

# Q3-2017 Earnings Call

November 14, 2017



Misawa site 1

etnion

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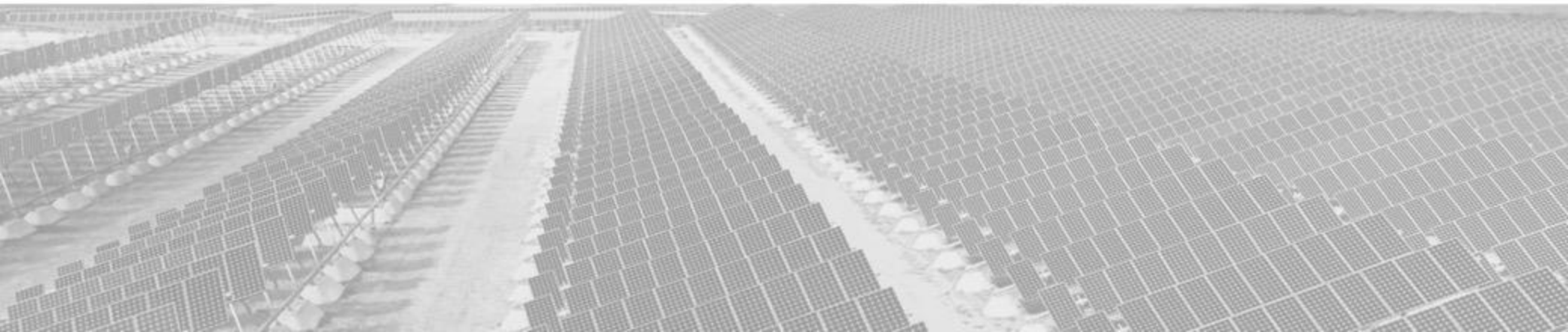
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# CORPORATE OVERVIEW

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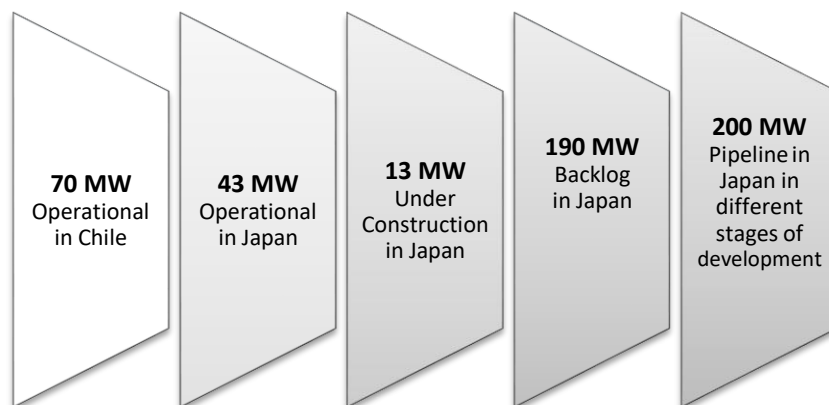


# ETRION CORPORATION

## 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

Recent Share Price (TSX/OMX: ETX)	C\$0.25 / SEK 1.77
Shares Outstanding	334.1MM
Lundin Family Ownership	24.3%
Other Director/Management Ownership	6.7%
Revenues YTD	US\$19.2MM
Project-level EBITDA YTD	US\$10.5MM
Restricted / Unrestricted Cash as of September 30, 2017	US\$19.6MM / \$41.5MM
Market Capitalization	US\$65.5MM
Number of Employees	26

### Notes:

- (1) US\$ refers to US dollars; C\$ refers to Canadian dollars; SEK refers to Swedish krona.
- (2) ETX share price at closing on November 13, 2017.
- (3) ETX shares outstanding as of September 30, 2017.
- (4) Revenue and project-level EBITDA for the nine months ended September 30, 2017

# KEY HIGHLIGHTS

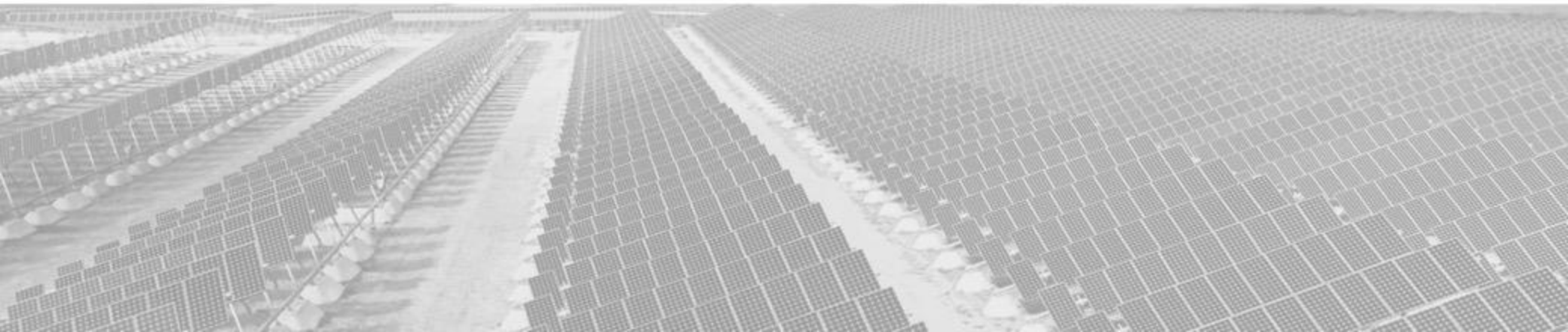
- Advanced on the construction of the 13.2 MWs Komatsu project in northern Japan, reaching 75% completion. We expect the park to be operational by end of Q2-18
- Connected last two solar parks of the Misawa solar project with aggregate capacity of 9.5 MWs
- Advanced the development of four backlog projects with aggregate capacity of 190 MWs and increased our pipeline to additional 200 MWs
- Strong performance in Japan, with full year results expected to be at or above the high end of the guidance range
- Revenue more than doubled for this third quarter compared to same period last year
- Significant project cash distributions and corporate debt reduction strengthening Etrion's financial position
- Deconsolidation of the Chilean solar power subsidiary resulted in a one-time non-cash extraordinary gain of US\$41.0 MM
- Unrestricted cash position as of September 30, 2017 of US\$41.5MM, enabling management to continue to focus on execution of its strategy in Japan
- Management change effective Jan 2018 reflecting continued push to drive cost down and full focus in Japan

	Three months		Nine months	
	Q3-17	Q3-16	Q3-17	Q3-16
<b>Electricity production (MWh)</b>	<b>49,174</b>	<b>41,705</b>	<b>141,563</b>	<b>119,957</b>
<b>Financial performance (US\$ MM)</b>				
Revenues	7.0	3.4	19.2	10.3
EBITDA	2.5	(0.1)	4.5	0.3
Net income (loss) from continuing	35.2	(92.6)	20.7	(102.3)
Project cash distributions	4.4	-	7.7	-



JAPAN

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# RENEWABLE ENERGY MARKET IN JAPAN

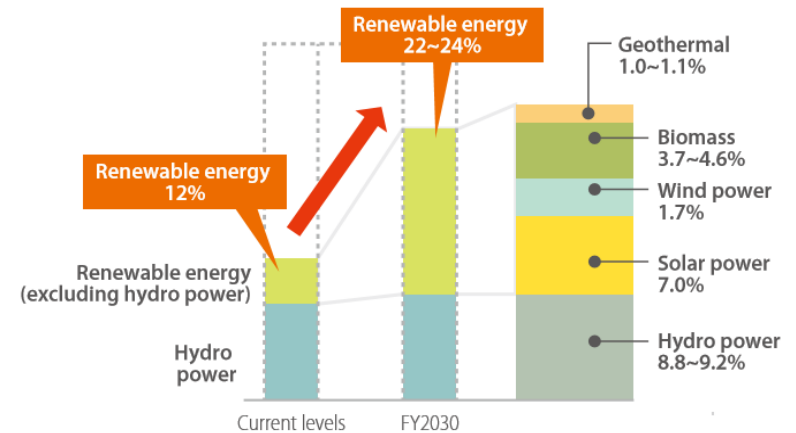
Category	Installed Capacity (MWp)	Approved Capacity (MWp)	Balance (MWp)
PV Solar (House)	5,588	6,459	871
PV Solar (Industrial)	33,824	60,459	26,635
Wind	929	8,200	7,271
Biomass	1,000	14,612	13,612

Note: Approved capacity is adjusted after dropping 35.5 GW cancelled by METI. Source: METI August 2017.

26.6 GW represents the total aggregated solar projects which have been awarded a FiT but have not yet reached COD. A large portion of this capacity is still being held by developers seeking investors, like Etrion, to bring them to NTP.

## Renewable energy

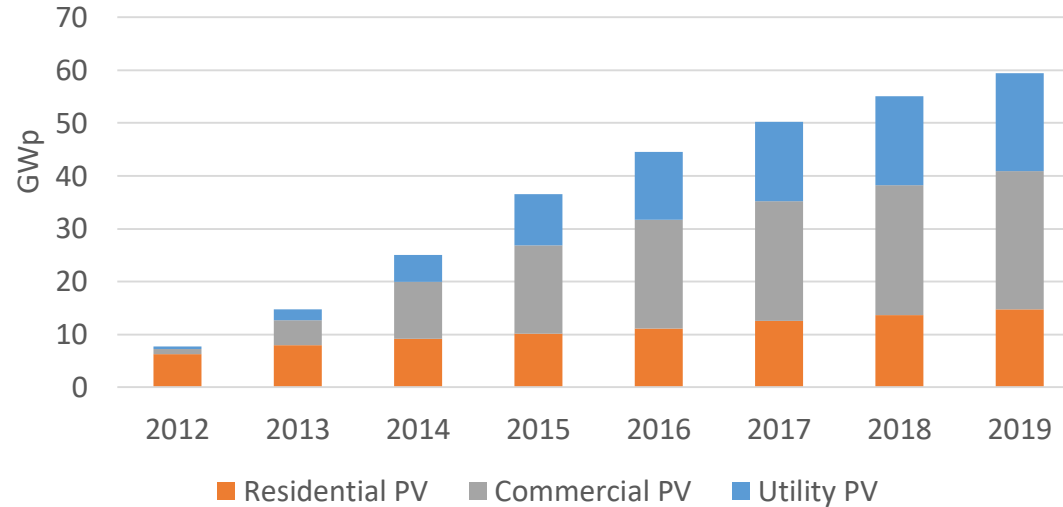
Two-fold increase from current levels (from 12% to 22-24%)



# ETRION POSITION IN JAPAN

#	Name	MW
1	Orix Corporation	520
2	SB Energy	278
3	Eurus Energy HD	237
4	Mitsui & Co.	232
5	Marubeni Corp.	202
6	NTT Facilities	200
7	Mitsubishi Corp.	136
8	Pacifico Energy	131
9	Japan Renewable Energy	123
10	Renova	121
11	Tokio Marine Asset Management Co.	111
12	Sharp Corporation	111
13	C-tech Corporation	110
14	NRE	102
15	Fuyo General Lease Co Ltd	100
16	Kyocera TCL Solar Daiwa House Industry Co	98
17	Co	90
18	Sky Solar Japan	88
19	Obayashi Corporation Shibaura Group Holdings	80
20	Holdings	80
21	Japan Asia Group Ltd	75
22	Canadian Solar	58
23	X-Elio	56
24	Ichigo ECO Energy Co	52
25	Sojitz Corporation	51
31	<b>Etrion</b>	<b>35</b>

Japan – Cumulative PV Market Capacity



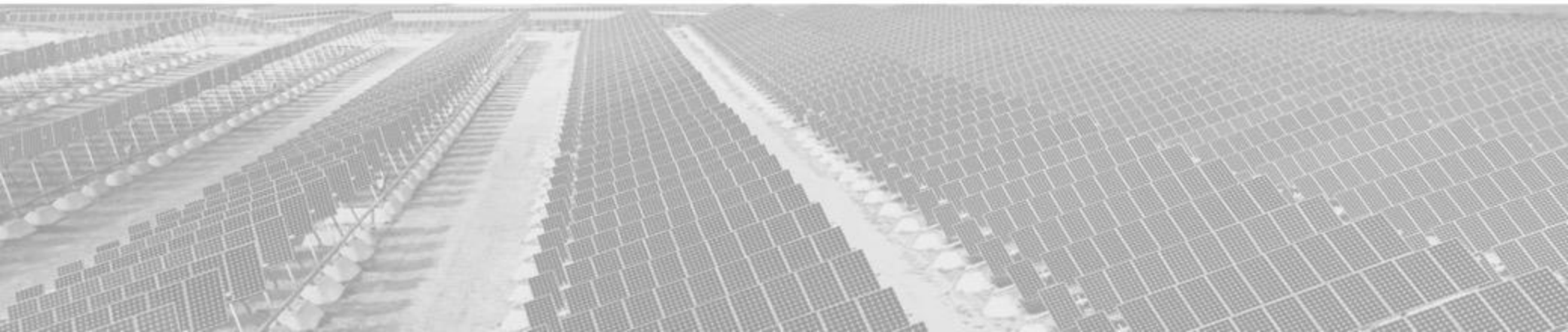
- Japan Solar Market remains very fragmented with a large number of projects with FiT still to be developed
- Market will likely begin consolidation, driven by demand for yield from Solar REIT, IPPs, infrastructure funds and utilities seeking to expand their coverage after liberalization
- Etrion’s position, while not dominant, stands within top 30+ largest players, mostly dominated by Japanese well established firms
- With Komatsu and backlog Etrion has the potential to become among top 10 solar players in Japan

Source: Solarplaza International, [www.solarassetmanagement.asia](http://www.solarassetmanagement.asia), as of May 12, 2017

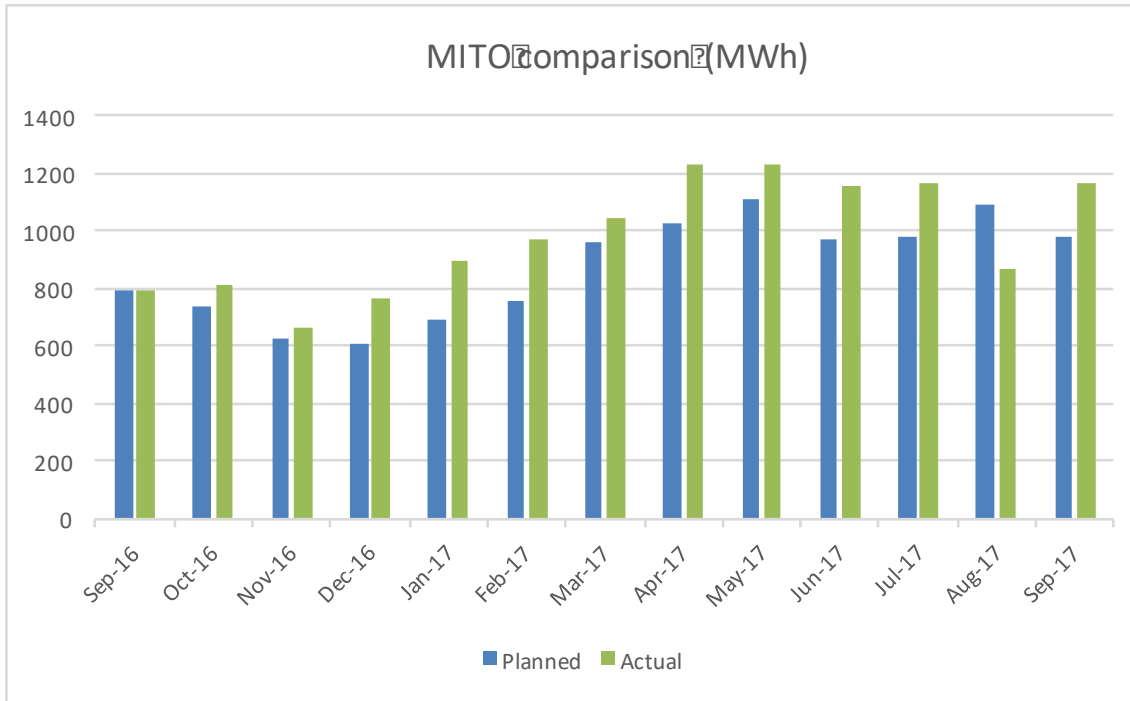


# ETRION BUSINESS

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# MITO – 9.3 MW OPERATIONAL



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

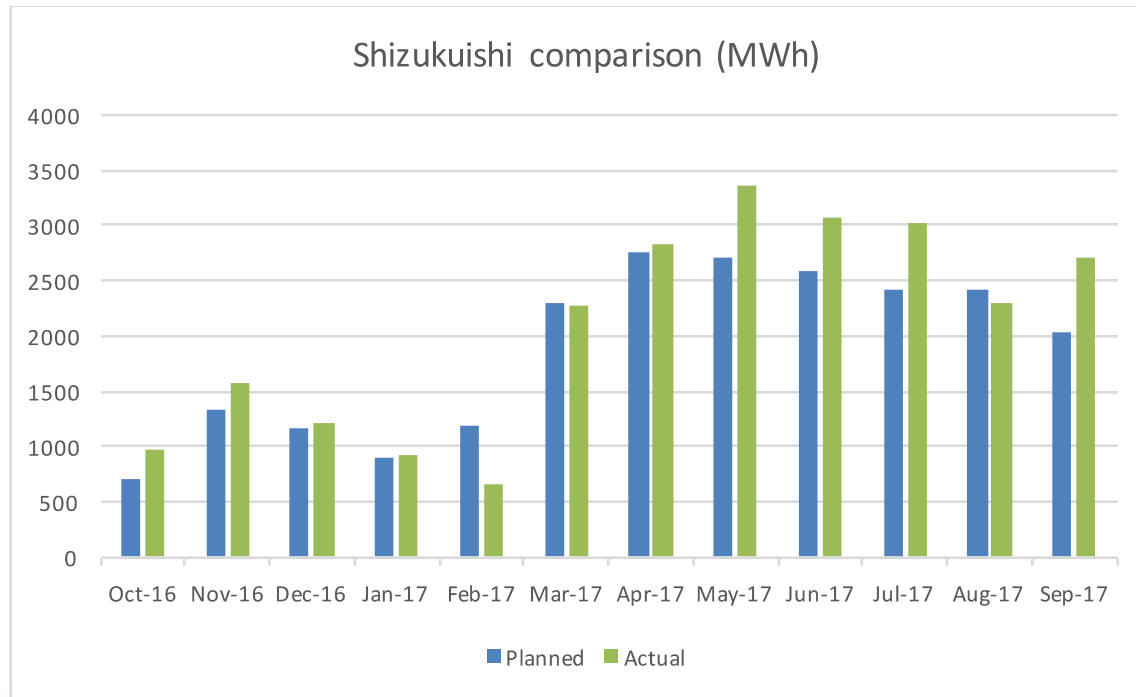


Mito site 2



Mito site 3

# SHIZUKUISHI – 24.7 MW OPERATIONAL



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

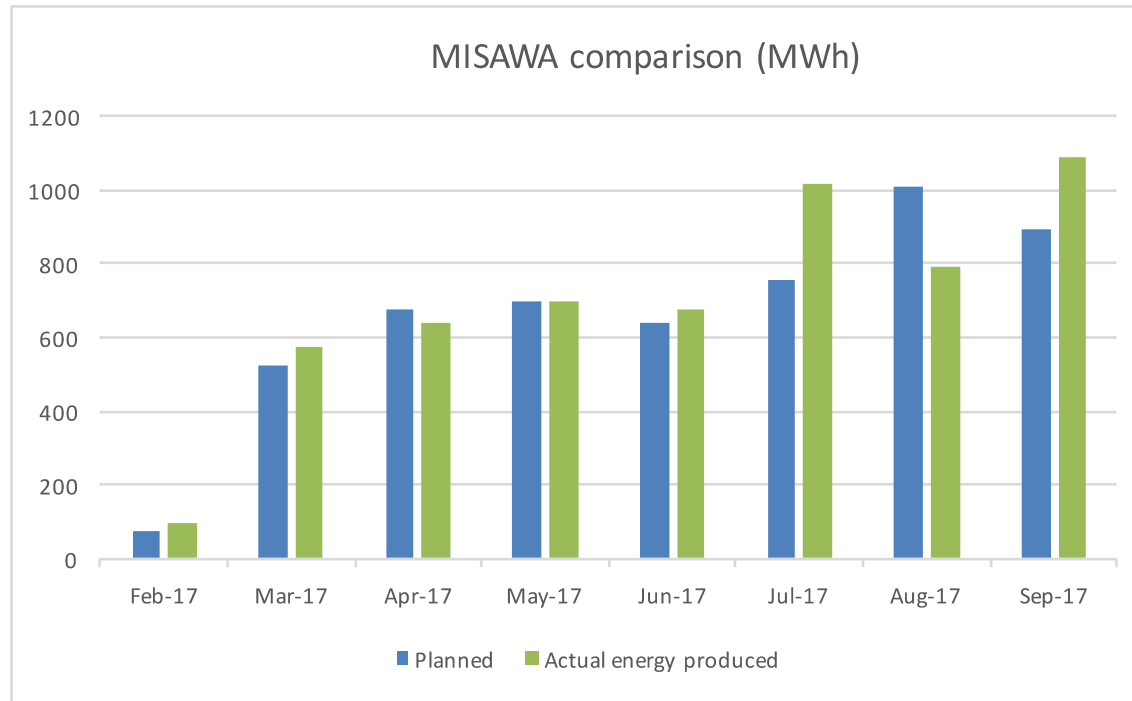


View of the SW section of the plant



View of the NW section of the plant.

# MISAWA – 9.5 OPERATIONAL



MISAWA	
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
Commencement of Operation	Feb-2017



Site 1

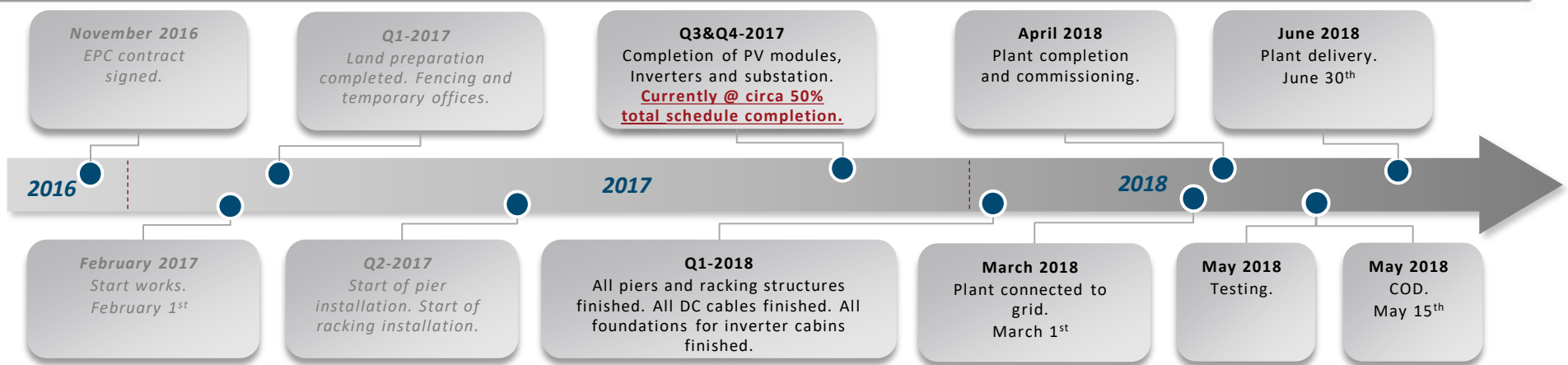


Site 2



Site 4

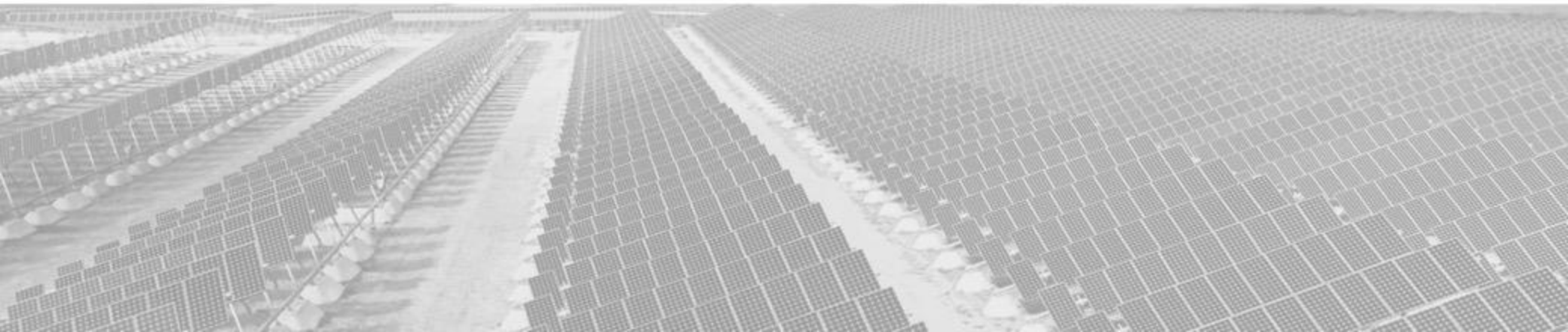
# KOMATSU – 13.2 MW UNDER CONSTRUCTION



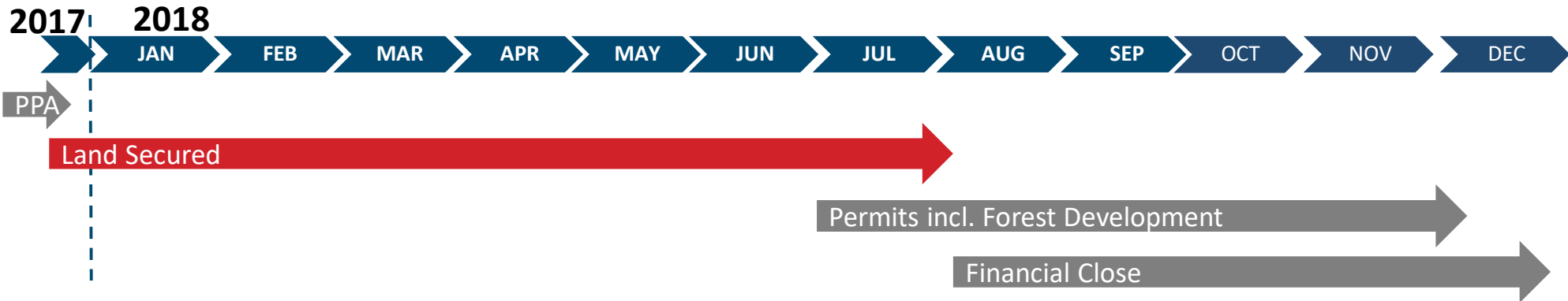
Komatsu	
Utility	Hokoriku
Capacity	13.2 MW
Ownership	85%
Technology	Fixed-tilt
Module	Canadian Solar
Inverters	Hitachi
EPC / O&M	Hitachi High-Tech
Irradiation Yield	1,087 kWh/kWp
Revenue Stream	FIT: ¥32/kWh Term: 20 years
Production	14.2 GWh/year
Total Project Cost	¥4.3 Bn

# BACKLOG ACTIVITIES

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# 45 MWs BROWNFIELD TK-1



## PROJECT HIGHLIGHTS

Size	45 MWp	ETX share	85%
Region	Southern Japan	Expected: NTP / COD	NTP: Q4-2018 COD: Q4-2020
Revenue	FIT: ¥36/kWh	Development Period	Since Q2 2015
METI	FiT secured	EPC Contractor	Hitachi High technologies
COD Rule	Not subject to 3 year rule	O&M Contractor	Hitachi High technologies
Curtailement	30 day rule		

Critical path for the project is completion of land agreement.

# 45 MWs GREENFIELD TK-2

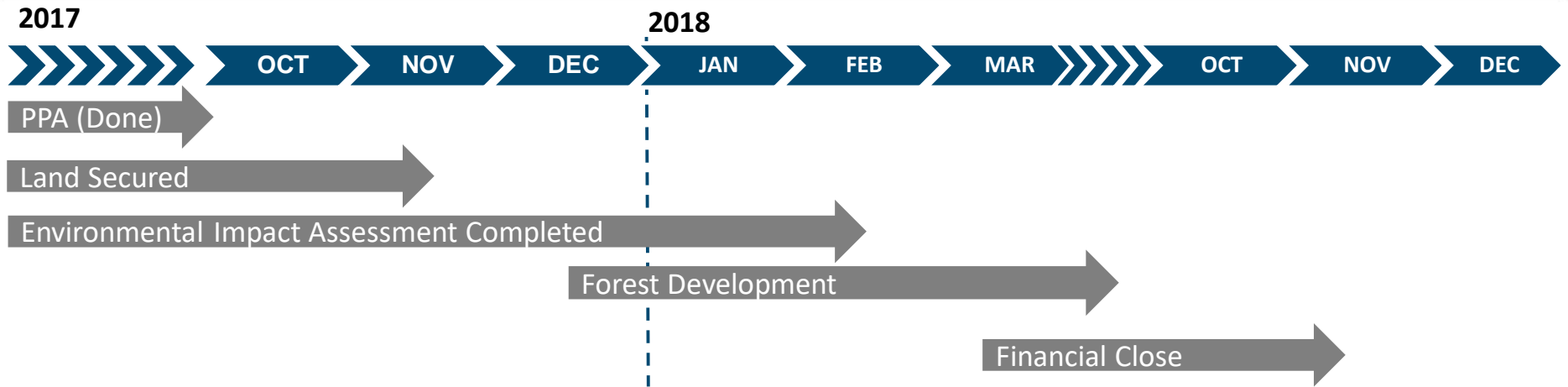


## PROJECT HIGHLIGHTS

<b>Size</b>	45 MWp	<b>ETX share</b>	100%
<b>Region</b>	Central Japan	<b>Expected: NTP / COD</b>	NTP: Q1-2019 – COD: Q4-21
<b>Revenue</b>	FIT: ¥36/kWh	<b>Development Period</b>	Since Q2 2016
<b>METI</b>	FiT secured	<b>EPC Contractor</b>	Open
<b>COD Rule</b>	3 year rule applies	<b>O&amp;M Contractor</b>	Open
<b>Curtailment</b>	30 day rule		



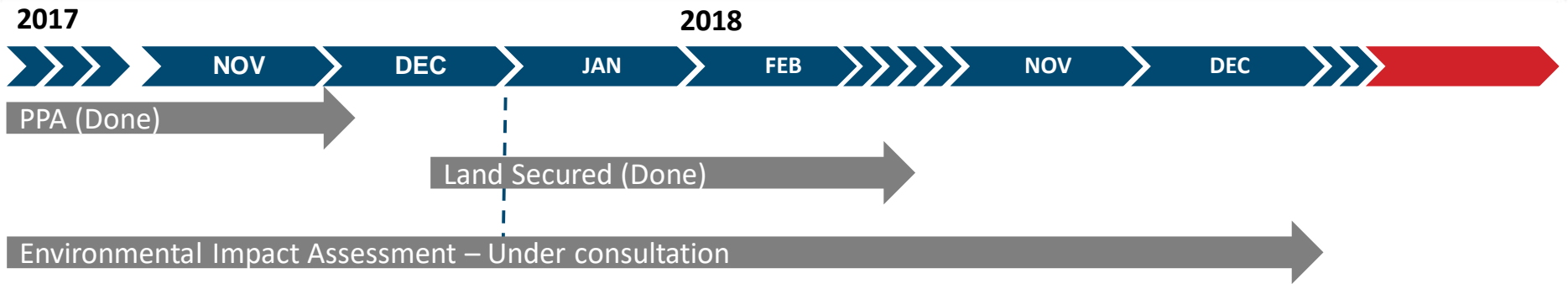
# 60 MWs BROWNFIELD TK-3



## PROJECT HIGHLIGHTS

<b>Size</b>	60 MWp	<b>ETX share</b>	50%
<b>Region</b>	South-Central Japan	<b>Expected: NTP / COD</b>	NTP: Q4-2018 – COD: Q2-21
<b>Revenue</b>	FIT: ¥36/kWh	<b>Development Period</b>	Since 2016
<b>METI</b>	FiT secured	<b>EPC Contractor</b>	Open
<b>COD Rule</b>	3 year rule does not apply	<b>O&amp;M Contractor</b>	Open
<b>Curtailment</b>	30 day rule		

# 40 MWs BROWNFIELD TK-4



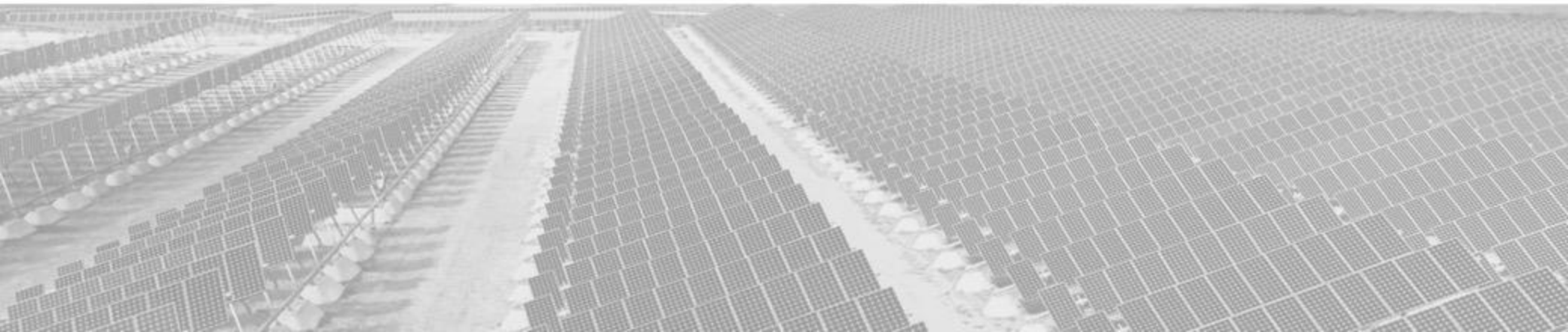
## PROJECT HIGHLIGHTS

<b>Size</b>	40 MWp	<b>ETX share</b>	100%
<b>Region</b>	Central Japan	<b>Expected: NTP / COD</b>	NTP: open. Depends on EIA
<b>Revenue</b>	FIT: ¥24/kWh	<b>Development Period</b>	Since 2016
<b>METI</b>	FiT secured	<b>EPC Contractor</b>	Open
<b>COD Rule</b>	3 year rule applies	<b>O&amp;M Contractor</b>	Open
<b>Curtailment</b>	30 day rule		

Main challenge remains outcome of consultation with prefecture whether EIA is require. EIA would delay project NTP by 2-3 years.

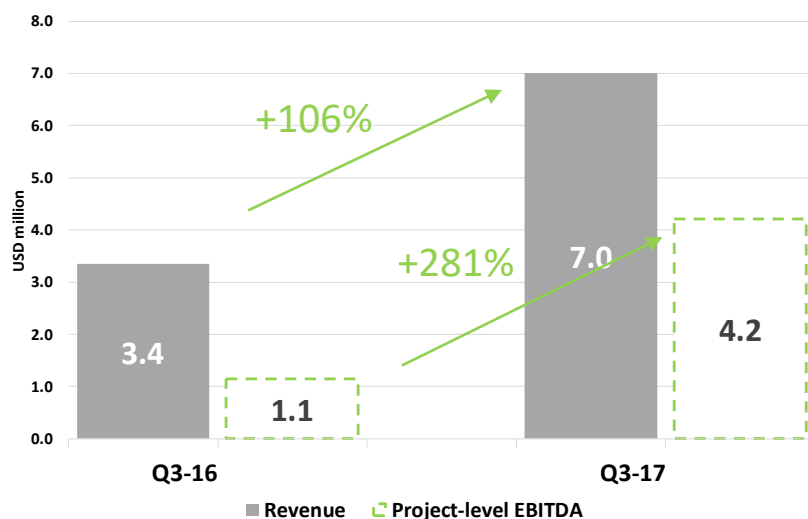
# Q3-2017 FINANCIAL REVIEW

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# FINANCIAL RESULTS

## Etrion consolidated results

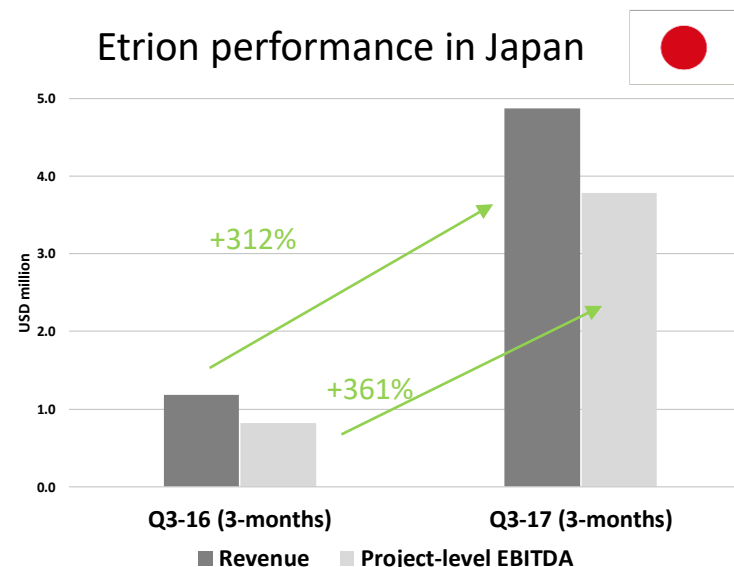


Q3-17 Income statement by segment (3-months)				
US\$ million	Chile	Japan	Corp	TOTAL
Revenues	2.1	4.9		7.0
Operating expenses	(1.7)	(1.1)		(2.7)
G&A expenses	(0.1)	(0.0)	(1.6)	(1.7)
<b>EBITDA</b>	<b>0.4</b>	<b>3.8</b>	<b>(1.7)</b>	<b>2.5</b>
Gain on deconsolidation			41.0	41.0
Depreciation and amortization	(1.4)	(1.7)	(0.1)	(3.1)
Net finance costs	(2.6)	(0.7)	(1.4)	(4.8)
<b>Income (loss) before taxes</b>	<b>(3.5)</b>	<b>1.3</b>	<b>37.8</b>	<b>35.6</b>
Tax expense		(0.3)	(0.2)	(0.5)
<b>Net income (loss)</b>	<b>(3.5)</b>	<b>1.0</b>	<b>37.6</b>	<b>35.2</b>
<b>EBITDA margin (%)</b>	<b>21%</b>	<b>78%</b>		

Etrion will consolidate the Salvador net results up to September 30, 2017

- Revenues and project-level EBITDA up relative to Q3-16 due to positive operating performance and additional production in Japan.
- In Q3-17 electricity production in Japan increased 350% quarter-over-quarter as a result of the new Shizukuishi and Misawa solar projects, relative to Q3-16.
- Japan continues to drive the positive project performance for Etrion. During Q3-17 it generated 70% and 90% of the Group's revenues and project-level EBITDA respectively.
- Consolidated net income of \$35.2 million was driven by the non-cash gain on deconsolidation of Salvador.

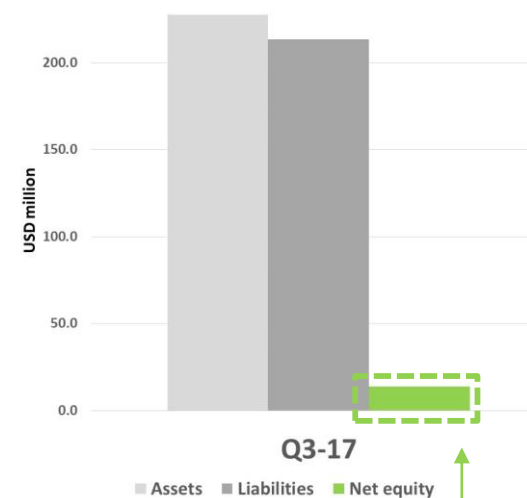
## Etrion performance in Japan



# FINANCIAL POSITION

September 30 , 2017 Financial position by segment			
US\$ million	Japan	Corp	TOTAL
Property, plant and equipment	137.3	0	137.3
Intangible assets	5.4	4.1	9.5
Cash and cash equivalents	19.6	41.6	61.2
Other assets	10.0	9.4	19.4
<b>Total assets</b>	<b>172.3</b>	<b>55.1</b>	<b>227.4</b>
Borrowings	141.4	48.3	189.8
Trade and other payables	2.8	0.5	3.3
Other liabilities	18.5	1.9	20.4
<b>Total liabilities</b>	<b>162.7</b>	<b>50.7</b>	<b>213.4</b>
<b>Net equity</b>	<b>9.59</b>	<b>4.35</b>	<b>13.9</b>

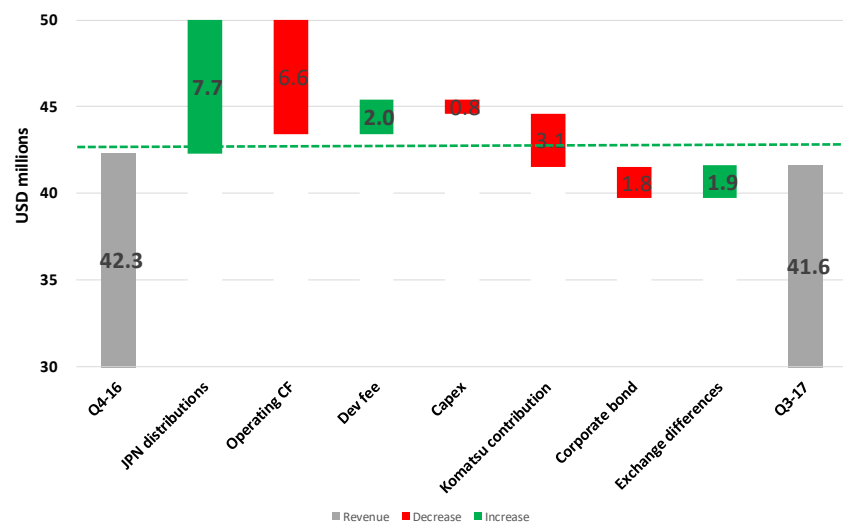
- Etrion has working capital of \$56.5 million and a cash position of \$61.1 million, of which \$41.5 million is unrestricted at the corporate level.
- Etrion continues to expand in Japan and has increased its asset base in the country with positive results. As at September 30, 2017, the Japanese assets represented approximately 76% of consolidated assets of the Group.



After deconsolidating Salvador the Group is reporting positive consolidated equity.

# CASH FLOW STATEMENT

## Unrestricted cash evolution



US\$ million	Restricted	Unrestricted	Total
<b>December 31, 2016</b>	<b>18.9</b>	<b>42.3</b>	<b>61.2</b>
Project level EBITDA	10.0		10.0
Project cash distributions	(8.9)	7.7	(1.2)
Corporate G&A		(4.9)	(4.9)
Taxes paid	(0.3)	(0.7)	(1.0)
Komatsu development fee	(2.4)	2.0	(0.4)
Working capital	(4.5)	(1.0)	(5.5)
<b>Operating cash flow</b>	<b>(6.1)</b>	<b>3.1</b>	<b>(3.1)</b>
Capital expenditures	(36.2)	(0.8)	(37.0)
<b>Investing activities cash flow</b>	<b>(36.2)</b>	<b>(0.8)</b>	<b>(37.0)</b>
Proceeds from bank loans	49.4		49.4
Project loans interest	(4.0)		(4.0)
Repayment of bank loans	(6.1)		(6.1)
Interest repayment of corporate bond		(1.8)	(1.8)
Etrion's equity contributions to Komatsu	3.1	(3.1)	-
Contributions from non-controlling interests	0.5		0.5
<b>Financing activities cash flow</b>	<b>42.9</b>	<b>(5.0)</b>	<b>38.0</b>
Exchange rate differences	2.7	2.0	4.7
Cash from deconsolidated subsidiary	(2.6)		(2.6)
<b>September 30, 2017</b>	<b>19.6</b>	<b>41.6</b>	<b>61.1</b>

- Etrion's unrestricted cash position has been stable at US\$42 million during 2017 and provides liquidity to fund the growth of the business in Japan.
- Unrestricted cash was positively impacted by the Mito and Shizukuishi cash distributions to Etrion totaling US\$7.7 million.
- Etrion's restricted cash increased mainly due to additional funds drawn from the project credit facilities in Japan partially offset by cash flow from operations and Capex investments.

# PV SALVADOR DECONSOLIDATION

Continued segment and fully-consolidated disclosure of Salvador results was presenting an inaccurate picture of Etrion's business. The change in accounting treatment better aligns our disclosure with management's focus on delivering value to shareholders through our activities in Japan

PV Salvador SpA - Balance Sheet	US\$'000
<b>ASSETS</b>	
Property, plant and equipment	84,259
Intangibles	6,959
Trade receivables and other assets	3,577
Cash	2,584
<b>Total assets</b>	<b>97,379</b>
<b>LIABILITIES</b>	
Borrowings	154,015
Trade payables and other	1,957
<b>Total liabilities</b>	<b>155,972</b>
<b>Total liabilities</b>	<b>311,944</b>
<b>EQUITY</b>	
Share Capital	74,118.22
Accumulated deficit	(132,711)
<b>Total equity</b>	<b>(58,593)</b>
<b>PV Salvador SpA - Deconsolidation</b>	
Etrion share in net liabilities	41,015
Fair value of retained investment in Salvador	-
<b>Gain on deconsolidation</b>	<b>41,015</b>

Salvador disclosure has changed to equity accounting resulting in a reversal of this amount, leading to a net gain attributable to Etrion of US\$41 million

Etrion has no legal or constructive obligation beyond its initial investment in Salvador, therefore:

- Has no obligation to fund the accumulated deficit
- Has no obligation to provide further financial support
- Its equity value in Salvador can not go below zero
- Upon deconsolidation Etrion is getting rid of a liability with no cash outflow = Gain.

# 2017 GUIDANCE

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Given the decision to deconsolidate our investment in PV Salvador as of Q3-17, Management is providing restated 2017 Guidance based on our Japanese assets only. The following guidance range is unchanged from that provided in March 15, 2017 but is only for Japan.

US\$ million otherwise stated	Guidance – Japan Only	
	Low end	High end
Energy generation (GWh)	33.5	35.2
Revenue	11.5	12.7
Project-level EBITDA	7.8	8.6

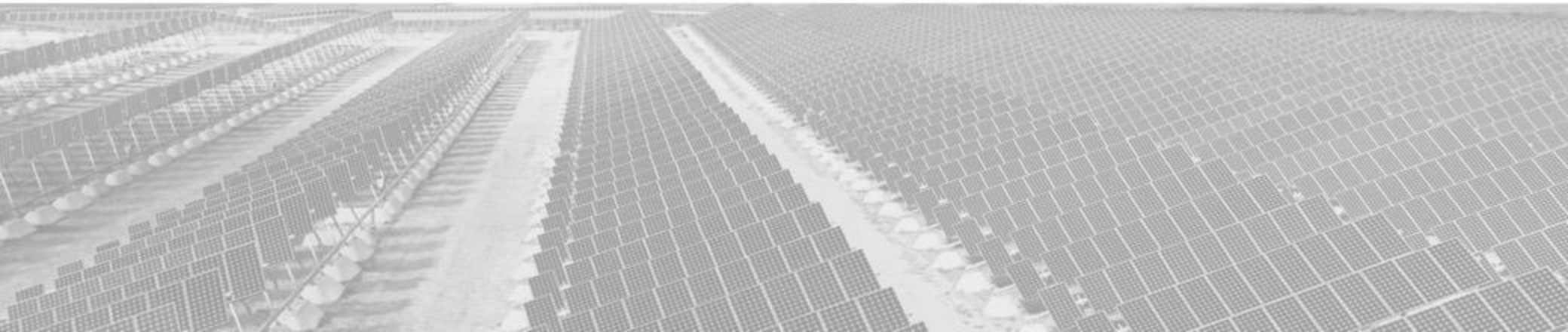
As a reminder, the 2017 Guidance was based on the following set of assumptions:

- Mito:
  - Production based on first 18 months of operations
- Shizukuishi:
  - Production based on management estimate
- Aomori:
  - Ramp up of production based on the contracted connection dates for each of the 4 sites
  - Production based on management estimate
- FX rate: FX rate of 112 JPY / USD assumed



# SUMMARY

etrion



# WELL POSITIONED FOR GROWTH

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- Fully funded through 2018 with US\$41 million in cash and ample access to very competitive project level debt
- Strong growth potential with target to reach NTP between 100 – 150 MW within the next 18 months
- Additional healthy pipeline of 200 MWs to complement existing backlog and fuel further growth opportunities
- Company now fully restructured to focus all resources on the Japanese market with continued push to reduce cost





# Powered by the Sun.

Developing, building and operating  
solar power generation plants

EMAIL FOR UPDATES:

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## NEW ETRION WEBSITE

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

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