisition of fixed assets		-6 001	-630 403
Acquisition of subsidiary, net of cash acquired		0	
Net cash flow used in investing activities		**-6 001**	**-630 403**
Cash flows from financing activities			
Proceeds from sale of property, plant and equipment		3 550 000	
Proceeds from issue of share capital		0	
Proceeds from borrowings	19, 20	0	676 327
Repayment of loans		-1 510 594	-320 147
Net cash flow from financing activities		**2 039 406**	**356 180**
Cash and cash equivalents at beginning of period		**10 718 172**	**10 944 938**
Net currency translation effect			
Seizure of cash			
Net increase/(decrease) in cash and cash equivalents	17	-9 149 976	-226 766
Cash and cash equivalents at end of period	17	**1 568 196**	**10 718 172**

*Includes effect of derecognition of SPVs in bankruptcy

Consolidated statement of changes in equity

EUR	Share capital	Share premium fund	Other equity	Cash flow hedge	Curr. translation reserve	Total equity
Equity as at 1 January 2015	**6 214 380**	**24 606 370**	**22 303 644**	**-597 840**	**-4 306 182**	**48 220 372**
Profit (loss) After tax			-69 863 557			-69 863 557
Other						0
Other comprehensive income				53 808	-4 563 500	-4 509 692
Equity as at 31 December 2015	**6 214 380**	**24 606 370**	**-47 559 913**	**-544 032**	**-8 869 682**	**-26 152 877**
Equity as at 1 January 2016	**6 214 380**	**24 606 370**	**-47 559 913**	**-544 032**	**-8 869 682**	**-26 152 877**
Profit (loss) After tax			-20 011 155			-20 011 155
Derecognition of SPVs in bankruptcy			59 490 817			59 490 817
Other comprehensive income				-129 880	2 606 326	2 476 446
Equity as at 31 December 2016	**6 214 380**	**24 606 370**	**-8 080 251**	**-673 912**	**-6 263 356**	**15 803 231**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies

The consolidated financial statements of EAM for the year ending 31 December 2016 were authorised for issuance by the board on 28 April 2016.

EAM is a public limited company, incorporated and domiciled in Norway. The registered office of EAM is Dronningen 1, NO-0287 Oslo, Norway. The Company was founded on 5 January 2011. EAM owns and operates 6 photovoltaic power plants in Italy, and has as its business to invest in photovoltaic power plants in Europe. The Company has 6 subsidiaries in Italy and 1 subsidiary in Norway.

1.1 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 the 1st of January 2016.

The consolidated financial statements are based on historical cost. In addition, cash flow hedges are measured at actual 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 the Euro (EUR) and the parent company's functional currency is the Norwegian Krone (NOK). Balance sheet items in the Group companies with a functional currency other than EUR are converted to Euros 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 director's report are prepared under the assumption of going concern. New information that may be made available in 2017 may challenge the assumption of going concern.

The Criminal Court of Milan has acknowledged the Company as civil victim of a criminal contractual fraud.

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.

In addition to pursuing the Company's legal rights in the Criminal Court of Milan, EAM has also initiated legal actions to secure damage claims of EUR 250 million against Enovos, Avelar and Aveleos and their directors in other venues.

1.2 Consolidation principles

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2016.

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 combinations. 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.

1.3 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.

1.4 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.

1.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of solar power

EAM owns and operates six 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.

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.

1.6 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 5.

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

1.7 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.

1.8 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.

1.9 Leases

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.

1.10 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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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.

1.11 Financial instruments

Financial instruments are classified in the following categories: at fair value with changes in value through profit or loss, held to maturity, loans and receivables, available for sale and other liabilities.

The Group has financial instruments in the form of trade receivables and trade payables, recognised at amortised cost.

Trade receivables are initially recognised at fair value plus any transaction costs. Trade receivables are subsequently carried at amortised cost using the effective interest method, if the amortisation effect is material. The carrying amount is subsequently reduced by any impairment losses. Provisions for impairment are made when there are objective indicators that the Group will not receive their contractual payments.

The carrying amount of trade receivables and trade payables is approximately equal to fair value, as they are agreed at "normal" conditions and normally have a short period to maturity.

1.12 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.

1.13 Equity

Equity and liabilities
Financial instruments are classified as liabilities or equity in accordance with the underlying economic realities.

Interest, dividend, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income. Amounts distributed to holders of financial instruments that is categorized as equity, will be recorded directly in equity.

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

Translation differences
Translation differences arise in connection with exchange-rate differences for consolidated entities with a functional currency other than the EUR. If an entity with a different functional currency than the EUR is sold, the accumulated translation difference linked to the entity is reversed and recognised in the statement of comprehensive income in the same period as the gain or loss on the sale is recognised.

1.14 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.

1.15 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.

1.16 Current/non-current classification

All assets and liabilities related to the operating cycle are classified as current/short-term. For receivables and liabilities outside the operating cycle, the current/non-current distinction is determined on the basis of a one-year maturity rule from the acquisition date.

1.17 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group has derivatives classified as cash flow hedge.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is categorized as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

1.18 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.

1.19 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment.

1.20 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 24.

1.21 Standards issued but not yet effective

The Group has not applied the following new or amended standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2016 (the list does not include information about new or amended requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to IFRS Statements Limited).

The Directors anticipate that the new standards and amendments will be adopted in the Group's consolidated financial statements when they become effective. The Group has assessed, where practicable, the potential effect of all these new standards and amendments that will be effective in future periods.

IFRS 9 Financial Instruments (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.

For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from IAS 39.

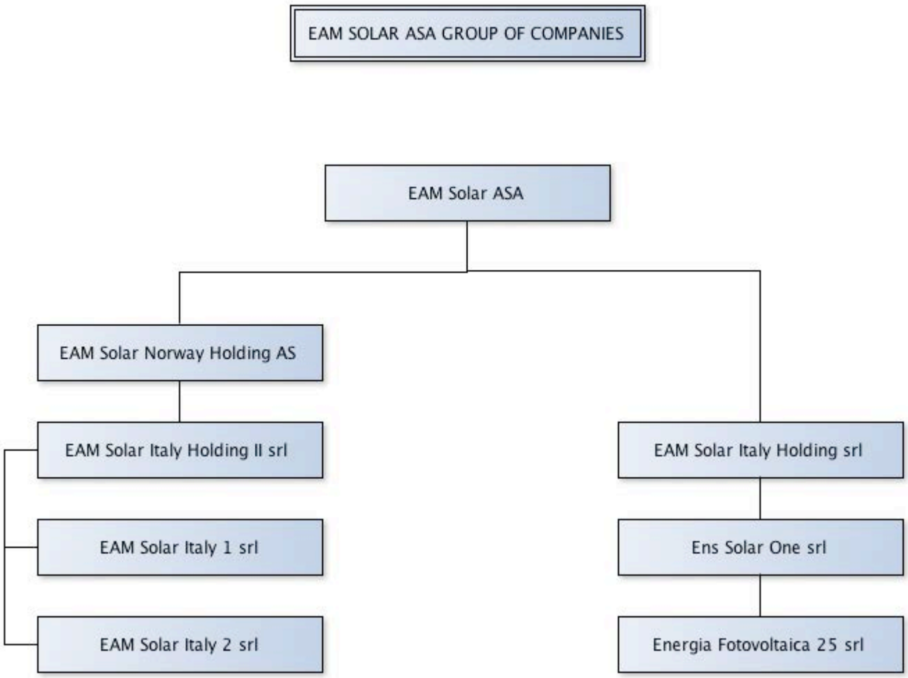
The Directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements when it becomes mandatory and that the application of the new standard might have a significant effect amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and amended for clarifications in April 2016) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (eg the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Directors anticipate that IFRS 15 will be adopted in the Group's consolidated financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Groups' revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 16 Leases (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, 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. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The Directors anticipate that IFRS 16 will be adopted in the Group's consolidated financial statements when it becomes mandatory and that the application of the new standard will have a significant effect on amounts reported in respect of the Group's leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Note 2: Changes in the Group's structure

De-recognition of ESGP, ESGI, ESSP, AGI and ENFO14
Due to the bankruptcy of ESGP, ESGI, ESSP, AGI and ENFO14 following the termination of the FIT contracts and TAR ruling stating that the plants were not completed in time and without valid certificates and thereby can never regain the Feed in Tariff, they were de-recognised in the third quarter 2016 following the acceptance by the Bankruptcy Court of Milan to start liquidation. The organisational chart after the demerger as shown in the figure below:



Note 3: List of subsidiaries

The following subsidiaries are included in the consolidated financial statements.

Company	Country	Main operation	Ownership	Vote	EBITDA	EBIT	Equity	Shareholder loans
EAM Solar Norway Holding AS	Norway	Holding company	100%	100%	-31 415	-31 415	8 541 452	161 523
EAM Solar Italy Holding II Srl	Italy	Holding company	100%	100%	-202 775	-202 775	6 810 799	6 953 769
EAM Solar Italy 1 Srl	Italy	Solar power plant	100%	100%	563 680	177 372	-209 954	5 520 155
EAM Solar Italy 2 Srl	Italy	Solar power plant	100%	100%	1 221 901	434 401	2 181 407	9 013 011
EAM Solar Italy 3 s.r.l.*	Italy	Solar power plant	100%	100%	176 303	62 354	0	0
EAM Solar Italy Holding Srl	Italy	Holding company	100%	100%	-6 246 648	-6 247 710	-8 454 582	24 586 380
Ens Solar One s.r.l.	Italy	Solar power plant	100%	100%	-2 340 158	-2 757 466	-1 061 912	610 776
Energia Fotovoltaica 25 Soc. Agr. A r.l.	Italy	Solar power plant	100%	100%	135 913	19 177	275 611	2 277 519
Companies affected by criminal proceedings								
Energetic Source Green Power s.r.l.**	Italy	Solar power plant	100%	100%	-649 414	-2 221 419	0	0
Energetic Source Green Investment s.r.l.**	Italy	Solar power plant	100%	100%	-326 068	-1 063 598	0	0
Energetic Source Solar Production s.r.l.**	Italy	Solar power plant	100%	100%	-471 785	-2 394 543	0	0
Aveleos Green Investment s.r.l.**	Italy	Solar power plant	100%	100%	-151 601	-349 815	0	0
Energia Fotovoltaica 14 s.r.l.**	Italy	Solar power plant	100%	100%	-119 455	-543 541	0	0

* Sold with financial takeover 1 June 2016
** Derecognised with effect from 28 September 2016

Note 4: Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies in according to IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the management's best knowledge. Changes in key assumptions may have significant effect and may cause material adjustments to the carrying amounts of assets and liabilities, equity and the profit for the year. The Company's most important accounting estimates are the following items:

Going concern

Given the challenging situation of the Company, the board and management has had to consider the basis for the Company's ability to operate as a going concern for the next 12 months. The going concern consideration is mainly related to the assessment of having adequate liquidity to meet the Company's running operational financial obligations, hereunder the legal costs to run the different legal processes.

Given the special corporate status, having become a victim of a criminal contractual fraud, resulting in significant legal and operational challenges, the board and management is continuously reviewing running operations.

It is the judgment by the board and management, all factors considered, that the Company has adequate liquidity for the next 12 months, consequently, that the foundation for "going concern" is present at year-end 2016. See the directors report section on going concern and note 19 in the accounts for further background information.

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.

Income taxes

The Group is subject to income taxes in more than one jurisdictions. Significant judgement is required in determining the provision for income taxes. Deferred tax asset related to the companies with terminated revenue has not been recognised.

Depreciation of tangible fixed assets

Depreciation and amortisation expenses are based on management estimates of residual value, amortisation method and the future useful life of solar power plants. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortisation or depreciation charges.

The estimated useful life of the Company's solar power plants is connected with the governmental guaranteed feed in tariff for electricity produced by solar power plants. These feed-in-tariffs gives guaranteed revenue from the government of 20 years from the time of the license was granted. Together with the fact that the technological lifetime a solar plant is at least 20 year we assume that the estimated useful life of these power plants are 20 years (see also note 13).

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the remaining feed in tariff period. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows. The key assumptions used to determine the recoverable amount for the different CGUs, are disclosed and further explained in Note 21.

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

The impairment test has been conducted under the assumption that all FIT contracts for the affected "P31 power plants" remains terminated and only the market price element is creating revenue. Based on this assumption the book value of the power plants has been reduced.

Fair value of assets and liabilities in acquisitions

Management is required to allocate the cost of acquisition of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. Such valuations require management to make significant judgements in selecting valuation methods, estimates and assumptions. Critical estimates in the evaluations for such assets include, but are not limited to, remaining work to get all permits for the project and expected development in technology and markets.

Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates (see also note 2).

Note 5: Other operating expenses

VAT is not included in the fees specified below.

Specification of auditor's fee	2016	2015
Statutory audit	109 868	83 169
Other non-assurance services	4 178	2 287
Tax consultant services	3 110	1 559
Total fee to auditor's	**117 156**	**87 015**

Note 6: Salary and personnel expense and management remuneration

Board of Directors year-end 2016:

- Ragnhild M Wiborg (chair)
- Erling Christiansen (non-executive director)
- Pål Hvammen (non-executive director)

The CEO in 2016, Viktor Erik Jakobsen, is hired and remunerated by the manager (see note 7 for description of management agreement). Mr Jakobsen replaced Mr Iversen as the Company's CEO in February 2016. Both the new and former CEO of EAM Solar ASA own directly a part of Energeia Asset Management AS that owns EAM Solar Park Management AS 100%. Mr. Jakobsen resigned as director in February 2016 when he became CEO.

Ragnhild M Wiborg, Erling Christiansen and Pål Hvammen have received in 2016 NOK 400,000, NOK 0 and NOK 250,000 respectively as compensation for their works as directors. No shares are held by 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 7: Transactions with related parties

Related parties

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

Sundt AS, Canica AS and Bjørgvin AS are the largest shareholders in EAM. They are also shareholders in Energeia Asset Management, but not involved in the day-to-day operations of Energeia Asset Management AS. They are represented with one director each in the board of directors of Energeia Asset Management AS

Transactions with related parties

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

EAM Solar Park Management AS is 100% owned by Energeia Asset Management AS. EAM Solar Park Management AS delivers management services to EAM according to a management agreement between the parties. According to this agreement, EAM Solar Park Management AS can charge EAM for direct costs without any profit margin related to the management services provided. The board of directors must approve direct costs above NOK 5 million.

In addition to full reimbursement of direct cost, EAM Solar Park Management AS shall receive 12.5% of the Groups profit as a royalty from EAM. The royalty is based on the fact that EAM is developed, created and managed by EAM Solar Park Management AS. The royalty structure is meant to align the interests of EAM Solar Park Management AS with the interests of the shareholders in EAM.

In 2016 EAM Solar Park Manangement's direct costs of the management of EAM was EUR 1.7 m (2015: EUR 2.0 m), and no royalty was calculated. The royalty payment has been waived until the situation in EAM has found its solution. For 2016 the direct cost was EUR 0.07 per kWh based on full year figures. (against EUR 0.07 per kWh in 2015).

Approximately EUR 0.3 million of the direct costs charged in 2016 was related to extraordinary costs incurred due to the legal processes in conjunction with the P31 fraud.

Invoices from EAM Solar Park Management AS to the subsidiaries of EAM has for a period remained unpaid, simultaneously EAM has funded EAM Solar Park Management AS with necessary liquidity on behalf of the subsidiaries creating a receivable. In order to settle outstanding amounts between the parties has EAM Solar Park Management AS in 2016 assigned its position as creditor towards the subsidiaries of EAM to EAM and thereby settling between EAM and EAM Solar Park Management AS, and EAM Solar Park Management AS and the subsidiaries of EAM.

Credit facility from shareholder

EAM entered on 20June 2014 into a short-term acquisition credit facility agreement of NOK 65 million with the largest shareholder in EAM, Sundt AS. The credit facility originally expired on 10 December 2014, but has been extended twice thereafter. In March 2015 the parties agreed to convert the short-term facility to a long-term facility with 15 years duration, carrying an all-inclusive interest of 10%. In August 2016 the Company made and extra down payment of EUR 1 million and renegotiated the terms. At current the loan carries a running interest rate of 7% with a balloon at the end of the term.

The credit facility has been secured against the shares in EAM Solar Norway Holding AS, EAM Solar Italy Holding II Srl and the subsidiaries EAM Solar Italy 1 Srl, EAM Solar Italy 2 Srl and EAM Solar Italy 3 Srl since 2014.

Energeia Asset Management AS ownership

Company/owner	Ownership	Person
Jakobsen Energia AS	28,33%	1) Viktor E Jakobsen
Sundt AS	28,33%	2) Family office
Naben AS	15,57%	3) Audun W Iversen
Canica AS	7,51%	4) Family office
Bjørgvin AS	7,51%	5) Family office
Chold AS	9,77%	6) Christian Hagemann
Jemma Invest AS	2,97%	7) Jarl Egil Markussen

No.	Position year-end 2016
1)	CEO of EAM Solar ASA
2)	Shareholder of EAM Solar ASA
3)	Shareholder of EAM Solar ASA
4)	Shareholder of EAM Solar ASA
5)	Shareholder of EAM Solar ASA
6)	COO - Energeia Asset Management AS
7)	CAO - Energeia Asset Management AS

Note 8: Financial income and expenses

Financial income	2016	2015
Interest income	616 897	33 598
Foreign exchange gain	126 287	3 930 311
Other financial income	479 242	15
Total financial income	**1 222 427**	**3 963 924**

Financial expenses	2016	2015
Interest expense	-1 481 633	-3 031 082
Foreign exchange losses	-2 140 012	-1 873 976
Other financial expenses	-180 333	-567 198
Total financial expenses	**-3 801 978**	**-5 472 256**
Net financial income (expenses)	**-2 579 551**	**-1 508 332**

The average exchange rate used for 12M 2016 is EUR/NOK 9.2928 (12M 2015: EUR/NOK 8.9530), whereas the exchange rate used on 31 December 2016 is EUR/NOK 9.0863 (31 December 2015: EUR/NOK 9,6190)

Note 9: Segment information

The Group owns and operates six solar PV power plants in Italy as of year-end 2016. The business is investing in and operating power plants that have similar economic characteristics. The management monitor the business based on both geographical segments and portfolio of assets.

Due to the criminal proceedings affecting 17 of the “P31 portfolio” power plants, EAM has separated the affected power plants and SPVs in a separate segment.

EAM Solar Italy 1 s.r.l.	2016	2015
Revenues	858 084	1 006 449
EBITDA	563 680	727 310
EBIT	177 372	340 105
Non-current assets	4 900 792	5 323 888

EAM Solar Italy 2 s.r.l.	2016	2015
Revenues	1 728 923	1 953 380
EBITDA	1 221 901	1 310 686
EBIT	434 401	522 590
Non-current assets	10 312 864	11 078 206

EAM Solar Italy 3 s.r.l.*	2016	2015
Revenues	255 382	723 018
EBITDA	176 303	540 880
EBIT	62 354	264 950
Non-current assets	0	4 949 358

ENS1 & ENFO 25	2016	2015
Revenues	1 267 356	1 375 612
EBITDA	-2 204 245	786 363
EBIT	-2 738 289	252 412
Non-current assets	9 485 037	10 431 404

SPV's in criminal proceedings**	2016	2015
Revenues	354 204	1 072 496
EBITDA	-1 718 324	-28 500 619
EBIT	-6 572 917	-68 490 630
Non-current assets	0	5 127 464

Other & eliminations	2016	2015
Revenues	-10 301	0
EBITDA	-8 859 251	6 186 330
EBIT	-16 458 324	-1 411 681
Non-current assets	-9 874 075	-597 941

Total	2016	2015
Revenues	4 453 648	6 130 955
EBITDA	-10 819 936	-18 949 050
EBIT	-17 497 392	-68 522 254
Non-current assets	24 488 157	36 312 379

* Sold with financial takeover 1 June 2016

** Derecognised with effect from 28 September 2016

Note 10: Operational costs break-down 2016

(EUR)	EAM Solar Group	EAM Solar Italy 1	EAM Solar Italy 2	EAM Solar Italy 3*	ENS1 & ENFO25	Criminal proceedings**	Other & Eliminations
Revenues	**4 453 648**	**858 084**	**1 728 923**	**255 382**	**1 267 356**	**354 204**	**-10 301**
Cost of operations	**-1 121 753**	**-119 725**	**-238 716**	**-67 391**	**-181 247**	**-479 658**	**-22 326**
Land rent	-242 282	-35 394	-74 025	0	-7 735	-125 128	0
Insurance	-195 001	-17 625	-64 557	-4 623	-29 431	-56 439	-22 326
Operation & Maintenance	-351 456	-34 570	-56 247	-57 430	-60 012	-143 197	0
Other operations costs	-333 014	-32 136	-43 887	-5 338	-84 069	-154 894	0
Sales, General & Administration	**-2 003 236**	**-165 710**	**-249 775**	**-11 669**	**-245 621**	**-389 525**	**-940 936**
Accounting, audit & legal fees	-359 493	-29 453	-31 296	-13 325	-69 379	-16 749	-199 291
IMU tax	-221 994	-2 769	-282	8 130	-9 544	-217 529	0
EAM SPM direct costs	-1 218 901	-129 531	-198 118	-5 314	-156 619	-131 454	-597 865
Other administrative costs	-202 848	-3 957	-20 079	-1 160	-10 079	-23 793	-143 780
Acquisition & financing cost	**-12 148 595**	**0**	**0**	**-19**	**-2 760 388**	**-875 634**	**-8 512 554**
Acquisition transaction costs	-1 510 412	0	0	0	0	-4 984	-1 505 428
Other non-recurring items	-10 638 183	0	0	-19	-2 760 388	-870 650	-7 007 126
EBITDA	**-10 819 936**	**572 649**	**1 240 432**	**176 303**	**-1 919 900**	**-1 390 613**	**-9 486 117**

* Sold with financial takeover 1 June 2016
** Derecognised with effect from 28 September 2016

In the period 2014 - 2016 EAM has incurred approximately EUR 4 million in legal costs in relation to the “P31 acquisition”. In addition the Company has funded and subsidized the SPVs affected by the criminal proceedings with approximately EUR 10 million directly in the period 2014 - 2016.

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.

Income tax expense:	**2016**	**2015**
Income tax payable	94 187	-373 273
Changes in deferred tax	-395 265	-2 778 594
Withholding tax on intercompany interests	179 081	-473 689
Adjustments for previous years income tax	56 209	3 792 583
Income tax expense	**-65 788**	**167 027**

Income tax payable:	**2016**	**2015**
Income tax payable	121 731	-760 022
Withholding tax on intercompany interests	0	-468 244
Total tax payable in the balance sheet	**121 731**	**-1 228 266**
Prepaid taxes (other current assets)	**-205 667**	**0**
Net tax receivable / (payable)	**-83 937**	**-1 228 266**

Reconciliation of tax effective by country of registration:	2016	2015
Pre-tax profit	-20 076 943	-70 030 585
Expected income taxes according to income tax rate in Norway (25%)	-5 019 236	18 908 258
Adjustment in respect of current income tax of previous years	56 209	34 841
Non deductible expenses and non-taxable income	4 620 977	-17 188 543
Tax rate outside Norway other than 25% IRES (27,5%)	2 795	-3 734
Tax rate outside Norway other than 27% IRAP (3,9%)	35 705	-146 288
Withholding tax on intercompany interests	179 081	-473 689
Losses carried forward not recognised as an asset	34 361	-1 010 404
Use of previously unrecognised loss carried forward	24 320	46 586
Income tax gain / (expense)	**-65 787**	**167 027**

Deferred tax and deferred tax assets	2016	2015
Deferred tax assets		
Tax losses carried forward	0	0
Other (transaction costs)	0	0
Other temporary differences	-56 439	0
Losses carried forward not recognised as an asset	13 242	0
Deferred tax assets	**-43 197**	**0**
Deferred tax liabilities		
Property, plant and equipment	0	0
Other	750 833	420 365
Deferred tax liabilities	**750 833**	**420 365**
Net recognised deferred tax liabilities / assets	**707 636**	**420 365**

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 5,070,000 shares outstanding on 31 January 2016. There is no dilutive potential on the ordinary shares, so the earnings will be the same for both basic and diluted basis.

Earnings per share	2016	2015
Profit for holders of ordinary shares	-20 011 155	-69 863 559
Basis for earnings per share	**-20 011 155**	**-69 863 559**

Earnings per share	2016	2015
- Basic	-3,95	-13,78
- Diluted	-3,95	-13,78

Earnings per share in NOK*	2016	2015
Continued operation		
- Basic	-36,68	-123,37
- Diluted	-36,68	-123,37
Shares outstanding year-end	**5 070 000**	**5 070 000**
Average shares outstanding 2015	5 070 000	5 070 000
**Average NOK/EUR exchange rate*	*9,293*	*8,953*

Note 13: Property, plant and equipment

2016	Solar power plants
Accumulated cost 1 January 2016	34 436 689
Additions	6 001
Write downs	-4 785 897
Depreciation	-1 891 558
Disposals	-4 687 653
Carrying value 31 December 2016	**23 077 581**

2015	Solar power plants
Accumulated cost 1 January 2015	83 379 490
Additions	630 403
Write downs	-45 392 130
Depreciation	-4 181 074
Carrying value 31 December 2015	**34 436 689**

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

Note 14: Contractual obligations

Year	Amount
2017	444 000
2018	441 000
2019	441 000
2020	441 000
2021	441 000
After 2021	3 919 000
Total	**6 127 000**

The Group has the following contractual obligations relating to an operations and maintenance agreement, land leases and insurance. (All amounts are in nominal 2016 values.)

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 incompliance 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.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Groups 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 Groups 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 a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders value.

With the unresolved situation in Italy, the main focus is to secure liquidity for operating the power plants.

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 subject to a de facto standstill with the financing banks.

Given all the uncertainty, the board and manager are placing all their effort into finding a solution to maintain the going concern assumption, and find it realistic that a solution may be reached.

Note 16: Trade receivables

Receivables	2016	2015
Accounts receivables	41 051	2 768 743
Deferred revenue towards GSE	1 126 360	0
Recievable from Aveleos	11 528 996	10 936 877
Other receivables	1 593 809	8 039 167
Accounts receivables	**14 290 216**	**21 744 787**

Changes in bad debt provision	2016	2015
Provisions as of January 1		
Provision for bad debt during the period		-12 352 932
Realized losses for the year		
Reversed provision during the period		
Changes due to business combinations		
End of period	**0**	**-12 352 932**

Losses for bad debt are classified in the line "Acquisition and transaction costs" in the income statement.

Aging of accounts receivable at 31 December 2016 was as follows:

Days	Total	0 - 90	90-180	> 180
2016	14 290 216	41 051	1 126 360	13 122 805

The substantial amount of the receivable outstanding is towards GSE (90d-180d) and the sellers of P31 (>180d). GSE normally 60 days payment terms from receiving an invoice. In 2015, GSE introduced a 12 month delayed payment on 10% of the expected annual revenues, thereby being paid in June the following year.

Note 17: Cash and cash equivalents

EUR	2016	2015
Cash Norway	39 916	29 804
Cash Italy	1 528 277	10 688 365
Seized cash in the period	0	-192 731
Cash and cash equivalents	**1 568 193**	**10 718 169**
Restricted cash Italy	920 515	920 515
Seized cash Italy	463 757	-9 158 788

The Group had no undrawn credit facilities at 31 December 2016.

Note 18: Share capital, shareholder information and dividend

The 20 main shareholders as at 31 December 2016 are:

Shareholder	Shares	Ownership
SUNDT AS	840 000	16,6%
CANICA AS	725 000	14,3%
PACTUM AS	312 500	6,2%
MP PENSJON PK	228 100	4,5%
DNB LIVSFORSIKRING ASA	220 000	4,3%
TOLUMA INVEST AS	175 000	3,5%
LUDVIG LORENTZEN AS	152 695	3,0%
EIKA BALANSERT	149 146	2,9%
ALDEN AS	146 875	2,9%
MELLEM NES INVEST AS	125 000	2,5%
AKA AS	125 000	2,5%
EXTELLUS AS	105 000	2,1%
PARK LANE FAMILY OFFICE AS	100 000	2,0%
AREPO AS	93 750	1,8%
NORRON SICAV - TARGET	87 433	1,7%
FLU AS	62 500	1,2%
SCHWARTZ CONSULT AS	54 000	1,1%
OJN INVEST AS	50 000	1,0%
KARSTEN ELLINGSEN AS	49 318	1,0%
TIGERSTADEN AS	45 733	0,9%
Total of the 20 main shareholders	**3 847 050**	**75,9%**

As at 31 December 2016 the Company had a total of 5,070,000 shares outstanding.

Due to the financial situation of the Company the board of directors propose no dividend payments for 2016.

Note 19: Debt

EUR	2016	2015
Interest bearing debt	7 370 641	7 632 405
Other non current liabilities	0	1 079 505
Obligations under finance leases	5 838 488	6 135 377
Total non-current liabilities	**13 209 129**	**14 847 287**
Trade and other payables	2 552 748	3 089 199
Current interest bearing loans	0	0
Current project finance	0	15 861 426
Current leasing	0	25 201 765
Other current debt	0	3 855 682
Deferred tax	707 636	420 365
Tax payable	121 731	807 902
Related to ordinary operations	*3 382 115*	*49 236 339*
AION Renewables	0	6 192 604
Aveleos S.A.	8 079 988	5 628 611
GSE repayment claim	0	20 100 214
Related to criminal proceedings	*8 079 988*	*31 921 429*
Total current liabilities	**11 462 103**	**81 157 768**
Total liabilities	**24 671 232**	**96 005 055**

Equity contribution agreement and patronage letter

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

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

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

EAM is of the opinion that the main motive behind the contractual fraud conducted was in order for Enovos and Avelar to be formally released by the financing banks from their debt guarantee obligations, thus avoiding the inevitable losses that would come about as a consequence of the then anticipated FIT contract termination decision by GSE.

Consequently, the equity contribution commitments of EAM companies are considered void since this was brought about as a result of a criminal contractual fraud.

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

The Criminal Court of Milan has made it clear that that Enovos Luxembourg S.A., Avelar Energy Ltd and Aveleos S.A. cannot be excluded as financially liable parties despite their efforts to do so. Should the former directors of Aveleos, Igor Akhmerov and Marco Giorgi, be sentenced on indictment point "F", concerning fraud against the Company, will Enovos Luxembourg SA, Avelar Energy Ltd and Aveleos S.A. be responsible for paying the damages incurred by the Company. The Company estimates the claim to be in excess of EUR 250 million. The claim is a contingent asset that will not be recognised in the balance sheet.

Based on the Share Purchase Agreement and the addendums is the Company entitled to a payment of EUR 11.5 million 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.

Note 20: Hedging

Derivatives	***Liabilities***	
	Fair	*Notional*
Current portion:	*value*	*amount*
Interest rate swap	444 102	4 788 830
Derivatives year-end	**444 102**	**4 788 830**
Total non-current	**0**	**0**
Current portion	**444 102**	**4 788 830**

ENS1
Purpose of the derivative: hedging of the variable interest rate on the bank senior loan. Risk coverage: 80% of the senior loan. Fixing rate (swap rate): 2,15% Duration: The interest swap will expire on 10 April 2021

Note 21: Sale of EAM3

EAM has in 2016 sold the company EAM Solar Italy 3 Srl (EAM 3) to Renewable European Italy 2 S.r.l. EAM 3 owns two PV power plants (Momo & Caltignaga) with a combined capacity of approximately 2MW, located in Piemonte.

The sale was conducted against a cash consideration received by EAM on 21 June 2016 of EUR 3.55 million based on the financial takeover date being 1 June 2016.

The sale resulted in a recognised loss of EUR 1.1m at Group level:

EUR	**2016**
Property, plant and equipment	4 536 319
Intangible assets	51 248
Receivables	210 484
Cash and short term deposits	9 123
Trade payables	-37 711
Tax liabilities	-81 810
Net assets sold	4 687 653
Consideration received	-3 550 000
Accounting loss	1 137 653

The recognised loss should be seen in relation to the gain on bargain purchase recognised at the acquisition date in the 3rd quarter 2013 of EUR 2.2 million when EAM invested EUR 3.7 million to acquire the company, and the cash received in the period from September 2013 to May 2016, of approximately EUR 1.3 million.

Cost of capital (WACC)	
Risk free interest rate - 15yrs (Rf)	0,818%
Corporate tax rate (Tc)	31,9%
Market risk premium Oslo Stock Exchange (MRP)	5,50%
Equity ratio (EQ%)	40,0%
Total asset beta in market (BA)	**0,155**
Equity beta in market (BE)	0,405
Implied equity beta EAM (BEam)	0,734
Implied debt beta EAM (BD)	0,715
Capital cost of debt	
Debt financing proposal MedioCredito (Dr)	4,750%
Debt financing spread to risk free interest (Dr - Rf)	3,932%
Debt cost of capital after tax (Dcc)	**3,237%**
Capital cost of equity	
Country risk premium (Italy) - Crp	2,110%
Additional EAM risk premium - Corp	2,500%
Equity cost of capital after tax - EQcc	**6,400%**
WACC	**4,502%**

Note 22: Impairment

EAM has not identified indicators for impairment as described in IAS 36 at year end in addition to the write downs already done through the year. We have therefore not done a full impairment test of all solar power plants owned by EAM.
We would like to point out that the assumptions in the impairment test are made to indicate scenarios that management find explanatory at the reporting date. Actual outcome might be materially different, due to, but not limited to the inherent risk in the on-going legal processes.

Cost of capital: Average WACC after tax used in DCF calculation of cash flow from power plant assets equals approximately 4,5%.

Other main assumptions include:

- Adjustment of operating cost basis as if only revenue is based on market price.
- Power production profile as experienced (P50 scenario)
- No residual value beyond FIT contract period (i.e. 2031)
- Market price of electricity going forward starting point in the North of EUR 5 per kWh and in the South of EUR 4,25 kWh with annual inflation adjustment of 1,5%

Note 23: Damages claims of the P31 acquisition

In conjunction with the contractual fraud committed by Enovos, Avelar and their joint SPV Aveleos, various legal proceedings has been initiated in order to redeem the losses suffered by EAM.

The "P31 Acquisition Claims and Damages Report" to be used in the appropriate legal venues in order to substantiate and verify the financial claims against Enovos and Avelar identifies by the end of 2016 a total financial claim in excess EUR 250 million.

The total economic damages claim amount is expected to increase going forward. Direct "custodian" costs for EAM for the affected SPVs amounts to approximately EUR 10 million at the end of 2016, including lending to the affected SPVs for the coverage of operating costs etc.

Note 24: Events after the balance sheet date

Updates on legal proceedings are described in Corporate Status above.

PARENT COMPANY FINANCIAL STATEMENTS

Profit and loss statement

NOK	Note	Audited 2016	Audited 2015
Revenue	3	2 160 995	1 331 549
Total revenue	3	**2 160 995**	**1 331 549**
Sales, general and administration expenses	4	-6 187 779	-4 727 877
Acquisition and transaction costs	4	-7 775 695	-14 811 011
Operating profit		**-11 802 479**	**-18 207 339**
Finance income	11	14 581 633	48 336 345
Finance costs	11	-84 377 337	-167 265 007
Profit before tax		**-81 598 183**	**-137 136 001**
Income tax gain/(expense)	7	1 178 942	-6 595 530
Profit after tax		**-80 419 241**	**-143 731 531**
Attributable to			
Share premium		0	0
Other equity		-80 419 241	-143 731 531

Balance sheet

NOK	Note	31-Dec-16	31-Dec-15
ASSETS			
Non-current assets			
Investment in subsidiaries	2	84 909 823	157 918 746
Inter company loan		125 811 189	190 975 989
Total non-current assets		**210 721 012**	**348 894 735**
Current assets			
Receivable	8	55 412 263	46 437 892
Cash and cash equivalents	9	20 061	275 604
Total current assets		**55 432 324**	**46 713 496**
TOTAL ASSETS		**266 153 336**	**395 608 231**
EQUITY AND LIABILITIES			
Equity			
Paid in capital			
Issued capital	10	50 700 000	50 700 000
Share premium	10	192 946 900	192 946 900
Total paid in capital		**243 646 900**	**243 646 900**
Other equity			
Other equity		-47 457 625	32 961 614
Total other equity		**-47 457 625**	**32 961 614**
Total equity		**196 189 275**	**276 608 514**
Long term liabilities			
Inter company loan		0	72 804 305
Total current liabilities		**0**	**72 804 305**
Current liabilities			
Trade payables		10 588 355	11 196 190
Tax liabilities	7	5 433 285	7 566 883
Short term loan - interest bearing		25 369 742	25 555 170
Inter company loan		28 572 679	1 877 169
Total current liabilities		**69 964 061**	**46 195 412**
Total liabilities		**69 964 061**	**118 999 717**
TOTAL EQUITY AND LIABILITIES		**266 153 336**	**395 608 231**

Oslo, 28 April 2017

Pål Hvammen Non-executive director	Erling Christiansen Non-executive director	Ragnhild M Wiborg Chair	Viktor E Jakobsen CEO

Statement of changes in equity

NOK	Share capital	Share premium fund	Other equity	Total equity
Equity at at 1.1.2015	50 700 000	192 946 900	176 693 146	420 340 046
Profit (loss) after tax	0	0	-143 731 531	-143 731 531
Equity as at 31.12.2015	**50 700 000**	**192 946 900**	**32 961 615**	**276 608 515**
Equity at at 1.1.2016	50 700 000	192 946 900	32 961 615	276 608 515
Profit (loss) after tax	0	0	-80 419 241	-80 419 241
Equity as at 31.12.2016	**50 700 000**	**192 946 900**	**-47 457 626**	**196 189 274**

Cash flow statement

		Audited	Audited
NOK	Note	2016	2015
Cash flow from operating activities			
Ordinary profit before tax		-81 598 183	-137 136 001
Changes in trade receivable and trade payable	8	-9 582 206	-18 560 074
Changes in other accruals		64 229 336	150 682 991
Net cash flow from operating activities		**-26 951 053**	**-5 013 084**
Cash flows from investing activities			
Loans to subsidiary		0	0
Investment in subsidiary		0	0
Net cash flow used in investing activities		**0**	**0**
Cash flows from financing activities			
Net proceeds from issue of share capital		0	0
Proceeds from borrowings	8	26 695 510	0
Repayment of loans		0	0
Dividends to shareholders		0	0
Net cash flow from financing activities		**26 695 510**	**0**
Net increase/(decrease) in cash and cash equivalents		-255 543	-5 013 084
Cash and cash equivalents at beginning of period	9	275 605	5 288 689
Cash and cash equivalents at end of period		**20 062**	**275 605**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Note 1: Accounting principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The Company was founded on 5 January 2011.

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.

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, and only the mark-up related to the services has been recognised as revenue. 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 24% 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.

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.

Note 2: Investment in subsidiaries and associates

See note 3 in the consolidated accounts above.

Note 3: Revenue

By business area (NOK)	2016	2015
Management services to subsidiaries	2 256 720	1 331 549
Net revenue	**2 256 720**	**1 331 549**

Geographical distribution	2016	2015
Norway	0	0
Italy	2 256 720	1 331 549
Net revenue	**-2 256 720**	**-1 331 549**

Note 4: Other operating expenses

Specification auditor`s fee (NOK)	2016	2015
Statutory audit	1 019 895	744 612
Other assurance services	0	0
Tax consultant services	38 780	20 476
Other assurance services	28 868	13 958
Total	**1 087 543**	**779 045**

VAT is not included in the fees specified above.

Note 5: Salary and personnel expense

See note 6 in the consolidated accounts above.

Note 6: Transactions with related parties

See note 7 in the consolidated accounts above.

Note 7: Income taxes

Income tax expence (NOK)	2016	2015
Tax payable (withholding tax Italy)	500 484	0
Changes in deferred tax	-1 679 425	0
Income tax expence	**-1 178 941**	**0**

Tax base calculation	2016	2015
Profit before income tax	**-81 598 183**	**-137 136 001**
Permanent differences	72 035 139	0
Tax loss carried forward	11 564 977	0
Tax base	**2 001 933**	**-137 136 001**

Tax loss carried forward	2016	2015
No due date	0	-19 279 113
Total tax loss carried forward	**0**	**-19 279 113**

Note 8: Receivables

Receivables (NOK)	2016	2015
Intercompany receivables	49 181 131	42 093 995
Other receivables	6 231 132	4 343 897
Loan to Group Companies	0	0
Total receivables	**55 412 263**	**46 437 892**

Note 9: Cash and cash equivalents

NOK	2016	2015
Cash	20 061	275 604
Restricted cash	0	0
Cash and cash equivalents	**20 061**	**275 604**

The Group had no credit facilities at 31 December 2016

Note 10: Equity

See note 18 in consolidated accounts above.

Note 11: Finance income and finance cost

Financial income (NOK)	2016	2015
Intercompany interest income	10 166 726	16 230 045
Agio	0	30 635 626
Other financial income	4 414 907	1 470 674
Total financial income	**14 581 633**	**48 336 345**
Financial expenses	**2016**	**2015**
Intercompany interest expense	1 226 811	0
Interest expense	1 244 530	7 685 183
Disagio	13 978 472	16 777 708
Other financial expenses	67 927 524	142 802 116
Total financial expenses	**84 377 337**	**167 265 007**
Net financial income (expenses)	**-69 795 704**	**-118 928 662**

Other financial expenses includes write down of investment in subsidiary and write down on loan to subsidiary.

Note 12: Subsequent events

See note 24 in the consolidated accounts above.

POWER PRODUCTION

Reported power production (MWh)	2012	2013	2014	2015	2016	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
EAM Solar Italy 1 Srl	2 571	2 315	2 219	2 488	2 369	374	801	710	334	460	841	832	355	376	745	871	376
EAM Solar Italy 2 Srl	5 237	4 806	4 565	4 138	4 721	754	1 616	1 502	693	933	1 275	1 195	735	742	1 449	1 770	760
EAM Solar Italy 3 Srl*		326	2 160	2 482	938	404	881	603	271	438	858	816	370	431	507	0	0
Ens Solar One srl			1 882	4 305	3 978			1 115	767	797	1377	1 349	781	749	1 234	1 242	754
Energia Fotovoltaica 25			611	1 395	1 404			357	254	251	443	417	284	268	428	442	266
MWh	*7 808*	*7 447*	*11 436*	*14 808*	*13 412*	*1 533*	*3 298*	*4 287*	*2 318*	*2879*	*4 794*	*4 610*	*2 526*	*2 566*	*4 363*	*4 325*	*2 157*
Companies affected by criminal proceedings																	
Energetic Source Green Power**			4 236	9 692	4 040			2 505	1 732	1679	3175	2 967	1 870	1 782	2 258	0	0
Energetic Source Green Investments**			1 824	3 892	1 753			1 072	752	731	1 253	1 184	725	761	992	0	0
Energetic Source Solar Production**			2 930	6 584	2 500			1 750	1 180	1220	2191	2 021	1 151	980	1 520	0	0
Aveleos Green Investment**			597	1 380	433			351	246	255	457	443	225	142	291	0	0
Energia Fotovoltaica 14**			609	1 417	471			344	265	262	456	430	269	243	228	0	0
MWh	*0*	*0*	*10 196*	*22 964*	*9 196*	*0*	*0*	*6 022*	*4 174*	*4147*	*7 531*	*7 045*	*4 241*	*3 908*	*5 289*	*0*	*0*
Total reported MWh	**7 808**	**7 447**	**21 632**	**37 772**	**22 608**	**1 533**	**3 298**	**10 309**	**6 493**	**7 026**	**12 325**	**11 655**	**6 766**	**6 474**	**9 652**	**4 325**	**2 157**

Actual power production	2012	2013	2014	2015	2016	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Varmo	2 571	2 315	2 219	2 488	2 369	374	801	710	334	460	841	832	355	376	745	871	376
Codroipo	5 237	4 806	4 565	4 138	4 721	754	1 616	1 502	693	933	1 275	1 195	735	742	1 449	1 770	760
Momo*		1 219	990	1 234	484	198	451	214	127	213	425	410	186	226	*258*	*0*	0
Caltignaga*		1 160	1 170	1 248	455	207	430	389	144	225	433	406	184	205	*249*	*0*	0
Lorusso		1 407	1 378	1 420	1 235	274	421	444	238	250	470	443	258	234	380	396	225
Brundesini		1 393	1 427	1 461	1 335	286	419	455	267	277	472	456	256	255	416	403	261
Scardino		1 352	1 424	1 424	1 408	286	426	451	261	270	436	450	268	259	437	443	268
Enfo 25		1 339	1 367	1 395	1 404	267	413	432	254	251	443	417	284	268	428	442	266
MWh	*7 808*	*14 992*	*14 537*	*14 808*	*13 412*	*2 646*	*4 977*	*4 597*	*2 318*	*2879*	*4 794*	*4 610*	*2 526*	*2 566*	*4 363*	*4 325*	*2 157*
Power plants affected by criminal proceedings																	
Selvaggi**		1 347	1 384	1 303	586	277	420	438	249	174	444	417	269	261	*325*	*0*	0
Di Mauro**		1 322	1 382	1 417	608	274	413	440	254	260	464	423	270	255	*354*	*0*	0
Ninivaggi**		1 312	1 384	1 400	615	274	423	434	253	243	444	440	273	256	*358*	*0*	0
Lomurno**		1 356	1 348	1 382	600	270	410	426	242	250	453	421	258	259	*341*	*0*	0
Giordano D.**		1 330	1 387	1 412	591	280	419	441	247	239	472	436	265	242	*350*	*0*	0
Gagnazzi**		1 374	1 364	1 416	421	276	412	430	246	259	459	430	267	244	*177*	*0*	0
Gentile**		1 258	1 334	1 361	619	260	411	423	240	254	438	400	269	265	*354*	*0*	0
Lorusso**		1 278	1 300	1 264	571	267	403	401	229	198	434	427	204	241	*331*	*0*	0
Cirasole**		1 367	1 461	1 217	576	292	441	462	267	271	369	320	258	253	*323*	*0*	0
Scaltrito**		1 335	1 373	1 411	605	278	405	435	256	262	449	436	263	267	*338*	*0*	0
Pasculli**		1 395	1 398	1 375	550	283	412	448	255	252	459	415	249	244	*305*	*0*	0
Pisicoli N.**		1 469	1 396	1 427	630	275	424	449	248	257	467	437	266	266	*363*	*0*	0
Pisicoli T.**		1 327	1 369	1 318	453	272	414	439	244	248	446	433	191	143	*310*	*0*	0
Marulli**		934	1 022	1 045	471	197	312	330	183	194	348	326	177	203	*268*	*0*	0
Antonacci**		1 310	1 418	1 419	397	285	430	454	249	269	471	410	269	124	*273*	*0*	0
Piangevino**		1 183	1 358	1 380	433	273	415	425	246	255	457	443	225	142	*291*	*0*	0
Enfo 14**		1 313	1 377	1 417	471	280	415	417	265	262	456	430	269	243	*228*	*0*	0
MWh	*0*	*22 207*	*23 055*	*22 964*	*9 196*	*4 613*	*6 978*	*7 290*	*4 174*	*4147*	*7 531*	*7 045*	*4 241*	*3 908*	*5 289*	*0*	*0*
Total produced MWh	**7 808**	**37 199**	**37 593**	**37 772**	**22 608**	**7 258**	**11 955**	**11 886**	**6 493**	**7 026**	**12 325**	**11 655**	**6 766**	**6 474**	**9 652**	**4 325**	**2 157**

* Sold with financial takeover 1 June 2016

** Derecognised with effect from 28 September 2016

POWER PLANT CAPACITY

Power plant	Capacity kW	Annual production MWh	Location Province	Power plant design	Ownership company
Varmo	1 521	2 298	Udine	Dual axis tracker	EAM Solar Italy 1 Srl
Codroipo	3 128	4 623	Udine	Dual axis tracker	EAM Solar Italy 2 Srl
Momo*	994	1 133	Piemonte	Fixed tilt	EAM Solar Italy 3 Srl
Caltignaga*	992	1 120	Piemonte	Fixed tilt	EAM Solar Italy 3 Srl
Lorusso	984	1 403	Puglia	Fixed tilt	Ens Solar One srl
Brundesini	994	1 477	Puglia	Fixed tilt	Ens Solar One srl
Scardino	993	1 483	Puglia	Fixed tilt	Ens Solar One srl
Enfo 25	983	1 430	Puglia	Fixed tilt	Energia Fotovaltaica 25
MWh	*10 589*	*14 965*			
Power plants affected by criminal proceedings					
Selvaggi**	989	1 383	Puglia	Fixed tilt	Energetic Source Green Power
Di Mauro**	989	1 383	Puglia	Fixed tilt	Energetic Source Green Power
Ninivaggi**	984	1 377	Puglia	Fixed tilt	Energetic Source Green Power
Lomurno**	987	1 403	Puglia	Fixed tilt	Energetic Source Green Power
Giordano D.**	989	1 406	Puglia	Fixed tilt	Energetic Source Green Power
Gagnazzi**	989	1 406	Puglia	Fixed tilt	Energetic Source Green Power
Gentile**	987	1 381	Puglia	Fixed tilt	Energetic Source Green Power
Lorusso**	989	1 353	Puglia	Fixed tilt	Energetic Source Green Investments
Cirasole**	986	1 376	Puglia	Fixed tilt	Energetic Source Green Investments
Scaltrito**	989	1 376	Puglia	Fixed tilt	Energetic Source Green Investments
Pasculli**	987	1 433	Puglia	Fixed tilt	Energetic Source Solar Production
Pisicoli N.**	987	1 386	Puglia	Fixed tilt	Energetic Source Solar Production
Pisicoli T.**	987	1 386	Puglia	Fixed tilt	Energetic Source Solar Production
Marulli**	742	1 038	Puglia	Fixed tilt	Energetic Source Solar Production
Antonacci**	986	1 378	Puglia	Fixed tilt	Energetic Source Solar Production
Piangevino**	989	1 428	Puglia	Fixed tilt	Aveleos Green Investment
Enfo 14**	977	1 415	Puglia	Fixed tilt	Energia Fotovaltaica 14
Total	*16 533*	*23 308*			
Total	**27 122**	**38 273**			

* Sold with financial takeover 1 June 2016
** Derecognised with effect from 28 September 2016

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 2016 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, 28 April 2017

Pål Hvammen	Erling Christiansen	Ragnhild M Wiborg	Viktor E Jakobsen
Non-executive director	Non-executive director	Chair	CEO

AUDITORS REPORT

RSM

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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. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement showing a loss of NOK 80 419 241, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement showing a loss of EUR 20 011 155, statement of changes in equity, cash flow 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 parent company as at 31 December 2016, 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2016, 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, included 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 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.

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.

Auditor's Report 2016 for EAM Solar ASA

RSM

Ongoing lawsuits and valuation of receivables

Due to the ongoing criminal proceedings regarding the company's purchase of 31 solar power plants in 2014, our focus has been on the transactions in the consolidated financial statements affected by this matter. Particularly the derecognition of the bankrupt subsidiaries from the consolidation, and the existence and valuation of the contingent assets (receivables) with one of the counterparties in the criminal proceedings.

We have reviewed all material transactions regarding the bankrupt subsidiaries, with a particular focus on the receivables recognized at face value. We have verified that the recognized amount is in accordance with the reported claims, and that the valuations of the receivables are reasonable based on the judicial decisions at the reporting date. For additional information, we refer to note 16 in the annual report.

We have considered the company's decision to derecognize the bankrupt subsidiaries from the consolidated financial statements to be in accordance with the current standard, IFRS 10. We have obtained documentation from the Criminal Court of Milan confirming the subsidiaries bankruptcy, which lead to the loss of control of the subsidiaries.

Cash flow and valuation of solar power plants

The company's revenues are primarily long-term electricity contracts with the Italian renewable energy authority Gestore Servizi Energetici (GSE) as commercial counterparty. The cash flow from these revenues creates the basis for the valuation of the power plants. We have therefore focused on the risk related to future cash flows. We have also:

- Reviewed a selection of the power plants subsidies contracts.
- Verified that the contracts lifetime are the same as those applied in the valuation of the power plants.
- Evaluated the company's evaluation of the risk related to the cash flow over the contracts lifetime, both concerning the subsidies and to the production of electricity in the years to come.

The company has applied discounted cash flow method for the valuation of the power plants. We have through our audit reviewed the applied assumptions regarding the discount rate and the future cash flows. For additional information we refer to note 4 and 22 in the annual report.

In our procedures, we noted no exceptions and consider management's key assumptions to be within reasonable range.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include 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.

Auditor's Report 2016 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 parent 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 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 parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The 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, included International Standards on Auditing (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 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'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 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.

Auditor's Report 2016 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 concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss 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, 29 April 2017
RSM Norge AS

Lars Løyning
State Authorised Public Accountant

Annual report 2016

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