

# Q1-2017 Earnings Call

May 15, 2017

*Shizukuishi*

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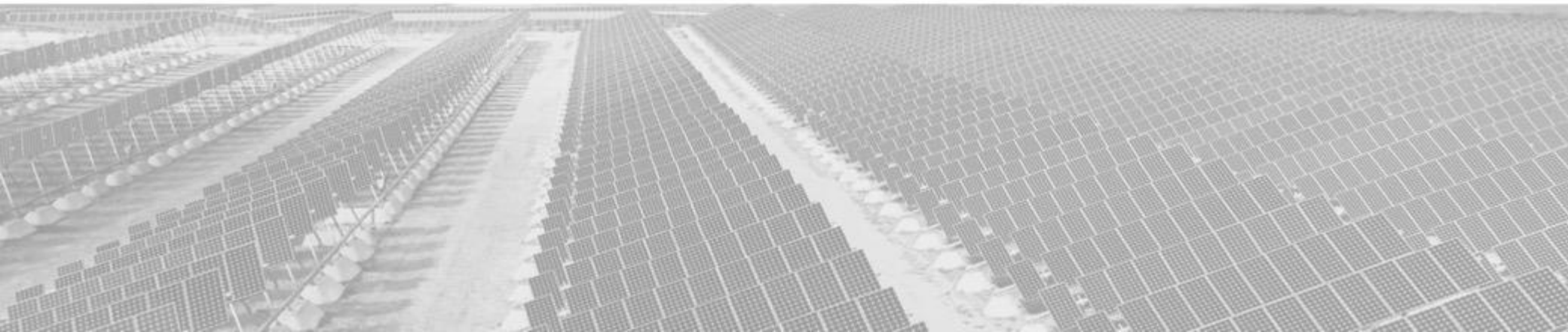
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# CORPORATE OVERVIEW

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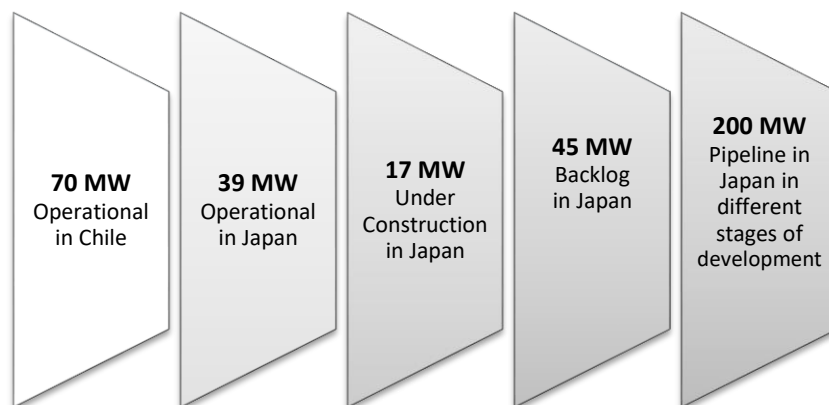


# ETRION CORPORATION

## 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
- Company is fully funded through 2018 to support growth in Japan
- Listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden (ticker ETX)

## ASSET / PIPELINE HIGHLIGHTS



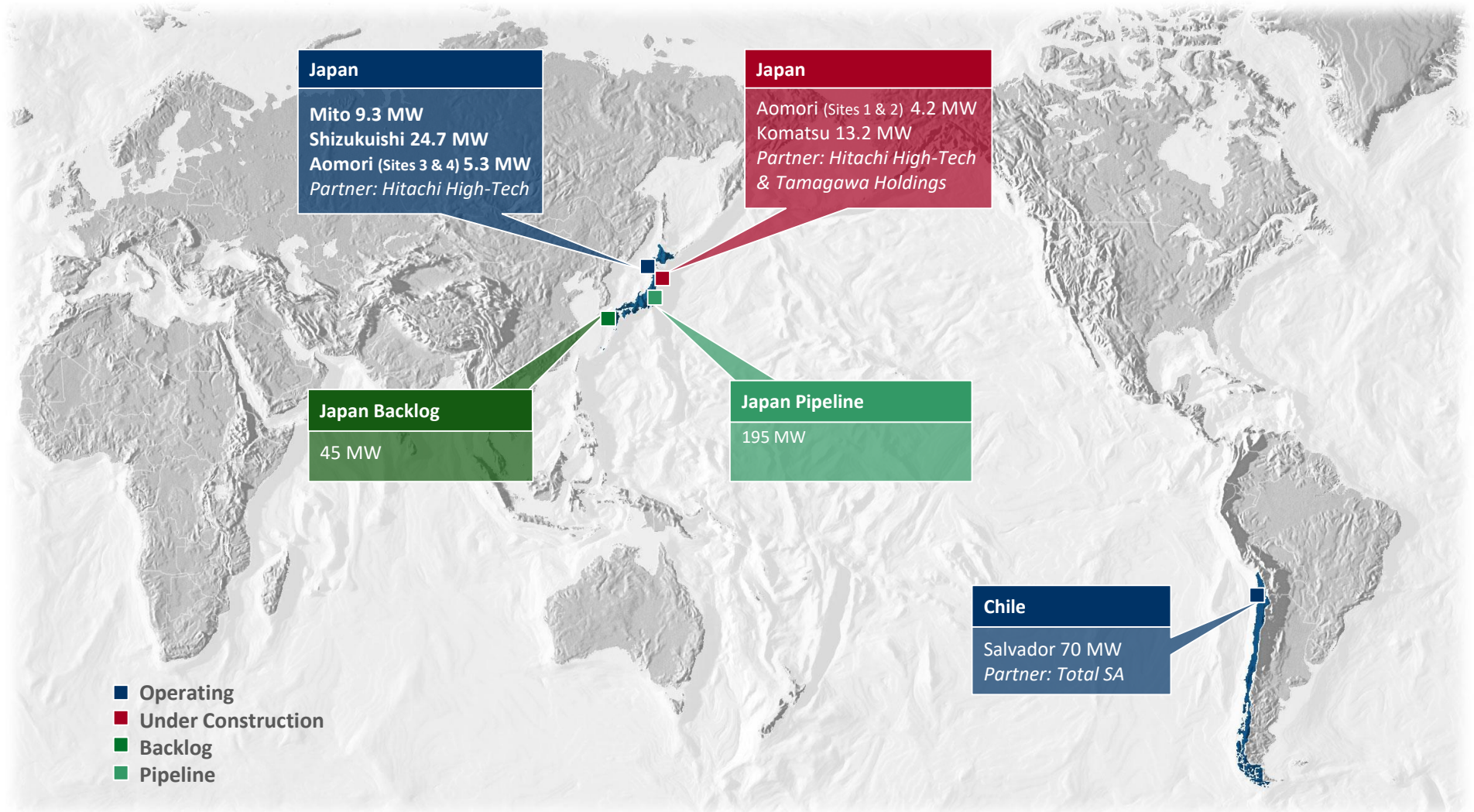
## FINANCIAL SUMMARY

<b>Recent Share Price (TSX/OMX: ETX)</b>	C\$0.32 / SEK 2.09
<b>Shares Outstanding</b>	334.1MM
<b>Lundin Family Ownership</b>	24.3%
<b>Other Director/Management Ownership</b>	6.7%
<b>Revenues (2016)</b>	US\$15.2MM
<b>Project-level EBITDA (2016)</b>	US\$7.0MM
<b>Restricted / Unrestricted Cash as of March 31, 2017</b>	US\$30.2M / \$43M
<b>Market Capitalization</b>	US\$81.5MM
<b>Number of Employees</b>	28

*Notes:*

- (1) US\$ refers to US dollars; C\$ refers to Canadian dollars; SEK refers to Swedish krona.
- (2) ETX share price at closing on May 11, 2017.
- (3) ETX shares outstanding as of March 31, 2017.

# EVOLVING STRATEGY – FOCUS IN JAPAN





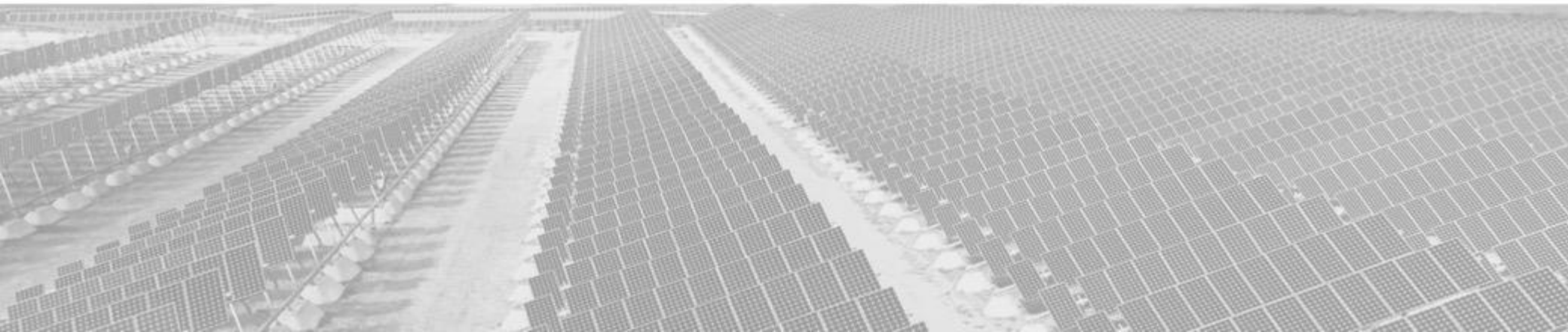
# BUSINESS OUTLOOK

- We are Etrion Japan
- Investors should evaluate Etrion as a renewable power generation player focused exclusively in Japan
- We are fully funded through 2018. All available funds and corporate resources are now fully allocated to this market (Japan)
- Japan provides the highest economic returns for Etrion hence to its investors
- Chile 70 MW Salvador project should be viewed as an option. It has already been written off. The project is ring-fenced under a non-recourse finance facility only secured by the project in Chile. Etrion has NO further cash obligations to support the project



JAPAN

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# SOLAR MARKET IN JAPAN

- Renewable energy target: 22-24% of total power generated by 2030. Solar to account for 7%-11%, i.e. **60GWp\***. About 30 GWp deployed by 2016
- 20 year fix price contracts with utilities based on FIT program for solar projects

## Feed-in-Tariff Program Summary

	FIT JPY/KWh	From	To	Curtailment
1	40	April 2012	March 2013	30 days
2	36	April 2013	March 2014	30 days
3	32	April 2014	March 2015	-30 days - 360h - unlimited
4	29	April 2015	June 2015	30 days 360h Unlimited
5	27	From July 2015	March 2017	30 days 360h unlimited
6	Reverse Auctions	March 2017		TBD

- Reverse Auctions for future projects**
  - First auction expected in October 2017; 500 MWp
  - Two follow up rounds (of up to 1GW) are under consideration for FY2018 pending results of the first round

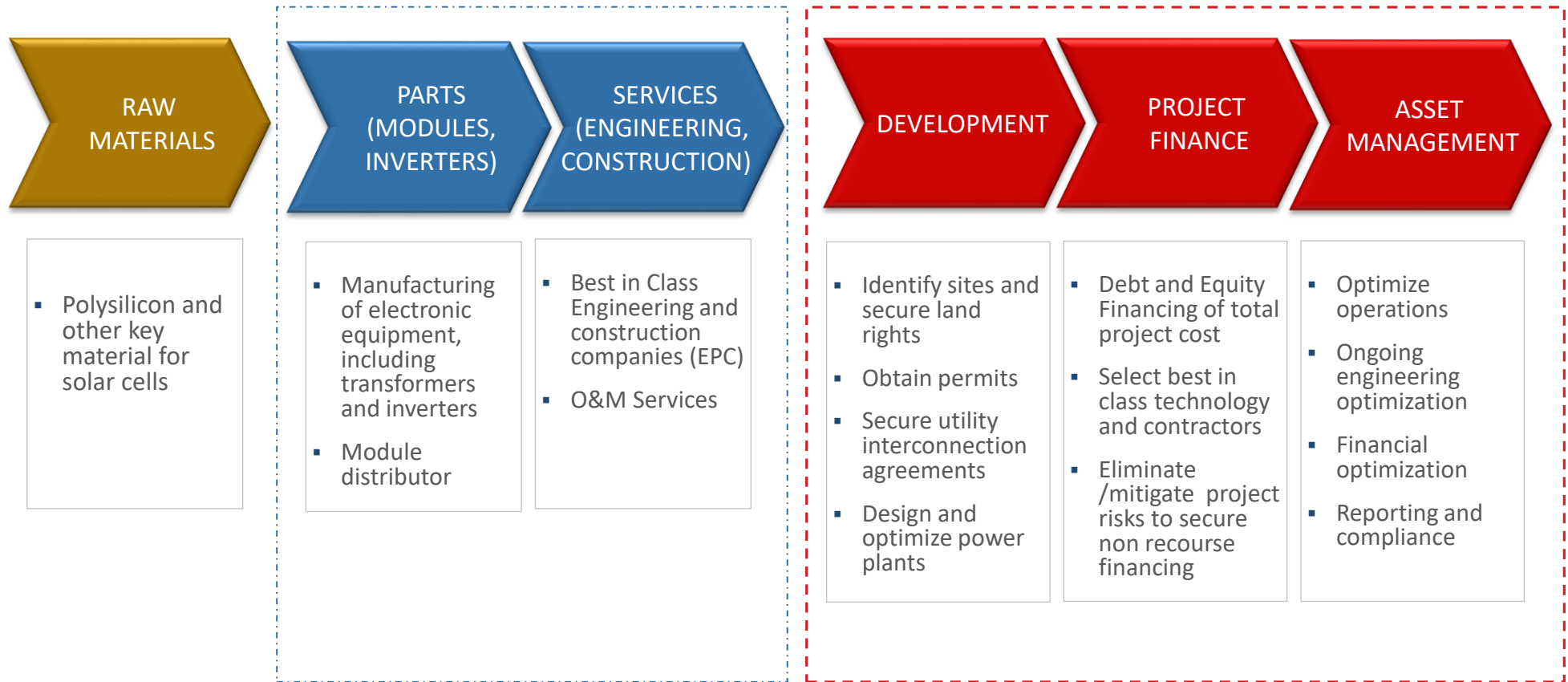
## MARKET TRENDS

- REIT structure for solar approved
- Three Infrastructure Fund IPOs listed since mid 2016
  - Takara Leben** – trading at approximately a 6% yield
  - Ichigo** – trading at approximately a 8% yield
  - Renewable Japan Infra Fund** – trading at approximately 3% yield
- Successful IPO of Renova Inc , first solar IPP in Japan.. Shares traded up 90%. Company owns 270 MW of solar and 21 MW of biomass
- M&A transactions pushing yields further down
  - Recent institutional transactions at implied 5% IRR
  - Many small local tax driven transactions at low IRRs

\* Japan Photovoltaic Energy Association



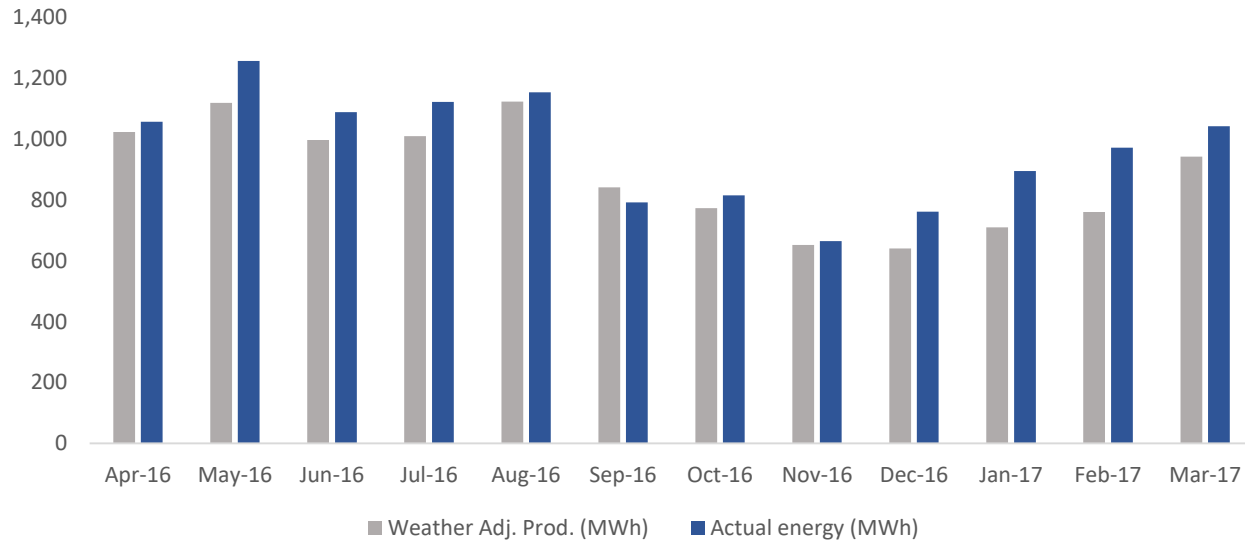
# GREATER CONTROL OF VALUE CHAIN WITH HHT PARTNERSHIP



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

# MITO – 9.3 MW OPERATIONAL

Mito Production 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



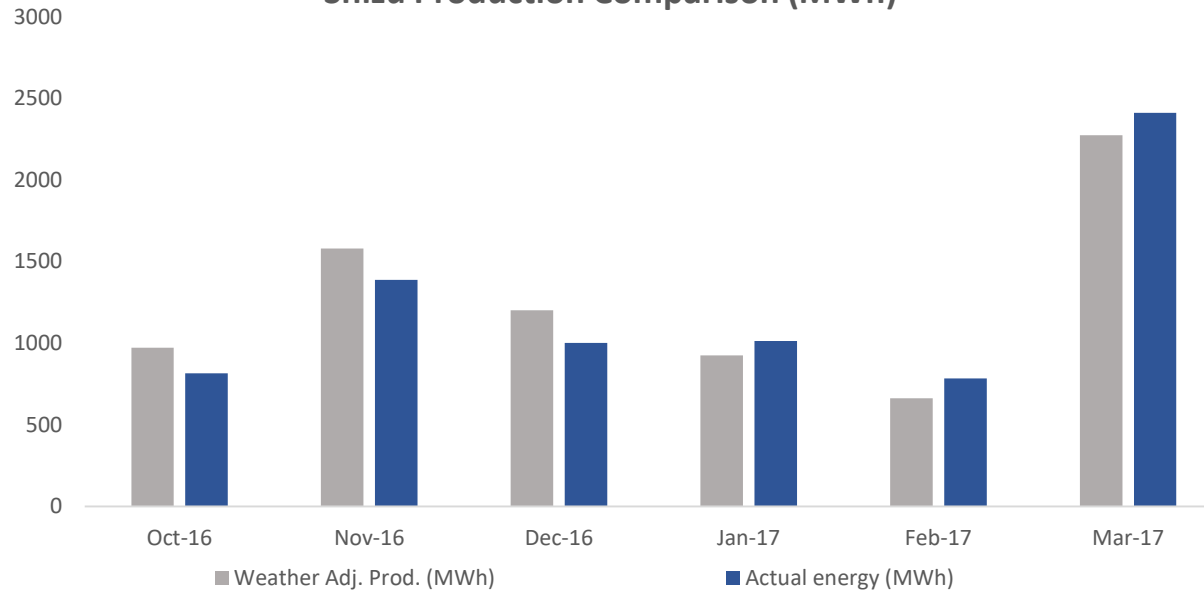
Mito site 2



Mito site 3

# SHIZUKUISHI – 24.7 MW OPERATIONAL

Shizu Production 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



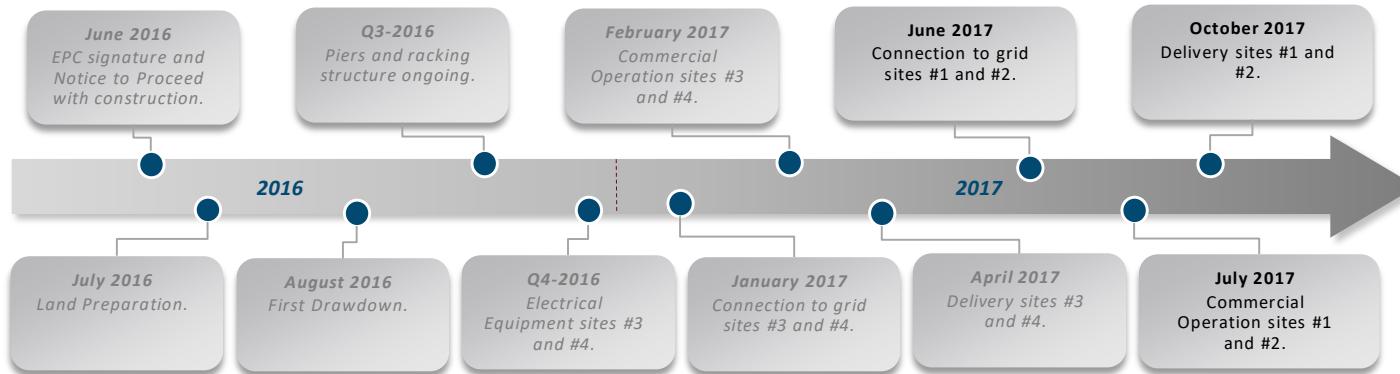
View of the SW section of the plant



View of the NW section of the plant.



# AOMORI – 9.5 MW UNDER CONSTRUCTION /OPERATIONAL



Aomori	
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



site 1



site 2

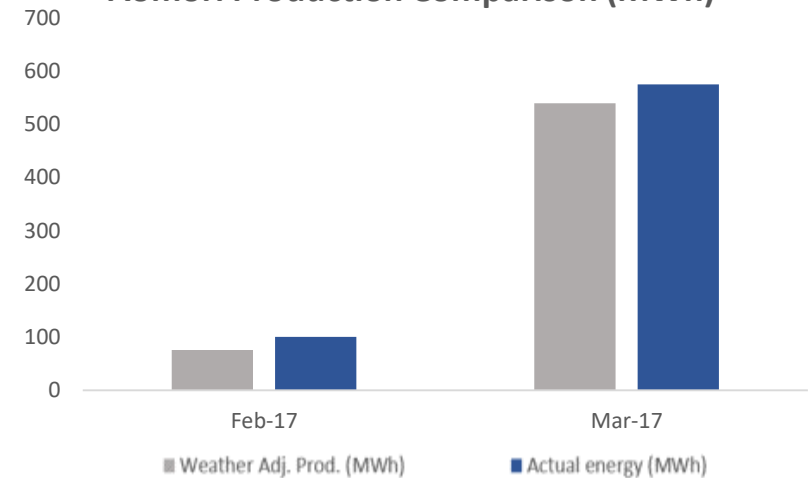


site 3

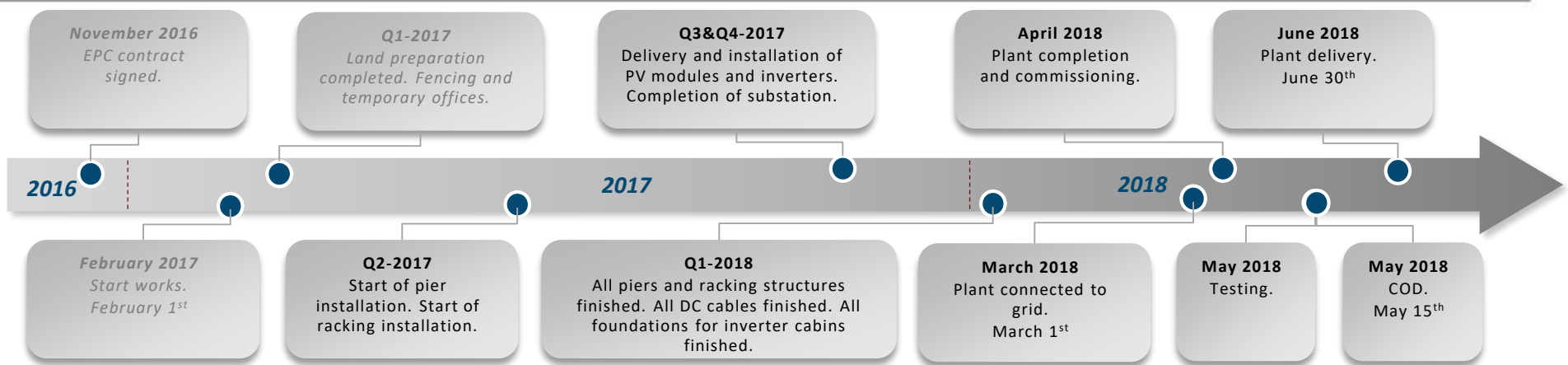


site 4

## Aomori Production Comparison (MWh)



# KOMATSU – 13.2 MW UNDER CONSTRUCTION

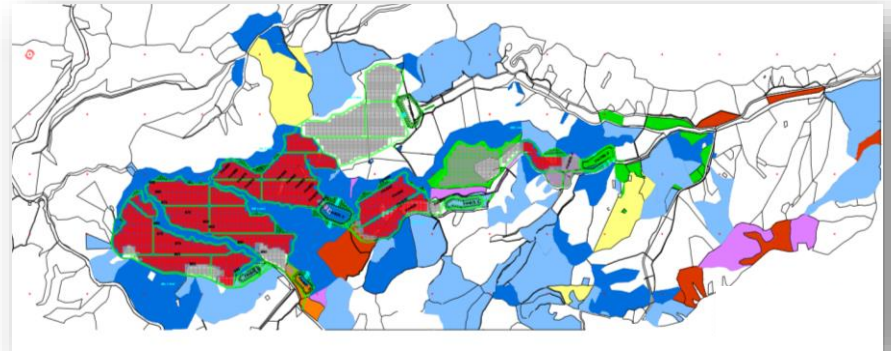


Komatsu	
Utility	Hokoriku
Capacity	13.2 MW
Ownership	85%
Technology	Fixed-tilt
Module	Canadian Solar
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech
Irradiation Yield	1,087 kWh/kWp
Revenue Stream	FIT: ¥32/kWh Term: 20 years
Production	14.2 GWh/year
Total Project Cost	¥4.3 Bn

# JAPAN – KUMAMOTO IN BACKLOG

<b>Size</b>	40-50 MWp
<b>Region</b>	Kyushu
<b>Revenue</b>	FIT: ¥36/kWh
<b>Stage of Development</b>	Advanced
<b>Irradiation</b>	1,140 kWh/kWp
<b>ETX share</b>	85%
<b>Expected NTP / COD</b>	NTP: Q4-2017 COD: Q3-2019
<b>Developer</b>	Uniroot - Local Developer
<b>METI</b>	FiT secured
<b>Utility: Hokuriku</b>	Grid connection approved
<b>Site Control: Leased</b>	Land contract agreed
<b>Permits</b>	Forest development and agriculture conversion – under 2nd Due Diligence

## Layout



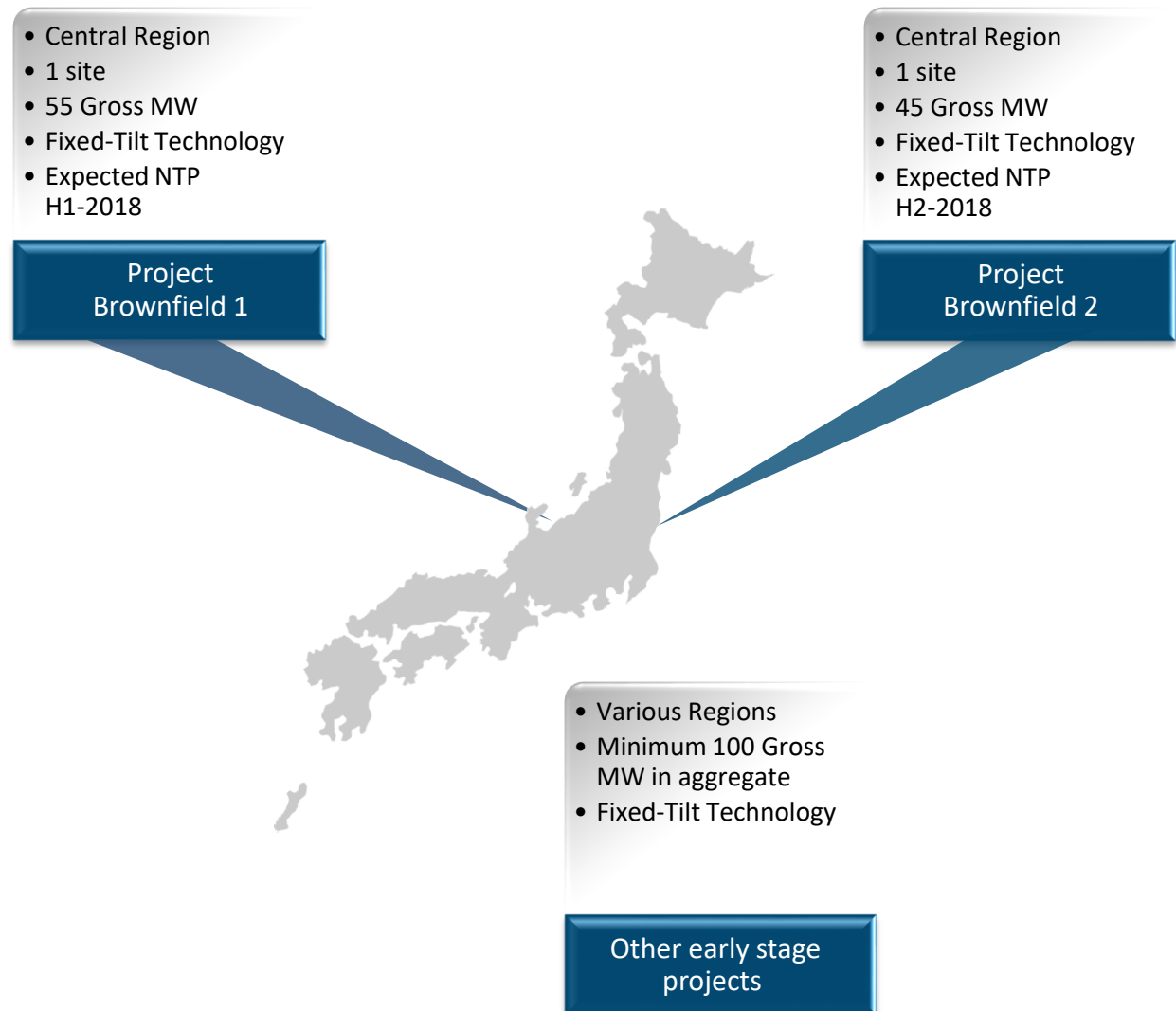
## Project Development Status

ISSUE	STATUS
Land Contract	Final land layout still open due to permit constraints
Utility interconnection line	Grid connection contract with the utility signed in July 2016
Land Permits	Aim to finalize forest development by Q4 2017
EPC & Lender	Working with Hitachi on optimising the cost of the EPC and the Civil works. Term sheets from lenders obtained



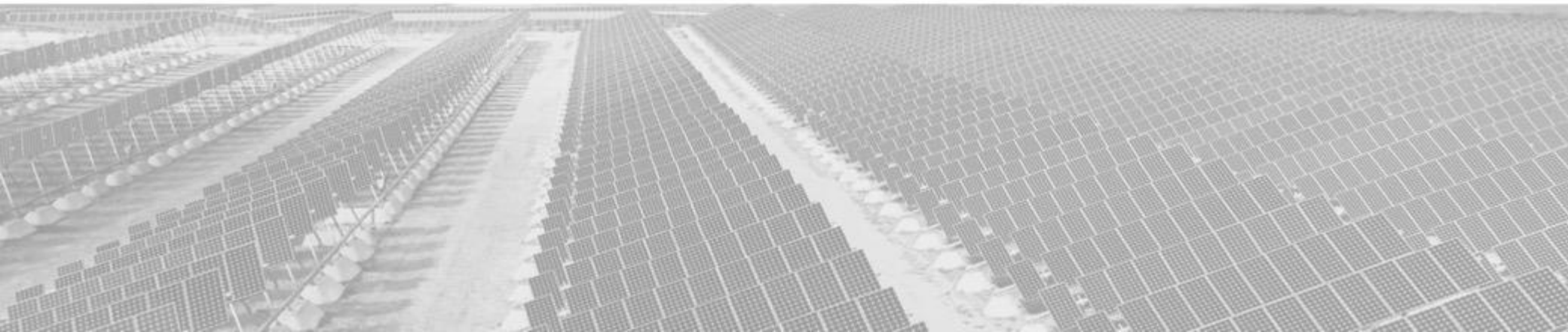
# PIPELINE UPDATE

- FiT program in Japan remains attractive for Etrion to advance existing projects to completion over the next 36 months
- As projects pass economic feasibility they will be disclosed in more detailed to the market
- Projects in the pipeline have FiT locked
- Etrion preparing to participate in the first auction process for October 2017. Results to be announced by Jan 2018

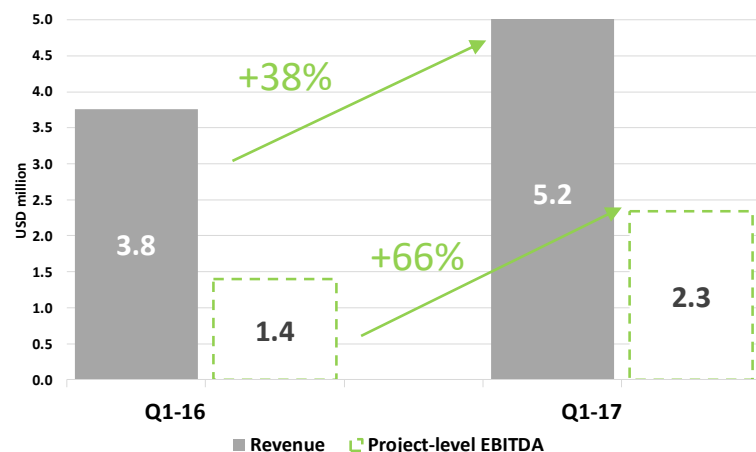


# Q1-2017 FINANCIAL REVIEW

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# FINANCIAL RESULTS



Q1-17 Segment information				
US\$ million	Chile	Japan	Corp	TOTAL
Revenues	2.60	2.60		5.20
Operating expenses	(2.19)	(0.62)		(2.81)
G&A expenses	(0.04)	(0.06)	(2.27)	(2.37)
Other income		0.04	(0.01)	0.03
<b>EBITDA</b>	<b>0.37</b>	<b>1.96</b>	<b>(2.28)</b>	<b>0.05</b>
Depreciation and amortization	(1.33)	(1.27)	(0.05)	(2.65)
Net finance costs	(2.63)	(0.70)	(1.54)	(4.87)
<b>Loss before taxes</b>	<b>(3.59)</b>	<b>(0.01)</b>	<b>(3.87)</b>	<b>(7.47)</b>
Tax (expense) recovery		0.05	(0.14)	(0.09)
<b>Net (loss) income</b>	<b>(3.59)</b>	<b>0.04</b>	<b>(4.01)</b>	<b>(7.56)</b>
<b>EBITDA margin (%)</b>	<b>14%</b>	<b>76%</b>		

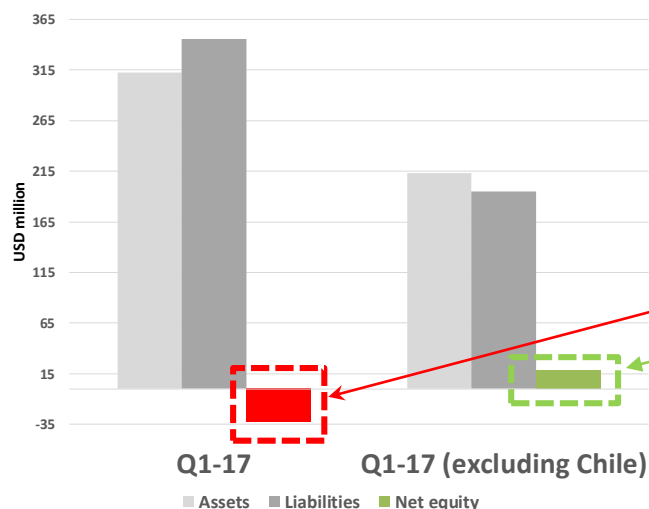
- Revenues and project-level EBITDA up relative to Q1-16 due to positive performance and additional production in Japan.
- In Q1-17 the Japanese electricity production increased 174% quarter-over-quarter as a result of the connection of the Shizukuishi and Aomori (2 out of 4 sites) solar projects.
- Japan continues to be the driver of the positive project performance for Etrion. During Q1-17 generated 50% and 83% of the Group's revenues and project-level EBITDA respectively.
- During Q1-17 the EBITDA margin in Japan was 76% and this is expected to increase, as the first quarter is typically the one more subject to the seasonality effect on production while operating expenses are fixed in nature.
- During Q1-17, Etrion recognized \$0.5 million of extraordinary and one-time corporate G&A expenses.
- Consolidated net loss of \$7.6 million was negatively impacted by the net loss contributed by Chile.
- Despite minimum value assigned to Chile, its net loss results are consolidated as required per IFRS standards.

Excluding net loss from Chile the Group would have reported a positive net result at the project level, driven by the strong success of Etrion in Japan.



# FINANCIAL POSITION

March 31, 2017 Segment information				
US\$ million	Chile	Japan	Corp	TOTAL
Property, plant and equipment	86.7	115.7	0.1	202.5
Intangible assets	7.1	5.7	3.4	16.3
Cash and cash equivalents	1.8	28.5	43.0	73.2
Other assets	3.8	7.4	9.2	20.4
<b>Total assets</b>	<b>99.3</b>	<b>157.3</b>	<b>55.8</b>	<b>312.4</b>
Borrowings	149.1	122.5	43.4	314.9
Trade and other payables	0.5	7.4	1.6	9.6
Other liabilities	1.1	18.0	1.8	20.9
<b>Total liabilities</b>	<b>150.6</b>	<b>147.9</b>	<b>46.8</b>	<b>345.4</b>
<b>Net assets (liabilities)</b>	<b>(51.3)</b>	<b>9.35</b>	<b>8.96</b>	<b>(33.0)</b>



- Etrion have a working capital of \$52.6 and a cash position of \$73.2 million out of which \$43.0 million is unrestricted at corporate level.
- Etrion continues to expand in Japan and has increased its asset base in this country with positive results. As at March 31, 2017, the Japanese assets represented approximately 50% of consolidated assets.
- The Group is reporting net liabilities of \$51.0 million in Chile, mainly as a result of the Project Salvador's impairment recognized in 2016.
- Despite being a subsidiary with a non-recourse project loan, Etrion fully consolidates and reports Project Salvador for a value that exceeds its original investment, as per IFRS standards.
- Nevertheless, upon a sale transaction Etrion would recognize a gain on sale of Project Salvador because its non-recourse project loan nature.

Excluding net liabilities from Chile the Group would have reported a positive consolidated equity.

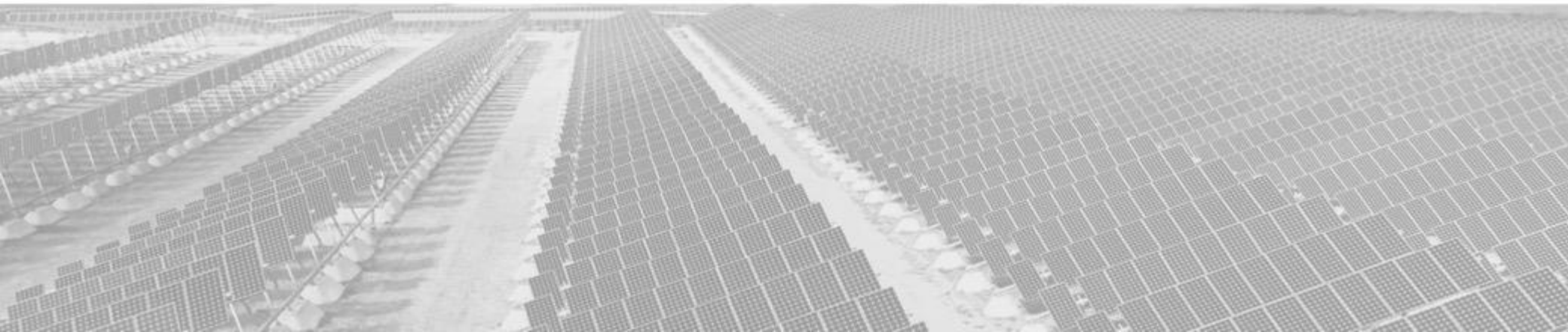
# CASH FLOW STATEMENT

	US\$'000	Restricted	Unrestricted	Total
<b>1 December 31, 2016</b>		<b>18.9</b>	<b>42.3</b>	<b>61.2</b>
Project level EBITDA		2.3		2.3
Project cash distributions		-3.3	3.3	
Corporate G&A			-1.6	-1.6
Taxes paid		-0.1	-0.4	-0.5
Komatsu development fee		-2.4	2.0	-0.4
Working capital		-1.6	-1.0	-2.6
<b>2 Operating cash flow</b>		<b>-5.1</b>	<b>2.3</b>	<b>-2.9</b>
Capital expenditures		-7.6	-0.3	-7.9
<b>3 Investing activities cash flow</b>		<b>-7.6</b>	<b>-0.3</b>	<b>-7.9</b>
Proceeds from bank loans		23.6		23.6
Project loans interest		-2.6		-2.6
Contributions from non-controlling interests		0.2		0.2
<b>4 Financing activities cash flow</b>		<b>21.2</b>	<b>0.0</b>	<b>21.2</b>
<b>5 Exchange rate differences</b>		<b>2.9</b>	<b>-1.3</b>	<b>1.6</b>
<b>March 31, 2017 (1+2+3+4+5)</b>		<b>30.2</b>	<b>43.0</b>	<b>73.2</b>

- Etrion's unrestricted cash balance remained unchanged and was positively impacted by the first Mito cash distribution of US\$3.3 million.
- Etrion's restricted cash increased mainly due to additional funds drawn from the credit facilities in Japan partially offset by cash flow from operations and Capex investments.

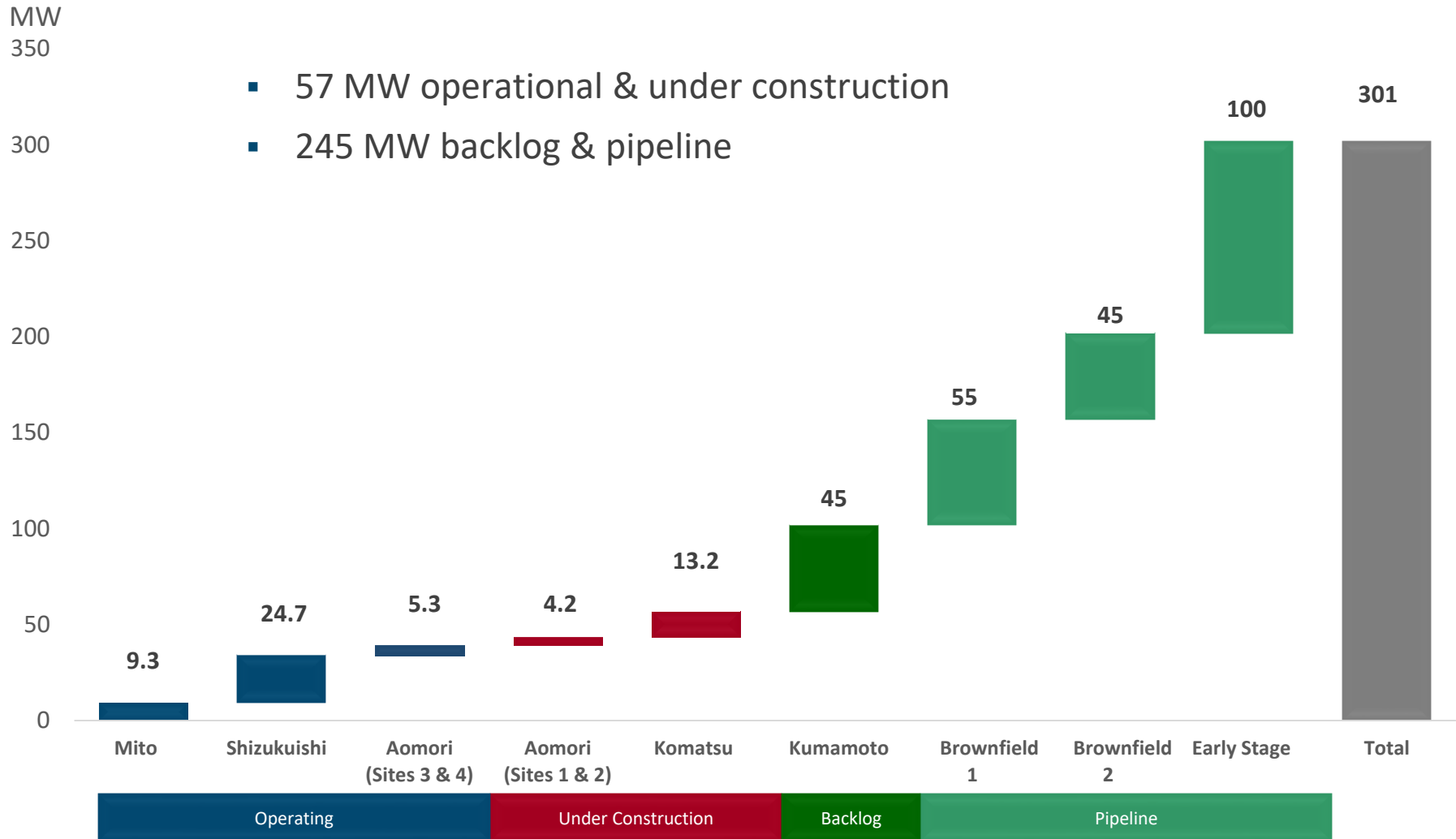
# SUMMARY

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# JAPAN PROJECT PORTFOLIO – POTENTIAL GROWTH



Notes:

(1) Numbers shown in gross MW

(2) These projects represent Etrion's potential growth plan; pipeline shown here may be replaced by other projects within the next 12 months.

# WELL POSITIONED FOR GROWTH

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- It is all about Japan
- Unique partnership with Hitachi, one of the most recognized and reputable technology companies in Japan
- Fully funded through 2018
- Visible and quantifiable pipeline to execute over the next several quarters
- Financial flexibility to repay or refinance the balance of the corporate bond
- Proven management track record in Japan delivering
  - 8 solar parks already operational
  - 3 solar parks under construction
  - An exciting pipeline
  - Excellent relationship with lenders, technology partners and local developers



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