



etrion

Management's Discussion and Analysis
Three and Nine Months Ended September 30, 2020

At a Glance

Etrion Corporation

Etrion Corporation is a renewable 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 best in class family of solar assets together with a strong local team and have secured invaluable partnerships with developers, general contractors and local lenders.

The revenue streams from our operating solar assets in Japan are secured by long-term fixed price Power Purchase Agreements with Japanese power utilities.

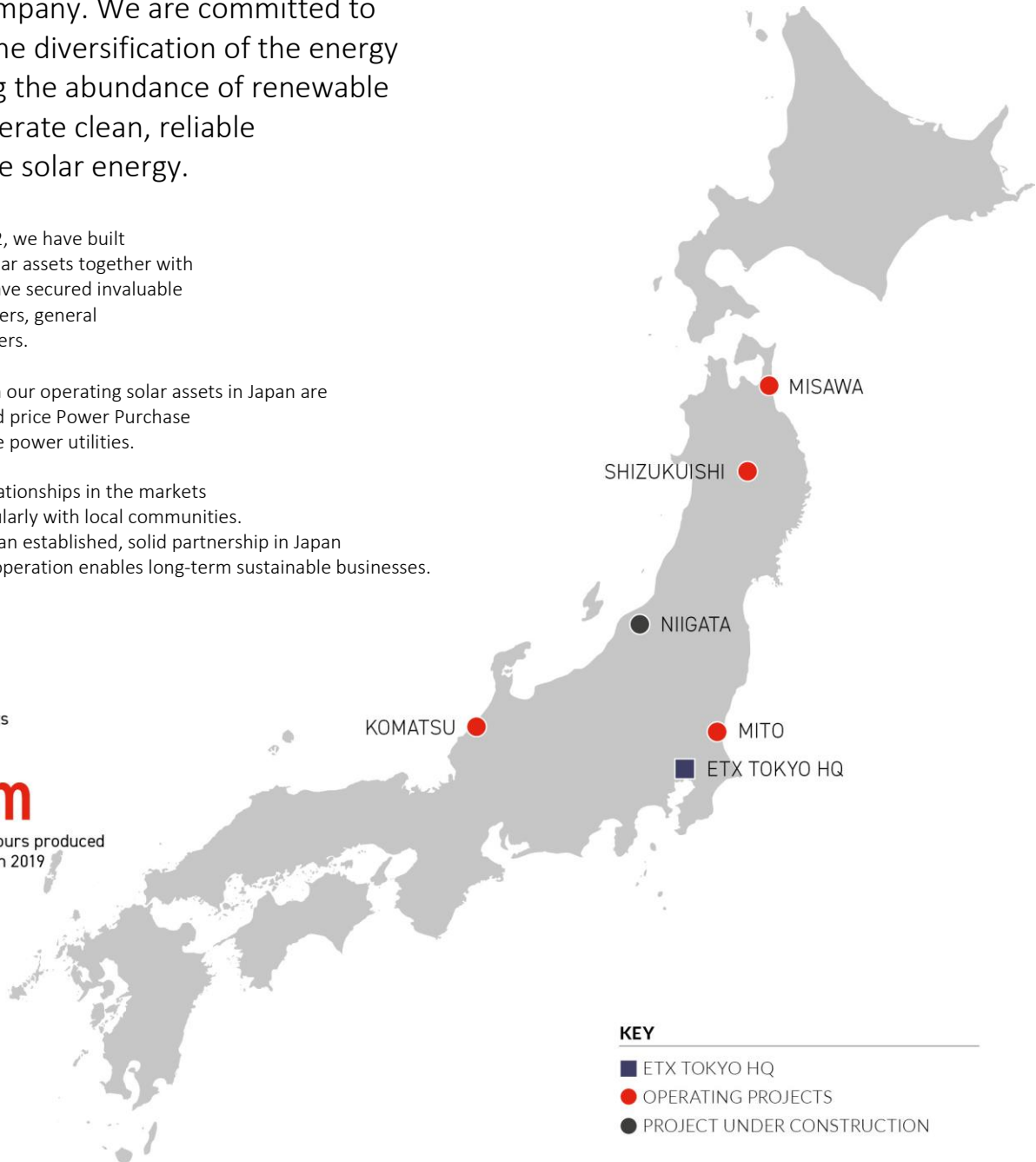
We develop long-term relationships in the markets where we operate, particularly with local communities. We are fortunate to have an established, solid partnership in Japan that through our deep cooperation enables long-term sustainable businesses.

11

Solar plants

64m

Kilowatt-hours produced for Japan in 2019



For more information about our Company, take a look on our website at: www.etrion.com

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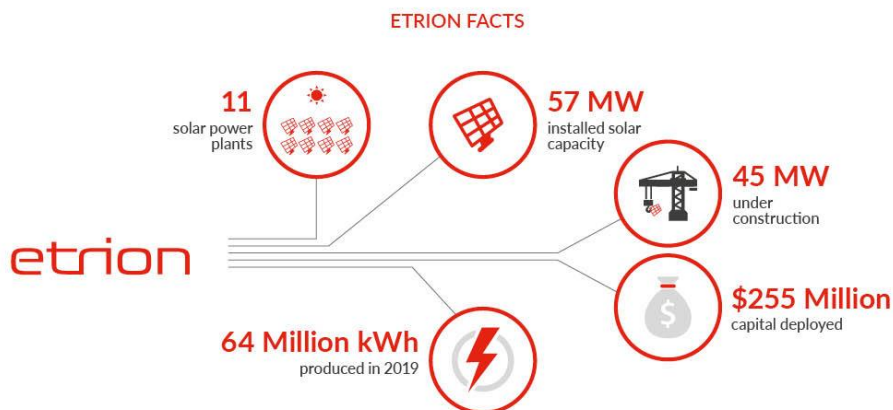
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Management's discussion and analysis

Management's discussion and analysis

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" or, together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and a description of current and future business opportunities. This MD&A, prepared as of November 11, 2020, 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, 2020. Financial information is reported in both United States dollars ("\$" or "USD") and in Euros ("€") because the Company's outstanding corporate bond is denominated in the latter 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 September 30, 2020	123.92	105.62	1.1708
Closing rate at September 30, 2019	117.95	107.86	1.0889
Nine months average rate 2020	122.65	109.11	1.1237
Nine months average rate 2019	120.89	107.55	1.1241

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 20). EBITDA, including solar segments EBITDA, is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while Adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measure for both EBITDA and Adjusted EBITDA is net income (loss) as reconciled on page 20). 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 20). 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.

THIRD QUARTER 2020 HIGHLIGHTS

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Third quarter 2020 highlights

Operational highlights

- Etrion produced 17 million kilowatt-hours (“kWh”) of electricity from the Company’s 57-megawatt (“MW”) portfolio comprising 11 solar power plant sites in Japan.
- Construction of the 45 MW Niigata project in central Japan is approximately 60% complete with estimated connection to the electricity grid in the fourth quarter of 2021.
- On October 23, 2020, the Company completed the sale of its interest in the Mie 60 MW solar project and received a total of ¥3.4 billion (approximately \$32.2 million) and a development fee of JPY 300 million (approximately \$2.8 million). On October 6, 2020, the Company also received a payment of ¥700 million (approximately \$6.6 million) as reimbursement of advances given to the Mie 60 MW solar project developer, including ¥64 million (approximately \$0.6 million) as interest. In aggregate, Etrion received a total of JPY 4.4 billion (approximately \$41.6 million) on this Mie 60 MW final agreement. USD equivalents were calculated using the actual transaction date exchange rate.
- Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd (“MUMSS”) as financial advisor to assist with the potential sale of the Company’s 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. Etrion has received several non-binding proposals from strategic and financial investors regarding the potential purchase of its Japanese assets. A short-listed group of interested parties is now engaged in detailed due diligence of the assets. Management anticipates receiving one or more binding offers by end of the year and expects to close a sale by the end of the first quarter in 2021, subject to receiving acceptable pricing, negotiation of final agreements and the receipt of any required shareholder and regulatory approvals. Etrion’s management has concluded that as of September 30, 2020, the Japanese solar assets and the entire Solar Segment has met the definition of assets held-for-sale and discontinued operation as per IFRS 5.
- As of the date of this report, the Company has not been adversely affected by COVID-19. The Company has implemented very rigorous guidelines to ensure the wellbeing of its employees while at the same time maintaining minimal business disruptions.

Financial highlights

- Consolidated revenues of \$6.0 million were 5.4% lower relative to Q3-19.
- Solar segment EBITDA of \$4.7 million was 9.9% lower relative to Q3-19.
- As of September 30, 2020, Etrion has recognized a net gain of \$33.4 million on the sale of its Mie solar project.
- Etrion closed the third quarter of 2020 with a cash balance of \$5.5 million which is unrestricted cash held at corporate level. Such balance does not reflect the cash proceeds from the Mie transaction received after the end of the quarter which increased the Company’s unrestricted cash position to \$47.1 million.

Third quarter 2020 highlights

Continued

USD thousands (unless otherwise stated)	Three months ended		Nine months ended	
	Q3-20	Q3-19	Q3-20	Q3-19
Electricity production (MWh)¹	17,028	18,359	50,031	53,235
Financial results from discontinued operations				
Revenues	6,011	6,356	17,437	18,277
EBITDA	4,757	5,278	13,858	14,061
Net income	1,212	1,616	3,255	2,800
Financial results from continuing operations				
EBITDA	31,734	944	30,383	36
Adjusted EBITDA ²	(1,667)	(896)	(4,663)	(2,724)
Net income (loss)	26,818	1,626	23,808	(1,239)
			September 30 2020	December 31 2019
Balance sheet				
Total assets			386,530	346,961
Operational assets			-	140,939
Unrestricted cash at parent level			5,468	10,596
Restricted cash at project level			-	112,786
Working capital			4,151	109,655
Consolidated net debt on a cash basis			34,206	193,143
Corporate net debt			34,206	27,201
Assets-held-for sale, net			20,633	-

¹MWh = Megawatt-hour

²Refers to adjusted EBITDA as reconciled on page 20

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Business review

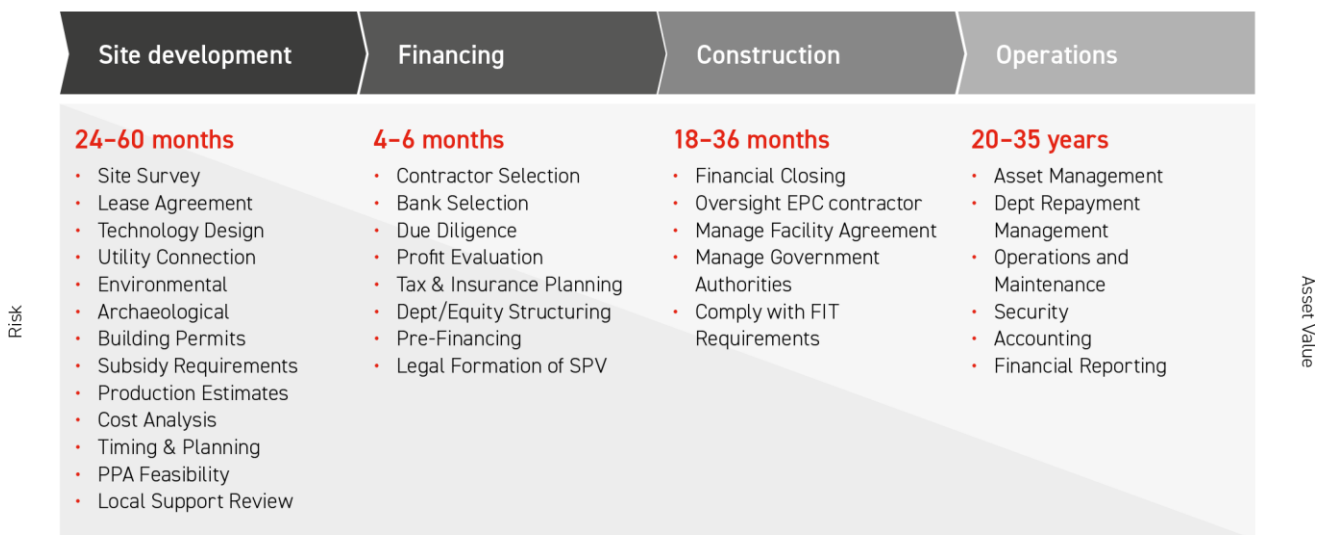
Business overview

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 and 45 MW of solar projects under construction, all in Japan. The Company has 11 operational projects (consolidated into four Special Purpose Companies (“SPCs”). All operational projects benefit from revenues generated from 20-year feed-in-tariff (“FiT”) Power Purchase Agreements (“PPAs”) that are fixed price contracts with local utilities for all the electricity generated.

The Company’s business model has focused 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) a low cost of debt; and (7) an attractive liquid market for future divestiture.

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 also on 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 17 employees.

Business process – solar energy



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

Business review

Continued

Operations review Three months ended September 30

USD thousands (unless otherwise stated)	Japan	
	Q3-20	Q3-19
Operational data		
Electricity production (MWh)	17,028	18,359
Operational performance		
Electricity revenue		
Feed-in-tariff ⁽¹⁾	6,011	6,356
Total revenues	6,011	6,356
EBITDA ⁽²⁾	4,757	5,278
EBITDA margin (%)	79%	83%
Net income	1,212	1,616

1. FIT scheme under PPA with utilities.

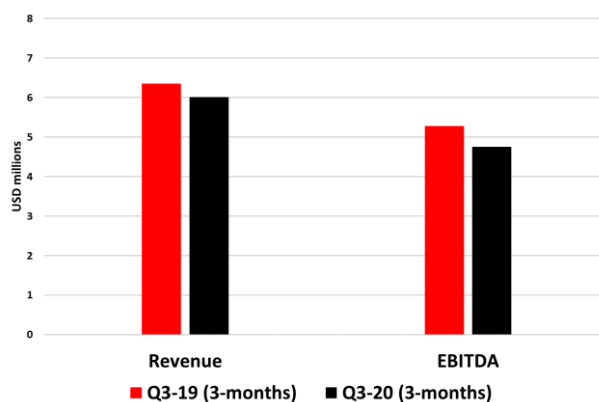
2. Refers to segment EBITDA as reconciled in the segment information section on page 20.

Operating performance in Japan (3 months)

During Q3-20, the Group produced 7.2% less electricity in Japan than in the same period in 2019, due to lower solar irradiation as a result of unfavourable weather conditions.

The Group receives revenues denominated in Japanese yen from its operating solar projects. Revenues come from the FIT system, whereby, through 20-year PPA contracts with three Japanese public utilities, for each kWh of electricity produced a premium fixed price is received from Tokyo Electric Power Company ("TEPCO"), Hokuriku Electric Power Co., Inc ("HOKURIKU") or Tohoku Electric Power Co., Inc. ("TOHOKU"), depending on the location of the solar project. During Q3-20, the Group received the FIT of ¥40 per kWh applicable to the Mito and Shizuikuishi 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.

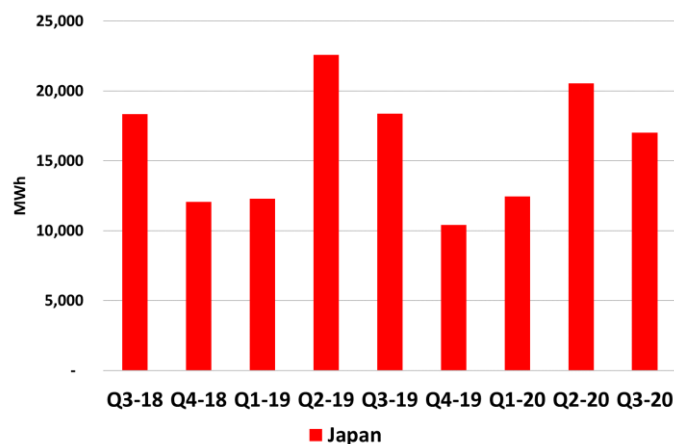
During Q3-20, the Group's revenue and project-level EBITDA decreased by approximately 5.4% and 9.9%, respectively, compared with the same period in 2019, primarily due to lower solar irradiation conditions partially offset by the reduction in operations and maintenance ("O&M") fees and operating personnel costs, following the renegotiation of the Japanese O&M contracts completed in December 2019. In the third quarter of 2019, Project-level EBITDA included US\$0.3 m of business interruption insurance reimbursement.



Revenues from Japan are received in Japanese yen and have been translated to the Group's presentation currency \$ using the corresponding implied Q3-20 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 \$.

Historical production

Solar-related production is subject to seasonality 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.



Business review

Continued

Nine months ended September 30

USD thousands (unless otherwise stated)	Japan	
	Q3-20	Q3-19
Operational data		
Electricity production (MWh)	50,031	53,235
Operational performance		
Electricity revenue		
Feed-in-tariff ⁽³⁾	17,437	18,277
Total revenues	17,437	18,277
EBITDA ⁽⁴⁾	13,858	14,061
EBITDA margin (%)	79%	77%
Net income	3,255	2,800

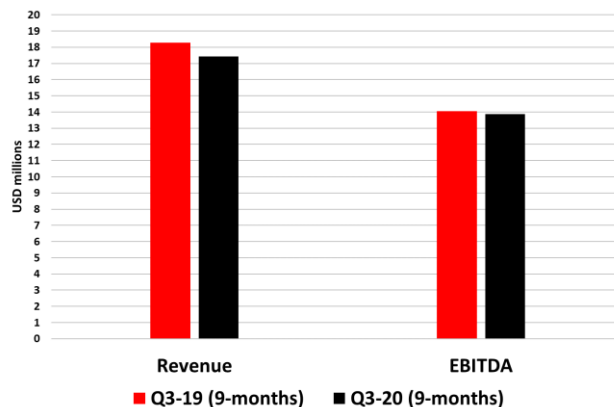
3. FIT scheme under PPA with utilities.

4. Refers to segment EBITDA as reconciled in the segment information section on page 20.

Operating Performance in Japan (9 Months)

During the nine months ended September 30, 2020, the Group produced 6% less electricity in Japan compared to the same period in 2019, due to lower solar irradiation as a result of unfavourable weather conditions.

During the nine months ended September 30, 2020, the Group's revenue decreased by 4.6% and project-level EBITDA decreased by 1.4%, respectively, compared to the same period in 2019. EBITDA decreased in less proportion than revenue, mainly due to the reduction in O&M fees and operating personnel costs, following the restructuring of the Japanese O&M contracts completed in December 2019.



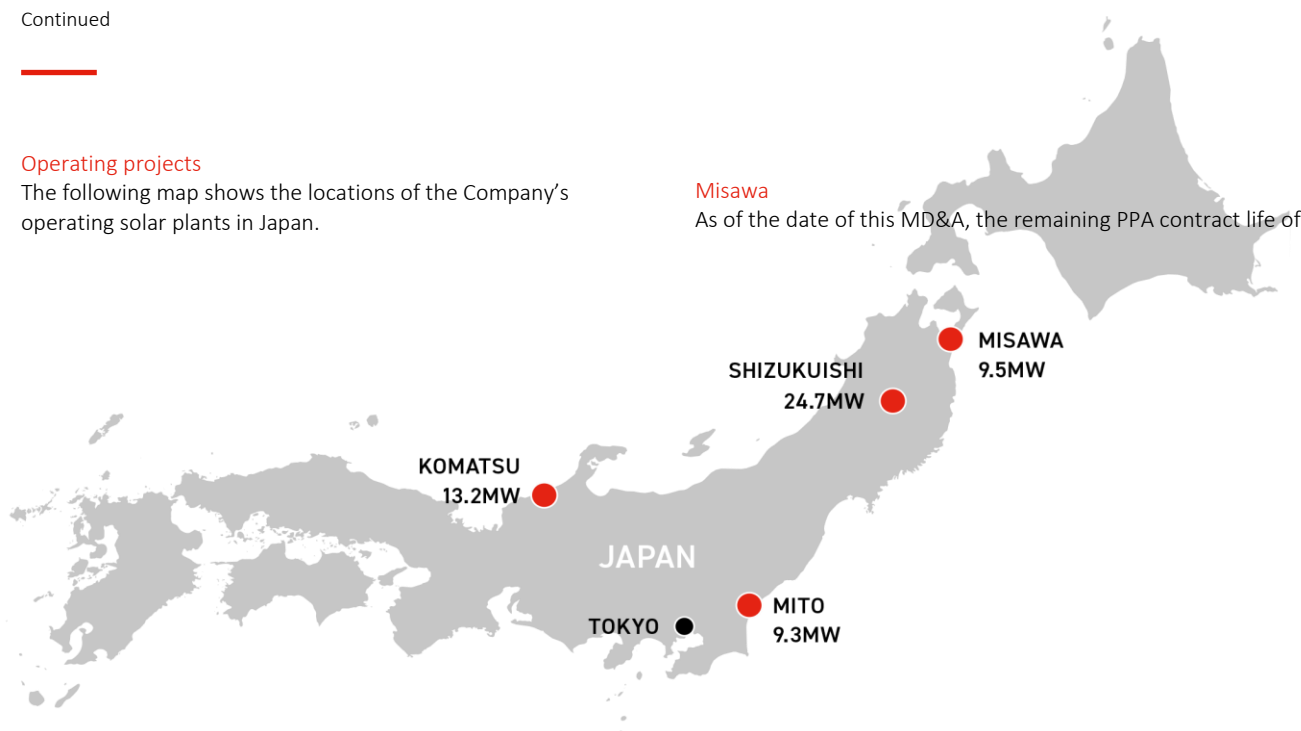
Revenues from Japan are received in Japanese yen and have been translated to the Group's presentation currency \$ using the corresponding implied Q3-20 average rates. Accordingly, changes in the ¥/\$ applicable exchange rates have an impact in the accounting conversion process of the income statement to the Group's reported figures in \$.

Business review

Continued

Operating projects

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



Misawa

As of the date of this MD&A, the remaining PPA contract life of

Mito

As of the date of this MD&A, the remaining PPA contract life of Mito is approximately 15 years. Details of the Group's 100%-owned operating solar power project in Japan are shown below:

Project	Region	Sites	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 16 years. Details of the Group's 100%-owned operating solar power project in Japan are shown below:

Project	Region	Sites	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 is approximately 17 years. Details of the Group's 100%-owned operating solar power project are shown below:

Project	Region	Sites	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 18 years. Details of the Group's 100%-owned operating solar power project are shown below:

Project	Region	Sites	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.

Business review

Continued

Development activities

Projects under construction

Niigata 45MW



Project	Region	Sites	Gross MW	Technology	Expected connection date
Niigata	Niigata	1	45.0	Fixed-tilt	Oct-2021
Total		1	45.0		

Niigata is a 45 MW ground-mounted fixed-tilt solar photovoltaic power project to be built on one site in the Niigata prefecture of Japan. Construction-related work started in the summer of 2019, and the solar project is expected to be fully operational by the fourth quarter of 2021. The solar power plant is being built on 75.7 hectares of land owned by Etrion and will connect to the TOHOKU utility. The project company entered into an effective 20-year PPA with TOHOKU and will receive ¥36 per kWh of electricity produced (approximately US\$0.33 per kWh). Once operational, Niigata is expected to produce approximately 47 gigawatt-hours (“GWh”) of solar electricity per year, enough to supply more than 13,000 Japanese households. Etrion owns 100% of the Niigata project. The total project cost is expected to be approximately ¥16.7 billion (US\$ 154.2 million) including VAT and has been financed 95% through a non-recourse loan. The remaining 5% of total project cost has been fully funded by Etrion during the development period. On July 1, 2019, Etrion charged the Niigata project with a net development fee of approximately ¥600 million (\$5.6 million) and anticipated land lease for ¥459 million (\$4.2 million).

Projects under development

Brownfield Tk-3 – Mie 60 MW

On October 23, 2020, the Company completed the sale of its interest in the Mie 60 MW solar project and received a total of ¥3.4 billion (approximately \$32.2 million) and a development fee of JPY 300 million (approximately \$2.8 million). On October 6, 2020, the Company also received a payment of ¥700 million (approximately \$6.6 million) as reimbursement of advances given to the Mie 60 MW solar project developer, including ¥64 million (approximately \$0.6 million) as interest. In aggregate, Etrion received a total of JPY 4.4 billion (approximately \$41.6 million) on this Mie 60 MW final agreement. USD equivalents were calculated using the actual transaction date exchange rate.

Discontinued operations

Etrion engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd as financial advisor to assist with the potential sale of the Company's 57-megawatt operating solar portfolio and its 45-megawatt solar park under construction in Japan. The sale of the Solar Japan segment is expected to be completed within a year from the reporting date.

At September 30, 2020, the Solar Japan segment was classified as a disposal group held for sale and as a discontinued operation.

The results of the Solar Japan discontinued operation for the period are presented below:

USD thousands	Three months ended		Nine months ended	
	Q3-20	Q3-19	Q3-20	Q3-19
Revenue	6,011	6,356	17,437	18,277
Operating expenses	(1,134)	(1,412)	(3,326)	(4,080)
General and administrative expenses	(128)	(46)	(286)	(258)
Other (expense) income	8	380	33	122
EBITDA	4,757	5,278	13,858	14,061
Depreciation and amortization	(2,367)	(2,365)	(6,978)	(6,849)
Finance income	(1)	-	3	-
Finance costs	(1,100)	(1,209)	(3,325)	(3,614)
Income before income tax	1,289	1,704	3,558	3,598
Income tax expense	(77)	(88)	(303)	(798)
Net income discontinued operations	1,212	1,616	3,255	2,800

The major classes of assets and liabilities of the Solar Japan disposal group classified as held for sale as at September 30, 2020, are as follows:

USD thousands	September 30 2020
Assets	
Property, Plant & Equipment	224,396
Intangible assets	12,029
Other assets	13,508
Cash and cash equivalents	86,275
Assets classified as held for sale	336,208
Liabilities	
Borrowings	276,895
Derivative financial instruments	11,532
Provisions	15,256
Other liabilities	11,892
Liabilities directly associated with assets held for sale	315,575
Net assets held for sale	20,633

Business Review

Continued

Solar market overview

The market for renewable energy sources, including solar, biomass, wind, hydro and biofuels, 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 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. The Japanese Ministry of Economy, Trade and Industry ("METI") forecasts that it will represent over 7% by 2030, which will translate into an incremental annual growth of 4-5 GW in terms of new capacity between 2020 and 2027.

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 the 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 April 1, 2018 (i.e. by March 31, 2020); this will likely result in reduced FiT payment periods after such three-year 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 per annum rule" 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 Enerugi Tairyō Dounyu /Jisedai Denryoku Network Sho linkai). 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 that obtained their grid connection agreements by July 31, 2016, and so are not subject to the three-year rule ("Early High FiT Holders"). On December 5, 2018, METI announced 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 most recent solar rules announced in Japan are less stringent than expected.

FINANCIAL REVIEW

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Financial review

Financial results

Selected financial information

The following financial tables includes continuing/discontinued operations presentation with the restated comparatives as per IFRS 5 requirements. The performance of the Japan solar segment is still displayed in the segment information as it believes that this information is useful for readers of the consolidated financial statements and will also be relevant if the proposed sale of the Company's solar assets is not completed. During the nine months ended September 30 of 2020, the Group's performance and results were highly impacted by the sale of the Mie 60 MW solar project and of its economic interest in PV Salvador. Selected IFRS consolidated financial information, is as follows:

USD thousands (except per share data)	Three months ended		Nine months ended	
	Q3-20	Q3-19	Q3-20	Q3-19
Revenue	-	-	-	-
Gross profit	-	-	-	-
Net income (loss) for the period from continuing operations	26,818	1,626	23,808	(1,239)
Net income from discontinued operations	1,212	1,616	3,255	2,800
Net income for the period	28,030	3,242	27,063	1,561
Net income attributable to owners of Etrion	28,030	2,973	27,063	1,167
Basic and diluted earnings (loss) per share from continuing operations	\$0.08	\$0.00	\$0.07	\$(0.00)
Basic and diluted earnings per share for the period:	\$0.08	\$0.00	\$0.07	\$0.00
Net income (loss) for the period from continuing operations	26,818	1,626	23,808	(1,239)
Adjustments to net income (loss) for:				
Net income tax expense	3,173	1,097	3,121	1,717
Depreciation and amortization	36	36	104	106
Gain on disposal of non-core investment	-	-	(3,318)	-
Share-based payment expense	50	67	144	156
Net finance costs	801	(1,820)	2,339	(602)
Other expense (income)	(530)	379	228	122
Income tax paid	(112)	61	(1,639)	(233)
Changes in working capital	(32,523)	16,502	(31,849)	16,874
Operating cash flow from continuing operations	(2,287)	17,948	(7,062)	16,901

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

USD thousands	September 30 2020	December 31 2019
Non-current assets	1,244	213,339
Current assets	385,286	133,622
Total assets	386,530	346,961
Non-current liabilities	1,017	326,094
Current liabilities	360,502	23,967
Total liabilities	361,519	350,061
Net assets	25,011	(3,100)

Financial review

Continued

Segment information

As stated above, while the only Company's segment (Solar Japan) is now classified as discontinued operations, management continues to disclose the segment information together with the corporate activities as it believes that this information is useful for readers of the consolidated financial statements and will also be relevant if the proposed sale of the Company's solar assets is not completed.

Segment information three months ended September 30

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

USD thousands	Three months ended					
	Q3-20			Q3-19		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	6,011	-	6,011	6,356	-	6,356
Operating expenses	(1,134)	-	(1,134)	(1,412)	-	(1,412)
General and administrative expenses	(128)	(1,316)	(1,444)	(46)	(897)	(943)
Gain on sale of solar project rights	-	33,401	33,401	-	1,841	1,841
Other income (expense)	8	(351)	(343)	380	-	380
EBITDA	4,757	31,734	36,491	5,278	944	6,222
Depreciation and amortization	(2,367)	(36)	(2,403)	(2,365)	(36)	(2,401)
Finance income	(1)	2	1	-	2,559	2,559
Finance costs	(1,100)	(1,709)	(2,809)	(1,209)	(744)	(1,953)
Income before income tax	1,289	29,991	31,280	1,704	2,723	4,427
Income tax expense	(77)	(3,173)	(3,250)	(88)	(1,097)	(1,185)
Net income for the period	1,212	26,818	28,030	1,616	1,626	3,242

Solar Japan: During Q3-20, the Group's Japanese solar segment generated revenues of \$6 million and EBITDA of \$4.7 million, representing decreases of 5.4% and 9.9%, respectively, in comparison with the same period in 2019. Revenue and EBITDA decreased primarily due to lower solar irradiation, partially offset by a reduction in O&M fees and operating personnel costs following the restructuring of the Japanese operating projects completed in December 2019. In the third quarter of 2019, Project-level EBITDA included US\$0.3 m of business interruption insurance reimbursement. As a result, the Group's Japanese segment generated a net income of \$1.2 million, in comparison with a net income of \$1.6 million for the same period in 2019.

Corporate: During Q3-20, the Group's corporate segment generated positive EBITDA of \$36.5 million and a net income of \$28 million, compared to a positive EBITDA of \$0.9 million and a net income of \$1.6 million, respectively, in the same period in 2019. EBITDA and net results were positively impacted by gain on the sale of Etrion's economic interest in the Mie 60 MW solar project. On the other side, the Company recognised \$0.3 million of write-off expenses related to its wind project.

Financial review

Continued

Segment information nine months ended September 30

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

USD thousands	Nine months ended					
	Q3-20			Q3-19		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	17,437	-	17,437	18,277	-	18,277
Operating expenses	(3,326)	-	(3,326)	(4,080)	-	(4,080)
General and administrative expenses	(286)	(4,502)	(4,788)	(258)	(2,724)	(2,982)
Gain on sale of solar project rights	-	33,401	33,401	-	2,760	2,760
Gain on disposal of non-core investment	-	3,318	3,318	-	-	-
Other income (expense)	33	(1,834)	(1,801)	122	-	122
EBITDA	13,858	30,383	44,241	14,061	36	14,097
Depreciation and amortization	(6,978)	(104)	(7,082)	(6,849)	(106)	(6,955)
Finance income	3	2	5	-	2,855	2,855
Finance costs	(3,325)	(3,352)	(6,677)	(3,614)	(2,307)	(5,921)
Income before income tax	3,558	26,929	30,487	3,598	478	4,076
Income tax expense	(303)	(3,121)	(3,424)	(798)	(1,717)	(2,515)
Net income (loss) for the period	3,255	23,808	27,063	2,800	(1,239)	1,561

Solar Japan: During the nine months ended September 30, 2020, the Group's Japanese solar segment generated revenues of \$17.4 million and EBITDA of \$13.8 million, representing a decrease of 4.6% and an increase by 1.4%, respectively, in comparison with the same period in 2019. Revenue decreased primarily due to lower solar irradiation and EBITDA increased due to a reduction in O&M fees and operating personnel costs, following the restructuring of the Japanese operating projects completed in December 2019. In addition, the Group's Japanese segment generated a net income of \$3.2 million, in comparison with net income of \$2.8 million for the same period in 2019.

Corporate: During the nine months ended September 30, 2020, the Group's corporate segment generated positive EBITDA of \$30.4 million and a net gain of \$23.8 million, compared to a positive EBITDA of \$36 thousand and a net loss of \$1.2 million, respectively, in the same period in 2019. The increase in EBITDA and net result compared to prior period reflects the gain on the sale of Etrion's economic interest in the Mie 60 MW solar project for \$33.4 million and the gain on the disposal of Etrion's 70% economic interest in PV Salvador for \$3.3 million. On the other side, the Company recognised several non-recurring expenses: \$1.0 million related to the unrecoverable withholding taxes triggered by an investment contribution to a Japanese subsidiary, \$0.7 million associated with the litigation on the Mie project have been reclassified from development costs to professional fees and salaries, and finally, \$0.3 million of write-off expenses related to its wind project.

Financial review

Continued

Non-GAAP performance measures

Reconciliation of adjusted net loss to net income (loss) USD thousands	Three months ended		Nine months ended	
	Q3-20	Q3-19	Q3-20	Q3-19
Net income (loss) from continuing operations	26,818	1,626	23,808	(1,239)
Adjustments for non-recurring and non-cash items:				
Professional fees and salaries		-	283	-
Tax reassessment from Italian municipalities		-	382	-
Depreciation and amortization	36	36	104	106
Share-based payment expense	50	67	144	156
Gain on sale of solar project rights	(33,401)	(1,840)	(33,401)	(2,760)
Unrecoverable withholding taxes	-	-	1,008	-
Gain on disposal of non-core investment	-	-	(3,318)	-
Adjusted net loss	(6,497)	(111)	(10,990)	(3,737)
Reconciliation of adjusted operating cash flows to operating cash flows				
USD thousands	Q3-20	Q3-19	Q3-20	Q3-19
Operating cash flow from continuing operations	(2,287)	17,948	(7,062)	16,901
- Changes in working capital	32,523	(16,502)	31,849	(16,874)
- Income tax paid	112	(61)	1,639	233
Adjusted operating cash flow from continuing operations	30,348	1,385	26,426	260
Reconciliation of solar segment Adjusted EBITDA to EBITDA				
USD thousands	Q3-20	Q3-19	Q3-20	Q3-19
Net income (loss) from continuing operations	26,818	1,626	23,808	(1,239)
Adjustments for:				
Net income tax expense	3,173	1,097	3,121	1,717
Net finance costs	1,707	(1,815)	3,350	(548)
Depreciation and amortization	36	36	104	106
EBITDA	31,734	944	30,383	36
Adjustment for non-recurring items:				
Gain on sale of solar project rights	(33,401)	(1,840)	(33,401)	(2,760)
Professional fees and salaries	-	-	283	-
Tax reassessment from Italian municipalities	-	-	382	-
Unrecoverable withholding taxes	-	-	1,008	-
Gain on disposal of non-core investment	-	-	(3,318)	-
Adjusted EBITDA from continuing operations	(1,667)	(896)	(4,663)	(2,724)

Financial review

Continued

Quarterly selected financial information

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

USD thousands (except per share data)	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18
Revenue	6,011	7,130	4,296	3,599	6,356	7,705	4,216	4,048
Japan	6,011	7,130	4,296	3,599	6,356	7,705	4,216	4,048
Net income (loss)	28,030	1,611	(2,578)	(6,249)	3,242	547	(2,227)	(2,566)
Net income (loss) from continuing operations attributable to owners of Etrion	26,818	1,611	(2,578)	(6,110)	2,973	164	(1,910)	(2,510)
Net income (loss) attributable to owners of Etrion	28,030	1,611	(2,578)	(6,110)	2,973	164	(1,910)	(2,510)
Basic and diluted earnings (loss) per share:								
From continuing operations attributable to owners of Etrion	\$0.08	\$0.00	\$(0.00)	\$(0.02)	\$0.01	\$0.00	\$(0.01)	\$(0.01)

Solar-related production and revenues experience seasonality 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

Gain on sale of solar project rights

USD thousands	Three months ended		Nine months ended	
	Q3-20	Q3-19	Q3-20	Q3-19
Gain on sale of project rights	30,882	1,841	30,882	2,760
Development fee	2,790	-	2,790	-
Compensation on deposit reimbursement	598	-	598	-
Write-off development costs	(869)	-	(869)	-
Income tax expense	33,401	1,841	33,401	2,760

The Company reached an agreement and sold the project rights over the Mie 60 MW solar project under development for a total of ¥3.4 billion (approximately \$31.0 million). As part of the agreement Etrion also received a development fee of ¥300 million (approximately \$2.8 million) and interest of ¥64 million (approximately \$0.6 million). The Company's capitalized development costs of US\$0.9 incurred in the Mie 60 MW solar project were written off. During the nine months ended September 30, 2019, the Company fully collected ¥300 million (approximately \$2.8 million) from a local Japanese developer of gain on sale of the project rights of the Kumamoto project. USD equivalents were calculated using the applicable average exchange rate.

Gain on disposal of non-core investment

After deconsolidation in 2017, Etrion's economic interest in PV Salvador was accounted for as an equity investment and recorded at a fair value of nil. On May 14, 2020 Etrion disposed of its retained investment in exchange for cash proceeds of \$3.0 million resulting in a net gain on disposal of \$3.0 million. Concurrent with this transaction, Etrion received a termination fee of \$0.3 million as compensation for the early termination of the asset's management service contract with PV Salvador.

General and administrative expenses

USD thousands	Three months ended		Nine months ended	
	Q3-20	Q3-19	Q3-20	Q3-19
Salaries and benefits	443	300	1,797	838
Board of Directors' fees	50	68	156	204
Share-based payments	50	67	144	156
Professional fees	580	182	1,766	761
Listing and marketing	38	57	157	204
Depreciation and amortization	36	36	104	106
Office lease	78	75	228	219
Office, travel and other	77	148	254	342
Total G&A	1,352	933	4,606	2,830

During the three and nine months ended September 30, 2020, general and administrative expenses increased by \$0.4 million (44.9%) and \$1.8 million (62.3%), respectively, compared with the same period in 2019. During the second quarter, the Company reclassified from development costs to professional fees and salaries, all accumulated costs to date of \$0.7 million associated with the litigation on the Mie project. Following the presentation of continuing / discontinued operations, the above table represents the continuing operations with restated comparatives as per IFRS 5 requirements.

Net finance costs

USD thousands	Three months ended		Nine months ended	
	Q3-20	Q3-19	Q3-20	Q3-19
Corporate bonds	715	668	2,093	2,039
Foreign exchange loss (gain)	900	(2,559)	968	(2,855)
Other finance costs, net	92	76	289	268
Net finance cost	1,707	(1,815)	3,350	(548)

During the three and nine months ended September 30, 2020, net finance costs increased by \$3.5 million and increased \$3.9 million, respectively, compared to the same period in 2019, mainly due to an adverse foreign exchange movement. Under the continuing operations, the Group has fixed rate corporate bonds outstanding to be repaid by May 2021 associated with the Group financing structure. The finance costs associated with the projects held for sale are disclosed in note to the Company's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2020 regarding discontinued operations.

Financial review

Continued

Income tax expense

USD thousands	Three months ended		Nine months ended	
	Q3-20	Q3-19	Q3-20	Q3-19
Corporate income tax	3,173	1,097	3,121	1,717
Income tax expense	3,173	1,097	3,121	1,717

During the three and nine months ended September 30, 2020, the Group recognized an income tax expense of \$3.2 million and \$3.1 million, respectively (2019: \$1.1 million and \$1.7 million) associated with its management services subsidiaries. The corporate income tax expense has increased in comparison to 2019 mainly due to the tax effect recognized on the third quarter of 2020 associated with the gain on sale of the Mie 60 MW solar project rights.

Financial position

Liquidity and financing

Cash position

USD thousands	September 30 2020	December 31 2019
Cash and cash equivalents:		
Unrestricted at parent level	5,468	10,596
Restricted at project level	-	112,786
Total cash and cash equivalents	5,468	123,382

Unrestricted cash analysis

The Group's cash and cash equivalents at September 30, 2020, included unrestricted cash of \$5.5 million (December 31, 2019: \$10.6 million) held at the corporate level.

In October 2020, the Group received a total of JPY 4.4 billion (approximately \$41.6 million) of cash proceeds from the sale of the Mie 60 MW solar project rights and increased its unrestricted cash position to \$47.1 million. The Company's management is confident that the Group will be able to fund its working capital requirements for at least 12 months from the date of these consolidated financial statements.

Restricted cash analysis (discontinued operations)

USD thousands	September 30 2020	December 31 2019
Japan	86,275	112,786
Total restricted cash	86,275	112,786

The Group's cash and cash equivalents at September 30, 2020, included restricted cash held at the project level in Japan that is

restricted by the lending banks for future payment of interest and repayment of principal and for 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 decreased by \$26.5 million mainly due to funds used in the construction of the Niigata solar power project, partially offset by operating cash flow from the Japanese solar power projects.

Working capital

At September 30, 2020, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2020	2021	2022	2023	2024	After five years	Total
EPC	19,007	29,651	760	-	-	-	49,418
Project loans	5,319	11,470	28,941	17,961	18,674	235,792	318,157
Corporate bond	2,908	40,656	-	-	-	-	43,564
O&M contracts	384	718	646	811	1,275	9,775	13,608
Operating leases	265	1,059	1,059	1,059	1,059	12,554	17,055
Trade payables	1,351	-	-	-	-	-	1,351
Total	29,235	83,553	31,406	19,831	21,008	258,120	443,154

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

Net equity

During the nine months ended September 30, 2020, total equity attributable to owners of the Company increased by \$28.1 million from a net liability position of \$3.1 million at December 31, 2019, to a net asset position of \$25 million at September 30, 2020. This change was primarily due to the recognition of \$27.1 million of net income during the period. Total equity attributable to owners of the Company at September 30, 2020, was negatively impacted by the cumulative fair value losses of \$12.8 million recognized within other reserves that are associated with the Group's derivative financial instruments. Excluding these fair value losses, the total equity attributable to owners of the Company at September 30, 2020, would have resulted in a net asset position of \$37.8 million.

Financial review

Continued

Borrowings

Non-recourse project loans

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

USD thousands	MW	Maturity	September 30 2020	December 31 2019
Shizukuishi	25	December 30, 2034	54,323	56,050
Mito	9	June 30, 2034	22,497	20,217
Misawa	10	June 30, 2036	24,050	24,592
Komatsu	13	December 30, 2036	29,503	30,003
Niigata	45	June 30, 2038	146,522	140,642
Total			276,895	271,504

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 interest rates ranging from 1.72% to 3.13% all-in. At September 30, 2020, 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 September 30, 2020, and December 31, 2019.

On March 13, 2020, the Company's subsidiary, Mito, entered into an amendment of the senior loan credit facility with the original lender bank, Sumitomo Mitsui Trust Bank ("SMTB"), to increase the size of the non-recourse Mito project loan by ¥295 million, with existing tenor and slightly lower interest rate.

At September 30, 2020 and December 31, 2019, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

Corporate borrowings

At September 30, 2020, the Group had €33.7 million (net of the Company's holdings of €6.3 million) of corporate bonds outstanding. The bonds were issued by the Company in June 2018 at 7.25% annual interest with a three-year maturity. The carrying amount of bonds as at September 30, 2020, including accrued interest net of transaction costs, was \$40.2 million (December 31, 2019: \$37.5 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	September 30 2020	December 31 2019
Total borrowings as per IFRS	40,276	309,049
Accrued interest	(839)	(125)
Transaction costs	237	7,601
Adjusted borrowings	39,674	316,525
Cash and cash equivalents	(5,468)	(123,382)
Adjusted consolidated net debt	34,206	193,143
Adjusted corporate net debt	34,206	27,201

The Group's consolidated net debt increased during the nine months ended September 30, 2020, in comparison with December 31, 2019, mainly due to the decrease in restricted cash and foreign exchange movements.

Outstanding share data

At the date of this MD&A, the Company had 334,094,324 common shares (November 11, 2019: 334,094,324). The Company maintains the Restricted Share Unit Plan (the "Plan") pursuant to which employees, consultants, Directors and officers of the Group may be awarded restricted share units ("RSUs"). The outstanding RSUs have a contractual term of six years and are subject to certain market performance-based vesting conditions. At the date of this MD&A, the Company had 11,666,667 RSUs outstanding.

Off-balance sheet arrangements

The Group had no off-balance sheet arrangements at September 30, 2020, and December 31, 2019.

Capital investments

Pending the completion of the proposed sale of its Japanese solar assets, the Group will finance the construction costs associated with its projects under construction with a combination of existing cash and cash equivalents and non-recourse project loans.

Financial review

Continued

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 and nine months ended September 30, 2020, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2019.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for IFRS 5 "Assets held for sale and discontinued operations" which is now applicable as of September 30, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. 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.

Going concern

The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2020, 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. At September 30, 2020, the Group had unrestricted cash and cash equivalents of \$5.5 million (December 31, 2019: unrestricted \$10.6 million). During the nine months ended September 30, 2020, the Group recognized a net income of \$27.1 million (2019: \$1.6 million). In October 2020, the Group received a total of JPY 4.4 billion (approximately \$41.6 million) of cash proceeds from the sale of the Mie 60 MW solar project rights and increased its unrestricted cash position to \$47.1 million. The Company's management is confident that the Group will be able to fund its working capital requirements for at least 12 months from the date of these

consolidated financial statements. The Company's interim consolidated financial statements for the three and nine months ended September 30, 2020, do not include the adjustments that would result if the Group were unable to continue as a going concern.

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.

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, 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 trusts 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 nine months ended September 30, 2020, are summarized below.

Related party transactions

Lundin Energy AB and subsidiaries

The Group receives professional services from Lundin Energy AB and from Lundin Services BV, a wholly owned subsidiary of Lundin Energy AB, for market and investor relation activities in Sweden and general and administrative expenses, respectively. During the three and nine months ended September 30, 2020, the Group incurred general and administrative expenses of \$3 thousand and \$9 thousand, respectively (2019: \$5 thousand and \$19 thousand) from Lundin Energy AB and its subsidiary. At September 30, 2020, the Group owed no (December 31, 2019: nil) outstanding amounts in relation to these expenses.

Lundin SA

During the three and nine months ended September 30, 2020 the Group recognized expenses of \$15 thousand and \$45 thousand, respectively (2019: \$30 thousand and \$90 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.

Financial review

Continued

Asset management services

During the three and nine months ended September 30, 2020, the Group invoiced asset management services ("AMS") of nil and \$0.3 million of AMS termination fee, respectively (2019: \$0.4 million and \$0.7 million) to PV Salvador, associated with operating and engineering services for a 70 MW solar power project in Chile. These asset management services have been presented as a reduction of corporate general and administrative expenses since September 30, 2017, the date when PV Salvador was deconsolidated.

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 include members of the Board of Directors, the Chief Executive Officer, Marco A. Northland, and the Chief Financial Officer, Christian Lacueva.

During the three and nine months ended September 30, 2020, the Group recognized within general and administrative expenses, \$0.3 million and \$0.9 million, respectively (2019: \$0.3 million and \$0.9 million) associated with the remuneration of key management personnel, related to salaries and short-term benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At September 30, 2020, the Group had no outstanding liabilities to key management personnel (December 31, 2019: \$nil).

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, so that some operating costs will be impacted by any inflation.

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

statements for the year ended December 31, 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	September 30 2020	December 31 2019
Derivative financial liabilities:		
Interest rate swap contracts		
Current portion	-	1,429
Non-current portion	-	8,782
Total derivative financial instruments	-	10,211

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.

At September 30, 2020, and December 31, 2019, 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 finance income/costs. Following the IFRS 5 presentation all solar projects associated derivatives have been reclassified under liabilities associated with the assets held for sale.

RISKS AND UNCERTAINTIES

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Non-financial risks	28

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. Certain of such risks and uncertainties will also be subject to the outcome of the proposed sale of the Group's Japanese solar assets as disclosed elsewhere in this MD&A. For a more detailed discussion of risk factors currently applicable to the Group, see Etrion's Annual Information Form for the year ended December 31, 2019, 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 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 ability of the Group to repay its outstanding corporate bonds due in May 2021 and 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 be unable to continue as a going concern, miss certain business opportunities, reduce or terminate its operations or forfeit its direct or indirect interest in certain projects. There is no assurance that debt and/or equity financing, or cash generated from operations, will be available or sufficient to meet these requirements or for other corporate purposes, or, if debt and/or equity financing is available, that it will be available on terms acceptable to the Group. The inability of the Group to access sufficient capital for its operations could have a material impact on the Group's business model, financial position and performance.

Market risks

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

Cost uncertainty

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

Non-financial risks

Licenses and permits

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

Governmental regulation

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

Coronavirus (COVID-19)

The magnitude of any potential disruption of the Company's business operations due to the coronavirus outbreak will depend on certain developments, including the duration, spread and severity of the COVID-19 outbreak in Japan. The Company is actively monitoring and implementing specific precautionary measures to mitigate any potential disruptions. As of the date hereof, none of the Company's operating or development projects has been adversely affected. However, the duration and extent of the COVID-19 outbreak and the potential financial impact on the Company's operations and development activities cannot be reasonably predicted at this time and it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition including, without limitation, the possible temporary suspension of construction activities at the Niigata Project.

OTHER DISCLOSURES

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Other disclosures

Etrion outlook and guidance

On March 10, 2020, Etrion issued a revenue and project-level EBITDA forecast for the fiscal year ending December 31, 2020. The Group has reviewed the previously released guidance in light of the performance for the nine months ended September 30, 2020 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 proposed sale of its Japanese solar assets; 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) in the event such sale does not proceed; 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 repay the outstanding corporate bonds due in May 2021, fund the construction or acquisition of new projects and the expected sources of such capital; and expectations relating to grid parity. 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: the risk that the sale of the Japanese solar assets may not be completed as expected; 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 potential impact of the current COVID-19 pandemic on the Company's operations; 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 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 or obtain sufficient external funding 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 complete the sale of its Japanese assets; the ability of the Group to obtain the required permits in a timely fashion and project and debt or equity financing on economic terms and/or in accordance with its expectations; the assumption that COVID-19 will not adversely affect the Company's 2020 financial results; 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 under the heading "Risk and uncertainties" above and 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