Q3

ETRION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

Etrion is an independent power producer that develops, builds, owns and operates utility-scale solar power generation plants.

Etrion is a global solar platform with a proven track record operating assets across three key regions in Asia, Europe and the Americas. The Company has gross installed solar capacity of 164 MW plus 10 MW under construction, 66 MW of backlog projects and more than 250 MW of additional pipeline.

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" and, together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and current and future business opportunities. This MD&A, prepared as of November 10, 2016, should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2016. Financial information is reported in United States dollars ("$" or "USD"). However, as the Group operates in Europe, the Americas and Asia, certain financial information has also been reported in Euros ("€"), Canadian dollars ("CAD$") and Japanese yen ("¥"). Exchange rates for the relevant currencies of the Group with respect to the US dollar and the Euro are as follows:

	€/¥	$/¥	€/$
Closing rate at September 30, 2016	112.86	100.90	1.1161
Closing rate at September 30, 2015	134.79	120.03	1.1203
Nine months average rate September 30, 2016	121.16	108.66	1.1158
Nine months average rate September 30, 2015	134.71	120.88	1.1145

The capacity of power plants in this document is described in approximate megawatts ("MW") on a direct current basis, also referred to as megawatt-peak.

NON-IFRS FINANCIAL MEASURES AND FORWARD-LOOKING STATEMENTS

The terms "adjusted net income (loss)", earnings before interest, tax, depreciation and amortization ("EBITDA"), "Adjusted EBITDA", solar segments EBITDA and "adjusted operating cash flow", used throughout this MD&A, are non-IFRS measures and therefore do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures disclosed by other companies. The basis for calculation has not changed and has been applied consistently by the Company over all periods presented. Adjusted net income (loss) is a useful metric to quantify the Company's ability to generate cash before extraordinary and non-cash accounting transactions recognized in the financial statements (the most comparable IFRS measure is net income (loss) as reconciled on page 15). EBITDA, including solar segments EBITDA, is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while Adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measure is net income (loss) as reconciled on page 15). In addition, adjusted operating cash flow is used by investors to compare cash flows from operating activities without the effects of certain volatile items that can positively or negatively affect changes in working capital and are viewed as not directly related to a company's operating performance. This MD&A contains forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from the information contained herein. For information on material risk factors and assumptions underlying the forward-looking information, refer to the "Cautionary Statement Regarding Forward-Looking Information" on page 24.

THIRD QUARTER 2016 HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

- Produced 36.1 million kilowatt-hours ("kWh") of electricity from the Company's 100%-owned 60 MW portfolio comprising 17 solar power plants in Italy.
- Produced 38.6 million kWh of electricity from the Company's 70%-owned 70 MW Salvador solar power plant in Chile ("Project Salvador").
- Produced 3.1 million kWh of electricity from the Company's 87%-owned 9.3 MW Mito project, comprising 5 solar power plants in Japan.
- On October 20, 2016, the Group's 24.7 MW Shizukuishi solar project in northern Japan achieved its commercial operation date, became 100% operational and started collecting revenues from its electricity production.
- Advanced the backlog of two projects in Japan with a total capacity of 66 MW. Management expects to reach financial close for these backlog projects within the next - 6-9 months. The Company is advancing the development of additional projects in Japan with a combined capacity of 190 MW.

FINANCIAL HIGHLIGHTS

- Generated revenues and Adjusted EBITDA in the solar segments of $17.2 million and $13.2 million, respectively, (see operations review on page 3), and before an impairment charge of $75.7 million recognized during the quarter associated with the recoverable value of the solar assets of Project Salvador.
- Closed Q3-16 with a cash balance of $52.7 million, $12.4 million of which was unrestricted and held at the parent level, and working capital of $37.3 million.
- Cash distributions from the Italian operations more than doubled during the three and nine months ended September 30, 2016, as a result of the refinancing and restructuring debt transactions completed in December 2015 and June 2016.

	Three months ended		Nine months ended	
USD thousands (unless otherwise stated)	**Q3-16**	**Q3-15**	**Q3-16**	**Q3-15**
Electricity production (MWh)[1]	**77,785**	**73,761**	**207,833**	**204,789**
Financial results				
Revenues	17,224	15,913	43,732	43,360
Gross profit	7,862	7,222	16,425	18,076
EBITDA	(63,668)	10,040	(46,384)	24,781
Adjusted EBITDA	12,007	10,453	28,737	27,662
Adjusted EBITDA margin (%)	70%	66%	66%	64%
Net loss	(88,295)	(4,389)	(95,399)	(16,929)
Adjusted net income	1,450	2,531	7,310	4,535
Cash flow				
Project cash distributions	4,848	178	8,967	3,545
Cash flow from (used in) operations	4,562	6,153	13,880	(4,456)
Adjusted operating cash flow	12,579	10,496	29,562	27,853

	September 30 2016	**December 31 2015**
Balance sheet		
Total assets	582,934	613,320
Operational assets	385,531	457,745
Unrestricted cash at parent level	12,426	17,582
Restricted cash at project level	40,304	34,917
Working capital	37,326	1,459
Consolidated net debt on a cash basis	553,640	489,029
Corporate net debt on a cash basis	76,946	69,514

[1] MWH=Megawatt-hour

BUSINESS REVIEW

BUSINESS OVERVIEW

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants. The Company owns 164 MW of installed solar capacity in Italy, Chile and Japan. Etrion has 10 MW of solar projects under construction and several projects at different stages of development in in Japan.

The Company has projects in Italy, Chile and Japan, with a diversified solar power generation platform in terms of both revenues and geography. Revenues are generated from Feed-in-Tariff ("FiT") contracts, long-term PPAs and the spot/merchant market. Etrion's geographic footprint covers Europe, the Americas and Asia with counter-seasonal revenues expected from the northern/southern hemisphere profile. Etrion's current strategy is to focus exclusively on continuing to develop and operate solar power projects in Japan.

The Company's business model focuses on six key drivers for success:

(1) stable revenues;

(2) abundant renewable resources;

(3) high wholesale electricity prices;

(4) low equipment cost and operating expenses;

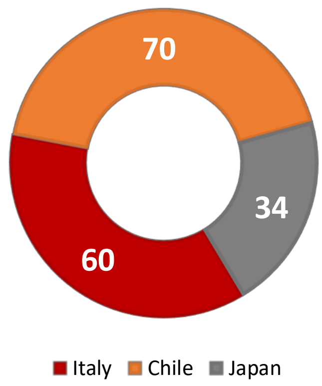
(5) available long-term financing; and

(6) low cost of debt.

The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden. Etrion has corporate bonds listed on the Oslo Stock Exchange in Norway. Etrion is based in Miami, Florida, United States with offices in Geneva, Switzerland, Rovereto, Italy, Tokyo, Japan and Santiago, Chile. As of the date of this MD&A, the Company has a total of 35 employees working in these five jurisdictions.

Etrion's current operating projects in Italy, Chile and Japan provide a diversified platform of revenues, all originated from member countries of The Organization for Economic Co-operation and Development ("OECD").

GROSS INSTALLED MW BY COUNTRY



OPERATIONS REVIEW

OPERATIONS REVIEW – THREE MONTHS ENDED SEPTEMBER 30

USD thousands (unless otherwise stated)	Q3-16 Italy	Q3-16 Chile	Q3-16 Japan	Q3-16 Total	Q3-15 Italy	Q3-15 Chile	Q3-15 Japan	Q3-15 Total
Operational data (1)								
Electricity production (MWh)	36,080	38,625	3,080	**77,785**	34,637	36,546	2,578	**73,761**
Operational performance (1)								
Electricity revenue								
Feed-in-Tariff	12,275	-	1,180	**13,455**	11,816	-	855	**12,671**
Market price	1,598	418	-	**2,016**	2,155	899	-	**3,054**
PPAs	-	1,485	-	**1,485**	-	-	-	**-**
Other utility income	-	268	-	**268**	-	188	-	**188**
Total revenues	**13,873**	**2,171**	**1,180**	**17,224**	**13,971**	**1,087**	**855**	**15,913**
EBITDA (2)	**12,091**	**321**	**820**	**13,232**	**12,298**	**(209)**	**721**	**12,810**
EBITDA margin (%)	**87%**	**15%**	**70%**	**77%**	**88%**	**(19%)**	**84%**	**80%**
Net income (loss)	**4,346**	**(90,487)**	**126**	**(86,015)**	**4,087**	**(4,224)**	**204**	**67**

(1) Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries

(2) Refers to segment EBITDA as reconciled in the segment information section on page 13. EBITDA from Chilean operations is presented before the extraordinary impairment charge of $75.7 million recognized during third quarter of 2016.

OPERATING PERFORMANCE

Power Production

During Q3-16, the Group produced 5.5% more electricity compared to the same period in 2015, due primarily to better irradiation in Chile and Italy and the strong performance in Japan.

Italian projects

During Q3-16, the Italian solar projects produced approximately 36.1 million kWh of electricity, 4.2% more than the comparable period in 2015, mainly due to better solar irradiation.

Chilean project

Project Salvador's production of approximately 38.6 million kWh of electricity during Q3-16 was 5.7% more than the comparable period in 2015 due to better solar irradiation and less curtailments.

In general, Project Salvador's production is being affected by the electricity curtailments applied to all generators in the area near Project Salvador to balance supply and demand due to network bottlenecks. These bottlenecks are expected to be resolved by early 2018.

During Q3-16, approximately 15.0 million kWh were sold to an investment grade off-taker, under the terms of a PPA agreement that started on January 1, 2016.

Starting in July 2015, the Group also receives a capacity payment associated with its operation in Chile through its 70%-owned subsidiary, PV Salvador SpA ("Salvador"). The capacity payment is a monthly amount received by Salvador from other energy producers in the spot market and is calculated based on Project Salvador's production capacity, the maximum system demand in the peak period and a fixed tariff calculated by the Chilean authorities every six months (currently $9/kWh).

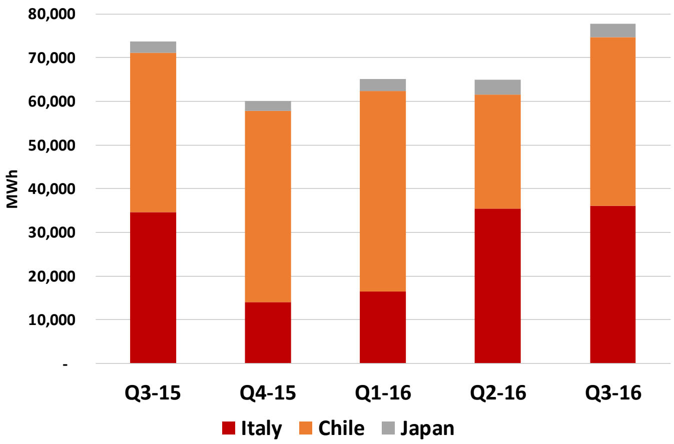
Japanese project

The Mito Project in Japan produced a total of approximately 3.1 million kWh of electricity during Q3-16, significantly more than expected, due to high irradiation and a high performance ratio. The electricity production in Q3-16 is not fully comparable with the same period in Q3-15 because only three out of five sites were fully operational at the end of that period in 2015 (the last two sites were completed in July and August 2015).

Historical production

Solar-related production is subject to seasonality over the year due to the variability of daily sun hours in the summer months versus the winter months. However, on an annual basis, solar irradiation is expected to vary less than 10% year-over-year.

The historical quarterly electricity production of the Group is shown below, including the impact of seasonality. Etrion's current solar power plants in operation are capable of producing more than 330 million kWh on an annual basis, including the 24.7 Shizukuishi solar park completed in October 2016.



Electricity prices

The Group receives revenues denominated in Euros, USD and Japanese yen from its operating solar projects, depending on the market in which each project operates. Revenues come from three components: (1) the FiT system, whereby a premium constant price is received for each kWh of electricity produced through a 20-year contract with the Italian state-owned company, Gestore Servizi Energetici ("GSE") or the Japanese public utility, Tokyo Electric Power Company ("TEPCO"), as applicable, (2) the spot market price ("Market Price") received for each kWh of electricity produced in Chile and Italy, and (3) contracted PPAs within Chile, whereby a fixed price is received for each kWh of electricity sold under private electricity sale agreements.

Italian projects

During Q3-16 and Q3-15, the Group realized the weighted average FiT price of €0.30 per kWh applicable to all its solar projects in Italy. The average Italian Market Price decreased by approximately 36% as the Group received an average of €0.040 per kWh in Q3-16 compared to €0.055 per kWh during the same period in 2015, as a result of the combined effect of low demand and lower cost of fuel (mainly natural gas).

Chilean project

In Chile, the average Market Price received by the Group during Q3-16 for Project Salvador was $0.011 per kWh, approximately 80% lower than the same period in 2015. The Market Price in the Sistema Interconectado Central ("SIC") electricity network in Chile was particularly low during Q3-16 due to a combination of local grid congestion, increasing solar and wind electricity generation, strong hydro electricity production due to wet winter conditions and lower electricity demand because of reduced mining activity as a result of the continued low commodity prices.

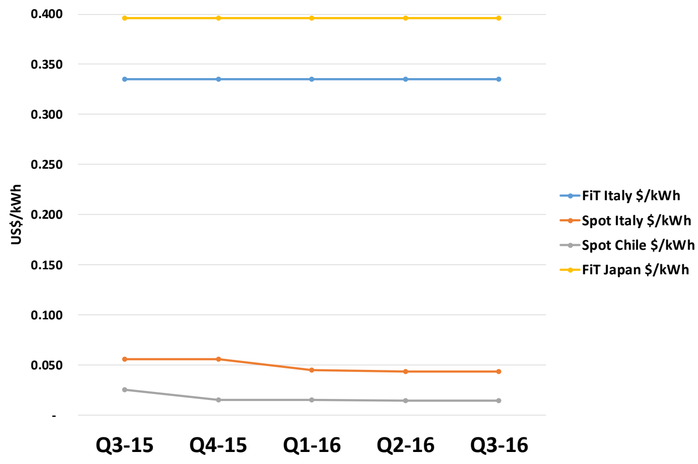
During the third quarter of 2016, the Group obtained the results of a pricing study and projections for spot market price of electricity in Chile which indicated long term prices to be lower than those used in previous asset valuations and consequently recognized an impairment charge of $75.7 million associated with the recoverable value of Salvador's operating assets.

Starting January 1, 2016, the Group also recognizes PPA revenues from Project Salvador. The PPA is for the first 70 gigawatt-hours ("GWh") per year of Project Salvador's production for 15 years with the electricity price denominated in USD (approximately $0.10 per kWh, CPI adjusted). In addition, according to the terms of the contract, Salvador pays the cost of electricity in the withdrawal node at the off-taker ("Nodal Costs"). During the three months ended September 30, 2016, the average Nodal Costs were approximately $0.045 per kWh.

Japanese project

In Japan, during Q3-16 the Group received the FiT of ¥40 per kWh applicable to the five sites of the Mito cluster operational since August 2015.

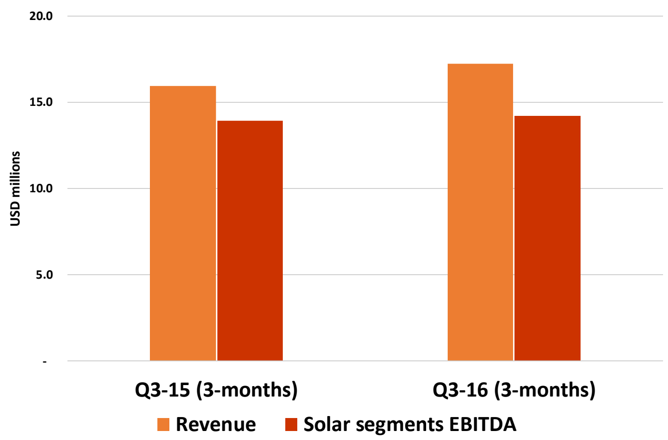
The chart below shows the evolution of average electricity prices, expressed in $/kWh (calculated with exchange rates as of September 30, 2016), applicable to the solar power plants operated by the Group during the last five quarters:



Revenue and project-level EBITDA

During Q3-16 the Group's revenue increased 8.2% compared to the same period in 2015, primarily due to an overall production increase in Italy and Chile, the strong performance in Japan and PPA revenues from Project Salvador, partially offset by lower Market Price affecting part of the electricity produced in Italy and Chile.

During Q3-16 the Group's project-level EBITDA increased 3.3% compared to the same period in 2015, primarily due to additional production in Japan, net PPA revenues from Project Salvador and management's continued efforts to reduce operating cost and streamline the operations in Italy and Chile.



Revenues from Italy and Japan are received in Euros and in Japanese yen, respectively, and have been translated to the Group's functional (€) and presentation ($) currencies using the corresponding Q3-16 average rates.

Accordingly, changes in the €/$ applicable exchange rates have an impact in the accounting conversion process of the income statement to the Group's reported figures in USD.

OPERATIONS REVIEW – NINE MONTHS ENDED SEPTEMBER 30

USD thousands (unless otherwise stated)	Q3-16 Italy	Q3-16 Chile	Q3-16 Japan	Q3-16 Total	Q3-15 Italy	Q3-15 Chile	Q3-15 Japan	Q3-15 Total
Operational data (1)								
Electricity production (MWh)	87,876	110,720	9,237	**207,833**	88,362	113,218	3,209	**204,789**
Operational performance (1)								
Electricity revenue								
Feed-in-Tariff	29,864	-	3,396	**33,260**	30,085	-	1,065	**31,150**
Market price	3,614	1,443	-	**5,057**	4,649	7,373	-	**12,022**
PPAs	-	4,752	-	**4,752**	-	-	-	**-**
Other utility income	-	663	-	**663**	-	188	-	**188**
Total revenues	**33,478**	**6,858**	**3,396**	**43,732**	**34,734**	**7,561**	**1,065**	**43,360**
EBITDA (2)	**29,271**	**1,519**	**2,557**	**33,347**	**29,438**	**3,962**	**830**	**34,230**
EBITDA margin (%)	**87%**	**22%**	**75%**	**76%**	**85%**	**52%**	**78%**	**79%**
Net income (loss)	**6,942**	**(97,174)**	**521**	**(89,711)**	**4,361**	**(9,911)**	**255**	**(5,295)**

(1) Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries
(2) Refers to segment EBITDA as reconciled in the segment information section on page 14. EBITDA from Chilean operations is presented before the extraordinary impairment charge of $75.7 million recognized during third quarter of 2016.

OPERATING PERFORMANCE

Power Production and Electricity Prices

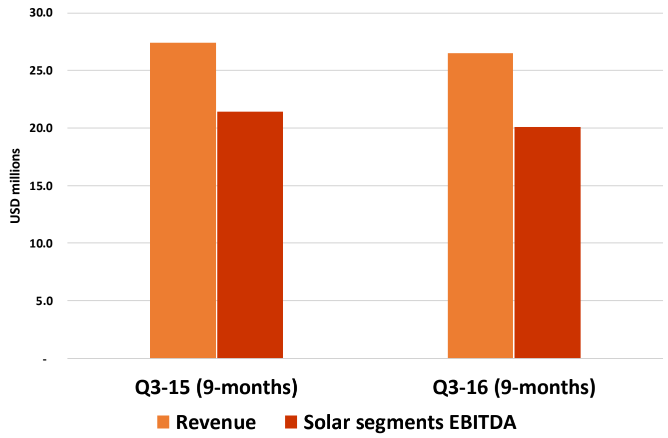
During the nine months ended September 30, 2016, the Group produced 1.5% more electricity compared to the same period of 2015, due primarily to an increase in electricity production in Japan, partially offset by a production decrease in Chile and Italy. However, the electricity production in Japan during this period is not fully comparable with the same period in 2015 because the five sites of the Mito cluster were operational only from August 2015.

During the nine months ended September 30, 2016, the Group realized the weighted average FiT price of €0.30 per kWh applicable to all its solar projects in Italy. The average Italian Market Price decreased by approximately 23% as the Group received an average of €0.037 per kWh in the first nine months of 2016 compared to €0.048 per kWh during the same period in 2015, as a result of the combined effect of low demand and lower cost of fuel (mainly natural gas).

In Chile, the average Market Price received by the Group in the first nine months of 2016 for Project Salvador was $0.013 per kWh, approximately 56% lower than the same period in 2015. In Japan, the Group received the FiT of ¥40 per kWh applicable to the five sites of the Mito cluster operational since August 2015.

Revenue and project-level EBITDA

During the nine months ended September 30, 2016, the Group's revenue increased by 0.9% and project-level EBITDA decreased 2.6%, respectively, compared to the same period in 2015. Despite an increase in revenue driven by the performance in Japan, lower Market Price in Italy and Chile, curtailments and lower than expected irradiation, impacted project-level EBITDA, partially offset by management's continued efforts to reduce operating cost and streamline the operations in Italy and Chile.



OPERATING PROJECTS - ITALY

As of the date of this MD&A, the weighted average remaining contract life of the Italian operating projects is approximately 14 years. A summary of the Group's 100%-owned operating solar power projects in Italy is below:

Project	Region	Sites	Gross MW	Technology	Connection date
Cassiopea	Lazio	1	24.0	Single axis	Nov-09
Helios ITA-3	Puglia	2	10.0	Single axis	Aug-11
Centauro	Lazio	1	8.8	Single axis	Jul-10
Helios ITA	Puglia	7	6.4	Single axis	Dec-09
Etrion Lazio	Lazio	2	5.3	Fixed-tilt	Apr-11
SVE	Puglia	3	3.0	Single axis	Dec-10
Sagittario	Lazio	1	2.6	Fixed-tilt	Aug-11
Total		**17**	**60.1**		

Etrion's solar power plants in Italy are capable of producing more than 100 million kWh of electricity on an annual basis.

OPERATING PROJECTS - CHILE

As of the date of this MD&A, the remaining PPA contract life for approximately 35% of Project Salvador's electricity production is approximately 14 years. The Group's 70%-owned operating solar power project in Chile is shown below:

Project	Region	Sites	Gross MW	Technology	Connection date
Salvador	Atacama	1	70	Single axis	Nov-14
Total		**1**	**70**		

Etrion's solar power plant in Chile is capable of producing more than 200 million kWh of electricity on an annual basis.

OPERATING PROJECTS - JAPAN

A summary of the Group's projects in operation in Japan is below:

Mito

As of the date of this MD&A, the remaining PPA contract life of Mito is approximately 19 years. The Group's 87%-owned operating solar power project in Japan is shown below:

Project	Region	Sites	Gross MW	Technology	Connection date
Mito-site 1	Ibaraki	1	1.3	Fixed-tilt	Jun-2015
Mito-site 2	Ibaraki	1	1.3	Fixed-tilt	Aug-2015
Mito-site 3	Ibaraki	1	1.3	Fixed-tilt	Jul-2015
Mito-site 4	Ibaraki	1	2.7	Fixed-tilt	May-2015
Mito-site 5	Ibaraki	1	2.7	Fixed-tilt	Jun-2015
Total		**5**	**9.3**		

Mito's solar power plants in Japan are capable of producing more than 10.5 million kWh of electricity on an annual basis.

Shizukuishi

As of the date of this MD&A, the remaining PPA contract life of Mito is approximately 20 years. The Group's 87%-owned operating solar power project in Japan is shown below:

Project	Region	Sites	Gross MW	Technology	Expected Connection date
Shizukuishi	Iwate	1	24.7	Fixed-tilt	Sep-2016
Total		**1**	**24.7**		

Shizukuishi is a 24.7 MW utility-scale solar photovoltaic power plant on one site in the Iwate Prefecture of Japan. Construction-related work began in October 2014 and on October 20, 2015, Shizukuishi achieved its commercial operation date, became 100% operational and started collecting revenues from its electricity production. Shizukuishi is capable of producing approximately 25.6 million kWh of electricity per year.

The solar power plant was built on 51 hectares of leased land, and the facility will connect through Tohoku Electric Power Co., Inc. ("Tohoku Electric Power utility"). The project entered into a 20-year PPA with the Tohoku Electric Power utility to receive ¥40 per kWh produced (approximately $0.33 per kWh). The total project cost of approximately ¥8.9 billion (approximately $87.8 million) is financed 80% with non-recourse project debt from Sumitomo Mitsui Trust Bank, Limited ("SMTB") with the remaining approximately 20% equity portion already funded by the Group and Hitachi High-Tech ("HHT") based on their respective ownership interests of approximately 87% and 13%. Shizukuishi has entered into a long-term fixed price O&M agreement with HHT. Etrion charged the Shizukuishi project with a net development fee of approximately ¥677.4 million ($6.7 million).

DEVELOPMENT ACTIVITIES

PROJECTS UNDER CONSTRUCTION - JAPAN

Etrion is actively pursuing renewable energy projects in Japan, due to the attractive solar FiT program and low financing costs. Japan is one of the largest solar PV markets in the world with over 37 gigawatts ("GW") of installed capacity by the end of 2015 that is expected to reach 51 GW by the end of 2016.[2] Etrion is currently allocating most of its resources and management to further develop this market.

Aomori

Project	Region	Sites	Gross MW	Technology	Expected Connection date
Aomori	Tohoku	4	9.5	Fixed-tilt	July-2017
Total		**4**	**9.5**		

Aomori is a 9.5 MW utility-scale solar photovoltaic power plant under construction, located in Misawa city in the Aomori prefecture of the Tohoku region in Japan. The project consists of four sites. Construction-related works began in July 2016, and the solar project is expected to be fully operational by the third quarter of 2017. The solar power plants are being built on 164 hectares of owned land, and the facilities will connect through Tohoku Electric Power utility. Each project site will enter into a 20-year PPA with the Tohoku Electric Power utility to receive ¥36 per kWh produced (approximately $0.35 per kWh). The total project cost of approximately ¥3,483 billion (approximately $34 million) is being financed 85% with non-recourse project debt from SMTB with the remaining approximately 15% equity portion already funded by the Group, HHT and Tamagawa Holdings Co ("Tamagawa") based on their respective ownership interests of 60%, 10% and 30%, respectively. Aomori has entered into a long-term fixed price O&M agreement with HHT. Once operational, Aomori is expected to produce approximately 10.7 million kWh of solar electricity per year.

Etrion has charged the Aomori project with a net development fee of approximately ¥177 million ($1.7 million).

PROJECTS UNDER DEVELOPMENT - JAPAN

Etrion is reviewing a large pipeline of opportunities in different stages of development and is in different stages of negotiation with third parties. The two most advanced projects totaling 66 MW, listed in the table below as backlog, are expected to be shovel-ready within the next 6-9 months. Etrion expects to own up to 85% in these projects, with HHT and/or local development partners owning the remainder.

Project	Region	Sites	MW	Technology
Komatsu	Central	1	13	Fixed-tilt
Kumamoto	South	1	53	Fixed-tilt
Total backlog		**2**	**66**	
Brownfield 1	Central	1	55	Fixed-tilt
Brownfield 2	Central	1	35	Fixed-tilt
Greenfield 1	Central	1	40	Fixed-tilt
Other early stage			60	Fixed-tilt
Total early stage			**190**	
Total pipeline			**256**	

Japanese backlog

Komatsu is a 13 MW solar project in central Japan with the FiT secured. The land concession has been pre-assigned and the final decree is expected in six months. The project is expected to reach financial close by the end of 2016.

Kumamoto is a 53 MW solar project in southern Japan with the FiT secured and the land contract signed. Etrion has secured exclusivity with the developer and the grid impact studies are complete. The project is expected to be shovel-ready by the first half of 2017.

The two projects described above are in advanced development stages and while the Company believes they have a high degree of probability to reach shovel-ready status, they may be replaced by other projects within the next 12 months in order to accelerate construction or improve project economics.

The estimated total project costs associated with the develpment and construction of the backlog projects, including costs related to the licenses, permits, financing and construction are summarized in the table below. As of September 30, 2016, the Company has incurred approximately $2.3 million of project and development costs that will be fully credited from the total net to Etrion equity contribution shown in the last column of the table below, upon financial close. Total project costs are expected to be financed with a minimum of 85% non-recourse project debt with the remaining equity portion to be funded by the Group and its Japanese partners.

Project	Project Costs	Gross Debt	Net Equity Contribution	Net to Etrion
Komatsu	42.5	35.3	4.6	3.7
Kumamoto	207.5	169.9	21.9	18.7
Total USD million	**250.0**	**205.2**	**26.5**	**22.4**

Changes in the estimated total projects costs, gross debt and net equity contribution, compared to the previously disclosed

[2] Bloomberg New Energy Finance

values is due to changes in the USD versus Japanese yen exchange rate. Etrion also expects to charge these projects with development fees that effectively reduce the Company's net equity contribution, as per above.

The equity needed to build these Japanese backlog projects is likely to be contributed throughout the construction period, typically expended over a two year construction period, rather than at the start of constuction, as was the case on our initial three projects in Japan.

Early stage pipeline

Japan Brownfield Project 1 is a 55 MW solar project in central Japan with FiT and land exclusivity secured. The project is going through a complex environment permitting process and PPA negotiations with the utility. The project is expected to be shovel-ready by 2018.

Japan Brownfield Project 2 is a 35 MW solar project in central Japan with FiT and land exclusivity secured. The project is going through the permitting process and PPA negotiations with the utility. The project is expected to be shovel-ready by the first half of 2018.

Japan Greenfield Project 1 is a 40 MW solar project in central Japan with land exclusivity secured. The FiT application for this project is expected to be filed during the second quarter of 2016. The project is expected to be shovel-ready in 2018.

Etrion is also advancing on other several project under early stage negotiations for a minimum capacity of additional 60 MW.

PROJECTS UNDER DEVELOPMENT - CHILE

Etrion's growth prospects in Chile have been adversely impacted by the decrease in electricity demand as a result of reduced investments in the mining sector and the accelerated growth in electricity supply from renewable sources. As a result of these externalities, spot prices in Chile as well as the demand for long-term power contracts from industrial clients have significantly declined and are expected to remain low for the foreseeable future. The Company currently has 72 MW of shovel-ready projects but has postponed its plans to build until long-term PPAs with attractive terms are available. Allocated resources in Chile to seek PPAs have been reduced significantly. However, the Company will continue to monitor developments in the Chilean electricity market and can restart efforts if conditions improve to secure long-term PPAs on attractive terms.A summary of the Group's 100%-owned projects under development in Chile is below:

Project	Region	Sites	Gross MW	Technology
Aguas Blancas 2A	Antofagasta	1	32	Single axis
Aguas Blancas 2B	Antofagasta	1	24	Single axis
Aguas Blancas 2C	Antofagasta	1	16	Single axis

Etrion may definetively decide to abandon these projects in the near future if market conditions do not materially improve.

SOLAR MARKET OVERVIEW

The market for renewable energy sources, including solar, biomass, wind, hydro and bio fuels, is driven by a variety of factors, such as legislative and policy support, technology, macroeconomic conditions, pricing and environmental concerns. The overall goal for the solar energy market is to reach grid parity, whereby the price of solar energy is competitive with traditional sources of electricity, such as coal and natural gas. Solar technology cost has dropped dramatically and continues to decrease. In addition, solar energy has reached grid parity in certain parts of the world where solar irradiation and electricity prices are high. As the cost of solar technology continues to decrease, new potential markets are expected to develop in areas where solar electricity is price-competitive with other sources of energy.

Solar power plants are an important source of renewable energy. They have very low operating and maintenance costs with minimal moving parts. The technology is essentially silent, emission-free and scalable to meet multiple distributed power requirements. Energy generated from the sun consists of both energy from PV cells and energy generated from solar collectors (i.e., thermal energy or heat).

The key drivers for growth within the renewable energy sector are:

- Increasing global demand for energy due to population and economic growth combined with finite oil and gas reserves;
- Improving technologies like storage and accelerated cost reductions for renewable energy;
- Increased concern about long-term climate change and focus on reducing carbon emissions from energy generation using fossil fuels;
- Political commitment at national and regional levels to support the development and use of renewable energy sources; and
- Attractive government incentives, such as FiTs, capital subsidies and tax incentives in markets that have not yet reached grid parity.

ITALIAN MARKET

FiT system

In 2005, the Italian government introduced a FiT system in order to encourage expansion of solar energy. The FiT system, combined with strong solar irradiation and high spot electricity prices, led to significant growth in the installed capacity of solar generating facilities. The Italian state-owned company, GSE, is responsible for managing the incentive program. However, the actual cost of the incentive is paid by the ultimate consumer through a small tax on utility bills.

The Italian FiT entails a 20-year commitment from the government to purchase 100% of solar electricity production at a premium constant rate based on the connection date. Since 2005, the Italian FiT for new projects has been revised to account for the decreasing cost of building solar power plants.

On June 24, 2014, the Italian government published a new decree outlining, among other things, certain proposed changes to the current Italian FiT regime. On August 7, 2014, the decree was approved by the Italian Parliament. The approved changes impacted the revenues received by solar power producers by reducing the annual FiT incentive paid by the GSE. Specifically, the approved decree outlined three options for solar power producers to reduce the original FiT effective January 1, 2015.

Producers could choose a reduction of between 17% and 25%, depending on the remaining incentive period, offset by an extension of the incentive period from 20 to 24 years. Alternatively, solar power producers could elect a flat 6%-8% reduction, depending on the capacity of the plant, for the remaining incentive period without an extension. Lastly, producers could choose to have the FiT reduced by approximately 15% in the near-term and increased by an equivalent amount in the long-term using a re-modulation ratio established by the Italian Ministry for Economic Development.

In addition, the approved decree introduced certain changes to the payment of the FiT, whereby, effective July 1, 2014, 10% of the FiT payment by GSE would be delayed until June of the following year. However, the GSE subsequently indicated that their systems were not ready to support the new decree and that they would activate the new payment mechanism starting January 1, 2015.

Etrion's management believe the new decree is discriminatory and violates the rights of solar plant owners and foreign investors. The Company's Italian operating subsidiaries filed on February 17, 2015 a domestic legal action in the Italian courts to seek a declaration that the new decree is unconstitutional (similar to the Robin Hood tax described below) or alternatively to obtain compensation for damages resulting from the changes to the FiT regime. The Italian Constitutional Court has scheduled a hearing for December, 2016 to review the claims filed by some other solar producers and is expected to publish its resolution of the dispute within six months after the hearing.

Since Etrion's management considers the new decree unconstitutional, the Company did not communicate any election to the Italian government by the November 30, 2014, deadline. According to the new decree, in the absence of a formal election by solar plant owners, the 6-8% flat reduction is applicable as of January 1, 2015. A summary of the revised FiT received by the Group for its ground-mounted solar PV power projects connected in 2009, 2010 and 2011, is as follows:

	2011	2010	2009
Original FiT (€/kWh)	€0.250	€0.346	€0.353
Revised FiT (€/kWh)	€0.230	€0.318	€0.325
Remaining life	15.3 years	14.3 years	13.3 years

In addition to the FiT, solar power generators in Italy receive the spot market rate for each kWh produced. The average Market Price during Q3-16, was approximately €0.04 ($0.044) per kWh.

Robin Hood tax

On February 11, 2015, the Italian Constitutional Court published a ruling that declared the so-called "Robin Hood" tax unconstitutional and eliminated it from February 2015 onwards. The removal of the Robin Hood tax reduced the ordinary income tax rate applicable to most energy companies in Italy from 34% to 27.5%. The Robin Hood tax was a surtax introduced in 2008 that increased the overall corporate income tax rate applicable to large Italian energy companies from 27.5% to 38%. Operators contested the Robin Hood tax as unconstitutional due to the higher overall tax rate being applied to energy companies compared to the ordinary tax rate for Italian companies in general.

In December 31, 2015, the Italian parliament announced a further reduction of the ordinary income tax from 27.5% to 24% effective from January 1, 2017.

CHILEAN MARKET

The energy sector in Chile is largely liberalized and privatized, which enables energy producers to enter into US dollar-denominated bilateral agreements directly with industrial clients. Chile's energy demand had been severely affected by the downturn of the natural resources sector. On the supply side, Chile has experienced an explosive growth in renewable energy power generation over the past 2 years resulting in a dramatic drop in energy prices.

Despite the current drop in energy prices and reduced investments in the mining sector, the market fundamentals in the medium to long- term are expected to recover and remain attractive for solar due to its anticipated continued cost reduction history. Growth is expected to pick up once the mining sector rebounds, especially in the northern part of the country where more than 90% of the electricity consumption arises from industrial users.

There are two ways in which a solar producer like Etrion can operate in Chile:

- **Through PPAs** – solar power producers can sell the electricity produced through a long-term fixed-price take-or-pay US dollar-denominated contract with industrial users (such as mining companies) or distribution companies (addressing the regulated market).
- **On a spot market/merchant basis** – solar power producers can sell the electricity produced on the spot market, delivered to the relevant electricity network. Project Salvador is initially operating on a merchant basis.

The Company has significantly reduced its commercial activities in Chile to secure new PPAs given current market conditions. Management believes that until the transmission networks are interconnected and bottlenecks removed, expected by 2018, with recovery of the mining sector, market conditions will remain poor. Management will continue monitor the situation and if conditions change the company will reevaluate whether to restart commercial activities.

During Q3-16, weighted average market prices in the SIC network at the Diego de Almagro node applicable to Project Salvador ranged from of $11-$45 per MWh. The weighted average market price in the last 12 months was approximately $21 per MWh.

JAPANESE MARKET

Japan is the world's third largest energy consumer and today is the second largest solar market. The use of solar power in Japan has accelerated since the Japanese FiT scheme for renewable energy was introduced in July 2012 to help offset the loss of nuclear power caused by the Fukushima disaster. This in turn led to most of the nation's 52 reactors being idled due to safety concerns. While current renewable energy usage remains low (currently 15% of total primary energy), Japan is planning to accelerate further renewable energy development. By the end of 2015, Japan had installed more than 37.7 GW of solar capacity.

Japan has implemented an attractive 20-year FiT program of ¥40 per kWh for projects secured by March 31, 2013, ¥36 per kWh for projects secured by March 31, 2014, and ¥32 per kWh for projects secured by March 31, 2015. The FiT was changed to ¥29 for projects secured from April 2015, ¥27 from July 2015 and recently changed to ¥24 from April 2016.

On January 22, 2015, the Japanese Ministry of Economy, Trade and Industry ("METI") officially announced new rules with respect to the FiT regime. The rules apply to new projects and were designed to streamline the process between developers, METI and utilities. Projects with accepted existing grid connection are not affected. METI's main objective in announcing new rules was to address the increasing speculation from developers that have been applying for the FiT but not realizing projects, and at the same time to unblock the grid assessment applications that were put on hold by some of the utilities facing overloaded capacity.

The Act to amend the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (the "FIT Amendment Act") was promulgated on June 3, 2016. The FIT Amendment Act makes various changes to the rules for the Japanese renewable energy feed in tariff program including:

- to require certain categories of projects to commence operations within 3 years from 1 April 2017 (i.e. by 31 March 2020);
- to allow such projects to change their modules without triggering changes in the FIT rate; and
- to allow such projects to also reduce their project size by more than 20% without triggering a FIT rate reduction.

The changes follow a public comment period conducted by the Agency of Natural Resources and Energy ("ANRE") of the METI.

Management believes Etrion's previously communicated joint development target with HHT of reaching 100 MW shovel-ready in Japan should not be affected by the changes to the Japanese FiT regime described above, nor will the projects in operation or under construction.

OTHER MARKETS

The Company continues to see significant upside potential in Japan and hence is devoting most of its resources to expand only in this market.

FINANCIAL REVIEW

FINANCIAL RESULTS

THRID QUARTER SELECTED FINANCIAL INFORMATION

During Q3-16 and the nine months ended September 30,2016, the Group's performance and results were positively impacted by the incremental production of electricity in Japan. However, consolidated revenue, gross profit and EBITDA during the nine months ended September 30, 2016, were negatively impacted by lower than expected Market Price and electricity production in Italy and Chile and also due to higher than expected Nodal Costs from Project Salvador. In addition, during the three months ended September 30, 2016, the Group recognized an impairment charge of $75.7 million associated with its solar assets in Chile as described on page 17. Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

	Three months ended		Nine months ended	
USD thousands (except per share data)	**Q3-16**	**Q3-15**	**Q3-16**	**Q3-15**
Revenue	**17,224**	**15,913**	**43,732**	**43,360**
Gross profit	7,862	7,222	16,425	18,076
Net loss	**(88,295)**	**(4,389)**	**(95,399)**	**(16,929)**
Net loss attributable to owners of the Company	**(61,131)**	**(3,136)**	**(66,281)**	**(13,977)**
Basic and diluted loss per share	**$(0.183)**	**$(0.009)**	**$(0.198)**	**$(0.042)**
Adjustments to net loss for:				
Net income tax expense	9,446	219	10,484	1,479
Depreciation and amortization	6,144	6,062	18,377	17,434
Impairment	75,675	413	75,953	2,881
Share-based payment expense	186	208	262	655
Net finance costs	8,928	7,983	19,741	22,311
Other income	495	-	144	22
Income tax paid	(402)	-	(1,282)	(671)
Changes in working capital	(7,615)	(4,343)	(14,400)	(31,638)
Operating cash flow	**4,562**	**6,153**	**13,880**	**(4,456)**

Summarized consolidated balance sheet information, prepared in accordance with IFRS, is as follows:

USD thousands	**September 30 2016**	**December 31 2015**
Non-current assets	495,102	531,377
Current assets	87,832	81,943
Total assets	**582,934**	**613,320**
Non-current liabilities	634,094	526,432
Current liabilities	50,506	80,484
Total liabilities	**684,600**	**606,916**
Net (liabilities) assets	(101,666)	6,404
Working capital	37,326	1,459
Dividends declared	-	-

SEGMENT INFORMATION

During the third quarter of 2016, management considered whether the operating segment disclosures continued to be appropriate in light of the company's strategic plan and introduced certain changes in the composition of Etrion's reportable segments. Management now considers reportable segments from a geographical perspective and measures performance based on earnings before interest, tax, depreciation and amortization ("EBITDA") and reviews and monitors performance of the Group on this basis.

The Company has identified three reportable segments, solar energy Italy, solar energy Chile and solar energy Japan, which include the Group's solar power projects that were previously aggregated under the renewable segment. While the Company has determined it has only three reportable segments, the Company has decided to disclose additional information about its Corporate activities as it believes that this information is useful for readers of the interim consolidated financial statements. To ensure a consistent comparison to the new structure, the prior year segmental information has been represented.

SEGMENT INFORMATION THREE MONTHS ENDED SEPTEMBER 30

Segment consolidated financial information for the three months ended September 30, prepared in accordance with IFRS, is as follows:

USD thousand	Q3-16					Q3-15				
	Solar Italy	Solar Chile	Solar Japan	Corporate	Total	Solar Italy	Solar Chile	Solar Japan	Corporate	Total
Revenue	**13,873**	**2,171**	**1,180**	**-**	**17,224**	**13,971**	**1,087**	**855**	**-**	**15,913**
Operating expenses (Opex)	(1,146)	(1,802)	(325)	-	(3,273)	(1,443)	(1,168)	(100)	-	(2,711)
General and administrative (G&A)	(141)	(48)	(35)	(1,225)	(1,449)	(237)	(128)	(34)	(2,476)	(2,875)
Other income (expenses)	(495)	-	-	-	(495)	7	-	-	119	126
Impairment	-	(75,675)	-	-	(75,675)	-	-	-	(413)	(413)
EBITDA	**12,091**	**(75,354)**	**820**	**(1,225)**	**(63,668)**	**12,298**	**(209)**	**721**	**(2,770)**	**10,040**
Depreciation and amortization	(3,315)	(2,393)	(381)	(55)	(6,144)	(3,328)	(2,376)	(275)	(83)	(6,062)
Finance income	-	7	18	(5)	20	5	841	(1)	428	1,273
Finance costs	(3,423)	(3,059)	(230)	(2,345)	(9,057)	(3,917)	(3,346)	(169)	(1,989)	(9,421)
Income (loss) before income tax	**5,353**	**(80,799)**	**227**	**(3,630)**	**(78,849)**	**5,058**	**(5,090)**	**276**	**(4,414)**	**(4,170)**
Income tax recovery (expense)	(1,007)	(9,688)	(101)	1,351	(9,446)	(971)	866	(72)	(42)	(219)
Net income (loss) for the period	**4,346**	**(90,487)**	**126**	**(2,279)**	**(88,295)**	**4,087**	**(4,224)**	**204**	**(4,456)**	**(4,389)**

Solar Italy: During Q3-16, the Group's Italian solar segment generated revenues of $13.9 million and EBITDA of $12.1 million, which represented a decrease of 0.7% and 1.7%, respectively, in comparison with the same period in 2015. Despite the increase in production during the third quarter of 2016, lower than expected Market Price affected revenue and EBITDA during this period in comparison with the third quarter of 2015. In addition, the Group's Italian segment generated a net income of $4.3 million, in comparison with the net income result of $4.1 million for the same period in 2015. The Italian assets continue to be very profitable and benefited from the reduction of operating expenses and finance costs, following management strategies to reduce the cost of operations and long-term financing costs.

Solar Chile: During Q3-16, the Group's Chilean solar segment generated revenues of $2.2 million and EBITDA of $0.3 million (before impairment charge of $75.7 million associated with the recoverable value of the solar power plant and intangibles), representing a significant increase in comparison with the same period in 2015, mainly driven by the increase in production and electricity sales under the terms of the PPA. However, the Group's Chilean segment generated a net loss of $90.5 million, in comparison with the net loss result of $4.2 million for the same period in 2015, mainly as a result of the impairment charge recognized during the third quarter of 2016. The significant drop in spot market prices in Chile have affected the overall revenue generated, only partially offset by management strategies to reduce the cost of operations.

Solar Japan: During Q3-16, the Group's Japanese solar segment generated revenues of $1.2 million and EBITDA of $0.8 million, which represented an increase of 38% and 14%, respectively, in comparison with the same period in 2015. Revenue and EBITDA in Q3-16 is not fully comparable with the same period in Q3-15 because only three out of five sites were fully operational at the end of that period in 2015 (the last two sites were completed in July and August 2015). However, the Japanese assets are performing above expectations both in terms of irradiation and performance. In addition, the Group's Japanese segment generated a net income of $0.1 million, in comparison with the net income result of $0.2 million for the same period in 2015.

Corporate: During Q3-16, the Group's corporate segment generated negative EBITDA of $1.2 million and a net loss of $2.3 million, respectively, mainly due to corporate general and administrative expenses and finance costs associated with the Company's corporate bond. The Group's corporate segment also recognized a reversal of previously recognized tax accruals associated with its Japanese holding companies, following the modification of certain terms of its shareholder loans. The overall negative EBITDA in the corporate segment have reduced in comparison with the same period in 2015 due to reductions in general and administrative expenses.

SEGMENT INFORMATION NINE MONTHS ENDED SEPTEMBER 30

USD thousands	Q3-16					Q3-15				
	Solar Italy	Solar Chile	Solar Japan	Corporate	Total	Solar Italy	Solar Chile	Solar Japan	Corporate	Total
Revenue	**33,478**	**6,858**	**3,396**	**-**	**43,732**	**34,734**	**7,561**	**1,065**	**-**	**43,360**
Operating expenses (Opex)	(3,187)	(5,188)	(718)	-	(9,093)	(4,516)	(3,424)	(161)	-	(8,101)
General and administrative (G&A)	(893)	(106)	(127)	(3,800)	(4,926)	(790)	(175)	(74)	(6,700)	(7,739)
Other income (expenses)	(127)	(45)	6	22	(144)	10	-	-	132	142
Impairment	-	(75,675)	-	(278)	(75,953)	-	-	-	(2,881)	(2,881)
EBITDA	**29,271**	**(74,156)**	**2,557**	**(4,056)**	**(46,384)**	**29,438**	**3,962**	**830**	**(9,449)**	**24,781**
Depreciation and amortization	(9,939)	(7,179)	(1,096)	(163)	(18,377)	(10,014)	(6,864)	(304)	(252)	(17,434)
Finance income	369	276	19	4,951	5,615	95	656	21	4,168	4,940
Finance costs	(9,921)	(9,261)	(703)	(5,884)	(25,769)	(11,834)	(9,794)	(172)	(5,937)	(27,737)
Income (loss) before income tax	**9,780**	**(90,320)**	**777**	**(5,152)**	**(84,915)**	**7,685**	**(12,040)**	**(375)**	**(11,470)**	**(15,450)**
Income tax recovery (expense)	(2,838)	(6,854)	(256)	(535)	(10,484)	(3,324)	2,129	(120)	(164)	(1,479)
Net (loss) income for the period	**6,942**	**(97,174)**	**521**	**(5,687)**	**(95,399)**	**4,361**	**(9,911)**	**255**	**(11,634)**	**(16,929)**

Solar Italy: During the nine months ended September 30, 2016, the Group's Italian solar segment generated revenues of $33.5 million and EBITDA of $29.3 million, which represented a decrease of 3.6% and 0.6%, respectively, in comparison with the same period in 2015. In addition, the Group's Italian segment generated a net income of $6.9 million, in comparison with the net income result of $4.4 million for the same period in 2015. Despite the decrease in production during this period and lower than expected Market Price affecting revenue and EBITDA, the Italian assets continue to be very profitable and benefited from the reduction of operating expenses and finance costs, following management strategies to reduce the cost of operations and long-term financing costs.

Solar Chile: During the nine months ended September 30, 2016, the Group's Chilean solar segment generated revenues of $6.9 million and EBITDA of $1.5 million (before impairment charge of $75.7 million associated with the recoverable value of the solar power plant and intangibles), which represented a decrease of 9.3% and 62%, respectively, in comparison with the same period in 2015, mainly driven by the decrease in production and the collapse in the Market Price in Chile. The Group's Chilean segment generated a net loss of $97.2 million, in comparison with the net loss result of $9.9 million for the same period in 2015, mainly as a result of the impairment charge recognized during the third quarter of 2016. Electricity sales under the terms of the PPA have positively contributed to reduce the impact of adverse market conditions, together with management strategies to reduce the cost of operations.

Solar Japan: During the nine months ended September 30, 2016, the Group's Japanese solar segment generated revenues of $3.4 million and EBITDA of $2.6 million, representing a significant increase in comparison with the same period in 2015, mainly driven by the increase in production and outstanding performance of the assets. The electricity production and performance in Japan during this period is not fully comparable with the same period in 2015 because the five sites of the Mito cluster were operational only from August 2015. However, the Japanese assets are performing above expectations both in terms of irradiation and performance. In addition, the Group's Japanese segment generated a net income of $0.5 million, in comparison with the net income result of $0.3 million for the same period in 2015.

Corporate: During the nine months ended September 30, 2016, the Group's corporate segment generated negative EBITDA of $4.1 million and a net loss of $5.7 million, mainly due to corporate general and administrative expenses and finance costs associated with the Company's corporate bond, partially offset with the reversal of previously recognized tax accruals associated with its Japanese holding companies, following the modification of certain terms of its shareholder loans. The overall negative EBITDA in the corporate segment have reduced in comparison with the same period in 2015 due to reductions in general and administrative expenses.

NON-GAAP PERFORMANCE MEASURES

Reconciliation of adjusted net loss to net loss	Three months ended		Nine months ended	
USD thousands	Q3-16	Q3-15	Q3-16	Q3-15
Net loss	**(88,295)**	**(4,389)**	**(95,399)**	**(16,929)**
Adjustments for non-recurring items:				
Italian property tax reduction	-	-	(469)	-
Net deferred tax write off	6,854	-	6,854	-
Impairment	75,675	413	75,953	2,881
RSUs expense reversal	-	-	(363)	-
Adjustments for non-cash items:				
Depreciation and amortization	6,144	6,062	18,377	17,434
Fair value movements (derivative financial instruments)	886	237	2,095	494
Share-based payment expense	186	208	262	655
Adjusted net income	**1,450**	**2,531**	**7,310**	**4,535**

Reconciliation of adjusted operating cash flows to operating cash flows	Three months ended		Nine months ended	
USD thousands	Q3-16	Q3-15	Q3-16	Q3-15
Operating cash flow	**4,562**	**6,153**	**13,880**	**(4,456)**
- Changes in working capital	7,615	4,343	14,400	31,638
- Income tax paid	402	-	1,282	671
Adjusted operating cash flow	**12,579**	**10,496**	**29,562**	**27,853**

Reconciliation of Solar segments and Adjusted EBITDA to EBITDA	Three months ended		Nine months ended	
USD thousands	Q3-16	Q3-15	Q3-16	Q3-15
Net loss	**(88,295)**	**(4,389)**	**(95,399)**	**(16,929)**
Adjustments for:				
Net income tax expense	9,446	219	10,484	1,479
Net finance costs	9,037	8,148	20,154	22,797
Depreciation and amortization	6,144	6,062	18,377	17,434
EBITDA	**(63,668)**	**10,040**	**(46,384)**	**24,781**
Adjustments for non-recurring items:				
Italian property tax reduction	-	-	(469)	-
Impairment	75,675	413	75,953	2,881
RSUs expense reversal	-	-	(363)	-
Adjusted EBITDA	**12,007**	**10,453**	**28,737**	**27,662**
Corporate G&A expenses after non-recurring items	1,255	2,357	4,610	6,568
Solar segments Adjusted EBITDA	**13,232**	**12,810**	**33,347**	**34,230**

QUARTERLY SELECTED FINANCIAL INFORMATION

Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

USD thousands (except per share data)	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Revenue	17,224	16,605	9,903	7,088	15,913	17,060	10,387	6,368
Net (loss) income	(88,295)	1,443	(8,547)	(1,808)	(4,389)	(10,057)	(2,483)	(8,006)
Net gain (loss) income attributable to owners of the company	(61,131)	2,438	(7,588)	(1,340)	(3,136)	(9,227)	(1,614)	(8,014)
Basic and diluted earnings (loss) per share	(0.183)	0.007	(0.023)	(0.004)	(0.009)	(0.028)	(0.005)	(0.025)

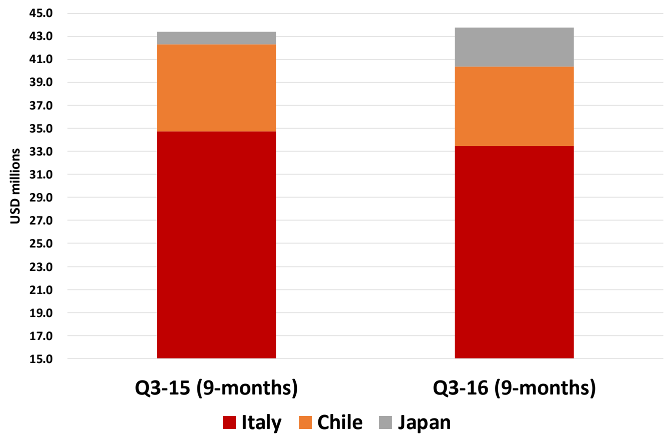
Solar-related production and revenues experience seasonality over the year due to the variability of daily sun hours in the summer months versus the winter months, resulting in lower revenues in the first and fourth quarters each year. In Italy and Japan, revenues are received in Euros and Japanese Yen and have been translated at the average €/$ and ¥/$ exchange rate for the corresponding period. Consequently, revenues expressed in $ may fluctuate according to exchange rate variations. The Group's consolidated financial statements are presented in $, which is the Group's presentation currency. The Company's functional currency is the €. The consolidated financial statements have been prepared in accordance with IFRS.

REVENUE

USD thousands	Three months ended Q3-16	Q3-15	Nine months ended Q3-16	Q3-15
FiT revenue	13,455	12,671	33,260	31,150
Market Price revenue	2,016	3,054	5,057	12,022
PPA revenue	1,485	-	4,752	-
Other utility income	268	188	663	188
Total revenue	**17,224**	**15,913**	**43,732**	**43,360**

Revenues increased by $1.3 million (8.2%) during Q3-16 compared to the same period of 2015, primarily due to an overall production increase in Italy and Chile, the performance in Japan and PPA revenues from Project Salvador, partially offset by lower Market Price. In Q3-16, the Group's revenue from Market Price represented 12% of total revenue. In addition, the Group also received $0.3 million of capacity payment associated with its operations in Chile. The capacity payment is a monthly fixed amount received by Salvador from other energy producers in the spot market. The reconciliation of total revenue in Q3-16 versus Q3-15 is as follows:

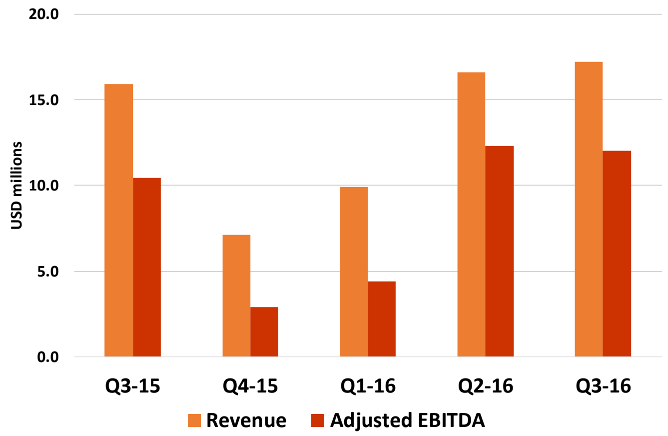
Revenues increased by $0.4 million (0.9%) during the nine months ended September 30, 2016, compared to the same period of 2015 mainly due the additional production and FiT revenues in Japan, partially offset by a decrease in Market Price and electricity production in Italy and Chile.



ADJUSTED CONSOLIDATED EBITDA

During Q3-16 adjusted consolidated EBITDA increased by $1.6 million (15%), compared to the same period of 2015, mainly as a result of the positive performance in Japan and the overall reduction of general and administrative expenses.

During the nine months ended September 30, 2016, adjusted consolidated EBITDA increased by $1.1 million (4%), compared to the same period of 2015, mainly as a result of the positive performance in Japan and the overall reduction of general and administrative expenses.



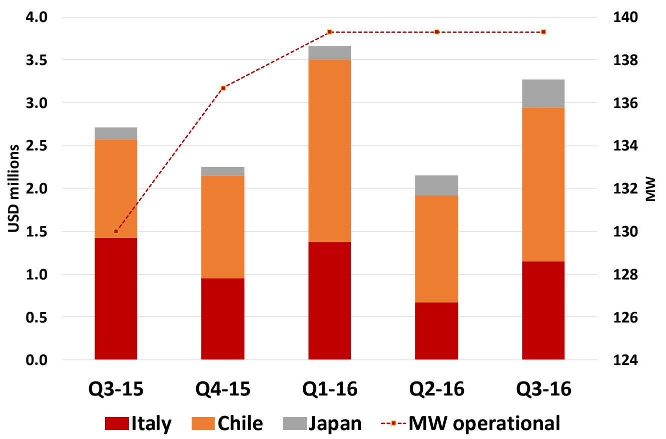
Etrion's Adjusted EBITDA associated with its operating projects fluctuates as revenues are subject to seasonality, while operating expenses are fixed.

OPERATING EXPENSES

USD thousands	Three months ended Q3-16	Q3-15	Nine months ended Q3-16	Q3-15
O&M costs	1,001	1,346	2,962	3,736
Purchased power	643	-	2,491	-
Personnel costs	555	314	1,313	869
D&A	6,089	5,979	18,214	17,182
Property tax	224	407	324	1,231
Insurance	144	198	460	571
Land lease	94	86	277	196
Transmission cost	337	22	255	525
Other expenses	275	339	1,011	974
Total operating expenses	**9,362**	**8,691**	**27,307**	**25,284**

Operating expenses increased by $0.7 million (8%) and $2.0 million (8%) during the three and nine months ended September 30, 2016, respectively, compared to the same period of 2015, primarily due to purchased power in Chile and the incremental depreciation expense and other operational costs associated with the Mito project, partially offset by the reduction in the O&M costs for the Italian and Chilean subsidiaries. In addition, in order to satisfy the obligations under the terms of the PPA agreement, Salvador purchases and pays the cost of electricity in the withdrawal node at the off-taker. During the three and nine months ended September 30, 2016, the average Nodal Costs were approximately $0.045 per kWh and $0.052 per kWh, respectively. These Nodal Costs are expected to drop significantly once the work underway to expand the transmission capacity in the north of the SIC network is completed; currently estimated by early 2018.

The chart below shows the historical operating expenses before depreciation and amortization over the last five quarters including the effect of the recently added projects in Chile and Japan.



GENERAL AND ADMINISTRATIVE EXPENSES

USD thousands	Three months ended Q3-16	Q3-15	Nine months ended Q3-16	Q3-15
Salaries and benefits	570	898	1,674	2,571
Board of directors fees	26	(34)	112	141
Share-based payments	186	208	262	655
Professional fees	358	981	1,785	2,519
Listing and marketing	67	72	244	361
D&A	55	83	163	252
Office lease	89	148	308	313
Office, travel and other	153	601	541	1,178
Total general and admin	**1,504**	**2,957**	**5,089**	**7,990**

General and administrative expenses decreased by $1.5 million (49%) and $2.9 million (36%) during the three and nine months ended September 30, 2016, compared to the same period in 2015, primarily due to a decrease in salaries and benefits as a result of higher costs being capitalized and recharged to the Japanese development pipeline, and a general decrease in professional, listing and board fees, following management measures to optimize costs. In addition, during the nine months ended September 30, 2016, the Group recognized a reduction in the stock based compensation expense of $0.4 million as Etrion's management expects that none of the Company's restricted share units ("RSUs") granted in July 2014 will reach the performance condition targets.

IMPAIRMENT

During the three months ended September 30, 2016, the Company identified indicators of impairment related to Salvador, an entity within its Solar Chile segment. The carrying value of the Salvador solar assets in Chile was compared to the recoverable amount of this cash generating unit based on its value-in-use. The Company completed an impairment assessment based on value-in-use estimates derived from long-range forecasts and market values observed in the marketplace. To determine the value-in-use a before tax discount rate of 8.33% was utilized. As a result of the impairment assessment, the Company determined that the recoverable amount was equal to $98.3 million (before consolidation adjustments) and recorded impairment charges of $70.0 million and $5.7 million against property, plant and equipment and intangible assets, respectively. The impairment resulted from a sharp decline in the long term power prices in the Chilean market where Salvador is located. Project Salvador was originally financed 30% with equity and 70% with non-recourse loans from the Overseas Private Investment Corporation ("OPIC"). Etrion's share of the total equity contribution amounted to $42.0 The recognition of the $75.7 million impairment expense has been calculated with reference to the unleveraged value of the solar assets of Project Salvador in accordance with IFRS and not with reference to Etrion's net economic interest in its subsidiary. The excess of the impairment charge relative to Etrion's total equity investment in Project Salvador is reflected in the negative equity of the subsidiary that has been fully consolidated at the Group level. However, it does not represent an additional loss on the Group's original investment in Project Salvador.

In addition, during the nine months ended September 30, 2016, the Company impaired capitalized development costs of $0.3 million (2015: $2.9 million) associated with development activities for other Chilean projects it is no longer pursuing.

NET FINANCE COSTS

USD thousands	Three months ended Q3-16	Q3-15	Nine months ended Q3-16	Q3-15
Interest project loans	5,412	6,859	16,184	20,040
Interest corporate bond	2,251	2,160	6,692	6,616
Fair value movements	886	237	2,095	494
Foreign exchange	382	(170)	(5,193)	(3,713)
Other finance costs	106	(938)	376	(640)
Net finance cost	**9,037**	**8,148**	**20,154**	**22,797**

During the third quarter of 2016, net finance costs increased by $0.9 million (11%) compared to 2015, mainly due to a reduction in foreign exchange gains and other finance costs. During the nine months ended September 30, 2016, net finance costs decreased by $2.6 million (12%) compared to 2015, primarily due to gains on foreign currency loans used to fund the investments in Japan. Excluding the non-cash foreign exchange gains, other finance costs and fair value movements, total finance costs decreased by $1.4 million (15%) and $3.8 million (14%) due to the reduction of finance costs in Italy. During Q3-16 and the nine months ended September 30, 2016, the Group capitalized $0.4 million (2015: $0.1 million) and $0.8 million (2015: $0.9 million) of borrowing costs associated with credit facilities obtained to finance the construction of Shizukuishi and Aomori.

INCOME TAX EXPENSE

USD thousands	Three months ended Q3-16	Q3-15	Nine months ended Q3-16	Q3-15
Current income tax expense	(611)	(2,081)	(3,964)	(4,017)
Deferred tax recovery	(8,835)	1,862	(6,520)	2,538
Net income tax expense	**(9,446)**	**(219)**	**(10,484)**	**(1,479)**

Net income tax expense increased significantly by $9.2 million and $9.0 million during the three and nine months ended September 30, 2016, compared to the same period of 2015, primarily due to the derecognition of net deferred tax assets associated with Salvador, following the negative impact that long-term price projections have caused to future taxable profits for this solar project in Chile. The overall increase in net income tax was partially offset by the reversal of previously recognized tax accruals associated with its Japanese holding companies, following the modification of certain terms of its shareholder loans and the recognition of additional tax benefits from taxable losses as a result of lower Market Price in Chile.

FINANCIAL POSITION

LIQUIDITY AND FINANCING

CASH POSITION

USD thousands	September 30 2016	December 31 2015
Cash and cash equivalents:		
Unrestricted at parent level	12,426	17,582
Restricted at project level	40,304	34,917
Total cash and cash equivalents	**52,730**	**52,499**

UNRESTRICTED CASH ANALYSIS

The Group's cash and cash equivalents at September 30, 2016, included unrestricted cash of $12.4 million (December 31, 2015: $17.6 million) held at the parent level. The Group has a fully-funded portfolio of operational and under construction projects. In addition, the Group expects to generate sufficient operating cash flows in 2016 and beyond from its operating solar power projects to meet its obligations and expects to finance the construction and/or acquisition of new projects with a combination of cash and cash equivalents, additional corporate equity, assets sale or debt financing and non-recourse project loans, as required.

RESTRICTED CASH ANALYSIS

USD thousands	September 30 2016	December 31 2015
Italy	9,846	6,585
Chile	9,222	19,474
Japan	21,236	8,858
Total restricted cash	**40,304**	**34,917**

The Group's cash and cash equivalents at September 30, 2016, included restricted cash held at the project level in Italy, Chile and Japan that is restricted by the lending banks for future repayment of interest and principal and working capital requirements related to each project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, through repayment of shareholder loans, through payment of interest on shareholder loans or through dividend distributions.

WORKING CAPITAL

At September 30, 2016, the Group had working capital of $37.3 million (December 31, 2015: $1.5 million). This working capital includes the fair market value of interest rate swap contracts that are classified as current liabilities in accordance with IFRS but are not expected to be settled in cash in the next 12 months without replacement. Excluding these derivative financial liabilities that are not expected to be settled in the near-term, the Group's working capital would have been $41.5 million. (December 31, 2015: $4.7 million). At September 30, 2016, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2016	2017	2018	2019	2020	After 5 years	Total
EPC contract	4,244	15,156	-	-	-	-	36,921
Project loans	1,917	27,002	37,494	37,494	34,674	278,649	417,229
Corporate bond	3,572	7,143	7,143	92,369	-	-	110,717
O&M contracts	858	3,624	3,650	3,732	4,329	51,333	67,842
Operating leases	357	1,275	1,278	1,281	1,285	20,005	25,497
Trade payables	10,094	-	-	-	-	-	10,094
Total	**21,042**	**54,200**	**49,565**	**134,876**	**40,288**	**349,987**	**650,780**

All of the contractual obligations will be funded from existing cash available, future cash flows from operations and/or debt refinancing with no additional capital investments to be made by the Group.

NET EQUITY

During the nine months ended September 30, 2016, the total equity attributable to owners of the Company decreased by $78.9 million from a net asset position of $7.0 million at December 31, 2015, to a net liability position of $71.9 million at September 30, 2016. This change was primarily due to the net loss reported by the Group during the period, unrealized fair value losses recognized within other reserves associated with the Group's derivative financial instruments and the cumulative foreign exchange translation adjustment. Total equity attributable to owners of the Company at September 30, 2016, was negatively impacted by the cumulative fair value losses of $49.4 million recognized within other reserves that are associated with the Group's derivative financial instruments. Excluding these fair value losses, the total equity attributable to owners of the Company at September 30, 2016, would have resulted in a net liability position of $21.6 million.

BORROWINGS

Non-recourse project loans

The following is a summary of the Group's non-recourse project loans and bond balances:

USD thousands	MW	Maturity	September 30 2016	December 31 2015
Etrion SpA	54	December 31, 2029	222,725	222,990
Helios ITA	6	December 31, 2028	25,386	26,250
Salvador	70	September 1, 2033	151,427	153,231
Shizukuishi	25	December 31, 2034	73,895	19,952
Mito	9	September 30, 2034	28,245	23,578
Aomori	10	December 31,2034	9,882	-
Total	**174**		**511,560**	**446,001**

Italian projects

On June 13, 2016, the Group's Italian subsidiary, Helios ITA, completed a debt restructuring transaction, modifying the terms of the original floating-rate credit facility obtained to finance the construction of this solar power project. The amended facility matures on December 2028 and bears annual interest rates of Euribor plus a margin range of 2.45%-3.75%. The Helios ITA restructuring included the extension of the final maturity, optimization of the debt repayment schedule and improvements to cash distributions going forward. The Helios ITA restructuring completes management's initiative to renegotiate the non-recourse projects loans of its entire portfolio of solar assets in Italy.

Upon completion of this restructuring transaction, the Group's Italian subsidiary unwound the previously existing interest rate swap contract and entered into a new one to hedge 90% of future interest payments under the terms of the new credit facility. No amounts were paid upon exchange of these derivatives because the fair market value of the previous and new interest rate swap contract was the same at the transaction date.

All the Italian non-recourse projects loans are hedged through interest rate swap contracts, all of which qualified for hedge accounting at September 30, 2016, and December 31, 2015.

At September 30, 2016, the fair value of the non-recourse project loans and project bond approximated their carrying values as the loans bear floating interest rates.

At September 30, 2016, the Group had no undrawn amounts associated with these facilities, including the new debt service reserve facility. At September 30, 2016, the Group was not in breach of any of the imposed operational and financial covenants associated with its Italian project loans.

Chilean projects

The non-recourse project loan obtained by the Group's Chilean subsidiary, Salvador, to finance the construction of Project Salvador matures in 2033. The repayment of these credit facilities is secured principally by the proceeds from the sale of electricity in the spot market. The loan is accounted for using the amortized costs method based on the effective interest rate. The fair value of this credit facility equals its carrying amount, as the impact of discounting is not significant given the fixed-rate terms of the loan.

At September 30, 2016 and December 31, 2015, the Group was not in breach of any of the imposed operational and financial covenants associated with its Chilean project loans.

Japanese projects

During the nine months ended September 30, 2016, the Group's Japanese subsidiaries, Shizukuishi, drew additional ¥4,710 million from the senior financing agreement (2015: ¥3,920 million) and additional ¥299 million from the VAT credit facility (2015: ¥301 million). As of September 30, 2016, there were no undrawn amounts under the senior financing agreement or the VAT credit facility.

During the three months ended September 30, 2016, The Group's Japanese subsidiary that holds the 9.5 MW Aomori project entered into a senior secured financing agreement in Japanese yen (¥3,003 million) to finance the construction costs of this solar project. This Aomori credit facility matures in 2035 and bears TIBOR floating interest rates plus a margin of 1.1%. The Aomori non-recourse projects loan is 90% hedged through interest rate swap contracts during the operational period. In addition, the Group's Japanese subsidiary entered into a VAT credit facility agreement in Japanese yen (¥233 million) in order to finance the related VAT capital disbursements of the Aomori project. This VAT credit facility has a term of two years and bears a variable interest rate plus a margin.

At September 30, 2016, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. At September 30, 2016 and December 31, 2015, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

Corporate borrowings

At September 30, 2016 and December 31, 2015, the Group had €80 million of corporate bonds outstanding listed on the Oslo Stock Exchange. The bonds were issued by the Company in April 2014 with an annual interest rate of 8.0% and a 5-year maturity. The carrying amount of the corporate bond as at September 30, 2016, including accrued interest net of transaction costs, was $91.3 million (December 31, 2015: $87.1 million). The corporate bond agreement requires the Company to maintain a minimum unrestricted cash balance of €3 million. At September 30, 2016, and December 31, 2015, the Group was not in breach of any of the operational and financial covenants associated with its corporate borrowings. The corporate bond agreement includes a call option that allows the Company to redeem the bond early (in its entirety) at any time at a specified percentage over the par value. The Company can call the bonds after the second year at 4% above par value, after the third year at 2.5% above par value and after the fourth year at 1% above par value. At September 30, 2016 and December 31, 2015, no separate amount was recognized in relation to this call option.

Net debt reconciliation

The Group's adjusted net debt position on a cash basis, (excluding non-cash items and VAT facilities) is as follows:

USD thousands	September 30 2016	December 31 2015
Total borrowings as per IFRS	**602,878**	**533,060**
VAT facilities	(5,162)	(2,481)
Accrued interest	(4,572)	(2,231)
Transaction costs	13,226	13,180
Adjusted borrowings	**606,370**	**541,528**
Cash and cash equivalents	(52,730)	(52,499)
Adjusted consolidated net debt	**553,640**	**489,029**
Adjusted corporate net debt	**76,946**	**69,514**

The Group's consolidated net debt increased during the nine months ended September 30, 2016, in comparison with December 31, 2015, mainly due additional funds drawn from the SMTB credit facility to fund the constructions costs of Shizukuishi and Aomori.

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 334,094,324 common shares (November 11, 2015: 334,094,324) and options to acquire 3,202,000 common shares of the Company (November 11, 2015: 4,640,000) issued and outstanding. The options expire at various dates between March 19, 2017, and April 28, 2018, with exercise prices ranging between CAD$0.24 and CAD$1.59 per share.

In addition, the Company maintains the 2014 Restricted Share Unit Plan pursuant to which employees, consultants, directors and officers of the Group may be awarded RSUs. The RSUs have a contractual term of four years and are subject to certain time-based conditions and performance-based vesting conditions. The Company had 15,540,892 RSUs granted to certain employees of the Company under this long-term incentive plan, all of which were outstanding as of November 10, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements at September 30, 2016, and December 31, 2015.

CAPITAL INVESTMENTS

The Group plans to allocate its unrestricted cash by prioritizing the Japanese market. Based on the current status, the Company does not anticipate beginning construction of the Japanese backlog until the first half of 2017.

The equity needs to build these Japanese backlog projects are likely to be contributed throughout the construction period, rather than at start of constuction. According to management estimates total net equity cash contributions would be made as follows:

Japanese backlog	H2-2016	H1-2017	H2-2017	H1-2018
Komatsu	3.7	-	-	-
Kumamoto	-	2.1	4.1	4.8
Total USD million	**3.7**	**2.1**	**4.1**	**4.8**

The Group will finance the development and/or construction costs associated with its projects under development, as well as new projects, with a combination of cash and cash equivalents, the sale or partial sale of existing operating assets, particularly in those situations where the company believes arbitrage opportunities exist to sell assets to institutional investors with substantially lower return requirements than the Company's, additional corporate debt or equity financing and non-recourse project loans, as required. Changes in the estimated net equity needs compared to the previously disclosed values is due to changes in the USD versus Japanese yen exchange rate and timing of the investments.

During the nine months ended September 30, 2016, general and administrative expenses of $2.0 million (2015: $1.2 million) representing internally-generated costs ($1.7 million) and third-party costs ($0.3 million) were capitalized during the period within intangible assets, as they directly related to the Group's business development activities in Japan.

Contractual commitments

The Group enters into engineering, procurement and construction agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of September 30, 2016, the Group had a contractual obligation to acquire construction services in the amount of $19.6 million related to the construction of the 24.7 MW Shizukuishi and 9.5 MW Aomori solar power projects in Japan. This contractual obligation will be funded from existing cash available at the project company level or from future cash flows from operations with no additional capital investments to be made by the Group or additional funding from the Group's unrestricted cash balance.

Contingencies

On August 10, 2015, the Group received a litigation notice from a former employee alleging unreconciled labor-related differences. The Company's directors believe the claim is without merit, and the Group intends to vigorously defend itself. Given the early stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In connection with the preparation of the Company's condensed consolidated interim financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. These assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the consolidated financial statements are prepared. On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material.

There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three months ended September 30, 2016, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2015.

During the three months ended September 30, 2016, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2016.

RELATED PARTIES

For the purposes of preparing the Company's condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns directly and through various investment trust approximately 24.3% of the Company's common shares. All related party transactions are made on terms equivalent to those made on an arm's length basis.

The related party transactions disclosed in the notes to the Company's condensed consolidated interim financial statements for the three months ended September 30, 2016, are summarized below.

RELATED PARTY TRANSACTIONS

Lundin Services BV

The Group receives professional services from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB. During the three and nine months ended September 30, 2016, the Group incurred general and administrative expenses of $3,000 and $3,000 (2015: $11,000 and $55,000), respectively, from Lundin Services BV and, at September 30, 2016, the Group had nil (December 31, 2015: $2,000) outstanding in relation to these expenses.

Lundin Petroleum AB

The Group receives professional services from Lundin Petroleum AB for market and investor relation activities in Sweden. During the three and nine months ended September 30, 2016, the Group incurred general and administrative expenses of $7,000 and $7,000 (2015: $21,000 and $21,000), respectively, from Lundin Petroleum AB.

Lundin family

During the three and nine months ended September 30, 2016, the Group recognized $0.2 million and $0.7 million (2015: $0.2 million and $0.7 million) of interest expense and $24,000 and $47,000 (2015: $11,000 and $32,000), respectively, of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family.

Lundin SA

On April 1, 2016, The Group entered into a new service agreement with Lundin SA for an annual amount of $0.1 million, to make available fully staffed and equipped premises to serve members of its Board of Directors. The contract is renewed automatically, unless terminated by either party.

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The key management of the Group includes members of the Board of Directors, the Chief Executive Officer, Marco A. Northland and the Chief Financial Officer, Paul Rapisarda.

During the three and nine months ended September 30, 2016, the Group recognized $0.4 million and $1.0 million (2015: $0.6 million and $1.1 million, respectively) within general and administrative expenses associated with the remuneration of key management personnel, related to salaries and short-term benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At September 30, 2016, the Group had $nil outstanding to key management personnel (December 31, 2015: $0.1 million).

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks relating to its operations. These risks include market risk (including currency risk, interest rate risk and electricity price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets, specifically changes in foreign exchange rates and interest rates, and seek to minimize potential adverse effects on the Group's financial performance. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge interest rate risk exposures through interest rate swap contracts. However, the Group has not entered into any foreign exchange rate hedges as monetary assets and liabilities held by the Group's subsidiaries are primarily held in the individual subsidiaries' functional currencies.

The Company's management carries out risk management procedures with guidance from the Audit Committee and Board of Directors.

Refer to the Company's audited condensed consolidated interim financial statements for the year ended December 31, 2015, for further details relating to the Group's financial risk management.

DERIVATIVE FINANCIAL INSTRUMENTS

A summary of the Group's derivative financial instruments is as follows:

USD thousands	September 30 2016	December 31 2015
Derivative financial assets:		
Interest rate swap contracts		
Current portion	-	702
Total derivative financial assets	**-**	**702**
Derivative financial liabilities:		
Interest rate swap contracts		
Current portion	4,130	3,230
Non-current portion	28,124	10,639
Total derivative financial instruments	**32,254**	**13,869**

The Group enters into interest rate swap contracts in order to hedge against the risk of variations in the Group's cash flows as a result of floating interest rates on its non-recourse project loans in Italy and Japan. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity as per the interest rate swap contracts, the observable Euribor and TIBOR interest rate forward yield curve and an appropriate discount factor.

During the three and nine months ended September 30, 2016, the Group recognized a net fair value loss of $2.2 million (2015: $1.7 million) and $12.5 million (2015: net fair value gain of $3.6 million), respectively, net of tax within other comprehensive income related to the effective portion of the Group's interest rate swap contracts. The increase in these net fair value losses was driven by a decrease in the forecasted Euribor and TIBOR interest rate curves.

During the nine months ended September 30, 2016, the Group reclassified from other reserves to the income statement the re-designated portion of previous hedging relationships in the amount of $1.7 million.

At September 30, 2016, and December 31, 2015 all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is transferred to finance income and costs.

RISKS AND UNCERTAINTIES

The Group's activities expose it to a variety of financial and non-financial risks and uncertainties that could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. Certain of such risks are discussed below. For a more detailed discussion of risk factors applicable to the Group, see Etrion's Annual Information Form for the year ended December 31, 2015, which has been filed on SEDAR and is available under Etrion's profile at www.sedar.com. Risk management is carried out by the Company's management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also oversees and provides assistance with the overall risk management strategy and mitigation plan of the Group.

FINANCIAL RISKS

DEBT AND EQUITY FINANCING

The Group's anticipated growth and development activities will depend on the Group's ability to secure additional financing (i.e., equity financing, corporate debt, and/or non-recourse project loans). The Group cannot be certain that financing will be available when needed, and, as a result, the Group may need to delay discretionary expenditures. In addition, the Group's level of indebtedness from time to time could impair its ability to obtain additional financing and to take advantage of business opportunities as they arise. Failure to comply with facility covenants and obligations could also expose the Group to the risk of seizure or forced sale of some or all of its assets.

CAPITAL REQUIREMENTS AND LIQUIDITY

Although the Group is currently generating significant cash flows from its operational projects, the construction and acquisition of additional projects will require significant external funding. Failure to obtain financing on a timely basis could cause the Group to miss certain business opportunities, reduce or terminate its operations or forfeit its direct or indirect interest in certain projects. There is no assurance that debt and/or equity financing, or cash generated from operations, will be available or sufficient to meet these requirements or for other corporate purposes, or, if debt and/or equity financing is available, that it will be available on terms acceptable to the Group. The inability of the Group to access sufficient capital for its operations could have a material impact on the Group's business model, financial position and performance.

MARKET RISKS

The Group is exposed to financial risks such as interest rate risk, foreign currency risk, electricity price risk and third-party credit risk. The Company's management seeks to minimize the effects of interest rate risk by using derivative financial instruments to hedge risk exposures.

COST UNCERTAINTY

The Group's current and future operations are exposed to cost fluctuations and other unanticipated expenditures that could have a material impact on the Group's financial performance.

NON-FINANCIAL RISKS

LICENSES AND PERMITS

The Group's operations require licenses and permits from various governmental authorities that are subject to changes in regulation and operating circumstances. There is no assurance that the Group will be able to obtain all the necessary licenses and permits required to develop future renewable energy projects. At the date of this MD&A, to the best of the

Company's knowledge, all necessary licenses and permits have been obtained for projects already built and under construction, and the Group is complying in all material respects with the terms of such licenses and permits.

GOVERNMENTAL REGULATION

The renewable energy sector is subject to extensive government regulation. These regulations are subject to change based on current and future economic and political conditions. The implementation of new regulations or the modification of existing regulations affecting the industries in which the Group operates could lead to delays in the construction or development of additional solar power projects and/or adversely impair its ability to acquire and develop economic projects, generate adequate internal returns from operating projects and continue operating in current markets. Specifically, reductions in the FiT payable to the Group on its existing solar power projects in Italy and Japan as well as other legislative or regulatory changes could impact the profitability of the Group's solar power projects.

COMPETITION

The renewable energy industry is extremely competitive and many of the Group's competitors have greater financial and operational resources. There is no assurance that the Group will be able to acquire new renewable energy projects in order to grow in accordance with the Company's strategy. The Group also competes in securing the equipment necessary for the construction of solar energy projects. Equipment and other materials necessary to construct production and transmission facilities may be in short supply, causing project delays or cost fluctuations.

PRICES AND MARKETS FOR ELECTRICITY

Historically, the Group was not exposed to significant electricity market price risk as the majority of the revenues generated by its operating solar power projects in Italy are secured by long-term contracts based on a FiT. However, in Chile, the Company's subsidiary, Salvador, is exposed to market price risk associated with the electricity sold at the spot rate, which may fluctuate based on supply and demand and other conditions.

A decline in the costs of other sources of electricity, such as fossil fuels or nuclear power, could reduce the wholesale price of electricity. A significant amount of new electricity generation capacity becoming available could also reduce the wholesale price of electricity. Broader regulatory changes to the electricity trading market (such as changes to integration of transmission allocation and changes to energy trading and transmission charging) could have an impact on electricity prices. A decline in the market price of electricity could materially adversely affect the price of electricity generated by renewable assets in Chile and thus the Company's business, financial position, results of operations and business prospects.

INTERNATIONAL OPERATIONS

Renewable energy development and production activities are subject to significant political and economic uncertainties that may adversely affect the Group's performance. Uncertainties include, but are not limited to, the possibility of expropriation, nationalization, renegotiation or nullification of existing or future FiTs/PPAs, a change in renewable energy pricing policies and a change in taxation policies or the regulatory environment in the jurisdictions in which the Group operates. These uncertainties, all of which are beyond the Group's control, could have a material adverse effect on the Group's financial position and operating performance. In addition, if legal disputes arise relating to any of the Group's operations, the Group could be subject to legal claims and litigation within the jurisdiction in which it operates.

RELIANCE ON CONTRACTORS AND KEY EMPLOYEES

The ability of the Company to conduct its operations is highly dependent on the availability of skilled workers. The labor force in Europe and other parts of the world is unionized and politicized, and the Group's operations may be subject to strikes and other disruptions. In addition, the success of the Company is largely dependent upon the performance of its management and key employees. There is a risk that the departure of any member of management or any key employee could have a material adverse effect on the Group.

The Group's business model relies on qualified and experienced contractors to design, construct and operate its renewable energy projects. There is a risk that such contractors are not available or that the price for their services impairs the economic viability of the Group's projects.

ETRION OUTLOOK AND GUIDANCE

On March 16, 2016, Etrion issued a revenue and project-level EBITDA forecast for the fiscal year ending December 31, 2016. The Group has reviewed the previously released guidance in light of the nine months' performance and have concluded that at this stage there is no basis to modify the guidance for the full year. The Group will continue to reassess its guidance and will make any adjustments and disclosures as may be warranted. Nevertheless, the guidance would be subject to a review when the expected sale of the Italian assets has been executed.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 *Certification of Disclosures in Issuers Annual and Interim Filings*, the Company's Chief Executive Officer and Chief Financial Officer are required to:

- design or supervise the design and evaluate the effectiveness of the Group's disclosure controls and procedures ("DC&P"); and
- design or supervise the design and evaluate the effectiveness of the Group's internal controls over financial reporting ("ICFR").

The Company's Chief Executive Officer and Chief Financial Officer have not identified any material weakness in the Group's DC&P and ICFR.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to: the Group's plans for future growth and development activities (including, but not limited to, expectations relating to the timing of the development, construction, permitting, licensing, financing operation and electricity production, as the case may be, of its future solar power plants in Japan and Chile); expectations relating to future solar energy production and the means by which, and to whom, such future solar energy will be sold; the need for, and amount of, additional capital to fund the construction or acquisition of new projects and the expected sources of such capital; expectations relating to grid parity; the expected key drivers for growth; expectations with respect to future mining growth in Chile; and expectations with respect to the timing of a decision of the Italian Constitutional Court regarding changes to the Italian FiT regime. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: risks associated with operating exclusively in foreign jurisdictions; risks associated with the regulatory frameworks in the jurisdictions in which the Company operates, or expects to operate, including the possibility of changes thereto; uncertainties with respect to the identification and availability of suitable additional renewable energy projects on economic terms; uncertainties with respect to the Group's ability to negotiate PPAs with industrial energy users; uncertainties relating to the availability and costs of financing needed in the future; the lack of confirmation or the reduction of the applicable FiT and the Market Price for electricity sales in Italy; uncertainties with respect to the impact of the new Italian FiT regime that came into effect in 2015 and whether or not such changes will be overturned by the Italian courts; uncertainties with respect to the impact of the changes to the Japanese FiT regime that came into effect in 2015; uncertainties with respect to the timing of the expansion of the SIC electricity grid and the interconnection of the SIC and SING networks in Chile; the risk that the Company's solar projects may not produce electricity or generate revenues and earnings at the levels expected; the risk that the Company may not be able to renegotiate certain of its O&M contracts as anticipated; the risk that the construction or operating costs of the Company's projects may be higher than anticipated; uncertainties with respect to the receipt or timing of all applicable permits for the development of projects; uncertainties with respect to certain information relating to solar electricity revenue that is subject to confirmation of both the applicable FiT to which the Company is entitled by the state-owned company, GSE, and the applicable spot market price by local utilities for electricity sales to the national grid; the impact of general economic conditions and world-wide industry conditions in the jurisdictions and industries in which the Group operates; risks inherent in the ability of the Group to generate sufficient cash flow from operations to meet current and future obligations; stock market volatility; and other factors, many of which are beyond the Group's control.

All such forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances. In addition to the assumptions set out elsewhere in this MD&A, such assumptions include, but are not limited to: confirmation of the applicable FiT and spot market price for electricity sales in Italy; the ability of the Group to obtain the required permits in a timely fashion and project and debt financing on economic terms and/or in accordance with its expectations; the ability of the Group to identify and acquire additional solar power projects; expectations with respect to the declining impact of seasonality on the Group's business, and assumptions relating to management's assessment of the impact of the new Italian FiT regime. The foregoing factors, assumptions and risks are not exhaustive and are further discussed in Etrion's most recent Annual Information Form and other public disclosure available on SEDAR at www.sedar.com. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Investors should not place undue reliance on forward-looking information. Except as required by law, Etrion does not intend to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The information contained in this MD&A is expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

Additional information regarding the Company, including its Annual Information Form, may be found on the SEDAR website at **www.sedar.com** or by visiting the Company's website at **www.etrion.com**.