



# Pareto Securities' Nordic Corporate Bond Conference

Stockholm, March 7<sup>th</sup> 2017

etnion

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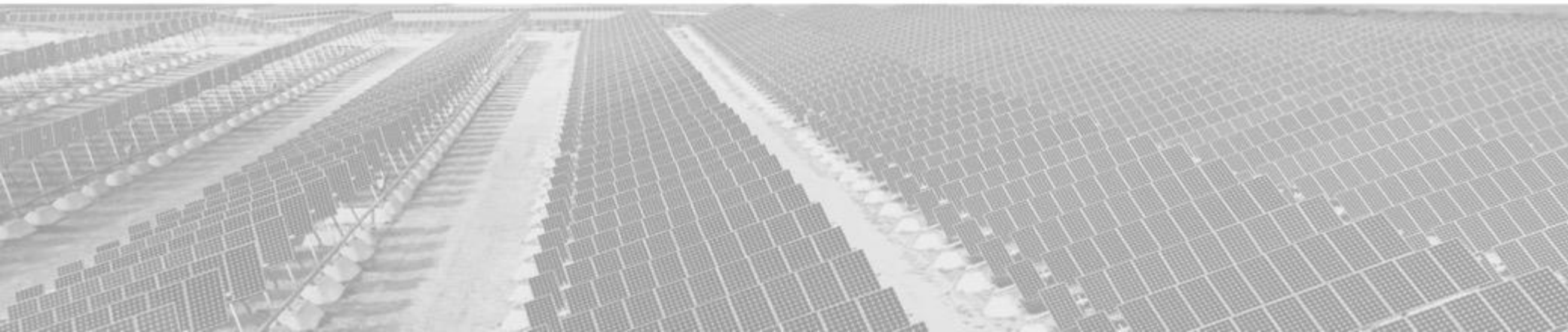
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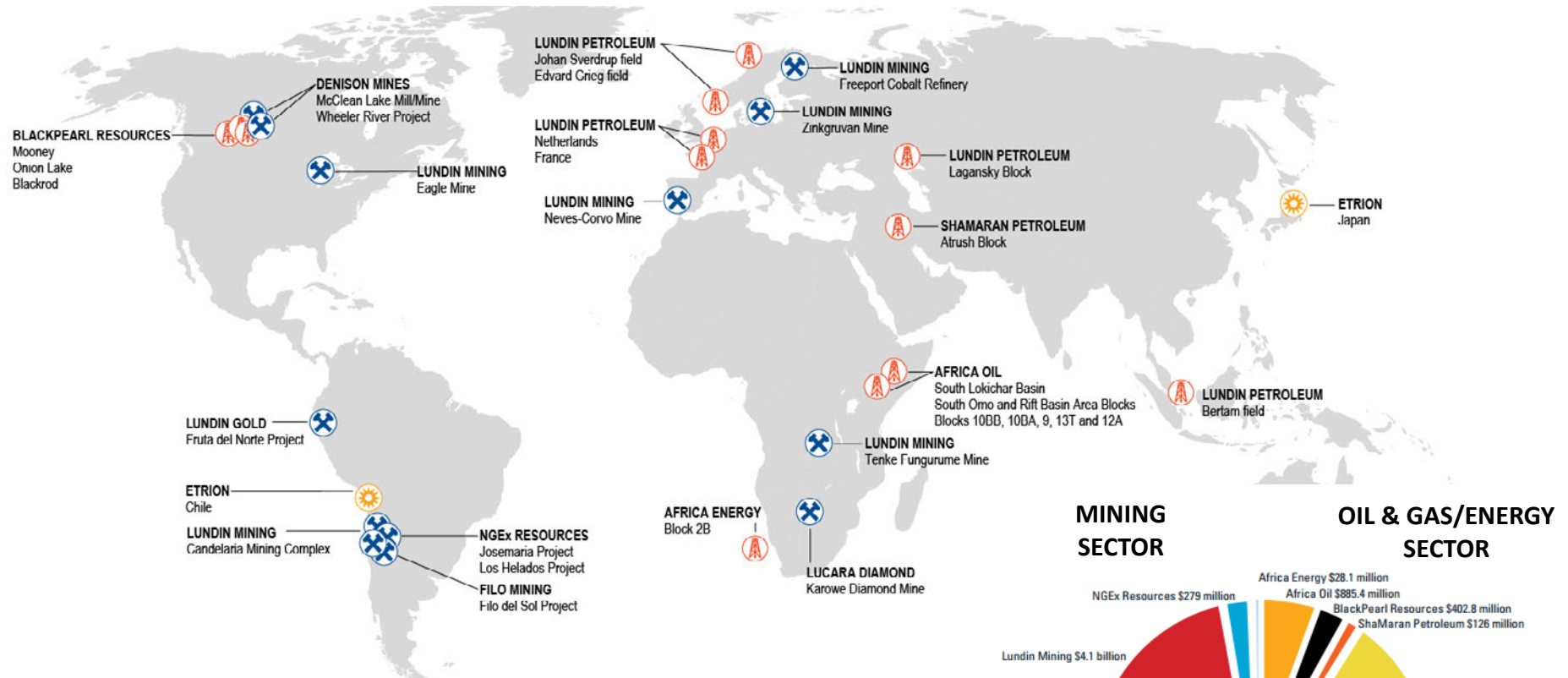
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# CORPORATE OVERVIEW

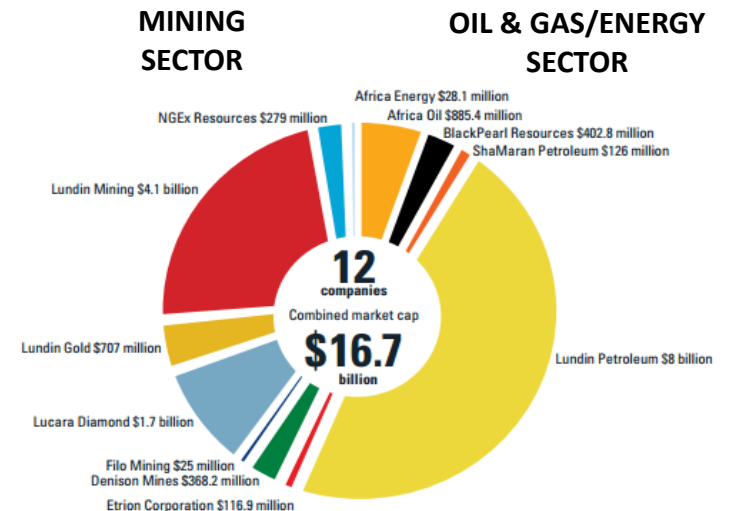
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# ETRION-THE RENEWABLE PLATFORM OF THE LUNDIN GROUP



## THE LUNDIN GROUP WORLDWIDE OPERATIONS



# SOLAR – SUSTAINABLE LONG TERM ASSET CLASS

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



Iwate region, Japan – 24.7 MW Shizukuishi (1)



Atacama, Chile – 70 MW Salvador (1)



Mito region, Japan – 9.5 MW Mito (site 4) (1)

## 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 CORPORATION

## COMPANY OVERVIEW

- 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)

## JASSET / PIPELINE HIGHLIGHTS

- **Installed Capacity / Under Construction**  
109 megawatts (MW) of solar PV operational in Chile and Japan, and 17 MW under construction in Japan
- **Development Pipeline**  
42 MW backlog in Japan expected to reach financial close within next 9-12 months and a pipeline of approximately 200 MW in different stages of development in Japan

## FINANCIAL SUMMARY

**Recent Share Price (TSX/OMX: ETX)** C\$0.29 / SEK 2.12

**Shares Outstanding** 334.1MM

**Lundin Family Ownership** 24.3%

**Other Director/Management Ownership** 6.7%

**Revenues (Nine months 30 Sept. 2016)** US\$43.7MM

**Adjusted EBITDA (Nine months 30 Sept. 2016)** US\$28.7MM

**Corporate Net Debt** US\$77.0MM

**Market Capitalization** US\$72.7MM

**Number of Employees** 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 February 28, 2017.

(3) ETX shares outstanding as of September 30, 2016.

(4) Corporate net debt as of September 30, 2016 (cash basis) includes approximately US\$12.4 million of unrestricted cash and US\$89.4 million of corporate bonds.

# DELIVERING SOLID OPERATIONAL RESULTS

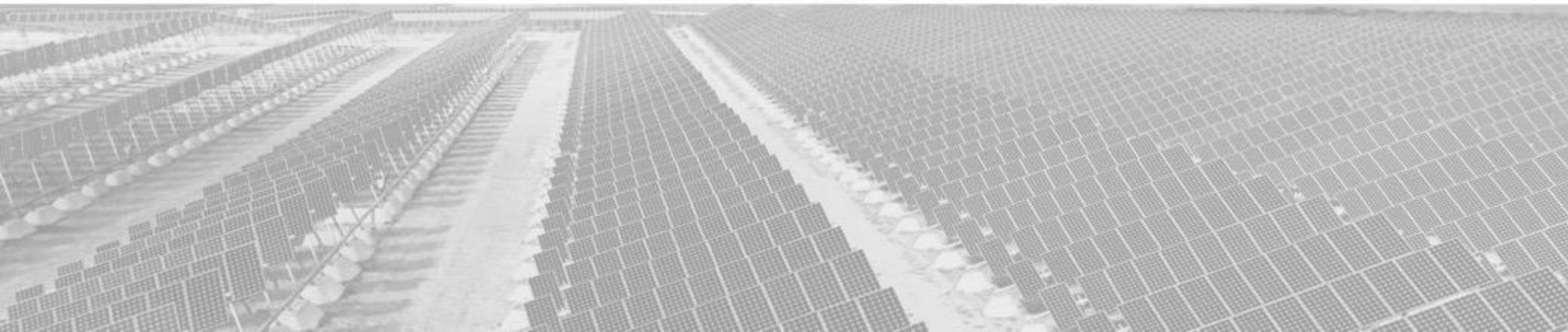
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- Produced 208 GWh of clean energy in first 9 months of 2016
- Revenues in Q3-16 reached USD 17.2 million, up 8% from Q3-15. First 9 months of 2016 revenues were USD 43.7 million
- Recently sold Italian assets for total cash consideration of up to USD 108 Million
- Completed repurchase of EUR 40 million of outstanding Corporate Bond in December 2016
- 24.7 MW Shizukuishi project in Japan reached COD in October 2016
- Commenced construction of 9.5 MW Aomori project in Japan in August 2016. Project is fully funded
- Signed project finance for 13.2 MW Komatsu project in Japan November 2016. Project is fully funded
- Next project Kumamoto 42 MW on target to reach NTP in Q4-2017
- Continue to advance pipeline in Japan of approximately 200 MW



# PORTFOLIO OVERVIEW

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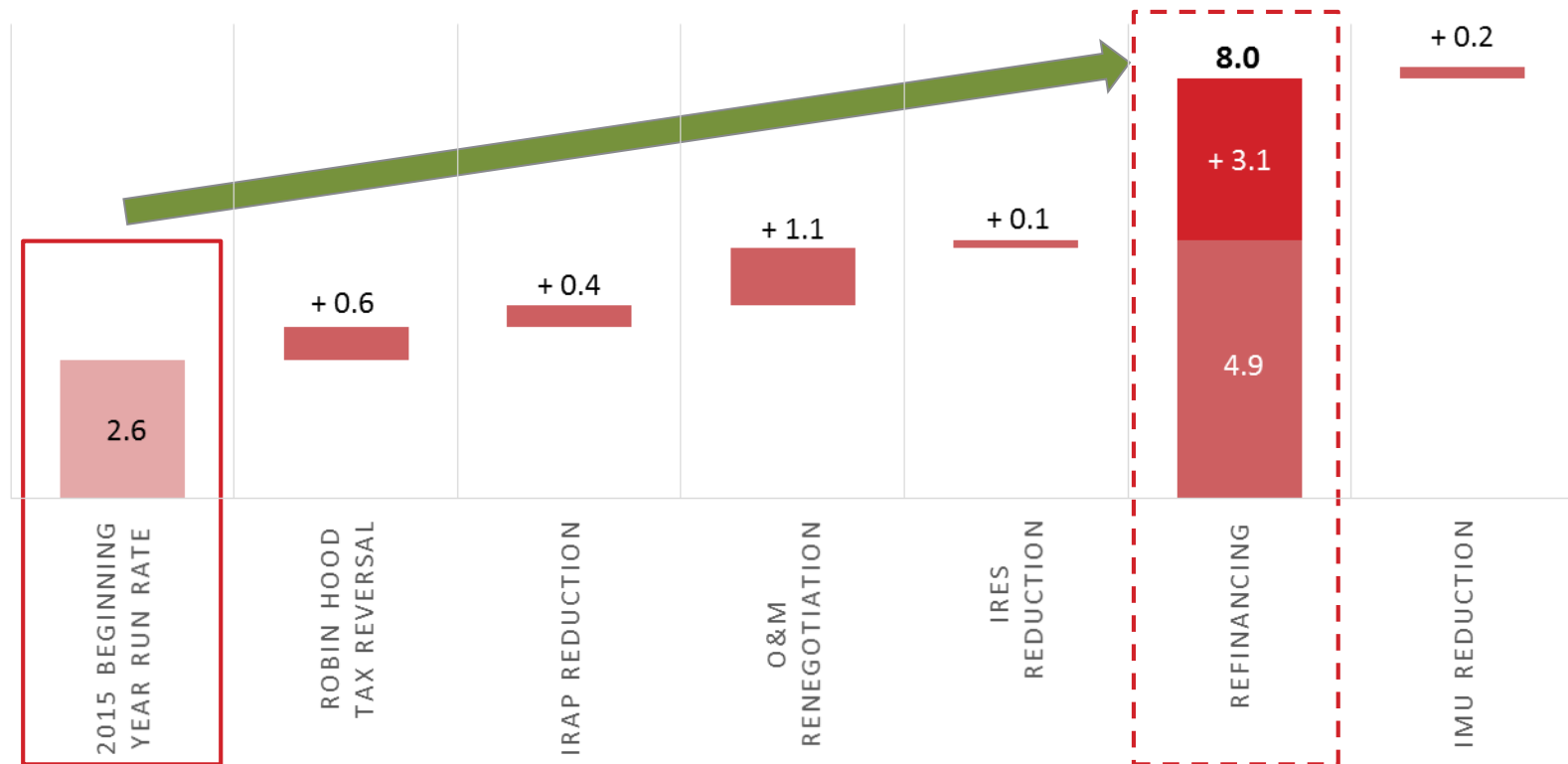
# CHILE – PROJECT SALVADOR



- 70 MW Project Salvador, net 49 MW to Etrion, in operation since November 2014, in partnership with Total S.A.
- Over 30% of output is contracted under a 15 year PPA. The balance currently exposed to spot market
- Project financed under fully non-recourse finance structure. Company does not expect project level distributions for the foreseeable future
- Asset is carried as a free option for Etrion in the event electricity prices recover in the future
- Company may divest this non-core asset

# ITALIAN PORTFOLIO OPTIMIZATION

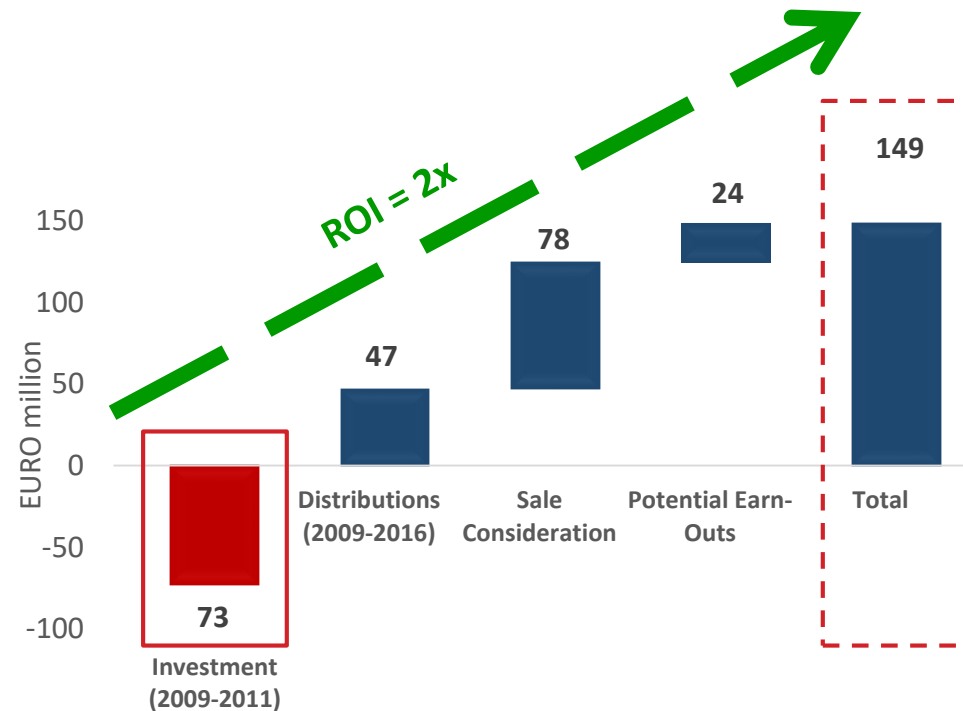
Pro forma annual cash distributions from 60 MW Italian solar portfolio (EUR million)



- Cash flow from operations increased from EUR 2.6M to EUR 8M per year as a result of (a) Financial Engineering, (b) Operational Optimization and (c) Tax / restructuring improvements

# SUCCESSFUL DIVESTMENT OF ITALIAN PORTFOLIO

- On November 14, 2016 Etrion signed a Share Purchase Agreement to sell 100% of its Italian Portfolio, totalling 60.1 MW, to EF Solare Italia, a joint venture between Enel Green Power and F2i Fund
- Closing completed in December 2016
- Etrion has received approximately EUR 78 million in cash and may receive up to an additional EUR 24 million with earn outs

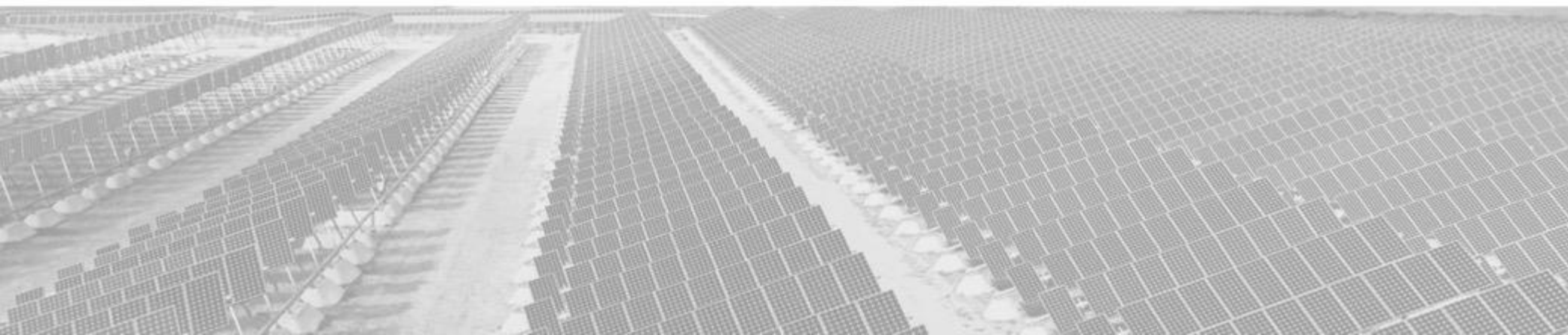


## TRANSACTION RATIONALE

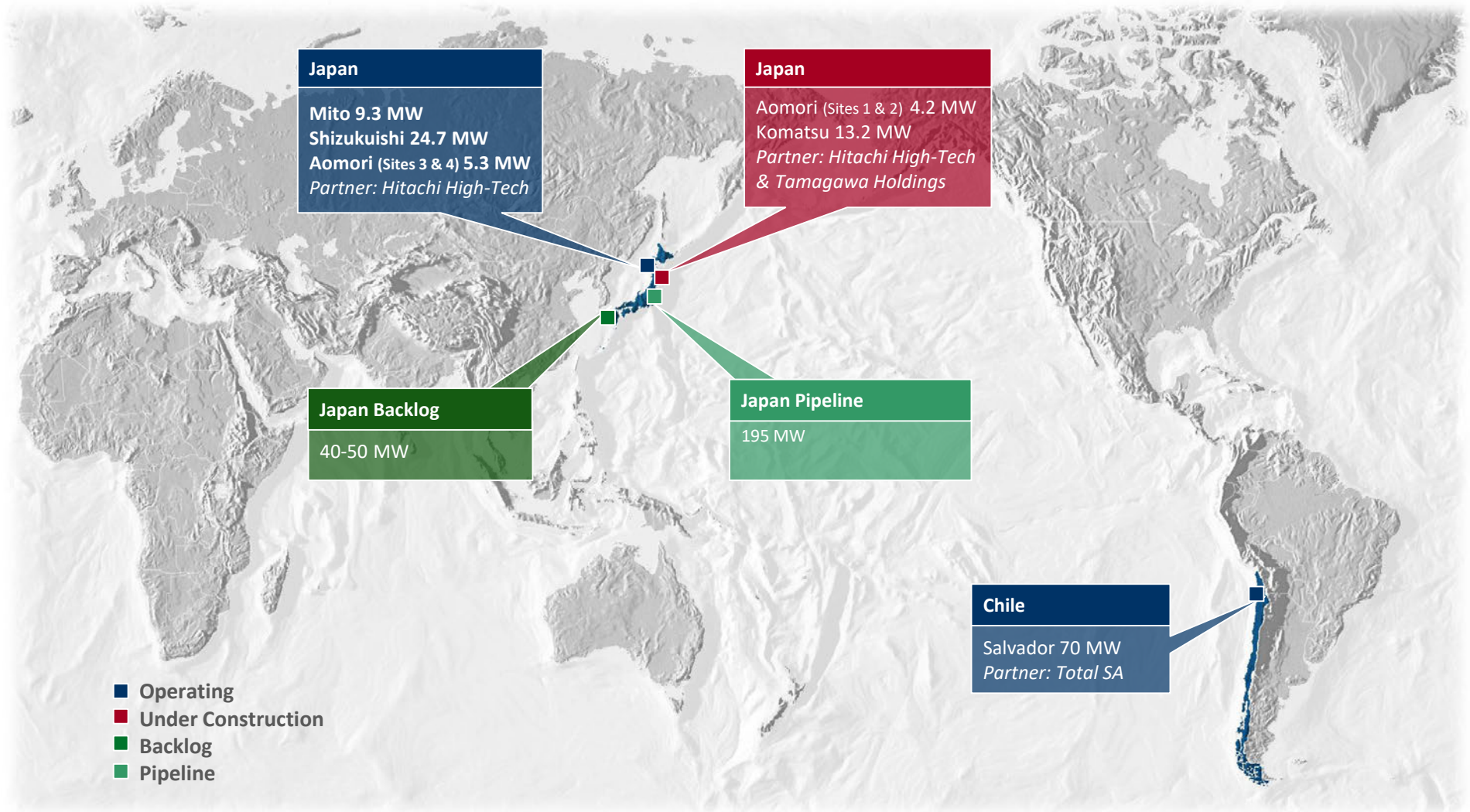
- Etrion has effectively optimized the Italian portfolio and believes that recycling capital through the sale represents the best source of funding for its growth
- The Company has significant growth opportunities in Japan with very attractive economics
- The transaction also enabled the Company to reduce its corporate debt by 50%

# JAPAN

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# EVOLVING STRATEGY – REFOCUSING FOR GROWTH IN JAPAN



# 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	New Rules
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	1
4	29	April 2015	June 2015	30 days 360h Unlimited	1
5	27	From July 2015	March 2017	30 days 360h unlimited	2
6	Reverse Auctions	March 2017		TBD	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
- First two Infrastructure Fund IPOs listed in 2016
  - Takara Leben** – trading at approximately a 5% yield
  - Ichigo** – trading at approximately a 6% yield
- M&A transactions pushing yields further down
  - DBJ acquisition of 80 MW solar at below 5% IRR
  - Many small local tax driven transactions at low IRRs

\* Japan Photovoltaic Energy Association

# ETRION'S PARTNERSHIP WITH HITACHI

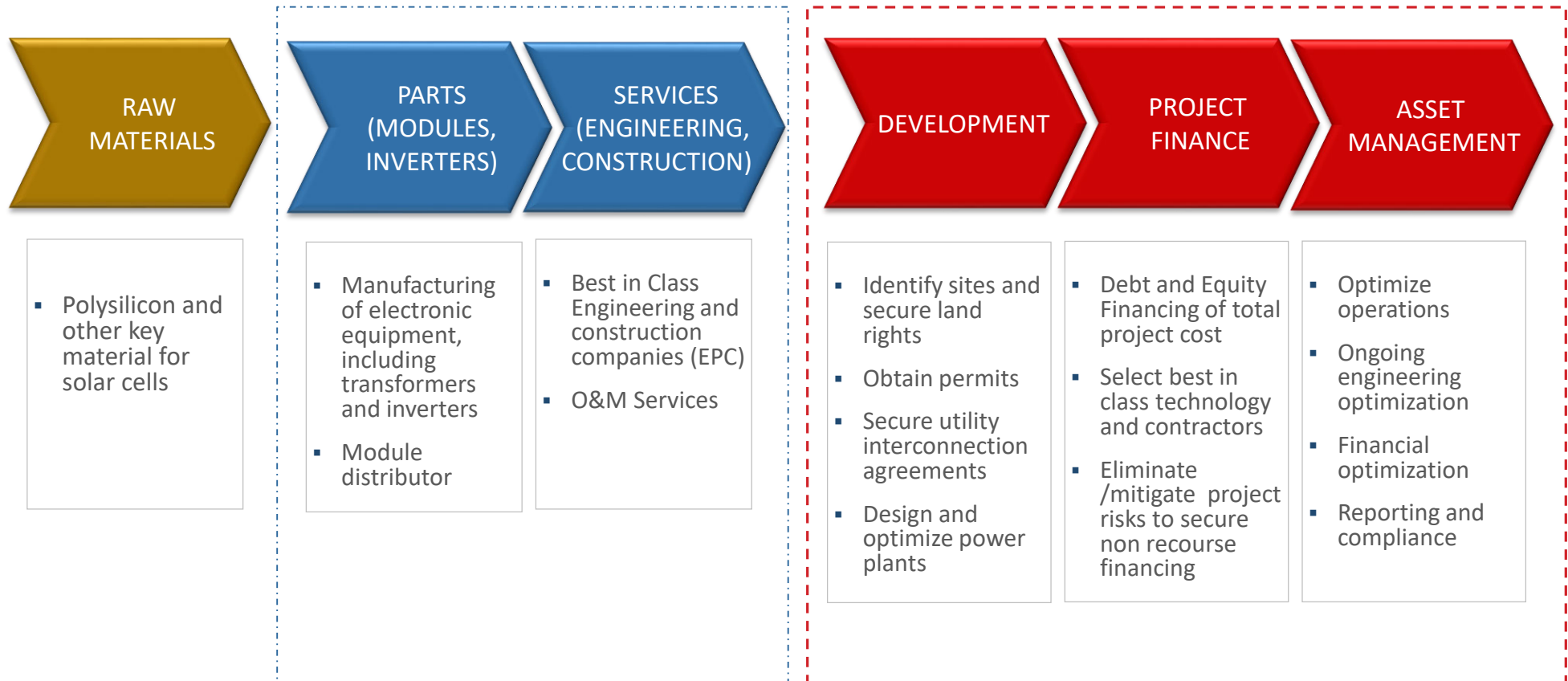
## Partnership highlights

- Since 2013
- Working together through the full development cycle
- Brings invaluable contributions when dealing with
  - Land owners
  - Utilities
  - Government authorities
- Hitachi provides
  - Best in class technology
  - Construction, operations and maintenance services
- Partners committed to 300MW target portfolio by 2018



**Hitachi High-Tech**

# 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



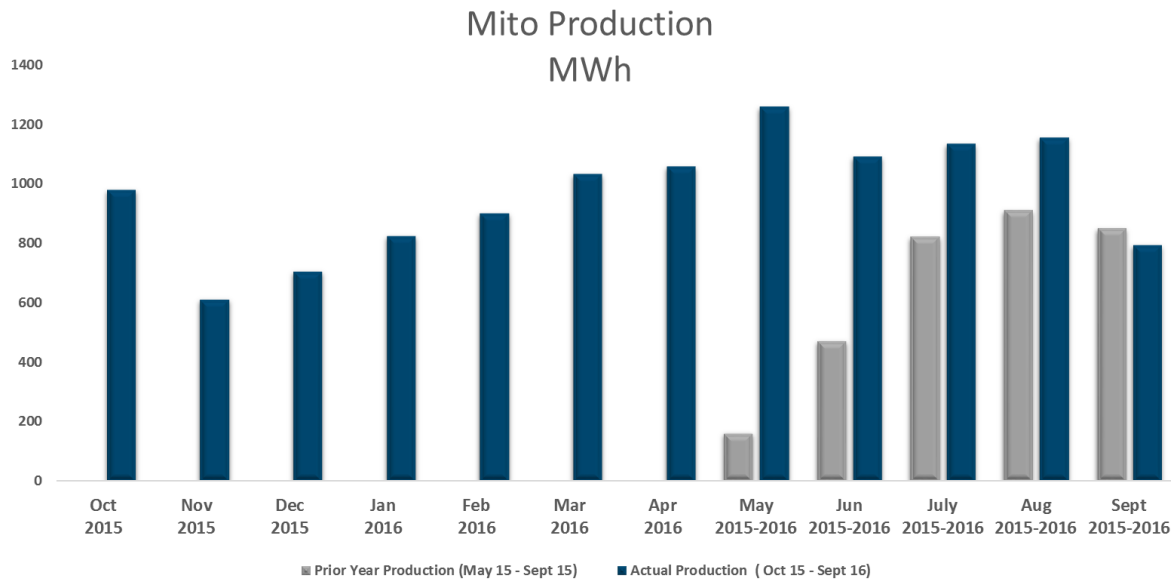
Mito site 1



Mito site 2



Mito site 3



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	August 2015

# SHIZUKUISHI – 24.7 MW OPERATIONAL



General aerial view of full plant



View of the SW section of the plant



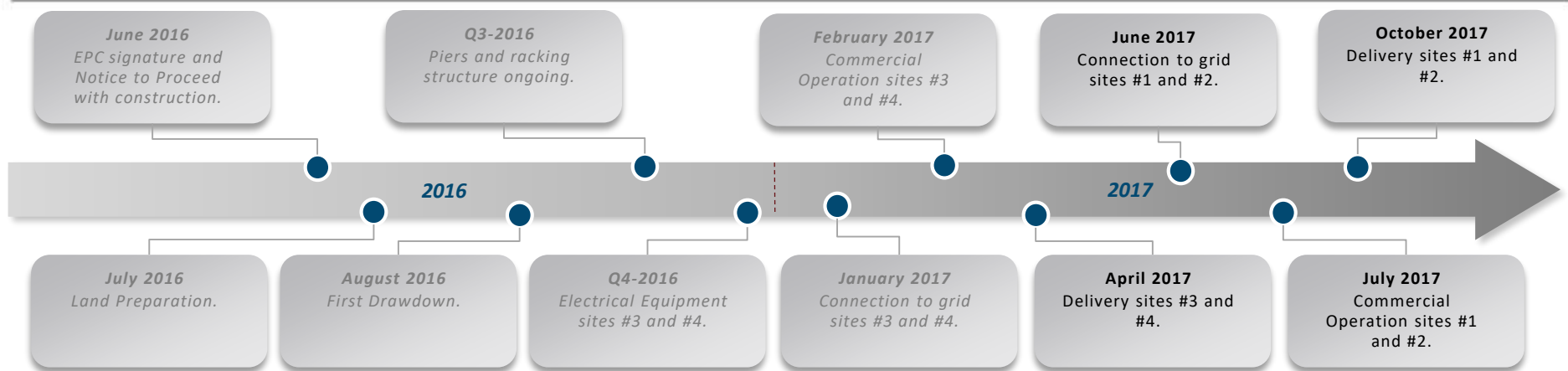
View of the NW section of the plant.



November 1<sup>st</sup>, 2016 Inauguration

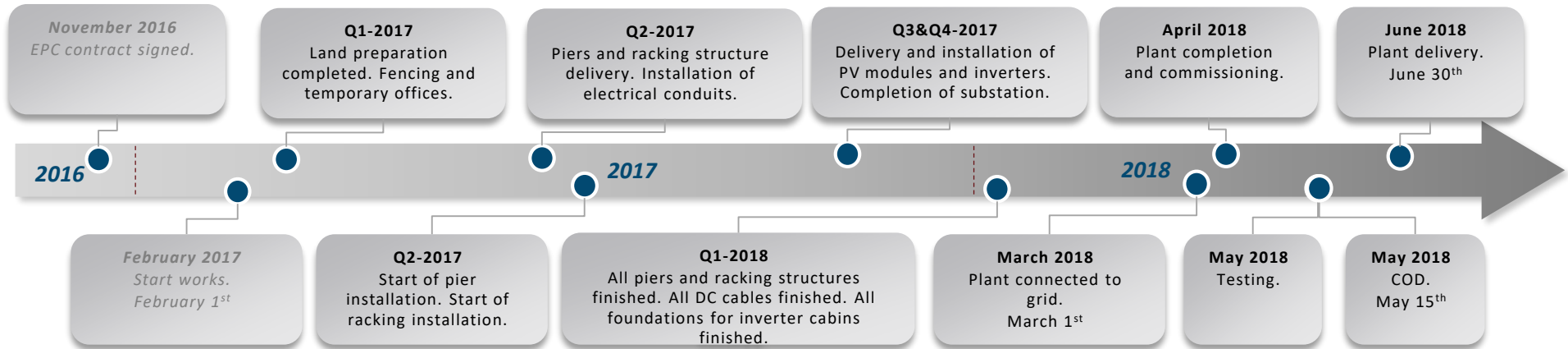
Shizukuishi	
Sites	1
Region	Iwate
Capacity	24.7 MW
Ownership	87%
Technology	Fixed-tilt
Module	Canadian Solar
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech
Irradiation Yield	1,088 kWh/kWp
Revenue Stream	FiT: ¥40/kWh Term: 20 years
Production	26.1 GWh/year
Total Project Cost	¥8.9Bn
Commencement of Operation	November 2016

# AOMORI – 9.5 MW UNDER CONSTRUCTION



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

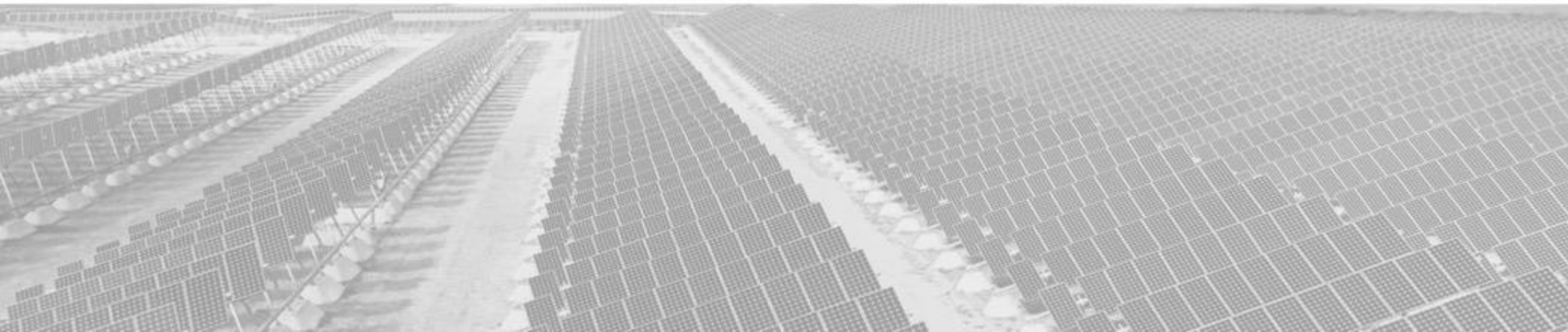
# KOMATSU – 13.2 MW UNDER CONSTRUCTION



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 BACKLOG & PIPELINE

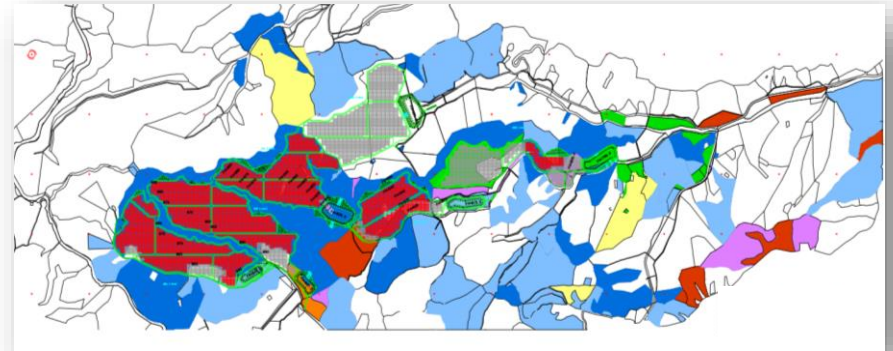
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# JAPAN – KUMAMOTO

<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

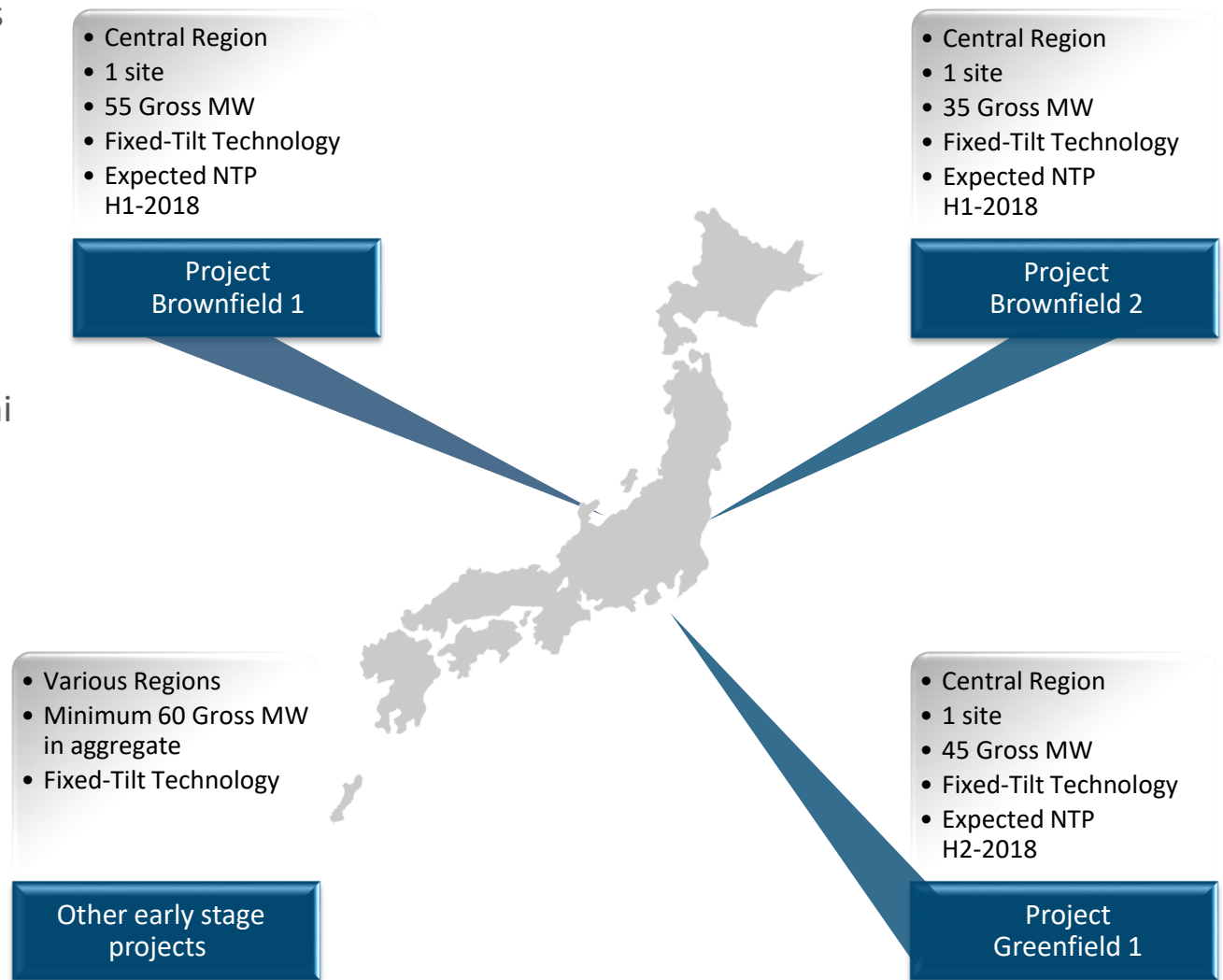


## Project Development Status

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

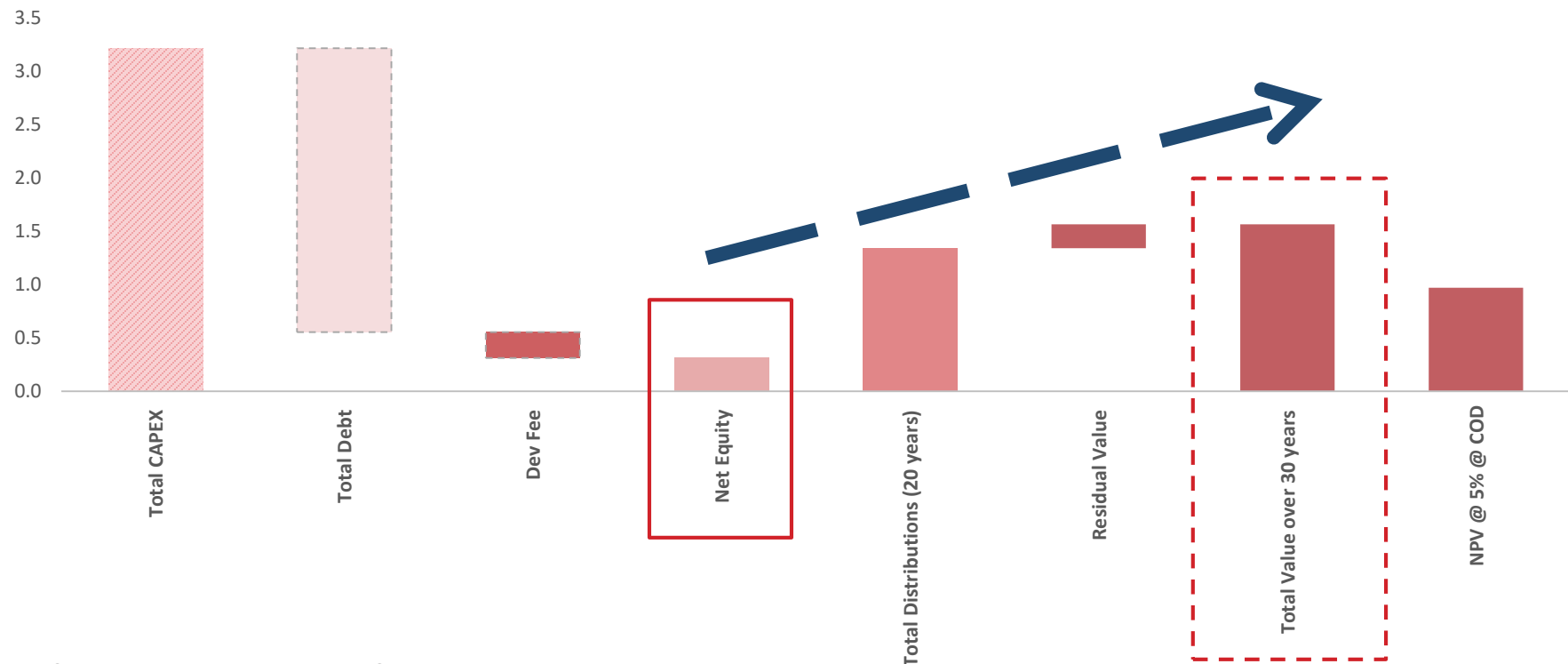
# PIPELINE UPDATE

- FiT program in Japan remains attractive for Etrion to advance existing projects to completion over the next 36 months
- Etrion continues to strengthen its development opportunities, working in close partnership with Hitachi
- Etrion is evaluating best strategy to continue to expand under a post FiT environment
- METI auction process to be implemented in 2017



# BUILDING VALUE IN JAPAN

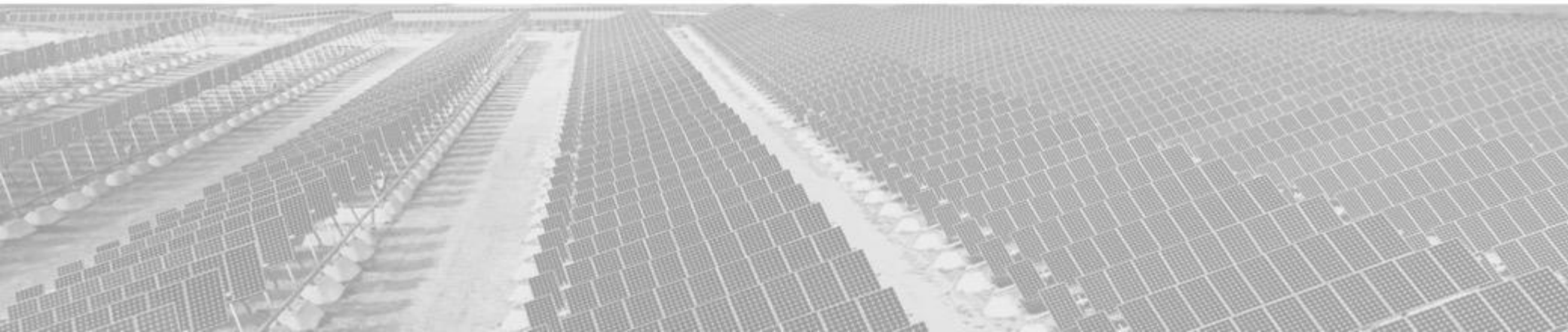
Example of Leveraged PV Project Value Creation – Undiscounted Cash Flows per 1 MWp Installed over Lifetime in Japan (in USD Million)



- Significant value creation for every dollar deployed
- Minimum equity needs due to attractive financing terms
- Each \$1 invested in Japan typically creates \$5 in total cash flows to Etrion over 30 years of operations, or around 3x times Etrion's initial investment assuming market discount rate of 5%

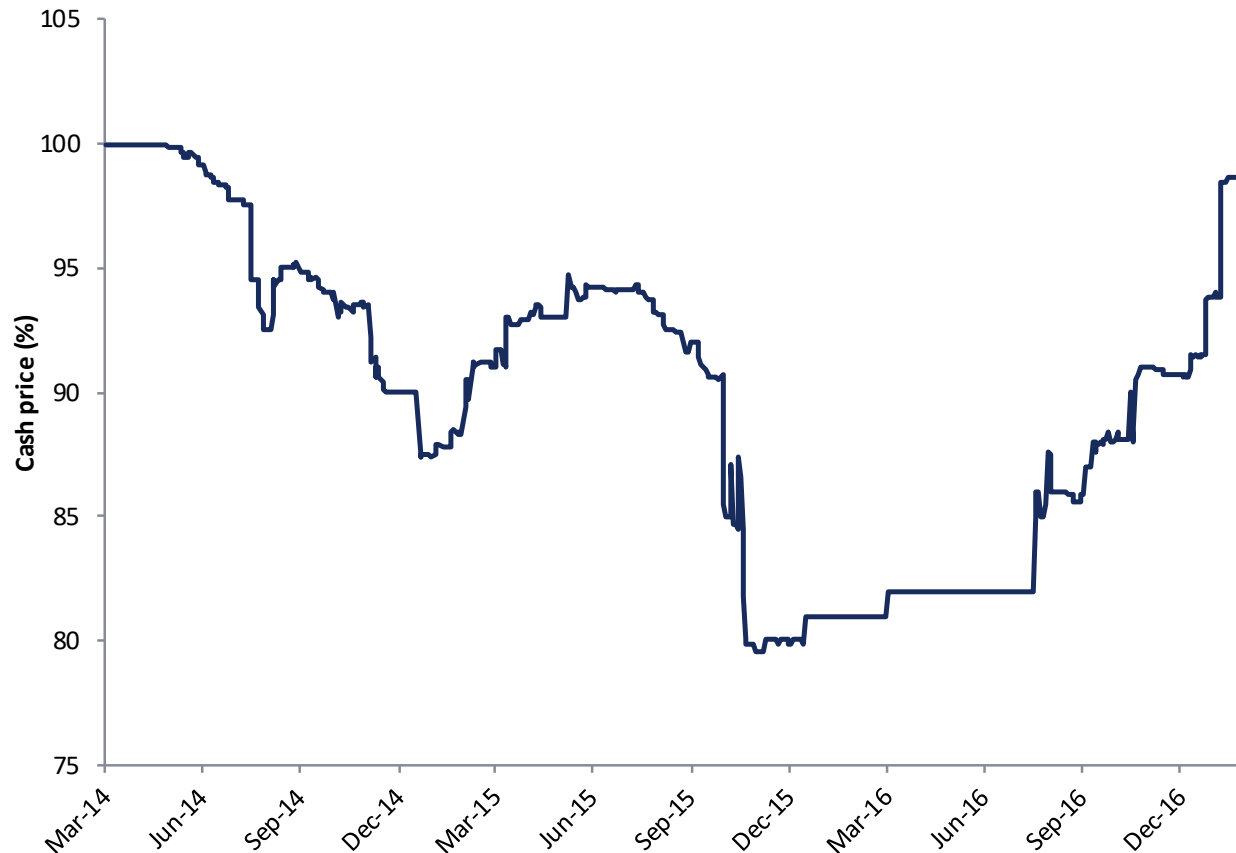
# CORPORATE BOND DISCUSSION

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# STATUS OF ETRION CORPORATE BOND

ETRION (ETXCN 8 04/23/2019)



€80 M bond raised on May 14, 2014

Bond traded at a discount despite Italy restructuring and Japan growth

Repurchase plan to acquire up to 50% oversubscribed. Investors received equal treatment

Since Dec 2016, several trades have occurred for an aggregate value of approximately €6 M

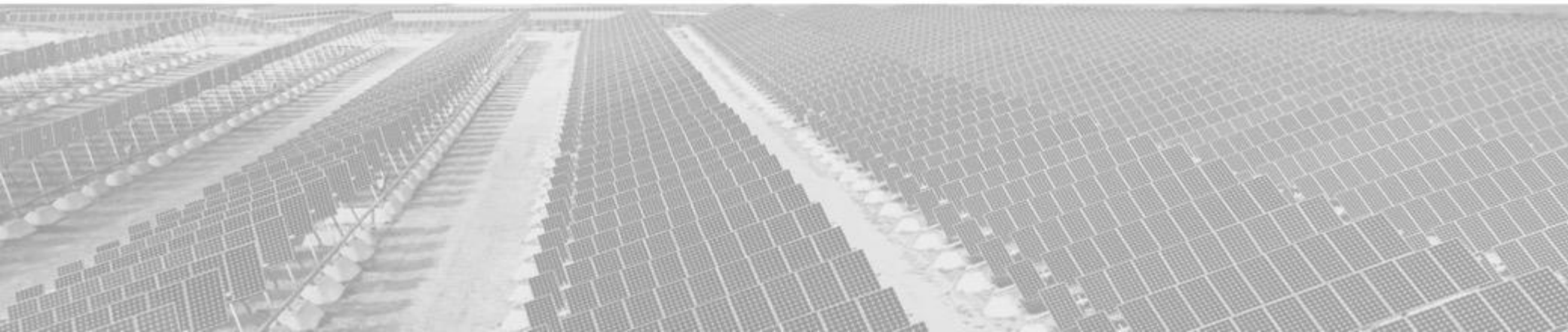
Currently bond trading at a premium confirming Company's strategy to sell Italy

Bond reduced from €80 M to €40 M. Management believes the balance of the bond is extremely well secured by cash on hand and value of Japanese business

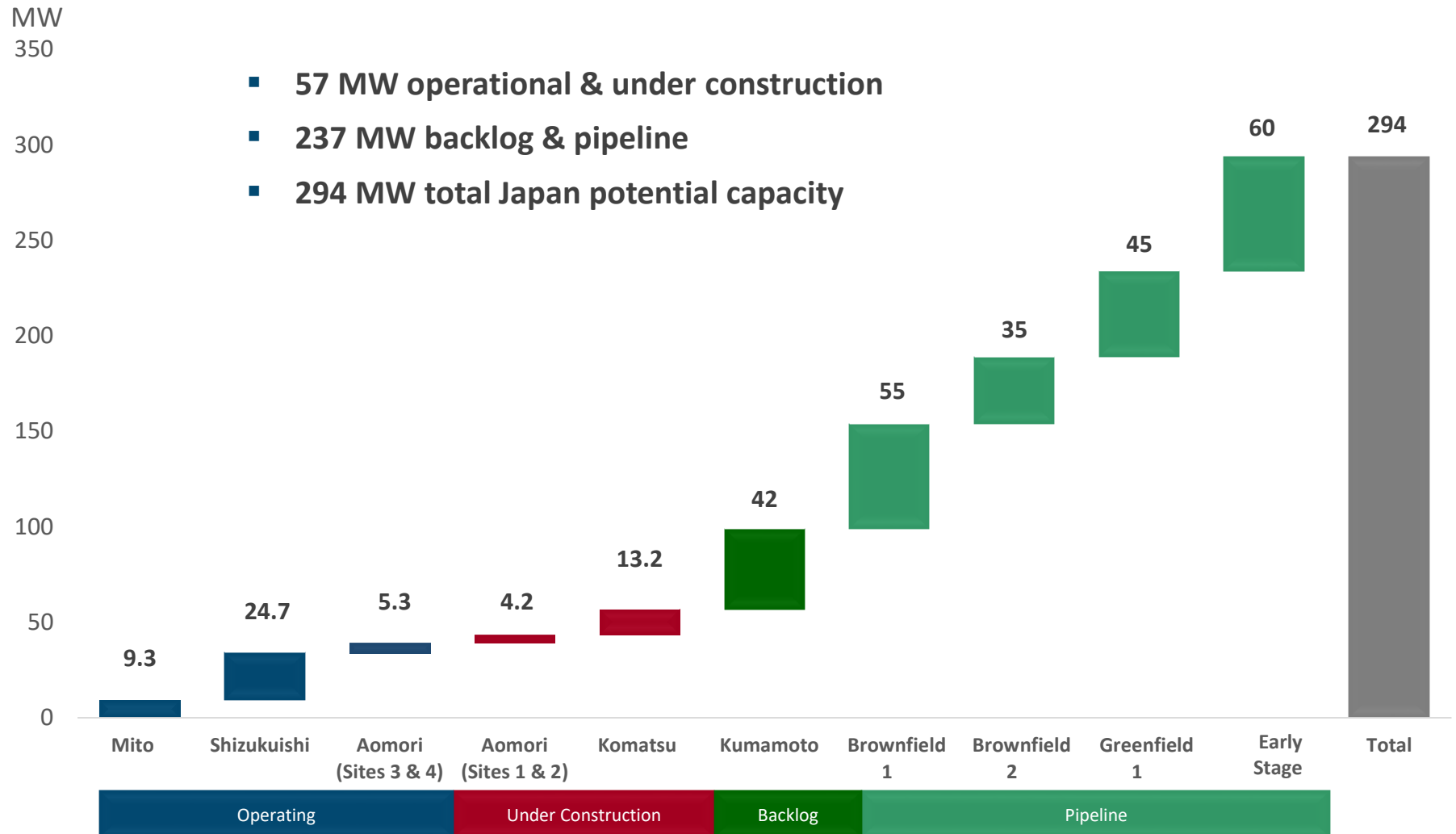
Remaining portion of Bond could be repaid from cash or bond refinancing supported by Japanese assets

# 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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- Exited 2016 with strong balance sheet after closing the sale of Italy
- Well positioned and committed to accelerate growth in Japan where we have highest economic returns per dollar invested and strong local relationships
- Unique partnership with Hitachi, one of the most recognized and reputable technology companies in Japan
- Visible and quantifiable pipeline to execute over the next several quarters
- Fully funded through 2018
- Great 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



# Q&A

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