etrion

Management's Discussion and Analysis
Three and Six Months Ended June 30, 2021

24.7 MW Shizukuishi solar power park in Japan

At a Glance

Etrion Corporation

Etrion Corporation was created as a renewable energy development company. From our inception we have been 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 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.

In 2020, 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. During the second and third quarters of 2021, Etrion completed the sale of all of its Japanese solar projects to two different Japanese consortiums.

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

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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 August 6, 2021, should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2021. Financial information is reported in both United States dollars ("$" or "USD") and in Euros ("€") because the Company's previously outstanding corporate bonds were 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 June 30, 2021	131.56	110.55	1.19
Closing rate at June 30, 2020	120.91	107.73	1.12
Six months average rate 2021	129.57	107.89	1.21
Six months average rate 2020	119.30	108.25	1.10

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 17). 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 17). In addition, adjusted operating cash flow is used by investors to compare cash flows from operating activities without the effects of certain volatile items that can positively or negatively affect changes in working capital and are viewed as not directly related to a company's operating performance (the most comparable IFRS measure is cash flow used in operations as reconciled on page 17). 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 25.

SECOND QUARTER 2021 HIGHLIGHTS

Second quarter 2021 highlights

Operational highlights

- Etrion produced 30.5 million kilowatt-hours ("kWh") of electricity from the Company's 57-megawatt ("MW") portfolio comprising 11 solar power plant sites in Japan.
- On May 31, 2021, the Company completed the sale of its TK interests in the 45 MW Niigata solar project to a consortium led by Renewable Japan Co. Ltd for gross proceeds of JPY 6.3 billion (approximately $57.7 million).
- On June 22, 2021, the Company completed the sale of its TK interests in the 13.2 MW Komatsu, 24.7 MW Shizukuishi and 9.3 MW Mito, operating solar energy projects to a Japanese consortium ("the Consortium"), for gross proceeds of JPY 8.3 billion (approximately $74.9 million).
- On July 28, 2021, the Company completed the sale of its TK interests in the 9.5 MW Misawa energy project to the Consortium, for gross proceeds of JPY 1.5 billion (approximately $13.5 million).
- The Company's management has concluded that, since September 30, 2020, the Japanese solar assets and the entire Solar Segment have met the definition of assets held-for-sale and discontinued operations 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 $10.7 million were 6.8% lower relative to Q2-20.
- Solar segment EBITDA of $0.7 million was 91.9% lower relative to Q2-20.
- On January 4, 2021, Etrion received a €4.0 million (approximately $4.7 million) loan facility from the Lundin family in order to finance the repayment of the Company's outstanding corporate bonds. The loan bore a 3% interest rate and was repayable on December 21, 2021. On June 9, 2021, Etrion repaid in full the loan facility to the Lundin family.
- On January 7, 2021, Etrion redeemed the €40 million (approximately $49.0 million) principal amount of outstanding corporate bonds, in full and at a redemption price of 100.725% of the face value plus accrued and unpaid interest.
- As of June 30, 2021, Etrion recognized a group gain on sale of subsidiaries of JPY 12.7 billion ($118.2 million).
- Etrion closed the second quarter of 2021 with an unrestricted cash balance of $131.7 million held at corporate level and positive working capital of $119.3 million.
- On August 5, 2021, the Company's board of directors declared an initial distribution to shareholders of US$0.327 (CAD$0.41) per common share. The distribution will be made as a return of capital to shareholders of record at the close of business on August 17, 2021, and the capital of the common shares will be reduced accordingly. The distribution will be payable on August 24, 2021. The distribution on shares traded on Nasdaq Stockholm will be paid in Swedish kronor in accordance with Euroclear principles on or about August 30, 2021.

Second quarter 2021 highlights

Continued

	Three months ended		Six months ended	
USD thousands (unless otherwise stated)	Q2-21	Q2-20	Q2-21	Q2-20
Electricity production (MWh)[1]	**19,357**	**20,540**	**30,525**	**33,003**
Financial results from discontinued operations				
Revenues	6,710	7,130	10,654	11,426
EBITDA	(2,028)	5,948	733	9,101
Net (loss) income	(3,659)	2,481	(2,736)	2,043
Gain on sale of subsidiaries	118,242	-	118,242	-
Accumulated hedging losses – disposed assets	(11,504)	-	(11,504)	-
Profit from discontinued operations	103,079	2,481	104,002	2,043
Financial results from continuing operations				
EBITDA	(4,934)	325	(6,716)	(1,351)
Adjusted EBITDA[2]	(4,596)	(1,702)	(6,245)	(2,996)
Net loss	(1,977)	(870)	(4,430)	(3,010)

	June 30 2021	December 31 2020
Balance sheet		
Total assets	160,900	381,625
Unrestricted cash at parent level	131,679	8,956
Restricted cash at parent level	-	37,008
Working capital	119,328	822
Consolidated net debt on a cash basis	-	(4,532)
Corporate net debt	-	(4,532)
Assets-held-for sale, net	3,136	20,610

[1]MWh = Megawatt-hour
[2]Refers to adjusted EBITDA as reconciled on page 17

BUSINESS REVIEW

Business review

Business overview

Etrion Corporation was created as an independent renewable energy developer. The Company operated 57 MW of installed solar capacity and 45 MW of solar projects under construction, all in Japan. The Company is listed on the Toronto Stock Exchange in Canada and the Nasdaq Stockholm exchange in Sweden under ticker symbol "ETX". Etrion's largest shareholder is the Lundin family, which owns approximately 36% of the Company's shares directly and through various trusts.

The Company's common shares are listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm Exchange in Sweden. Etrion is based in Geneva, Switzerland and Tokyo, Japan. As of the date of this MD&A, the Company has a total of 11 employees.

The Company engaged Mitsubishi UFJ Morgan Stanley Securities Co., Ltd in the summer of 2020 as financial advisor to assist with the potential sale of the Japanese solar assets. During the third quarter of 2020, the Company received several non-binding proposals from strategic and financial investors regarding the potential purchase of the solar projects and a short-listed group of interested parties were selected to engage in detailed due diligence of the subject assets. Following such due diligence, the Company received various binding offers and in the fourth quarter the Board of Directors selected two preferred bidders, one for the four operating solar projects and another one for Project Niigata. Following the selection of the preferred bidders, the Company entered into negotiation of formal transaction agreements.

On May 31, 2021, the Company completed the sale of its TK interests in the 45 MW Niigata solar project to a consortium led by Renewable Japan Co. Ltd for gross proceeds of JPY 6.3 billion (approximately $57.7 million).

On June 22, 2021, the Company completed the sale of its TK interests in the 13.2 MW Komatsu, 24.7 MW Shizukuishi and 9.3 MW Mito, operating solar energy projects to a Japanese consortium ("the Consortium"), for gross proceeds of JPY 8.3 billion (approximately $74.9 million).

On July 28, 2021, the Company completed the sale of its TK interests in the 9.5 MW Misawa energy project to the Consortium, for gross proceeds of JPY 1.5 billion (approximately $13.5 million).

On August 5, 2021, the Company's board of directors declared an initial distribution to shareholders of US$0.327 (CAD$0.41) per common share. The distribution will be made as a return of capital to shareholders of record at the close of business on August 17, 2021, and the capital of the common shares will be reduced accordingly. The distribution will be payable on August 24, 2021. The distribution on shares traded on Nasdaq Stockholm will be paid in Swedish kronor in accordance with Euroclear principles on or about August 30, 2021.

After closing, the Company will be required to provide certain transition services to the purchasers of its projects for a period of 90 days. The Company plans to maintain the minimum resources required to effectively provide such transition services, continue to prosecute the pursuit of its claim for Italian tax credits and complete the windup of its subsidiaries, except as may be required to pursue such credits.

The Company plans to reserve approximately CAD$20 million to cover for any liabilities that may result from potential warranty claims under the sale and purchase agreements pursuant to which its solar projects were sold, other corporate level liabilities and anticipated expenses to cover continuing operations and windup costs.

Subject to the possibility of the board of directors of identifying other potential business opportunities, the Company expects to complete its windup activities and proceed with the dissolution within approximately 36 months, although it is possible that the dissolution may be extended beyond that time. Any cash remaining at the completion of the windup activities and settlement of all liabilities of the Company will be distributed to shareholders. The Company currently expects the final distribution to be between CAD$0.04 (approximately US$0.03) per share and CAD$0.08 (approximately US$0.06) per share.

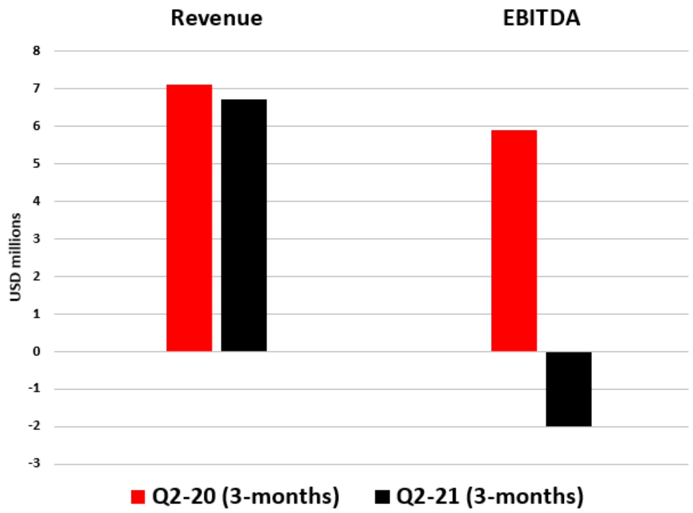
Business review

Continued

Operations review
Three months ended June 30

USD thousands (unless otherwise stated)	Japan Q2-21	Japan Q2-20
Operational data		
Electricity production (MWh)	19,357	20,540
Operational performance		
Electricity revenue		
Feed-in-tariff [1]	6,710	7,130
Total revenues	6,710	7,130
EBITDA [2]	(2,028)	5,948
EBITDA margin (%)	(30)%	83%
Net (loss) income	(3,659)	2,481

1. FiT scheme under PPA with utilities.
2. Refers to segment EBITDA as reconciled in the segment information section on page 14.



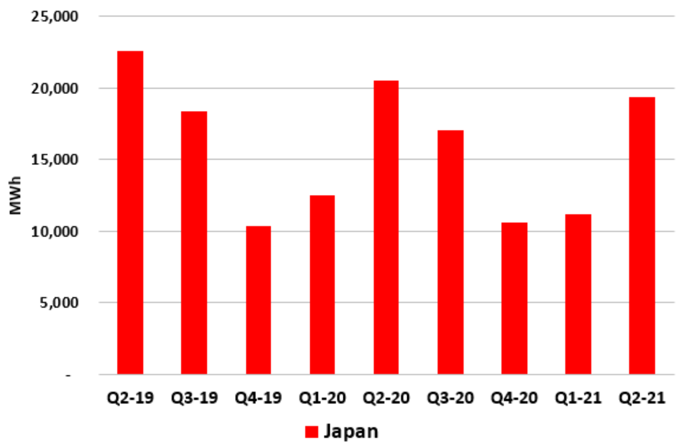
Operating performance in Japan (3 months)
During Q2-21, the Group produced 5.8% less electricity in Japan than in the same period in 2020. Total production is impacted by the sale of three out of four operating solar projects on June 22, 2021. Therefore, eight days of production is not included in Q2-2021. Furthermore, the sites 3 & 4 from Misawa were still running at lower production due to winter damages. Full production was restored end of May 2021.

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 Q2-21, 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 Q2-21, the Group's revenue and project-level EBITDA decreased by approximately 5.9% and 134.1%, respectively, compared to the same period in 2020 for the same reasons as stated above. Furthermore, project EBITDA was impacted by the classification of expenses associated with the sale process of the Japanese assets, in the General and administrative expenses, for an amount of $6.7 million.

Revenues from Japan are received in Japanese yen and have been translated to the Group's presentation currency $ using the Q2-21 average rates. Accordingly, changes in the ¥/$ exchange rate have an impact on the accounting conversion process of the income statement from ¥ 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.



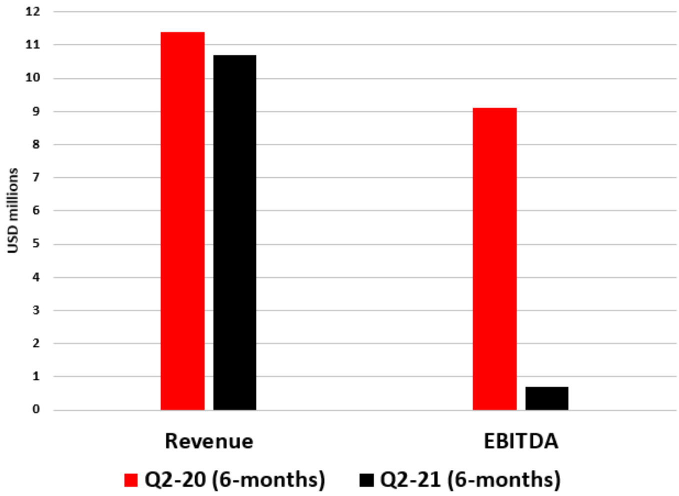
Business review

Continued

Six months ended June 30

USD thousands (unless otherwise stated)	Japan Q2-21	Japan Q2-20
Operational data		
Electricity production (MWh)	30,525	33,003
Operational performance		
Electricity revenue		
Feed-in-tariff (3)	10,654	11,426
Total revenues	10,654	11,426
EBITDA (4)	733	9,101
EBITDA margin (%)	7%	80%
Net (loss) income	(2,736)	2,043

3. FiT scheme under PPA with utilities.
4. Refers to segment EBITDA as reconciled in the segment information section on page 15.



Operating performance in Japan (6 months)

During the first half of 2021, the Group produced 7.5% less electricity in Japan than in the same period in 2020. Total production was severely affected due to historically high snowfall conditions experienced in Japan in Q1-21 and in addition, two of the four solar sites (sites 3 & 4) from Misawa were taken out of service because they were partially damaged due to these snowfall conditions. The sites were fully restored end of May 2021. Finally, the Group sold three out of four solar projects on June 22,2021, and therefore eight days of production is not included.

During the six months ended June 30, 2021, the Group's revenue and project-level EBITDA decreased by approximately 6.8% and 91.9%, respectively, compared to the same period in 2020 for the same reasons as stated above. Furthermore, project EBITDA was impacted by the classification of expenses associated with the sale process of the Japanese assets, in the General and administrative expenses, for an amount of $6.7 million.

Revenues from Japan are received in Japanese yen and have been translated to the Group's presentation currency $ using the Q2-21 average rates. Accordingly, changes in the ¥/$ exchange rate have an impact on the accounting conversion process of the income statement from ¥ to the Group's reported figures in $.

Business review

Continued

Discontinued operations

In 2020, 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.

On May 31, 2021, the Company completed the sale of its TK interests in the 45 MW Niigata solar project under construction to Renewable Japan Co. Ltd and Daiichi Life Insurance Company Limited for gross proceeds of JPY 6.3 billion (approximately $57.7 million).

On June 22, 2021, the Company completed the sale of its TK interests in the Company's 13.2 MW Komatsu, 24.7 MW Shizukuishi and 9.3 MW Mito operating solar energy projects (collectively the "3 Projects") to companies established by Development Bank of Japan Inc., Kansai Electric Power Co., Inc. and Osaka Gas Co., Ltd. (collectively the "Consortium"), for gross proceeds of JPY 8.3 billion (approximately $74.9 million).

As at June 30, 2021, the last remaining operating solar project owned by Etrion was the 9.5 MW Misawa solar energy project. The sale was completed on July 28,2021 for gross proceeds of JPY 1.5 billion (approximately $13.5 million).

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

	Three months ended		Six months ended	
USD thousands	**Q2-21**	**Q2-20**	**Q2-21**	**Q2-20**
Revenue	6,710	7,130	10,654	11,426
Operating expenses	(1,022)	(1,137)	(2,157)	(2,192)
General and administrative expenses	(6,724)	(62)	(6,770)	(158)
Other (expense) income, net	(992)	17	(994)	25
EBITDA	**(2,028)**	**5,948**	**733**	**9,101**
Depreciation and amortization	-	(2,321)	-	(4,611)
Finance costs	(1,021)	(1,127)	(2,105)	(2,221)
Income before income tax	**(3,049)**	**2,499**	**(1,372)**	**2,269**
Income tax expense	(610)	(18)	(1,364)	(226)
Net (loss) income discontinued operations	**(3,659)**	**2,481**	**(2,736)**	**2,043**
Gain on sale of subsidiaries	118,242	-	118,242	-
Accumulated hedging losses – disposed assets	(11,504)	-	(11,504)	-
Profit from discontinued operations	**103,079**	**2,481**	**104,002**	**2,043**

Details of the sale of the Japanese subsidiaries, are as follows:

	JPY'000	**US$**
Total cash consideration at closing	14,623	135,993
Less (-) proceeds from shareholder loan	(131)	(1,219)
Sale proceeds for shares in Japanese subsidiaries	**14,492**	**134,774**
Carrying amount of net assets sold	(1,778)	(16,532)
Gain on sale of subsidiaries	**12,714**	**118,242**

Upon the closing of the sale and purchase agreements, the Company's 100% participation in the shares of the Japanese subsidiaries and the shareholder loan outstanding from these entities were both acquired by the two consortiums for JPY 14.5 billion ($134.8 million) and JPY 131 million ($1.2 million), respectively. Transaction costs directly attributable to the sale transaction of approximately $6.7 million have been recognized and classified in the General and administrative expenses as part of the discontinued operations.

The major classes of assets and liabilities of the Solar Japan disposal group classified as held for sale as at June 30, 2021, are as follows:

USD thousands	**June 30 2021**	**December 31 2020**
Assets		
Property, plant & equipment	22,680	242,800
Intangible assets	1,383	12,306
Other assets	807	13,646
Cash and cash equivalents	1,992	63,715
Assets classified as held for sale	**26,862**	**332,467**
Liabilities		
Borrowings	21,688	279,953
Derivative financial instruments	846	11,140
Lease liabilities	-	10,199
Provisions	825	5,456
Other liabilities	367	5,109
Liabilities directly associated with assets held for sale	**23,726**	**311,857**
Net assets held for sale	**3,136**	**20,610**

USD thousands	**June 30 2021**	**December 31 2020**
Amounts included in other reserves		
Loss on cash flow hedges	(1,460)	(17,575)
Deferred tax on cash flow hedges	400	4,782
Assets classified as held for sale	**(1,060)**	**(12,793)**

FINANCIAL REVIEW

Financial review

Financial results

Selected financial information

During the first half of 2021, the Group's performance and results were negatively impacted by the adverse weather conditions compared with the same period in 2020 in Japan. Furthermore, eight days of production is not included due the sale of three out of four operating solar projects. Revenue, gross profit and EBITDA on a consolidated basis decreased in comparison with the same period in 2020, due to the lower performance of the existing solar parks. Selected IFRS consolidated financial information, is as follows:

	Three months ended		Six months ended	
USD thousands (except per share data)	**Q2-21**	**Q2-20**	**Q2-21**	**Q2-20**
Revenue	-	-	-	-
Gross profit	-	-	-	-
Net loss for the period from continuing operations	(1,977)	(870)	(4,430)	(3,010)
Net income from discontinued operations	103,079	2,481	104,002	2,043
Net income (loss) for the period	**101,102**	**1,611**	**99,572**	**(967)**
Net income (loss) attributable to owners of Etrion	101,102	1,611	99,572	(967)
Basic and diluted loss per share from continuing operations	**$(0.00)**	**$(0.00)**	**$(0.01)**	**$(0.01)**
Basic and diluted earnings per share for the period:	**$0.30**	**$0.01**	**$0.30**	**$0.00**
Net loss for the period from continuing operations	**(1,977)**	**(870)**	**(4,430)**	**(3,010)**
Adjustments to net loss for:				
Net income tax (recovery) expense	(2,525)	40	(2,441)	(52)
Depreciation and amortization	32	34	65	68
Share-based payment expense	1,415	46	1,547	94
Net finance (income) costs	(465)	1,272	90	2,005
Other (income) expense, net	(131)	283	-	733
Income tax recovered (paid)	83	67	-	(1,527)
Changes in working capital	10,802	(463)	9,037	1,669
Operating cash inflow/(outflow) from continuing operations	**7,234**	**409**	**3,868**	**(20)**

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

USD thousands	**June 30 2021**	**December 31 2020**
Non-current assets	1,237	1,299
Current assets	159,663	380,326
Total assets	**160,900**	**381,625**
Non-current liabilities	1, 171	1,221
Current liabilities	37,199	358,892
Total liabilities	**38,370**	**360,113**
Net assets	**122,530**	**21,512**

Financial review

Continued

Segment information

As stated above, while the Company's only 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.

Segment information three months ended June 30

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

USD thousands	Three months ended					
	Q2-21			Q2-20		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	6,710	-	6,710	**7,130**	**-**	**7,130**
Operating expenses	(1,022)	-	(1,022)	(1,137)	-	(1,137)
General and administrative expenses	(6,724)	(4,530)	(11,254)	(62)	(1,968)	(2,030)
Other (expense) income, net	(992)	(404)	(1,396)	17	2,293	2,310
EBITDA	**(2,028)**	**(4,934)**	**(6,962)**	**5,948**	**325**	**6,273**
Depreciation and amortization	-	(32)	(32)	(2,321)	(34)	(2,355)
Finance income	-	575	575	3	-	3
Finance costs	(1,021)	(110)	(1,131)	(1,131)	(1,121)	(2,252)
(Loss) income before income tax	**(3,049)**	**(4,501)**	**(7,550)**	**2,499**	**(830)**	**1,669**
Income tax (expense) recovery	(610)	2,524	1,914	(18)	(40)	(58)
Net (loss) income for the period	**(3,659)**	**(1,977)**	**(5,636)**	**2,481**	**(870)**	**1,611**

Solar Japan: During Q2-21, the Group's Japanese solar segment generated revenues of $6.7 million and negative EBITDA of $2.0 million, representing decreases of 5.9% and 134.1%, respectively, in comparison with the same period in 2020. Revenue and EBITDA decreased as production has been impacted by the sale of three out of four solar projects on June 22, 2021, and therefore eight days of production are not included in Q2-21. Furthermore, the sites 3 & 4 from Misawa were still running at lower production due to winter damages. Full production was restored end of May 2021. Furthermore, project EBITDA was impacted by the classification of expenses associated with the sale process of the Japanese assets, in the General and administrative expenses, for an amount of $6.7 million.

Corporate: During Q2-21, the Group's corporate segment generated negative EBITDA of $4.9 million and a net loss of $2.0 million, compared to a positive EBITDA of $0.3 million and a net loss of $0.9 million, respectively, in the same period in 2020. Net results were affected in 2021 by the expenses associated with the severance provisions and the accelerated expenses of restricted share units ("RSUs") fully vested and lower capitalization of development costs. In Q2-20, EBITDA was positively impacted by the income from arranging the sale of PV Salvador for $3.3 million compensating the $1.0 million unrecoverable withholding taxes triggered by an investment contribution to a Japanese subsidiary.

Financial review

Continued

Segment information six months ended June 30

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

	Six months ended					
USD thousands	Q2-21			Q2-20		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	10,654	-	10,654	**11,426**	**-**	**11,426**
Operating expenses	(2,157)	-	(2,157)	(2,192)	-	(2,192)
General and administrative expenses	(6,770)	(6,179)	(12,949)	(158)	(3,186)	(3,344)
Other (expense) income, net	(994)	(537)	(1,531)	25	1,835	1,860
EBITDA	**733**	**(6,716)**	**(5,983)**	**9,101**	**(1,351)**	**7,750**
Depreciation and amortization	-	(65)	(65)	(4,611)	(68)	(4,679)
Finance income	-	677	677	4	-	4
Finance costs	(2,105)	(767)	(2,872)	(2,225)	(1,643)	(3,868)
(Loss) income before income tax	**(1,372)**	**(6,871)**	**(8,243)**	**2,269**	**(3,062)**	**(793)**
Income tax (expense) recovery	(1,364)	2,441	1,077	(226)	52	(174)
Net (loss) income for the period	**(2,736)**	**(4,430)**	**(7,166)**	**2,043**	**(3,010)**	**(967)**

Solar Japan: During the first half of 2021, the Group's Japanese solar segment generated revenues of $10.7 million and EBITDA of $0.7 million, representing decreases of 6.8% and 91.9%, respectively, in comparison with the same period in 2020. Revenue and EBITDA decreased due to historically high snowfalls conditions experienced in Japan in Q1-21 and in addition, two of the four solar sites (sites 3 & 4) from Misawa were taken out of service following damages from snowfalls. The sites were restored end of May 2021. Furthermore, eight days of production is not included in Q2-21, following the sale of three out of four operating solar projects on June 22, 2021. Furthermore, project EBITDA was impacted by the classification of expenses associated with the sale process of the Japanese assets, in the General and administrative expenses, for an amount of $6.7 million.

Corporate: During the first half of 2021, the Group's corporate segment generated negative EBITDA of $6.7 million and a net loss of $4.4 million, compared to a negative EBITDA of $1.4 million and a net loss of $3.0 million, respectively, in the same period in 2020. Net results were affected in 2021 by the expenses associated with the severance provisions and the accelerated expenses of RSUs fully vested and lower capitalization of development costs. In Q2-20, EBITDA was positively impacted by the income from arranging the sale of PV Salvador for $3.3 million compensating the $1.0 million unrecoverable withholding taxes triggered by an investment contribution to a Japanese subsidiary.

Financial review

Continued

Non-GAAP performance measures

Reconciliation of adjusted net loss to net loss	Three months ended		Six months ended	
USD thousands	Q2-21	Q2-20	Q2-21	Q2-20
Net loss from continuing operations	(1,977)	(870)	(4,430)	(3,010)
Adjustments for non-recurring and non-cash items:				
Professional fees and salaries	-	283	-	283
Tax reassessment from Italian municipalities	-	-	-	382
VAT write-off	-	-	133	-
Depreciation and amortization	32	34	65	68
Share-based payment expense	1,415	46	1,547	94
Unrecoverable withholding taxes	338	1,008	338	1,008
Other income	-	(3,318)	-	(3,318)
Adjusted net (income) loss	(192)	(2,817)	(2,347)	(4,493)

Reconciliation of adjusted operating cash flows to operating cash flows	Three months ended		Six months ended	
USD thousands	Q2-21	Q2-20	Q2-21	Q2-20
Operating cash inflow/(outflow) from continuing operations	7,234	409	3,868	(20)
- Changes in working capital	(10,802)	463	(9,037)	(1,669)
- Income tax (recovered) paid	(83)	(67)	-	1,527
Adjusted operating cash (outflow)/inflow from continuing operations	(3,651)	805	(5,169)	(162)

Reconciliation of continuing operations Adjusted EBITDA to EBITDA	Three months ended		Six months ended	
USD thousands	Q2-21	Q2-20	Q2-21	Q2-20
Net loss from continuing operations	(1,977)	(870)	(4,430)	(3,010)
Adjustments for:				
Net income tax (recovery) expense	(2,524)	40	(2,441)	(52)
Net finance (income) costs	(465)	1,121	90	1,643
Depreciation and amortization	32	34	65	68
EBITDA	(4,934)	325	(6,716)	(1,351)
Adjustment for non-recurring items:				
Professional fees and salaries	-	283	-	283
Tax reassessment from Italian municipalities	-	-	-	382
VAT write-off	-	-	133	-
Unrecoverable withholding taxes	338	1,008	338	1,008
Other income	-	(3,318)	-	(3,318)
Adjusted EBITDA from continuing operations	(4,596)	(1,702)	(6,245)	(2,996)

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)	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Revenue	**6,710**	**3,944**	**3,932**	**6,011**	**7,130**	**4,296**	**3,599**	**6,356**
Japan	6,710	3,944	3,932	6,011	7,130	4,296	3,599	6,356
Net income (loss)	**101,102**	**(1,530)**	**(4,477)**	**28,030**	**1,611**	**(2,578)**	**(6,249)**	**3,242**
Net (loss) income from continuing operations attributable to owners of Etrion	(1,977)	(2,453)	(4,263)	26,818	1,611	(2,578)	(6,110)	2,973
Net income (loss) attributable to owners of Etrion	101,102	(1,530)	(4,477)	28,030	1,611	(2,578)	(6,110)	2,973
Basic and diluted (loss) earnings per share:								
From continuing operations attributable to owners of Etrion	$(0.00)	$(0.00)	$(0.01)	$0.08	$0.00	$(0.00)	$(0.02)	$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

General and administrative expenses

	Three months ended		Six months ended	
USD thousands	Q2-21	Q2-20	Q2-21	Q2-20
Salaries and benefits	1,438	771	1,947	1,354
Board of Directors' fees	36	38	65	106
Share-based payments	2,113	46	2,245	94
Professional fees	228	913	1,041	1,186
Listing and marketing	105	74	153	119
Depreciation and amortization	32	34	65	68
Office lease	56	76	111	150
Office, travel and other	554	50	617	177
Total G&A	**4,562**	**2,002**	**6,244**	**3,254**

During the three and six months ended June 30, 2021, general and administrative expenses increased by $2.6 million (127.9%) and $2.8 million (83.0%), respectively, compared with the same period in 2020 due the recognition of expenses associated with the severance provisions, the accelerated expenses of RSUs fully vested and the net wealth tax provision for the Company's subsidiary Solar Resources Holding Sarl. Following the presentation of continuing / discontinued operations, the above table represents the continuing operations with restated comparatives as per IFRS 5 requirements

Other (expense) income, net

	Three months ended		Six months ended	
USD thousands	Q2-21	Q2-20	Q2-21	Q2-20
Income from arranging the sale of PV Salvador SpA	-	2,977	-	2,977
AMS termination fee received	-	341	-	341
Unrecoverable withholding taxes	(338)	(1,008)	(338)	(1,008)
Municipality tax reassessment from disposed assets	-	-	-	(382)
Unrecoverable VAT and other	(66)	(17)	(199)	(93)
Total other (expense) income, net	**(404)**	**2,293**	**(537)**	**1,835**

During the six months ended June 30, 2021, the Company recognized a $0.2 million write-off of unrecoverable VAT from one of its Japanese subsidiaries and $0.3 million of unrecoverable withholding taxes triggered by the cash distribution made under the TK-GK structure. In addition, in 2020, the Company recognized approximately $1.0 million of unrecoverable withholding taxes triggered by an investment contribution to one of its Japanese subsidiaries and $0.4 million of tax expense relating to tax reassessments received from the Italian municipalities where two of its previously owned solar parks operated. On May 14, 2020, Etrion recognized an income from arranging the sale of PV Salvador SpA in exchange for cash proceeds 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 SpA.

Net finance costs

	Three months ended		Six months ended	
USD thousands	Q2-21	Q2-20	Q2-21	Q2-20
Interest expense on corporate bond	-	795	64	1,538
Loss on call option	-	-	117	-
Loss on debt extinguishment	-	-	435	-
Foreign exchange (gain) loss	(575)	314	(677)	68
Other finance costs, net	110	12	151	37
Net finance (gain) cost	**(465)**	**1,121**	**90**	**1,643**

During the three and six months ended June 30, 2021, net finance costs decreased by $1.6 million and by $1.5 million, respectively, compared to the same period in 2020. Following the redemption and full repayment of the corporate bonds as of January 7, 2021, the interest expense significantly decreased in comparison with the same period in 2020. Following the presentation of continuing / discontinued operations, the above table represents the continuing operations with restated comparatives as per IFRS 5 requirements.

Income tax expense

	Three months ended		Six months ended	
USD thousands	Q2-21	Q2-20	Q2-21	Q2-20
Corporate income tax recovery (expense)	2,524	(40)	2,441	52
Total income tax recovery (expense)	**2,524**	**(40)**	**2,441**	**52**

During the three and six months ended June 30, 2021, the Group recognized an income tax recovery of $2.5 million and $2.4 million, respectively (2020: $40 thousand of tax expense and $52 thousand of tax recovery) associated with its management services subsidiaries. The tax recovery was triggered by a change in the estimate tax impact in connection with the sale of the Japanese assets.

Financial review

Continued

Financial position

Liquidity and financing

Cash position

USD thousands	June 30 2021	December 31 2020
Cash and cash equivalents:		
Unrestricted at parent level	131,679	8,956
Restricted at parent level (bond)	-	37,008
Total cash and cash equivalents	**131,679**	**45,964**

Unrestricted cash analysis

The Group's cash and cash equivalents at June 30, 2021, included unrestricted cash of $131.7 million held at the corporate level. 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	June 30 2021	December 31 2020
Japan	1,992	63,715
Total restricted cash	**1,992**	**63,715**

The Group's cash and cash equivalents at June 30, 2021, 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 $61.7 million as the Group sold three out of four operating solar projects on June 22, 2021 and the project under construction on May 31, 2021.

Working capital

At the date of this MD&A, the Group had no more contractual obligations in regards of project loans and O&M contracts. The only obligations pertain to the trade payables amounting of $13.3 million as of June 30, 2021 and due within one year.

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

Net equity

During the six months ended June 30, 2021, total equity attributable to owners of the Company increased by $101.0 million from a net asset position of $21.5 million at December 31, 2020, to a net asset position of $122.5 million at June 30, 2021. This change was primarily due to the recognition of $99.6 million of net income during the period.

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	June 30 2021	December 31 2020
Shizukuishi	25	December 30, 2034	-	54,269
Mito	9	June 30, 2034	-	22,655
Misawa	10	June 30, 2036	21,688	24,150
Komatsu	13	December 30, 2036	-	29,668
Niigata	45	June 30, 2038	-	149,211
Total			**21,688**	**279,953**

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 June 30, 2021, only the Misawa project's non-recourse loan was outstanding following the sale of the other solar projects by the Group. Its fair value approximated its carrying values as the loan bear floating interest rates. All the Japanese interest rate swap contracts qualified for hedge accounting at June 30, 2021, and December 31, 2020.

At June 30, 2021 and December 31, 2020, the Group was not in breach of any of the imposed operational and financial covenants associated with its Misawa project's loan.

Corporate borrowings

On January 7, 2021, the Company repaid the outstanding corporate bonds, in full and at a redemption price of 100.725% of the face value plus accrued and unpaid interest. The bonds were issued by the Company in June 2018 at 7.25% annual interest with a three-year maturity.

Outstanding share data

At the date of this MD&A, the Company had 334,094,324 common shares (August 5, 2020: 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 RSUs. The outstanding RSUs have a contractual term of six years and are subject to certain market performance-based vesting conditions.

On June 22, 2021, following the completion of the sale of the majority of the Company's Japanese assets, the outstanding RSU grants met the accelerating vesting conditions. Therefore, as of June 22, 2021, all outstanding RSUs have been fully expensed. Consequently, the original given treatment was modified from equity-settled to cash-settled, and the board of directors approved the fair value of CAD$ 0.41 per RSU at the date of modification. The fair value was measured by reference to the Company's share price at the date of the modification. The distribution will be payable on August 24, 2021. The distribution on shares traded on Nasdaq Stockholm will be paid in Swedish kronor in accordance with Euroclear principles on or about August 30, 2021

Off-balance sheet arrangements

The Group had no off-balance sheet arrangements at June 30, 2021, and December 31, 2020.

Capital investments

Following the completion of the sale of its Japanese solar assets, the Group has no required capital investments.

Critical accounting policies and estimates

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

IFRS 5 "Assets held for sale and discontinued operations" has been applicable since September 30, 2020 as the Company's management considers that the Solar Japan segment meet the criteria to be classified as held for sale.

Financial review

Continued

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 six months ended June 30, 2021, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2020.

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 interim consolidated 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 six months ended June 30, 2021, are summarized below.

Related party transactions

Lundin Energy AB

The Group receives professional services from Lundin Energy AB, for market and investor relation activities in Sweden and general and administrative expenses, respectively. During the three and six months ended June 30, 2021, the Group incurred general and administrative expenses of $5 thousand and $4 thousand, respectively (2020: $6 thousand and $6 thousand) from Lundin Energy AB. At June 30, 2021, the Group owed no (December 31, 2020: nil) outstanding amounts in relation to these expenses.

Lundin SA

During the three and six months ended June 30, 2021, the Group recognized expenses of nil and $30 thousand, respectively (2020: nil and $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.

Lundin family

On January 4, 2021, Etrion received a €4.0 million (approximately $4.7 million) loan facility from the Lundin family in order to re-finance the repayment of the corporate bonds. The loan bore a 3% interest rate and was repayable on December 21, 2021. This loan was repaid in full on June 9, 2021.

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, the Chief Financial Officer, Christian Lacueva, the Chief Investment Officer, Martin Oravec and the Executive Vice President, Business Development and M&A, Giora Salita.

During the three and six months ended June 30, 2021, the Group recognized within general and administrative expenses, $0.6 million and $0.4 million (2020: $0.3 million and $0.6 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 June 30, 2021, the Company recognised an amount of $6.2 million payable to the entitled employees under the RSUs plan.

Financial review

Continued

Derivative financial instruments

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

USD thousands	June 30 2021	December 31 2020
Derivative financial assets:		
Corporate bond call option	-	120
Total derivative financial assets	-	120

Corporate bond call option

During the first quarter 2021, the Group derecognized the call option on the redemption of the corporate bonds which were fully repaid on January 7, 2021.

Interest rate swap contracts

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 June 30, 2021, and December 31, 2020, 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 derivatives associated with solar projects are classified under liabilities associated with the assets held for sale.

OTHER DISCLOSURES

Other disclosures

Risks and uncertainties

Following the completion of the sale of its solar projects, the only material risks to which the Group is exposed are the risk of warranty claims and uncertainties with respect to the outcome of its litigation with a former employee. The Company plans to reserve approximately CAD$20 million to cover for any liabilities that may result from potential warranty claims under the sale and purchase agreements pursuant to which its solar projects were sold, other corporate level liabilities and anticipated expenses to cover continuing operations and windup costs.

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 anticipated distribution of funds to shareholders of the Company following completion of the sale of its projects; the possibility that the Company may proceed to wind up its activities and dissolve following the completion of such sale; and the anticipated distribution of funds to shareholders in connection with the dissolution of the Company. 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: uncertainties with respect to the Company's ongoing activities following the completion of such sale; the risk that the Company may have insufficient funds to satisfy its future obligations, including without limitation warranty claims under the agreements pursuant to which its projects were sold and uncertainties with respect to the outcome of its current litigation; and uncertainties with respect to the timing of the dissolution of the Company and the amount of funds that will be available for distribution at the time of dissolution.. 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 assumptions as to the amount of funds that will be required to satisfy potential warranty claims under the sale agreements, other corporate level liabilities and anticipated expenses to cover continuing operations and windup costs. 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