etrion

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

CONTENTS

INTRODUCTION

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 environments. This MD&A, prepared as of March 18, 2015, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2014. Financial information is reported in United States ("US") dollars ("$"). However, as the Group operates in Europe, the Americas and Asia, certain financial information has also been reported in Euros ("€"), Swedish krona ("SEK"), Canadian dollars ("CAD$") and Japanese yen ("¥"). At December 31, 2014, the €/$ exchange rate was 1.21 (2013: 1.38), and the average €/$ exchange rate for the year then ended was 1.32 (2013: 1.32). 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

The terms "adjusted net income/loss before non-recurring and non-cash items", earnings before interest, tax, depreciation and amortization ("EBITDA"), "adjusted EBITDA", and "adjusted operating cash flow" are 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 over all periods presented. Adjusted net income/loss before non-recurring and non-cash items is a useful metric to quantify the Company's ability to generate cash before extraordinary and non-cash accounting transactions recognized in the financial statements (the most comparable IFRS measure is net income/loss as reconciled on page 15). EBITDA is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measure is net income/loss as reconciled on page 15). In addition, adjusted operating cash flow is used by investors to compare cash flows from operating activities without the effects of certain volatile items that can positively or negatively affect changes in working capital such as value added taxes paid during construction of the Company's solar power plants and are viewed as not directly related to a company's operating performance.

FORWARD-LOOKING STATEMENTS

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 31.

FOURTH QUARTER AND FULL YEAR 2014 HIGHLIGHTS

	Three months ended December 31		Twelve months ended December 31	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue	6,368	7,761	49,628	53,911
Gross profit	4,318	319	25,862	25,431
EBITDA	1,305	5,438	32,526	40,372
Adjusted EBITDA	1,040	1,423	33,065	36,357
Adjusted EBITDA margin (%)	16%	18%	67%	67%
Net loss	(8,006)	(5,666)	(16,455)	(10,304)
Adjusted net (loss)/income before non-recurring and non-cash items	(6,534)	(5,279)	4,396	6,154
Adjusted operating cash flow	(3,653)	1,710	31,565	37,332
Working capital	36,450	47,461	36,450	47,461

OPERATIONAL HIGHLIGHTS

- Development: Advanced the development of four solar projects in Chile for a total capacity of 99 megawatts ("MW"), most of which are shovel-ready with construction planned immediately following the signing of the related power purchase agreement ("PPA"). Etrion also began the development of two new sites in Japan of 14 MW and 25 MW, both with the confirmed feed-in-tariff ("FiT") and targeted to be shovel-ready by Q1-2016.
- Chile Construction: Completed construction of the 70%-owned 70 MW Salvador solar park in northern Chile ("Project Salvador") five months ahead of schedule and under budget. The solar park was built by SunPower Corp. ("SunPower") and was connected to the electricity grid on November 3, 2014. Project Salvador produced approximately 6.7 million kilowatt-hours ("kWh") of electricity during the testing phase in 2014 and became fully operational in January 2015. The solar park is expected to produce more than 200 million kWh per year.
- Japan Construction: Started construction of the 87%-owned 34 MW solar parks in Japan in partnership with Hitachi High-Technologies Corporation ("HHT"), a subsidiary of Hitachi, Ltd. The 9.3 MW Mito and the 24.7 MW Shizukuishi power plants are being built by HHT. Mito includes five sites that are expected to connect to the grid between May and August 2015. Shizukuishi includes one site that is expected to connect to the grid in July 2016.
- O&M Renegotiation: Renegotiated the operating and maintenance ("O&M") agreements with SunPower for three of the Group's Italian subsidiaries (Cassiopea, Centauro and SVE, representing an aggregate capacity of 35.8 MW) to increase the level of service and to reduce costs by approximately 40% effective June 2015.
- Production: Produced 100.7 million (2013: 104.9 million) kWh of solar electricity during the year ended December 31, 2014, from the Company's 100%-owned 60 MW portfolio comprising 17 solar power plants in Italy.
- Plant Availability: Improved asset management in Italy with weighted average solar plant availability of 99.7% in 2014 compared to 99.5% in 2013. A solar park's availability measures the amount of time it is able to generate power during daylight hours.

FINANCIAL HIGHLIGHTS

- Revenue: Generated revenues of $49.6 million (2013: $53.9 million) during the year ended December 31, 2014, from 17 solar power plants in Italy.
- EBITDA: Recognized earnings before interest, taxes, depreciation and amortization ("EBITDA") of $32.5 million (2013: $40.3 million) during the year ended December 31, 2014.
- Cash and Working Capital: Closed 2014 with a cash balance of $95.3 million (December 2013: $94.9 million), $33.9 million of which was unrestricted and held at the parent level, and working capital of $36.5 million (December 2013: $47.5 million).
- Project Financing: Secured long-term, non-recourse project financing in September 2014 for 80% of the construction costs of the 9.3 MW Mito and 24.7 MW Shizukuishi power plants from Sumitomo Mitsui Trust Bank, Limited ("SMTB"), a Japanese financial institution, for a total amount of ¥9,854 million ($82.0 million).
- Equity Financing: Completed an equity financing in January 2014 through a private placement of 124,633,571 new common shares issued at SEK 4.15 (approximately CAD$0.70) per share for gross proceeds of SEK 517,229,320 (approximately $80.0 million).
- Bond Refinancing: Completed a bond issue in April 2014 of €80 million in senior secured bonds in the Norwegian bond market at 8% annual interest with a 5-year maturity, a portion of which was used to redeem the previously-issued €60 million of corporate bonds.

BUSINESS OVERVIEW

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants. The Company owns 130 MW of installed solar capacity in Italy and Chile. Etrion has 34 MW of solar projects under construction in Japan and is also actively developing greenfield solar power projects 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 expected 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 corporate bonds listed on the Oslo stock exchange in Norway. Etrion is based in Geneva, Switzerland with offices in Miami, USA; Rome, Italy; Tokyo, Japan and Santiago, Chile. The Company has 36 employees as of the date of this MD&A.

OPERATIONS REVIEW

OPERATING PERFORMANCE

During 2014, the Group recognized revenues from seven solar power projects in Italy (Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Sagittario), comprising 17 solar power plants. Solar-related revenues are subject to seasonality over the year due to the variability of daily sun hours in the summer versus winter months. However, on an annual basis, expected solar irradiation in Italy varies less than 10% year-over-year. The impact of seasonality on the Group's business is expected to decrease over time as the Group secures additional projects in Chile, which will give the Company production in both the northern and southern hemispheres. Actual production based on megawatt-hours ("MWh") of electricity produced and revenue for the year ended December 31, 2014, compared to the same period of 2013 are as follows:

	Performance against prior year			
	2014	**2013**	**Variance**	
Production (MWh)	100,655	104,918	(4,263)	(4.1)%
Revenue ($'000)	49,639	53,911	(4,272)	(7.9)%

During 2014, the Group produced 4.1% less electricity compared to the same period of 2013, due primarily to lower solar irradiation. The Group's revenues were impacted also by a reduction in the spot market price ("Market Price") in Italy. Pricing information for the year ended December 31, 2014, compared to the same period of 2013 is as follows:

	2014			**2013**		
	MWh	**Price ($/kWh)**	**Revenue $'000**	**MWh**	**Price ($/kWh)**	**Revenue $'000**
FiT revenues (based on actual production)	100,655	0.44	44,142	104,918	0.44	45,922
Market Price revenues (based on evacuated production)	98,686	0.06	5,497	103,001	0.08	7,989
Total revenue			**49,639**			**53,911**

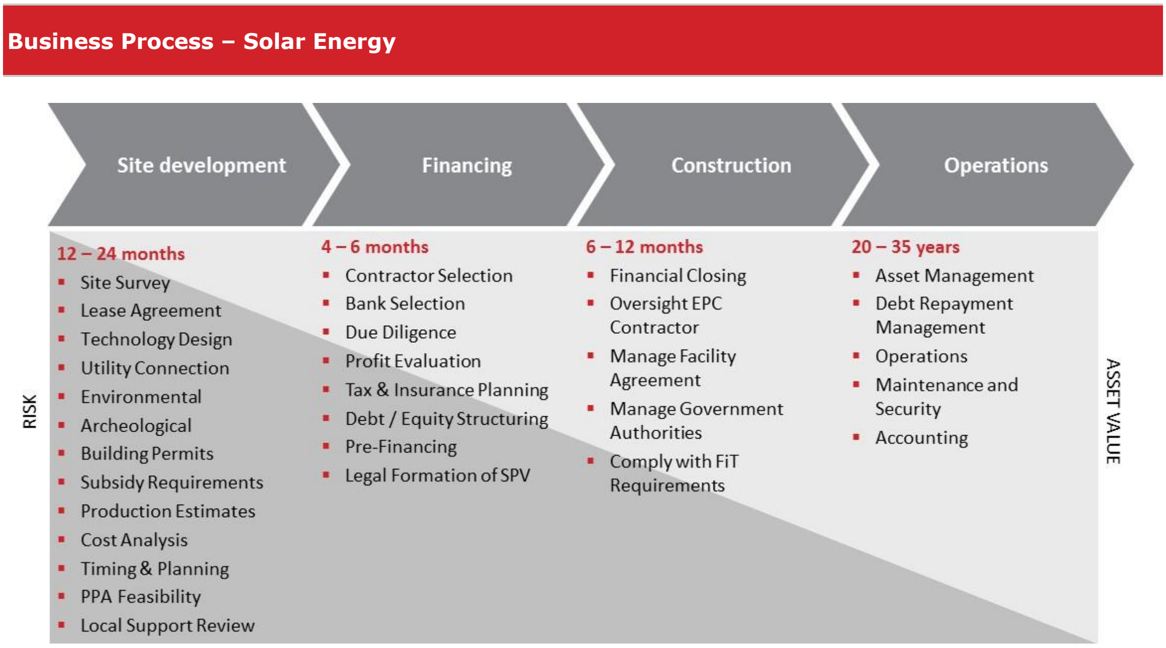
In Italy, the Group receives revenues denominated in Euros from two sources: (1) the FiT system, whereby a premium constant price is received for each kWh of electricity produced through a 20-year contract with the Italian government and (2) the Market Price, whereby the spot market price is also received for each kWh of electricity evacuated (i.e., electricity produced less transmission losses). The average Market Price declined by approximately 33%, as the Group received an average of €0.04 per kWh during 2014, compared to €0.06 per kWh during 2013. Revenues from Italy received in Euros have been translated at the average €/$ exchange rate of 1.32 for the twelve months ended December 31, 2014 (2013: 1.32).

BUSINESS REVIEW (CONTINUED)

BUSINESS OVEREVIEW

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

- Phase 1 represents the period in which a project secures all required permits, 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 permitting risk, Etrion works extensively to optimize the design and reduce construction costs to further improve each project's economics.
- Phase 2, which generally takes 4 to 6 months, during which the Company assesses and selects various contractors and lenders, including EPCs contractors responsible for the engineering, procurement and construction ("EPC") of the solar power plant. The Company analyses 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 6 to 12 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. 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

OPERATING PROJECTS ITALY

A summary of the Group's 100%-owned operating solar power projects in Italy is as follows:

Project	Region	Sites	Net Capacity (MW)	Technology	Contractor[3]	Modules	Inverters	Connection date	Original FiT[1]	Revised FiT[1]
Cassiopea (Montalto)	Lazio	1	24.0	Single axis	SunPower	SunPower	SMA	Nov-09	€0.353	€0.325
Helios ITA-3 (Brindisi, Mesagne)	Puglia	2	10.0	Single axis	ABB	Yingli	Bonfiglioli	Aug-11	€0.250	€0.230
Centauro (Montalto)	Lazio	1	8.8	Single axis	SunPower	SunPower	SMA	Jul-10	€0.346	€0.318
Helios ITA (Brindisi, Mesagne)[2]	Puglia	7	6.4	Single axis	Solon/ABB	Solon	Santerno	Dec-09	€0.353	€0.325
Etrion Lazio (Borgo Piave, Rio Martino)	Lazio	2	5.3	Fixed-tilt	Phoenix	Trina	SMA	Apr-11	€0.346	€0.318
SVE (Oria, Matino, Ruffano)	Puglia	3	3.0	Single axis	SunPower	SunPower	Siemens	Dec-10	€0.346	€0.318
Sagittario (Nettuno)	Lazio	1	2.6	Fixed-tilt	Phoenix	Trina	SMA	Aug-11	€0.250	€0.230
Total		**17**	**60.1**							

Notes:

(1) FiT per kWh based on connection date. The weighted average remaining contract life is approximately 16 years. Refer also to "Business Review – Solar Market Overview" on pages 10 and 11 for an overview of the renewable energy market in Italy. The FiT applicable to each of the Group's Italian projects was revised in 2014, effective from January 1, 2015.

(2) Six of the Helios ITA solar parks benefit from the 2009 FiT of €0.353 per kWh, and the seventh park built benefits from the 2010 FiT of €0.346 per kWh.

(3) All projects used one third-party contractor for both EPC and O&M except Helios ITA, which used Solon for EPC and ABB for O&M.

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 inverters. Cassiopea has an O&M contract with SunPower. During the first quarter of 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 2014, the solar park benefited from the 2009 FiT of €0.353 per kWh plus the average Market Price of approximately €0.04 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. Etrion is planning to renegotiate the O&M contract with the purpose of improving the service terms while lowering the cost. During the 2014, both solar parks benefited from the August 2011 FiT of €0.25 per kWh plus the average Market Price of approximately €0.04 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 the first quarter of 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 2014, the solar park benefited from the 2010 FiT of €0.346 per kWh plus the average Market Price of approximately €0.04 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. Etrion is planning to renegotiate the O&M with the purpose of improving the service terms while lowering the cost. As at December 31, 2014, Helios ITA did not reach the minimum historical debt service coverage ratio and as a result, according to the terms of the credit facility agreement, this subsidiary was deemed to be in breach of covenants. However, on February 24, 2015, Helios ITA received a waiver from its lender banks.

Helios ITA (continued)

During 2014, six of the Helios ITA solar parks, just under 1 MW each for a total of 5.8 MW, benefited from the 2009 FiT of €0.353 per kWh plus the average Market Price of approximately €0.04 per kWh. The last park built (0.6 MW) benefited from the 2010 FiT of €0.346 per kWh plus the average Market Price of approximately €0.04 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 Phoenix. During 2014, both solar parks benefited from the 2010 FiT of €0.346 per kWh plus the average Market Price of approximately €0.04 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 the first quarter of 2015, Etrion renegotiated the O&M contract effective June 2015 to reduce the annual fee by more than 15%. During 2014, all three solar parks benefited from the 2010 FiT of €0.346 per kWh plus the average Market Price of approximately €0.04 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 Phoenix. During 2014, the solar park benefited from the August 2011 FiT of €0.25 per kWh plus the average Market Price of approximately €0.04 per kWh.

OPERATING PROJECTS CHILE

A summary of the Group's operating solar power projects in Chile, as of the date of this MD&A, is as follows:

Project	Region	Sites	Gross Capacity (MW)	Net Capacity (MW)	Technology	Contractor	Modules	Inverters	Connection date	Contract regime
Salvador(1)	Atacama	1	70	49	Single axis	SunPower	SunPower	ABB	Nov-14(2)	Merchant/PPA(3)
Total		**1**	**70**	**49**						

Notes:

(1) 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%. After 20 years of operation, Etrion's ownership will decrease to 0%.

(2) Project Salvador was connected to the electricity grid on November 3, 2014.

(3) Project Salvador is operating on a merchant basis, but Etrion expects to enter into a 15-year PPA for 35% of the production starting from January 1, 2016.

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 is currently operating on a merchant basis where the electricity produced is sold on the spot market and delivered to the Sistema Interconectado Central ("SIC") electricity network. The solar park produced 6.7 million kWh during its testing period in 2014 and entered full commercial operations on January 10, 2015. In accordance with the Group's accounting policies, revenues during a solar park's testing phase are deducted from capitalized costs. Therefore, Etrion started recognizing revenues from Project Salvador in the income statement in January 2015. Project Salvador recently signed a binding letter of intent to enter a 15-year PPA for approximately 35% of Project Salvador's production from January 1, 2016, at approximately $0.10 per kWh indexed to the US Consumer Price Index ("CPI"). Project Salvador is expected to produce approximately 200 million kWh of electricity per year.

DEVELOPMENT ACTIVITIES

CHILE

Etrion is pursuing additional renewable energy projects in Latin America, with an initial focus on Chile. Chile has an investment grade rating (AA- per Standard & Poor's), an abundance of renewable resources (i.e., strong solar irradiation), high wholesale electricity prices and robust energy demand from the mining sector, making it one of the first countries to reach grid parity, where solar is competitive with traditional sources of power generation. Etrion's business development activities in Chile are focused on solar power generation that is carried along two of the existing electricity networks, Sistema Interconectado del Norte Grande ("SING") and SIC, which provide service to industrial users who are particularly concerned with electricity shortages as a result of the high growth in energy demand. Together the SING and SIC account for approximately 99% of Chile's total electricity production. Northern Chile has among the highest solar irradiation in the world. Refer to "Business Review – Solar Market Overview" on page 12 for an overview of the renewable energy market in Chile.

A summary of the Group's 100%-owned projects under development in Chile is below:

Project	Region	Sites	Net Capacity (MW)	Technology	Contractor	Modules	Status	Expected start of construction[1]	Expected start of operations	Contract regime[2]
Aguas Blancas 2A	Antofagasta	1	32	Single axis	TBD	TBD	Development	Q2-2016	Q4-2016	Spot/PPA
Aguas Blancas 2B	Antofagasta	1	24	Single axis	TBD	TBD	Development	Q2-2015	Q4-2015	Spot/PPA
Aguas Blancas 2C	Antofagasta	1	16	Single axis	TBD	TBD	Development	Q2-2016	Q4-2016	Spot/PPA
Las Luces	Atacama	1	27	Single axis	TBD	TBD	Development	Q2-2016	Q1-2017	Spot/PPA
Total		**4**	**99**							

Notes:

(1) Start of construction will depend on Etrion's ability to secure PPAs and long-term, non-recourse project finance.

(2) Contract regime may include a combination of merchant (spot price) and/or PPA.

In addition to the projects above, Etrion is also pursuing other opportunities in Chile to develop and/or acquire additional renewable energy projects.

Aguas Blancas

The Aguas Blancas solar projects in the Antofagasta region include three sites, 2A, 2B and 2C, with total capacity of 72 MW in the 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 four 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 and the PPA with a mining company are under advanced 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. The total estimated project cost for the 72 MW, including costs related to the licenses, permits, development, financing and construction, is $153.5 million, which is expected to be financed 75% by non-recourse project debt with the remaining equity portion to be funded by the Group.

Las Luces

The Las Luces I solar project in the Atacama region includes one shovel-ready site with 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 under advanced negotiations, and the PPA negotiations with a mining company have begun.

Etrion should be in a position to start construction of Las Luces I 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. The total estimated project cost for the 27 MW, including costs related to the licenses, permits, development, financing and construction, is $57.1 million, which is expected to be financed 75% by non-recourse project debt with the remaining equity portion to be funded by the Group.

DEVELOPMENT ACTIVITIES (CONTINUED)

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 25 gigawatts ("GW") of installed capacity. 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 by the first quarter of 2016 and 300 MW by the end of 2017. 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). Refer to 'Business Review – Solar Market Overview' on page 13 for an overview of the renewable energy market in Japan. A summary of the Group's projects under construction and development in Japan is below:

Project	Region	Sites	Gross Capacity (MW)	Net Capacity (MW)	Technology	Contractor[1]	Modules	Status[3]	Start of construction	Expected start of operations	Contract regime[4]
Mito	Ibaraki	5	9.3	8.1	Fixed-tilt	HHT	Canadian Solar	Construction	Q4-2014	May-Aug 2015	¥40 FiT
Shizukuishi	Iwate	1	24.7	21.5	Fixed-tilt	HHT	Canadian Solar	Construction	Q4-2014	July 2016[2]	¥40 FiT
Greenfield 1	South	1	25	21	Fixed-tilt	HHT	Canadian Solar	Development	Q1-2016	TBC	¥36 FiT
Greenfield 2	Central	1	14	12	Fixed-tilt	HHT	Canadian Solar	Development	Q1-2016	TBC	¥32 FiT
Brownfield 1	South	1	50	43	Fixed-tilt	HHT	Canadian Solar	Development	Q1-2016	TBC	¥36 FiT
Brownfield 2	North	1	51	43	Fixed-tilt	HHT	Canadian Solar	Development	Q1-2016	TBC	¥32 FiT
Total		**10**	**174.0**	**148.6**							

Notes:

(1) Projects will be built by HHT using Hitachi Power Systems as EPC.
(2) Shizukuishi will connect through a utility that requires up to 29 months for grid connection, but Etrion may be able to accelerate the connection process.
(3) Projects under construction are owned 87% by Etrion. Development projects are assumed to be owned 85% by Etrion.
(4) Contract regime is 20-year FiT.

Mito

Mito is a 9.3 MW utility-scale solar photovoltaic power project consisting of five sites under construction in the Ibaraki Prefecture of Japan. Construction began in October 2014, with the estimated connection dates for each site expected between May and August 2015. The solar power plants are being built on an aggregate 27 hectares of leased land, and the facilities will connect through the Tokyo Electric Power Company ("TEPCO"). In December 2014, the project company entered into two of the five planned 20-year PPAs with TEPCO under which the project company will receive ¥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) is being financed 80% through 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%. Mito has entered into a long-term fixed price O&M agreement with HHT. Once operational, Mito is expected to produce approximately 10.3 GWh of solar electricity per year.

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 works began in October 2014, and the solar project is expected to connect to the grid in July 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 GWh of solar electricity per year.

Development Activities

In addition to the 34 MW already 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 four most advanced projects total 140 MW. Etrion expects to own up to 85 percent in the Japanese projects, with Hitachi High-Tech and/or local development partners owning the remainder.

Japan Greenfield Project 1 is a 25 MW solar project in southern Japan with the FiT and land contract secured. The grid impact studies are in progress, and the project is expected to be shovel-ready by Q1-2016.

Japan Greenfield Project 2 is a 14 MW solar project in central Japan with the FiT secured. Etrion expects to sign the land contract after completion of the grid impact study. The project is expected to be shovel-ready by Q1-2016.

Japan Brownfield Project 1 is a 50 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 Q1-2016.

Japan Brownfield Project 2 is a 51 MW solar project in northern Japan with the FiT in progress, land contract in progress and grid impact studies in progress. Etrion has secured exclusivity with the developer and is working with the land owner to secure the land. The project is expected to be shovel-ready by Q1-2016.

These projects may be replaced by other projects within the next twelve months in order to accelerate construction or improve project economics.

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 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 an FiT system in order to encourage expansion of solar energy. The FiT system, combined with strong solar irradiation and high spot electricity prices, has led to significant growth in the installed capacity of solar generating facilities since 2005. The Italian state-owned company, Gestore Servizi Energetici ("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. A summary of the actual 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
FiT (€/kWh)	€0.250	€0.346	€0.353
Duration	20 years	20 years	20 years

In addition to the FiT, solar power generators in Italy receive the spot market rate on a per kWh basis. The average Market Price during 2014 was approximately €0.04 ($0.05) per kWh of electricity produced.

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 will impact the revenues received by solar power producers by reducing the annual FiT incentive to be paid by the GSE. Specifically, the approved decree outlined three options for solar power producers to reduce the original FiT effective January 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.

Although these proposed changes will impact the revenues, EBITDA and cash flows of the Group going forward, they do not impact the carrying value of its assets and liabilities as reported at December 31, 2014.

In addition, the approved decree introduces 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 has indicated that their systems were not ready to support the new decree and that they would activate the new payment mechanism starting January 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 a domestic legal action in the Italian courts to seek a declaration that the new decree is unconstitutional or alternatively to obtain compensation for damages resulting from the changes to the FiT regime.

Since Etrion's management considers the new decree unconstitutional, it did not communicate any election to the Italian government by the November 30, 2014 deadline. According to such new decree, in the absence of a formal election by solar plants owners, the 6-8% flat reduction is applicable as of January 1, 2015.

ITALIAN MARKET (CONTINUED)

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. Management has used the revised corporate tax of 27.5% to measure deferred tax assets and liabilities as at December 31, 2014.

Tax depreciation method

On December 19, 2013, the Italian tax authorities introduced a new mandatory method for the calculation of depreciation of solar plants in Italy. Etrion’s management challenged the new mandatory method through legal recourse with the tax authorities that was dismissed in November 2014. Accordingly, Etrion’s management followed the new mechanism for the calculation of depreciation for tax purposes in Italy. The new mandatory method is based on 4% annual depreciation instead of the previous 5% annual depreciation of the historical cost of the solar plants. In practice, this change introduced by the Italian government increases the useful life of the solar plants for tax purposes from 20 years to approximately 24 years. The effective date of the application of the new method for tax purposes is January 1, 2013. From that date, the operating entities in Italy deduct a lower amount of depreciation when calculating taxable income for corporate and provincial taxes, resulting in a higher tax bill going forward and reducing cash flows available for distribution. Since the application of the new law is retroactive for tax purposes, the Italian operating companies have recalculated and paid additional taxes in 2014 due to the change in law with respect to the year ended December 31, 2013.

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 resources has made the country a net importer of energy and module prices are at an all-time low, with a continued decrease in price due to technology improvements and scale. The energy sector is largely 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. However, there is a large opportunity for growth in the solar sector, especially in the northern part of the country where more than 90% of the electricity consumption arises from industrial users, such as mining operations. 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 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 will initially operate on a merchant basis with the ability to secure future PPAs.

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

- **SING** – Sistema Interconectado del Norte Grande, the northern grid, accounts for approximately 25.4% of total electricity production in Chile. The SING is primarily served by thermoelectric plants.
- **SIC** – Sistema Interconectado Central, the central grid, accounts for approximately 74% of the 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, which will initially operate on a spot market/merchant basis, is located along the SIC. The SIC is expected to be interconnected with the SING by 2018 which is expected to result in lower electricity market price volatility.
- **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 solar power generation that is carried along the SING and SIC, which provide service to industrial users who are particularly concerned with electricity shortages as a result of strong growth in energy demand. Together, the SING and SIC account for more than 99% of Chile's total electricity production. The Chilean government has announced plans to connect the SING and SIC networks, which is expected to result in a more stable long-term sport market price for the combined networks.

During the fourth quarter of 2014, the observable market prices in the SIC network at the Diego de Almagro node relevant to Project Salvador were particularly low and between the range of $60-100/MWh mainly from October through December being the lowest price period during the year because hydro sources of energy are more active following the summer ice melt. However, the last 12 months average price was around $127/MWh. There was unusually high generation from hydro sources from September through December due to wetter/warmer weather compared to recent years and new wind projects entering into operations. Finally, during November prices were low due to the SIC network's maintenance works that limited the flow of energy between the SIC subsystems, keeping only the lowest cost energy producing in the Northern area of the SIC and reducing the marginal cost.

BUSINESS REVIEW (CONTINUED)

JAPANESE MARKET

Japan is the world's third largest energy consumer and today is the third 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, which has led to most of the nation's 52 reactors being idled due to safety concerns. While current renewable energy usage remains low (currently 7.2% of total primary energy), Japan is planning to accelerate further renewable energy development. By the end of 2014, Japan had installed more than 25 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 next FiT expected to apply from April 2015 is ¥29, which is expected to be reduced to ¥27 in Q3 2015.

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 existing grid connection acceptance 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 increase 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 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.

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.

In Asia, Etrion will continue to focus in Japan in the short-term. However, the Company is exploring new markets in partnership with HHT.

Etrion established offices in Miami, USA, in September 2014 to more effectively address the solar market in the Americas. The Company is exploring investment opportunities in Mexico, Peru, Panama and Brazil and believes it should be in a good position to expand into at least one new market in the Americas.

In Europe, the Company is monitoring new opportunities in select markets, including the United Kingdom and France. Etrion believes there will continue to be greenfield, brownfield and consolidation opportunities in these markets.

COMPETITION

There are different sources of competition in the solar market value chain. In the upstream, there are many solar panel suppliers, with significant financial strength and production capacity. The suppliers in the upstream 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 in order to increase their ability to market and sell their panels. In the downstream, 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. 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. There is increasing competition from the so-called YieldCo entities, where larger developers are able to lower their cost of capital to acquire renewable assets with lower returns.

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 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

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

	Three months ended December 31		Twelve months ended December 31		
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2012 $'000**
Revenue	**6,368**	**7,761**	**49,628**	**53,911**	**55,662**
Gross profit	**4,318**	**319**	**25,862**	**25,431**	**29,736**
Net loss[(1)]	**(8,006)**	**(5,666)**	**(16,455)**	**(10,304)**	**(8,458)**
Adjustments for non-recurring items:					
- Operational items	-	-	804	-	62
- Extraordinary items	(265)	(3,810)	(265)	(3,190)	(1,658)
- Financing items	-	731	1,033	731	
- Tax-related items	-	(1,673)	-	(1,673)	
Adjusted net loss before non-recurring items	**(8,271)**	**(10,418)**	**(14,883)**	**(14,436)**	**(10,054)**
Adjustments for non-cash items:					
- Depreciation and amortization	1,080	5,374	16,744	20,491	19,896
- Fair value movements (derivative financial instruments)	341	(297)	2,042	(408)	225
- Share-based payment expense	316	62	493	507	495
Adjusted net (Loss)/income before non-recurring and non-cash items	**(6,534)**	**(5,279)**	**4,396**	**6,154**	**10,562**
Net loss	**(8,006)**	**(5,666)**	**(16,455)**	**(10,304)**	**(8,458)**
Adjustments for:					
- Net income tax expense/(recovery)	565	(2,237)	2,602	2,164	4,045
- Depreciation and amortization	1,080	5,374	16,744	20,491	19,896
- Share-based payment expense	316	62	493	507	495
- Net finance costs	2,628	7,878	28,689	27,555	27,253
- Other income	(236)	(3,701)	(508)	(3,081)	(1,375)
- Income tax paid	(2,266)	(3,909)	(5,451)	(5,758)	(9,961)
- Changes in working capital	(6,417)	16,268	(37,175)	12,925	8,675
Operating cash flow	**(12,336)**	**14,069**	**(11,061)**	**44,499**	**40,570**
- Changes in working capital	6,417	(16,268)	37,175	(12,925)	(8,675)
- Income tax paid	2,266	3,909	5,451	5,758	9,961
Adjusted operating cash flow	**(3,653)**	**1,710**	**31,565**	**37,332**	**41,856**

Notes:

(1) Net loss for the year includes both the net loss from continuing operations and the net loss attributable to owners of the Company and non-controlling interests. Basic and diluted loss per share for the years ended December 31, 2014, 2013 and 2012 was $0.05, $0.05 and $0.05, respectively.

During 2014, non-recurring items included operational items of $0.3 million related to maintenance activities included within operating expenses and $0.5 million of compensation-related expenses associated with the bond refinancing included within general administrative expenses. In addition, during 2014 the Group recognized a loss of $1.0 million associated with the early redemption of the previous €60 million corporate bonds and extraordinary income of $0.3 million related to the successful renegotiation of the share revenue clause with SunPower. During 2013, the net results were positively impacted by non-recurring other income of $3.9 million obtained on the sale of all of its shares in its previously wholly-owned subsidiary, PFC Oil & Gas, CA ("PFC") and the recognition of special tax credits of $1.7 million for one of the Italian operating projects.

	2014 $'000	**2013 $'000**	**2012 $'000**
Non-current assets	525,845	401,410	385,166
Current assets	142,267	116,841	67,611
Total assets	**668,112**	**518,251**	**452,777**
Non-current liabilities	529,365	460,209	417,515
Current liabilities	105,817	69,380	49,908
Total liabilities	**635,182**	**529,589**	**467,423**
Working capital (current assets less current liabilities)	36,450	47,461	17,703
Dividends declared	-	-	-

FINANCIAL REVIEW (CONTINUED)

QUARTERLY SELECTED FINANCIAL INFORMATION

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

	2014				2013			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	6,368	17,129	17,764	8,367	7,761	19,414	18,414	8,322
Net loss[1]	(8,006)	1,193	(1,434)	(8,208)	(5,666)	1,056	(238)	(5,456)
Basic and diluted (loss)/earnings per share	(0.024)	0.004	(0.005)	(0.025)	(0.027)	0.005	(0.001)	(0.027)

Notes:

(1) Net income/(loss) for the period includes both the net income/(loss) from continuing operations and the net income/(loss)loss attributable to owners of the Company and non-controlling interests.

Solar-related revenues experience seasonality over the year due to the variability of daily sun hours in the summer versus the winter months, resulting in lower revenues in the first and fourth quarters each year. The impact of seasonality on the Group's business should decrease over time as the Group secures additional solar power projects in Chile. In Italy, revenues are received in Euros and have been translated at the average €/$ exchange rate of the corresponding period. Consequently, revenues expressed in US dollars may fluctuate according to exchange rate variations.

YEAR-END RESULTS

EBITDA

The following is a summary of the Group's EBITDA and adjusted EBITDA:

	2014			2013		
	Renewable energy[1] $'000	**Corporate[1] $'000**	**Total $'000**	**Renewable energy[1] $'000**	**Corporate[1] $'000**	**Total $'000**
Revenue	49,628	-	49,628	53,911	-	**53,911**
Operating expenses	(7,374)	-	(7,374)	(8,359)	-	**(8,359)**
General and administrative expenses	(1,156)	(9,080)	(10,236)	(1,554)	(6,707)	**(8,261)**
Other income/(expenses)	463	45	508	(134)	3,215	**3,081**
EBITDA	**41,561**	**(9,035)**	**32,526**	**43,864**	**(3,492)**	**40,372**
Non-recurring items:						
- Operational items	343	461	804	-	-	-
- Extraordinary items	(265)	-	(265)	(96)	(3,919)	(4,015)
Adjusted EBITDA[3]	**41,639**	**(8,574)**	**33,065**	**43,768**	**(7,411)**	**36,357**

Notes:

(1) The renewable energy segment includes only the Group's operating solar power projects. All other revenues, expenses, assets and liabilities are included within the corporate segment, which includes all corporate overhead.

Revenue

	2013 $'000	**2012 $'000**
FiT revenue	44,132	45,922
Market Price revenue	5,496	7,989
Total revenue	**49,628**	**53,911**

Revenues decreased by $4.3 million (7.9%) during 2014 compared to the same period of 2013, due to lower solar irradiation and a reduction in the Market Price in Italy.

Operating expenses

	2014 $'000	**2013 $'000**
Operations and maintenance ("O&M") costs	2,719	3,464
Operating personnel costs	1,045	1,032
Depreciation and amortization (operating solar power projects)	16,392	20,121
Taxes (other than income tax)	1,948	1,880
Insurance	367	434
Land lease	212	211
Other operating expenses	1,083	1,338
Total operating expenses	**23,766**	**28,480**

Operating expenses decreased by $4.7 million (16.5%) during 2014 compared to 2013 mainly due to the change in the estimated useful life of the Group's solar power plants in Italy, from the original 20 years to 24 years estimate, and also due to the revision of the shared revenue clause with an O&M contractor, the outcome of which was in the favor of two of the Group's Italian subsidiaries. The Group's solar power projects licenses and permits (included within intangible assets) continue to be depreciated and amortized over 20 years.

FINANCIAL RESULTS (CONTINUED)

General and administrative expenses

	2014 $'000	2013 $'000
Salaries and benefits	4,324	3,042
Pension costs(1)	151	136
Board of Directors fees	335	344
Share-based payment expense (non-cash item)	493	507
Corporate and professional fees	2,852	2,729
Listing, filing and marketing expenses	440	334
Depreciation and amortization (corporate assets)	352	370
Office lease expenses	443	477
Office, travel and other general and administrative expenses	1,198	692
Total general and administrative expenses	**10,588**	**8,631**

During 2014, general and administrative expenses increased by $1.9 million (22.6%) compared to the same period of 2013, primarily due to travel-related expenses, a higher headcount during the period, compensation-related expense associated with the bond refinancing, recruitment-related activities, certain development costs not eligible for capitalization, less costs being capitalized into development projects and professional fees associated with the Group's business development activities in Chile and Japan. During 2014, $1.3 million (2013: $2.0 million) of internally-generated costs were capitalized within intangible assets directly attributable to the Group's business development activities in Chile and Japan.

Other income

	2014 $'000	2013 $'000
Gain on disposal of subsidiary	-	3,919
Impairment related to business development activities	-	(825)
Right of use	65	48
Liquidation damages	-	96
Other	443	(157)
Total other income	**508**	**3,081**

During 2014, the Group recognized a gain of $0.2 million (2013: $nil) from the renegotiation of the shared revenue clause applicable to two of the Group's solar power projects in Italy. During 2013, the Group had impairment costs of $0.8 million associated with its business development activities in Chile related to projects it is no longer pursuing, including $0.4 million of technical, legal and permitting costs related to the original Aguas Blancas project structure. In addition, in October 2013, Etrion sold all of its shares in PFC for total cash consideration of $5.0 million. The non-core assets were carried on Etrion's balance sheet at $1.1 million, resulting in a net gain of $3.9 million.

Net finance costs

	2014 $'000	2013 $'000
Interest expense associated with non-recourse project loans(1)	17,758	19,823
Interest expense associated with corporate borrowings(1)	10,728	7,527
Net fair value movements associated with derivative financial instruments	2,042	(408)
Equity-based fee	-	731
Foreign exchange (gain)/loss	(1,694)	478
Other net finance costs	801	(130)
Net finance costs	**29,635**	**28,021**

Note:

(1) Interest expense shown here includes transaction costs and is net of any borrowing costs capitalized during the relevant year.

During 2014, net finance costs increased by $1.6 million (5.7%) compared to the same period of 2013, primarily due to an increase in interest associated with corporate borrowings, specifically the loss associated with the early redemption of the Company's previously outstanding €60 million principal amount of corporate bonds and additional interest related to the new €80 million principal amount of corporate bonds, and an increase to the net fair value losses associated with the Group's interest rate swap contracts. The increase in net finance costs in 2014 was partially offset by foreign exchange gains as a result of the approximately 13% devaluation of the Euro versus the US dollar in the 2014. During 2014, the Group capitalized $8.6 million of borrowing costs associated with credit facilities obtained to finance the construction of Project Salvador, Shizukuishi and Mito.

FINANCIAL RESULTS (CONTINUED)

Income tax expense

	2014 $'000	2013 $'000
Current income tax expense	6,298	4,647
Deferred income tax recovery	(3,696)	(2,483)
Total income tax expenses	**2,602**	**2,164**

During 2014, total income tax expense increased by $0.4 million (20%) compared to the same period of 2013. This was primarily due to an increase in the taxable income generated by the Group's operating solar projects in Italy following the increase in the tax useful life of the solar power plants. In addition, in 2014 the incremental tax associated with the so-called "Robin Hood" tax legislation in Italy was reduced from 10.5% to 6.5%, reducing the corporate income tax rate from 38% to 34% for 2014. On February 11, 2015, the Italian Constitutional Court published a ruling that declared the "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%. Management has used the corporate tax of 27.5% to measure deferred tax assets and liabilities as at December 31, 2014.

FOURTH QUARTER 2014

The Group recognized a net loss of $8.0 million during the fourth quarter of 2014 compared to a net loss of $5.7 million in the comparable period of 2013, due to the following:

- a decrease to revenues of $1.4 million (primarily a result of the significant drop in the Euro vs US dollar exchange rate in the last quarter of that year and the decrease in the Market price in Italy);
- a decrease to operating expenses (excluding depreciation) of $1.1 million (primarily due to cost reductions measures being implemented during the year and the renegotiation of the share revenue contract with SunPower which resulted in favor of two of the Group's Italian subsidiaries);
- an increase to general and administrative expenses of $0.4 million (due to higher compensation benefits and higher headcount in comparison with 2013);
- a decrease to other income of $3.5 million (primarily due to the recognition of a gain in the disposal of PFC in 2013);
- a decrease to depreciation and amortization expenses of $ 4.3 million due to the change in the useful life estimates for the Group's solar assets in Italy;
- an increase to net finance costs of $0.2 million (primarily due to the Bond Refinancing) and;
- an increase to net income tax expenses of $0.3 million (primarily as a result of the new tax useful life of the Group's solar power plants in Italy, resulting in a higher income tax expense being recognized).

FINANCIAL POSITION

LIQUIDITY AND FINANCING

During 2014, the Group's total equity increased by $42.3 million from a net liability position of $12.3 million at December 31, 2013, to a net asset position of $30.0 million at December 31, 2014. This change was primarily due to the private placement completed in January 2014, an increase to the written call option associated with Project Salvador, share-based payment expenses, stock options being exercised and foreign currency translation adjustments, offset by the net loss reported by the Group during the period and unrealized fair value losses recognized within other reserves associated with the Group's derivative financial instruments.

The Group's total equity at December 31, 2014, was negatively impacted by fair value losses of $30.3 million recognized within other reserves associated with the Group's derivative financial instruments that are not expected to be realized. Excluding these fair value losses, the Group's total equity at December 31, 2014, would have been $60.3 million.

LIQUIDITY AND FINANCING (CONTINUED)

At December 31, 2014, the Group had cash and cash equivalents of $95.3 million (December 31, 2013: $94.9 million), $33.9 million of which was unrestricted and held at the parent level (December 31, 2013: $8.5 million), and working capital of $36.5 million (December 31, 2013: $47.5 million) or $65.5 million if we exclude the Helios ITA long-term project loan due the waiver received in February 2015.

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. In addition, the Group's working capital at December 31, 2014, included the long-term portion of the Helios ITA project loan due to breach in covenants as of that date, which was subsequently waived by the lender banks. Excluding these derivative financial liabilities that are not expected to be settled in the short-term and the long-term portion of the Helios ITA project loan, the Group's working capital would have been $73.7 million.

The Group's cash and cash equivalents at December 31, 2014, included restricted cash of $61.5 million (December 31, 2013: $86.4 million) held at the project level, comprising the following:

- Restricted cash and cash equivalents of $28.4 million (December 31, 2013: $32.5 million) held at the project level that is restricted by the lending banks in Italy for future repayment of interest and principal and working capital requirements related to specific projects. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, either through repayment of shareholder loans, through payment of interest on shareholder loans or through dividend distributions.
- Restricted cash and cash equivalents of $28.4 million (December 31, 2013: $53.9 million) drawn under the loan facilities associated with the construction of Project Salvador that will be used to pay the related construction invoices.
- Restricted cash and cash equivalents of $4.7 million (December 31, 2013: $nil) drawn under the loan facilities associated with the construction of Shizukuishi and Mito projects that will be used to pay the related construction invoices.

The Group's cash and cash equivalents at December 31, 2014, included unrestricted cash of $33.9 million (December 31, 2013: $8.5 million) held at the parent level. The unrestricted cash balance increased significantly during the twelve months ended December 31, 2014, due primarily to the following:

- Private placement - In January 2014, Etrion completed a private placement for net proceeds of $76.3 million, issuing approximately 124,633,571 common shares at a price of SEK 4.15 (approximately CAD$0.70) per share. The net proceeds were used: (i) to fund the equity contributions associated with the Group's first project in Chile (Project Salvador) and Japan (Shizukuishi and Mito); (ii) to repay the $18 million bridge loan obtained from investment companies associated with the Lundin family, the Company's major shareholder (fully repaid in January 2014); and (iii) for general corporate purposes.
- Bond Refinancing - In April 2014, Etrion issued €80 million in senior secured bonds in the Norwegian bond market at 8.0% annual interest with a 5-year maturity. The net proceeds were/will be used: (i) to redeem the previously outstanding €60 million of corporate bonds (completed in May 2014 at 101% of par value plus accrued interest in accordance with the related bond agreement); and (ii) for general corporate purposes.

As a result of these transactions, the Group has significantly increased its liquidity and has a fully-funded portfolio of operational and under construction projects (including Project Salvador in Chile and Shizukuishi and Mito in Japan). In addition, the Group expects to generate sufficient operating cash flows in 2015 and beyond from its operating solar power projects to meet its obligations and expects to finance the construction and/or acquisition of new projects with a combination of cash and cash equivalents, additional corporate equity or debt financing and non-recourse project loans, as required. After completing the private placement and the bond refinancing, the Group secured additional funds and liquidity for its anticipated growth and development activities.

FINANCIAL POSITION (CONTINUED)

At December 31, 2014, the Group's contractual obligations for the next five years and thereafter are as follows:

	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	After five years $'000	Total $'000
EPC contracts	30,407	42,914	-	-	-	-	73,321
Non-recourse project loans repayments	24,838	53,742	38,269	36,342	36,947	450,161	640,299
Corporate borrowings repayments	7,770	7,770	7,770	7,770	101,013	-	132,093
O&M contracts	1,894	1,922	1,950	1,997	2,032	24,404	34,199
Operating leases	1,638	1,602	1,468	1,473	1,357	21,987	29,525
Trade and other payables	24,110	-	-	-	-	-	24,110
Total contractual obligations	90,657	107,950	49,457	47,582	141,349	496,552	933,547

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

Borrowings

The Group's adjusted net debt position, excluding non-cash items at December 31, 2014, and December 31, 2013, is as follows:

	December 31 2014 $'000	December 31 2013 $'000
Total borrowings (per consolidated financial statements)	**525,251**	**438,584**
Value added tax ("VAT") facility[1]	(26,895)	(4,448)
Accrued interest[2]	(3,507)	(2,968)
Transaction costs[2]	14,360	12,343
Adjusted borrowings	**509,209**	**443,511**
Cash and cash equivalents (including restricted cash)	(95,349)	(94,914)
Adjusted net debt	**413,860**	**348,597**

Notes:

(1) The VAT facility outstanding at December 31, 2014, relates to the construction of Project Salvador, Shizukuishi and Mito. This amount has been excluded from total borrowings as this facility will be repaid using the proceeds from input VAT from the Chilean and Japanese tax authorities, respectively.

(2) In accordance with IFRS, total borrowings include accrued interest and are shown net of transaction costs. These non-cash items are excluded from total borrowings to calculate adjusted net debt (on a cash flow basis).

The Group's net debt increased during 2014 mainly due to an increase of $65.7 million in the Group's total borrowings outstanding due to new debt acquired by the Chilean and Japanese projects and also the net increase in outstanding corporate bonds, partially offset by an increase of $0.4 million in the Group's cash and cash equivalents.

<u>Non-recourse project loans</u>

The following is a summary of the Group's non-recourse project loans at December 31, 2014, and December 31, 2013:

	Capacity (MW)	Financial institution	Maturity	Balance outstanding[1] December 31 2014 $'000	Balance outstanding[1] December 31 2013 $'000
Cassiopea	24.0	BIS[2], Societe Generale and Portigon	March 31, 2024	108,478	129,198
Helios ITA-3	10.0	Natixis, Portigon and Mediocreval	September 30, 2027	36,932	43,946
Centauro	8.8	Barclays	September 30, 2028	39,468	50,162
Helios ITA	6.4	Societe Generale and Dexia	September 30, 2024	31,050	37,171
Etrion Lazio	5.3	Natixis, Portigon and Mediocreval	September 30, 2027	17,796	21,110
SVE	3.0	UBI Banca	September 30, 2028	12,862	15,863
Sagittario	2.6	Natixis, Portigon and Mediocreval	September 30, 2027	7,593	8,979
Salvador[3]	70.0	OPIC, Rabobank[3]	June 1, 2033	164,024	48,205
Shizukuishi	24.7	SMTB [4]	September 30, 2032	5,005	-
Mito	9.3	SMTB [4]	December 30, 2032	5,334	-
Total	**164.0**			**428,542**	**354,634**

Notes:

(1) The Group's non-recourse project loans used to finance its Italian projects are expressed in Euros, translated at the closing €/$ exchange rate of 1.21 at December 31, 2014, and 1.38 at December 31, 2013. The balances outstanding include accrued interest and are net of transaction costs (in accordance with IFRS).

(2) Banca Intesa Sanpaolo Spa.

(3) The balance outstanding for Project Salvador includes the VAT facility from Rabobank (to be repaid using the proceeds from input VAT from the Chilean tax authorities) that matures on February 28, 2016.

(4) The balance outstanding for Shizukuishi and Mito includes the VAT facility from SMTB (to be repaid using the proceeds from input VAT from the Japanese tax authorities) that matures on June 2017.

FINANCIAL POSITION (CONTINUED)

Italian projects

The non-recourse project loans obtained by the Group's Italian subsidiaries to finance the construction of the Group's Italian solar power projects mature at various dates between 2024 and 2028 and bear annual interest rates of Euribor plus a margin ranging from 1.35% to 3.1%. At December 31, 2014, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. At December 31, 2014, the Group had no undrawn amounts associated with these facilities. In order to secure the Group's non-recourse project loans, the Group pledged as collateral the fixed assets associated with the solar power projects financed by these facilities. The carrying value of the Group's fixed assets pledged as collateral at December 31, 2014, was $292 million (2013: $348 million).

Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the GSE and proceeds from the collection of input VAT accumulated for construction costs. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates.

All the Italian non-recourse projects loans are hedged through interest rate swap contracts, all of which qualified for hedge accounting at December 31, 2014 and 2013.

As at December 31, 2014, one of the Group's Italian subsidiaries 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, such as the reduction in the minimum guaranteed spot electricity prices applicable to Helios ITA's solar sites below 1 MW, the expanded scope of the Robin Hood tax and a new tax depreciation method recently introduced in Italy. However, on February 24, 2015, Helios ITA, received a waiver from the project finance banks of certain provisions of the senior credit facility agreement regarding the calculation of financial ratios and breach of covenants. As a result, the total debt outstanding is not considered to be immediately repayable. At December 31, 2014 and 2013, 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.

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, each of which is subject to a different fixed interest rate. The first tranche of $50 million drawn in December 2013 bears a fixed annual rate of 7.51%. The second tranche of $64 million drawn in May 2014 bears a fixed annual rate of 7.1%. The third tranche of $26.5 million drawn in December 2014 bears a fixed annual rate of 6.82%. At December 31, 2014, there were no undrawn amounts under this credit facility. The repayment of this credit facility is secured principally by the proceeds from the sale of electricity in the spot market once the solar project is operational. The loan is accounted for using the amortized costs method based on the effective interest rate.

Salvador's financing agreement contains customary representations, warranties, covenants and undertakings restricting the borrower in respect of disposals, acquisitions, payments and transfers and incurring indebtedness and granting guarantees and security. The Company's subsidiary has provided certain of its assets as collateral to secure its obligations under the financing agreement. The carrying value of Salvador's fixed assets pledged as collateral at December 31, 2014, was $172.8 million (2013: $nil).

In addition, the Group obtained a local currency VAT credit facility of approximately $35 million in 2013 from Rabobank, a Chilean bank owned by Rabobank Group, a Dutch multinational banking and financial services company, to finance the VAT associated with the construction costs of Project Salvador. The VAT credit facility bears variable interest rates that are set every quarter plus a margin. The average applicable interest rate during 2014 was approximately 6%. During 2014, the Group drew an equivalent total amount of $24.4 million under this VAT credit facility (net of transaction costs). At December 31, 2014, there were no undrawn amounts under this credit facility.

Japanese projects

During 2014, the Group’s Japanese subsidiaries that hold the 34 MW Shizukuishi and Mito projects entered into a senior secured financing agreement in Japanese yen with Sumitomo Mitsui Trust Bank, Limited (SMTB) for a total amount of ¥9,854 million ($82.0 million) in order to finance 80% of the construction costs of the projects. These credit facilities have an 18-year tenor and bear floating interest rates during the construction period of the solar plants and a 90% hedged interest rate plus a margin during operation. The repayment of this facility is secured principally by the proceeds from the sale of electricity under a purchase power agreement with the respective utility. At December 31, 2014, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates.

In addition, during 2014, the Group’s Japanese subsidiaries entered into a VAT credit facility agreement in Japanese yen with SMTB for a total amount of ¥846 million ($7.0 million) 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 2014, the Group’s Japanese subsidiaries completed the first drawdowns under the senior financing agreement in the amount of ¥1,210 million ($10.0 million), before transaction costs. As of December 31, 2014, the undrawn gross amount was ¥8,644 million ($72.0 million). In addition, during 2014 the Group’s Japanese subsidiaries also completed the first drawdowns under the VAT credit facility in the amount of ¥240 million ($2.0 million). As of December 31, 2014, the undrawn gross amount was ¥606 million ($5.0 million).

Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the local grid operator and proceeds from the collection of input VAT accumulated for construction costs. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates.

All the Japanese non-recourse projects loans are hedged through interest rate swap contracts, all of which qualified for hedge accounting at December 31, 2014.

Corporate borrowings

On April 23, 2014, Etrion issued €80 million principal amount of new secured bonds in the Norwegian bond market. The new bonds have an annual interest rate of 8.0% and mature in April 2019. A portion of the net proceeds from this transaction was used to refinance the Company's previous €60 million of corporate bonds that bore annual interest of 9.0% and were due to mature in April 2015. The carrying value of the new corporate bonds at December 31, 2014, including accrued interest and net of transaction costs, was $96.7 million.

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 (i.e., a fixed premium). 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); 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.

Using the proceeds from the new bonds, the Company redeemed the previously issued €60 million of corporate bonds in May 2014 at a redemption price equal to 101% of par value plus accrued interest in accordance with the associated bond agreement. As a result, the Group recognized a $1 million loss associated with the settlement of these bonds, representing the fair value of the call option and the balance of unamortized transaction costs.

The Group’s borrowings are denominated in Euros, US dollars and Japanese Yen and the minimum principal repayment obligations are as follows:

	2014 $’000	2013 $’000
Less than 1 year	68,973	19,787
Between 1 and 5 years	159,404	192,889
More than 5 years	296,874	225,908
Total borrowings	**525,251**	**438,584**

FINANCIAL POSITION (CONTINUED)

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 334,082,657 common shares (March 18, 2014: 333,852,657) and options to acquire 4,800,000 common shares of the Company (March 18, 2014: 6,190,000) issued and outstanding. The options expire at various dates between October 18, 2015, and April 28, 2018, with exercise prices in CAD$ ranging between CAD$0.66 and CAD$1.59 per share.

In addition, at the Company's Annual and Special General Meeting held on June 12, 2014, the shareholders approved the adoption of a Restricted Share Unit Plan (RSU) awards scheme for employees, consultants, directors and officers of the Group. The RSUs have a contractual term of three years and are subject to certain time-based conditions and performance-based vesting conditions. In 2014, the Company granted 6,660,440 RSUs to certain employees of the Company under this long-term incentive plan.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements at December 31, 2014, and December 31, 2013.

CAPITAL INVESTMENTS

The Group plans to make significant capital investments in 2015 in order to develop and build its solar projects under development in Chile. The following table summarizes the Group's expected capital investments in 2015 for projects expected to begin construction in 2015:

	Status	Gross capacity (MW)	Ownership (%)	Total project cost[1] $'million	Total equity contribution[2] $'million	Remaining equity contribution[3] $'million
Projects in Chile						
Aguas Blancas 2B[4]	Development	24.0	100.0	51.3	12.8	12.8
Total 2015 planned capital expenditure		**24.0**		**51.3**	**12.8**	**12.8**

Notes:

(1) Total project cost represents the total estimated capital expenditure to develop and build the solar project. It is expected that the total project cost for projects under development in Chile will be financed up to 75% through non-recourse project debt with international financial institutions.

(2) Total equity contribution represents Etrion's portion of the total project cost based on its expected ownership interest.

(3) Remaining equity contribution represents the portion of Etrion's total equity contribution unpaid at December 31, 2014. Any development costs, including both third-party and internally-generated costs charged to the projects, may be deducted from this amount, reducing Etrion's total cash outlay for the projects.

(4) Aguas Blancas includes three locations that are expected to be financed and built at different times.

During 2014, Etrion successfully completed the private placement and bond refinancing (as outlined on page 18), partially funding its anticipated growth and development activities in Chile and Japan. The Group will finance the remaining 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. The Aguas Blancas projects includes three locations in the SING network that are expected to be financed and built at different times. The other two sites, 2A and 2C, with a total capacity of 48 MW are likely to start construction in 2016.

CONTRACTUAL AND CAPITAL COMMITMENTS

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, 2014, the Group had contractual obligations over two years to acquire construction services in the amount of $223 million related to the construction of the 70 MW Salvador solar power project in Chile and 34 MW solar power projects in Japan, of which $149 million has been paid. All of the contractual obligations will be funded from existing cash available or future cash flows from operations with no additional capital investments to be made by the Group.

Capital investments

As of December 31, 2014, Etrion had contributed all of its remaining capital commitments in the amount of approximately $48.1 million, based on the Company's participation in the Chilean and Japanese project companies. At December 31, 2013, the Group had $27 million of committed capital expenditure outstanding. At the date of this MD&A, the Group had no other significant capital commitments in Chile or Japan.

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 International Financial Reporting Interpretations Committee ("IFRIC") interpretations that have been issued effective for financial years beginning on or after January 1, 2014, that would have a material impact on the Company's consolidated financial statements. The following standards applicable to the Group have been adopted for the first time for the financial year beginning on or after January 1, 2014:

- *Amendment to IAS 32, Financial instruments presentation:* This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.
- *Amendment to IAS 39, Financial instruments:* This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39, novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.
- *IFRIC 21, Levies:* This standard sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to payment of a levy and when a liability should be recognized. The Group is not currently subjected to significant levies so the impact on the Group is not material.
- *Amendments to IAS 36, Impairment of assets:* This amendment removed certain disclosures of the recoverable amount of cash generating units ("CGUs") that had been included in IAS 36 by the issue of IFRS 13.

Other standards, amendments and interpretations that are effective for the financial year beginning on January 1, 2014, are not material to the Group.

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 parts of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). 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 IFRS 9 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 is effective for annual periods beginning on or after January 1, 2017, and earlier application is permitted. The Group is assessing the impact of IFRS 15.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There are no other IFRS or IFRIC interpretations that are not yet effective and 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 earnings before interest, tax, depreciation and amortization ("EBITDA") over the expected life derived from the business 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, 2014, the discount rate used was 7.1% (2013: 7.3%), representing the Group's pre-tax weighted average cost of capital, and no growth rate was applied (as the Group's operating solar power projects are operating at full capacity). 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, 2014, no impairment was provided in relation to the Group's previously recognized goodwill, property, plant and equipment and intangible assets. A 2% increase in the Group's discount rate (to 9.1%) would have resulted in no impairment loss being recognized in 2014.

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 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. At December 31, 2014, the Group recognized financial liabilities of $55.4 million (2013: $36.1 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 it 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 business 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, 2014, the Group recognized $13.9 million (2013: $6.5 million) of 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 through various investments companies 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 the three and nine months ended December 31, 2014, are summarized below.

RELATED PARTY TRANSACTIONS

Lundin Services BV

The Group receives technical and legal services from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB. Both the Chairman and the Chief Executive Officer of Lundin Petroleum AB are directors of the Company. During 2014, the Group incurred general and administrative expenses of $0.2 million (2013: $31,000) from Lundin Services BV, and, at December 31, 2014, the Group had $7,000 (December 31, 2013: $5,000) outstanding in relation to these expenses.

During the first quarter of 2014, Lundin Services BV sold its previously held €7.6 million principal amount of the 2011-2015 corporate bonds issued by the Company that were redeemed in April 2014. Lundin Services BV did not participate in the new corporate bond issue completed in April 2014.

During 2014, the Group recognized $0.3 million (2013: $0.9 million) of interest expense and $10,000 (2013: $25,000) of transaction costs associated with the portion of the corporate bonds held by Lundin Services BV.

Lundin family

Corporate bond

During the first quarter of 2014, investment companies associated with the Lundin family sold their €15 million principal amount of the 2011-2015 corporate bonds issued by the Company that were redeemed in April 2014. Investment companies associated with the Lundin family subsequently subscribed for €15 million of the new corporate bond issue completed in April 2014. This position was later reduced to €9.9 million as of December 31, 2014.

During 2014, the Group recognized $1.8 million (2013: $1.8 million) of interest expense and $72,000 (2013: $49,000) of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family.

Lundin family bridge Loan

In September 2013, the Group obtained a $42 million unsecured loan facility from a company affiliated with the Lundin family at an annual interest rate of 12% with a 12-month maturity in order to fund its business development activities in Chile. During 2013, $18 million was drawn under the loan facility and in January 2014 the total amount outstanding of $18.4 million, including interest, was repaid. In addition, in October 2013, in connection with Project Salvador, a company affiliated with the Lundin family issued a $42 million letter of credit to Total on behalf of Etrion for total consideration of 2,500,000 common shares in Etrion.

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, Mr. Northland, the Chief Financial Officer, Cheryl Eversden, and the interim Chief Financial Officer, Garrett Soden, who is covering for Mrs. Eversden during her maternity leave.

During 2014, the Group recognized $2.4 million (2013: $2.5 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, 2014, the Group had $0.4 million outstanding to key management personnel for bonus compensation (2013: $1.5 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 currency.

The Company's management carries out risk management procedures with guidance from the Audit Committee. The Board of Directors also provides regular guidance on the Group's overall risk management procedures.

Refer to the Company's audited consolidated financial statements for the year ended December 31, 2014, 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, 2014, and December 31, 2013, is as follows:

	December 31 2014 $'000	December 31 2013 $'000
Derivative financial liabilities:		
Interest rate swap contracts (cash flow hedges)(1)		
- Current portion	8,203	9,110
- Non-current portion	47,192	27,019
Total derivative financial liabilities	**55,395**	**36,129**

Note:

(1) All of the Group's Italian and Japanese non-recourse project loans are hedged through interest rate swap contracts. At December 31, 2014, and December 31, 2013, all of the Group's derivative financial instruments were classified as cash flow hedges that qualified for hedge accounting.

The Group has entered into seven credit facilities associated with its Italian and Japanese operations that are hedged using interest rate swap contracts in order to reduce the risk of variations in the Group's cash flows as a result of floating interest rates on these non-recourse project loans. 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 2014, the Group recognized a net fair value loss of $19.7 million (2013: net fair value gain of $11.1 million), net of tax, within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

In addition, at March 31, 2014, the Group recognized a derivative financial asset associated with the call option relating to the previous €60 million of corporate bonds. During 2014, the Group recognized a loss of $1 million associated with the early redemption of these corporate bonds.

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., corporate debt, equity financing 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 expenditure. 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 the 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 as well as other legislative or regulatory changes could impact the profitability of the Group's solar power projects.

RISKS AND UNCERTAINTIES (CONTINUED)

NON-FINANCIAL RISKS (CONTINUED)

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 prepares and updates on a regular basis forecasts for project level revenues and EBITDA information regarding its operational and fully-funded solar parks. On January 17, 2014, Etrion issued forecasts for the fiscal years ending December 31, 2014 and 2015. Below is a description of the major variables that affected the 2014 and 2015 revenue and EBITDA forecasts.

ITALY

Revenue and EBITDA forecasts for the Italian operating platform are based on Etrion's 100%-owned, 60 MW solar portfolio in Italy.

Italian revenue and EBITDA in 2014 were lower in comparison with the guidance mainly due to lower solar irradiation, lower spot market prices, which decreased on average from €0.06 per kWh in 2013 to €0.04 kWh in 2014, the inclusion of asset management service fees as part of operating expenses and the significant decrease in the average exchange rate of the Euro versus the US dollar that resulted in a decline of approximately 3% in comparison with the exchange rate used in the guidance.

Italian revenue and EBITDA in 2015 are expected to be lower in comparison with the guidance 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 may result in lower 2015 results than projected include the spot market prices, the inclusion of asset management service fees as part of operating expenses and the average exchange rate for the Euro versus the US dollar.

In Italy, revenues are received in Euros and are translated using the average €/$ exchange rate of the corresponding period. Consequently, revenues expressed in US dollars may fluctuate according to exchange rate variations.

CHILE

Revenue and EBITDA forecasts for the Chilean platform were based on Etrion's 70%-owned 70 MW operational solar park, Project Salvador, and the 100%-owned Aguas Blancas project located in northern Chile.

The revenue and EBITDA expected from Project Salvador in 2015 will fluctuate depending on the spot market prices in the SIC network. However, due to Project Salvador's early start of operations, revenue from a full year is expected in 2015 instead of the nine months projected in the January 2014 guidance. Revenue and EBITDA from Chile will be lower than the guidance due to the elimination of the original 8.8 MW Aguas Blancas solar project that was replaced by an expanded project including three sites, 2A, 2B and 2C, with a total capacity of 72 MW likely to start operations in 2016.

In Chile, revenues are calculated with reference to the US dollar, which is also the reporting currency of the Group and therefore revenue guidance is not subject to exchange rate fluctuations.

JAPAN

The January 2014 guidance did not include the 87%-owned 34 MW under construction in Japan. The 9.3 MW Mito project includes five sites expected to be connected in May-August 2015, positively impacting revenue and EBITDA in 2015. 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.

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 and operation of the its projects in Japan and Chile, including Project Salvador, Shizukuishi and Mito and the anticipated projected electricity production, revenue and EBITDA from such projects); expectations with respect to future FiT payments in Japan; future expansion efforts in Chile, Japan and elsewhere; expectations relating to future solar energy production and the means by which, and to whom, such future solar energy will be sold; the need for, and amount of, additional capital to fund the construction or acquisition of new projects and the expected sources of such capital; expectations relating to grid parity; the expected key drivers for growth; expectations with respect to future mining growth in Chile; and plans for future dividend distributions. 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**.