



# Investor Call – Etrion Announces Agreement to Sell Italian Solar Portfolio

November 16, 2016



etrion



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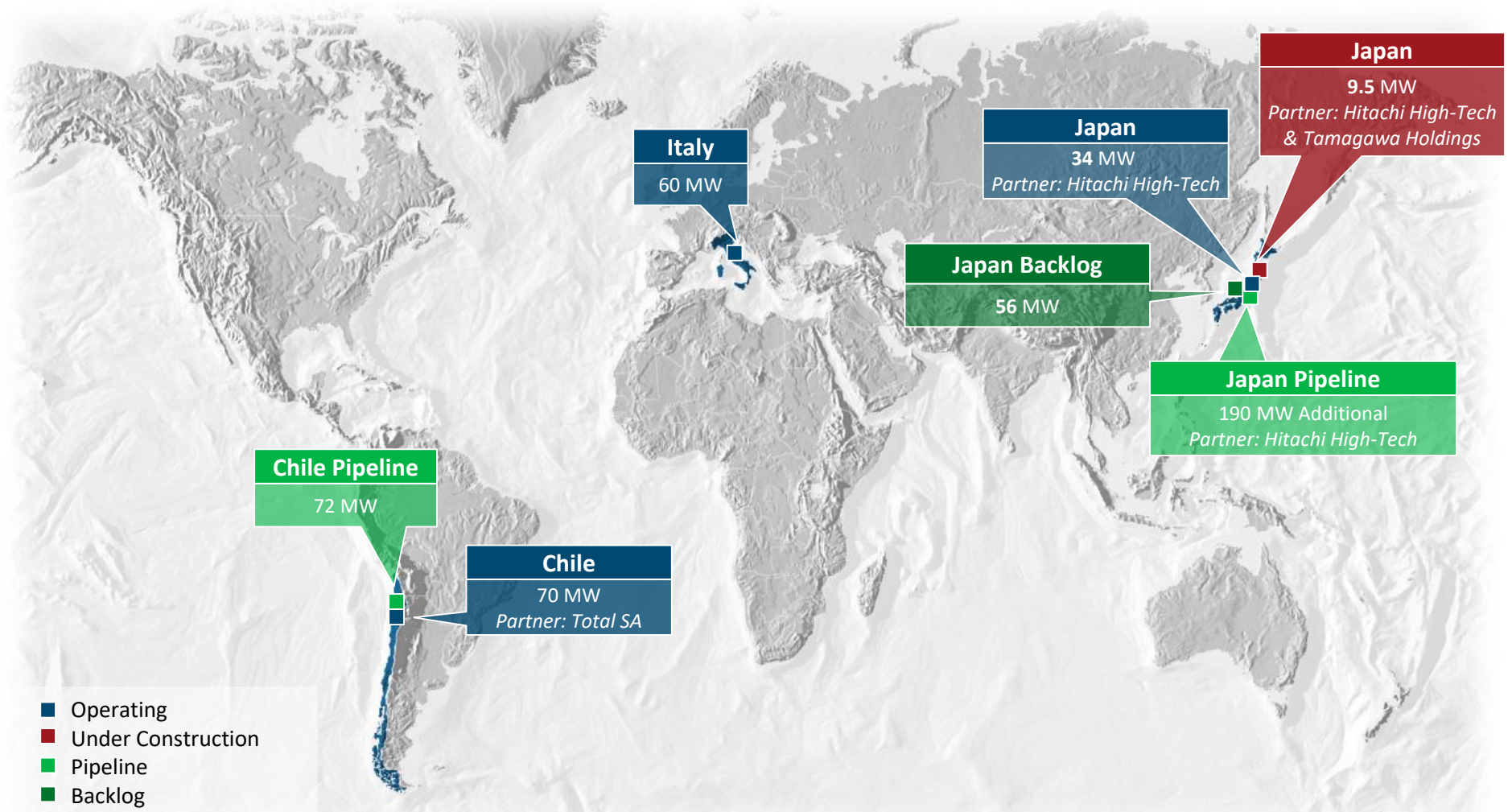
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# ETRION'S GLOBAL PLATFORM



# ITALIAN OPERATING ASSETS



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
Total	17	60.1				

- 17 power plants with predictable revenues and cash flow
- 20-year FiT contract with 14 years remaining on average
- Expected to produce more than 100 million kWh of electricity per year
- Central monitoring system provides real-time visibility into plant performance (scalable platform for growth)
- Cost reduction through renegotiation of O&M contracts completed in 2015
- 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.

# TRANSACTION SUMMARY

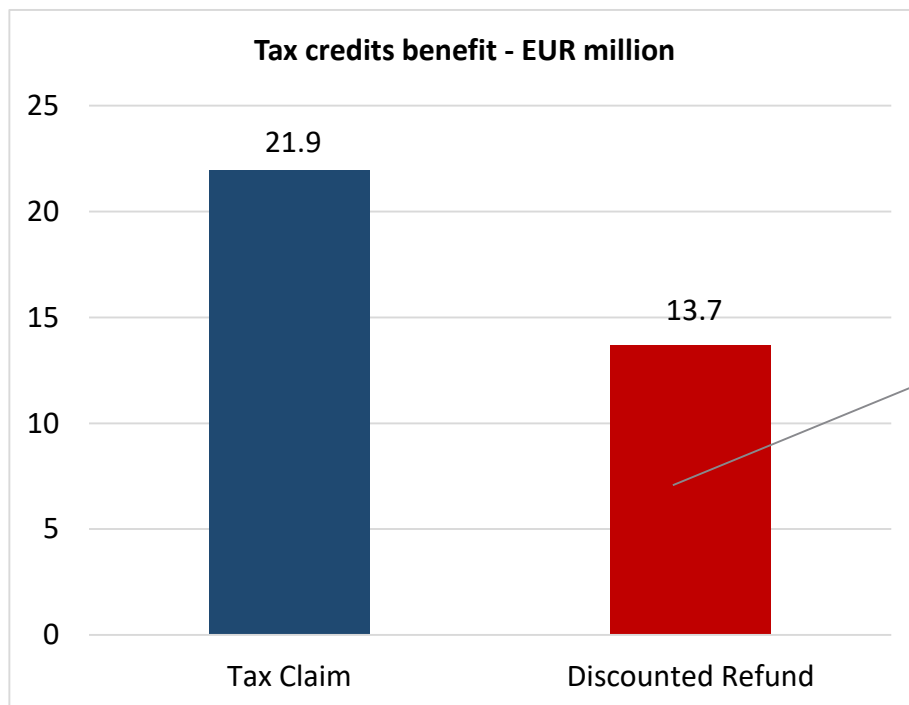
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- Etrion signed a Share Purchase Agreement to sell 100% of its Italian portfolio, totaling 60.1MW of operational PV assets, to Ultor, the joint venture between Enel Green Power and F2i fund
- Etrion will receive approximately EUR 78m in cash plus earn-outs
- First earn-out of up to EUR 12.3m is conditional on favorable outcome of a tax ruling applicable to some of the portfolio companies (“Tremonti Ambiente”). We will have more clarity on these rulings within 2017
- Second earn-out of up to EUR 11.4m is conditional on outcome of FIT reversal court constitutional proceedings (“Spalma Incentivi”). The court hearing is scheduled for Dec 6, 2016, with the decision to be released in the next 3-6 months
- The transaction is divided into two parts, the sale of the Etrion S.p.a Holdco with 53.4MW and the sale of rest of the portfolio Helios Ita with 6.7MW
- Each part of the transaction can close independently, depending on satisfying certain conditions precedent typical for this type of transaction, which include consent from current project lenders

## Rationale for the Transaction

- Company has significant growth opportunities in Japan with very attractive economics
- Etrion has demonstrated a clear record of success in Italy and is targeting to replicate it in Japan
- 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
- Etrion has effectively optimized the Italian portfolio, operationally and financially

# EARN-OUT 1:TREMONTI AMBIENTE UPSIDE OF UP TO EUR 12.3 M

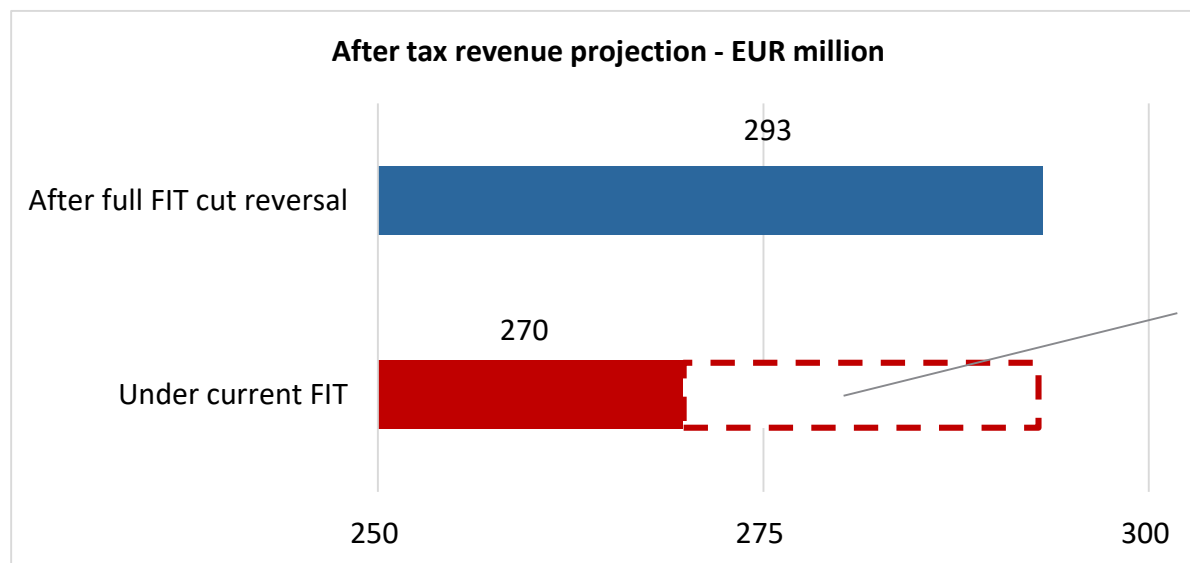


Etrion's earn-out represents a share of the tax refunds and of the Net Present Value of the future tax reimbursements. Etrion will have greater clarity on the timing of recovery in 2017

## **Tremonti Ambiente in detail:**

- Four of Etrion companies on sale qualify, according to the application of Law 388/2000, for investment tax credits of up to EUR 21.9m
- Etrion has filed claims for tax reimbursement for the both tax bills and for the future, and will have greater clarity on the timing of recovery in 2017
- Some of the tax claims may be recognized by the Italian Tax Authority as a cash refund, and some as tax benefit in the future
- In the case of a positive ruling, according to the Share Purchase Agreement Etrion will receive the cash refund, and the Net Present Value of future tax benefits, split between Etrion and the buyer at a certain percentage
- The total estimated amount of the Earn-out from Tremonti Ambiente is up to EUR 12.3m, depending on timing and form of the tax refund

## EARN-OUT 2: SPALMA INCENTIVITI UPSIDE OF UP TO EUR 11.4 M



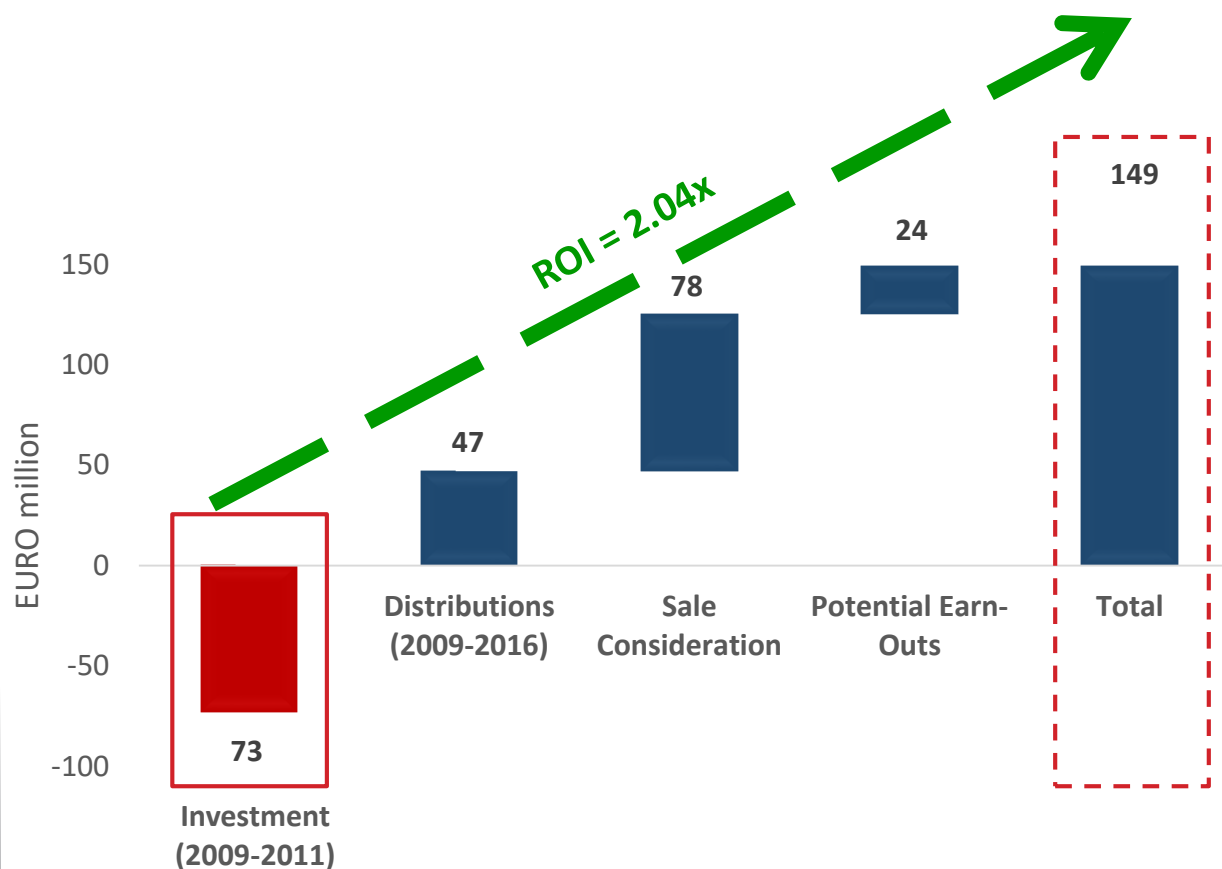
Etrion's earn-out represents a share of the Net Present Value from the FIT cut reversal upside. Etrion will have greater clarity on the timing of recovery in 2017

### Spalma Incentiviti in detail:

- Following the 8% FIT cut starting in January 2015, a constitutional court hearing about the FIT cut reversal is scheduled for December 6, 2016, with the decision to be released in the ensuing 3-6 months
- In the case of a positive ruling, according to the Share Purchase Agreement, Etrion will receive any potential historical refunds and the Net Present Value of the difference between the current FIT revenues and new (re-instated) FIT revenues, adjusted for corporate taxes
- The Net Present Value is to be split between Etrion and the buyer at a certain percentage
- The total estimated amount of the Earn-out from Spalma Incentivi FIT cut reversal is up to EUR 11.4m, depending on timing and form of the reversal

# ITALY PORTFOLIO VALUE CREATION

- Current Italian assets have been fully optimized from the operational and financial engineering point of view
- As of June 2016, Etrion completed all near-term portfolio enhancement initiatives in Italy through a combination of financial optimization, tax optimization, renegotiation of existing contracts and refinancing of senior debt on much more advantageous terms
- As a result, cash flow from operations increased from EUR 2.6m to EUR 8m per year
- Since 2015, there has been significant interest in Etrion's Italian assets on the market
- Assets well positioned to be transferred to lower cost of capital owner





# ESTIMATED PROFORMA GAIN ON SALE (UNAUDITED)

	EUR million
Total initial cash consideration	78
Shareholder Loan (“SHL”) Carrying value as projected closing date <sup>(1)</sup>	(7)
<b>Sale proceeds for share in Italian subsidiaries</b>	<b>71</b>
Assumed net asset value at date of disposal <sup>(2)</sup>	(17)
Goodwill on consolidation at date of sale <sup>(3)</sup>	(1)
<b>Gain on sale in Group’s accounts <sup>(4) (5)</sup></b>	<b>53</b>
<b>Additional contingent consideration and future upside <sup>(6)</sup></b>	<b>24</b>

1. The calculation assumes approximately EUR 7 million of shareholder loans outstanding as at the estimated date of closing the transaction.
2. The net asset value as of the estimated closing date will differ from that reported as of September 30, 2016, as Etrion will continue to recognize the results of its subsidiaries until the date control is transferred to the buyer.
3. Correspond to historical goodwill on acquisition of the Italian subsidiaries Cassiopea, Centauro and Helios ITA.
4. This is a calculation assuming the whole portfolio would have been sold at the same time as of September 30, 2016 and is before transaction costs.
5. Final gain on sale calculation will be made as of the date of the transfer of shares to the buyer; that is when Etrion will transfer the control to its subsidiaries (between now and January 2017).
6. This value is an estimate of the maximum amount of future payments relating to the two independent, contingent events described herein.

# USE OF SALE PROCEEDS

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Etrion expects to use the proceeds from the sale in the following ways:

- Build-out of backlog and pipeline
  - Investment to support and accelerate growth in Japan
  - Etrion needs approximately USD 300k in net equity per 1 MW developed, which in turn results in approximately USD 1.5m in cash inflow over the life of the project, or value creation of 3x investment when applying a Net Present Value calculation with a 5% discount rate
- General working capital, including G&A, corporate bond interest payments, etc.
- Corporate bond partial repurchase program
  - Timing, details of repurchase, etc. will be provided after Italian transaction is closed and proceeds are received

# JAPAN BACKLOG

## KOMATSU 13.2 MW

Size	13.2 MWp
Region	Hokuriku
Revenue	FIT: ¥32/kWh
Stage of Development	Advanced
Irradiation	1,100 kWh/kWp
ETX share	85%
Expected NTP / COD	NTP: Q4-2016 COD: Q2-2018
Developer	Etrion
METI	FIT secured
Utility: Hokuriku	Grid connection approved
Site Control: Leased	Land contract agreed
Permits	Completed

### PROJECT DEVELOPMENT STATUS

ISSUE	STATUS
Developer	Etrion has been developing this project from initiation.
Land Contract	Golf operator owns more than 60% of the site. Land is under exclusivity contract. Final public land related contracts are in process.
Utility Curtailment	Up to 360 hours curtailment per year. Interconnection is bordering the site.
Land Permits	Consultation with the local authorities done, no critical issues.
EPC & Lender	EPC contract finalized with Hitachi. Loan Agreement with Lender in final stages.

## KUMAMOTO 42 MW

Size	42 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	Local real estate developer
METI	FIT secured
Utility: Hokuriku	Grid connection approved
Site Control: Leased	Land contract in process
Permits	Forest development & partial agriculture conversion

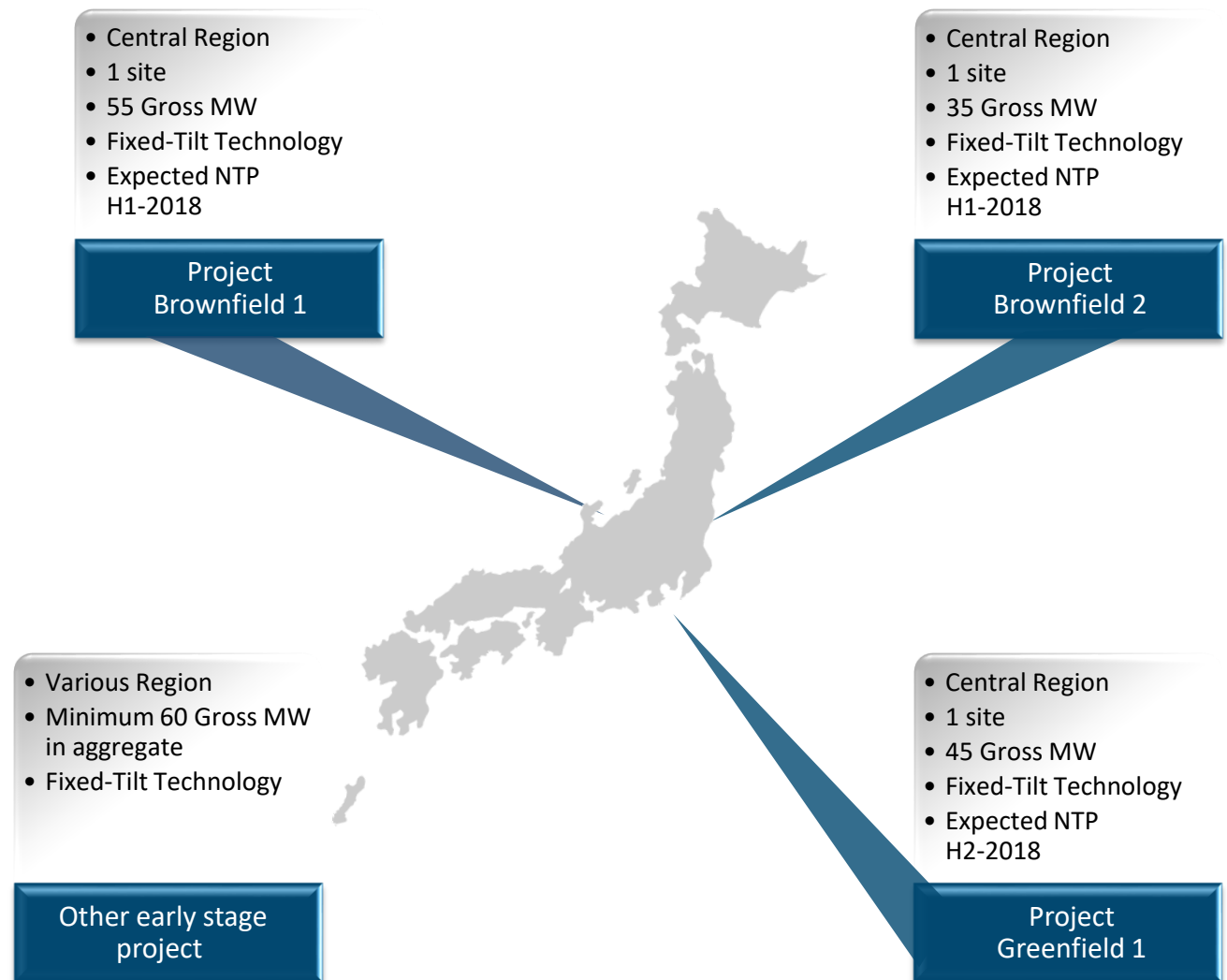
### PROJECT DEVELOPMENT STATUS

ISSUE	STATUS
Developer	Co-development agreement signed and project exclusivity secured.
Land Contract	98% of the land is secured and agricultural conversion is in progress.
Utility Curtailment	Up to 30 days per year curtailment. Currently optimising the route of the private line to be constructed by the EPC.
Land Permits	Under evaluation
EPC & Lender	Working with Hitachi on optimising the cost of the EPC. Term sheets from lenders obtained.

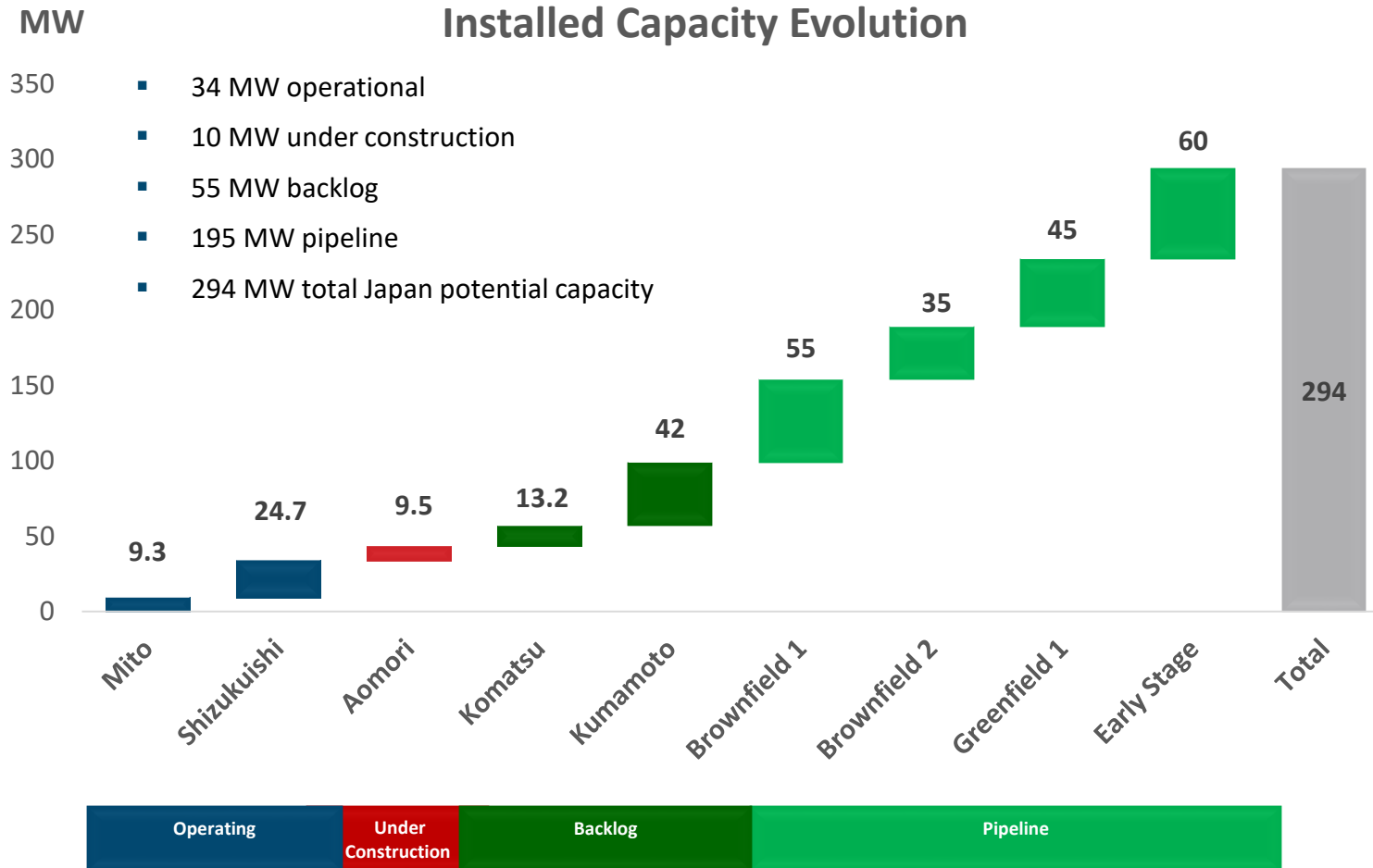


# JAPAN PIPELINE OVERVIEW

- FiT program in Japan remains attractive for Etrion to advance new projects to completion over the next 48 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



# JAPAN PROJECTS POTENTIAL GROWTH



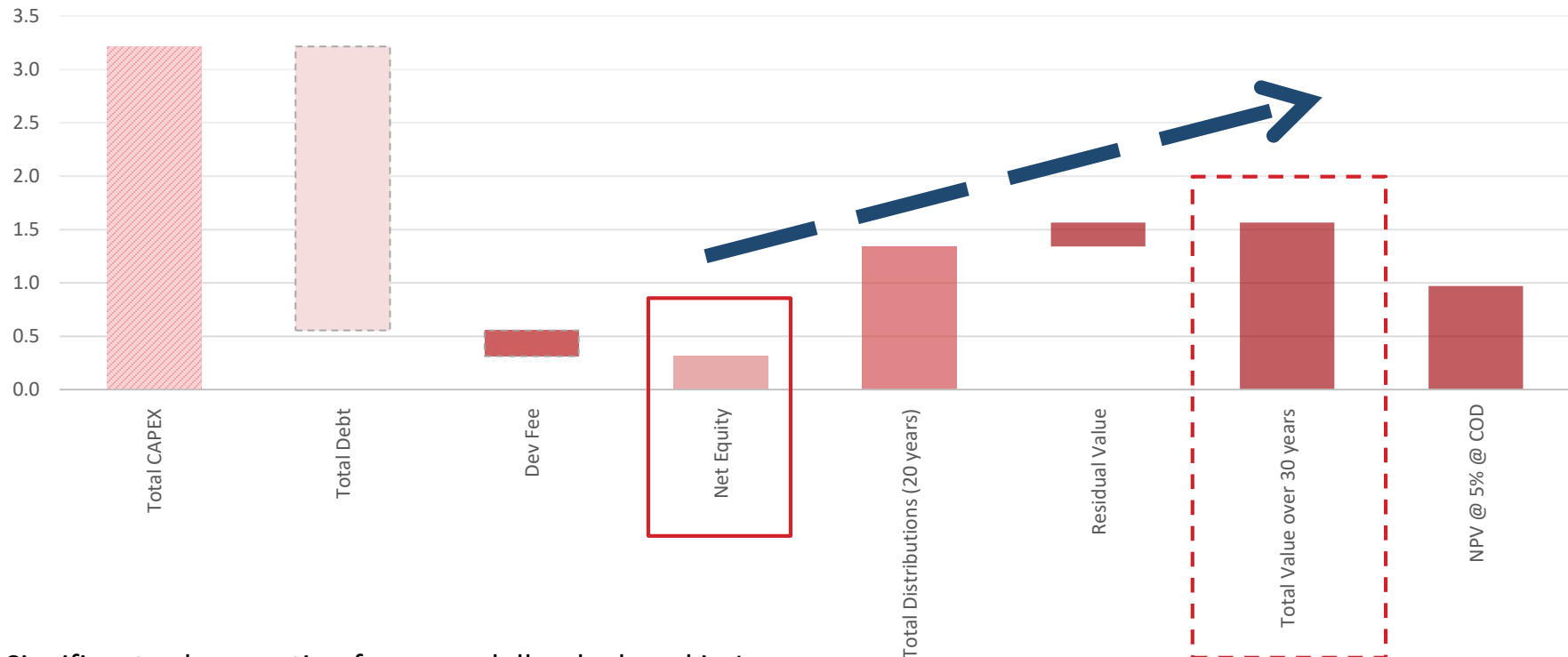
**Notes:**

(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.

# 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 to recharge of structuring and development fees
- Further upside potential due to REIT structure approved for solar projects in Japan
- 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%



# SUMMARY AND NEXT STEPS

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- Etrion has effectively optimized its Italian portfolio, operationally and financially. This sale transaction fully captures that value for our shareholders
- We anticipate closing Etrion S.p.A. prior to year-end and Helios Ita in January 2017
- Proceeds from the sale will enable Etrion to address several key corporate objectives:
  - Continue to develop and expand our exciting portfolio of solar power projects in Japan
  - Provide sufficient liquidity for the company to run its business without having to raise public equity for the foreseeable future
  - Strengthen the company's balance sheet by repurchasing a meaningful portion of our outstanding senior corporate bond

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# CONTACTS DETAILS

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