2015

ETRION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

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 139 MW plus 25 MW under construction, 76 MW of backlog projects and over 200 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 March 15, 2016, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2015. 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 December 31, 2015	131.68	120.41	1.09
Closing rate at December 31, 2014	145.71	119.80	1.21
Twelve month average rate December 31, 2015	134.27	121.03	1.11
Twelve month average rate December 31, 2014	140.41	105.84	1.33

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", 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 17). 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 17). 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 within. For information on material risk factors and assumptions underlying the forward-looking information, refer to the "Cautionary Statement Regarding Forward-Looking Information" on page 28.

FOURTH QUARTER AND FULL YEAR 2015 HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

- Produced 102.4 million kilowatt-hours (“kWh”) of solar electricity from the Company’s 100%-owned 60 MW portfolio comprising 17 solar power plants in Italy.
- Produced 157 million kWh of solar electricity from the Company’s 70%-owned 70 MW Salvador solar power plant in Chile (“Project Salvador”), which entered full commercial operations in the first quarter of 2015.
- Produced 5.5 million kWh of solar electricity from the Company’s 87%-owned 9.3 MW Mito project, comprising 5 solar power plants in Japan, which entered full commercial operations during the third quarter of 2015.
- Renegotiated the operations and maintenance (“O&M”) agreements for all the Group’s Italian and Chilean operating subsidiaries, representing an aggregate gross capacity of 130 MW, reducing costs by approximately 35% on average.
- Advanced the development of three projects in Japan for a total capacity of 76 MW. Management expects to have these backlog projects shovel ready, close the financing and break ground in 2016. The Company is advancing the development of additional projects in Japan which are targeted to be shovel ready in the 2017-2018 time frame.

FINANCIAL HIGHLIGHTS

- Generated revenues and project-level EBITDA of $50.4 million and $39.1 million, respectively, from the Company’s 23 solar power plants in Italy, Chile and Japan.
- Closed 2015 with a cash balance of $52.5 million, $17.6 million of which was unrestricted and held at the parent level, and working capital of $1.5 million.
- Received a cash reimbursement from the Chilean tax authorities’ equivalent to $24 million associated with value added tax (“VAT”) credits accumulated during the construction of Project Salvador.
- Fully repaid Salvador’s total outstanding VAT credit facility equivalent to $24 million five months ahead of schedule.
- Completed a debt refinancing transaction in Italy replacing the outstanding credit facilities obtained to finance the construction of a majority of the Company's Italian operating solar power projects, with a new long-term floating rate credit facility and a project bond, reducing the all-in interest rate by approximately 50% and extending final maturity.

	Three months ended		Twelve months ended	
USD thousands (unless otherwise stated)	**Q4-15**	**Q4-14**	**2015**	**2014**
Electricity production (MWh)[1]	60,161	14,145	264,950	100,655
Financial results				
Revenues	7,088	6,368	50,448	49,628
Gross (loss) profit	(1,125)	4,318	16,951	25,862
EBITDA	2,577	1,305	27,358	32,526
Adjusted EBITDA	2,851	1,040	30,805	33,065
Adjusted EBITDA margin (%)	40%	16%	61%	67%
Net (loss) income	(1,808)	(8,006)	(18,737)	(16,455)
Adjusted net income	4,604	(6,534)	9,431	4,396
Cash flow				
Project cash distributions	2,866	1,509	6,433	5,441
Cash flow from (used in) operations	26,207	(12,335)	21,752	(11,061)
Adjusted operating cash flow	1,498	(3,653)	29,351	31,565

	December 31 2015	**December 31 2014**
Balance sheet		
Total assets	613,320	668,112
Operational assets	457,745	307,123
Unrestricted cash at parent level	17,582	33,886
Restricted cash at project level	34,917	61,643
Working capital	1,459	36,450
Consolidated net debt on a cash basis	489,029	413,860
Corporate net debt on a cash basis	69,514	63,242

[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 139 MW of gross installed solar capacity in Italy, Chile and Japan. Etrion has 25 MW of gross solar projects under construction in Japan and several projects at different stages of development in Japan and Chile.

With projects in Italy, Chile and Japan, Etrion has a diversified solar power generation platform in terms of both revenues and geography. Revenues are generated from Feed-in-Tariff ("FiT") contracts, long-term power purchase agreements ("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 strategy is focused on:

- **Geographic Diversity** – Entering new regions with high electricity prices, robust energy demand and abundant renewable resources or strong mandates to diversify energy mix with attractive government incentives.
- **Revenue Diversity** – Complementing FiT revenues with revenues derived from long-term PPAs or the spot/merchant market.
- **Yield** – Creating a platform with the option to declare dividends to shareholders.
- **Growth** – Building a large pipeline of renewable energy development projects through key partnerships.

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;

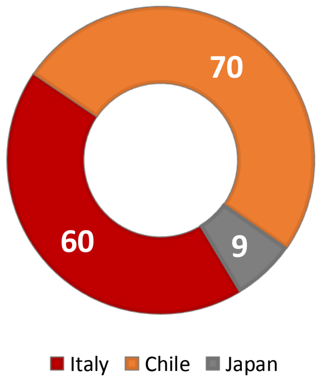
(5) available long-term financing; and

(6) low cost of debt.

The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden ("NASDAQ OMX"). Etrion has a corporate bond listed on the Oslo Stock Exchange in Norway. Etrion is based in Miami, Florida, United States of America 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 32 employees working throughout these five jurisdictions.

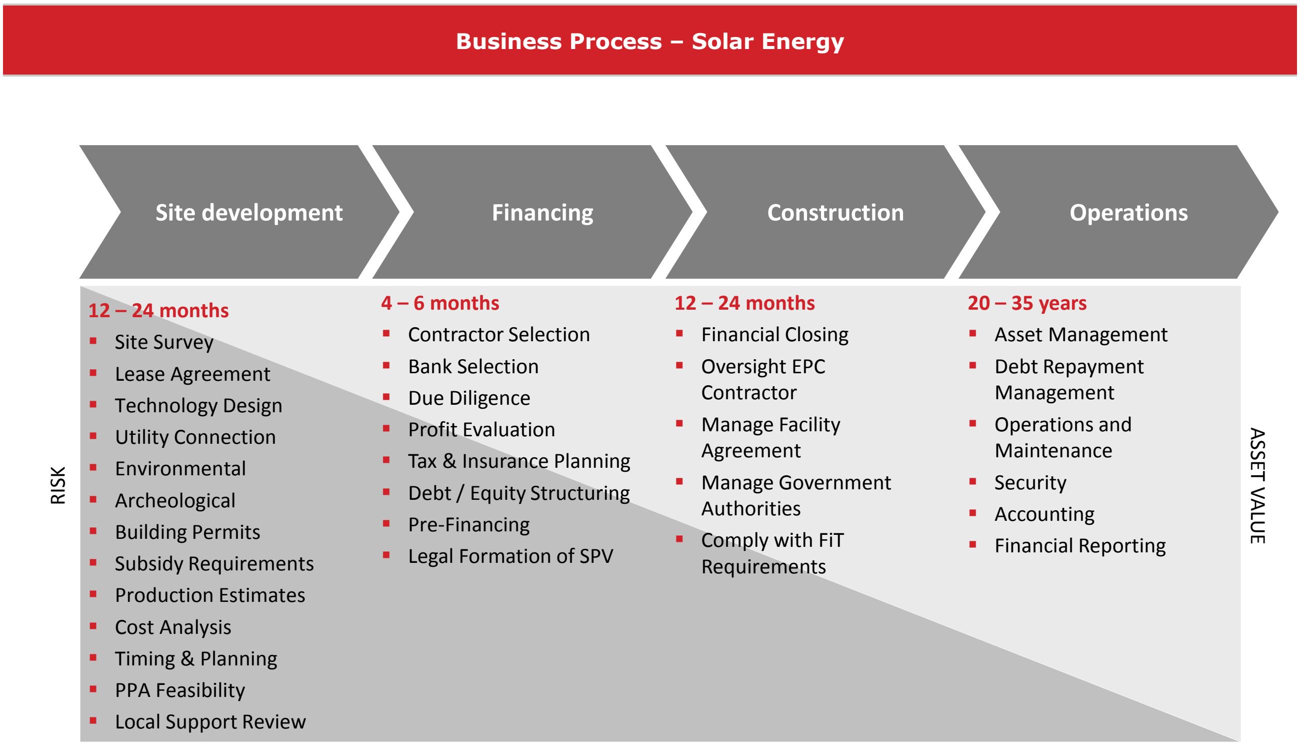
Etrion's current operating projects in Italy, Chile and Japan provide a diversified platform of revenues, all originated from member countries of The Organization for Economic Co-operation and Development ("OECD").

GROSS INSTALLED MW BY COUNTRY



The development of a solar power plant can be described as going through four phases: (1) site development, (2) project financing, (3) construction and (4) operations and asset management.

- Phase 1 represents the period in which a project secures all permitting risks, authorizations and utility interconnection agreements to build a solar power plant. Depending on the jurisdiction, this process may vary in length between 12 to 24 months. Where projects are developed from their infancy ("greenfield" projects), the development time will generally be close to 2 years. However, Etrion often enters into co-development agreements with local development companies to reduce development time and risk. The Company may also acquire permits at advanced stages from local developers to further reduce the time to market. In all cases, whether the projects in the pipeline are greenfield, co-development or acquired, they go through a rigorous development process to de-risk the projects before any investments are made. In addition to evaluating all development risks, Etrion works extensively to optimize the design and reduce construction costs to further improve each project's economics.
- Phase 2 generally takes 4 to 6 months, during which the Company assesses and selects various contractors and lenders, including contractors responsible for the engineering, procurement and construction ("EPC") of the solar power plant. The Company analyzes the financial aspects of the project, assessing tenor, debt/equity structuring, cost and the selection of lenders. Furthermore, in phase 2, the Company evaluates potential legal structure of the special purpose vehicle that will function as the local operating subsidiary. This process may be shortened when the projects are financed directly by the Company and then refinanced once construction and grid connection is complete.
- Phase 3 generally requires 12 to 24 months of work. During this phase, the Company enters into an EPC contract, and the projects are built with a view to ensuring that the local operating subsidiary complies with the FiT or PPA requirements. Under an EPC contract, the contractor is generally hired on a turn-key fixed-price basis and is required to, at its own risk, design the installation for the project, procure the necessary materials and construct the project by a certain date. As a result, the contractor generally bears a portion of the risk for scheduling as well as budgeting in return for a guaranteed fixed price.
- Phase 4 which typically lasts for a minimum period of 20 years, involves the Company's local operating subsidiary being engaged in the operation of the solar power plant and the repayment of existing debt facilities established in connection with the project. Activities also include, managing day to day project level accounting, administration, tax reporting and overall administration of all project related compliance with regulations. In this phase, the Company usually retains the EPC contractor to also provide operations and maintenance services based on a 20-year fixed price contract that usually includes all preventive and corrective maintenance.



PPA = power purchase agreement
SPV = special purpose vehicle (operational subsidiary)
EPC = engineering, procurement and construction
FiT = Feed-in-Tariff

OPERATIONS REVIEW

OPERATIONS REVIEW – THREE MONTHS ENDED DECEMBER 31

USD thousands (unless otherwise stated)	Q4-15 Italy	Q4-15 Chile	Q4-15 Japan	Q4-15 Total	Q4-14 Italy	Q4-14 Chile	Q4-14 Japan	Q4-14 Total
Operational data [1]								
Electricity production (MWh)	14,071	43,800	2,290	**60,161**	14,145	-	-	**14,145**
Operational performance [1]								
Electricity revenue								
Feed-in-Tariff	4,605	-	760	**5,365**	5,415	-	-	**5,415**
Market price	693	896	-	**1,589**	953	-	-	**953**
Other utility income	-	134	-	**134**	-			-
Total revenues	**5,298**	**1,030**	**760**	**7,088**	**6,368**	-	-	**6,368**
Project-level EBITDA	**4,806**	**(358)**	**422**	**4,870**	**5,244**	-	-	**5,244**
Project-level EBITDA margin (%)	**91%**	**(35%)**	**56%**	**69%**	**82%**			**82%**
Net income (loss)	**4,366**	**(1,470)**	**(144)**	**2,752**	**(667)**	-	-	**(667)**

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

OPERATING PERFORMANCE

Power Production

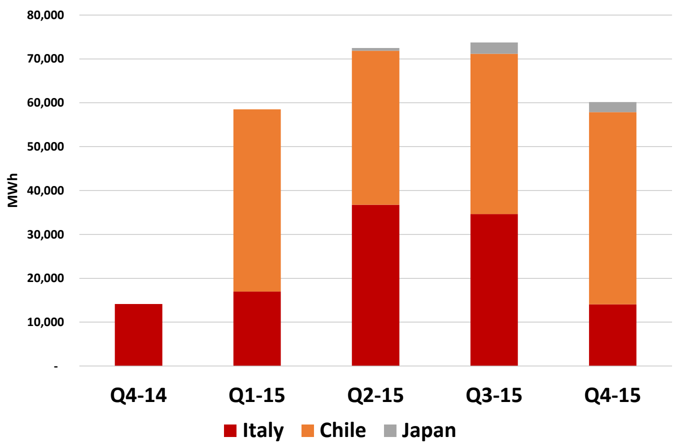
During Q4-15, the Group produced significantly more electricity compared to the same period in 2014, due primarily to the addition of both Project Salvador in Chile and the Mito project in Japan.

Project Salvador became fully operational on January 10, 2015, and produced approximately 43.8 million kWh of electricity during Q4-15. This output was below expectations due to lower than expected solar irradiation and 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 in 2017. All five sites of the Mito cluster have been operational since August 2015, producing a total of approximately 2.3 million kWh of electricity during the fourth quarter of 2015.

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 fixed 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 Chileans authorities every six months (currently 9 $/kWh).

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 and production from the newly added solar projects in Chile and Japan:



Etrion's solar power plants are capable of producing more than 300 million kWh on an annual basis.

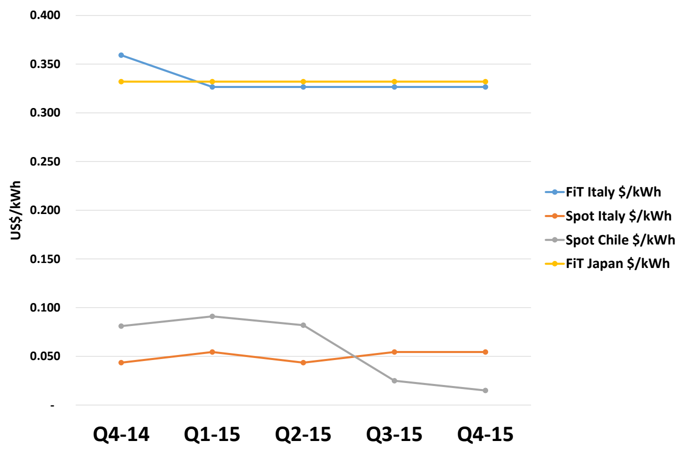
Electricity prices

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 two 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, and (2) the spot market price ("Market Price") received for each kWh of electricity produced in Chile and Italy.

During Q4-15, the Italian FiT was 8% lower (weighted average price of €0.30 per kWh) than the same period in 2014 due to the government's reduction of the FiT (see page 12). The average Italian Market Price increased by approximately 25% compared to the previous year as the Group received an average of €0.050 per kWh in Q4-15 compared to €0.040 per kWh during the same period in 2014, mainly due to a marginal increase in the internal electricity demand driven mainly by the improvement of the economic in Italy.

In Chile, the average Market Price received by the Group during Q4-15 for Project Salvador was $0.020 per kWh. In Japan, the Group received the FiT of ¥40 per kWh applicable to the five sites of the Mito cluster operational since August 2015.

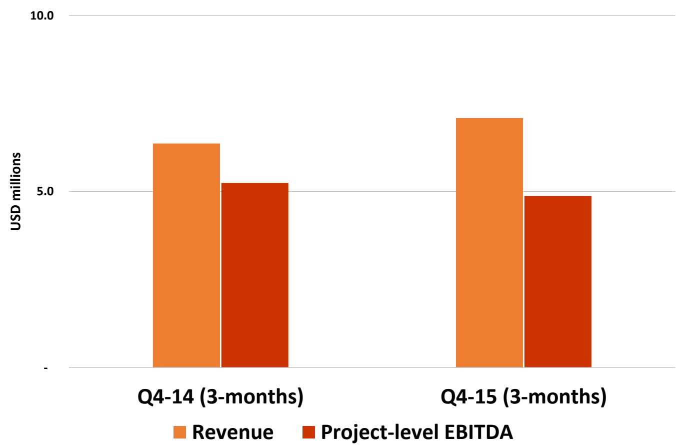
The chart below shows the evolution of average electricity prices, expressed in $/kWh (calculated with exchange rates as of December 31, 2015), applicable to the solar power plants operated by the Group during the last five quarters:



The spot prices in the Sistema Interconectado Central ("SIC") electricity network in Chile were unusually low during 2015 and particularly low in the second half of 2015 due to a combination of local grid congestion, increasing solar and wind electricity generation, strong hydro electricity production due to wet winter conditions, aggravated by "el Nino", and lower electricity demand because of depressed mining activity as a result of the collapse in commodity prices.

Revenue and project-level EBITDA

During Q4-15, the Group's revenue increased by 11%, compared to the same period in 2014, primarily due to the addition of production from Project Salvador in Chile and the Mito project in Japan. During Q4-15, the Group's project-level EBITDA decreased by 7%, compared to the same period in 2014, mainly as a result of the 8% FiT reduction in Italy, and the 17% decrease in the average €/$ exchange rate. Despite additional production and EBITDA from the new projects in Chile and Japan, very low spot prices in Chile affected the total capacity contribution from Project Salvador. Project Salvador was also subject to grid curtailments that affected its electricity production during 2015.

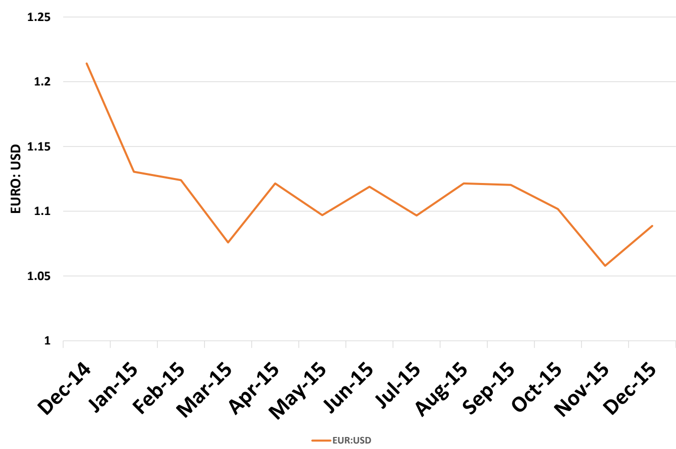


However, during Q4-15, project-level EBITDA was positively impacted by management's continued efforts to reduce operating cost and streamline the operations in Italy and Chile.

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 currency ($) using the corresponding 2015 average rates.

Therefore, 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.

The movements of the € versus the $ is represented in the chart below, where the approximately 10% devaluation year-over-year has affected the reported Revenue and EBITDA figures in 2015 compared to 2014.



OPERATIONS REVIEW – YEAR ENDED DECEMBER 31

USD thousands (unless otherwise stated)	2015 Italy	2015 Chile	2015 Japan	2015 Total	2014 Italy	2014 Chile	2014 Japan	2014 Total
Operational data (1)								
Electricity production (MWh)	102,433	157,018	5,499	**264,950**	100,655	**-**	**-**	**100,655**
Operational performance (1)								
Electricity revenue								
Feed-in-Tariff	34,690	-	1,825	**36,515**	44,132	-	-	**44,132**
Market price	5,342	8,269	-	**13,611**	5,496	-	-	**5,496**
Other utility income	-	322	-	**322**	-			**-**
Total revenues	**40,032**	**8,591**	**1,825**	**50,448**	**49,628**	**-**	**-**	**49,628**
Project-level EBITDA	**34,244**	**3,604**	**1,252**	**39,100**	**41,561**	**-**	**-**	**41,561**
Project-level EBITDA margin (%)	**86%**	**42%**	**69%**	**78%**	**84%**			**84%**
Net income (loss)	**8,726**	**(11,379)**	**110**	**(2,543)**	**2,151**	**-**	**-**	**2,151**

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

OPERATING PERFORMANCE

Power Production and Electricity Prices

During 2015, the Group produced 163% more electricity compared to the same period of 2014, due primarily to the addition of Project Salvador in Chile, the Mito project in Japan and better solar irradiation in Italy.

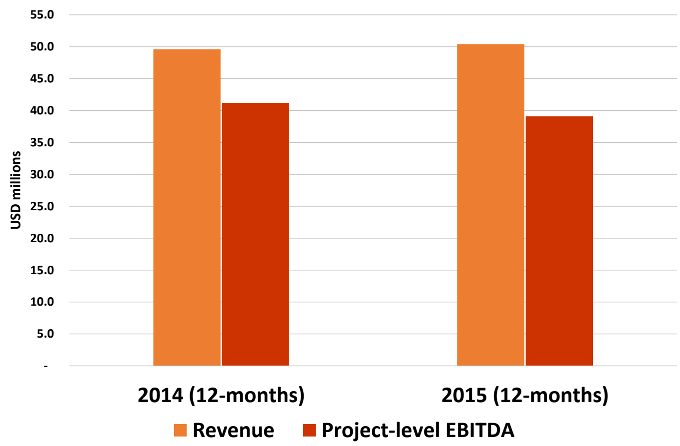
During 2015, the Italian FiT decreased 8% (weighted average price of €0.30 per kWh) compared to the same period in 2014 due to the government's reduction of the FiT. The average Italian Market Price increased by approximately 25% as the Group received an average of €0.050 per kWh during 2015, compared to €0.040 per kWh during the same period in 2014.

In Chile, the average Market Price received by Project Salvador in 2015, was $0.005 per kWh. 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 2015, the Group's revenue increased by 2%, compared to the same period in 2014, primarily due to the addition of production from Project Salvador in Chile and the Mito project in Japan. During 2015, the Group's project-level EBITDA decreased by 6%, compared to the same period in 2014, mainly as a result of the 8% FiT reduction in Italy, and the 17% decrease in the average €/$ exchange rate. Despite additional production and EBITDA from the new projects in Chile and Japan, very low spot prices in Chile affected the total contribution capacity from Project Salvador. In addition, Project Salvador was also subject to grid curtailments that affected its electricity production during 2015.

However, project-level EBITDA was positively impacted 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 15 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**		

Cassiopea

The Cassiopea project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar photovoltaic ("PV") park with a total capacity of 24 MW. The solar park was connected to the electricity grid in November 2009. The Cassiopea solar park was built by SunPower, a US-based solar panel manufacturer and installer, using high-efficiency SunPower modules mounted on single axis trackers with power conversion provided by SMA Solar Technology AG ("SMA") inverters. Cassiopea has an O&M contract with SunPower. During 2015, Etrion renegotiated the O&M contract effective June 2015 to reduce the annual fee by more than 40% and to eliminate the previous revenue sharing provision. During 2015, the solar park realized the 2009 revised FiT of €0.325 per kWh plus the average Market Price of approximately €0.050 per kWh.

Helios ITA-3

The Helios ITA-3 project in Puglia, Italy, consists of two ground-mounted solar PV parks: Brindisi (5 MW) and Mesagne (5 MW). Both parks were completed and connected to the electricity grid in August 2011. The Helios ITA-3 solar parks were built by ABB, the Swiss power and automation technology group, using Yingli poly-crystalline PV modules mounted on SunPower single axis trackers with power conversion provided by Bonfiglioli inverters. Helios ITA-3 has an O&M contract with ABB. During 2015, Etrion renegotiated the Helios ITA-3 O&M contract with ABB effective June 2015, to reduce the annual fee by more than 20%. During 2015, both solar parks realized the August 2011 revised FiT of €0.23 per kWh plus the average Market Price of approximately €0.050 per kWh.

Centauro

The Centauro project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar PV park with a total capacity of 8.8 MW. The solar park was connected to the electricity grid in July 2010. The Centauro solar park was built by SunPower using high-efficiency SunPower modules mounted on single axis trackers with power conversion provided by SMA inverters. Centauro has an O&M contract with SunPower. During 2015, Etrion renegotiated the O&M contract effective June 2015 to reduce the annual fee by more than 40% and to eliminate the previous revenue sharing provision. During 2015, the solar park realized the 2010 revised FiT of €0.318 per kWh plus the average Market Price of approximately €0.050 per kWh.

Helios ITA

The Helios ITA project in Puglia, Italy, consists of seven ground-mounted solar PV parks with a total capacity of 6.4 MW. Six of the solar parks were connected to the electricity grid in December 2009, and the last park built was connected in December 2010. The Helios ITA solar parks were built by Solon, a German solar panel manufacturer and installer, using single axis trackers with Solon poly-crystalline modules and Santerno inverters. The original O&M contractor was Solon. In July 2012, the Group entered into a new O&M contract with ABB. During 2015, Etrion renegotiated the Helios ITA O&M contract with ABB effective May 2015 to reduce the annual fee by more than 20%, to eliminate the previous revenue sharing provision and to increase the level of service. During 2015, six of the Helios ITA solar parks, just under 1 MW each for a total of 5.8 MW, realized the 2009 revised FiT of €0.325 per kWh plus the average Market Price of approximately €0.050 per kWh. The last park built (0.6 MW) realized the 2010 revised FiT of €0.318 per kWh plus the average Market Price of approximately €0.050 per kWh.

Etrion Lazio

The Etrion Lazio project in Lazio, Italy, consists of two ground-mounted solar PV parks: Borgo Piave (3.5 MW) and Rio Martino (1.8 MW). Both solar parks were completed in December 2010 and were connected to the electricity grid in April 2011. The Etrion Lazio solar parks were built by Phoenix Solar ("Phoenix"), a German PV system integrator, using Trina poly-crystalline PV modules installed on fixed-tilt structures with power conversion provided by SMA inverters. Etrion Lazio has an O&M contract with SMA (acquired from Phoenix). During 2015. Etrion renegotiated the Etrion Lazio O&M contract with SMA effective October 2015, to reduce the annual fee by approximately 35%. During 2015, both solar parks realized the 2010 revised FiT of €0.318 per kWh plus the average Market Price of approximately €0.050 per kWh.

SVE

The SVE project in Puglia, Italy, consists of three ground-mounted solar PV parks: Oria (1 MW), Matino (1 MW) and Ruffano (1 MW). All three solar parks were connected to the electricity grid in December 2010. The SVE solar parks were built by SunPower using high-efficiency SunPower modules mounted on single axis trackers with power conversion provided by Siemens inverters. SVE has an O&M contract with SunPower. During 2015, Etrion renegotiated the O&M contract effective June 2015 to reduce the annual fee by approximately 20%. During 2015, all three solar parks realized the 2010 revised FiT of €0.318 per kWh plus the average Market Price of approximately €0.050 per kWh.

Sagittario

The Sagittario project in Lazio, Italy, consists of one ground-mounted solar PV park with a total capacity of 2.6 MW. The solar park was completed and connected to the electricity grid in August 2011. The Sagittario solar park was built by Phoenix using Trina poly-crystalline PV modules installed on fixed-tilt structures with power conversion provided by SMA inverters. Sagittario has an O&M contract with SMA (acquired from Phoenix). During 2015, Etrion renegotiated the Sagittario O&M contract with SMA effective October 2015, to reduce the annual fee by more than 20%. During 2015, the solar park realized the August 2011 revised FiT of €0.23 per kWh plus the average Market Price of approximately €0.050 per kWh.

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 15 years. The Group's 70%-owned operating solar power project in Chile is below:

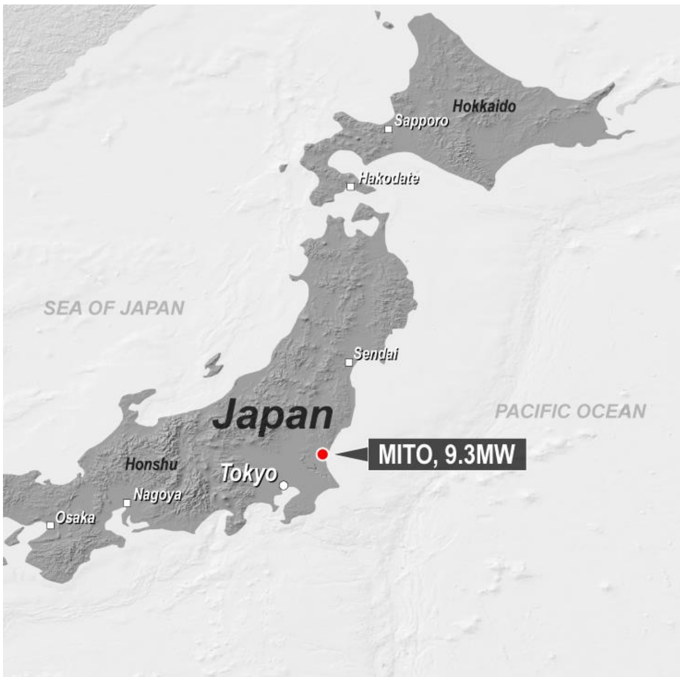
Project	Region	Sites	Gross MW	Technology	Connection date
Salvador	Atacama	1	70	Single axis	Nov-14
Total		**1**	**70**		

Salvador

Project Salvador is located in the Atacama region of northern Chile and consists of one ground-mounted solar PV park with a total capacity of 70 MW. The solar park was built by SunPower using SunPower high-efficiency, single-axis tracker technology and ABB inverters. Project Salvador has an O&M contract with SunPower and approximately 65% of the electricity produced is currently sold on the spot market and delivered to the SIC electricity network. In May 2015, Project Salvador executed a long-term PPA with EE-ERNC-1, an investment grade off-taker. The PPA is for the first 70 GWh of Project Salvador's production for 15 years and started on January 1, 2016, with the electricity price denominated in USD (approximately $0.10 per KWh) and inflated according to the US Consumer Price Index ("CPI"). Project Salvador is capable of producing approximately 200 million kWh of electricity per year and is seeking additional PPAs to secure its long-term revenues. Etrion currently owns 70% of Project Salvador. Following payback of the original equity contribution of approximately $42 million, Etrion's ownership will decrease to 50.01% and, depending on the long-term spot market price projections, Etrion's ownership could decrease to 0% after 20 years of operation. Project Salvador was connected to the electricity grid on November 3, 2014, and reached full operational capacity on January 10, 2015. Etrion recently renegotiated the Project Salvador O&M contract with Sunpower effective October 2015, to reduce the annual fee by approximately 35%.

OPERATING PROJECTS - JAPAN

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 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

Mito is a 9.3 MW utility-scale solar photovoltaic power project consisting of five sites in the Ibaraki Prefecture of Japan. Construction began in October 2014, with the last site connected in August 2015. The solar power plants were built on 28.3 hectares of leased land, and the facilities connect through TEPCO. In December 2014, the project company entered into two of the five planned 20-year PPAs with TEPCO under which the project company receives ¥40 per kWh produced (approximately $0.33 per kWh). The remaining three PPAs were signed in March 2015. The total project cost of approximately ¥3.4 billion (approximately $33.5 million) was financed 80% through non-recourse project debt from Sumitomo Mitsui Trust Bank, Limited ("SMTB") with the remaining approximately 20% equity portion funded by the Group and Hitachi High-Tech ("HHT") based on their respective ownership interests of approximately 87% and 13%. Mito has entered into a long-term fixed price O&M agreement with HHT. Mito is expected to produce approximately 10.5 million kWh of solar electricity per year. Etrion charged the Mito project with a net development fee of approximately ¥162 million ($1.6 million).

DEVELOPMENT ACTIVITIES

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 have significantly declined as well as the demand for long-term power contracts from industrial clients. The Company currently has nearly 100 MW of shovel-ready projects but has postponed its plans to build until long-term PPAs are available.

As a result of management's assessment of the current economic and business enviroment in Chile, an impairment charge of $2.5 million was recognized in the second quarter of 2015 for the total costs capitalized as internally generated intangible assets associated with the development pipeline in Chile. The Company will continue to monitor developments in the Chilean electricity market and proceed with these projects when long-term PPAs are secured.

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
Las Luces	Atacama	1	27	Single axis
Total		**4**	**99**	

Aguas Blancas

The Aguas Blancas solar projects in the Antofagasta region of Chile include three sites, 2A, 2B and 2C, with a total capacity of 72 MW in the Sistema Interconectado del Norte Grande ("SING") electricity network.

Aguas Blancas 2A is a shovel-ready 32 MW site. The land concession has been assigned, and the final decree is expected in six months. The environmental impact assessment has been received, the mining rights have been secured and the interconnection contract has been agreed.

Aguas Blancas 2B is a shovel-ready 24 MW site. The land concession decree has been signed, the environmental impact assessment has been received and the mining rights have been secured. The interconnection contract is under negotiations.

Aguas Blancas 2C is a shovel-ready 16 MW site. The land concession has been signed, the environmental impact assessment has been received, the mining rights have been secured and the interconnection contract has been agreed.

Etrion should be in a position to start construction of the Aguas Blancas projects once the Company secures PPAs and long-term, non-recourse project finance. The projects are expected to be operational within nine months from the date construction commences.

Las Luces

The Las Luces solar project in the Atacama region includes one shovel-ready site with a total capacity of 27 MW in the SIC electricity network. The land concession decree has been signed, the environmental impact assessment has been received and the mining rights have been secured. The interconnection contract is in advanced negotiations, and the PPA negotiations with a mining company have begun.

Etrion should be in a position to start construction of Las Luces once the Company secures PPAs and long-term, non-recourse project finance. The project is expected to be operational within nine months from the date construction commences.

PROJECTS UNDER CONSTRUCTION AND DEVELOPMENT - JAPAN

Etrion is pursuing renewable energy projects in Asia, with an initial focus on 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 and is expected to reach 51 GW by the end of 2016[2]. The Japanese government has a strong mandate to increase the use of renewable energy in Japan's energy mix in order to reduce the country's reliance on nuclear power.

In 2012, the Group and HHT signed a development agreement to jointly develop a pipeline of solar assets in Japan. The companies are targeting to reach at least 100 MW of utility-scale solar projects under construction or shovel-ready in 2016. Under this agreement, both parties provide the key functions necessary to successfully develop, build and operate solar projects in Japan (including, but not limited to, obtaining the relevant permits and authorizations to build and operate the solar power facilities, developing relationships with local utilities and land owners, EPC and securing non-recourse project finance, as well as operations, maintenance and asset management services).

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

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

Shizukuishi

Shizukuishi is a 24.7 MW utility-scale solar photovoltaic power plant under construction on one site in the Iwate Prefecture of Japan. Construction-related work began in October 2014, and the solar project is expected to connect to the grid in the third quarter of 2016. The solar power plant is being built on 51 hectares of leased land, and the facility will connect through Tohoku Electric Power Co., Inc. ("Tohoku Electric Power utility"). The project has 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 being financed 80% with non-recourse project debt from SMTB with the remaining approximately 20% equity portion already funded by the Group and 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. Once operational, Shizukuishi is expected to produce approximately 25.6 million kWh of solar electricity per year. Etrion charged the Shizukuishi project with a net development fee of approximately ¥677.4 million ($6.7 million).

[2] Bloomberg New Energy Finance

In addition to the Shizukuishi project under construction, the joint Etrion-HHT development team is reviewing a large pipeline of opportunities in different stages of development and in different stages of negotiation with third parties. The three most advanced projects totaling over 70 MW, listed in the table below, are expected to be shovel-ready during the second and third quarter of 2016. 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
Greenfield 1	Central	1	13	Fixed-tilt
Brownfield 1	South	1	53	Fixed-tilt
Brownfield 2	North	4	10	Fixed-tilt
Total backlog		**3**	**76**	
Brownfield 3	Central	1	55	Fixed-tilt
Total mid-stage		**1**	**55**	
Total additional	**TBD**	**TBD**	**135**	**TBD**
Total pipeline			**266**	

Japan Greenfield Project 1 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 be shovel-ready and commence construction in 2016.

Japan Brownfield Project 1 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 end of 2016.

Japan Brownfield Project 2 is a 10 MW solar project in northern Japan with the FiT secured, land contract and grid impact studies in progress. Etrion has secured exclusivity with the developer, which is working with the land owner to secure the land. The project is expected to be shovel-ready in 2016.

Japan Brownfield Project 3 is a 55 MW solar project in central Japan with FiT secured. A co-development and exclusivity agreements were recently signed with a local developer. The project is expected to be shovel-ready by the first half of 2018.

The first three projects 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 twelve months in order to accelerate construction or improve project economics.

During the thrid quarter of 2015, the Company decided to abandon the previously disclosed 25 MW greenfield solar project located in southern Japan because the utility communicated that the project was subject to unlimited curtailment. The Company recognized an impairment charge \$0.4 million of internally generated intangible assets associated with this project at that time.

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 folllowing table. Total project costs are expected to be financed with a minimum of 75% by non-recourse project debt with the remaining equity portion to be funded by the Group and HHT.

Project	Project Costs	Gross Debt	Net Equity Contribution	Net to Etrion
Greenfield 1	34.8	27.8	4.5	3.8
Brownfield 1	174.8	143.2	18.5	15.7
Brownfield 2	28.5	24.2	1.9	1.1
Total USD million	**238.1**	**195.2**	**24.9**	**20.6**

Etrion expects to charge these projects with development fees that effectively reduce the Company's net equity contribution. The equity needs to build these projects are likely to be contributed throughout the construction period, typically expanded over a two year construction period, rather than at start of constuction, as was the case on our initial two projects in Japan.

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 (e.g., Chile). 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 have therefore filed 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.

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 this 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 2015, was approximately €0.05 ($0.054) 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 reduces 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%. In 2011, the Robin Hood tax was expanded to include renewable energy companies. In 2013, the Italian government lowered the revenue threshold for the application of the surtax. In 2014, the government reduced the surtax, thereby reducing the overall income tax rate from 38% to 34%. 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

Chile's energy demand has been growing rapidly since 1990 due to increased power consumption by the mining sector, the country's single largest industry, and large urban areas such as the capital city, Santiago. The increased demand combined with scarce fossil fuel and hydro resources has made the country a net importer of energy. The energy sector is largely liberalized and privatized, which enables energy producers to enter into US dollar-denominated bilateral agreements directly with industrial clients.

Due to the size of Chile's economy and its well-established capital markets, manufacturers and finance providers are available to support the growing demands for energy consumption. Today, hydro and thermoelectric power are Chile's primary source of renewable energy. Despite the current drop in energy prices and reduced investments in the mining sector, the market fundamentals in the medium to long-term remain attractive for solar due to its anticipated continued cost reduction trajectory. 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. In September 2013, the Chilean government passed the so-called "20/25" law, requiring 20% of electricity to be generated from renewable sources by 2025 (an increase from the previous "clean energy" law requiring 10% of electricity to be generated from renewable sources by 2024) demonstrating strong support for the development and use of renewable energy sources.

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 secured a 15-year PPA for 35% of the capacity of Project Salvador that started on January 1, 2016. The Company will continue to seek other PPAs for the balance of the energy not contracted.

Chile's electricity network is divided into four independent non-connected networks:

- **SING** – Sistema Interconectado del Norte Grande ("SING"), the northern grid, accounts for approximately 25% of total electricity production in Chile. The SING is primarily served by thermoelectric plants.
- **SIC** – Sistema Interconectado Central ("SIC"), the central grid, accounts for approximately 74% of total electricity production in Chile and serves approximately 90% of its population. The SIC is primarily served by hydroelectric plants, in addition to diesel and thermoelectric plants. Project Salvador is located in the SIC.
- **Aysen** – Located in southern Chile, this mainly hydro network accounts for approximately 0.2% of total electricity production in Chile.
- **Magallanes** – Located in the most southern part of Chile, this hydro network accounts for approximately 0.4% of total electricity production in Chile.

Etrion's business development activities are focused on securing long-term contracts with mining and industrial clients as well as participating in public tenders to fulfill the energy needs of distribution companies servicing the regulated market. These contracts enables the Company to secure predictable revenues for the development pipeline. Together, the SIC and SING account for more than 99% of Chile's total electricity production. Works have commenced to interconnect the SIC and SING networks by 2017, which is expected to result in a more stable long-term spot market price for the combined networks.

During 2015, weighted average market prices in the SIC network at the Diego de Almagro node applicable to Project Salvador were particularly volatile in the range of $10-$138 per MWh. The weighted average market price in the last 12 months was approximately $60 per MWh and $12 per MWh in the last quarter of 2015. The recent spot market volatility is mainly due to a reduction in energy demand as a result of the collapse in commodity prices, a delay in mine expansions, the significant increase in installed solar and wind power generation compared to forecasts and the effect of the reduction in oil and gas and coal prices. Spot market electricity prices are expected to remain volatile until the SIC electricity grid near Project Salvador is expanded and the SIC-SING are interconnected in 2017.

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 is 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 recently changed to ¥29 for projects secured from April 2015, and ¥27 from July 2015. The next FiT is expected in 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 new rules addressed various aspects of the FiT and utility operations. The most important rules outlined the process for:

- **FiT application** – The timing when the FiT is determined has changed from "when interconnection request is made" to "when interconnection agreement is executed." If an interconnection agreement has not been reached due to the utility's delay, there is a backstop date for the solar developer whereby the FiT level from 270 days following the connection request is used.
- **Change in power output or in PV module specifications prior to start of operations** These changes must now be submitted for METI approval, and an increase in power output or a change in PV module manufacturer prior to start of operations will be subject to a revision of the FiT. Exceptions will be made where change in output is related to interconnection evaluation by the utility. Changes to PV module manufacturer, type or conversion efficiency (excluding increases in efficiency) will also be subject to a change in the FiT. Exceptions will be made if objective proof is provided related to discontinued module type and in cases of PV power plants of less than 10 kW.
- **Curtailment** – The new curtailment system has been changed from the "30-day rule per annum" to an hourly

basis per annum. Uncompensated curtailment up to 30 days annually based on one-day units will be changed to up to 360 hours annually. The hourly basis for curtailment expands the amount available for interconnection. Furthermore, utilities may impose installation of remote curtailment systems on PV plants.

Management believes Etrion's previously communicated joint development target with HHT of reaching 100 MW shovel-ready or under construction in Japan by the first quarter of 2016 should not be affected by the changes to the Japanese FiT regime described above, nor should the existing projects in operation and under construction.

OTHER MARKETS

Etrion has effectively established presence in three key regional markets (Asia, Europe and the Americas). Solar growth is expected to continue given the compelling long-term cost reduction curve resulting in a continued reduction of the levelized cost of energy. Although most of the Company's efforts and development capital is being directed towards Japan, the Company is actively exploring new markets, with an emphasis on those that could be developed by leveraging existing partnerships.

COMPETITION

There are different sources of competition in the solar market value chain. In the upstream market, there are many solar panel suppliers, with significant financial strength and production capacity. The suppliers in the upstream market continue to go through adjustments to better plan their capacity to meet demand. Some of the upstream suppliers are also participating in the downstream market, while others are looking to expand into the downstream market in order to increase their ability to market and sell their panels. In the downstream market, companies like Etrion find competition at different levels, including competition for financing, land and/or human resources. As the downstream solar market continues to expand, Etrion believes competition will increase as more established utilities and infrastructure funds realize the opportunities ahead for solar energy. Etrion's strategy, as a downstream player, is generally to only deploy capital to build new solar parks if such investments meet its minimum investment criteria. In the event that potential investments do not meet Etrion's criteria, investment may be delayed until Capex prices drop further (if at all), or abandoned with minimum financial impact. 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. Etrion 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. Depending on the financial climate, the Company may also face competition when seeking to raise equity and/or external debt for planned projects.

PERFORMANCE DRIVERS

The Company's management has identified the following key drivers of success for its renewable energy operations:

- Stable revenues:
  - Premium price for solar electricity generation under long-term contracts (i.e., FiT or PPAs);
  - Abundant renewable resources (i.e., solar irradiation varying less than 10% annually); and
  - Economic growth increasing power demand and wholesale electricity prices.
- Low equipment and operating costs:
  - Cost reduction through increased supply, competition and technological improvements; and
  - Fixed price O&M contracts, including preventive and corrective maintenance.
- Available long-term financing with low cost of debt:
  - Project financing of up to 85% using non-recourse project loans; and
  - Long-term hedging arrangements to minimize interest rate risk.

FINANCIAL REVIEW

FINANCIAL RESULTS

FOURTH QUARTER AND YEAR-END SELECTED FINANCIAL INFORMATION

During Q4-15 and the year ended December 31, 2015, the Group's performance and results were positively impacted by the additional production of electricity from its newly connected projects in Chile and Japan. However, revenue and EBITDA were impacted by the 8% reduction of the FiT in Italy and the significant reduction in the Euro/USD exchange rate. Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

	Three months ended		Twelve months ended		
USD thousands	**Q4-15**	**Q4-14**	**2015**	**2014**	**2013**
Revenue	7,088	6,368	50,448	49,628	53,911
Gross (loss) profit	(1,125)	4,318	16,951	25,862	25,431
Net loss	**(1,808)**	**(8,006)**	**(18,737)**	**(16,455)**	**(10,304)**
Net loss attributable to owners of the Company	**(1,340)**	**(8,014)**	**(15,317)**	**(16,386)**	**(10,296)**
Basic and diluted loss per share	(0.004)	(0.025)	(0.046)	(0.051)	(0.050)
Adjustments to net loss for:					
Net income tax (recovery) expense	(15,652)	565	(14,173)	2,602	2,164
Depreciation and amortization	5,993	1,080	23,427	16,744	20,491
Impairment	-	-	2,881	-	-
Share-based payment expense	(159)	316	496	493	507
Net finance costs	13,831	2,628	36,142	28,689	27,555
Other income	(707)	(236)	(685)	(508)	(3,081)
Income tax paid	(972)	(2,266)	(1,643)	(5,451)	(5,758)
Changes in working capital	25,681	(6,416)	(5,956)	(37,175)	12,925
Operating cash flow	**26,207**	**(12,335)**	**21,752**	**(11,061)**	**44,499**

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

USD thousands	**December 31 2015**	**December 31 2014**	**December 31 2013**
Non-current assets	531,377	525,845	401,410
Current assets	81,943	142,267	116,841
Total assets	**613,320**	**668,112**	**518,251**
Non-current liabilities	526,432	529,365	460,209
Current liabilities	80,484	105,817	69,380
Total liabilities	**606,916**	**635,182**	**529,589**
Net assets	6,404	32,930	11,338
Working capital	1,459	36,450	47,461
Dividends declared	-	-	-

SEGMENT INFORMATION THREE MONTHS ENDED DECEMBER 31

Segment consolidated financial information for the three months ended December 31, prepared in accordance with IFRS, is as follows:

	Q4-15			Q4-14		
USD thousands	Renewable	Corporate	Total	Renewable	Corporate	Total
Revenue	**7,088**	**-**	**7,088**	**6,368**	**-**	**6,368**
Operating expenses	(2,296)	-	(2,296)	(1,057)	-	(1,057)
General and administrative expenses	(518)	(2,240)	(2,758)	(319)	(3,923)	(4,242)
Other income (expenses)	596	(53)	543	252	(16)	236
EBITDA	**4,870**	**(2,293)**	**2,577**	**5,244**	**(3,939)**	**1,305**
Depreciation and amortization	(5,918)	(75)	(5,993)	(993)	(87)	(1,080)
Finance income	38	1,257	1,295	253	(715)	(462)
Finance costs	(12,618)	(2,721)	(15,339)	(4,882)	(2,323)	(7,205)
Income (loss) before income tax	**(13,628)**	**(3,832)**	**(17,460)**	**(378)**	**(7,064)**	**(7,442)**
Income tax recovery (expense)	16,380	(728)	15,652	(289)	(275)	(564)
Net income (loss) for the period	**2,752**	**(4,560)**	**(1,808)**	**(667)**	**(7,339)**	**(8,006)**

During Q4-15, the Group's renewable energy segment generated revenues of $7.1 million and EBITDA of $4.9 million, which represented an increase of 11% and a decrease of 7%, respectively, in comparison with the same period in 2014. In addition, the Group's renewable energy segment generated a net income of $2.7 million which represented an increase in comparison with the net loss results for the same period in 2014. The main reasons for the positive net result in this segment were the addition of Project Salvador in Chile and the Mito project in Japan, partially offset by the 8% reduction of the FiT in Italy, the lower than expected spot market price in Chile and the significant reduction in the €/$ exchange rate. The Group's corporate segment generated negative EBITDA of $2.3 million and negative results of $4.6 million due to finance costs associated with the Company's corporate bond, and corporate general and administrative expenses.

SEGMENT INFORMATION YEAR ENDED DECEMBER 31

Segment consolidated financial information for the year ended December 31, prepared in accordance with IFRS, is as follows:

	2015			2014		
USD thousands	Renewable	Corporate	Total	Renewable	Corporate	Total
Revenue	50,448	-	**50,448**	49,628	-	**49,628**
Operating expenses	(10,397)	-	**(10,397)**	(7,374)	-	**(7,374)**
General and administrative expenses	(1,557)	(8,940)	**(10,497)**	(1,156)	(9,080)	**(10,236)**
Other income	606	79	**685**	463	45	**508**
Impairment	-	(2,881)	**(2,881)**	-	-	**-**
EBITDA	**39,100**	**(11,742)**	**27,358**	**41,561**	**(9,035)**	**32,526**
Depreciation and amortization	(23,100)	(327)	**(23,427)**	(16,392)	(352)	**(16,744)**
Finance income	810	5,425	**6,235**	86	1,863	**1,949**
Finance costs	(34,418)	(8,658)	**(43,076)**	(20,925)	(10,659)	**(31,584)**
Loss (income) before income tax	**(17,608)**	**(15,302)**	**(32,910)**	**4,330**	**(18,183)**	**(13,853)**
Income tax recovery (expense)	15,065	(892)	**14,173**	(2,179)	(423)	**(2,602)**
Net (loss) income for the period	**(2,543)**	**(16,194)**	**(18,737)**	**2,151**	**(18,606)**	**(16,455)**

During 2015, the Group's renewable energy segment generated revenues of $50.4 million and EBITDA of $39.1 million, which represented an increase of 2% and a decrease of 6%, respectively, in comparison with the same period in 2014. In addition, the Group's renewable energy segment generated a net loss of $2.5 million, which represented a decrease in comparison with the net income result in 2014. The main reasons for the adverse net result in this segment were the 8% reduction of the FiT in Italy, the lower than expected spot market price in Chile and the significant reduction in the €/$ exchange rate, partially offset by the addition of Project Salvador in Chile and the Mito project in Japan. The Group's corporate segment generated negative EBITDA of $11.7 million and negative results of $16.2 million due to finance costs associated with the Company's corporate bond, impairment charges and corporate general and administrative expenses.

NON-GAAP PERFORMANCE MEASURES

Reconciliation of adjusted net income to net (loss) income

USD thousands	Three months ended Q4-15	Three months ended Q4-14	Twelve months ended Q4-15	Twelve months ended Q4-14
Net loss	**(1,808)**	**(8,006)**	**(18,737)**	**(16,455)**
Adjustments for non-recurring items:				
Operational items	-	(265)	-	78
Impairment	-	-	2,881	-
General and administrative items(1)	274	-	566	461
Financing items	-	-	-	1,033
Adjustments for non-cash items:				
Depreciation and amortization	5,992	1,080	23,426	16,744
Fair value movements (derivative financial instruments)	305	341	799	2,042
Share-based payment expense	(159)	316	496	493
Adjusted net income	**4,604**	**(6,534)**	**9,431**	**4,396**

Note:

(1) Non-recurring general and administrative items in 2015 refer to development costs associated with the 100%-owned projects under construction in Chile that did not meet the capitalization criteria after the impairment charge recognized in the second quarter of 2015.

Reconciliation of adjusted operating cash flows to operating cash flows

USD thousands	Three months ended Q4-15	Three months ended Q4-14	Twelve months ended Q4-15	Twelve months ended Q4-14
Operating cash flow	**26,207**	**(12,335)**	**21,752**	**(11,061)**
- Changes in working capital	(25,681)	6,416	5,956	37,175
- Income tax paid	972	2,266	1,643	5,451
Adjusted operating cash flow	**1,498**	**(3,653)**	**29,351**	**31,565**

Reconciliation of adjusted EBITDA to EBITDA

USD thousands	Three months ended Q4-15	Three months ended Q4-14	Twelve months ended Q4-15	Twelve months ended Q4-14
Net loss	**(1,808)**	**(8,006)**	**(18,737)**	**(16,455)**
Adjustments for:				
Net income tax expense	(15,652)	564	(14,173)	2,602
Net finance costs	14,044	7,667	36,841	29,635
Depreciation and amortization	5,993	1,080	23,427	16,744
EBITDA	**2,577**	**1,305**	**27,358**	**32,526**
Non-recurring items				
- Operating Items	-	(265)	-	78
- Impairment	-	-	2,881	
- General and administrative items	274	-	566	461
Adjusted EBITDA	**2,851**	**1,040**	**30,805**	**33,065**

QUARTERLY SELECTED FINANCIAL INFORMATION

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

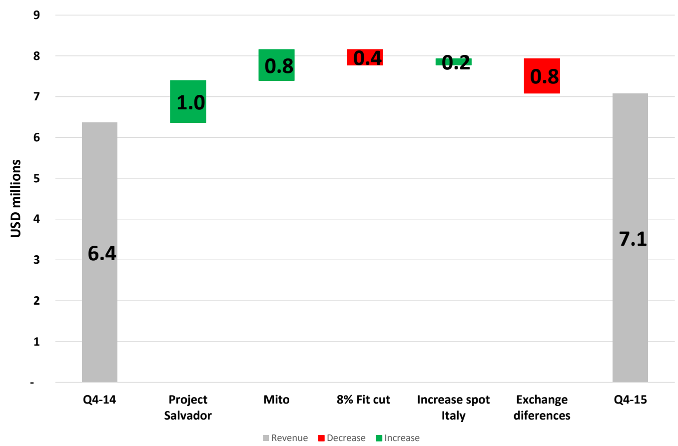
USD thousands (except per share data)	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14
Revenue	7,088	15,913	17,060	10,387	6,368	17,129	17,764	8,367
Net (loss) income	(1,808)	(4,389)	(10,057)	(2,483)	(8,006)	1,193	(1,434)	(8,208)
Net (loss) income attributable to owners of the company	(1,340)	(3,136)	(9,227)	(1,614)	(8,014)	1,255	(1,423)	(8,204)
Basic and diluted (loss) earnings per share	(0.004)	(0.009)	(0.028)	(0.005)	(0.025)	0.004	(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, revenues are received in Euros and have been translated at the average €/$ 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.

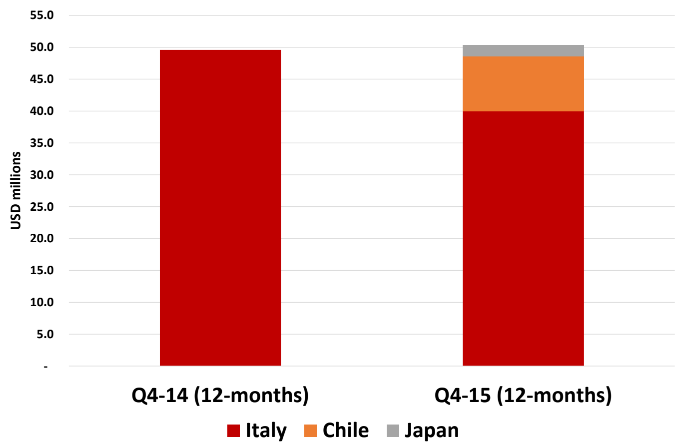
REVENUE

USD thousands	Three months ended Q4-15	Q4-14	Twelve months ended Q4-15	Q4-14
FiT revenue	5,365	5,415	36,515	44,132
Market Price revenue	1,589	953	13,611	5,496
Other utility income	134	-	322	-
Total revenue	**7,088**	**6,368**	**50,448**	**49,628**

Revenues increased by $0.7 million (11.0%) during Q4-15 compared to the same period of 2014, mainly due to the addition of production from Project Salvador in Chile and the Mito project in Japan, partially offset by the lower FiT received in Italy and foreign exchange rate differences. In Q4-15, the Group's revenue from spot market prices represented 22% of the total revenue.



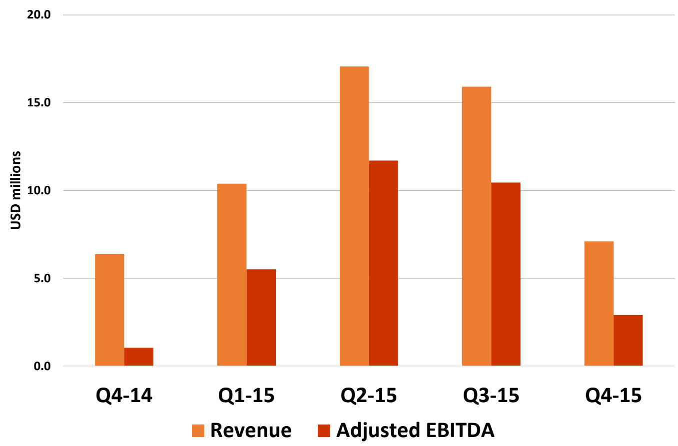
Revenues increased by $0.8 million (2%) during 2015 compared to the same period of 2014, mainly due to better solar irradiation in Italy and the addition of production from Project Salvador in Chile and the Mito project in Japan, offset by the lower FiT received in Italy and foreign exchange rate differences.



ADJUSTED CONSOLIDATED EBITDA

Adjusted consolidated EBITDA increased by $1.7 million (174%) during Q4-15 compared to the same period of 2014, due to electricity production from new projects in Chile and Japan as well as lower general and administrative expenses.

Adjusted consolidated EBITDA decreased by $2.3 million (7%) during 2015 compared to the same period of 2014, mainly as a result of the 8% FiT reduction in Italy, and the 17% decrease in the average €/$ exchange rate. Despite additional production and EBITDA from the new projects in Chile and Japan, very low spot prices in Chile affected the total contribution capacity from Project Salvador.



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 Q4-15	Q4-14	Twelve months ended Q4-15	Q4-14
O&M costs	505	1	4,241	2,719
Personnel costs	345	245	1,214	1,045
D&A	5,918	993	23,100	16,392
Property tax	400	371	1,631	1,948
Insurance	192	79	763	367
Land lease	88	50	284	212
Transmission costs	372	-	897	-
Other expenses	393	311	1,367	1,083
Total operating expenses	**8,213**	**2,050**	**33,497**	**23,766**

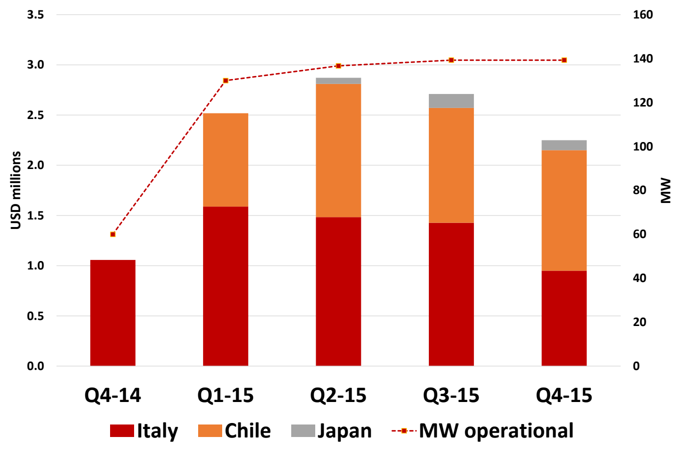
Operating expenses increased by $6.2 million (301%) during Q4-15 and $9.7 million (41%) during 2015, compared to the same periods of 2014 primarily due to the incremental cost associated with the O&M contracts of Project Salvador and the Mito project. This was partially offset by the effect of the change in the estimated useful life of the Group's solar power plants in Italy, from the original estimate of 20 years to 24 years. The increase in operating expenses was also partially offset by foreign exchange rate differences.

Etrion has re-negotiated the O&M contracts of its Italian and Chilean projects in order to reduce associated costs by approximately 35% on average.

Transmission costs incurred during 2015, relate to fees associated with the utilization of the private electricity grid in the SIC area in Chile to deliver electricity to final consumers that is paid by the electricity producers. Transmission costs are calculated based on an annual payment that considers the investment and O&M of facilities (lines, transformers, system protection, etc.)

According to certain legal changes being introduced and not yet approved, all the transmission and sub-transmission costs will pass through to the final consumers. These proposed legal changes would provide for a gradual reduction of transmission costs for electricity producers until 2034 when all the transmission costs will be paid by the final consumers.

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 Q4-15	Q4-14	Twelve months ended Q4-15	Q4-14
Salaries and benefits	670	2,134	3,241	4,324
Pension costs	170	151	170	151
Board of directors fees	129	76	270	335
Share-based payments	(159)	316	496	493
Professional fees	1,245	905	3,764	2,852
Listing and marketing	78	121	439	440
D&A	75	87	327	352
Office lease	83	112	396	443
Office, travel and other	543	427	1,721	1,198
Total general and admin	**2,834**	**4,329**	**10,824**	**10,588**

General and administrative expenses decreased by $1.5 million (35%) during Q4-15, compared to same period in 2014, primarily due to a decrease in salaries and benefits as a result of higher costs being capitalized and recharges to the Italian projects associated with the refinancing transaction, a decrease to the share-based payment expenses associated with the Company's outstanding restricted share units, partially offset by foreign exchange rate differences (due to the weakening of the Euro against the US dollar).

General and administrative expenses increased by $0.2 million (2%) during 2015, compared to same period in 2014, primarily due to an increase in corporate and professional fees and travel-related expenses, partially offset by less salaries and benefits as a result of more costs being capitalized and recharges to the Italian projects associated with the refinancing transaction and foreign exchange rate differences (due to the weakening of the Euro against the US dollar).

In December 2015, the Group completed the debt refinancing transaction in Italy (as described on page 20) and recharged a structuring fee of $2.1 million (€2 million), representing the costs of all the activitites associated with this refinancing transaction carried out by Etrion's management. The structuring fee has been recognized as transaction cost and is presented net of new debt acquired and the intragroup margin which is eliminated on consolidation.

IMPAIRMENT

During 2015, the Company recognized an impairment of $2.5 million of internally generated intangible assets associated with the development pipeline in Chile, given the challenging market environment to secure long-term PPAs in Chile. In addition, the Company recognized an impairment of $0.4 million of internally generated intangible assets associated with projects in Japan that the Group is no longer pursuing.

NET FINANCE COSTS

USD thousands	Three months ended Q4-15	Q4-14	Twelve months ended Q4-15	Q4-14
Interest project loans	12,459	3,993	32,499	17,758
Interest corporate bond	2,285	2,392	8,901	10,728
Fair value movements	305	341	799	2,042
Foreign exchange loss (gain)	(1,180)	687	(4,893)	(1,694)
Other finance costs (income)	175	254	(465)	801
Net finance cost	**14,044**	**7,667**	**36,841**	**29,635**

Finance costs increased by $6.4 million (83%) during Q4-15 compared to 2014 primarily due to the accelerated amortization of transaction costs of $6.6 million associated with the previous credit facilities as a result of the debt refinancing transaction and due to interest expenses associated with Project Salvador and Mito partially offset by foreign exchange rate differences (due to the weakening of the Euro against the US dollar).

Finance costs increased by $7.2 million (24%) during 2015 compared to 2014, primarily due to the accelerated amortization of transaction costs mentioned above and interest expenses associated with Project Salvador and Mito partially offset by the increase in foreign exchange gains.

During Q4-15 and 2015, the Group capitalized $0.1 million and $1.0 million (2014: $2.9 million and $8.6 million), respectively, of borrowing costs associated with credit facilities obtained to finance the construction of Project Salvador, Shizukuishi and Mito.

INCOME TAX EXPENSE

USD thousands	Q4-15	Three months ended Q4-14	2015	Twelve months ended 2014
Current income tax	1,392	1,933	(2,623)	(6,298)
Deferred income tax	14,260	(1,369)	16,796	3,696
Net income tax recovery (expense)	**15,652**	**564**	**14,173**	**(2,602)**

Net income tax expense decreased significantly by $15.1 million and $16.7 million during Q4-15 and 2015, compared to the same periods of 2014 mainly due to lower taxable gains recognized during the period, primarily due to the 8% FiT reduction in Italy, the application of the 27.5% reduced tax rate and foreign exchange differences, partially offset by the impact of a lower depreciation expense in Italy following the change in the useful life of the solar assets. In addition, due to spot price volatility in Chile, the Group recognized a tax benefit associated with tax losses accumulated during the period. During 2015, the provincial tax rate applicable to the Group's operating subsidiaries in Italy decreased to zero, attributable to the specifics of the tax legislation in northern Italy.

FINANCIAL POSITION

LIQUIDITY AND FINANCING

CASH POSITION

USD thousands	December 31 2015	December 31 2014
Cash and cash equivalents:		
Unrestricted at parent level	17,582	33,886
Restricted at project level	34,917	61,463
Total cash and cash equivalents	**52,499**	**95,349**

UNRESTRICTED CASH ANALYSIS

The Group's cash and cash equivalents at December 31, 2015, included unrestricted cash of $17.5 million (December 31, 2014: $33.9 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 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 or debt financing and non-recourse project loans, as required.

RESTRICTED CASH ANALYSIS

USD thousands	December 31 2015	December 31 2014
Italy	6,585	28,384
Chile	19,474	28,366
Japan	8,858	4,713
Total restricted cash	**34,917**	**61,463**

The Group's cash and cash equivalents at December 31, 2015, 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 December 31, 2015, the Group had working capital of $1.5 million (December 31, 2014: $36.5 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 $5.2 million. (December 31, 2014: $44.7 million). At December 31, 2015, 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	34,800	-	-	-	-	-	34,800
Project loans	41,140	31,702	36,696	36,701	33,973	237,764	417,976
Corporate bond	6,968	6,968	6,968	90,580	-	-	111,484
O&M contracts	3,347	3,535	3,561	3,660	4,245	50,339	68,687
Operating leases	1,431	1,289	1,293	1,277	1,281	19,957	26,528
Trade payables	27,379	-	-	-	-	-	27,379
Total	**115,065**	**43,494**	**48,518**	**132,218**	**39,499**	**308,060**	**686,854**

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

NET EQUITY

During 2015, the Group's total equity decreased by $23.0 million from a net asset position of $30.0 million at December 31, 2014, to a net asset position of $7.0 million at December 31, 2015. This change was primarily due to the net loss reported by the Group during the period partially offset by unrealized fair value gains recognized within other reserves associated with the Group's derivative financial instruments. The Group's total equity at December 31, 2015, was negatively impacted by the cumulative fair value losses of $39.2 million recognized within other reserves that are associated with the Group's derivative financial instruments and that are not expected to be fully realized. Excluding these fair value losses, the Group's total equity at December 31, 2015, would have been $46.2 million.

BORROWINGS

Non-recourse project loans

The following is a summary of the Group's non-recourse project loans and bond balances at December 31, 2015, and 2014:

USD thousands	MW	Maturity	Q4-15	Q4-14
Etrion SpA	53.7	December 31, 2029	222,990	-
Helios ITA	6.4	September 30, 2024	26,250	31,050
Salvador	70.0	September 1, 2033	153,231	164,024
Shizukuishi	24.7	September 30, 2032	19,952	5,005
Mito	9.3	December 30, 2032	23,578	5,334
Cassiopea	-	-	-	108,478
Helios ITA-3	-	-	-	36,932
Centauro	-	-	-	39,468
Etrion Lazio	-	-	-	17,796
SVE	-	-	-	12,862
Sagittario	-	-	-	7,593
Total	**164.0**		**446,001**	**428,542**

Italian projects

On December 1, 2015, the Group completed a debt refinancing transaction, replacing the original six floating-rate credit facilities outstanding (obtained to finance the construction of a majority of the Company's Italian operating solar power projects), with a new long-term floating rate credit facility and a project bond. The new senior financing comprises a non-recourse project loan of €177 million ($192 million) and a floating-rate project bond of €35 million ($37.8 million) and a debt service reserve facility of €10 million ($10.9 million). These new credit facilities mature in December 2029 and bear annual interest rates of Euribor plus a margin 2.25%.

Upon completion of this refinancing transaction, the Group's Italian subsidiaries fully repaid the majority of the previous outstanding non-recourse project loans plus accrued interests and the market value of the previous interest rate swap contracts of €32 million ($34 million). In addition, the Group entered into new contracts to hedge 90% of future interest payments under the terms of the new credit facilities.

The other original non-recourse project loans obtained by one of the Group's Italian subsidiaries to finance the construction of the Helios ITA solar power project matures in 2024 and bears annual interest rates of Euribor plus a margin of 2.25%.

As at December 31, 2015, Helios ITA did not reach the minimum historical debt service coverage ratio. As a result, according to the terms of the credit facility agreement, the Company was deemed to be in breach of covenants, and the Group reclassified the long-term portion of this project loan to short-term liability. This breach in covenants was due to the deterioration of free cash flow as a consequence of multiple factors beyond the control of Helios ITA. However, the Group anticipates that a waiver from the lender banks is very likely to be obtained in the short term. At December 31, 2015 and 2014, the Group was not in breach of any of the operational or financial covenants associated with its Italian project loans except Helios ITA in 2014 as noted above.

At December 31, 2015, the fair value of the non-recourse project loans and project bond approximated their carrying values as the loans bear floating interest rates.

At December 31, 2015, the Group had no undrawn amounts associated with these facilities, except for the new debt service reserve facility. At December 31, 2015, 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 loan was drawn in three tranches and bears an average fixed interest rate of 7.1%. On September 23, 2015, Salvador drew an additional $13.8 million under the secondary tranche of the senior credit facility with the Overseas Private Investment Corporation ("OPIC") in order to meet its debt service obligations and avoid additional equity requirements if the spot electricity price continues to be lower than expected. The new loan under the secondary tranche matures on June 1, 2033 and bears an all-in interest rate of 3.5%, which is re-set every week depending on the rate paid on short terms US bonds. At December 31, 2015, there were no undrawn amounts under the OPIC primary or secondary senior credit facility. The repayment of this credit facility is secured principally by the proceeds from the sale of electricity in the spot market.

In addition, Salvador has a local currency VAT credit facility with Rabobank. The VAT credit facility bears variable interest rates set every quarter plus a margin. The average applicable interest rate during 2015, was approximately 6.0%. This VAT credit facility was fully repaid on October 14, 2015, following the collection of VAT receivables from the Chilean tax authorities.

At 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

The Group's Japanese subsidiaries that hold the 34 MW Mito and Shizukuishi projects entered into senior secured financing agreements in Japanese yen to finance the construction costs of these projects. The Mito and Shizukuishi credit facilities mature in 2034 and bear TIBOR floating interest rates plus a margin of 1.3% and 1.4%, respectively, during the construction period of the solar plants.

The Mito and Shizukuishi non-recourse projects loans are 90% hedged during the operational period at an interest rate of 2.96% and 3.13% all-in, respectively, through interest rate swap contracts, all of which qualified for hedge accounting at December 31, 2015, and December 31, 2014.

At December 31, 2015, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates.

During 2014, the Group's Japanese subsidiaries also entered into a VAT credit facility agreement in Japanese yen in order to finance the related VAT capital disbursements of the Shizukuishi and Mito projects. These VAT credit facilities have a term of three years and bear a variable interest rate plus a margin.

During 2015, the Group's Japanese subsidiaries drew down under the senior financing agreement the amount of ¥3,920 million ($32.1 million) under the senior financing agreement. As of December 31, 2015, the undrawn gross amount was ¥4,724 million ($39.2 million). In addition, the Group's Japanese subsidiaries also drew down ¥301 million ($2.5 million) under the VAT credit facility. As of December 31, 2015, the undrawn gross amount was ¥299 million ($2.5 million).

At 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 December 31, 2015, the Group had €80 million of corporate bonds outstanding in the Norwegian bond market. 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 December 31, 2015, including accrued interest net of transaction costs, was $87.1 million (December 31, 2014: $96.7 million). The corporate bond agreement requires the Company to maintain a minimum unrestricted cash balance of €3 million. At December 31, 2015, and December 31, 2014, the Group was not in breach of any of the imposed 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. Specifically, the Company can redeem the bond within the first two years at 4% above par value plus the net present value of the interest that would have accrued up to April 22, 2016 (using a discount rate of 50 basis points over the German government bond rate comparable to the remaining duration of the bonds until April 22, 2016). 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 December 31, 2015, no separate amount was recognized in relation to this call option.

The Group's borrowings are denominated in Euros, Chilean pesos, Japanese yen and US dollars, and the minimum principal repayment obligations are as follows:

	December 31 2015	December 31 2014
Less than 1 year	47,688	70,282
Between 1 and 5 years	158,991	158,095
After 5 years	326,381	296,874
Total borrowings	**533,060**	**525,251**

Net debt reconciliation

The Group's adjusted net debt position on a cash basis, (excluding non-cash items and VAT facilities) at December 31, 2015, and December 31, 2014, is as follows:

USD thousands	December 31 2015	December 31 2014
Total borrowings as per IFRS	**533,060**	**525,251**
VAT facilities	(2,481)	(26,895)
Accrued interest	(2,231)	(3,507)
Transaction costs	13,180	14,360
Adjusted borrowings	**541,528**	**509,209**
Cash and cash equivalents	(52,499)	(95,349)
Adjusted consolidated net debt	**489,029**	**413,860**
Adjusted corporate net debt	**69,514**	**63,242**

The Group's consolidated net debt increased during 2015 mainly due to new debt acquired by Project Salvador and the Japanese projects and also due to the $42.8 million decrease in the Group's cash and cash equivalents, partially offset by foreign exchange differences (due to the weakening of the Euro exchange rate against the US dollar). In addition, the Group's consolidated net debt increased by additional proceeds of approximately $34 million upon completion of the refinancing transaction in Italy, used to pay the breakage costs of the associated interest rate swap contracts.

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 334,094,324 common shares (March 18, 2014: 334,082,657) and options to acquire 3,527,000 common shares of the Company (March 18, 2014: 4,800,000) 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 restricted share units ("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 16,802,793 RSUs granted to certain employees of the Company under this long-term incentive plan, all of which were outstanding as of March 15, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements at December 31, 2015, and December 31, 2014.

CAPITAL INVESTMENTS

The Group plans to allocate its unrestricted cash by prioritizing the Japanese market. Based on the current status of its backlog in Japan, the Company does not anticipate to beginning construction until Q2-16. Equity required to build solar projects in Japan is approximately $0.6 million per MW, representing 20% of the total cost per MW. The equity required is expected to be reduced by a development fee of approximately $0.2 million per MW.

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

Japanese backlog	H1-2016	H2-2016	H1-2017	H2-2017
Greenfield 1	-	-	2.9	0.9
Brownfield 1	-	1.5	4.2	5.1
Brownfield 2	(0.4)	0.7	0.8	-
Total USD million	**(0.4)**	**2.2**	**7.9**	**6.0**

Previously disclosed capital investments for the construction of solar projects under development in Chile are not expected to be incurred in the current year due to Etrion's decision to postpone construction of the 99 MW of projects in Chile that are shovel-ready. 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, additional corporate debt or equity financing and non-recourse project loans, as required.

Contractual commitments

The Group enters into EPC agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of December 31, 2015, the Group had a contractual obligation over one year to acquire construction services in the amount of $33.9 million related to the construction of the 25 MW Shizukuishi solar power project 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 consolidated 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.

New standards and amendments adopted by the Group

There are no IFRS or interpretations that have been issued effective for financial years beginning on or after January 1, 2015, that would have a material impact on the Company's consolidated financial statements.

New standards and amendments issued and not yet adopted by the Group

The following new standards and amendments, applicable to the Group, available for application and not yet adopted, are as follows:

IFRS 9, Financial Instruments: This standard addresses the classification, measurement and recognition of financial assets and liabilities, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group has yet to assess the full impact of IFRS 9 and intends to adopt this standard no later than the accounting period beginning on or after January 1, 2018.

IFRS 15, Revenue from contracts with customers: This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Group has yet to assess the full impact of IFRS 15 and intends to adopt this standard no later than the accounting period beginning on or after January 1, 2018.

There are no other IFRS or interpretations that are not yet effective and that would be expected to have a material impact on the Group.

The Company's management believes the critical accounting policies outlined below affect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

IMPAIRMENT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group assesses goodwill for impairment on an annual basis and property, plant and equipment and intangible assets when indicators of impairment exist using value-in-use calculations. The value-in-use calculations are based on the forecasted EBITDA over the expected life of the solar power assets, as derived from the financial models developed by the Company's management to value the projects. The assumptions used are consistent with external sources of information and reflect past experience. These business models include various assumptions such as future market prices for solar energy, the forecasted rate of inflation to estimate future operating costs and operating variables such as irradiation, degradation and transfer losses estimated by the Group's internal engineers based on historical atmospheric conditions in the areas where the projects are located. For the purposes of the Group's impairment assessment performed at December 31, 2015, the discount rate used was 5.6% (2014: 7.1%), representing the Group's pre-tax weighted average cost of capital, and no growth rate was applied. The value-in-use calculations used to value the Group's solar power projects are complex and include a wide number of operating and financial variables and assumptions that are subject to change as economic and market conditions vary. At December 31, 2015, no impairment was provided in relation to the Group's previously recognized goodwill, property, plant and equipment and intangible assets.

FAIR VALUE OF FINANCIAL AND DERIVATIVE FINANCIAL INSTRUMENTS

In determining the fair value of the Group's financial instruments, the Company's management uses judgment to select a variety of methods and verifies assumptions that are mainly based on market conditions existing at the balance sheet date. Where possible, the Company's management also obtains fair value measurements from third parties. The fair value of the Group's interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity, the observable Euribor and Tibor forward interest rate curves and an appropriate discount factor. At December 31, 2015, the Group recognized net financial liabilities of $13.2 million (2014: $55.4 million) associated with its derivative financial instruments.

DEFERRED INCOME TAX ASSETS

The Group accounts for differences that arise between the carrying amount of assets and liabilities and their tax bases in accordance with IAS 12, Income Taxes, which requires deferred income tax assets only to be recognized to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilized. The Company's management estimates future taxable profits based on the financial models used to value the solar power projects. Any change to the estimates and assumptions used for the key operational and financial variables used within the business models could affect the amount of deferred income tax assets recognized by the Group. At December 31, 2015, the Group recognized $18.3 million (2014: $13.9 million) of net deferred income tax assets.

RELATED PARTIES

For the purposes of preparing the Company's consolidated 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 consolidated financial statements for year ended December 31, 2015, 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. The Chairman of Lundin Petroleum AB is a director of the Company. During the twelve months ended December 31, 2015, the Group incurred general and administrative expenses of $88,000 (2014: $0.2 million), from Lundin Services BV, and, at December 31, 2015, the Group had $2,000 (December 31, 2014: $7,000) outstanding in relation to these expenses.

Lundin family

Investment companies associated with the Lundin family subscribed for €15 million of the corporate bond issue in April 2014. At December 31, 2015, total corporate bonds held by the Lundin family amounted to €9.9 million.

During 2015, the Group recognized $0.9 million (2014: $1.8 million) of interest expense and $43,000 (2014: $72,000) of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family.

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 2015, the Group recognized $2.1 million (2014: $2.4 million) 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 December 31, 2015, the Group had $0.1 million outstanding to key management personnel (2014: $0.4 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 consolidated 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 at December 31, 2015, and 2014, is as follows:

USD thousands	December 31 2015	December 31 2014
Derivative financial assets:		
Interest rate swap contracts		
Current portion	702	-
Total derivative financial assets	**702**	**-**
Derivative financial liabilities:		
Interest rate swap contracts		
Current portion	3,230	8,203
Non-current portion	10,639	47,192
Total derivative financial instruments	**13,869**	**55,395**

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 2015, the Group recognized a net fair value loss of $9.4 million (2014: net fair value loss of $19.7 million) net of tax within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

At December 31, 2015, 2014 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/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. 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

Etrion will prepare and update on a regular basis forecasts for project level revenues and EBITDA information regarding its operational and fully-funded solar parks. The purpose of these forecasts is to provide investors with management's view on the expected performance of the Company's solar assets. Readers are advised to not place undue reliance on these forecasted financial and operational information because it may not be appropriate to use for purposes other than indicated. Etrion's consolidated project-level forecast for 2016 is in the following ranges:

Net to Etrion's interest **USD million otherwise stated**		**Low end**	**High end**
Energy generation	MWh	219,349	230,597
Revenue		50	52
Project-level EBITDA		39	41

ITALY

Revenue, project-level EBITDA and production forecast for the Italian operating platform, incorporated in the above consolidated guidance, are based on Etrion's 100%-owned, 60 MW solar portfolio in Italy. The weighted average FiT price applicable to the Italian portfolio is €0.30 per kWh for the 15 years remaining contract average life. The Italian spot price, currently €0.05 per kWh, has been projected based on independent third party estimates. Italian project-level EBITDA forecast is presented net of asset management service fees that are recharged to the operating projects as part of operational expenses. In Italy, revenues are received in Euros and are translated using the €/$ exchange rate of the corresponding period. Consequently, revenues expressed in US dollars may fluctuate according to exchange rate variations.

CHILE

Revenue, project-level EBITDA and production forecast for the Chilean platform, incorporated in the above consolidated guidance, are based on Etrion's 70%-owned, 70 MW operational solar park, Project Salvador, located in northern

Chile, and are incorporated on a net basis. Electricity production in Chile assumes 25% of curtailments on the total production capacity of the Project Salvador power plant. Revenue has been calculated using the PPA price of US$0.10 per kWh for the first 70 GWh of production and a spot price forecast prepared by the Chilean grid operator for the remaining electricity production of Project Salvador. Chilean project-level EBITDA forecast is presented net of asset management service fees that are recharged to the operating projects as part of operational expenses. In Chile, revenues are calculated with reference to the US dollar, which is also the reporting currency of the Group and therefore revenues forecast are not subject to exchange rate fluctuations.

JAPAN

Revenue, project-level EBITDA and production forecast for the Japanese platform, incorporated in the above consolidated guidance, are based on Etrion's 87%-owned, 34 MW operational and under construction Japanese portfolio comprising the Mito and the Shizukuishi solar parks, located in central and northern Japan, respectively, and are incorporated on a net basis. These projects benefits from 20-year PPAs with TEPCO and the Tohoku Electric Power utility, respectively, under which they will receive ¥40 per kWh produced (approximately US$0.33 per kWh). Shizukuishi construction-related work began in October 2014, and the solar project is expected to connect to the grid in the third quarter of 2016. In Japan, revenues are received in Japanese Yen and are translated using the ¥/$ exchange rate of the corresponding period. Consequently, revenues expressed in US dollars may fluctuate according to exchange rate variations.

Basis of preparation of the forecasts

The revenue forecasts have been prepared on a basis consistent with the accounting policies that are expected to be used in the Group's consolidated financial statements for the year to be then ended. These policies are consistent with those set out in the accounting policies in the Group's consolidated financial statements for the years ended December 31, 2015 and 2014.

The project-level EBITDA forecasts have been prepared using a non-IFRS widely accepted methodology which consist of earnings before interest, tax, depreciation and amortization and is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions.

Electricity production forecasts have been prepared using the installed production capacity of the solar power plants, the guaranteed availability and irradiation levels based on historical data from the various solar park locations.

Revenue and project-level EBITDA forecasts have been prepared using the project currency and translated, where applicable, to US dollars using the expected prevailing exchange rate of €/$ 1:1.099 and ¥/$ 1:121.0 based on projections made by the Company.

PREVIOUS FORECASTS

On January 17, 2014, Etrion issued a forecast for the fiscal year ending December 31 2015. Below is a description of the major variables that affected the 2015 revenue and EBITDA forecasts:

Italian revenue and EBITDA in 2015 were lower in comparison with the guidance provided in January 17, 2014, mainly due to the effect of the 8% FiT reduction announced in August 2014 and effective January 1, 2015. The 8% FiT reduction results in approximately 6% less revenues per year, but this reduction is current being contested by the Company through domestic litigation against the government. In addition, other variables that resulted in lower 2015 results than projected included the spot market prices, the inclusion of asset management service fees as part of operating expenses and the approximately 18% decrease in the average exchange rate used for the Euro versus the US dollar.

The revenue and EBITDA in 2015 for Project Salvador were lower than originally expected given the unusual low spot market prices in the SIC network in Chile, due to a combination of local grid congestion, increasing solar and wind electricity generation, strong hydro electricity production due to wet winter conditions and low electricity demand because of depressed mining activity as a result of the collapse in commodity prices. However, due to Project Salvador's early start of operations, revenue was recognized for eleven months starting January 2015 instead of the nine months projected in the guidance. Revenue and EBITDA in 2015 in Chile were lower than the guidance also due to the removal from the pipeline of the original 8.8 MW Aguas Blancas solar project.

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; and expectations with respect to future mining growth in Chile. 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; uncertainties with respect to the impact of the changes to the Japanese FiT regime that came into effect in 2015; 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, assumptions with respect to the renegotiation of certain of the Company's O&M contracts 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**.