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Fourth Quarter and Full Year 2012 Earnings Call

March 12, 2012

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Operational Update

  

Company Overview

Overview

- Etrion is an independent power producer (IPP) that owns and operates renewable assets with 60 MWp of operating ground-based solar photovoltaic (PV) power plants
- Current operations in Europe with new growth expected in Latin America
- Focus is on power purchase agreements (PPAs) with industrial clients in Latin America complemented by high quality FiT environments like Italy
- Future growth driven by:
  - Markets with high electricity prices, large energy demand and abundant renewable resources
  - Markets with a strong mandate to diversify energy mix with attractive government incentives

Corporate Information

- Stock exchange listings: Toronto Stock Exchange in Canada and NASDAQ OMX Stockholm exchange in Sweden (ticker symbol, “ETX”)
- Shares outstanding: 205.7 million
- Market capitalization: CAD$80 million

  Net debt: CAD$360 million

  Enterprise value: CAD$440 million
- Major shareholder: Lundin family (22%)
- Corporate bond listing (€60 million): Oslo Alternative Bond Market

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Downstream Player

Raw material (poly) → Parts (modules, inverters) → Services (EPC, Engineering) → Development → Finance → IPP (build, own, operate)

EPC = engineering, procurement and construction

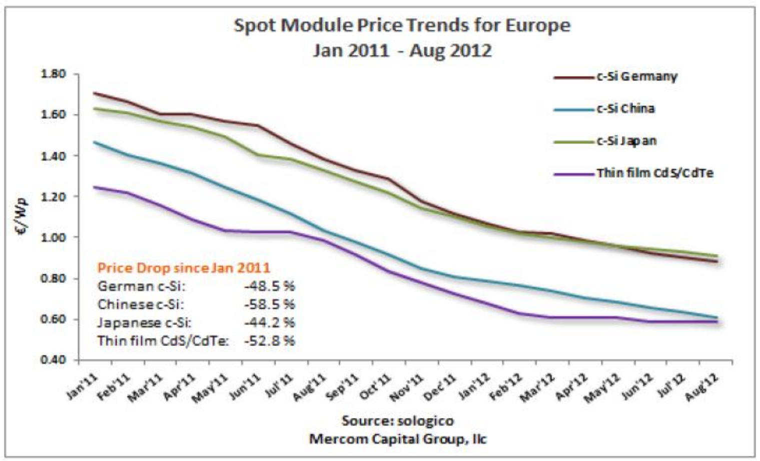
- Raw material (e.g., polysilicon) required to make wafers and ingots, which in turn are utilized for the construction of solar cells

- Solar cells are then assembled and packaged in order to form solar panels, which are used in the construction of the solar plant

- Third parties provide different services to the project sponsor such as EPC

- Solar facilities are developed in new markets
- Financing is secured with third parties
- EPC and operations and maintenance (O&M) contracts are negotiated and managed
- Renewable assets are owned and operated by the independent power producer (IPP)

Photovoltaic Module Price Curve In 2011/2012



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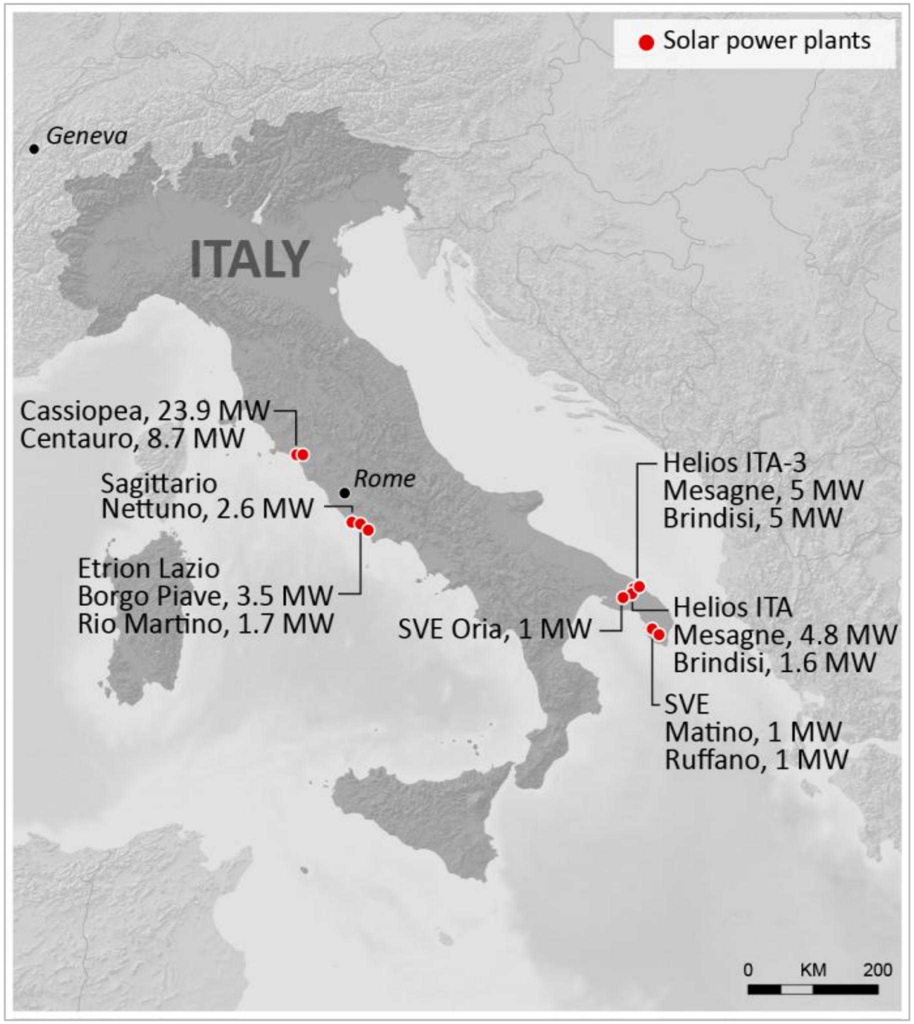
Value chain characteristics:

- Accelerated cost reductions upstream resulting in new markets reaching grid parity
- Predictable returns downstream

Strategic Direction and Growth Drivers

1. Enter new geographical regions
2. Complement FiT revenues with PPA revenues
3. Develop vertical market to serve large industrial clients
4. Diversify technology
5. Prepare platform for dividend distributions

Current Platform - Italy



(Currency: US$ million)

Project	MWp	Revenue	EBITDA
Cassiopea (Montalto, Lazio)	23.9	24.2	21.6
Centauro (Montalto, Lazio)	8.7	8.3	7.7
Helios ITA (Mesagne/Brindisi, Puglia)	6.4	6.3	5.4
SVE (Oria/Matino/Ruffano, Puglia)	3.0	2.9	2.5
Borgo Piave, Lazio	3.5	2.6	2.4
Rio Martino, Lazio	1.7	1.3	1.2
Helios ITA-3 (Brindisi, Puglia)	5.0	3.6	3.2
Helios ITA-3 (Mesagne, Puglia)	5.0	3.6	3.2
Sagittario (Nettuno, Lazio)	2.6	1.6	1.3
Total Operational	**59.8**	**54.4**	**48.5**

Notes:

1. All projects owned 100% by Etrion.

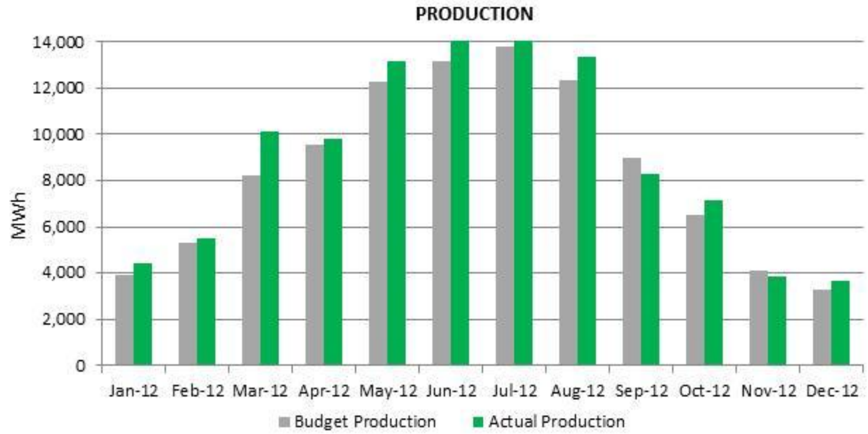
2. EBITDA = earnings before interest, taxes, depreciation and amortization (excluding internal management fees of approximately €1.1 million (US$1.4 million) per year).

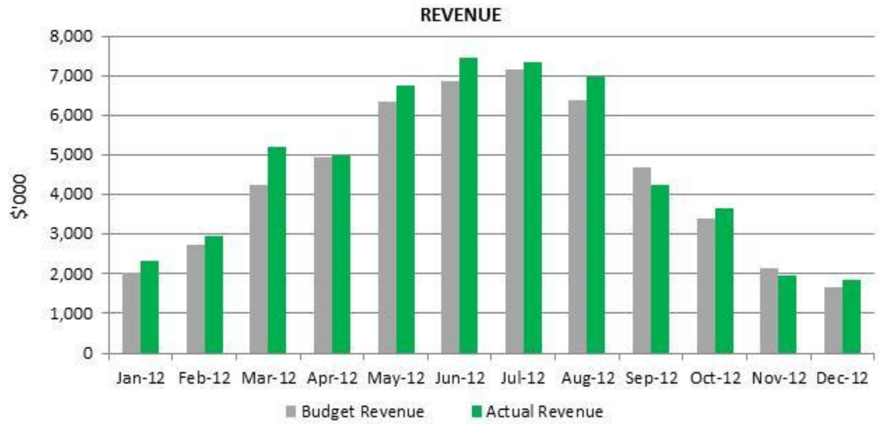
3. Revenues and EBITDA are annual estimates (based on expected results) generated in Euros translated at EUR/US$ = 1.3

4. Power plant capacity is referred to as megawatt-peak (MWp) on a direct current (DC) basis.

Operating Performance

2012 Revenue and Production





- The portfolio performed on average 6% above plan in 2012
- Produced 107.8 million kilowatt-hours (kWh) in 2012
- Proven track record of operational excellence (17 plants consistently performing above plan and exceeding covenant obligations)
- Asset management organizational structure to streamline operations, improve efficiencies and increase production
- Central monitoring system providing real-time visibility into plant's performance

Note

1. *Production fluctuation month to month is due primarily to solar irradiation seasonality. However, on an annual basis, solar irradiation in Italy varies less than 10%.*

Growth Plan – Chile

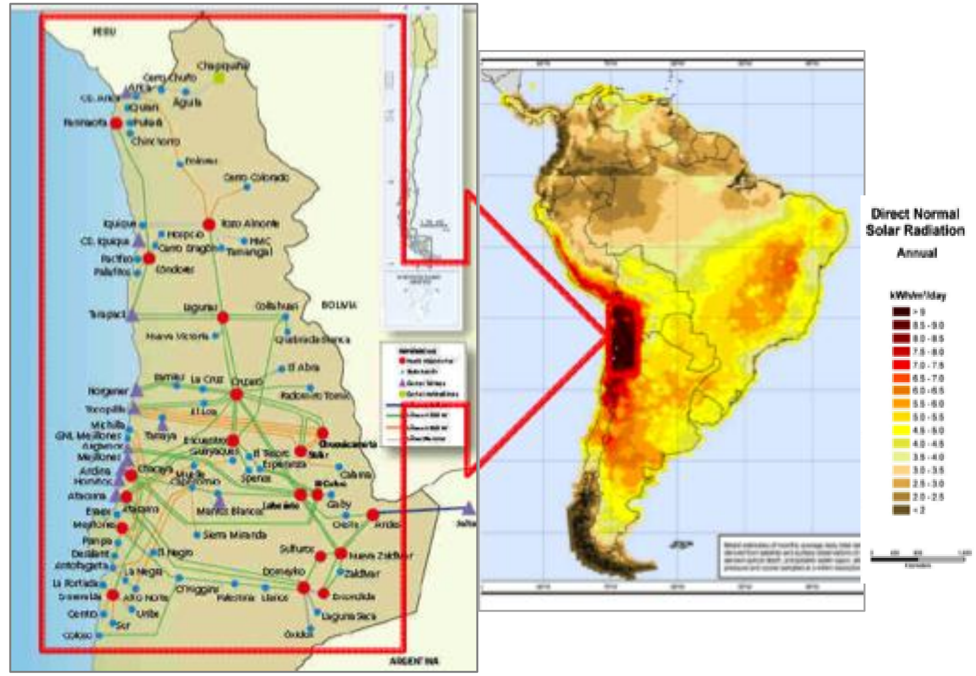
Overview

- Focus is on power purchase agreements (PPAs) with industrial clients in Latin America, initially Chile
- Leverage the Lundin Group (Mining and Natural Resources – to become a niche power generation player to the natural resources sector)
- Targeted several multinational mining companies to address power generation solutions
- Explore mini-hydro to complement solar portfolio
- Announced first project in Chile to develop, build and operate an 8.8 MW solar project, to provide electricity through a long-term take-or-pay power purchase agreement to a mining operation (PPA expected to be signed by the second quarter of 2013)

Market Validation

- Key drivers for success:
  1. stable revenues
  2. abundant renewable resources (i.e., attractive solar irradiation)
  3. high wholesale electricity prices
  4. low equipment prices
  5. available long-term low cost financing
  6. Increasing energy demand

* ***Consistent with Etrion's business model and proven track record of success***



- North Chile among highest solar radiation in the world (25% above Nevada / 50% above Spain)
- Module prices at all time low, with continued drop in price due to technology improvements and scale
- Mining growth in Chile to double by 2020 with very limited sources of energy to meet demand

Aguas Blancas Highlights

- **Ownership Structure:** 100% Etrion
- **Total project cost[1]:** $19 million (approximately)
- **Financing Structure[1]:**
  - 75% = Non-Recourse Project Finance (with local or international financial institutions)
  - 25% = Equity (Etrion)
- **Etrion's Total Cash Consideration / Equity IRR[1]:** $5 million / 14%
- **Project Economics[1]:**

Key Terms	
Capacity	up to 8.8 MWp
Construction / Connection	Q4-2013 / Q2-2014
Irradiation Yield	2,670 kwh/kwp
PPA Terms	Price: US$, CPI adjusted Term: 15-year
Revenue (2015)	$2.7 million[2]
EBITDA (2015)	$2.1 million[2]
Free cash flow (2015)	$0.5 million[2]

Note:

(1) Project economics and financing structure are subject to change as construction is not expected to commence until Q4-2013 and project financing is not yet secured. Financial model is based on best estimate.

(2) Revenue, EBITDA and free cash flow presented here, represents the amounts expected for the first year of operation.

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Financial Review

Fourth Quarter and Full Year 2012 Highlights

OPERATIONS

- Produced 107.8 million kilowatt-hours (kWh) of solar electricity (2011: 88.3 million)
- Produced approximately 6% more electricity than budgeted and 22% more electricity than prior year
- Implemented a new asset management organizational structure to further streamline operations, improve efficiencies and increase production

FINANCIAL

- Generated solar electricity revenues of US$55.7 million (2011: US$51.9 million)
- Recognized earnings before interest, tax, depreciation and amortization (EBITDA) of US$43.1 million / 77% margin (2011: US$28.5 million / 55% margin)

BUSINESS DEVELOPMENT

- Secured first project in Chile (8.8 MW), to provide electricity through a long-term take-or-pay PPA to a mining operation in the north of Chile, diversifying in terms of geography and contract regime

Fourth Quarter and Full Year 2012 Highlights

	Three months ended December 31		Twelve months ended December 31	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Revenue(1)	7,385	8,585	55,662	51,910
EBITDA(2)	3,576	(4,330)	43,131	28,502
EBITDA margin	48%	(50)%	77%	55%
Net loss	(7,292)	(19,795)	(8,458)	(26,289)
Adjusted net (loss)/income before non-recurring and non-cash items(2)	(2,351)	51	10,562	4,254
Operating cash flow(3) ($'000)	14,524	(9,728)	40,570	(2,153)
Working capital(3) ($'000)	17,703	20,114	17,703	20,114

2012 results were negatively impacted by foreign exchange, due to a weakening of the Euro against the US dollar (4% in the fourth quarter and 8% for full year)

Notes:

(1) Revenues are received in Euros and have been translated at the average €/$ exchange rate for the year ended December 31, 2012, of 1.28 (2011: 1.39). The average price per kWh produced dropped from $0.59 in 2011 to $0.51 in 2012, as a result of: (a) foreign exchange rate variations; (b) new projects being connected in 2011 with a lower FiT; and (c) a reduction to the spot market price in Italy, from €0.08 per kWh to €0.07 per kWh

(2) EBITDA and adjusted net (loss)/income before non-recurring and non-cash items are non-International Financial Reporting Standard (IFRS) measures

(3) Operating cash flow refers to cash flows before investing and financing activities and effects for foreign exchange rate differences. Working capital refers to current assets less current liabilities

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Financial Results

(US$'000)	Q4-2012 (Three months) 2012	2011	Variance	YE -2012 (Twelve months) 2012	2011	Variance
Revenue	7,385	8,585	(1,200)	55,662	51,910	3,752
Operating expenses	(3,682)	(1,795)	(1,887)	(6,320)	(3,490)	(2,830)
General and administrative expenses	(60)	(2,670)	2,610	(8,162)	(13,433)	5,271
Impairment	-	(9,672)	9,672	-	(9,672)	9,672
Other income	(67)	1,222	(1,289)	1,951	3,187	(1,236)
EBITDA[1]	**3,576**	**(4,330)**	**7,906**	**43,131**	**28,502**	**14,629**
Depreciation and amortization	(5,058)	(5,258)	200	(19,896)	(18,992)	(904)
Net finance costs[2]	(6,577)	(11,209)	4,632	(27,648)	(30,291)	2,643
Income tax expense	767	1,002	(235)	(4,045)	(5,508)	1,463
Net loss	**(7,292)**	**(19,795)**	**12,503**	**(8,458)**	**(26,289)**	**17,831**
Adjustments for non-cash item items:						
- Other income (exchange right)[3]	(4)	-	(4)	(1,375)	-	(1,375)
- Impairment[4]	-	9,672	(9,672)	-	9,672	(9,672)
- Equity-based finance fee[5]	-	3,246	(3,246)	-	3,246	(3,246)
- Liquidation damages[6]	(51)	(913)	862	(105)	(3,107)	3,002
- Insurance proceeds[7]	(178)	-	(178)	(178)	-	(178)
- EPC cancellation fee	-	(2)	2	-	185	(185)
Adjusted net loss before non-recurring[1]	**(7,525)**	**(7,792)**	**267**	**(10,116)**	**(16,293)**	**6,177**
- Depreciation and amortization	5,057	5,258	(201)	19,896	18,992	904
- Fair value movements (derivatives)[2]	(76)	2,368	(2,444)	225	239	(14)
- Share-based payment	193	217	(24)	495	1,105	(610)
- Termination and severance payments	-	-	-	62	211	(149)
Adjusted net (loss)/income before non-recurring and non-cash items[1]	**(2,351)**	**51**	**(2,402)**	**10,562**	**4,254**	**6,308**

Reclassification of G&A to operating expenses to better present financial results

EBITDA margin of 48% due to seasonality (2011: (50)%)

EBITDA margin of 77% (2011: 55%)

Notes:

(1) EBITDA and adjusted net loss before non-recurring items and adjusted net (loss)/income before non-recurring and non-cash items are non-IFRS measures

(2) At December 31, 2012, all of the Group's derivative financial instruments qualified for hedge accounting with only the ineffective portion of fair value movements included within profit or loss (within finance costs/income)

(3) Other income recognized in 2012, related to the conversion by the CEO of his previously held 10% equity interest in the Company's subsidiary, Solar Resources Holding Sarl (SRH), to adjust the previously recognized share-based payment expenses for the portion of the performance condition not met at conversion (in accordance with IFRS 2 *Share-based Payments*)

(4) Impairment losses of $9.7 million were recognized in 2011, related to the Group's oil and gas investments ($8 million) and development pipeline of solar power projects in Italy ($1.7 million)

(5) Equity-based financing fee in 2011 related to the 6.5 million shares issued to investment companies associated with the Lundin family related to the €28 million bridge loan that was fully repaid in November 2011

(6) Liquidation damages were received in 2012 and 2011, associated with operational issues encountered by an O&M contractor in 2012 and delays encountered by EPC contractors in 2011

(7) Insurance proceeds were received due to thefts experienced by one of the Group's solar power projects in 2012

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Financial Position

(US$'000)	YE-2012	YE-2011	Variance
Non-current assets	**385,166**	**408,144**	**(22,978)**
Property, plant and equipment and intangible assets(1)	366,827	377,778	(10,951)
Available for sale investments	2,061	2,061	-
Other assets (trade and other receivables and deferred tax)(2)	16,278	28,305	(12,027)
Current assets	**67,611**	**59,432**	**8,179**
Trade and other receivables(3)	29,861	19,776	10,085
Cash and cash equivalents (including restricted cash)(4)	37,750	39,656	(1,906)
Total assets	**452,777**	**467,576**	**(14,799)**
Non-current liabilities	**417,515**	**425,696**	**(8,181)**
Borrowings(5)	369,747	390,825	(21,078)
Other liabilities (derivatives, deferred income tax and provisions)(6)	47,768	34,871	12,897
Current liabilities	**49,908**	**39,318**	**10,590**
Borrowings(5)	30,024	16,030	13,994
Trade and other payables(7)	6,990	12,791	(5,801)
Other (derivatives, income tax and provisions)(6)	12,894	10,497	2,397
Total liabilities	**467,423**	**465,014**	**2,409**
Total equity(8)	**(14,646)**	**2,562**	**(17,208)**
Working capital (i.e., current assets less current liabilities)	**17,701**	**20,114**	**(2,411)**

Borrowings: $399.8 million
- Corporate bond ($80.1 million) at 9% with 4-year maturity
- Project loans ($319.7 million)

Negative equity position:
- Reflects highly leveraged business model
- Includes unrealized fair value losses associated with interest rate swaps of $22.7 million (excluding such losses total equity would have been positive $8 million)

Notes:

(1) Property, plant and equipment and intangible assets decreased due to depreciation and amortization, offset by costs capitalized associated with business development activities ($1.4 million)

(2) Other non-current assets decreased due to the reclassification of input value-added-tax (VAT) to current assets, offset by lower trade receivables at year-end (due to new projects being connected in 2011 with delayed collection of revenues)

(3) Current trade and other receivables increased due to the reclassification of input VAT from non-current assets

(4) Etrion is not yet cash flow positive. Further, operating cash flows do not exceed financing expenses (including interest and principal repayment). Cash flow from operations was $40.6 million during 2012 (2011: negative $2.2 million)

(5) Borrowings decreased due to repayment of self-amortizing non-recourse project loans. In addition, a portion of the VAT facilities were reclassified to current liabilities

(6) Other liabilities increased, primarily due to an increase in the liability position of the Group's derivative financial instruments (i.e., interest rate swap contracts), due to a lower forecasted Euribor curve

(7) Trade and other payables decreased primarily due to the conversion of the CEO's 10% equity interest in SRH, releasing the previously recognized liability of $5.3 million (€4 million) to equity

(8) Total equity includes share capital ($33.3 million), contributed surplus ($10.4 million), net losses associated with interest rate swap contacts ($22.7 million), net losses associated with currency translation adjustments ($0.2 million) and accumulated deficit ($35.6 million). Excluding the net losses associated with interest rate swap contracts, the Company's net equity would have been positive ($8 million) at December 31, 2012

Net Debt Position

Net Debt Position (IFRS)

(US$'000)	YE-2012	YE-2011
Borrowings		
Non-recourse loans		
Cassiopea (BIIS, Societe Generale and WestLB)	140,370	142,638
Etrion Lazio/Helios ITA-3/Sagittario (Natixis Portfolio)(1)	75,352	75,833
Centauro (Barclays)	50,736	52,402
Helios ITA (Societe Generale and Dexia)	37,214	41,216
SVE (Centrobanca)	16,032	16,374
Corporate debt		
Corporate bond	80,067	78,392
Total borrowings	**399,771**	**406,855**
Cash and cash equivalents (including restricted cash)(2)	(37,750)	(39,656)
Net debt position	**362,021**	**367,199**

Net Debt Position (Cash-flow basis)

(US$'000)	YE-2012	YE-2011
Borrowings		
Total borrowings (per consolidated financial statements)	399,771	406,855
VAT facilities(3)	(20,054)	(26,201)
Accrued interest(4)	(2,867)	(3,436)
Transaction costs(4)	10,952	11,586
Total borrowings (excluding non-cash items)	**387,802**	**388,804**
Cash and cash equivalents (including restricted cash(2))	(37,750)	(39,656)
Adjusted net debt position	**350,052**	**349,148**

Notes:

(1) Natxis portfolio includes Natixis, WestLB and Mediocreval

(2) Restricted cash relates to cash and cash equivalents held at the project level that is restricted by the lending banks for future repayment of interest and principal and working capital requirements related to the specific project.

(3) VAT facilities are excluded from total borrowings as this is a cash-in/cash-out item (i.e., VAT facilities will be repaid using proceeds from input VAT)

(4) Borrowings per the consolidated financial statements include accrued interest, net of transaction costs, in accordance with IFRS. These non-cash items are excluded from total borrowings to calculate the Group's net debt position on a cash flow basis

Conclusion – Etrion Well Positioned for Growth

- **Transformation** of the business to a sustainable growth platform
- Credible plan to achieve **diversification**
  - Geography – Europe and the Americas
  - Contract regime – FiT complemented by PPAs
- Clear path to reach **critical mass** and option for **dividends**
- Business model evolving to **non-subsidy environment** resulting in sustainable long-term growth
- Vertical market focus to address the **mining sector**
- **Strong management** and **scalable platform** with proven track record for success

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