Q1

Etrion Corporation

Management's discussion and analysis

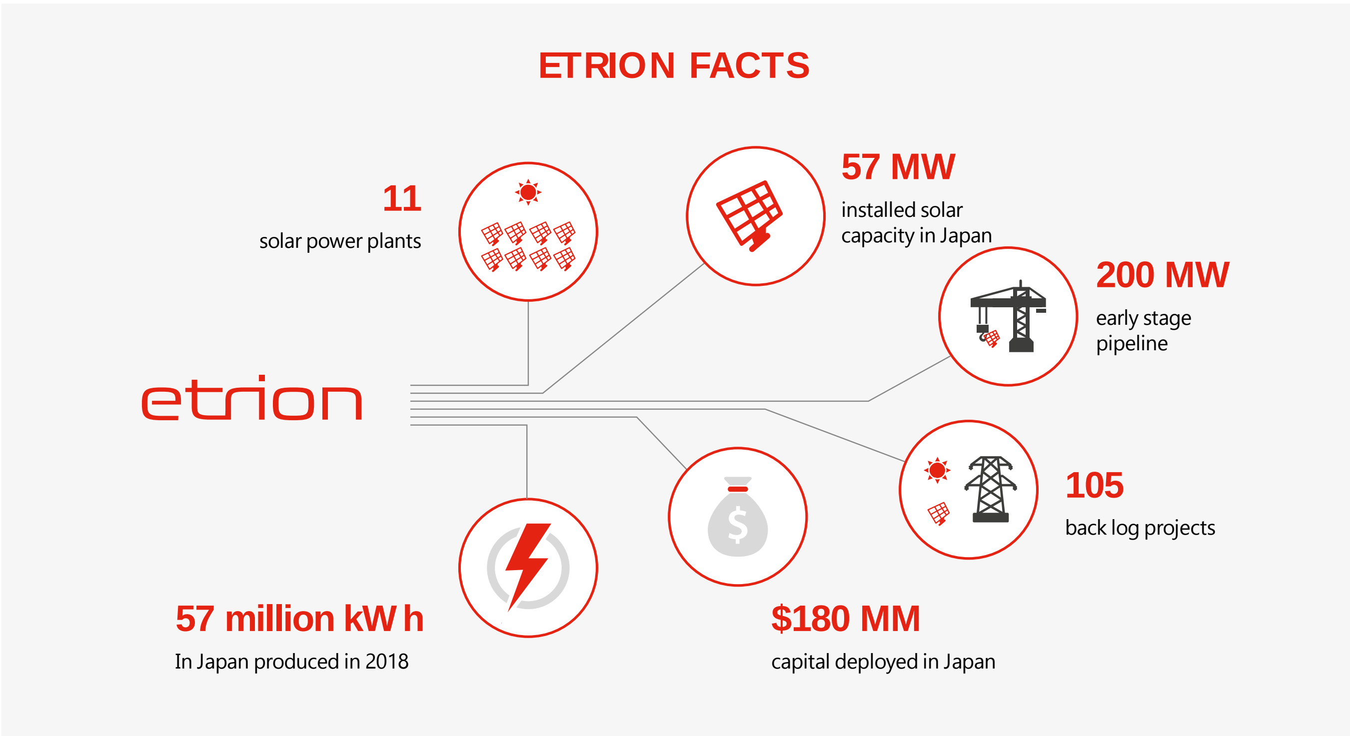
Three months ended March 31, 2019

Mito solar power project in Japan

Etrion at a glance

Etrion Corporation is a solar energy development company. We are committed to contributing to the diversification of the energy mix by leveraging the abundance of renewable resources to generate clean, reliable and cost-effective solar energy.

Active in Japan since 2012, we have built a strong local team, secured invaluable partnerships with industrial players, financial institutions and local developers. All our operating solar assets in Japan are secured by the 20-year Power Purchase Agreements with the Japanese power utilities.



Contents

Management’s Discussion and Analysis

MANAGEMENT’S DISCUSSION AND ANALYSIS

This management’s discussion and analysis (“MD&A”) for Etrion Corporation (“Etrion” or the “Company” and, together with its subsidiaries, the “Group”) is intended to provide an overview of the Group’s operations, financial performance and current and future business opportunities. This MD&A, prepared as of May 7, 2019, should be read in conjunction with the Company’s condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2019. Financial information is reported in both United States dollars (“$” or “USD”) and in Euros (“€”) because the Company’s outstanding corporate bonds are denominated in the later currency. In addition, certain material financial information has also been reported in Japanese yen (“¥”) because the Company has its main business activities in Japan. Exchange rates for the relevant currencies of the Group with respect to the $ and the ¥ are as follows:

	€/¥	$/¥	€/$
Closing rate at March 31, 2019	124.38	110.75	1.12
Closing rate at March 31, 2018	130.86	106.19	1.23
Q1-19 average rate	125.16	110.18	1.14
Q1-18 average rate	133.18	108.22	1.22

NON-IFRS FINANCIAL MEASURES AND FORWARD-LOOKING STATEMENTS

The terms “adjusted net income (loss)”, “earnings before interest, tax, depreciation and amortization” (“EBITDA”), “Adjusted EBITDA”, “solar segments EBITDA” and “adjusted operating cash flow”, used throughout this MD&A, are non-IFRS measures and therefore do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures disclosed by other companies. The basis for calculation has not changed and has been applied consistently by the Company over all periods presented. Adjusted net income (loss) is a useful metric to quantify the Company’s ability to generate cash before extraordinary and non-cash accounting transactions recognized in the financial statements (the most comparable IFRS measure is net income (loss) as reconciled on page 18). EBITDA, including solar segments EBITDA, is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while Adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measures for both EBITDA and Adjusted EBITDA is net income (loss) as reconciled on page 19). In addition, adjusted operating cash flow is used by investors to compare cash flows from operating activities without the effects of certain volatile items that can positively or negatively affect changes in working capital and are viewed as not directly related to a company’s operating performance (the most comparable IFRS measure is cash flow used in operations as reconciled on page 18). This MD&A contains forward-looking information based on the Company’s current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company’s control. Users of this information are cautioned that actual results may differ materially from the information contained herein. For information on material risk factors and assumptions underlying the forward-looking information, refer to the “Cautionary Statement Regarding Forward-Looking Information” on page 31.

01

FIRST QUARTER 2019 HIGHLIGHTS

First Quarter 2019 Highlights

OPERATIONAL HIGHLIGHTS

- Etrion produced 12.3 million kilowatt-hours ("kWh") of electricity from the Company's 57 MW portfolio comprising 11 solar power plant sites in Japan.
- Etrion continues to advance on the development of the backlog solar power projects in Japan with aggregate capacity of 105 MW on a gross basis. As with any development, these projects remain at risk for delays or abandonment if the Company encounters issues that cannot be resolved. The Company is also evaluating several other early stage projects, defined as pipeline, with an aggregate capacity of 200 MW on a gross basis.
- Etrion made significant progress on the Niigata 45 MW project. The Company obtained approval of the forest development permit in March 2019, being the last critical permit required to enable the Company to commence construction. With this project secured, Etrion is now proceeding to finalize all activities required to secure the financing for the project.

FINANCIAL HIGHLIGHTS

- Generated revenues and solar segments EBITDA of $4.2 million and $2.6 million, respectively.
- Closed the first quarter of Q1-19 with a cash balance of $23.2 million, $6.9 million of which was unrestricted and held at corporate level and working capital of $20.3 million. Etrion has sufficient liquidity to fund the backlog projects.

First Quarter 2019 Highlights

Continued

USD thousands (unless otherwise stated)	Three months ended Q1-19	Q1-18
Electricity production (MWh)[1]	**12,301**	**8,086**
Financial results		
Revenues	4,216	2,910
Gross profit	641	116
EBITDA	1,734	658
Adjusted EBITDA	1,734	658
Net loss	(2,227)	(3,853)
Adjusted net income (loss)	162	(1,866)
Cash flow		
Project cash distributions	-	611
Cash flow from (used in) operations	783	(2,795)
Adjusted operating cash flow	2,004	829

	March 31 2019	**December 31 2018**
Balance sheet		
Total assets	208,224	203,226
Operational assets	135,362	138,842
Unrestricted cash at parent level	6,946	9,328
Restricted cash at project level	16,285	15,399
Working capital	20,291	22,835
Consolidated net debt on a cash basis	150,848	151,918
Corporate net debt	30,796	29,476

[1]MWh=Megawatt-hour

02

BUSINESS REVIEW

Business Review

BUSINESS OVERVIEW

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants in Japan. The Company owns and operates 57 MW of installed solar capacity in Japan. Etrion has several projects at different stages of development in Japan. The Company has four operational projects (11 solar park sites). All operational projects in Japan benefit from revenues generated from 20-year FiT power purchase agreements ("PPAs") that are fixed price contracts with local utilities for all the electricity generated.

Etrion's current strategy is to focus exclusively on continuing to develop, to grow its installed capacity and operate solar power projects in Japan.

The Company's business model focuses on seven key drivers for success: (1) long term contracts with stable revenues; (2) low risk jurisdictions; (3) strategic partnerships; (4) low equipment cost and operating expenses; (5) available long-term project financing; (6) low cost of debt, and (7) attractive liquid market for future divesture.

The Company's common shares are listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden. Etrion has corporate bonds listed on the Frankfurt Stock Exchange Open Market and the Oslo Stock Exchange in Norway. Etrion is based in Geneva, Switzerland and Tokyo, Japan. As of the date of this MD&A, the Company has a total of 22 employees.

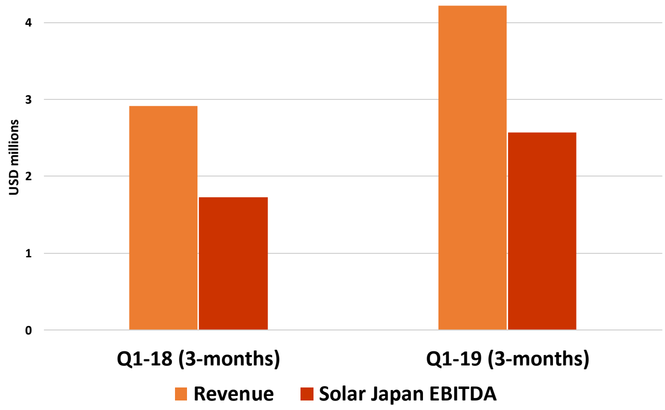
Business Review

Continued

OPERATIONS REVIEW
THREE MONTHS ENDED MARCH 31

	JAPAN	
USD thousands (unless otherwise stated)	**Q1-19**	**Q1-18**
Operational data (1)		
Electricity production (MWh)	12,301	8,086
Operational performance (1)		
Electricity revenue		
Feed-in-Tariff (2)	4,216	2,910
Total revenues	**4,216**	**2,910**
EBITDA (3)	**2,570**	**1,730**
EBITDA margin (%)	**61%**	**59%**
Net loss	**(1,104)**	**(993)**

1. Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries.
2. FiT scheme under PPA with utilities.
3. Refers to segment EBITDA as reconciled in the segment information section on page 19.



OPERATING PERFORMANCE IN JAPAN (3-months)

During Q1-19, the Group produced 52% more electricity in Japan compared to the same period in 2018, due primarily to the incremental production from the Komatsu solar power project that started operations in May 2018 and higher performance of the solar power plants.

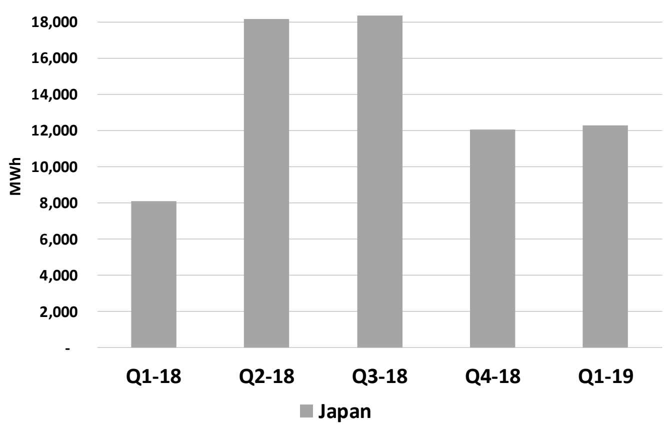
The Group receives revenues denominated in Japanese yen from its operating solar projects. Revenues come from the FiT system, whereby a premium fixed price is received for each kWh of electricity produced through a 20-year PPA contract with the Japanese public utility, Tokyo Electric Power Company ("TEPCO"), Hokuriku Electric Power Co., Inc ("HOKURIKU") or Tohoku Electric Power Co., Inc. ("TOHOKU"), as applicable. During Q1-19, the Group received the FiT of ¥40 per kWh applicable to the Mito and Shizukuishi solar park sites, the FiT of ¥36 per kWh applicable to the solar park sites of the Misawa project and the FiT of ¥32 per kWh applicable to the solar park site of the Komatsu project.

During Q1-19, the Group's revenue and project-level EBITDA increased by 45% and 49%, respectively, compared to the same period in 2018, primarily due to the incremental installed capacity in Japan and higher performance of the solar power plants.

Revenues from Japan are received in Japanese yen and have been translated to the Group's presentation currency ($) using the corresponding implied Q1-19 average rates. Accordingly, changes in the ¥/$ applicable exchange rates have an impact in the accounting conversion process of the income statement to the Group's reported figures in USD.

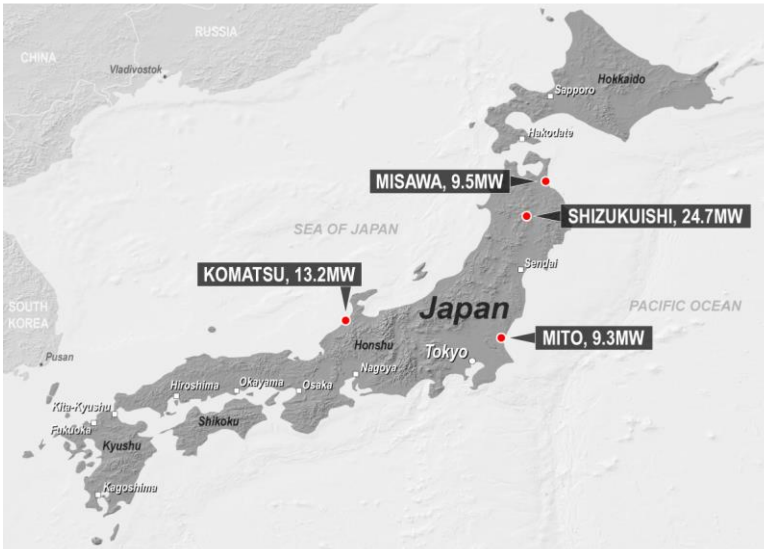
HISTORICAL PRODUCTION

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



OPERATING PROJECTS

The following map shows the locations of the Company's operating solar plants in Japan.



Mito

As of the date of this MD&A, the remaining PPA contract life of Mito is approximately 16 years. Details of the Group's 87%-owned operating solar power project in Japan are shown below:

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

Mito's solar power sites in Japan are capable of producing more than 10.3 million kWh of electricity on an annual basis.

Shizukuishi

As of the date of this MD&A, the remaining PPA contract life of Shizukuishi is approximately 17 years. Details of the Group's 87%-owned operating solar power project in Japan are shown below:

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

Shizukuishi' s solar power plant in Japan is capable of producing approximately 26.1 million kWh of electricity per year.

Misawa

As of the date of this MD&A, the remaining PPA contract life of Misawa is approximately 18 years. Details of the Group's 60%-owned operating solar power project are shown below:

Project	Region	Sites	Gross MW	Technology	Connection date
Misawa	Tohoku	3-4	5.3	Fixed-tilt	Feb-2017
Misawa	Tohoku	1-2	4.2	Fixed-tilt	Jul-2017
Total		**4**	**9.5**		

Misawa's solar power sites are capable of producing approximately 10.7 million kWh of solar electricity per year.

Komatsu

As of the date of this MD&A, the remaining PPA contract life of Komatsu is approximately 19 years. Details of the Group's 85%-owned operating solar power project are shown below:

Project	Region	Sites	Gross MW	Technology	Connection date
Komatsu	Honsu	1	13.2	Fixed-tilt	May-2018
Total		**1**	**13.2**		

Komatsu's solar power plant is capable of producing approximately 14.2 million kWh of solar electricity per year.

DEVELOPMENT ACTIVITIES

PROJECTS UNDER DEVELOPMENT – JAPAN

Etrion continues to advance several projects that are at different stages of development and /or negotiation with third parties. Etrion also continues to actively work towards reaching Notice to Proceed ("NTP") for the Japanese backlog. Management generally refers to NTP status when a project has obtained all permits and authorizations, secured land and secured the interconnection agreement, selected an engineering, procurement and construction ("EPC") contractor and financing has been secured. As explained further below, any project under development remains with a high degree of risk which may result in (a) delays to commence construction, (b) changes in the economics, (c) changes in capacity or (d) abandonment of the project. Changes (if any) to previously disclosed project size and details are due to optimizations during the development process. Final size and economics are only confirmed when financial close is reached. The Company classifies backlog projects as Brownfield or Greenfield. Brownfield projects are those originally developed by a third party and still in the development stage, with respect to which the Company has secured certain rights. Greenfield projects are those originally developed by the Company. The following table lists the current backlog projects.

Project	Prefecture	Sites	MW Gross	Target NTP
Greenfield Tk-2	Niigata	1	45	H1-19
Brownfield Tk-3	Mie	1	60	H1-20
Total backlog		**2**	**105**	
Total early stage			**200**	
Total pipeline			**305**	

JAPANESE BACKLOG

Greenfield Tk-2. This project, located in the Niigata prefecture, is configured as a 45 MW solar park project. The project has secured the FiT of ¥36/kWh. As per the new the Japanese Ministry of Economy, Trade and Industry ("METI") rules discussed in the Solar Market Overview section, the FiT for this project is not at risk. The project entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility after July 31, 2016 but before March 2017. This means that this project is subject to a three-year limit for development from March 31, 2017. In other words, if this project starts operation one year late (i.e. by March 31, 2021) it will have its FiT period shortened to 19 years. The project does not require an environmental impact assessment. The Company completed the purchase of all the land required for the project, secured agreements with all members of the local community and has also obtained the forest development permit.

The Company is finalizing civil works and engineering, procurement and construction contract negotiations and expects to reach the shovel ready stage and financial close by the end of the first half of 2019.

Brownfield Tk-3. This project, located in the Mie prefecture, is currently designed as a 60 MW facility. The project has secured the FiT of ¥36/kWh. It entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility before July 31, 2016. The project has secured the environmental impact assessment and recently obtained its forest development permit. The Company entered into a development service agreement ("DSA") with a local developer in 2015, which outlines all its development responsibilities and deliverables. The Company believes that the developer is in breach of the DSA and filed in December 2018 a lawsuit against the local developer to enforce full compliance with the DSA. The Company remains optimistic the court will issue a decision favourable to the Company enforcing the developer to comply with all its obligations. This project is likely to be minimally affected by the new METI rules since all the necessary permits have already been obtained. Etrion remains cautiously optimistic to take control over this project by early 2020.

As of March 31, 2019, the Company has incurred approximately $14.6 million of project advances and development costs associated with the Japanese backlog as follows:

Project	Advance to third parties	Development costs	TOTAL
Greenfield Tk-2	-	8.0	8.0
Brownfield Tk-3	5.6	1.0	6.6
Total USD million	**5.6**	**9.0**	**14.6**

Project advances and incurred development costs will be fully credited from the "net to Etrion" equity contribution shown in the last column of the table below, upon financial close.

Project	Project Costs	Gross Debt	Net Equity Contribution[(1)]	Net to Etrion[(2)]
Greenfield Tk-2	140	132	6	6
Brownfield Tk-3	200	170	13	7
Total USD million	**340**	**302**	**19**	**13**

1. Net of development fee
2. Net of development fee and net to Etrion economic interest.

The equity needed to build these Japanese backlog projects is likely to be contributed throughout the construction period, typically two years, rather than at the start of construction. The net to Etrion equity contribution shown on the table above is net of development fees the Company charges to the project companies for securing financing and developing the project at NTP. For Greenfield Tk-2 project, the net equity required has already been contributed during the development period and therefore Etrion will not be required to inject additional cash at financial close.

EARLY STAGE JAPANESE PIPELINE

METI reported as of June 2018 total solar projects with valid FiT agreements but not yet under construction in the aggregate capacity of about 20 GW. Many of these projects are still in different stages of development and seeking development partners and investors to carry these projects to completion.

Given the early stage nature of these projects the Company will not provide timing status until the projects reach backlog stage. The estimated aggregate capacity disclosed for the pipeline is management's best estimates, however, final capacity may be adjusted based on permit restrictions, land availability and 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. 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 photovoltaic ("PV") cells and energy generated from solar collectors (i.e., thermal energy or heat).

JAPANESE MARKET

Japan is the world's third largest energy consumer and today is among the top five largest solar markets in the world. The use of solar power in Japan has accelerated since the Japanese FiT scheme for renewable energy was introduced in July 2012 to help offset the loss of nuclear power caused by the Fukushima disaster. This in turn led to most of the nation's 52 reactors being idled due to safety concerns. While current renewable energy usage remains low (currently 15% of total primary energy), Japan is planning to accelerate further renewable energy development. By the end of 2019, Japan is projected to have more than 52 GW of solar capacity.

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

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

- to require certain categories of projects to commence operations within three years from 1 April Q1-18 (i.e. by 31 March 2020); this will likely result in reduced FiT payment periods after such three years period,
- to allow such projects to change their modules without triggering changes in the FIT rate; and
- to allow such projects to also reduce their project size by more than 20% without triggering a FIT rate reduction.

In Japan, the new curtailment system was 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, was 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.

On October 15, 2018, METI held a meeting of its Significant Development of Renewable Energy and Next Generation Electric Grid Network Committee (Saisei Kanou Energi Tairyou Dounyu /Jisedai Denryoku Network Sho Iinkai). According to METI, more than 20 GW of solar power projects which have FiTs of ¥40, ¥36 and, ¥32/kWh have not reached commercial operations and are unreasonably taking up grid capacity, preventing new players from developing alternate renewable energy projects in the affected grid areas. The new measures proposed by METI would apply to the holders of projects with FiT of ¥40, ¥36 and, ¥32/kWh which obtained their grid connection agreements by July 31, 2016, and so are not subject to the 3-year rule ("Early High FIT Holders").

On December 5, 2018, METI announced the details of the measures concerning procurement of electricity from renewable energy sources by electricity utilities (the "FiT Amendment Act Ordinance"). The FiT Amendment Act

Ordinance sets out new rules to address solar projects under development that hold FiT of ¥40, ¥36 and ¥32/kWh.

More specifically, the new rules include (a) exceptions for projects already close to construction, (b) new grid connection work application submission and acceptance deadlines, (c) requirements for land rights and specific permits to be obtained before a grid connection work application can be submitted, (d) FiT rate reduction penalties if grid connection work applications are submitted without the required land rights and permits, (e) new scheduled grid connection deadlines to be set by the utility (although there will now be no FiT rate reduction if such deadlines are not met), (f) new commercial operation deadlines (which if not met, will result in the power purchase agreement period shortening on a month by month basis but not in an FiT rate reduction), and (g) relaxation of the module change rules for projects that are subject to the new measures.

Etrion's management considers that the new solar rules announced in Japan are less stringent than expected. For Etrion's backlog, the new legislation has not affected the Greenfield Tk-2 (45 MW) project located in the Niigata prefecture and Etrion will continue with the development program as planned. The Brownfield Tk-3, (60 MW) project located in the Mie prefecture is likely to be minimally affected with potential loss of six to twelve months of the 20-year PPA, depending on when the project is connected to the grid, since most of the permits have already been obtained.

In general, the new METI rules have created opportunities for Etrion in Japan. Many developers will need help to accelerate their solar projects in order to avoid potential FiT changes under the new rules. Etrion is actively screening the market to identify affected projects that can benefit from Etrion's market position and local expertise.

03

FINANCIAL REVIEW

Financial Review

FINANCIAL RESULTS

SELECTED FINANCIAL INFORMATION

During Q1-19, the Group's performance and results were positively impacted by the incremental production of electricity in Japan. Revenue, gross profit and EBITDA on a consolidated basis increased in comparison with the same period in 2018, due to the good performance of the existing solar parks and the addition of the Komatsu project in May 2018. Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

	Three-months ended	
USD thousands (except per share data)	**Q1-19**	**Q1-18**
Revenue	**4,216**	**2,910**
Gross profit	**641**	**116**
Net (loss) income from continuing operations attributable to owners of Etrion	(1,970)	(3,663)
Net (loss) income attributable to owners of Etrion	(1,970)	(3,663)
Basic and diluted (loss) earnings per share:	**$(0.01)**	**$(0.01)**

Net loss	**(2,227)**	**(3,853)**
Adjustments to net loss income for:		
Net income tax expense	500	295
Depreciation and amortization	2,293	1,718
Share-based payment expense	24	188
Net finance costs	1,169	2,443
Other expense (income)	245	38
Income tax paid	(778)	(404)
Changes in working capital	(443)	(3,220)
Operating cash flow	**783**	**(2,795)**

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

USD thousands	**March 31 2018**	**December 31 2019**
Non-current assets	171,759	163,576
Current assets	36,465	39,650
Total assets	**208,224**	**203,226**
Non-current liabilities	191,963	183,482
Current liabilities	16,174	16,815
Total liabilities	**208,137**	**200,297**

Net assets	**87**	**2,929**
Working capital	20,291	22,835
Dividends declared	-	-

SEGMENT INFORMATION

Management considers reportable segments from a geographical perspective and measures performance based on EBITDA and reviews and monitors performance of the Group on this basis. The Company has identified one reportable segment which is solar energy Japan. While the Company has determined it has only one reportable segment, the Company has decided to disclose additional information about its corporate activities as it believes that this information is useful for readers of the condensed consolidated interim financial statements.

SEGMENT INFORMATION THREE MONTHS ENDED MARCH 31

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

USD thousands	Q1-19			Q1-18		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	**4,216**	**-**	**4,216**	**2,910**	**-**	**2,910**
Operating expenses	(1,314)	-	(1,314)	(1,116)	-	(1,116)
General and administrative	(72)	(851)	(923)	(52)	(1,046)	(1,098)
Other income (expenses)	(260)	15	(245)	(12)	(26)	(38)
EBITDA	**2,570**	**(836)**	**1,734**	**1,730**	**(1,072)**	**658**
Depreciation and amortization	(2,261)	(32)	(2,293)	(1,678)	(40)	(1,718)
Finance income	-	683	683	-	-	-
Finance costs	(1,046)	(805)	(1,851)	(892)	(1,606)	(2,498))
Loss before income tax	**(737)**	**(990)**	**(1,727)**	**(840)**	**(2,718)**	**(3,558)**
Income tax recovery (expense)	(367)	(133)	(500)	(153)	(142)	(295)
Net income (loss) for the period	**(1,104)**	**(1,123)**	**(2,227)**	**(993)**	**(2,860)**	**(3,853)**

Solar Japan: During Q1-19, the Group's Japanese solar segment generated revenues of $4.2 million and EBITDA of $2.6 million, representing an increase of 45% and 49%, respectively, in comparison with the same period in 2018. Revenue and EBITDA increased driven by the additional production from the Komatsu project and higher performance of the existing solar power plants. In addition, the Group's Japanese segment generated a net loss of $1.1 million, in comparison with net loss of $1.0 million for the same period in 2018.The first quarter of every year is highly impacted by the winter season in the northern hemisphere.

Corporate: During Q1-19, the Group's corporate segment generated negative EBITDA of $0.8 million and a net loss of $1.1 million, respectively. In comparison with the same period in 2018, lower negative EBITDA reflects the impact of streamline operations. Finance costs at corporate level also decrease in comparison with the same period in 2018 due to the corporate bond refinancing transaction completed in June 2018 and the recognition of foreign exchange gains during the period.

Financial Review

Continued

Non-GAAP Performance Measures

Reconciliation of adjusted net income (loss) to net income (loss)	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
Net loss income	**(2,227)**	**(3,853)**
Adjustments for non-cash items:		
Depreciation and amortization	2,293	1,718
Fair value movements (derivative financial instruments)	72	81
Share-based payment expense	24	188
Adjusted net income (loss)	**162**	**(1,866)**

Reconciliation of adjusted operating cash flows to operating cash flows	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
Operating cash flow	**783**	**(2,795)**
- Changes in working capital	443	3,220
- Income tax paid	778	404
Adjusted operating cash flow	**2,004**	**829**

Financial Review

Continued

Non-GAAP Performance Measures

Reconciliation of Solar segments Adjusted EBITDA to EBITDA	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
Net (loss) income	**(2,227)**	**(3,853)**
Adjustments for:		
Net income tax expense	500	295
Net finance costs	1,168	2,498
Depreciation and amortization	2,293	1,718
EBITDA	**1,734**	**658**
Adjusted EBITDA	**1,734**	**658**
Plus: Corporate G&A expenses	836	1,072
Solar Japan Adjusted EBITDA	**2,570**	**1,730**

QUARTERLY SELECTED FINANCIAL INFORMATION

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

USD thousands (except per share data)	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
Revenue	**4,216**	**4,048**	**6,185**	**6,357**	**2,910**	**2,603**	**7,005**	**7,042**
Japan	4,216	4,048	6,185	6,357	2,910	2,603	4,867	5,256
Chile	-	-	-	-	-	-	2,138	1,786
Net (loss) income	**(2,227)**	**(2,566)**	**(1,453)**	**(746)**	**(3,853)**	**(4,225)**	**35,161**	**(6,865)**
Net (loss) income from continuing operations attributable to owners of Etrion	(1,970)	(2,510)	(1,677)	(1,029)	(3,663)	(4,165)	36,080	(5,865)
Net (loss) income attributable to owners of Etrion	(1,970)	(2,510)	(1,677)	(1,029)	(3,663)	(4,165)	36,080	(5,865)
Basic and diluted (loss) earnings per share:								
From continuing operations attributable to owners of Etrion	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$0.11	$(0.02)
From total results attributable to owners of Etrion	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$0.11	$(0.02)

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

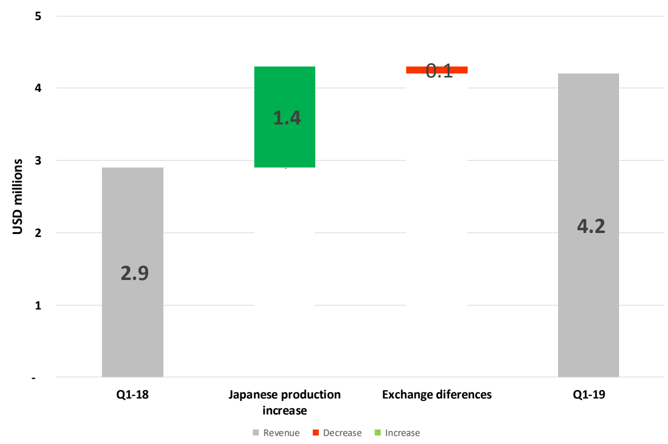
Financial Review

Continued

REVENUE

	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
FiT	4,216	2,910
Total Revenue	**4,216**	**2,910**

During Q1-19 consolidated revenues increased by $1.3 million compared to the same period of 2018.The 13.2 MW Komatsu solar project connected in May 2018 contributed significantly to the revenue increase in 2019 as well as higher performance of the existing solar power plants. The reconciliation of total revenue in Q1-19 versus Q1-18 is as follows:



ADJUSTED CONSOLIDATED EBITDA

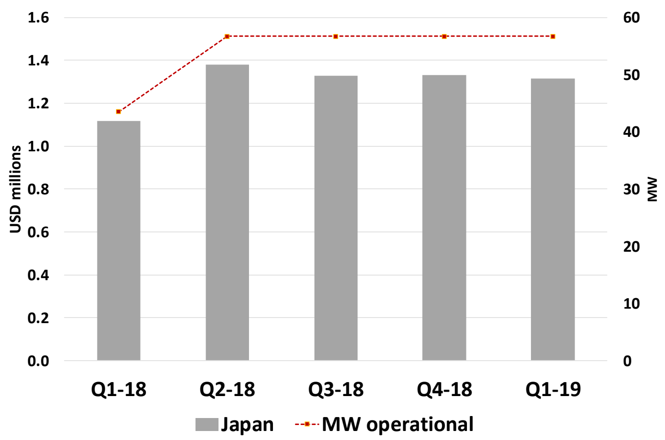
During the three months ended March 31, 2019, adjusted consolidated EBITDA increased by $1.1 million compared to the same period of 2018, mainly as a result of EBITDA being contributed by the Group's Japanese solar segment and reduction of corporate overhead.

OPERATING EXPENSES

	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
O&M costs	355	207
Personnel costs	295	243
D&A	2,291	1,678
Property tax	385	294
Insurance	98	62
Land lease	-	235
Other expenses	181	75
Total operating expenses	**3,575**	**2,794**

During the three months ended March 31, 2019, operating expenses increased by $0.8 million (28%) compared to the same period in 2018. Operating expenses increased due to additional operations and maintenance ("O&M") and other operating costs associated with the Komatsu solar project. The Group applies IFRS 16 from its mandatory adoption date of January 1, 2019. The Group applies the simplified transition approach and has not restated comparative amounts for the year prior to first adoption.

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



Financial Review

Continued

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
Salaries and benefits	306	468
Board of directors' fees	68	69
Share-based payments	24	188
Professional fees	280	136
Listing and marketing	60	73
D&A	32	40
Office lease	72	80
Office, travel and other	113	84
Total general and administrative	**955**	**1,138**

During the three months ended March 31, 2019, general and administrative expenses decreased by $0.2 million (16%) compared to the same period in 2018, primarily due to a decrease of salary and benefit expenses.

NET FINANCE COSTS

	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
Project loans	957	870
Corporate bonds	762	862
Fair value movements	72	81
Foreign exchange (gain) loss	(682)	629
Other finance costs	59	56
Net finance cost	**1,168**	**2,498**

During the three months ended March 31, 2019, net finance costs decreased by $1.3 million (53%) compared to the same period in 2018, mainly due the refinancing of the corporate bonds and foreign exchange gains.

INCOME TAX EXPENSE

	Three months ended	
USD thousands	**Q1-19**	**Q1-18**
Corporate income tax	169	230
Deferred tax expense	331	65
Income tax expense	**500**	**295**

During the three months ended March 31, 2019, the Group recognized a current income tax expense of $0.1 million (2018: $0.1 million) associated with its solar power projects in Japan, and an income tax expense of $0.1 million (2018: $0.1 million) associated with its holding and management services subsidiaries.

In addition, the Group recognized a deferred income tax expense of $0.3 million (2018: $0.1 million) due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

Financial Review

Continued

FINANCIAL POSITION

LIQUIDITY AND FINANCING

CASH POSITION

USD thousands	March 31 2019	December 31 2018
Cash and cash equivalents:		
Unrestricted at parent level	6,946	9,328
Restricted at project level	16,285	15,399
Total cash and cash equivalents	**23,231**	**24,727**

UNRESTRICTED CASH ANALYSIS

The Group's cash and cash equivalents at March 31, 2019, included unrestricted cash of $6.9 million (December 31, 2018: $9.3 million) held at the corporate level. Unrestricted cash decreased by $2.4 million mainly as a result of corporate G&A and development costs incurred.

The Group has a fully-funded portfolio of operational projects. In addition, the Group expects to generate sufficient operating cash flows in 2019 and beyond from its operating solar power projects to meet its obligations and expects to finance the construction and/or acquisition of new projects with a combination of cash and cash equivalents, additional corporate equity, assets sale or debt financing and non-recourse project loans, as required.

RESTRICTED CASH ANALYSIS

USD thousands	March 31 2019	December 31 2018
Japan	16,285	15,399
Total restricted cash	**16,285**	**15,399**

The Group's cash and cash equivalents at March 31, 2019, included restricted cash held at the project level in Japan that is restricted by the lending banks for future repayment of interest and principal and working capital requirements related to each project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions. Restricted cash increased by $0.9 million (6%) mainly due to operating cash flow from the Japanese solar power projects.

WORKING CAPITAL

At March 31, 2019, the Group had working capital of $20.3 million (December 31, 2018: $22.8 million). This working capital includes the fair market value of interest rate swap contracts that are classified as current liabilities in accordance with IFRS, but which are not expected to be settled in cash in the next 12 months without replacement. Excluding these derivative financial liabilities that are not expected to be settled in the near-term, the Group's working capital would have been $21.8 million. (December 31, 2018: $24.3 million).

At March 31, 2019, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2019	2020	2021	2022	2023	After 5 years	Total
Project loans	11,642	9,154	8,745	8,934	9,512	112,527	160,514
Corporate bond	2,836	2,844	39,760	-	-	-	45,440
O&M contracts	918	1,021	1,248	1,190	762	14,554	19,693
Operating leases	1,270	1,013	1,013	1,013	1,013	13,023	18,346
Trade payables	2,671	-	-	-	-	-	2,671
Total	**19,337**	**14,032**	**50,766**	**11,137**	**11,287**	**140,104**	**246,664**

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

NET EQUITY

During the first quarter of 2019, total equity attributable to owners of the Company decreased by $2.5 million from a net asset position of $1.8 million at December 31, 2018, to a net liability position of $0.7 million at March 31, 2019. This change was primarily due to the recognition of $1.9 million of net loss during the period, the cumulative foreign exchange translation adjustment, and unrealized fair value losses recognized within other reserves associated with the Group's derivative financial instruments. Total equity attributable to owners of the Company at March 31, 2019, was negatively impacted by the cumulative fair value losses of $13.0 million recognized within other reserves that are associated with the Group's derivative financial instruments. Excluding these fair value losses, the total equity attributable to owners of the Company at March 31, 2019, would have resulted in a net asset position of $12.3 million.

BORROWINGS

NON-RECOURSE PROJECT LOANS

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

USD thousands	MW	Maturity	March 31 2019	December 31 2018
Shizukuishi	25	December 30, 2034	57,291	57,708
Mito	9	June 30, 2034	21,097	21,250
Misawa	10	June 30, 2036	25,435	25,635
Komatsu	13	December 30, 2036	33,612	33,872
Total			**137,435**	**138,465**

JAPANESE PROJECTS

The non-recourse project loans obtained by the Group's Japanese subsidiaries to finance the construction costs of the Group's Japanese solar power projects, mature between 2034 and 2036 and bear annual interest rates of Tokyo Interbank Offered Rate ("TIBOR") plus a margin ranging from 1.1% to 1.4%. The Japanese non-recourse project loans are 90% hedged through interest rate swap contracts during the operational period at an interest rate ranging from 1.72% to 3.13% all-in. At March 31, 2019, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. All the Japanese interest rate swap contracts qualified for hedge accounting at March 31, 2019, and December 31, 2018.

At March 31, 2019 and December 31, 2018, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

CORPORATE BORROWINGS

At March 31, 2019, the Group had €33.7 million (net of the Company's holdings of €6.3 million) of the corporate bonds outstanding. The bonds were issued by the Company in June 2018 at 7.25% annual interest with a 3-year maturity. The carrying amount of bonds as at March 31, 2019, including accrued interest net of transaction costs, was $37.9 million (December 31, 2018: $38.1 million).

NET DEBT RECONCILIATION

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

USD thousands	March 31 2019	December 31 2018
Total borrowings as per IFRS	**175,290**	**176,607**
VAT facilities	(2,795)	(2,804)
Accrued interest	(1,263)	(120)
Transaction costs	2,847	2,961
Adjusted borrowings	**174,078**	**176,645**
Cash and cash equivalents	(23,231)	(24,727)
Adjusted consolidated net debt	**150,848**	**151,918**
Adjusted corporate net debt	**30,796**	**29,476**

The Group's consolidated net debt decreased during the first quarter of 2019, in comparison with December 31, 2018, mainly due a decrease in cash and cash equivalents and foreign exchange movements.

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 334,094,324 common shares (May 4, 2018: 334,094,324) and nil options to acquire common shares of the Company (May 4, 2018: 150,000) issued and outstanding.

In addition, the Company maintains the 2014 Restricted Share Unit Plan pursuant to which employees, consultants, directors and officers of the Group may be awarded RSUs. The RSUs have a contractual term of four years and are subject to certain time-based conditions and in certain cases are also subject to performance-based vesting conditions. At the date of this MD&A, the Company had 13,250,000 RSUs outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements at March 31, 2019, and December 31, 2018.

CAPITAL INVESTMENTS

The Group plans to allocate its unrestricted cash by prioritizing the Japanese market. Based on the current status, the Company does not anticipate beginning construction of its Japanese backlog project until the second quarter of 2019.

The equity needs to build the Japanese backlog project are likely to be contributed throughout the construction period, rather than at start of construction.

The Group will finance the development and/or construction costs associated with its projects under development, as well as new projects, with a combination of cash and cash equivalents, additional corporate debt or equity financing and non-recourse project loans, as required.

CONTINGENCIES

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2019, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January1, 2019, as follows:

IFRS 16, Leases: This standard addresses the measurement and recognition of leases which will result in almost all lease contracts being recognized in the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group has reviewed all the Group's leasing arrangements considering the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the existing commitments under the solar projects land lease contracts. As at January 1, 2019, the Group had non-cancellable operating lease commitments of $ 18.3 million. Of these commitments, approximately $0.3 million related to short-term and low value office leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group recognised right-of-use assets and lease liabilities of approximately $10.7 million on January 1, 2019, (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Overall net current assets were approximately $1.0 million lower due to the presentation of a portion of the liability as a current liability. Net results after tax are expected to increase by approximately $0.4 million in 2019 because of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately $1.0 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows are expected to increase, and financing cash flows to decrease by approximately $1.0 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group applies IFRS 16 from its mandatory adoption date of January 1, 2019. The Group applies the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets are measured on transition as if the new rules had always been applied.

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

RELATED PARTIES

For the purposes of preparing the Company's condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns directly and through various investment trust approximately 36% of the Company's common shares. All related party transactions are made on terms equivalent to those made on an arm's length basis.

The related party transactions disclosed in the notes to the Company's condensed consolidated interim financial statements for the three months ended March 31, 2019, are summarized below.

RELATED PARTY TRANSACTIONS

LUNDIN PETROLEUM AB AND SUBSIDIARIES

The Group receives professional services from Lundin Petroleum AB and from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB for market and investor relation activities in Sweden and general and administrative expenses, respectively. During Q1-19, the Group incurred general and administrative expenses of $7 thousand (2018: $7 thousand), from Lundin Petroleum AB and its subsidiary. At March 31, 2019, the Group had $nil (December 31, 2018: $nil) outstanding in relation to these expenses.

LUNDIN FAMILY

Investment companies associated with the Lundin family subscribed for €3 million ($3.5 million) of the corporate bonds issue completed in June 2018. As at March 31, 2019, the total corporate bonds held by the Lundin family amounted to €3.0 million ($3.5 million). During Q1-19, the Group recognized $0.1 million (2018: $10 thousand) of interest expense and recognized $7 thousand (2018: $1 thousand) of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family.

LUNDIN SA

During 2019, the Group recognized $30 thousand (2018: $30 thousand) under the service agreement with Lundin SA to make available fully staffed and equipped premises to serve members of its Board of Directors. The contract is renewed automatically, unless terminated by either party.

ASSET MANAGEMENT SERVICES

During Q1-19, the Group invoiced asset management services of $0.1 million (2018: $0.1 million) to Salvador, associated with operating and engineering services of the 70 MW solar power project in Chile. These asset management services are not eliminated on consolidation since September 30, 2017, the date when Salvador was deconsolidated and are presented as a reduction of corporate G&A.

KEY MANAGEMENT PERSONNEL

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

During Q1-19, the Group recognized $0.3 million (2018: $0.3 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 March 31, 2019, the Group had $nil outstanding to key management personnel (December 31, 2018: $0.3 million).

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks relating to its operations. These risks include market risk (including currency risk, interest rate risk and electricity price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets, specifically changes in foreign exchange rates and interest rates, and seek to minimize potential adverse effects on the Group's financial performance. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge interest rate risk exposures through interest rate swap contracts. However, the Group has not entered into any foreign exchange rate hedges as monetary assets and liabilities held by the Group's subsidiaries are primarily held in the individual subsidiaries' functional currencies. In addition, the Group is directly exposed to inflation in Japan, as the FiT contracts are not inflation-adjusted, but some of the operating costs will be impacted by inflation, if it increases or decreases in the future. The Company's management carries out risk management procedures with guidance from the Audit Committee and Board of Directors. Refer to the Company's audited condensed consolidated interim financial statements for the year ended March 31, 2019, for further details relating to the Group's financial risk management.

DERIVATIVE FINANCIAL INSTRUMENTS

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

USD thousands	March 31 2019	December 31 2018
Derivative financial liabilities:		
Interest rate swap contracts		
Current portion	1,532	1,452
Non-current portion	9,705	8,706
Total derivative financial instruments	**11,237**	**10,158**

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

The fair market value of the interest rate swap contracts at March 31, 2019, increased to a liability position of $11.2 million (December 31, 2018: $10.2 million) due to a decrease in the forecasted TIBOR curve. At March 31, 2019, and December 31, 2018, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is recorded in to finance income/costs.

04

RISKS AND UNCERTAINTIES

Risks and Uncertainties

RISKS AND UNCERTAINTIES

The Group's activities expose it to a variety of financial and non-financial risks and uncertainties that could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. Certain of such risks are discussed below. For a more detailed discussion of risk factors applicable to the Group, see Etrion's Annual Information Form for the year ended December 31, 2018, which has been filed on SEDAR and is available under Etrion's profile at www.sedar.com. Risk management is carried out by the Company's management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also oversees and provides assistance with the overall risk management strategy and mitigation plan of the Group.

FINANCIAL RISKS

DEBT AND EQUITY FINANCING

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

CAPITAL REQUIREMENTS AND LIQUIDITY

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

MARKET RISKS

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

COST UNCERTAINTY

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

NON-FINANCIAL RISKS

LICENCES AND PERMITS

The Group's operations require licenses and permits from various governmental authorities that are subject to changes in regulation and operating circumstances. There is no assurance that the Group will be able to obtain all the necessary licenses and permits required to develop future renewable energy projects. At the date of this MD&A, to the best of the Company's knowledge, all necessary licenses and permits have been obtained for projects already built and under construction, and the Group is complying in all material respects with the terms of such licenses and permits.

GOVERNMENTAL REGULATION

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

COMPETITION

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

PRICES AND MARKETS FOR ELECTRICITY

The Group is not exposed to significant electricity market price risk as the revenues generated by its operating solar power projects in Japan were secured by long-term contracts based on a FiT.

Risks and Uncertainties

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 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 many 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.

05

OTHER DISCLOSURES

Other Disclosures

ETRION OUTLOOK AND GUIDANCE

On March 13, 2019, Etrion issued a revenue and project-level EBITDA forecast for the fiscal year ending December 31, 2019. The Group has reviewed the previously released guidance in light of the performance for the first quarter of 2019 and has concluded that at this stage there is no basis to modify the guidance for the full year. The Group will continue to reassess its guidance and will make any adjustments and disclosures as may be warranted.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to: the Group's plans for future growth and development activities (including, but not limited to, expectations relating to the timing of the development, construction, permitting, licensing, financing operation and electricity production, as the case may be, of its future solar power plants in Japan); 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; and expectations with respect to the outcome of its litigation against the developer of the Brownfield Tk-3 project. 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 risk that the Company's solar projects may not produce electricity or generate revenues and earnings at the levels expected; 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; the risk that the outcome of the Company's litigation against the developer of the Brownfield Tk-3 project will not be as expected; 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: 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, and assumptions relating to management's assessment of the impact of the new Japanese 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