



# TOWN HALL MEETING

STOCKHOLM, NOVEMBER 28, 2016





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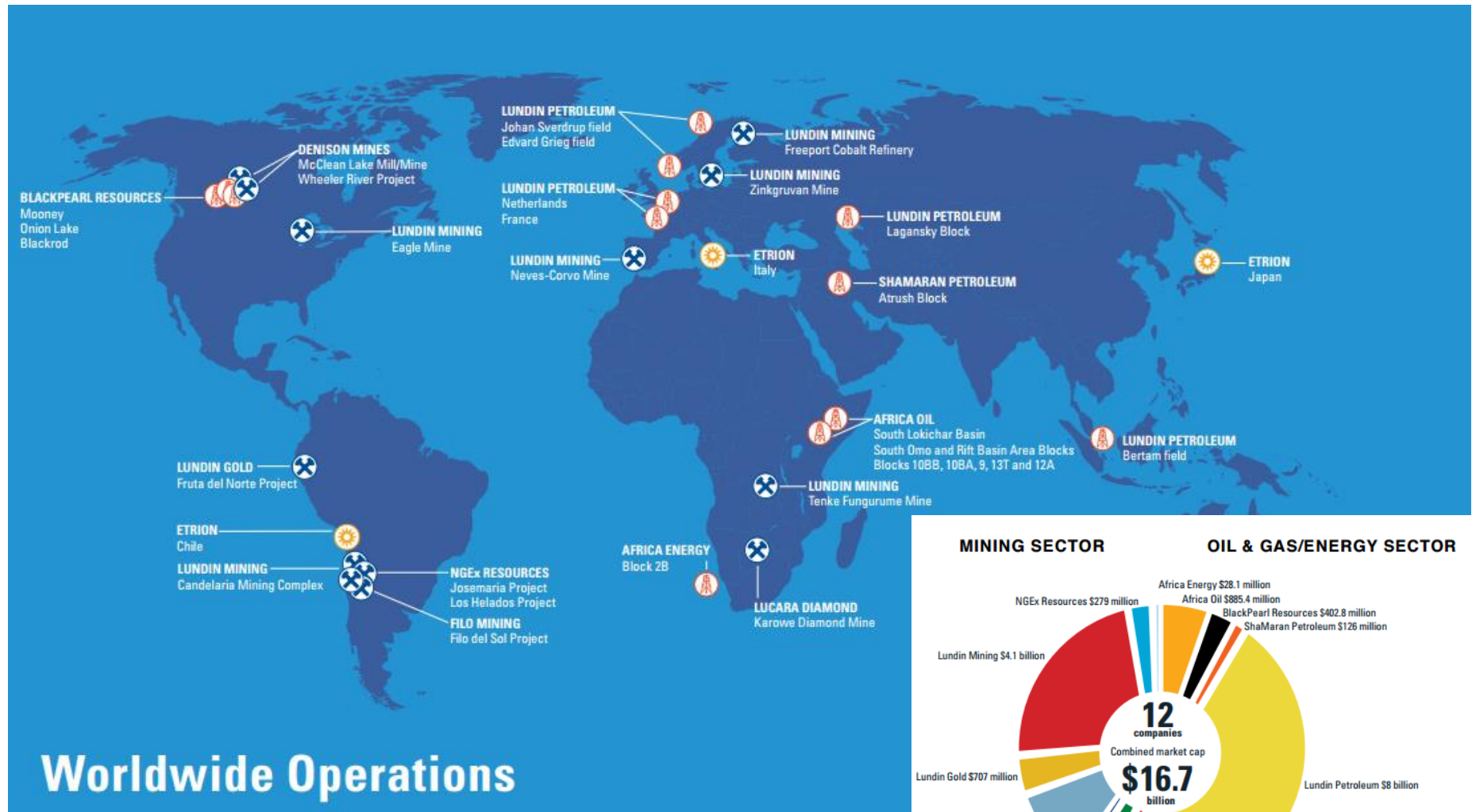
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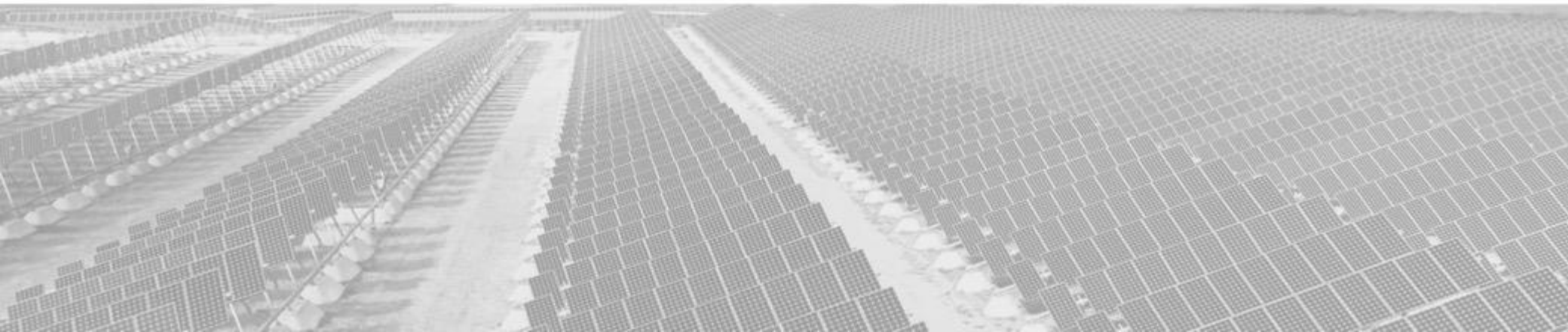
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# Etrion – The renewable platform of the Lundin Group



# OPERATIONAL UPDATE

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# Delivering solid operational results

- Revenues in Q3-16 reached USD 17.2 million, up 8% from Q3-15. Year to date revenues USD 43.7 million
- Clean electricity produced 208 GWh first 9 months
- 24.7 MW Shizukuishi, Japan reached COD in October 2016
- Commenced construction of 9.4 MW Aomori, Japan in Q4-16
- Signed project finance of 13.4 MW Komatsu, Japan last week
- Entered into an agreement to sell all Italian assets with expected gross proceeds between USD 82.7 million and USD 108 million, generating a gain between USD 55 million and USD 81 million
- Continue to advance pipeline in Japan of over 200 MWs
- G&A expenses in Q3-16 were 49% lower relative to Q3-15 or USD 1.5 million compared to nearly USD 3 million.
- Reducing Operational cost from US\$ 3.7 million to US\$ 3 million comparing first 9 months 2016 with same period 2015

**OMX: ETX**  
**Market Cap**  
*As of Nov 23, 2016*

**SEK 2.35**  
**SEK 781 million**





# Downstream player in the solar market



Montalto, Lazio, Italy – 24 MW Cassiopea

## ETRION VALUE CHAIN

Fully integrated development, structuring and operational core competence enabling Etrion to extract significant value over the lifecycle of the projects

# Solar – Sustainable long term asset class

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



Borgo Piave, Lazio, Italy – 3.5 MW Etrion Lazio (1)



Atacama, Chile – 70 MW Salvador (1)



Montalto, Lazio, Italy – 24 MW Cassiopea and 8.8 MW Centauro (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 committed to the environment

## Respecting host country's history and nature

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





# 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



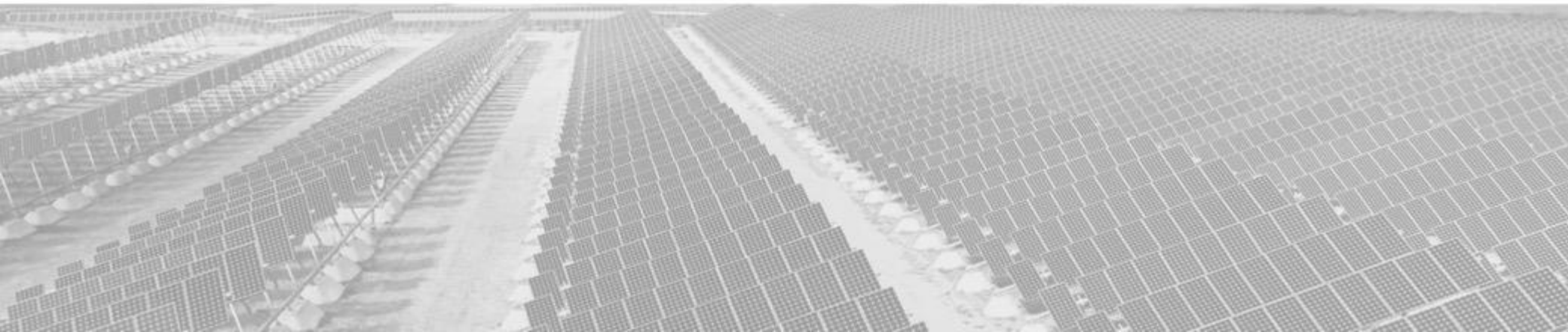
## Examples on community benefits

- 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



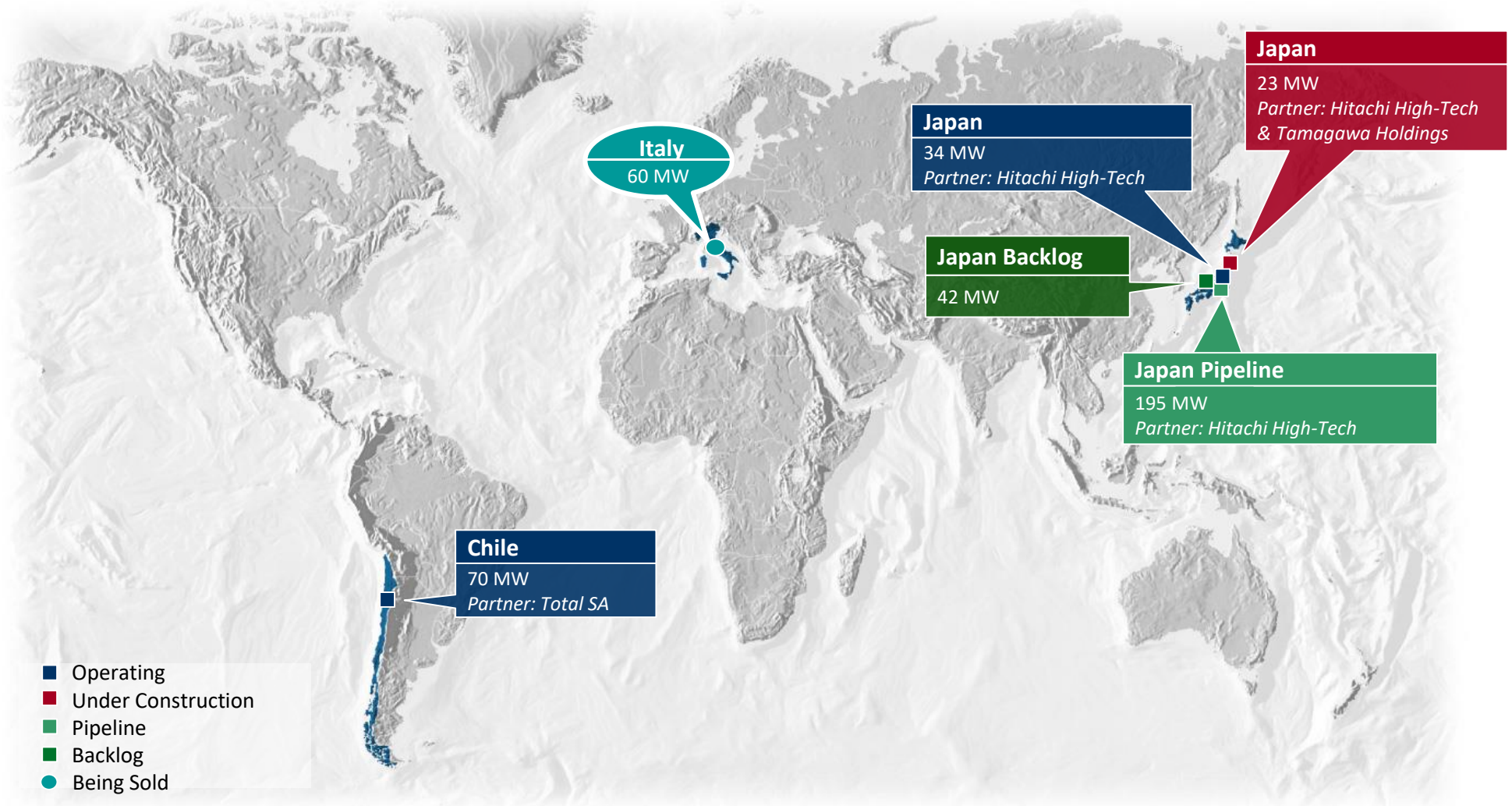
# ASSET OVERVIEW

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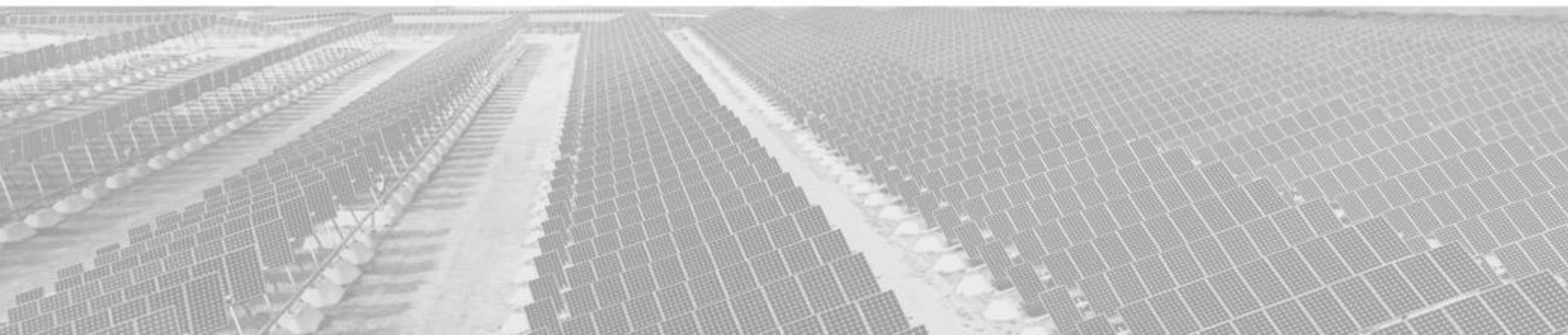


# Evolving strategy – Refocusing for growth in Japan



# ITALY

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# Italian operating assets – the assets being sold



Project	Sites	Capacity (MW)	Technology	Modules	Inverters	EPC/O&M Contractor
Cassiopea	1	24.0	Single axis	SunPower	SMA	SunPower
Helios ITA-3	2	10.0	Single axis	Yingli	Bonfiglioli	ABB
Centauro	1	8.8	Single axis	SunPower	SMA	SunPower
Helios ITA	7	6.4	Single axis	Solon	Santerno	Solon/ABB
Etrion Lazio	2	5.3	Fixed-tilt	Trina	SMA	Phoenix/SMA
SVE	3	3.0	Single axis	SunPower	Siemens	SunPower
Sagittario	1	2.6	Fixed-tilt	Trina	SMA	Phoenix/SMA
<b>Total</b>	<b>17</b>	<b>60.1</b>				

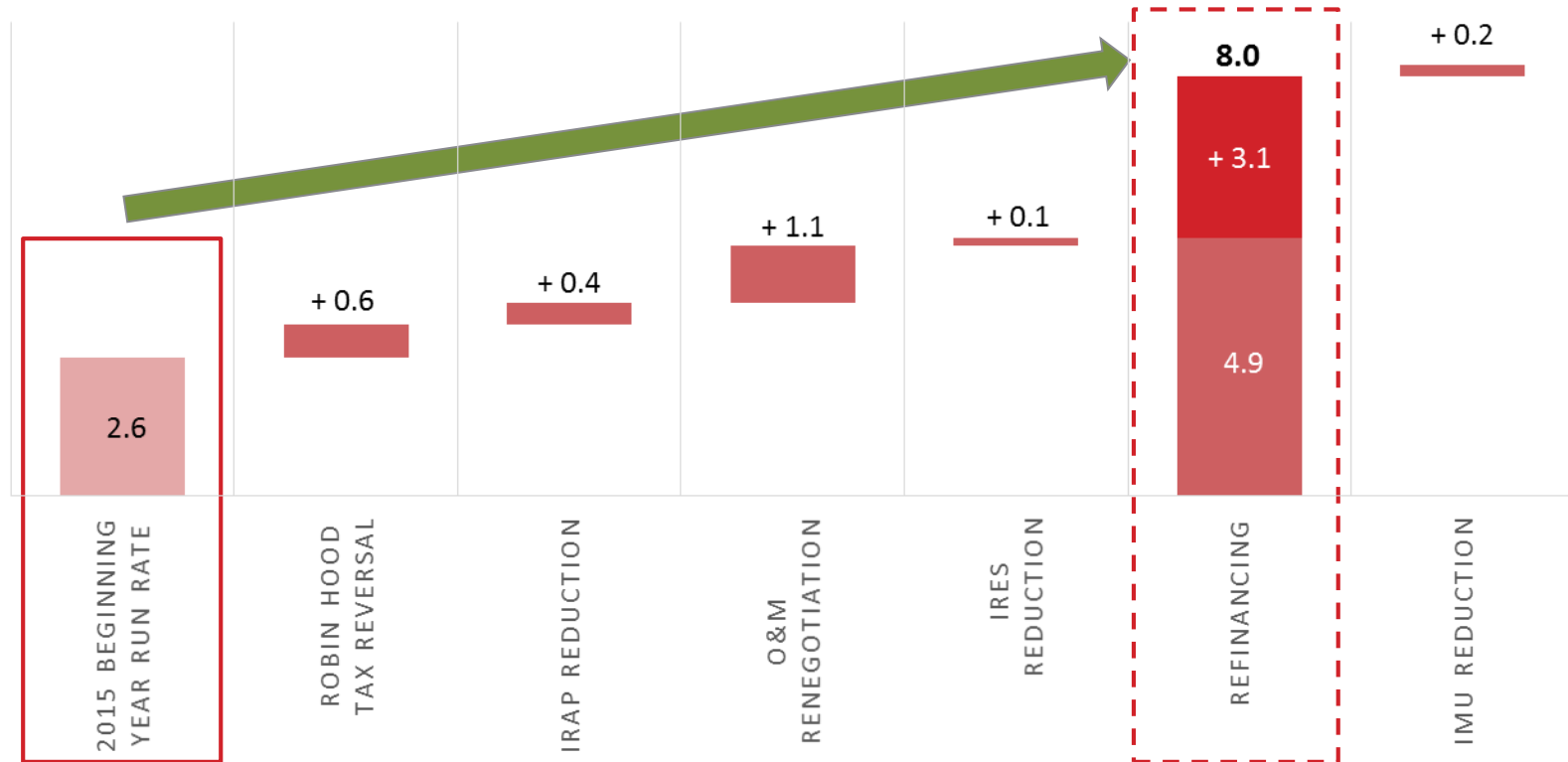
- 17 power plants
- 20-year FiT contract with 14 years remaining on average
- Debt refinancing to increase near-term cash distributions completed in December 2015

## Notes:

- (1) All projects are owned 100% by Etrion.
- (2) Power plant capacity is shown in megawatts (MW) on a direct current basis, also referred to as megawatt-peak.

# We first optimized operationally and financially

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



- Cash flow from operations increased from € 2.6M to € 8M per year as a result of (a) Financial Engineering, (b) Operational Optimization and (c) Tax / restructuring improvements
- Potential further improvements include: (a) Optimization of property tax (IMU) and (b) Investment tax credit reimbursement



# The sales process and its outcome

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- We identified all potential investors in Asia, Europe and North America
- A process was launched during the summer
- We short listed best offers in September and reached an agreement to sell the portfolio in October

- Key Highlights of the transaction

Purchase Price            € 78 million

Earn-outs - up to        € 24 million



Sales Price – up to € 102 million

Buyer                      EF Solare Italia, the joint venture between Enel Green Power and F2i fund

- The transaction is expected to result in a reported financial gain between €53 million and €77 million
- Expected closing between December 2016 and January 2017

# Transaction rational

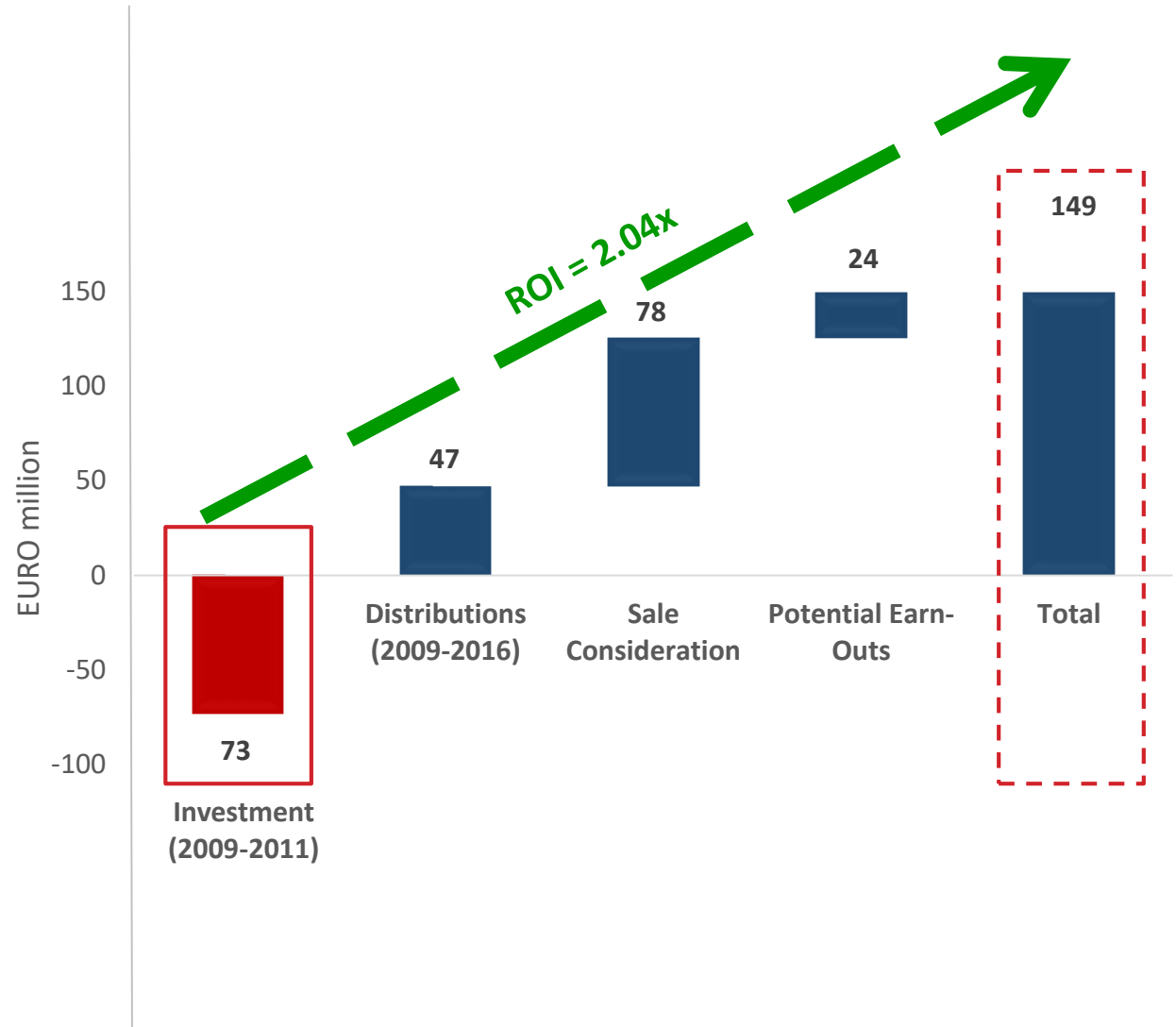
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- Etrion has effectively optimized the Italian portfolio, operationally and financially
- Company has significant growth opportunities in Japan with very attractive economics
- Recent regulatory changes in Japan have accelerated the need to deploy capital to lock in favorable project returns
- Recycling capital currently represents the best source for funding Etrion's growth in the near future while avoiding dilution
- Etrion has demonstrated a clear record of success in Italy and is targeting to replicate it in Japan
- The transaction provides flexibility to the company to also reduce its corporate debt



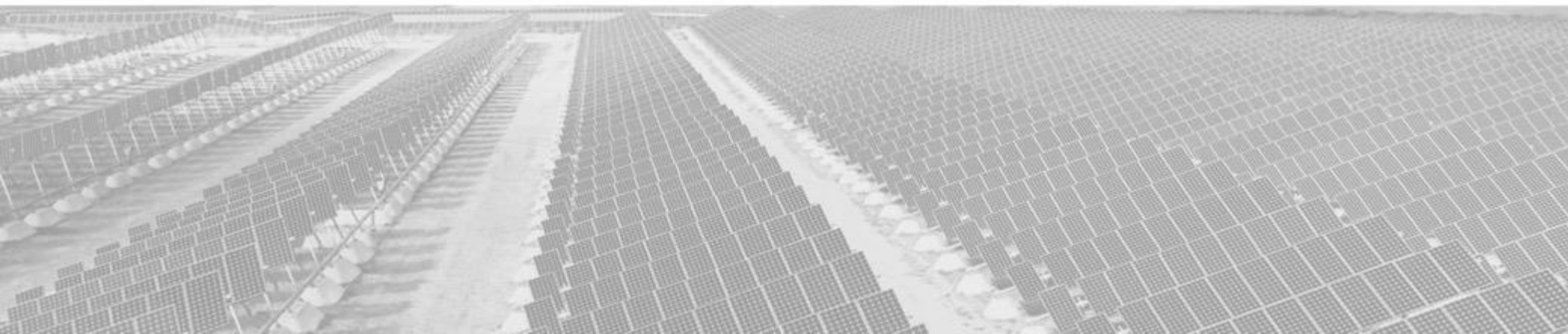
# Exiting Italy at significant premium

- The portfolio was fully optimized operationally and financial engineering point of view
- Cash flow from operations increased from EUR 2.6m to EUR 8m per year
- Significant interest for Etrion's Italian assets on the market
- Assets were well positioned to be transferred to lower cost of capital owner

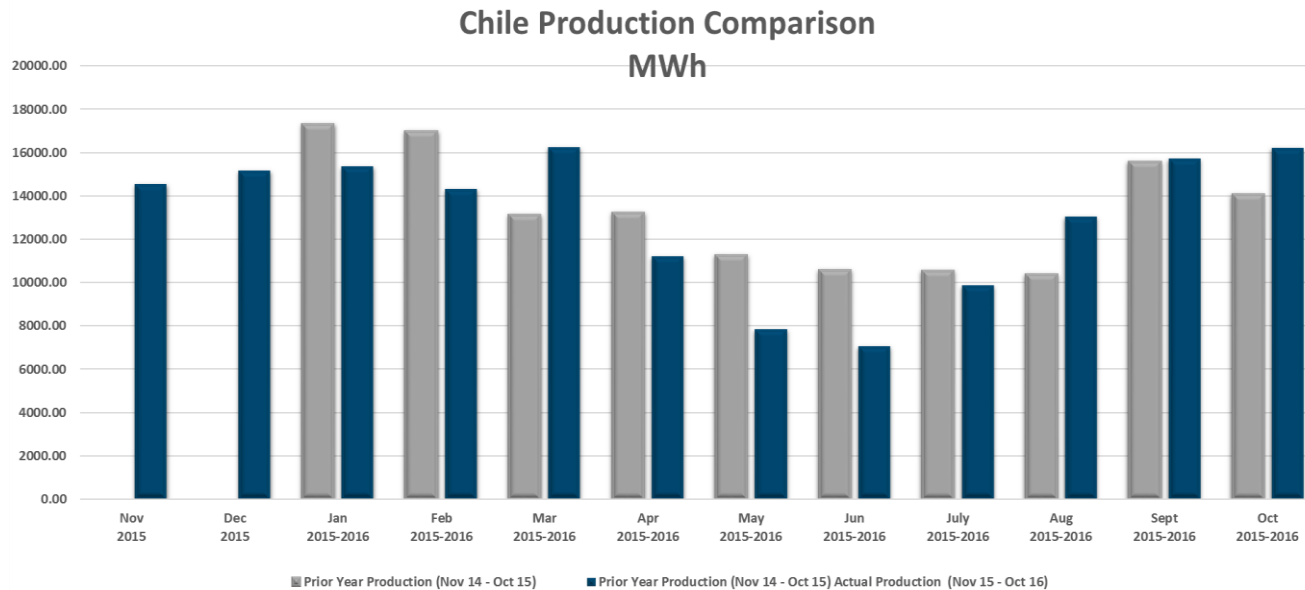


# CHILE

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# Chile – 70 MW project Salvador



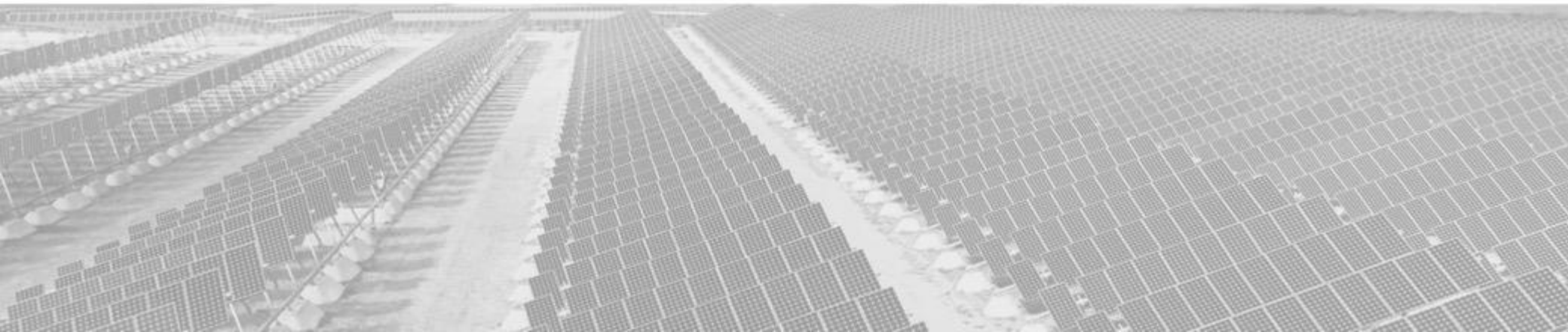
- Energy sufficient to power over 70,000 homes
- Eliminating over 150,000 tons of CO<sub>2</sub> per year
- 30 year operational life
- Project revenues covering operating costs. Potential upside when electricity prices recover





# JAPAN

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# Etrion's partnership with Hitachi

## Partnership highlight

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



**Hitachi High-Tech**

# Mito – 9.3 MW operational



Mito site 1



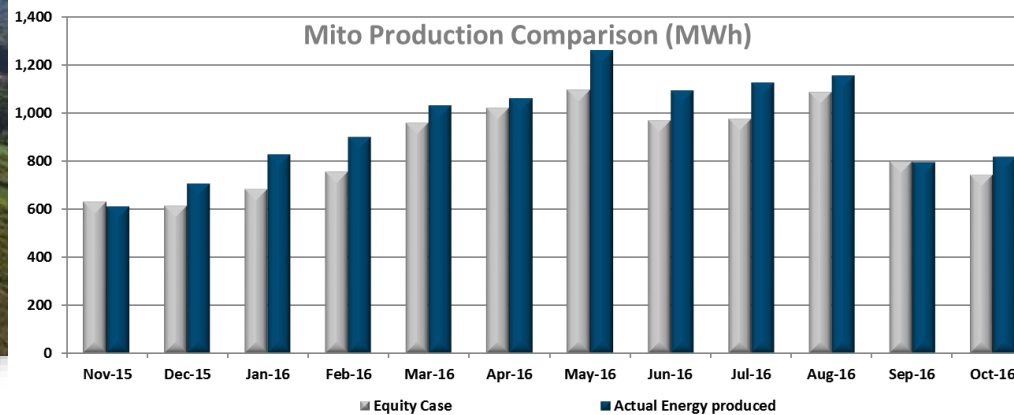
Mito site 2



Mito site 3



Mito site 4



Mito site 5



# Shizukuishi – 24.7 MW operational



General aerial view of full plant



View of the SW section of the plant



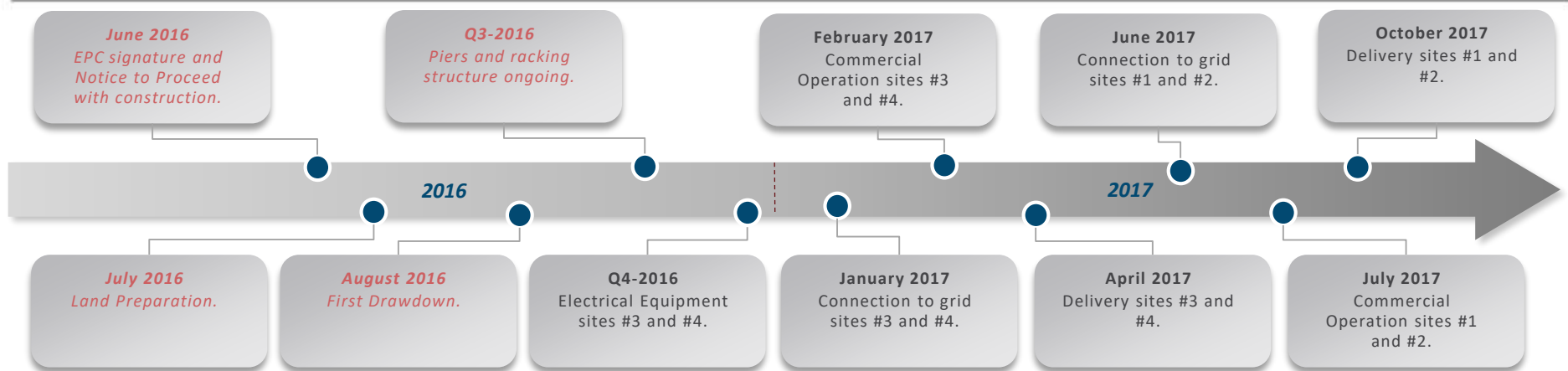
View of the NW section of the plant.



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

Shizukuishi	
Status	Operational
Sites	1
Region	North (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
Start of Construction	Q3-2014
End of Construction	Q3-2016

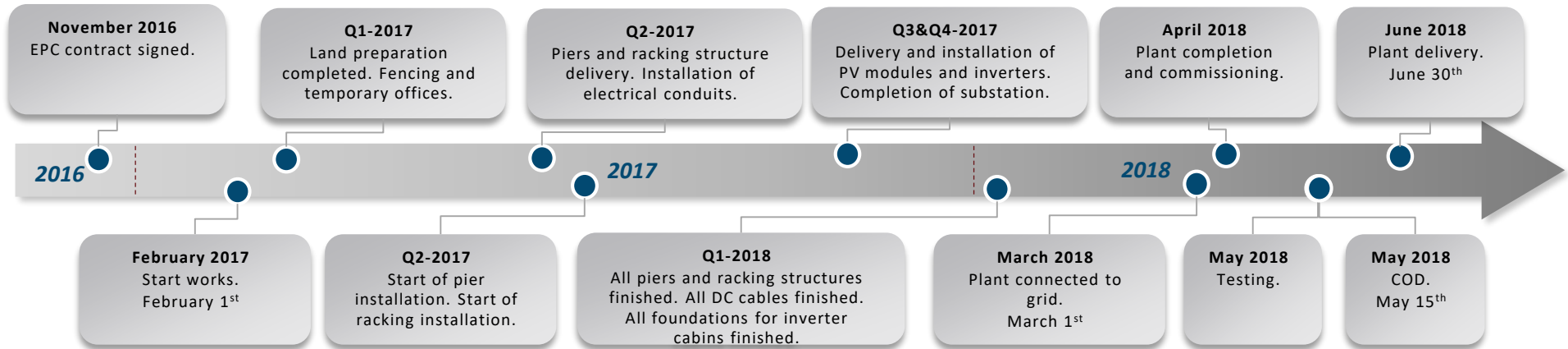
# Aomori – 9.5 MW under construction



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

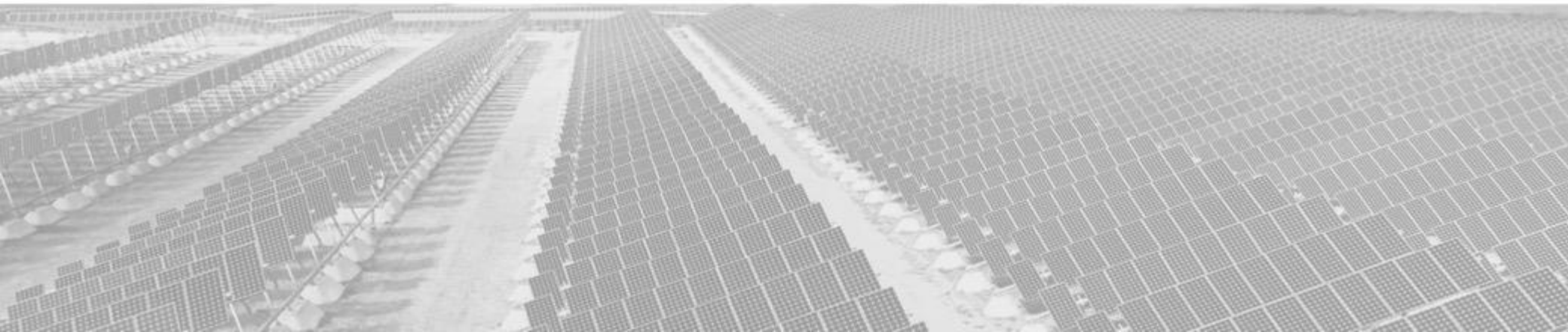


Komatsu	
Utility	Hokoriku
Capacity	13.2 MW
Ownership	85%
Technology	Fixed-tilt
Module	Canadian Solar
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech
Irradiation Yield	1,087 kWh/kWp
Revenue Stream	FiT: ¥32/kWh Term: 20 years
Production	14.2 GWh/year
Total Project Cost	¥4.3 Bn



# JAPAN BACKLOG

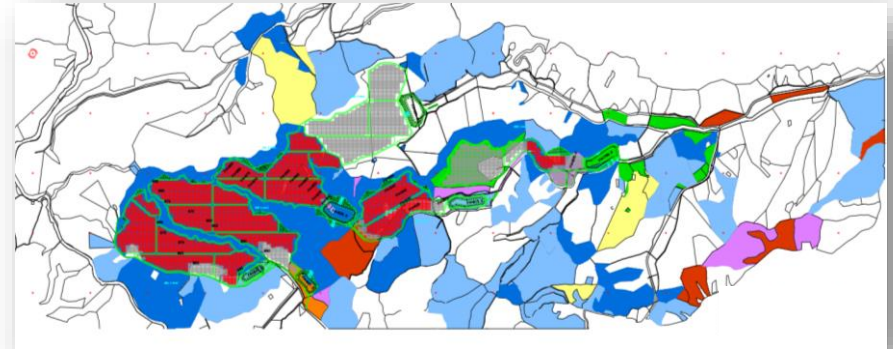
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# Backlog – Kumamoto

Size	40-50 MWp
Region	Kyushu
Revenue	FIT: ¥36/kWh
Stage of Development	Advanced
Irradiation	1,140 kWh/kWp
ETX share	85%
Expected: NTP / COD	NTP: Q2/Q3-2017 COD: Q2/Q3-2019
Developer	Uniroot - Local Developer
METI	FiT secured
Utility: Kyushu	Grid connection approved
Site Control: Lease	Land contract agreed
Permits	Forest development and agriculture conversion – under 2 <sup>nd</sup> Due Diligence

## Layout

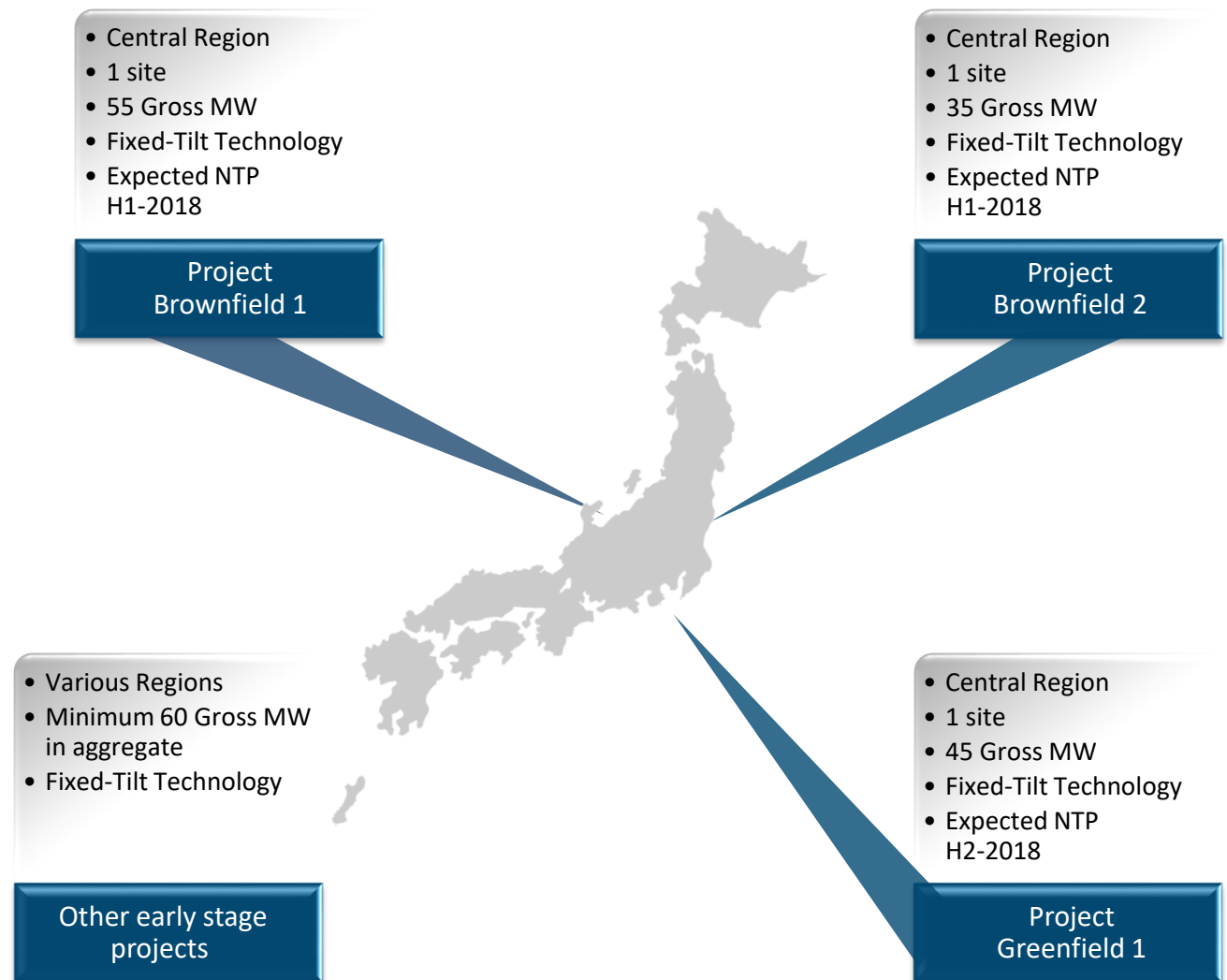


## Project Development Status

Issue	Status
Developer	Co-development agreement being renegotiated to postpone milestone payment of nearly \$5M
Land Contract	Land is undergoing 2 <sup>nd</sup> due diligence. We had to change the layout due to the permitting restrictions.
Utility interconnection line	Up to 30 days per year curtailment. Currently optimising the route of the private line to be constructed by the EPC. Grid connection contract with the utility is signed in July. No regulations are applied on this project.
Land Permits	Aim to submit forest development in Q1-Q2.
EPC & Lender	Working with Hitachi on optimising the cost of the EPC and the Civil works. Term sheets from lenders obtained.

# Japan pipeline overview

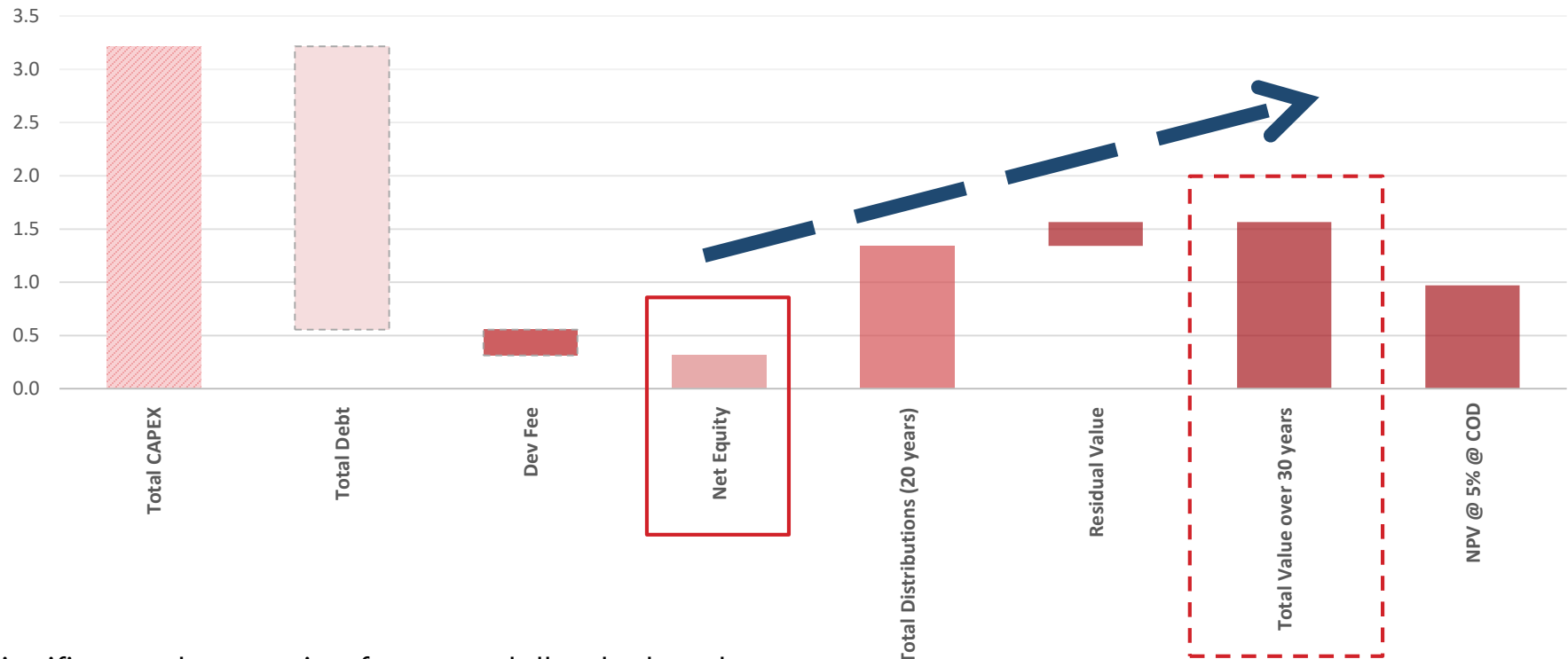
- FiT program in Japan remains attractive for Etrion to advance new projects to completion over the next 36 months
- Etrion continues to strengthen its development opportunities, working in close partnership with Hitachi
- Japan continues to deliver the strongest value creation for the company with project after-tax equity IRRs in the mid-teens and with options to exit at COD at IRRs within the 5-7% range, driven by the extended low yield environment





# 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)

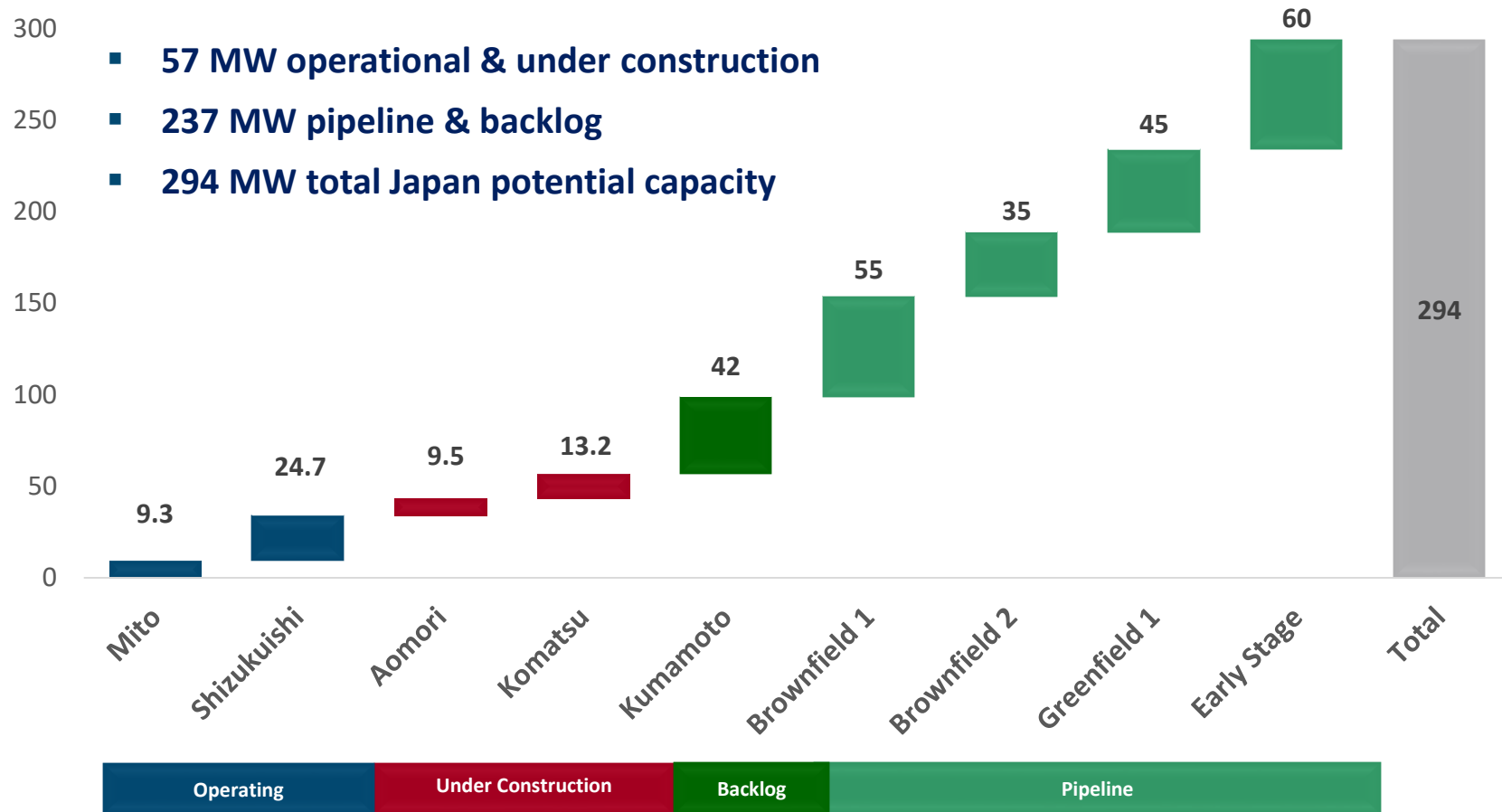


- Significant value creation for every dollar deployed
- Minimum equity needs due to recharge of structuring and development fees
- Each \$1 invested in Japan typically creates \$5 in total cash flows to Etrion over 30 years of operations, or around 3x times Etrion's initial investment assuming market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

# Current visibility for potential growth in Japan

MW  
350

- 57 MW operational & under construction
- 237 MW pipeline & backlog
- 294 MW total Japan potential capacity



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 position for growth

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- Exit 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 strongest local partnerships
- 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 2017
- Proven management track record in Japan delivering
  - 5 solar parks already operational
  - 5 solar parks under construction
  - An exciting pipeline
  - Great partnership with lenders, technology partners and local developers



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# CONTACTS DETAILS

## Etrion Corporation

40 SW 13 Street

PH-1

Miami, FL 33130

USA

Phone: +1 786-636-6449

Email: [info@etrion.com](mailto:info@etrion.com)

[www.etrion.com](http://www.etrion.com)

