MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

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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 November 6, 2013, should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2013. Financial information is reported in United States ("US") dollars ("$"). However, as the Group primarily operates in Europe, certain financial information has been reported in Euros ("€"). At September 30, 2013, the €/$ exchange rate was 1.35 (2012: 1.29) and the average exchange rate for the nine months ended September 30, 2013, was 1.32 (2012: 1.28). 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 ("MWp").

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 21.

THIRD QUARTER 2013 HIGHLIGHTS

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
Revenue[1]	19,414	18,341	46,150	48,277
Gross profit	12,355	11,850	25,112	29,430
EBITDA[2]	15,881	14,409	34,934	39,555
EBITDA margin	82%	79%	76%	82%
Net income/(loss)	1,056	379	(4,638)	(1,166)
Adjusted net income before non-recurring and non-cash items[2]	6,375	5,591	11,433	12,258
Operating cash flow[3]	23,318	14,259	30,430	26,046
Working capital[4]	13,568	23,786	13,568	23,786

Notes:

(1) Revenues are received in Euros and have been translated at the average €/$ exchange rate for the three and nine months ended September 30, 2013, of 1.32 (2012: 1.28). Refer to 'Business Review – Operations Review' on pages 3 and 4 for an analysis of the production and revenue generated during the periods.

(2) Refer to 'Financial Review – Financial Results' on pages 9 and 10 for an overview of the Group's earnings, before interest, tax, depreciation and amortization ("EBITDA") and adjusted net income before non-recurring and non-cash items (both of which are non-International Financial Reporting Standard ("IFRS") measures).

(3) Operating cash flow refers to cash flows before investing and financing activities and the effects of foreign exchange rate differences (refer to 'Financial Review – Financial Results' on page 9).

(4) Working capital refers to current assets less current liabilities (refer to 'Financial Review – Financial Results' on page 9).

OPERATIONAL HIGHLIGHTS

- Produced 37.7 million (2012: 35.6 million) and 90.8 million (2012: 93.1 million) kilowatt hours ("kWh") of solar electricity during the three and nine months ended September 30, 2013, respectively, from seven solar power projects, comprising seventeen solar power plants.

FINANCIAL HIGHLIGHTS

- Generated revenues of $19.4 million (2012: $18.3 million) and $46.2 million (2012: $48.3 million) during the three and nine months ended September 30, 2013, respectively.
- Recognized EBITDA of $15.9 million (2012: $14.4 million) and $34.9 million (2012: 39.6 million), resulting in an EBITDA margin of 82% (2012: 79%) and 76% (2012: 82%) during the three and nine months ended September 30, 2013, respectively.
- Recognized net income of $1.1 million (2012: $0.4 million) and a net loss of $4.6 million (2012: US$1.2 million) during the three and nine months ended September 30, 2013, respectively (due to the seasonality of Etrion's current operating platform).
- Obtained a $42 million unsecured corporate loan facility from a company affiliated with the Lundin family, Etrion's largest shareholder, at an annual interest rate of 12% with a 12-month maturity.

BUSINESS DEVELOPMENT HIGHLIGHTS

- Signed a purchase agreement with Total SA ("Total") and Solventus Energías Renovables ("Solventus") (the "Purchase Agreement") to build, own and operate a 70 megawatt ("MW") solar project in the north of Chile ("Project Salvador") that will be owned 70% by Etrion, 20% by Total and 10% by Solventus. The total project cost of approximately $200 million will be financed 70% through non-recourse project debt financing provided by the Overseas Private Investment Corporation ("OPIC"). Construction is expected to commence in the fourth quarter of 2013, and Project Salvador is expected to be operational by the first quarter of 2015.

BUSINESS REVIEW

BUSINESS OVERVIEW

Etrion is an independent power producer that builds, owns and operates utility-scale power generation plants. The Company currently owns and operates 17 solar photovoltaic ("PV") power plants in Italy with approximately 60 MW of installed capacity. Etrion is also developing solar power projects in Chile, and expects to start the construction of two additional solar power projects in the north of Chile with a combined net capacity of approximately 58 MW in the fourth quarter of this year. Once these projects are connected, Etrion will have a diversified solar power generation platform, in terms of both revenues (i.e., revenues generated pursuant to Feed-in-Tariff ("FiT") contracts complemented by revenues from long-term power purchase agreements ("PPAs") and revenues from projects operating on a spot market/merchant basis) and geography (i.e., expansion into South America), complementing Etrion's current 60 MW operating platform in Italy and providing counter-seasonal revenues.

Etrion's strategy is focused on:

- **Geographic Diversity** – Entering new regions with high electricity prices, large 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 projects operating on a spot market/merchant basis.
- **Yield** – Preparing the company to pay 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.

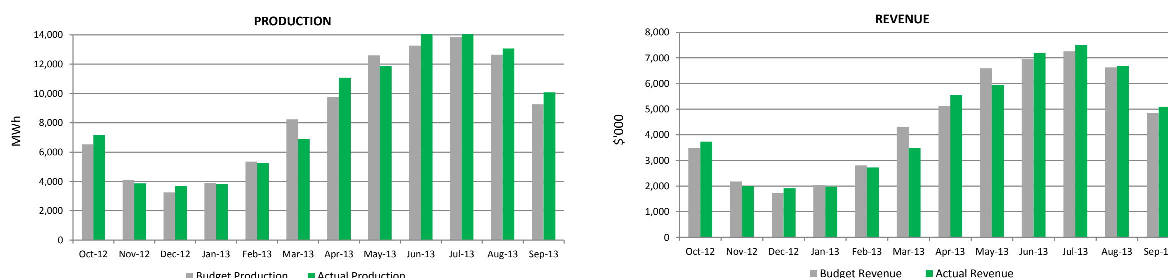
The Company is listed on the Toronto Stock Exchange ("TSX") in Canada and the NASDAQ OMX Stockholm exchange ("NASDAQ OMX") in Sweden. Etrion is based in Geneva, Switzerland with offices in Rome, Italy and Santiago, Chile.

OPERATIONS REVIEW

OPERATING PERFORMANCE

During the three and nine months ended September 30, 2013, the Group recognized revenues from seven solar power projects all located in Italy (Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Sagittario), comprising seventeen 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%. This seasonality should smooth over time as the Group secures new projects in South America. The following summarizes the Group's actual and budgeted revenue and production information over the last twelve months and the effects of seasonality:



The Group has substantial revenues and cash flows from operations. Its current platform of approximately 60 MW continues to perform above budget, producing approximately 3% more electricity and generating approximately 3% more revenues than budgeted over the last twelve months, primarily due to more daily sun hours and better than expected performance of the Group's solar power projects.

OPERATIONS REVIEW (CONTINUED)

OPERATING PERFORMANCE (CONTINUED)

Performance against budget

Production and revenue for the three and nine months ended September 30, 2013, compared to budget, are as follows:

	Three months ended September 30, 2013				Nine months ended September 30, 2013			
	Actual	**Budget**	**Variance**	**%**	**Actual**	**Budget**	**Variance**	**%**
Production[1] (MWh)	37,680	35,767	1,913	5	90,777	88,895	1,882	2
Revenue ($'000)	19,414	18,810	604	3	46,150	46,529	(379)	(1)

Note:

(1) Production is based on megawatt-hours ("MWh") of electricity produced.

During the three and nine months ended September 30, 2013, the Group produced approximately 5% and 2% more electricity than budgeted, respectively, as the Group's solar power projects exceeded expectations primarily due to more daily sun hours and better than expected performance of the Group's solar power projects.

The Group's revenues were adversely impacted by a lower average price per kWh due to a reduction in the spot market price in Italy. Furthermore, the Group received an average of $0.08 per kWh during the three and nine months ended September 30, 2013, compared to the budget of $0.09 per kWh. This resulted in the revenues for the three months ended September 30, 2013, being only 3% above budget and revenues for the nine months ended September 30, 2013, being 1% below budget.

Performance against prior year

Production and revenue for the three and nine months ended September 30, 2013, compared to the same periods of 2012, are as follows:

	Three months ended September 30				Nine months ended September 30			
	2013	**2012**	**Variance**	**%**	**2013**	**2012**	**Variance**	**%**
Production (MWh)	37,680	35,610	2,070	6	90,777	93,092	(2,315)	(2)
Revenue ($'000)	19,414	18,341	1,073	6	46,150	48,277	(2,127)	(4)

Pricing information for the three and nine months ended September 30, 2013, compared to the same periods of 2012 is as follows:

Three months ended September 30:	**2013**			**2012**			**Price Variance**
	MWh	**Revenue $'000**	**Price[1] ($/kWh)**	**MWh**	**Revenue $'000**	**Price[1] ($/kWh)**	**%**
FiT revenue (based on actual production)[2]	37,680	16,453	0.44	35,610	14,897	0.42	5
Market Price revenue (based on evacuated production)[2]	36,972	2,961	0.08	35,055	3,444	0.10	(20)
Total	**37,680**	**19,414**	**0.52**	**35,610**	**18,341**	**0.52**	-

Nine months ended September 30:	**2013**			**2012**			**Price Variance**
	MWh	**Revenue $'000**	**Price[1] ($/kWh)**	**MWh**	**Revenue $'000**	**Price[1] ($/kWh)**	**%**
FiT revenue (based on actual production)[2]	90,777	39,419	0.43	93,092	39,424	0.42	2
Market Price revenue (based on evacuated production)[2]	89,128	6,731	0.08	90,650	8,853	0.10	(20)
Total	**90,777**	**46,150**	**0.51**	**93,092**	**48,277**	**0.52**	**(2)**

Notes:

(1) Revenues received in Euros were translated at the average €/$ exchange rate for the three and nine months ended September 30, 2013, of 1.32 (2012: 1.28).

(2) The FiT is received for each kWh of electricity produced. The spot market price ("Market Price") is received in addition to the FiT and is based on evacuated production (i.e., electricity produced less transmission losses).

As outlined above, the Group receives revenues from two sources: (1) the FiT, which is secured by 20-year contracts from the Italian government, as outlined on page 7 within 'Business Review – Market Overview'; and (2) the Market Price which is subject to fluctuations as it is based on the spot market price in Italy.

During the three months ended September 30, 2013, the Group produced approximately 6% more electricity and generated approximately 6% more revenues, compared to the same period of 2012, due primarily to higher solar irradiation in the third quarter of 2013. Although there was a reduction in the spot market price in Italy (as the Group received an average of $0.08 per kWh during the three months ended September 30, 2013, compared to $0.10 per kWh during the same period of 2012), this reduction was completely offset by a strengthening of the Euro against the US dollar during the period, resulting in the same average price per kWh of $0.52.

OPERATIONS REVIEW (CONTINUED)

OPERATING PERFORMANCE (CONTINUED)

Performance against prior year (continued)

During the nine months ended September 30, 2013, the Group produced approximately 2% less electricity and generated approximately 4% less revenues, compared to the same period of 2012, due primarily to lower solar irradiation in the first half of 2013, while the weather conditions in 2012 were significantly better than expected. The Group's revenue during the nine months ended September 30, 2013, was also adversely impacted by a 2% reduction to the average price per kWh, due to a reduction in the spot market price in Italy (as the Group received an average of $0.08 per kWh during the nine months ended September 30, 2013, compared to $0.10 per kWh during the same period of 2012), which was only slightly offset by a strengthening of the Euro against the US dollar during the period.

OPERATING PROJECTS

A summary of the Group's current operating solar power projects in Italy at September 30, 2013, is as follows:

Project	Region	Sites	Capacity (MW)	Technology	Contractor	Panels	Inverters	Connection date	FiT[1]
Cassiopea	Lazio	1	23.9	Single axis	SunPower	SunPower	SMA	Nov-09	€0.353
Helios ITA-3 (Brindisi, Mesagne)	Puglia	2	10.0	Single axis	ABB	Yingli	Bonfiglioli	Aug-11	€0.250
Centauro	Lazio	1	8.7	Single axis	SunPower	SunPower	SMA	Jul-10	€0.346
Helios ITA (Brindisi, Mesagne)[2]	Puglia	7	6.4	Single axis	Solon	Solon	Santerno	Dec-09	€0.353
Etrion Lazio (Borgo Piave, Rio Martino)[3]	Lazio	2	5.2	Fixed-tilt	Phoenix	Trina	SMA	Apr-11	€0.346
SVE (Oria, Matino, Ruffano)	Puglia	3	3.0	Single axis	SunPower	SunPower	Siemens	Dec-10	€0.346
Sagittario (Nettuno)	Lazio	1	2.6	Fixed-tilt	Phoenix	Trina	SMA	Aug-11	€0.250
Total		**17**	**59.8**						

Notes:

(1) FiT per kWh, based on connection date. In Italy, revenues are derived from the FiT and Market Price, both received for each kWh of electricity produced. The weighted average remaining contract life is approximately 17 years.

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

(3) Etrion Lazio was installed at the end of 2010. However, the project was not connected to the electricity grid until April 2011.

Refer also to 'Business Review – Market Overview' on page 7 for an overview of the renewable energy market in Italy.

Cassiopea

The Cassiopea project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar PV park with a total capacity of 23.9 MW. The solar park was connected to the electricity grid in November 2009. The Cassiopea solar park was built by SunPower Corporation ("SunPower"), a US-based solar panel manufacturer and installer, using high efficiency SunPower modules mounted on single axis trackers with power conversion completed through SMA inverters. Cassiopea has an operations and maintenance O&M contract with SunPower, including preventive and corrective maintenance. The solar park benefits from the 2009 FiT of €0.353 per kWh plus the Market Price, which is subject to fluctuations as it is based on the spot market price in Italy.

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 S.p.A. ("ABB"), the Swiss power and automation technology group, using Yingli poly-crystalline PV modules mounted on SunPower single axis trackers with power conversion completed through Bonfiglioli inverters. Helios ITA-3 has an O&M contract with ABB, including preventive and corrective maintenance.

Both solar parks benefit from the August 2011 FiT of €0.250 per kWh plus the Market Price, which is subject to fluctuations as it is based on the spot market price in Italy.

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 8.7 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 completed through SMA inverters. Centauro has an O&M contract with SunPower, including preventive and corrective maintenance. The solar park benefits from the 2010 FiT of €0.346 per kWh plus the Market Price, which is subject to fluctuations as it is based on the spot market price in Italy.

OPERATIONS REVIEW (CONTINUED)

OPERATING PROJECTCS (CONTINUED)

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 S.p.A. ("Solon"), a German solar panel manufacturer and installer, using single axis trackers with Solon poly-crystalline modules and Santerno inverters. In July 2012, the Group entered into a new O&M contract, including preventive and corrective maintenance, with ABB, the previous O&M contract was with Solon. Six of the Helios ITA solar parks, just under 1 MW each for a total of 5.8 MW, benefit from the 2009 FiT of €0.353 per kWh plus the Market Price of approximately €0.07 per kWh. The last park built (0.6 MW) benefits from the 2010 FiT of €0.346 per kWh plus the Market Price, which is subject to fluctuations as it is based on the spot market price in Italy.

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 (1.7 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 completed through SMA inverters. Etrion Lazio has an O&M contract with Phoenix, including preventive and corrective maintenance. Both solar parks benefit from the 2010 FiT of €0.346 per kWh plus the Market Price, which is subject to fluctuations as it is based on the spot market price in Italy.

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 completed through Siemens inverters. SVE has an O&M contract with SunPower, including preventive and corrective maintenance. All three solar parks benefit from the 2010 FiT of €0.346 per kWh plus the Market Price, which is subject to fluctuations as it is based on the spot market price in Italy.

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 completed through SMA inverters. Sagittario has an O&M contract with Phoenix, including preventive and corrective maintenance. The solar park benefits from the August 2011 FiT of €0.250 per kWh plus the Market Price, which is subject to fluctuations as it is based on the spot market price in Italy.

DEVELOPMENT ACTIVITIES

Etrion is pursuing renewable energy projects in South America, with an initial focus on Chile, due to the high solar irradiation and large energy demand. In these markets, the Group can compete with traditional sources of electricity without the need for government incentives.

Refer to 'Business Review – Market Overview' on page 7 and 8 for an overview of the renewable energy market in Chile.

PROJECTS UNDER DEVELOPMENT

A summary of the Group's projects under development in Chile at September 30, 2013, is as follows:

Project	Region	Sites	Capacity (MW)	Technology	Contractor	Panels	Expected start of construction	Expected start of operations	Contract regime
Project Salvador	Atacama	1	49.0(1)	Single axis	SunPower	SunPower	Q4-2013	Q1-2015	Spot market/merchant(2)
Aguas Blancas	Antofagasta	1	8.8	Single axis	Inabensa(3)	Trina	Q4-2013	Q2-2014	PPA ($0.114 per kWh)(4)
Total		**2**	**57.8**						

Notes:

(1) Etrion will initially own a 70% interest in Project Salvador, a 70MW solar power project, resulting in a net capacity of 49 MW to Etrion. Following payback of the original equity contribution (of approximately $42 million), Etrion's ownership will decrease to 50.01%.

(2) Project Salvador will initially operate on a merchant basis where the electricity produced will be sold on the spot market and delivered to the Sistema Interconectado Central ("SIC") electricity network, with the ability to secure future PPAs.

(3) Inabensa is a subsidiary of Abengoa, a Spanish technology company.

(4) Electricity produced by Aguas Blancas will be sold to Atacama Minerals Chile S.C.M. ("Atacama Minerals") through a 15-year PPA denominated in US dollars.

DEVELOPMENT ACTIVITIES (CONTINUED)

PROJECTS UNDER DEVELOPMENT (CONTINUED)

Project Salvador

In September 2013, Etrion signed a purchase agreement with Total and Solventus to build, own and operate a 70 MW (49 MW net to Etrion) solar project in the Atacama region in the north of Chile. Pursuant to the Purchase Agreement, Etrion, Total and Solventus will own 70%, 20%, and 10% interests, respectively, in the project company, which holds the licenses, land rights and permits necessary to build, own and operate Project Salvador.

Project Salvador will initially operate on a merchant basis where the electricity produced will be sold on the spot market and delivered to the SIC electricity network, with the ability to secure future PPAs. The solar power plant will be built on 133 hectares leased from the Chilean government through a long-term concession. Once operational, Project Salvador is expected to produce approximately 200 million kWh of solar electricity per year (approximately 141 million kWh net to Etrion).

The total project cost of approximately $200 million will be financed 70% through non-recourse project debt financing provided by OPIC, the US Government's development finance institution and the remaining 30% equity portion will be funded by Etrion, Total and Solventus, based on their respective ownership interests, resulting in a total capital commitment to Etrion of approximately $42 million.

Project Salvador will be built using SunPower high-efficiency, single-axis tracker technology. Construction of Project Salvador is expected to commence in the fourth quarter of 2013, and the solar project is expected to be operational by the first quarter of 2015.

The acquisition under the Purchase Agreement is subject to the satisfaction or waiver of certain conditions similar to those in transactions of this nature. Such acquisition is expected to be completed in the fourth quarter of 2013 upon which Etrion will own 70% of the project company.

Aguas Blancas

The Group plans to build, own and operate an 8.8 MW solar project in the Antofagasta region in the north of Chile ("Aguas Blancas"). The electricity will be sold through a 15-year fixed price take-or-pay US dollar-denominated PPA that was signed in July 2013 with Atacama Minerals, a wholly-owned subsidiary of Sirocco Mining Inc., in order to supply electricity to its Aguas Blancas iodine mine. Per the PPA, all electricity produced by Aguas Blancas will be sold to Atacama Minerals for $0.114 per kWh. Once operational, Aguas Blancas is expected to produce approximately 23.5 million kWh of solar electricity per year.

The total project cost, including costs related to the licences, permits, development and construction, is estimated to be $22.4 million, which is expected to be financed with up to 80% of non-recourse project debt from the Inter-American Investment Corporation ("IIC"), an affiliate of the Inter-American Development Bank, with the remaining equity portion to be funded by Etrion. The IIC board approval is expected to take place by the end of 2013.

Construction of Aguas Blancas is expected to commence in the fourth quarter of 2013, subject to Etrion arranging the necessary debt financing, and the solar project is expected to be operational in the second quarter of 2014.

Development pipeline

Etrion is also pursuing other opportunities in Chile to develop and/or acquire additional renewable energy projects, in varying stages of development and expects additional projects to be secured throughout 2013 and beyond.

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, natural gas and nuclear energy. 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 (for example Chile, where the Group is competing with traditional sources of electricity without government subsidies). As the cost of solar technology continues to drop, new potential markets are expected to develop in areas where solar electricity is price-competitive with other sources of energy.

SOLAR MARKET OVERVIEW (CONTINUED)

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 (i.e., PV energy) 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 global, national and regional levels to support the development and use of renewable energy sources.
- Attractive government incentives, such as FiT, capital subsidies and tax incentives in markets that have not yet reached grid parity.

ITALIAN MARKET

In 2005, the Italian government introduced a FiT system in order to encourage expansion of solar energy. This combined with the strong solar irradiation and high electricity prices, has led to a 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 subsidy program. However, the actual cost of the subsidy is paid by the ultimate consumer through a small tax on utility bills.

The Italian FiT is a 20-year commitment from the government to purchase 100% of the 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 to build 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 receive the spot market rate on a per kWh basis. The Market Price during the three and nine months ended September 30, 2013 was approximately €0.06 ($0.08) per kWh of electricity produced.

Although several changes have been made to the FiT regime in Italy for renewable energy sources such as solar (specifically, the decree approved in May 2011, establishing new tariffs for solar PV plants and the fifth 'Conto Energia' renewable energy law approved in April 2012, setting out a new scheme for the installation of solar PV plants), the Group's operating solar projects were not affected by these changes, apart from an additional administrative fee of approximately €0.0005 per kWh produced established by the fifth 'Conto Energia' renewable energy law.

Refer to 'Business Review – Operations Review' on pages 4 and 5 for an overview of the Group's operating projects in Italy.

CHILEAN MARKET

The cost of solar generation has dropped significantly, enabling Etrion to provide competitive electricity solutions particularly in areas of high solar irradiation without the need for government subsidies. Chile is a country with abundant renewable resources (i.e., strong solar irradiation), high wholesale electricity prices and a large energy demand making it an ideal country for Etrion to grow and diversify through new opportunities.

Chile's energy demand has been growing rapidly since 1990, a result of 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. The energy sector is largely privatized which enables energy producers to enter into bilateral agreements directly with industrial clients. In September 2013, the Chilean government passed the 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.

SOLAR MARKET OVERVIEW (CONTINUED)

CHILEAN MARKET (CONTINUED)

Due to the size of Chile's economy and well established capital markets, manufacturers and finance providers are available to support the growing demands for energy consumption. Today, mini-hydro is 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 is by industrial users, such as mining operations.

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

- **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). For example, the Group has entered into a 15-year PPA for its Aguas Blancas solar project in the north of Chile.
- **Spot market/merchant basis –** solar power producers can sell the electricity produced on the spot market, delivered to the relevant electricity network, with the ability to secure future PPAs. For example, 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 20% of total electricity production in Chile. The SING is primarily served by thermo-electric plants and the long-term price forecast for the sale of electricity to this grid is between $0.10 and $0.12 per kWh. Aguas Blancas is located along the SING with a 15-year PPA with Atacama Minerals for $0.114 per kWh produced.
- **SIC** – Sistema Interconectado Central, the central grid, accounts for approximately 70% of the total electricity production in Chile and serves approximately 90% of its population. The SIC is primarily served by hydro-electric plants, in addition to diesel and thermo-electricity. Currently, electricity prices are between $0.18 and $0.28 per kWh, with a long-term price forecast of approximately $0.12 per kWh. Project Salvador, which will initially operate on a spot market/merchant basis, is located along the SIC.
- **Aysen** – located in the south of Chile, this network accounts for approximately 0.03% of total electricity production in Chile.
- **Magallanes** – located in the most southern part of Chile, this network accounts for approximately 0.8% 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, where industrial users are particularly concerned with electricity shortages, as a result of high growth in energy demand. Together the SING and SIC account for approximately 90% of Chile's total electricity production.

Refer to 'Business Review – Development Activities' on page 5 and 6 for an overview of the Group's development activities in Chile and an update on its first Chilean solar project (Aguas Blancas).

OTHER MARKETS

Incentive structures for solar power generation currently exist in many markets (including Europe, Japan and North America) and are a key driver for market growth. The objective of these incentives is to increase investment in renewable energy generation in order to deliver greater efficiency and cost reductions. Etrion will continue to evaluate new markets with attractive government incentives where it can develop and/or acquire additional renewable projects and will remain opportunistic for solar power projects in Europe.

In addition, as the cost of renewable power generation continues to drop, Etrion will be able to compete with traditional sources of electricity in new markets with abundant renewable resources and high electricity prices. Specifically, the Group is currently evaluating opportunities to expand into other regions of South America, where it will enter into long-term PPAs with industrial users or operate on a spot market/merchant basis.

FINANCIAL REVIEW

FINANCIAL RESULTS

THIRD QUARTER SELECTED FINANCIAL INFORMATION

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

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
Revenue	**19,414**	**18,341**	**46,150**	**48,277**
Gross profit	**12,355**	**11,850**	**25,112**	**29,430**
Net income/(loss)(1)	**1,056**	**379**	**(4,638)**	**(1,166)**
Adjustments for non-recurring and non-cash items:				
- Other (income)/expenses (non-recurring)(2)	(7)	(27)	620	(2,018)
- Depreciation and amortization (non-cash)	5,022	4,850	15,117	14,839
- Fair value movements (derivative financial instruments) (non-cash)	179	246	(111)	301
- Share-based payment expense (non-cash)	125	143	445	302
Adjusted net income before non-recurring and non-cash items(3)	**6,375**	**5,591**	**11,433**	**12,258**
Net income/(loss)	**1,056**	**379**	**(4,638)**	**(1,166)**
Adjustments for:				
- Net income tax expense	3,261	2,300	4,401	4,812
- Depreciation and amortization	5,022	4,850	15,117	14,839
- Gain on asset disposal	-	-	(1)	-
- Share-based payment expense	125	143	445	302
- Net finance costs	6,394	6,776	19,677	20,771
- Other (income)/expenses	(7)	17	620	(1,371)
- Income tax paid	(820)	(2,069)	(1,849)	(2,847)
- Changes in working capital	8,287	1,863	(3,342)	(9,294)
Operating cash flow(4)	**23,318**	**14,259**	**30,430**	**26,046**

Notes:

(1) Net loss/income for the period includes both the loss/income from continuing operations and the loss/income attributable to owners of the parent company. Basic and diluted earnings per share for the three months ended September 30, 2013, was $0.005 (2012: $0.002) and basic and diluted loss per share for the nine months ended September 30, 2013, was $0.023 (2012: $0.006).

(2) During the nine months ended September 30, 2013, the Group impaired $0.4 million of costs associated with its business development activities. During the nine months ended September 30, 2012, the net results were positively impacted by non-recurring other income of $1.4 million related to the 10% equity interest in the Company's subsidiary, Solar Resources Holding Sarl ("SRH"), previously held by Marco A. Northland, the Company's Chief Executive Officer and director ("Mr. Northland").

(3) Adjusted net income/loss before non-recurring and non-cash items is a non-IFRS measure.

(4) Operating cash flow refers to cash flows before investing and financing activities, working capital adjustments and the effects of foreign exchange rate differences.

	September 30 2013 $'000	December 31 2012 $'000
Non-current assets	377,694	385,166
Current assets	63,856	67,611
Total assets	**441,550**	**452,777**
Non-current liabilities	400,127	417,515
Current liabilities	50,288	49,908
Total liabilities	**450,415**	**467,423**
Working capital (current assets less current liabilities)	13,568	17,703
Dividends declared	-	-

Refer to 'Financial Review – Financial Results' on pages 10 to 13 for the variance analysis relating to Etrion's condensed consolidated interim financial information for the three and nine months ended September 30, 2013 compared to the same periods of 2012.

QUARTERLY SELECTED FINANCIAL INFORMATION

Selected consolidated financial information, prepared in accordance with IFRS (presented in $'000, except for per share data, which is presented in $):

	2013			2012				2011
	Q3 $'000	Q2 $'000	Q1 $'000	Q4 $'000	Q3 $'000	Q2 $'000	Q1 $'000	Q4 $'000
Revenue	19,414	18,414	8,322	7,385	18,341	19,198	10,738	8,585
Net income/(loss)(1)	1,056	(238)	(5,456)	(7,292)	379	756	(2,301)	(19,795)
Basic and diluted earnings/(loss) per share	0.005	(0.001)	(0.027)	(0.036)	0.002	0.004	(0.012)	(0.110)

(1) Net loss for the period includes both the net loss from continuing operations and the net loss attributable to owners of the parent company.

FINANCIAL REVIEW (CONTINUED)

FINANCIAL RESULTS (CONTINUED)

QUARTERLY SELECTED FINANCIAL INFORMATION (CONTINUED)

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 quarter of every calendar year. Such variations should smooth over time as the Group secures additional solar power projects in Chile or other parts of South America.

THIRD QUARTER RESULTS

EBITDA

The Group's EBITDA and adjusted EBITDA for the three and nine months ended September 30, 2013, are as follows:

	2013			2012		
	Renewable energy[1] $'000	Corporate[1] $'000	Total $'000	Renewable energy[1] $'000	Corporate[1] $'000	Total $'000
Three months ended September 30:						
Revenue	19,414	-	19,414	18,341	-	18,341
Operating expenses[2]	(2,128)	-	(2,128)	(1,702)	-	(1,702)
General and administrative expenses[2]	(466)	(946)	(1,412)	(25)	(2,232)	(2,257)
Other income/(expenses)	28	(21)	7	24	3	27
EBITDA[3]	**16,848**	**(967)**	**15,881**	**16,638**	**(2,229)**	**14,409**
Non-recurring items[4]:						
Other (income)/expenses	(28)	21	(7)	(24)	(3)	(27)
Adjusted EBITDA	**16,820**	**(946)**	**15,874**	**16,614**	**(2,232)**	**14,382**
Nine months ended September 30:						
Revenue	46,150	-	46,150	48,277	-	48,277
Operating expenses[2]	(6,194)	-	(6,194)	(4,206)	-	(4,206)
General and administrative expenses[2]	(1,183)	(3,219)	(4,402)	(570)	(5,964)	(6,534)
Other (expenses)/income	(290)	(330)	(620)	465	1,553	2,018
EBITDA[3]	**38,483**	**(3,549)**	**34,934**	**43,966**	**(4,411)**	**39,555**
Non-recurring items[4]:						
Other income/(expenses)	290	330	620	(465)	(1,553)	(2,018)
Adjusted EBITDA	**38,773**	**(3,219)**	**35,554**	**43,501**	**(5,964)**	**37,537**

Notes:

(1) The renewable energy segment includes only the Group's solar power projects. All other revenues, expenses, assets and liabilities are included within the corporate segment, which includes the Group's passive oil and gas investments (that were sold subsequent to the balance sheet date, in October 2013) and all corporate overhead expenditures.

(2) Operating expenses and general and administrative expenses shown here, for the purposes of calculating EBITDA and adjusted EBITDA, exclude depreciation and amortization expenses. Corporate general and administrative expenses of $0.5 million and $1.6 million, incurred during the three and nine months ended September 30, 2012, relating to internally generated costs and property taxes directly attributable to the Group's operating renewable energy assets, were reclassified to operating expenses associated with the Group's renewable energy assets, adjusting the amounts previously reported to be consistent with the classification of expenditure applied in 2013.

(3) EBITDA is a non-IFRS measure and adjusted EBITDA excludes non-recurring items recognized during the relevant year.

(4) Refer to 'Financial Review – Financial Results' on page 9 for an overview of the non-recurring items that occurred during the relevant periods.

Revenue

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
FiT revenue	16,453	14,897	39,419	39,424
Market Price revenue	2,961	3,444	6,731	8,853
Total revenue	**19,414**	**18,341**	**46,150**	**48,277**

Revenues increased by $1.1 million (6%) during the three months ended September 30, 2013, compared to the same period of 2012, primarily due to higher solar irradiation in the third quarter of 2013. Although there was a reduction to the spot market price in Italy, this reduction was completely offset by a strengthening of the Euro against the US dollar during the period, resulting in the same average price per kWh of $0.52.

Revenues decreased by $2.1 million (4%) during the nine months ended September 30, 2013, compared to the same period of 2012, due primarily to lower solar irradiation in the first half of 2013, compared to the same period of 2012. The Group's revenue during the nine months ended September 30, 2013, was also adversely impacted by a 2% reduction to the average price per kWh (from $0.52 per kWh during the nine months ended September 30, 2012 to $0.51 per kWh during the nine months ended September 30, 2013), due to a reduction in the spot market price in Italy, only slightly offset by a strengthening of the Euro against the US dollar during the period.

FINANCIAL REVIEW (CONTINUED)

FINANCIAL RESULTS (CONTINUED)

THIRD QUARTER RESULTS (CONTINUED)

Operating expenses

	Three months ended		Nine months ended	
	September 30 2013 $'000	**September 30 2012 $'000**	**September 30 2013 $'000**	**September 30 2012 $'000**
O&M costs	1,105	665	2,728	1,223
Operating personnel costs[(1)]	260	236	777	724
Depreciation and amortization (operating solar power projects)	4,931	4,788	14,843	14,640
Taxes (other than income tax)[(1)]	438	282	1,306	844
Insurance	107	130	328	353
Land lease	55	50	161	149
Other operating expenses	163	340	895	914
Total operating expenses	**7,059**	**6,491**	**21,038**	**18,847**

Note:

(1) Operating expenses incurred during the three and nine months ended September 30, 2012, as previously reported of $6.0 million and of $17.3 million, respectively, were increased by $0.5 million and $1.6 million, due to a reclassification of certain general and administrative expenses, including internally generated costs (included within operating personnel costs) and property taxes (included within axes (other than income tax), directly related to the operation of the Group's solar power projects to be consistent with the classification of expenditure applied in 2013.

Operating expenses increased by $0.6 million (9%) and by $2.2 million (12%) during the three and nine months ended September 30, 2013, respectively, compared to the same periods of 2012, primarily due to additional O&M expenses associated with three of the Group's solar power projects that commenced after the second year of operations, higher property taxes associated with the Group's solar power projects due to a change in the Italian property tax legislation and foreign exchange rate differences (due to a strengthening of the Euro against the US dollar).

The Group's solar power projects (included within property, plant and equipment) and licences and permits (included within intangible assets) are depreciated and amortized over 20 years.

General and administrative expenses

	Three months ended		Nine months ended	
	September 30 2013 $'000	**September 30 2012 $'000**	**September 30 2013 $'000**	**September 30 2012 $'000**
Salaries and benefits[(1)]	480	758	1,408	2,556
Board of directors fees	25	60	71	180
Share-based payment expense	125	143	445	302
Corporate and professional fees	487	687	1,545	1,745
Listing, filing and marketing expenses	55	-	250	142
Office lease expenses	112	143	351	370
Depreciation and amortization (corporate assets)	91	62	274	199
Office, travel and other general and administrative expenses[(1)]	128	465	331	1,238
Total general and administrative expenses	**1,503**	**2,318**	**4'675**	**6'732**

Note:

(1) General and administrative expenses incurred during the three and nine months ended September 30, 2012, as previously reported of $2.8 million and $8.3 million, respectively, were reduced by $0.5 million and $1.6 million due to a reclassification of certain costs, including internally generated costs (included within salaries and benefits) and property taxes (included within other general and administrative expenses), directly related to the operation of the Group's solar power projects to be consistent with the classification of expenditure applied in 2013.

General and administrative expenses decreased by $0.8 million (35%) and by $2.1 million (31%) during the three and nine months ended September 30, 2013, respectively, compared to the same periods of 2012, due primarily to the capitalization of internally-generated costs within intangible assets, directly attributable to the Group's business development activities, a lower headcount, a reduction to fees paid to the Company's board of directors, a reduction in corporate and professional fees and a reduction in office, travel and other general and administrative expenses, offset by foreign exchange rate differences (due to a strengthening of the Euro against the US dollar) and an increase in share-based payment expenses during the nine months ended September 30, 2013.

Other income/expenses

	Three months ended		Nine months ended	
	September 30 2013 $'000	**September 30 2012 $'000**	**September 30 2013 $'000**	**September 30 2012 $'000**
Impairment related to business development activities	-	-	(393)	-
Exchange right (non-cash compensation)	-	(32)	-	1,371
Other income (net)	7	59	(227)	647
Total other income/(expenses)	**7**	**27**	**(620)**	**2,018**

FINANCIAL RESULTS (CONTINUED)

THIRD QUARTER RESULTS (CONTINUED)

Other income/expenses (continued)

During the nine months ended September 30, 2013, the Group impaired $0.4 million of costs associated with its business development activities in Chile related to a certain project it is no longer pursuing.

During the nine months ended September 30, 2012, the Group recognized other income of $1.4 million related to the 10% equity interest in the Company's subsidiary, SRH, previously held by Mr. Northland, to adjust the share-based payment expense previously recognized by the Group for the portion of the performance condition not met at conversion in accordance with *IFRS 2, Share-based Payments* ("IFRS 2").

Net finance costs

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
Interest expense associated with non-recourse project loans[1]	4,992	4,989	14,827	15,209
Interest expense associated with corporate borrowings[1]	1,842	1,771	5,474	5,357
Net fair value movements associated with derivative financial instruments	179	246	(111)	301
Foreign exchange (gain)/loss	(74)	(172)	134	39
Other net finance (income)/costs	(397)	46	(270)	164
Net finance costs	**6,542**	**6,880**	**20,054**	**21,070**

Note:

(1) Interest expense shown here includes transaction costs.

Finance costs decreased by $0.3 million (5%) during the three months ended September 30, 2013, due to a reduction of the fair value losses associated with the Group's derivative financial instruments and the recognition of other finance income (due to interest income recognized on an outstanding value-added-tax ("VAT") reimbursement in Italy), offset by a reduction to the foreign exchange gain recognized during the period and foreign exchange rate differences (due to a strengthening of the Euro against the US dollar).

Finance costs decreased by $1.0 million (5%) during the nine months ended September 30, 2013, compared to the same period of 2012, due to a reduction of interest expenses at the project level due to the self-amortizing nature of the Group's non-recourse project loans, the recognition of fair value gains associated with the Group's derivative financial instruments and the recognition of other finance income (due to interest income recognized on an outstanding VAT reimbursement in Italy), offset by an increase to the foreign exchange loss recognized during the period and foreign exchange rate differences (due to a strengthening of the Euro against the US dollar).

Refer to 'Financial Review – Financial Position' on page 15 for an overview of the Group's non-recourse project loans and corporate borrowings. All of the Group's non-recourse project loans are hedged through interest rate swap contracts which all qualify for hedge accounting.

Income tax expense

	Three months ended		Nine months ended	
	September 30 2013 $'000	September 30 2012 $'000	September 30 2013 $'000	September 30 2012 $'000
Current income tax expense	5,949	3,502	7,742	7,368
Deferred income tax recovery	(2,688)	(1,202)	(3,341)	(2,556)
Total income tax expense	**3,261**	**2,300**	**4,401**	**4,812**

In 2013, the Italian government expanded the scope of the "Robin Hood" tax (applicable to companies operating in the energy sector) currently affecting five of the Group's operating solar projects (previously only applicable to one of the Group's operating solar projects), which resulted in an increase to the corporate income tax rate in Italy from 27.5% to 38%. In 2014, the incremental tax associated with the Robin Hood tax legislation will be reduced to 6.5%, reducing the corporate income tax rate to 34% for 2014 and beyond for the solar projects affected by this additional tax.

FINANCIAL RESULTS (CONTINUED)

THIRD QUARTER RESULTS (CONTINUED)

Income tax expense (continued)

Total income tax expenses increased by $1.0 million (42%) during the three months ended September 30, 2013, compared to the same period of 2012, due to an increase in the current income tax expense, as a result of an increase to the taxable income recognized during the period and the application of a higher tax rate, offset by an increase to the deferred income tax recovery, attributable to such higher tax rate.

Total income tax expenses decreased by $0.4 million (9%) during the nine months ended September 30, 2013, compared to the same period of 2012, due to an increase in the deferred income tax recovery, primarily attributable to the higher tax rate, offset by an increase to the current income tax expense, due to the higher tax rate, offset by a reduction to the taxable income recognized during the period.

FINANCIAL POSITION

During the first nine months of 2013, the Group's total equity position increased by $5.7 million (39%) from a net liability position of $14.6 million at December 31, 2012, to a net liability position of $8.9 million at September 30, 2013. This was due to the unrealized fair value gains of $10.2 million recognized within other reserves associated with the Group's derivative financial instruments (i.e., interest rate swap contracts) and share-based payment expenses of $0.5 million, offset by foreign currency translation adjustments of $0.4 million and the $4.6 million net loss recognized by the Group during the period.

The Group's total equity at September 30, 2013, was adversely impacted by unrealized fair value losses of $12.4 million recognized within other reserves associated with the Group's derivative financial instruments that are not expected to be realized (i.e., the interest rate swap contracts will be held until the maturity of the associated non-recourse project loans). Excluding these fair value losses, the Group's total equity at September 30, 2013, would have been positive $3.5 million.

LIQUIDITY AND FINANCING

Cash and cash equivalents

At September 30, 2013, the Group had cash and cash equivalents of $25.2 million (December 31, 2012: $37.8 million) and positive working capital (i.e., current assets less current liabilities) of $13.6 million (December 31, 2012: $17.7 million). The Group's cash and cash equivalents at September 30, 2013, included restricted cash of $20.9 million (December 31, 2012: $30.8 million), which relates to cash and cash equivalents held at the project level that is restricted by the lending banks for future repayment of interest and principal and working capital requirements related to the specific project. Restricted cash and cash equivalents can be distributed from the project companies, subject to approval from the lending banks, either through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions. During the three months ended September 30, 2013, the Group repaid the $12.3 million VAT facility associated with one of its solar power projects, which matured on September 30, 2013, using $11.7 million of restricted cash that was replaced upon receipt of the associated VAT reimbursement from the Italian tax authorities in October 2013. This resulted in a temporary reduction of $11.7 million to the Group's cash and cash equivalents at September 30, 2013.

In October 2013, Etrion sold all of its shares in its previously wholly-owned subsidiary, PFC Oil & Gas, CA ("PFC"), for total cash consideration of $5 million, of which $3 million was paid at closing and the balance of $2 million is expected to be received in March 2014. PFC owns 40% of PetroCumarebo and 5% of Baripetrol, two Venezuelan oil and gas companies controlled by Petróleos de Venezuela, the national oil company. The Company's holding in PetroCumarebo and Baripetrol were considered passive investments classified as available for sale. The non-core assets were carried on Etrion's balance sheet at September 30, 2013 at $1.0 million, comprised of available for sale investments of $2.1 million, offset by trade and other payables of $1.1 million (relating to advance dividends received).

Refer to 'Financial Review – Financial Position' on page 15 for an overview of the Group's going concern assessment and working capital requirements.

FINANCIAL POSITION (CONTINUED)

LIQUIDITY AND FINANCING (CONTINUED)

Contractual obligations

In addition to the contractual obligations outlined in the Company's MD&A for the year ended December 31, 2012, at the date of this MD&A, the Group also had contractual obligations relating to the following:

- **Project Salvador** – in September 2013, the Group entered into the Purchase Agreement to acquire a 70% interest in Project Salvador with the remaining 20% and 10% interests being held by Total and Solventus. The total project cost of approximately $200 million will be financed 70% through non-recourse project debt financing provided by OPIC with a 19.5-year tenor and the remaining 30% equity portion will be funded by Etrion, Total and Solventus, based on their respective ownership interests. The Group's total capital commitment relating to the development and construction of Project Salvador is approximately $42 million which is expected to be paid over the next 12 to 15 months, as the solar project is constructed. The finance agreement with OPIC is expected to be signed in the fourth quarter of 2013 with the first drawdown expected to take place shortly thereafter.
- **Lundin Loan** – in September 2013, the Group obtained a $42 million unsecured corporate loan facility from a company affiliated with the Lundin family, Etrion's largest shareholder, at an annual interest rate of 12% with a 12-month maturity. In October 2013, $3 million had been drawn under this facility.

Borrowings

The Group's adjusted net debt position, excluding non-cash items at September 30, 2013, was as follows:

	September 30 2013 $'000	December 31 2012 $'000
Total borrowings (per consolidated financial statements)	**388,386**	**399,771**
VAT facilities[1]	(6,114)	(20,054)
Accrued interest[2]	(4,224)	(2,867)
Transaction costs[2]	10,244	10,952
Total borrowings (excluding non-cash items)	**388,292**	**387,802**
Cash and cash equivalents (including restricted cash)	25,235	(37,750)
Adjusted net debt	**363,057**	**350,052**

Notes:

(1) VAT facilities are excluded from total borrowings as these facilities are to be repaid using the proceeds from input VAT received from the Italian tax authorities.

(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).

At September 30, 2013 and December 31, 2012, the Group was not in breach of any of the imposed operational and financial covenants associated with its non-recourse project loans and corporate borrowings.

Corporate borrowings

In April 2011, the Company issued €60 million of corporate bonds in the Norwegian bond market with an annual interest rate of 9% and a 4-year maturity. At September 30, 2013, the amount outstanding, including accrued interest and net of transaction costs, was $83.9 million (December 31, 2012: $80.1 million). The corporate bond agreement includes a call option that allows the Company to redeem the bond early (in full or in part), after the first, second and third year at a specified percentage over par value (i.e., a fixed premium) of 5%, 3% and 1%, respectively. At September 30, 2013, no amount was recognized in relation to this option. In addition, the corporate bond has a minimum unrestricted cash balance requirement of €3 million.

In September 2013, the Group obtained a $42 million unsecured corporate loan facility from a company affiliated with the Lundin family, Etrion's largest shareholder, at an annual interest rate of 12% with a 12-month maturity, in order to fund its business development activities in Chile. At September 30, 2013, no amounts had been drawn under this facility. However, in October 2013, $3 million was drawn under this facility.

FINANCIAL POSITION (CONTINUED)

LIQUIDITY AND FINANCING (CONTINUED)

Borrowings (continued)

Non-recourse project loans

The following is a summary of the Group's non-recourse project loans (i.e., facilities to which the lending bank is only entitled to the assets from the associated project), denominated in Euros, translated at the closing €/$ exchange rate of 1.31 at September 30, 2013, and 1.34 at December 31, 2012:

	Capacity (MW)	Financial institution	Maturity	Balance outstanding[(1)] September 30 2013 $'000	Balance outstanding[(1)] December 31 2012 $'000
Cassiopea	23.9	**BIIS(2),** Société Générale and Portigon	March 31, 2024	125,376	140,370
Helios ITA-3	10	Natixis, Portigon and Mediocreval	June 30, 2027	45,643	45,317
Centauro	8.7	Barclays	September 30, 2028	48,763	50,736
Helios ITA	6.4	Société Générale and Dexia	June 30, 2024	38,395	37,214
Etrion Lazio	5.2	Natixis, Portigon and Mediocreval	June 30, 2027	21,181	21,027
SVE	3.0	Centrobanca	June 30, 2028	16,054	16,032
Sagittario	2.6	Natixis, Portigon and Mediocreval	June 30, 2027	9,002	9,008
Total	**59.8**			**304,415**	**319,704**

Notes:

(1) Balances outstanding include the VAT facilities associated with the loans (to be repaid using the proceeds from input VAT from the Italian tax authorities) and accrued interest net of transaction costs (in accordance with IFRS). According to the facility agreements, the VAT facilities are to be repaid within forty-eight months from the amounts collected from the Italian tax authorities for input VAT on the Group's construction activities.

(2) BIIS represents the Banca Infrastrutture Innovazione e Sviluppo (Intesa Sanpaolo Group).

The non-recourse project loans held by the Group's Italian subsidiaries, obtained to finance the construction of the Group's solar power projects, mature at various dates between 2024 and 2028 and bear annual interest rates of Euribor plus a margin, ranging from 2.22% to 2.75%. At September 30, 2013 and December 31, 2012, all non-recourse projects loans were hedged through interest rate swap contracts. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates.

In order to secure the Group's non-recourse project loans, the Group pledged as collateral the fixed assets (i.e., solar power projects and land) associated with the solar power projects financed by these facilities. Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into with the GSE and the proceeds from the collection of input VAT accumulated for construction costs.

Going concern

The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2013, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future and do not include the adjustments that would result if the Group was unable to continue as a going concern.

At September 30, 2013, the Group had cash and cash equivalents of $25.2 million (December 31, 2012: $37.8 million) and positive working capital (i.e., current assets less current liabilities) of $13.6 million (December 31, 2012: $17.7 million). During the nine months ended September 30, 2013, the Group recognized a net loss of $4.6 million. However, the Company's management is confident that the Group will be able to fund its working capital requirements for at least twelve months from the date of this MD&A.

The Group's anticipated growth and development activities will depend on the Group's ability to secure additional financing (i.e., corporate debt and equity financing, vendor 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 expenditures or consider selling certain existing assets.

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 209,219,086 common shares (December 31, 2012: 205,746,419) and options to purchase up to 6,415,333 common shares (December 31, 2012: 7,450,000) issued and outstanding. The options expire at various dates between May 13, 2014, and April 28, 2018, with exercise prices in Canadian dollars ("CAD$") ranging between CAD$0.24 and CAD$1.59 per share.

FINANCIAL POSITION (CONTINUED)

OUTSTANDING SHARE DATA (CONTINUED)

In connection with the Purchase Agreement for Project Salvador, in October 2013, 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. As Etrion funds its equity portion of Project Salvador the availability under the letter of credit will be reduced accordingly.

In addition, in October 2013, 972,667 stock options were exercised, resulting in a corresponding number of common shares being issued in the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements at September 30, 2013 and December 31, 2012.

CAPITAL INVESTMENTS

The Group is evaluating opportunities to make substantial capital investments in the future in order to acquire and/or develop additional solar power projects. Etrion plans to finance the acquisition and construction of its projects under development with a combination of cash and cash equivalents, additional corporate debt or equity financing, non-recourse project loans and vendor financing, as required. There is no assurance that debt or equity financing will be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be available on terms acceptable to the Group. For those projects with financing already secured through non-recourse project loans, no additional capital contributions are expected.

At the date of this MD&A, the Group had committed capital expenditures of $42 million related to Project Salvador, which is expected to be incurred over the next 12 to 15 months as the solar power project is built. Refer to 'Financial Review – Financial Position' on page 14 for further information on the contractual obligation entered into by the Group relating to Project Salvador.

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.

There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2013 from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2012.

However, during the nine months ended September 30, 2013, the Group adopted *IAS 19 (revised), Employee Benefits* (clarifying what is included in annual costs for defined benefit plans, requiring actuarial gains and losses to be recognized immediately in comprehensive income and additional disclosures regarding the characteristics of the entity's benefit plans, amounts recognized in the financial statements, impacts on future cash flows and risks arising from the defined benefit plan), *IFRS 10, Consolidated Financial Statements* (building on the existing principals by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company) and *IFRS 13, Fair value measurements* (aiming to improve consistency and reduce complexity by providing precise definitions of fair value, a single source of fair value measurement and disclosure requirements for use across all IFRS), all of which did not have a significant impact on the condensed consolidated interim financial statements for the three and nine months ended September 30, 2013.

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, whose position is held through various trusts which, at the date of this MD&A, collectively own approximately 25.4% of the Company's share capital. All related party transactions are made on terms equivalent to those made on an arm's length basis. The related party transactions disclosed in the notes to the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2013 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. The Chief Executive Officer of Lundin Petroleum AB is a director of the Company. During the three and nine months ended September 30, 2013, the Group incurred general and administrative expenses of $6,000 (2012: $8,000) and $23,000 (2012: $22,000), respectively, from Lundin Services BV and at September 30, 2013, the Group had $2,000 (December 31, 2012: $nil) outstanding in relation to these expenses.

At September 30, 2013, Lundin Services BV held €7.6 million (December 31, 2012: €7.6 million) of the corporate bonds issued by the Company in April 2011 at 9% annual interest with a 4-year maturity. During the three and nine months ended September 30, 2013, the Group recognized $0.2 million (2012: $0.2 million) and $0.7 million (2012: $0.7 million), respectively, of interest expense and $6,000 (2012: $8,000) and $18,000 (2012: $16,000), respectively, of transaction costs associated with the portion of the corporate bonds held by Lundin Services BV. At September 30, 2013, the Group had $11 million (December 31, 2012: $10.1 million) outstanding in relation to the corporate bond.

Lundin family

At September 30, 2013, investment companies associated the Lundin family held €15 million (December 31, 2012: €15 million) of the corporate bonds issued by the Company at 9% annual interest with a 4-year maturity. During the three and nine months ended September 30, 2013, the Group recognized $0.5 million (2012: $0.4 million) and $1.3 million (2012: $1.3 million), respectively, of interest expense and $13,000 (2012: $16,000) and $35,000 (2012: $32,000), respectively, of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family. At September 30, 2013, the Group had $21.8 million (December 31, 2012: $20 million) outstanding in relation to the corporate bond.

In December 2012, the Group received $1.5 million from an investment company associated with the Lundin family, in order to fund certain business development activities. The short-term loan was non-interest bearing and was fully repaid in February 2013.

In September 2013, the Group obtained a $42 million unsecured corporate loan facility from a company affiliated with the Lundin family, Etrion's largest shareholder, at an annual interest rate of 12% with a 12-month maturity. At September 30, 2013, no amounts had been drawn under this facility. However, in October 2013, $3 million was drawn under this facility.

In connection with the Purchase Agreement for 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. As Etrion funds its equity portion of Project Salvador the availability under the letter of credit will be reduced accordingly.

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 and the Chief Financial Officer.

During the three and nine months ended September 30, 2013, the Group recognized $0.3 million (2012: $0.3 million) and $1.0 million (2012: $1.1 million) within general and administrative expenses associated with the remuneration of key management personnel, related to salaries and short-term benefits, termination benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At September 30, 2013, the Group had $0.2 outstanding to key management personnel, related to fees payable to the Board of Directors. At December 31, 2012, the Group had $0.3 million outstanding to key management personnel for 2012 bonus compensation and fees payable to the Board of Directors.

FINANCIAL REVIEW (CONTINUED)

FINANCIAL INSTRUMENTS

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, cash flow interest rate risk and 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, seeking 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 risk exposures (i.e., interest rate swap contracts). However, the Group has not entered into any foreign exchange rate hedges as the effects of foreign exchange rate movements have an insignificant impact on the Group's annual and quarterly results, due to the fact that 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 and the Company's 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, 2012, for further details relating to the Group's financial risk management.

DERIVATIVE FINANCIAL INSTRUMENTS

A summary of the Group's derivative financial instruments at September 30, 2013 and December 31, 2012 is as follows:

	September 30 2013 $'000	December 31 2012 $'000
Derivative financial liabilities:		
Interest rate swap contracts		
- Current portion	9,425	9,662
- Non-current portion	27,514	40,558
Total derivative financial liabilities	**36,938**	**50,220**

Note:

(1) All of the Group's derivative financial instruments were classified as cash flow hedges that qualified for hedge accounting at September 30, 2013 and December 31, 2012. As a result, any gain or loss associated with changes to the fair value (net of tax) of these derivative financial instruments is recognized within other reserves within equity with the ineffective portion of any fair value gain or loss included within finance income/costs.

The Group has entered into five credit facilities that are hedged using interest rate swap contracts in order to hedge the risk of variations in the Group's cash flows as a result of floating interest rates on the Group's 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, calculated using the notional amount to maturity as per the interest rate swap contracts, the observable Euribor interest rate forward yield curve and an appropriate discount factor. Refer to 'Business Review – Financial Results' on page 12 for further information on the finance income/costs recognized by the Group during the periods.

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, vendor 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.

FINANCIAL RISKS (CONTINUED)

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 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 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, price risk and credit risk. The Company's management seeks to minimize the effects of these risks 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 report, to the best of the Company's knowledge, all necessary licenses and permits have been obtained, 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 or 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 to 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 future solar power projects. Refer to 'Business Review – Market Overview' on pages 6 to 8 for an overview of the renewable energy market.

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. 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.

PRICES AND MARKETS FOR ELECTRICITY

Although the Group focuses on acquiring, developing, building, owning and operating renewable energy projects in jurisdictions that provide a long-term FiT or PPA, a portion of the Group's current operating revenues is derived from the spot market price in Italy. In addition, Project Salvador will initially operate on a spot market/merchant basis in Chile. Pricing for the sale of electricity may be subject to change based on economic and political conditions.

RISKS AND UNCERTAINTIES (CONTINUED)

NON-FINANCIAL RISKS (CONTINUED)

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 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 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.

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: Etrion's plans for future growth and development activities, expectations relating to Aguas Blancas and Project Salvador, including the funding and construction of the solar projects and the anticipated revenues to be generated from such solar projects, the need for additional capital to fund the construction or acquisition of new projects and the expected sources of such capital. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties, assumptions and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: delays in funding and construction of Aguas Blancas and Project Salvador and the resulting delays in the start of their operations, risks associated with operating exclusively in foreign jurisdictions; uncertainties with respect to the availability of suitable additional renewable energy projects; uncertainties with respect to the Company's ability to negotiate PPAs with industrial energy users; uncertainties and assumptions relating to the availability and costs of financing needed in the future; assumptions related to the applicability of the Italian FiT regime until December 31, 2016 and the new Italian energy law implemented during the second half of 2012; 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 Company operates; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; stock market volatility; opportunities available to or pursued by the Company; and other factors, many of which are beyond the Company'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. 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**.