

# Corporate Presentation

March 2018

etrion

## Powered by the Sun

Developing, building and operating solar  
power generation plants

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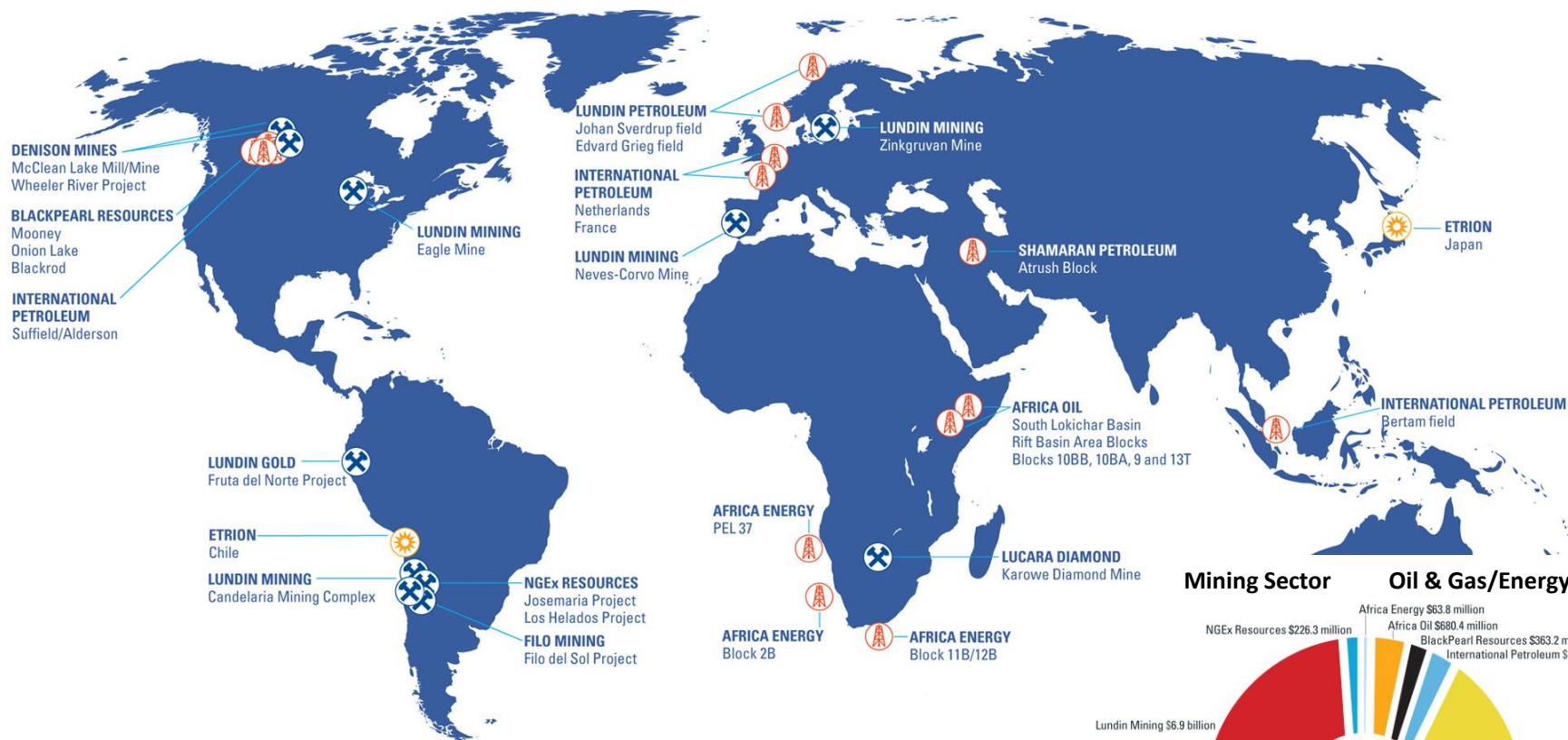
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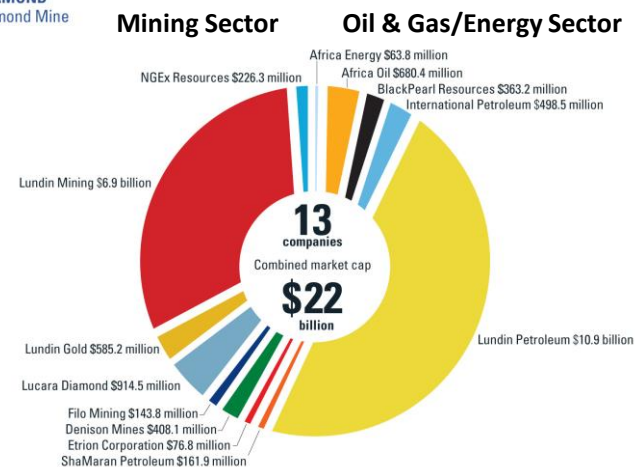


# Corporate Overview

# Etrion – The renewable platform of the Lundin Group



## THE LUNDIN GROUP WORLDWIDE OPERATIONS

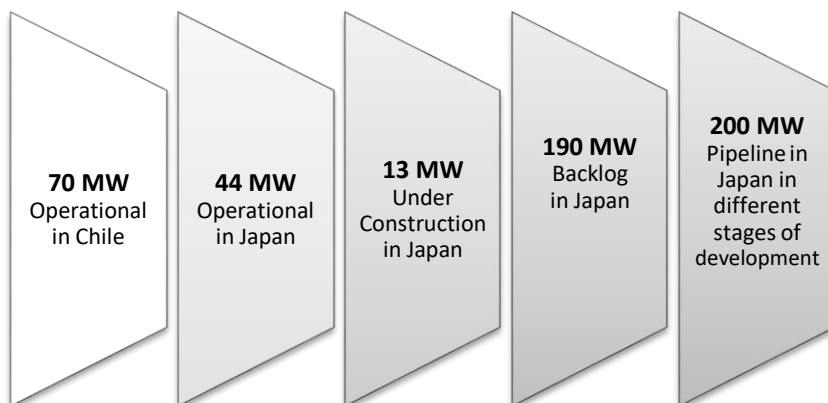


# Etrion Corporation

## Company Overview

- Japan focused Independent power producer (IPP) that develops, builds, owns and operates ground-based solar photovoltaic (PV) power generation plants
- Successful strategic partnership with Hitachi High-Technologies Corporation since 2013
- Listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden (ticker ETX)

## Asset / Pipeline Highlights



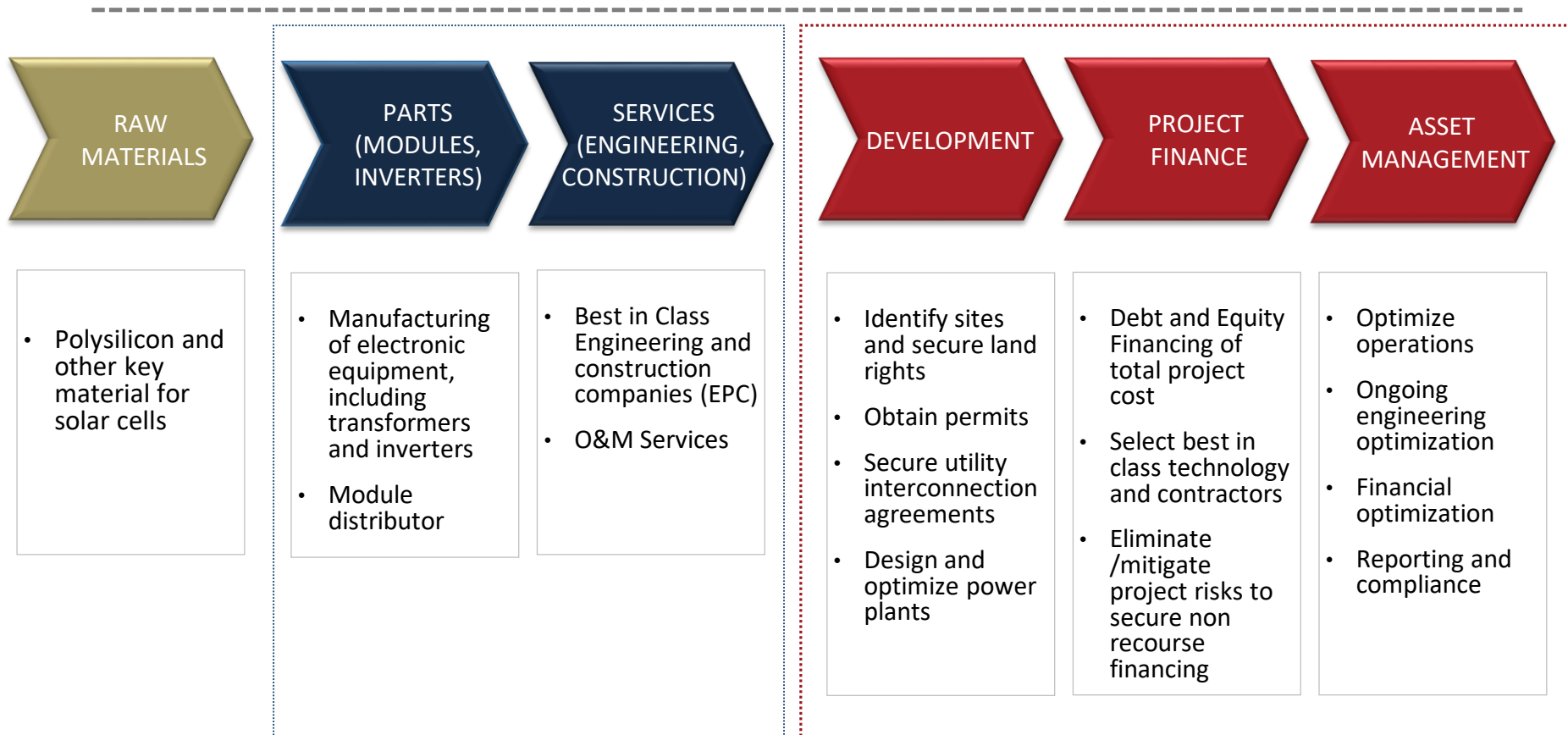
## Financial Summary

Recent Share Price (TSX/OMX: ETX)	C\$0.30 / SEK 1.96
Shares Outstanding	334.1MM
Lundin Family Ownership	24.3%
Other Director/Management Ownership	6.7%
Revenues 2017	US\$21.8MM
Project-level EBITDA as of December 31, 2017	US\$12.5MM
Restricted / Unrestricted Cash as of December 31, 2017	US\$12.8MM / \$30.4MM
Market Capitalization	US\$77.96MM
Number of Employees	23

### Notes:

- (1) US\$ refers to US dollars; C\$ refers to Canadian dollars; SEK refers to Swedish krona.
- (2) ETX share price at closing on March 12, 2018.
- (3) ETX shares outstanding as of December 31, 2017.
- (4) Revenue and project-level EBITDA for the twelve months ended December 31, 2017

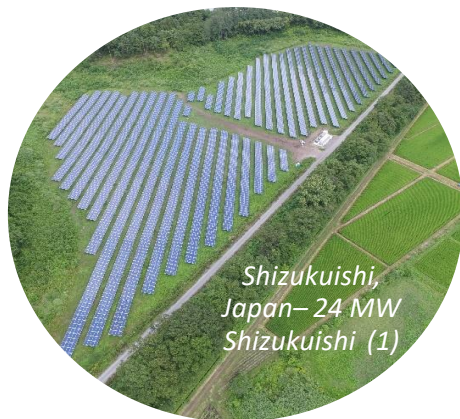
# Greater control of value chain with HHT partnership



Joint venture partnership with Hitachi enables Etrion to have greater visibility of the solar value chain in Japan enhancing economics and reducing project execution risk

# Solar – Sustainable long term asset class

**Goal: Build, own and operate solar electricity plants at lowest cost per kWh**



## Competitive Advantages of Solar Power

### Simplicity

- ✓ Easy to permit
- ✓ Fast to build
- ✓ Easy to operate
- ✓ High flexibility in location

### Economics

- ✓ Lowest marginal cost
- ✓ Competitive at all sizes
- ✓ Low risk
- ✓ Abundant resources

**Already producing KWh at lower cost than coal and natural gas in key markets**

(1) Projects shown are all Etrion solar PV parks and demonstrate the simplicity of ground-based solar technology.

# Etrion's commitment to the environment

## Respecting host country's history and nature

- Honoring wildlife – plan construction around the “garuma gull” bird nesting cycle
- Respecting local history - use geophysical survey techniques for the early detection of archaeological sites prior to the construction of solar plants
- Successful landscape integration of solar farms with surroundings



# Corporate responsibility and sustainable investments

## Our approach

- Understanding community and regional needs
- Master the local dynamics
- Demonstrate cultural sensitivity
- Leverage our international expertise complementing local partner know-how



## Examples of community benefits

- We organize tours and educational activities on environmental matters for schools
- Sponsor local sport events for the communities
- Provided financial assistance to rebuild a school destroyed by a natural disaster in north of Chile



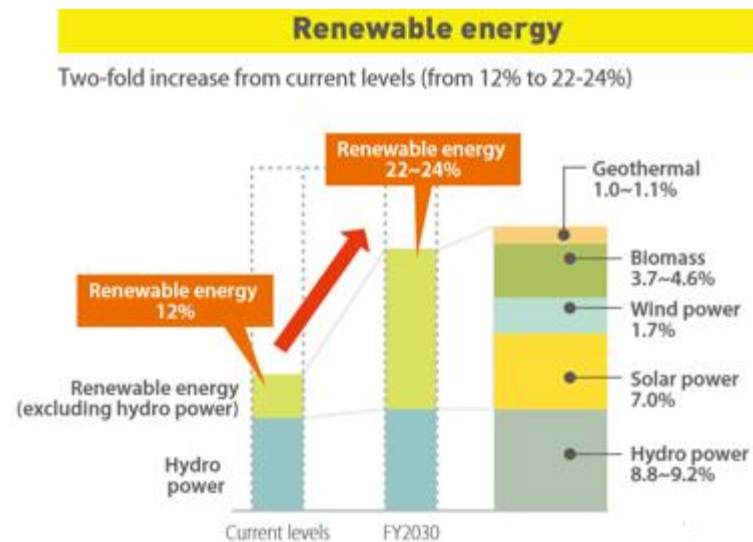
## Japan Market

# Renewable energy market in Japan

Category	Installed Capacity (MWp)	Approved Capacity (MWp)	Balance (MWp)
PV Solar (House)	5,588	6,459	871
PV Solar (Industrial)	33,824	60,459	26,635
Wind	929	8,200	7,271
Biomass	1,000	14,612	13,612

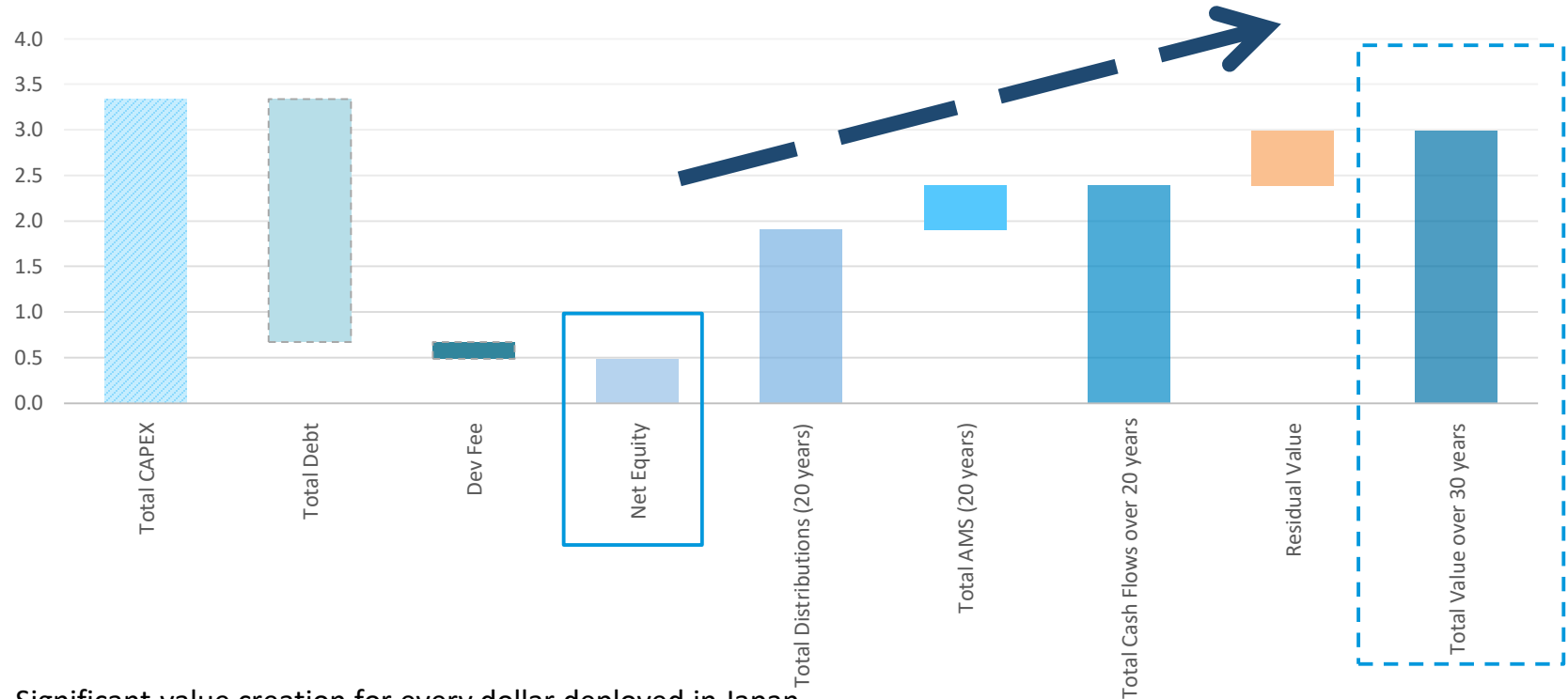
Note: Approved capacity is adjusted after dropping 35.5 GW cancelled by METI.  
Source: METI August 2017.

26.6 GW represents the total aggregated solar projects which have been awarded a FiT but have not yet reached COD. A large portion of this capacity is still being held by developers seeking investors, like Etrion, to bring them to NTP.



# Building value in Japan

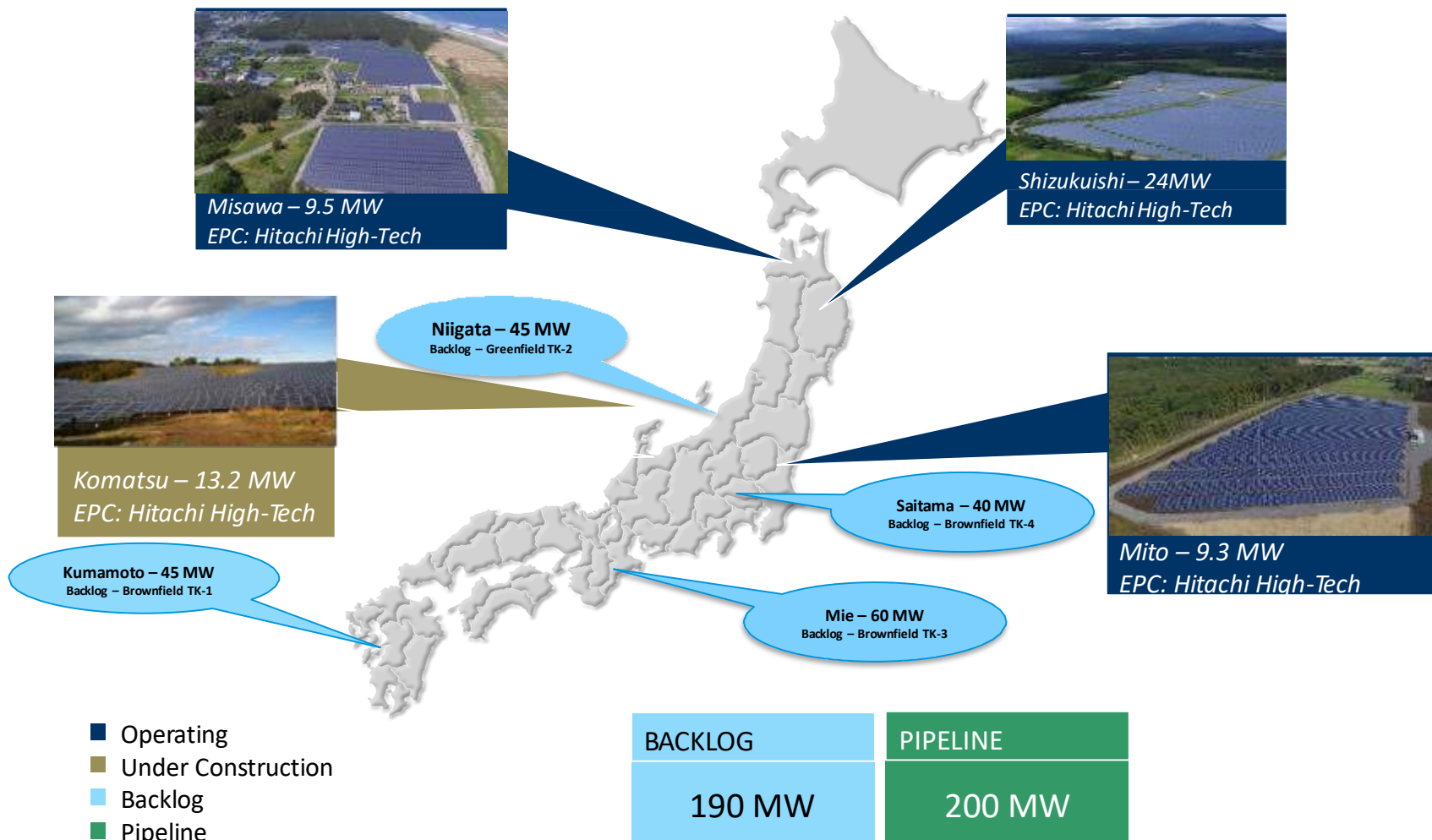
Example of Leveraged PV Project Value Creation – Undiscounted Cash Flows per 1 MWp Installed over Lifetime in Japan (in USD Million)



- Significant value creation for every dollar deployed in Japan
- Minimum equity needs due high leverage and recharge of structuring and development fees
- Each \$1 invested in Japan typically creates around \$5 in total cash flows to Etrion over 20 years of operations and around \$6 assuming a typical residual value of 25%
- When discounting at a market discount rate of 5%, each \$1 invested created around \$2.5-\$3.0 of value over 20 years

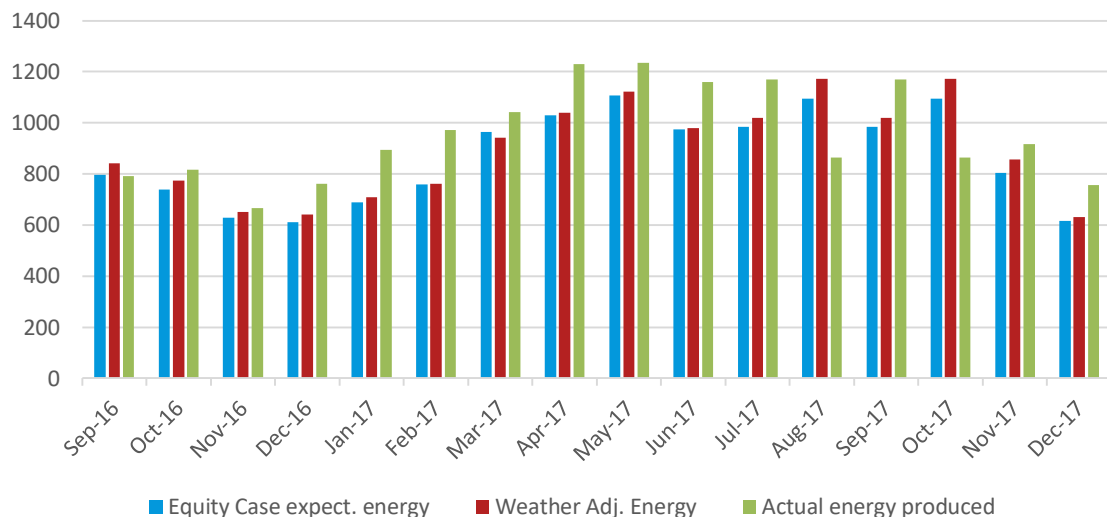
## Asset Description

# Our presence



# Mito – 9.3 MW operational

MITO comparison (MWh)



Mito	
Utility	Tepco
Capacity	9.3 MW
Ownership	87%
Technology	Fixed-tilt
Module	Canadian Solar
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech
Irradiation Yield	1,120 kWh/kWp
Revenue Stream	FiT: ¥40/kWh Term: 20 years
Production	10.3 GWh/year
Total Project Cost	¥3.4Bn
Commencement of Operation	Aug-15



Mito site 1



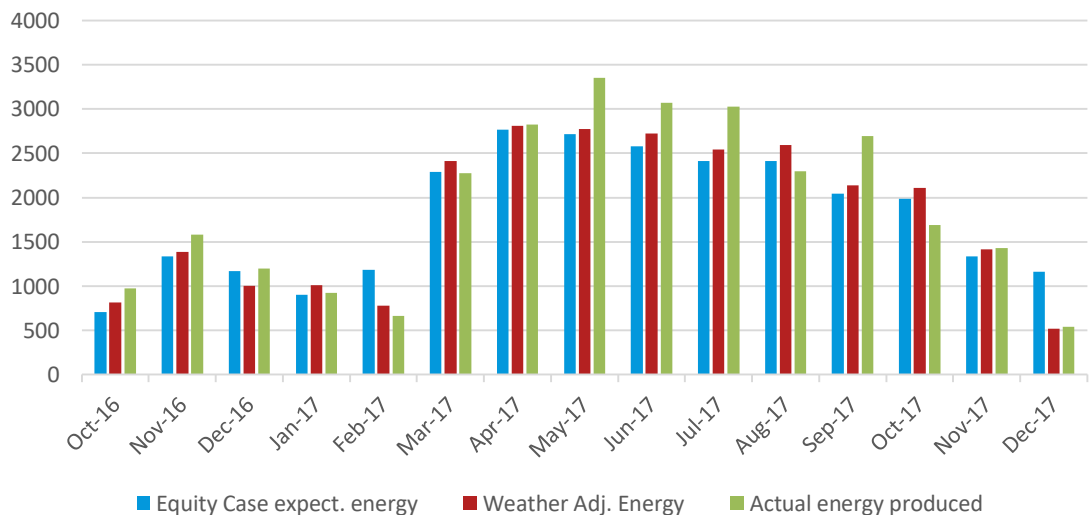
Mito site 2



Mito site 3

# Shizukuishi – 24.7 MW operational

Shizukuishi comparison (MWh)



Shizukuishi	
Utility	Tohuko
Capacity	24.7 MW
Ownership	87%
Technology	Fixed-tilt
Module	Canadian Solar
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech
Irradiation Yield	1,088 kWh/kWp
Revenue Stream	FiT: ¥40/kWh Term: 20 years
Production	26.1 GWh/year
Total Project Cost	¥8.9Bn
Commencement of Operation	Oct-16



General aerial view of full plant



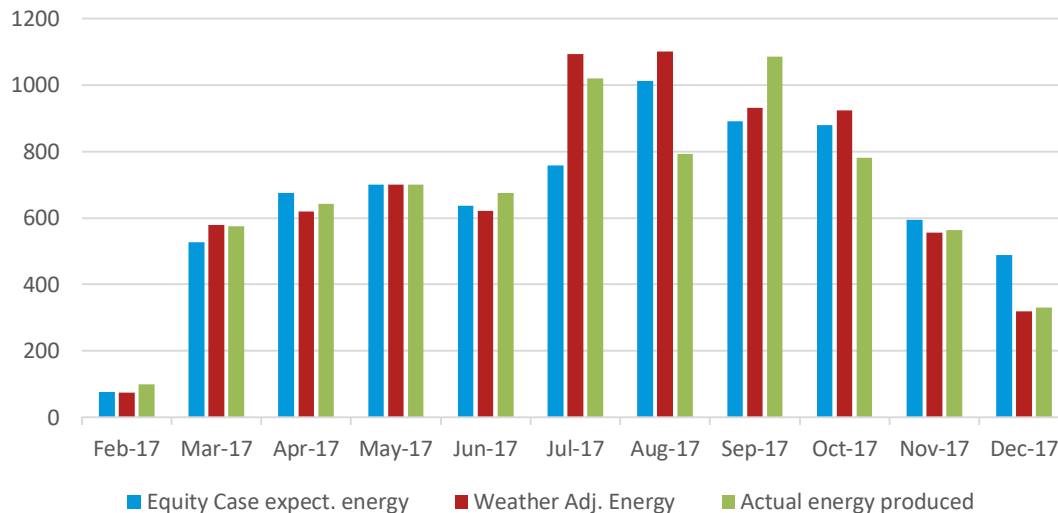
View of the SW section of the plant



View of the NW section of the plant.

# Misawa – 9.5 MW operational

MISAWA comparison (MWh)



Misawa	
Utility	Tohoku
Capacity	9.5 MW
Ownership	60%
Technology	Fixed-tilt
Module	AOU
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech
Irradiation Yield	1,126 kWh/kWp
Revenue Stream	FiT: ¥36/kWh Term: 20 years
Production	10.7 GWh/year
Total Project Cost	¥3.5Bn
Commencement of Operation	Feb-2017



Site 1

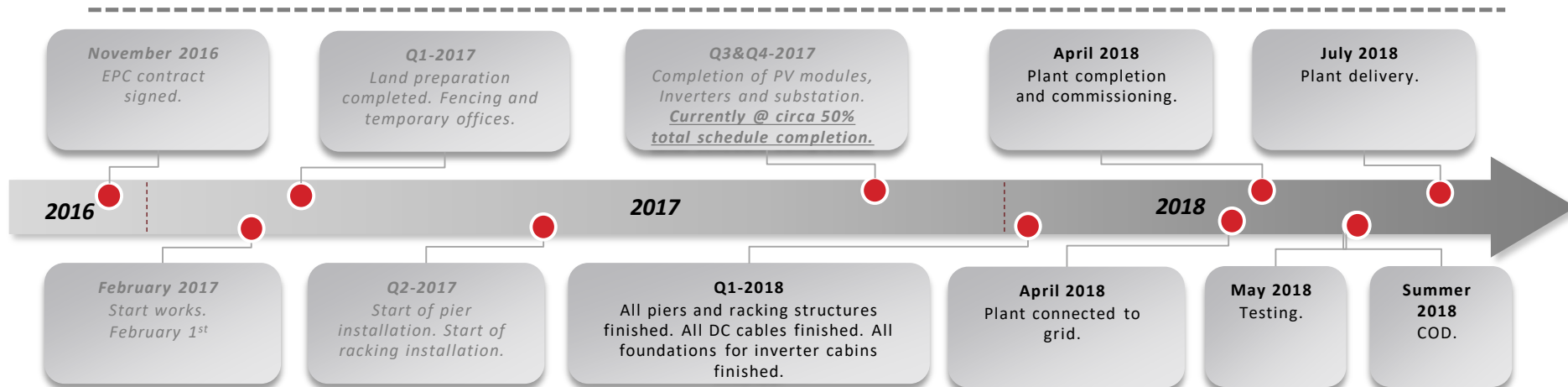


Site 2



Site 4

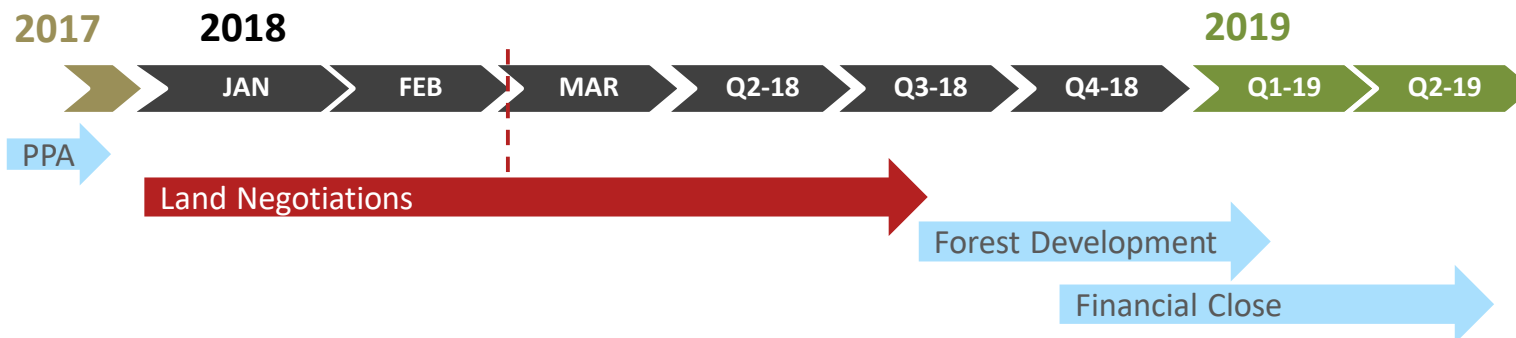
# Komatsu – 13.2 MW under construction



Komatsu	
Utility	Hokoriku
Capacity	13.2 MW
Ownership	85%
Technology	Fixed-tilt
Module	Canadian Solar
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech
Irradiation Yield	1,087 kWh/kWp
Revenue Stream	FiT: ¥32/kWh Term: 20 years
Production	14.2 GWh/year
Total Project Cost	¥4.3 Bn

## Backlog and Pipeline Projects

# 45 MW – Kumamoto prefecture - Brownfield TK-1

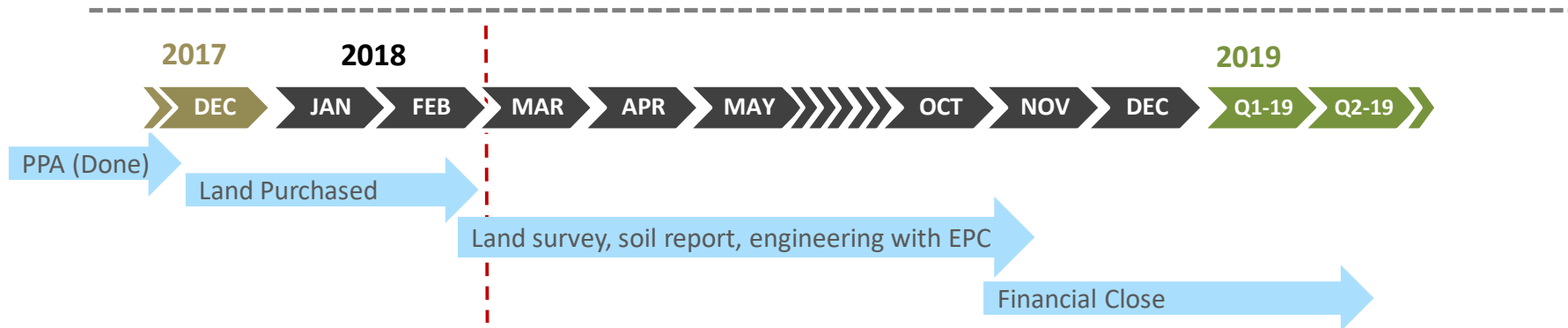


## PROJECT HIGHLIGHTS

Size	45 MWp	ETX share	85%
Region	Nagano Prefecture, Japan	Expected: NTP / COD	NTP: H1-2019 COD: H1-2021
Revenue	FIT: ¥36/kWh	Development Period	Since Q2 2015
METI	FiT secured	EPC Contractor	Hitachi High technologies
COD Rule	Not subject to 3 year rule	O&M Contractor	Hitachi High technologies
Curtailment	30 day rule	Utility	Kyushu Electric Power Utility

- Critical path for this project remains the resolution of land acquisition. Ongoing discussion with landowner expected to bear fruit this summer
- Once land is secured, forest develop would file completing all permits to reach ready to build status

# 45 MW – Niigata prefecture - Greenfield TK-2

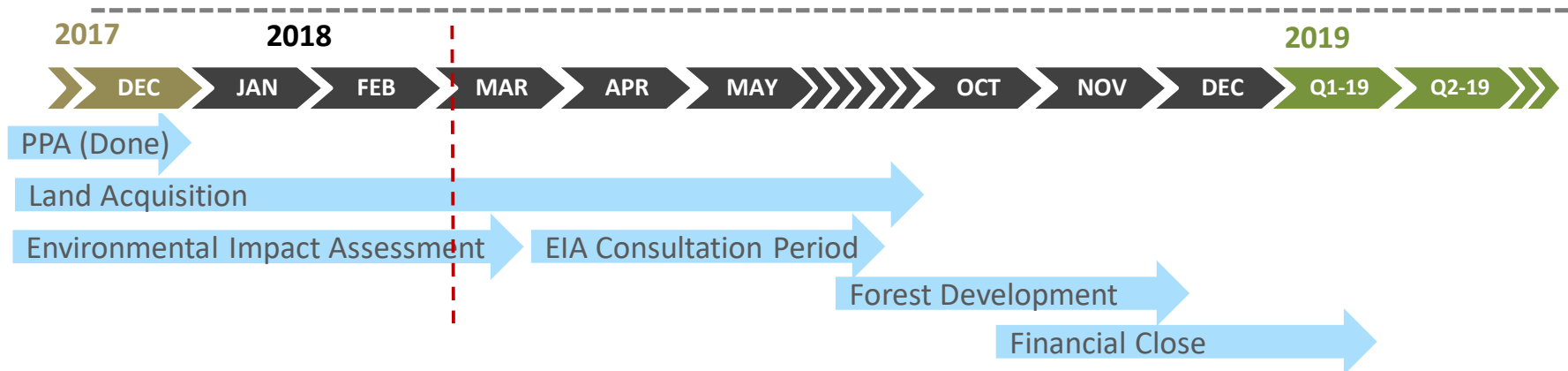


## PROJECT HIGHLIGHTS

Size	45 MWp	ETX share	85- 100%
Region	Niigata Prefecture - Japan	Expected: NTP / COD	NTP: Q1-2019 COD: Q4-2021
Revenue	FIT: ¥36/kWh	Development Period	Since Q2 2016
METI	FIT secured	EPC Contractor	RFP issued – selection Q2-18
COD Rule	3 year rule applies	O&M Contractor	RFP issued – selection Q2-18
Curtailment	30 day rule	Utility	Tohoku Electric Power Utility

- Land acquisition from 132 landowners completed last four weeks.
- RFP issued to select EPC contractor and Civil works company
- Land survey and soil report under way
- Preparation of forest development application works through the summer
- Ongoing consultation with local communities

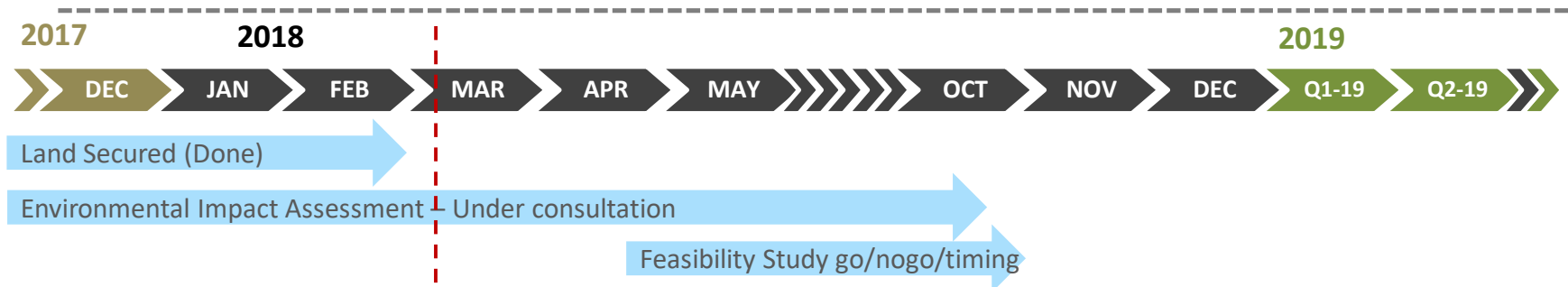
# 60 MW – Mie prefecture Brownfield TK-3



PROJECT HIGHLIGHTS			
Size	60 MWp	ETX share	50%
Region	Mie Prefecture - Japan	Expected: NTP / COD	NTP: H1-2019 COD: Q4-2021
Revenue	FIT: ¥36/kWh	Development Period	Since Q2 2016
METI	FiT secured	EPC Contractor	RFP to be issued by Q2-18
COD Rule	3 year rule does not apply	O&M Contractor	RFP to be issued by Q2-18
Curtailment	30 day rule	Utility / PPA	Chubu Electric Power Utility

- Land option extended through the summer. By then land to be acquired by project partner
- Environmental Impact Assessment published. Ongoing discussions with all stakeholders prior to submitting Forest development.
- RFP to select EPC contractor and Civil works company to be issued by Q2-18
- Ongoing consultation with local communities

# 40 MW – Saitama prefecture Brownfield TK-4



## PROJECT HIGHLIGHTS

Size	40 MWp	ETX share	60% - 100%
Region	Saitama Prefecture, Japan	Expected: NTP / COD	NTP: Open Depends on EIA
Revenue	FIT: ¥24/kWh	Development Period	Since 2016
METI	FiT secured	EPC Contractor	Open
COD Rule	3 year rule applies	O&M Contractor	Open
Curtailment	30 day rule	Utility / PPA	Tepco Electric Power Utility

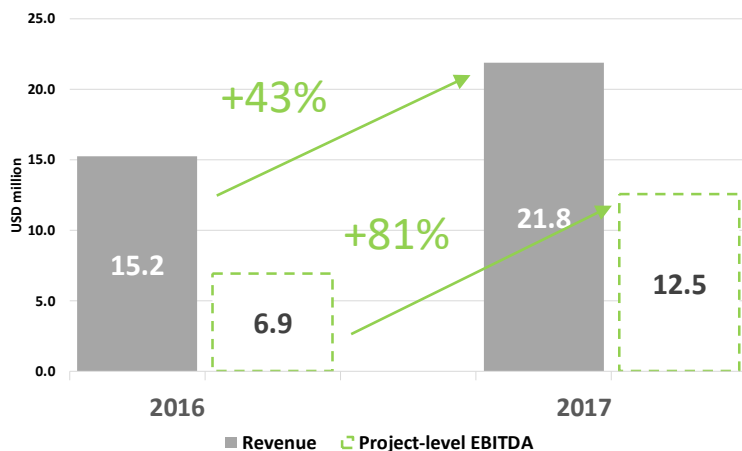
Main challenge remains outcome of consultation with prefecture on Environmental Impact Assessment and complexity of Civil works required to deploy this project



## 2017 Financial Update

# Financial results

## Etrion Consolidated Results

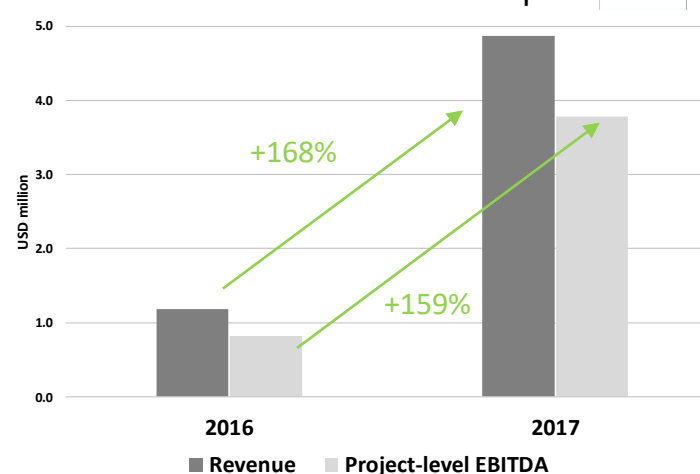


- Revenues and project-level EBITDA increased significantly relative to 2016 due to positive operating performance and additional production in Japan.
- In 2017 electricity production in Japan increased 287% year-over-year as a result of the new Shizukuishi and Misawa solar projects, relative to 2016.
- Japan continues to drive the positive project performance for Etrion.
- During 2017, Etrion reported positive consolidated EBITDA.
- Consolidated net income of \$16.5 million was driven by the non-cash gain on deconsolidation of Salvador.

2017 Segment information				
US\$ million	Chile	Japan	Corp	TOTAL
Revenues	6.5	15.3		21.9
Operating expenses	(5.4)	(4.0)		(9.4)
G&A expenses	(0.3)	(0.3)	(8.7)	(9.2)
Other income		0.6	(0.0)	0.5
<b>EBITDA</b>	<b>0.9</b>	<b>11.7</b>	<b>(8.7)</b>	<b>3.9</b>
Gain on deconsolidation <sup>(4)</sup>			41.0	41.0
Impairment <sup>(4)</sup>		-	(0.2)	(0.2)
Depreciation and amortization	(4.0)	(6.1)	(0.2)	(10.3)
Net finance costs	(7.8)	(3.1)	(5.9)	(16.7)
<b>(Loss) income before taxes</b>	<b>(11.0)</b>	<b>2.5</b>	<b>26.1</b>	<b>17.7</b>
Tax expense		(0.4)	(0.7)	(1.1)
<b>Net (loss) income</b>	<b>(11.0)</b>	<b>2.1</b>	<b>25.4</b>	<b>16.5</b>

Etrion consolidated the Salvador net results up to September 30, 2017

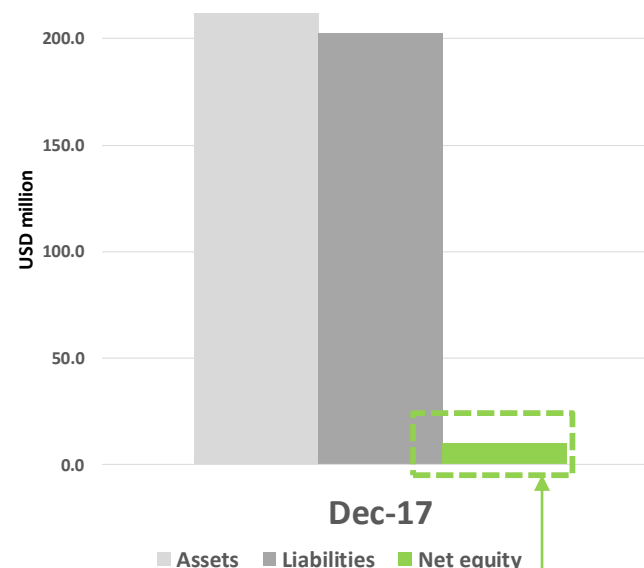
## Etrion Performance in Japan



# Financial position

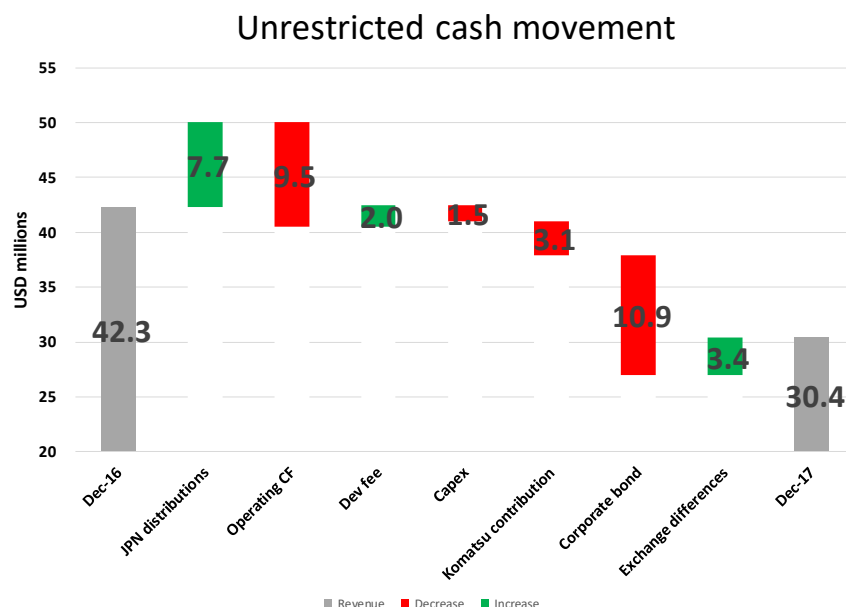
December 31, 2017			
US\$ million	Japan	Corp	TOTAL
Property, plant and equipment	140.6	0	140.6
Intangible assets	5.3	4.4	9.7
Cash and cash equivalents	12.8	30.4	43.2
Other assets	8.6	9.9	18.5
<b>Total assets</b>	<b>167.3</b>	<b>44.7</b>	<b>212.0</b>
Borrowings	139.0	40.7	179.7
Trade and other payables	1.5	2.0	3.5
Other liabilities	17.5	1.5	19.0
<b>Total liabilities</b>	<b>158.0</b>	<b>44.2</b>	<b>202.2</b>
<b>Net equity</b>	<b>9.38</b>	<b>0.47</b>	<b>9.9</b>

- Etrion has working capital of \$43.6 million and a cash position of \$43.2 million, of which \$30.4 million is unrestricted at the corporate level.
- Etrion continues to expand in Japan and has increased its asset base in this country with positive results. As at December 31, 2017, the Japanese assets represent approximately 79% of consolidated assets of the Group.



After deconsolidating Salvador the Group is reporting positive consolidated equity

# Cash flow statement



- Etrion's unrestricted cash position of US\$30.4 million provides liquidity to fund the Japanese backlog.
- Unrestricted cash was positively impacted by the Mito and Shizukuishi cash distributions to Etrion totaling US\$7.7 million.
- Etrion's restricted cash decreased due to changes in working capital and Capex disbursements, partially offset with additional funds drawn from the project credit facilities in Japan partially.

US\$ million	Restricted	Unrestricted	Total
<b>December 31, 2016</b>	<b>18.9</b>	<b>42.3</b>	<b>61.2</b>
Project level EBITDA	12.5		12.5
Project cash distributions	(8.9)	7.7	(1.2)
Corporate G&A		(7.7)	(7.7)
Taxes paid	(0.3)	(0.7)	(1.0)
Komatsu development fee	(2.4)	2.0	(0.4)
Working capital	(2.6)	(1.0)	(3.6)
<b>Operating cash flow</b>	<b>(1.7)</b>	<b>0.3</b>	<b>(1.4)</b>
Capital expenditures	(43.7)	(1.5)	(45.2)
<b>Investing activities cash flow</b>	<b>(43.7)</b>	<b>(1.5)</b>	<b>(45.2)</b>
Proceeds from bank loans	48.8		48.8
Project loans interest	(5.7)		(5.7)
Repayment of bank loans	(8.1)		(8.1)
Corporate bond repurchase		(7.4)	(7.4)
Interest repayment of corporate bond		(3.5)	(3.5)
Etrion's equity contributions to Komatsu	3.1	(3.1)	-
Contributions from non-controlling interests	0.5		0.5
<b>Financing activities cash flow</b>	<b>38.7</b>	<b>(14.1)</b>	<b>24.6</b>
Exchange rate differences	3.2	3.4	6.6
Cash from deconsolidated subsidiary	(2.6)		(2.6)
<b>December 31, 2017</b>	<b>12.8</b>	<b>30.4</b>	<b>43.2</b>

# 2018 guidance

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Net to Etrion's interest USD million otherwise stated	Low end guidance	High end guidance
Energy generation (MWh)	37,517	41,466
Revenue	12.9	14.3
Project-level EBITDA	8.7	9.6

- Japanese production, revenue and project-level EBITDA in 2018 is based on the 57 MW assets in operations or currently under construction in Japan.
- The 57 MW solar assets in Japan benefit from 20-years PPAs with the Japanese public utilities, receiving between 32 and 40 per kWh produced
- The revenue and project-level EBITDA in 2018 has been calculated using an exchange rate of ¥/US\$ 1:112.04

# Summary

# Well positioned for growth

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- Significant project cash distributions in 2017 and corporate debt reduction strengthening Etrion's financial position, with sufficient liquidity to fund our backlog projects
- Strong growth potential with target to reach NTP between 100 – 150 MW within the next 18 months
- Additional healthy pipeline of 200 MWs to complement existing backlog and fuel further growth opportunities
- Strong performance in Japan, with full year results at or above the high end of the guidance range
- Cost savings initiatives implemented in Q4-17 which shall produce meaningful savings starting Q1-18
- Well positioned to refinance the corporate bond in 2018



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