



MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED MARCH 31, 2014

CONTENTS

▪	INTRODUCTION	1
▪	FIRST QUARTER 2014 HIGHLIGHTS	
-	Operational Highlights	1
-	Financial Highlights	2
▪	BUSINESS REVIEW	
-	Business Overview	2
-	Operations Review	3
-	Development Activities	6
-	Solar Market Overview	9
▪	FINANCIAL REVIEW	
-	Financial Results	12
-	Financial Position	15
-	Capital Investments	19
-	Critical Accounting Policies and Estimates	19
-	Related Parties	20
-	Financial Instruments	21
▪	RISKS AND UNCERTAINTIES	
-	Financial Risks	22
-	Non-Financial Risks	22
▪	DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING	24
▪	CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION	24
▪	ADDITIONAL INFORMATION	25

INTRODUCTION

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" and, together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and current and future business environments. This MD&A, prepared as of May 8, 2014, should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2014. Financial information is reported in United States ("US") dollars ("\$"). However, as the Group operates in Europe, the Americas and Asia, certain financial information has been reported in Euros ("€"), Canadian dollars ("CAD\$") and Japanese yen ("JPY"). At March 31, 2014, the €/€ exchange rate was 1.38 (2013: 1.28) and the average €/€ exchange rate for the three months ended March 31, 2014, was 1.37 (2013: 1.32). The capacity of power plants in this document is described in approximate megawatts ("MW") on a direct current basis, also referred to as megawatt-peak.

This MD&A contains forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from the information within. For information on material risk factors and assumptions underlying the forward-looking information, refer to the "Cautionary Statement Regarding Forward-Looking Information" on page 24.

FIRST QUARTER 2014 HIGHLIGHTS

	Three months ended March 31	
	2014	2013
	\$'000	\$'000
Revenue ⁽¹⁾	8,367	8,322
Gross profit	868	1,511
EBITDA ⁽²⁾	3,773	4,741
EBITDA margin (%)	45%	57%
Net loss	(8,208)	(5,456)
Adjusted net (loss)/gain before non-recurring and non-cash items ⁽²⁾	(881)	253
Operating cash flow ⁽³⁾	(14,407)	959
Working capital ⁽⁴⁾	30,381	17,021

Notes:

- (1) Revenues are received in Euros and have been translated at the average €/€ exchange rate of 1.37 for the three months ended March 31, 2014 (2013: 1.32). The average price per kilowatt-hour ("kWh") received during the three months ended March 31, 2014, decreased to \$0.51 from \$0.52 in the comparable period of 2013, primarily due to a reduction in the spot market price ("Market Price") in Italy to €0.04 per kWh from €0.07 per kWh, offset by foreign exchange rate variations.
- (2) Refer to "Financial Review – Financial Results" on pages 12 and 13 for an overview of the Group's adjusted net income before non-recurring and non-cash items and earnings before interest, tax, depreciation and amortization ("EBITDA"), both of which are non-International Financial Reporting Standard ("IFRS") measures. Adjusted net income/loss before non-recurring and non-cash items, EBITDA and adjusted EBITDA are useful metrics to quantify the Company's ability to generate cash before extraordinary and non-cash accounting transactions recognized in the financial statements. In addition, EBITDA is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting policy decisions, while adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring.
- (3) Operating cash flow refers to cash flows before investing and financing activities and the effects of foreign exchange rate differences (refer to "Financial Review – Financial Results" on page 12).
- (4) Working capital refers to current assets less current liabilities (refer to "Financial Review – Financial Results" on page 12).

OPERATIONAL HIGHLIGHTS

- **Production:** Produced 16.5 million (2013: 16.0 million) kWh of solar electricity from 17 solar power plants in Italy during the three months ended March 31, 2014.
- **Construction:** Started construction of the 70 MW solar park in northern Chile ("Project Salvador") being built by SunPower Corporation and owned initially 70% by Etrion, 20% by Total S.A. and 10% by Solventus Energías Renovables. Project Salvador is scheduled to be fully operational by Q1 2015.
- **Development:** Partnered with Hitachi High-Technologies Corporation ("HHT"), a subsidiary of Hitachi, Ltd., to develop utility-scale solar power plants in Japan. Etrion and HHT secured the Feed-in-Tariff ("FiT") of ¥40 (US\$0.38) per kWh and executed land agreements for two projects, Shizukuishi and Mito, with a combined capacity of 34 MW, owned 85% by Etrion and 15% by HHT. Etrion and HHT are currently negotiating project financing for these projects with a Japanese bank and expect to start construction this year. The project pipeline in Japan is expected to reach at least 100 MW of solar power generation facilities under construction or shovel-ready by 2015.

FIRST QUARTER 2014 HIGHLIGHTS (CONTINUED)

FINANCIAL HIGHLIGHTS

- **Revenue:** Generated revenues of \$8.4 million (2013: \$8.3 million) during the three months ended March 31, 2014.
- **EBITDA:** Recognized earnings before interest, taxes, depreciation and amortization (“EBITDA”) of \$3.7 million (2013: \$4.7 million) and adjusted EBITDA of \$4.6 million before extraordinary expenses during the three months ended March 31, 2014.
- **Equity Financing:** Completed an equity financing in January 2014 of approximately \$80 million through a private placement of 124,633,571 new common shares issued at SEK 4.15 (approximately CAD\$0.70) per share (the “Equity Financing”).
- **Bond Financing:** Completed a bond issue in April 2014 of €80 million in senior secured bonds in the Norwegian bond market at 8.0% annual interest with bullet maturity in April 2019. The net proceeds from the bond issue will be used to redeem the existing €60 million corporate bonds on May 19, 2014, as well as for general corporate purposes (the “Bond Financing”).
- **Cash and Working Capital:** Closed the first quarter of 2014 with a cash balance of \$124.1 million (December 2013: \$94.9 million) and positive working capital of \$30.4 million (December 2013: \$47.5 million).

BUSINESS REVIEW

BUSINESS OVERVIEW

Etrion is an independent power producer that builds, owns and operates utility-scale power generation plants. The Company currently owns and operates 17 solar photovoltaic (“PV”) power plants in Italy with approximately 60 MW of installed capacity. During 2013 and 2014, the Group made significant progress in its development activities in Chile and entered Japan, positioning Etrion as a global platform for growth.

Once new projects in Chile and Japan are connected to the electricity grid, Etrion will have a diversified solar power generation platform in terms of both revenues and geography. Revenues are expected from FIT contracts, long-term power purchase agreements (“PPAs”) and spot market/merchant pricing. Etrion’s geographic footprint will cover Europe, the Americas and Asia with counter-seasonal revenues from the northern/southern hemisphere profile.

Etrion’s strategy is focused on:

- **Geographic Diversity** – Entering new regions with high electricity prices, large energy demand and abundant renewable resources or strong mandates to diversify energy mix with attractive government incentives.
- **Revenue Diversity** – Complementing FIT revenues with revenues derived from long-term PPAs or spot (merchant) pricing.
- **Yield** – Creating a platform for dividends to shareholders by 2015.
- **Growth** – Building a large pipeline of renewable energy development projects through key partnerships.

The Company’s business model focuses on six key drivers for success: (1) stable revenues; (2) abundant renewable resources; (3) high wholesale electricity prices; (4) low equipment cost and operating expenses; (5) available long-term financing; and (6) low cost of debt.

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

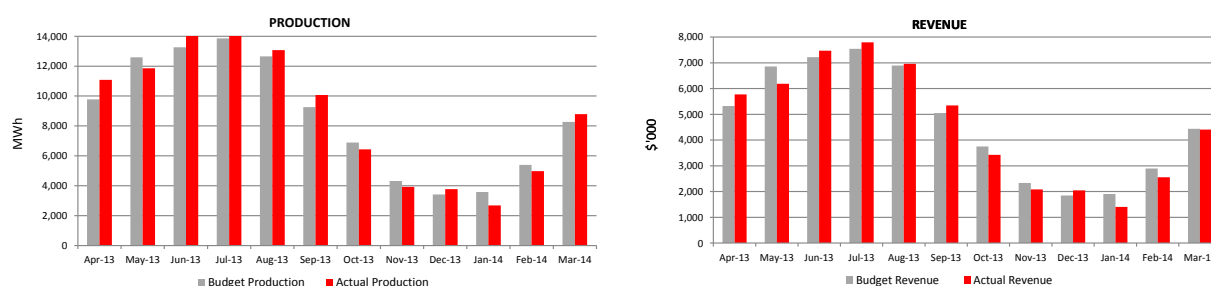
BUSINESS REVIEW (CONTINUED)

OPERATIONS REVIEW

OPERATING PERFORMANCE

During the three months ended March 31, 2014, the Group recognized revenues from seven solar power projects in Italy (Cassiopea, Helios ITA-3, Centauro, Helios ITA, Etrion Lazio, SVE and Sagittario), comprising 17 solar power plants.

Solar-related revenues are subject to seasonality over the year due to the variability of daily sun hours in the summer versus winter months. However, on an annual basis, expected solar irradiation in Italy varies less than 10% year-over-year. The impact of seasonality on the Group's business should decrease over time as the Group secures additional projects in Chile, given the northern and southern hemisphere profile. The following summarizes the Group's actual and budgeted revenue and production information over the last twelve months and the effects of seasonality:



The Group has substantial revenues and cash flows from operations, and its current platform of approximately 60 MW continues to perform above plan, producing approximately 2% more electricity than budgeted over the last twelve months, primarily attributable to increased power plant availability. However, during the three months ended March 31, 2014, the Group's production was impacted by lower than expected solar irradiation when compared to budget.

Performance against budget and prior year

Actual production and revenue for the three months ended March 31, 2014, compared to budget and the same period of 2013 are as follows:

	Performance against budget				Performance against prior year		
	Actual	Budget	Variation		2014	2013	Variation
Production ⁽¹⁾ (MWh)	16,458	17,243	(785) (4.5)%		16,458	15,956	502 3.1%
Revenue (\$'000)	8,367	9,243	(876) (9.5)%		8,367	8,322	45 0.5%

Note:

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

Performance against budget

The Group's production for the first quarter of 2014 was adversely impacted by lower solar irradiation due to poor weather conditions, resulting in a 4.5% reduction against budget.

The Group's revenues were adversely impacted by a lower average spot price per kWh due to a reduction in the Market Price in Italy. The Group received an average of \$0.06 (€0.04) per kWh during the three months ended March 31, 2014, compared to expectations of \$0.08 (€0.06) per kWh. This resulted in revenues during the first quarter of 2014 being 9.5% less than budgeted while production was 4.5% less than expected in the same period.

Performance against prior year

During the first quarter of 2014, the Group produced approximately 3% more electricity and generated approximately 0.5% more revenues compared to 2013, due primarily to higher solar irradiation in 2014 than the same period in 2013. The Group's revenue during the first quarter of 2014 was adversely impacted by an approximately 7.5% reduction in the average price per kWh received in Euros (average of €0.37 per kWh during 2014, compared to €0.40 per kWh during 2013), due to a reduction in the Market Price in Italy (as the Group received an average of €0.04 per kWh during 2014, compared to €0.07 per kWh during 2013). This reduction in revenues was partially offset by a strengthening of the Euro against the US dollar in the first quarter of 2014, resulting in the US dollar average price per kWh of \$0.51 in 2014 compared to \$0.52 per kWh in 2013.

BUSINESS REVIEW (CONTINUED)

OPERATIONS REVIEW (CONTINUED)

OPERATING PERFORMANCE (CONTINUED)

Pricing information for the three months ended March 31, 2014, compared to the same period of 2013 is as follows:

	2014			2013		
	MWh	Price ⁽¹⁾ (\$/kWh)	Revenue \$'000	MWh	Price ⁽¹⁾ (\$/kWh)	Revenue \$'000
FiT revenues (based on actual production) ⁽²⁾	16,458	0.45	7,409	15,956	0.43	6,929
Market Price revenues (based on evacuated production) ⁽³⁾	16,149	0.06	958	15,689	0.09	1,393
Total revenue			8,367			8,322

Notes:

- Revenues are received in Euros and have been translated at the average €/€ exchange rate of 1.37 for the three months ended March 31, 2014 (2013: 1.32). The average price per kWh received during the three months ended March 31, 2014, decreased to \$0.51 from \$0.52 in the comparable period of 2013, primarily due to a reduction in the Market Price in Italy to €0.04 per kWh, from €0.07 per kWh offset by foreign exchange rate variations.
- The FiT is received for each kWh of electricity produced.
- The Market Price is received in addition to the FiT and is based on evacuated production (i.e., electricity produced less transmission losses).

As outlined above, the Group receives revenues from two sources: (1) the FiT system, which is secured by 20-year contracts with the Italian government, as outlined on page 9 within “Business Review – Solar Market Overview”; and (2) the Market Price which is subject to the spot price fluctuations in Italy.

OPERATING PROJECTS

A summary of the Group’s current operating solar power projects located in Italy at March 31, 2014, is as follows:

Project	Region	Sites	Capacity		Technology	Contractor	Panels	Inverters	Connection date	FiT ⁽¹⁾
				(MW)						
Cassiopea (Montalto)	Lazio	1	24.0		Single axis	SunPower	SunPower	SMA	Nov-09	€0.353
Helios ITA-3 (Brindisi, Mesagne)	Puglia	2	10.0		Single axis	ABB	Yingli	Bonfiglioli	Aug-11	€0.250
Centauro (Montalto)	Lazio	1	8.8		Single axis	SunPower	SunPower	SMA	Jul-10	€0.346
Helios ITA (Brindisi, Mesagne) ⁽²⁾	Puglia	7	6.4		Single axis	Solon/ABB	Solon	Santerno	Dec-09	€0.353
Etrion Lazio (Borgo Piave, Rio Martino) ⁽³⁾	Lazio	2	5.3		Fixed-tilt	Phoenix	Trina	SMA	Apr-11	€0.346
SVE (Oria, Martino, Ruffano)	Puglia	3	3.0		Single axis	SunPower	SunPower	Siemens	Dec-10	€0.346
Sagittario (Nettuno)	Lazio	1	2.6		Fixed-tilt	Phoenix	Trina	SMA	Aug-11	€0.250
Total		17	60.0							

Notes:

- FiT per kWh based on connection date. In Italy, revenues are derived from the FiT system and Market Price, both received for each kWh of electricity produced. The weighted average remaining contract life is approximately 17 years.
- Six of the Helios ITA solar parks benefit from the 2009 FiT of €0.353 per kWh, and the seventh park built benefits from the 2010 FiT of €0.346 per kWh.
- Etrion Lazio was connected to the electricity in April 2011.

Cassiopea

The Cassiopea project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar PV park with a total capacity of 24 MW. The solar park was connected to the electricity grid in November 2009. The Cassiopea solar park was built by SunPower Corporation (“SunPower”), a US-based solar panel manufacturer and installer, using high efficiency SunPower modules mounted on single axis trackers with power conversion completed through SMA inverters. Cassiopea has an O&M contract with SunPower, including preventive and corrective maintenance. The solar park benefits from the 2009 FiT of €0.353 per kWh plus the Market Price for the first quarter of 2014 of approximately €0.04 per kWh.

Helios ITA-3

The Helios ITA-3 project in Puglia, Italy, consists of two ground-mounted solar PV parks: Brindisi (5 MW) and Mesagne (5 MW). Both parks were completed and connected to the electricity grid in August 2011. The Helios ITA-3 solar parks were built by ABB S.p.A. (“ABB”), the Swiss power and automation technology group, using Yingli poly-crystalline PV modules mounted on SunPower single axis trackers with power conversion completed through Bonfiglioli inverters. Helios ITA-3 has an O&M contract with ABB, including preventive and corrective maintenance. Both solar parks benefit from the August 2011 FiT of €0.25 per kWh plus the Market Price for the first quarter of 2014 of approximately €0.04 per kWh.

BUSINESS REVIEW (CONTINUED)

OPERATIONS REVIEW (CONTINUED)

OPERATING PROJECTS (CONTINUED)

Centauro

The Centauro project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar PV park with a total capacity of 8.8 MW. The solar park was connected to the electricity grid in July 2010. The Centauro solar park was built by SunPower using high efficiency SunPower modules mounted on single axis trackers with power conversion completed through SMA inverters. Centauro has an O&M contract with SunPower, including preventive and corrective maintenance. The solar park benefits from the 2010 FiT of €0.346 per kWh plus the Market Price for the first quarter of 2014 of approximately €0.04 per kWh.

Helios ITA

The Helios ITA project in Puglia, Italy, consists of seven ground-mounted solar PV parks with a total capacity of 6.4 MW. Six of the solar parks were connected to the electricity grid in December 2009, and the last park built was connected in December 2010. The Helios ITA solar parks were built by Solon S.p.A. ("Solon"), a German solar panel manufacturer and installer, using single axis trackers with Solon poly-crystalline modules and Santerno inverters. The original O&M contractor was Solon. In July 2012, the Group entered into a new O&M contract, including preventive and corrective maintenance, with ABB. Six of the Helios ITA solar parks, just under 1 MW each for a total of 5.8 MW, benefit from the 2009 FiT of €0.353 per kWh plus the Market Price for the first quarter of 2014 of approximately €0.04 per kWh. The last park built (0.6 MW) benefits from the 2010 FiT of €0.346 per kWh plus the Market Price for the first quarter of 2014 of approximately €0.04 per kWh.

Etrion Lazio

The Etrion Lazio project in Lazio, Italy, consists of two ground-mounted solar PV parks: Borgo Piave (3.5 MW) and Rio Martino (1.8 MW). Both solar parks were completed in December 2010 and were connected to the electricity grid in April 2011. The Etrion Lazio solar parks were built by Phoenix Solar ("Phoenix"), a German PV system integrator, using Trina poly-crystalline PV modules installed on fixed-tilt structures with power conversion completed through SMA inverters. Etrion Lazio has an O&M contract with Phoenix, including preventive and corrective maintenance. Both solar parks benefit from the 2010 FiT of €0.346 per kWh plus the Market Price for the first quarter of 2014 of approximately €0.04 per kWh.

SVE

The SVE project in Puglia, Italy, consists of three ground-mounted solar PV parks: Oria (1 MW), Matino (1 MW) and Ruffano (1 MW). All three solar parks were connected to the electricity grid in December 2010. The SVE solar parks were built by SunPower using high efficiency SunPower modules mounted on single axis trackers with power conversion completed through Siemens inverters. SVE has an O&M contract with SunPower, including preventive and corrective maintenance. All three solar parks benefit from the 2010 FiT of €0.346 per kWh plus the Market Price for the first quarter of 2014 of approximately €0.04 per kWh.

Sagittario

The Sagittario project in Lazio, Italy, consists of one ground-mounted solar PV park with a total capacity of 2.6 MW. The solar park was completed and connected to the electricity grid in August 2011. The Sagittario solar park was built by Phoenix using Trina poly-crystalline PV modules installed on fixed-tilt structures with power conversion completed through SMA inverters. Sagittario has an O&M contract with Phoenix, including preventive and corrective maintenance. The solar park benefits from the August 2011 FiT of €0.25 per kWh plus the Market Price for the first quarter of 2014 of approximately €0.04 per kWh.

Refer also to "Business Review – Solar Market Overview" on page 9 for an overview of the renewable energy market in Italy.

BUSINESS REVIEW (CONTINUED)

DEVELOPMENT ACTIVITIES

CHILE

Etrion is pursuing renewable energy projects in Latin America, with an initial focus on Chile, where solar power generation is competitive with traditional sources of energy. Chile has an investment grade AA- rating (per Standard & Poor's), an abundance of renewable resources (i.e., strong solar irradiation), high wholesale electricity prices and a large energy demand, making it an ideal country in which Etrion can grow and diversify through new opportunities without the need for subsidies. Etrion's business development activities in Chile are focused on solar power generation that is carried along two of the existing electricity networks, Sistema Interconectado del Norte Grande "SING" and Sistema Interconectado Central "SIC", which provide service to industrial users who are particularly concerned with electricity shortages as a result of the high growth in energy demand. Together the SING and SIC account for approximately 99% of Chile's total electricity production. Northern Chile has among the highest solar irradiation in the world (25% above Nevada, USA / 50% above Spain). Refer to "Business Review – Solar Market Overview" on page 10 for an overview of the renewable energy market in Chile.

PROJECTS UNDER DEVELOPMENT OR CONSTRUCTION

A summary of the Group's projects under development and/or construction in Chile is as follows:

Project	Region	Sites	Gross	Net	Technology	Contractor	Status	Expected start of construction	Expected start of operations	Contract regime
			Capacity (MW)	Capacity (MW)						
Salvador	Atacama	1	70.0	49.0 ⁽¹⁾	Single axis	SunPower	Construction	Q4-2013 ⁽²⁾	Q1-2015	Merchant
Aguas Blancas	Antofagasta	3	72.0	72.0	Single axis	TBD	Development	Q1-2015	Q1-2016	PPA/merchant
Las Luces	Atacama	1	27.0	27.0	Single axis	TBD	Development	Q1-2015	Q1-2016	PPA/merchant
Total		5	169.0	148.0						

Notes:

- (1) Etrion will initially own a 70% interest in Project Salvador, a 70 MW solar power project, resulting in a net capacity of 49 MW to Etrion. Following payback of the original equity contribution of approximately \$42 million, Etrion's ownership will decrease to 50.01%. After 20 years, Etrion's ownership will reduce to 0%.
- (2) Construction activities began in December 2013.

Project Salvador

In September 2013, Etrion signed a purchase agreement with Total Energie Developpement ("Total Energie") and Solventus Chile SpA ("Solventus") to build, own and operate a 70 MW solar project in the Atacama region in northern Chile. Pursuant to the purchase agreement, Etrion, Total Energie and Solventus have acquired 70%, 20%, and 10% interests, respectively, in the project company, which holds the licenses, land rights and permits necessary to build, own and operate Project Salvador.

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

The total project cost of approximately \$200 million is being financed 70% through non-recourse project debt provided by OPIC, the US Government development finance institution, and 30% through equity funded by Etrion, Total Energie and Solventus, based on their respective ownership interests, resulting in a total capital commitment from Etrion of approximately \$42 million.

Project Salvador is being built using SunPower high-efficiency, single-axis tracker technology. Construction related activities commenced in December 2013, and the solar project is expected to be operational by the first quarter of 2015.

BUSINESS REVIEW (CONTINUED)

DEVELOPMENT ACTIVITIES (CONTINUED)

PROJECTS UNDER DEVELOPMENT OR CONSTRUCTION (CONTINUED)

Aguas Blancas

The Aguas Blancas solar project was originally an 8.8 MW solar PV park under development in the Antofagasta region of Chile to sell part of its electricity to the Aguas Blancas iodine mine in northern Chile through a 15-year take-or-pay, US dollar-denominated PPA with Atacama Minerals Chile S.C.M (“Atacama Minerals”). This project is currently on hold because the mine postponed its production expansion plans due to the collapse of iodine prices. The Company decided to incorporate this project into a larger 72 MW development project within five miles of the mine to serve this and other future opportunities while obtaining better economies of scale. The expanded 72 MW project is owned 100% by Etrion.

Aguas Blancas is expected to have all its permits obtained by the first quarter of 2015, and the Company would be in a position to commence construction provided it secures power purchase agreements with industrial clients for most of its capacity and secures the necessary debt financing. A project of this magnitude is expected to be operational within 12 months from the date construction commences.

The total estimated project cost for the 72 MW project, including costs related to the licenses, permits, development and construction, is \$155.0 million, which is expected to be financed by up to 85% non-recourse project debt with the remaining equity portion to be funded by Etrion.

Las Luces

Etrion plans to build, own and operate a 27 MW solar project in the Atacama region in northern Chile (“Las Luces”). Las Luces was originally expected to be 22 MW, but the permits have recently been expanded to 27 MW.

The total project cost, including costs related to the licenses, permits, development and construction, is estimated to be \$58.0 million, which is expected to be financed by up to 85% non-recourse project debt with the remaining equity portion to be funded by Etrion.

The permits for Las Luces are expected to be completed by the first quarter of 2015, at which point construction could commence subject to Etrion arranging the necessary debt financing and securing PPAs for most of its capacity. This project is currently expected to be operational in the first quarter of 2016.

Etrion is also pursuing other opportunities in Chile to develop and/or acquire additional renewable energy projects.

BUSINESS REVIEW (CONTINUED)

DEVELOPMENT ACTIVITIES (CONTINUED)

JAPAN

Etrion is pursuing renewable energy projects in Asia, with an initial focus on Japan, due to the attractive solar FiT program and low financing costs. In January 2014, Etrion announced a strategic partnership with Hitachi High-Technologies Corporation ("HHT"), a subsidiary of Hitachi, Ltd., for the development, financing, construction, ownership and operation of utility-scale solar power plants in Japan. The agreement to develop a project pipeline in Japan is expected to result in at least 100 MW of solar power generation facilities under construction or shovel-ready by 2015. Refer to 'Business Review – Solar Market Overview' on page 11 for an overview of the renewable energy market in Japan.

PROJECTS UNDER DEVELOPMENT

A summary of the Group's projects under development in Japan is as follows:

Project	Region	Sites	Gross Capacity (MW)	Net Capacity (MW)	Technology	Contractor	Status	Expected start of construction	Expected start of operations	Contract regime
Shizukuishi	Iwate	1	24.7	21.0 ⁽¹⁾	Fixed-tilt	Hitachi	Development	2H-2014	Q4-2015	20-year FiT
Mito	Ibaraki	5	9.3	7.9 ⁽¹⁾	Fixed-tilt	Hitachi	Development	Q4-2014	Q4-2015	20-year FiT
Total		6	34.0	28.9						

Notes:

- (1) Etrion's ownership in these two projects will be 85%, and HHT will own the remaining 15%.

Shizukuishi

Etrion has entered into a development agreement with HHT to build, own and operate a second solar park, Shizukuishi, with a total capacity of 24.7 MW, in the Iwate region in northern Japan. In addition, Etrion has entered into a cooperation agreement with the city of Shizukuishi to assist the Company with the permitting process. The electricity will be sold through a local energy utility and injected into the Japanese electricity network under the fixed-price JPY-denominated FiT, already secured for 20 years, equivalent to JPY 40 per kWh (\$0.38 per kWh). Once operational, Shizukuishi is expected to produce approximately 24 million kWh of solar electricity per year. Construction of the Shizukuishi solar park is expected to commence in the second half of 2014, subject to Etrion and HHT closing the necessary debt financing and completing the permitting process. The solar project is expected to be operational in the fourth quarter of 2015. The total estimated project cost, including costs related to the licenses, permits, development and construction, is estimated to be approximately \$80 million, which is expected to be financed mostly by long-term, non-recourse project debt in local currency from a Japanese financial institution on competitive terms. The remaining equity portion is expected to be funded 85% by Etrion and 15% by HHT, according to their respective ownership interests.

Mito

Etrion has also entered into a development agreement with HHT to build, own and operate a solar park, Mito, with a total capacity of 9.3 MW in the Ibaraki region in central Japan. The electricity will be sold through a local energy utility and injected into the Japanese electricity network under the fixed-price JPY-denominated FiT, already secured for 20 years, equivalent to JPY 40 per kWh (\$0.38 per kWh). Once operational, Mito is expected to produce approximately 10 million kWh of solar electricity per year. Construction of the Mito solar park is expected to commence in the fourth quarter of 2014, subject to Etrion and HHT closing the necessary debt financing and completing the permitting process. The solar project is expected to be operational by the end of 2015. The total project cost, including costs related to the licenses, permits, development and construction, is \$30 million, which is expected to be financed mostly by long-term, non-recourse project debt in local currency from a Japanese financial institution on competitive terms. The remaining equity portion is expected to be funded 85% by Etrion and 15% by HHT, according to their respective ownership interests.

Etrion is also pursuing other opportunities in Japan to develop and/or acquire additional renewable energy projects.

BUSINESS REVIEW (CONTINUED)

SOLAR MARKET OVERVIEW

The market for renewable energy sources, including solar, biomass, wind, hydro and bio fuels, is driven by a variety of factors, such as legislative and policy support, technology, macroeconomic conditions, pricing and environmental concerns. The overall goal for the solar energy market is to reach grid parity, whereby the price of solar energy is competitive with traditional sources of electricity, such as coal, natural gas and nuclear energy. Solar technology cost has dropped dramatically and continues to decrease. In addition, solar energy has reached grid parity in certain parts of the world where solar irradiation and electricity prices are high (e.g., Chile). As the cost of solar technology continues to decrease, new potential markets are expected to develop in areas where solar electricity is price-competitive with other sources of energy.

Solar power plants are an important source of renewable energy. They have very low operating and maintenance costs with minimal moving parts. The technology is essentially silent, emission-free and scalable to meet multiple distributed power requirements. Energy generated from the sun consists of both energy from PV cells (i.e., PV energy) and energy generated from solar collectors (i.e., thermal energy or heat).

The key drivers for growth within the renewable energy sector are:

- Increasing global demand for energy due to population and economic growth combined with finite oil and gas reserves;
- Improving technologies and accelerated cost reductions for renewable energy;
- Increased concern about long-term climate change and focus on reducing carbon emissions from energy generation using fossil fuels;
- Political commitment at national and regional levels to support the development and use of renewable energy sources; and
- Attractive government incentives, such as FiT, capital subsidies and tax incentives in markets that have not yet reached grid parity.

ITALIAN MARKET

In 2005, the Italian government introduced a FiT system in order to encourage expansion of solar energy. The FiT system, combined with strong solar irradiation and high electricity prices, has led to significant growth in the installed capacity of solar generating facilities since 2005. The Italian state-owned company, Gestore Servizi Energetici ("GSE"), is responsible for managing the incentive program. However, the actual cost of the incentive is paid by the ultimate consumer through a small tax on utility bills.

The Italian FiT entails a 20-year commitment from the government to purchase 100% of solar electricity production at a premium constant rate based on the connection date. Since 2005, the Italian FiT for new projects has been revised to account for the decreasing cost to build solar power plants. A summary of the actual FiT received by the Group for its ground-mounted solar PV power projects connected in 2009, 2010 and 2011 is as follows:

	2011	2010	2009
FiT (€/kWh)	€0.250	€0.346	€0.353
Duration	20 years	20 years	20 years

In addition to the FiT, solar power generators in Italy receive the spot market rate on a per kWh basis. The Market Price during the first quarter of 2014 was approximately €0.04 (\$0.06) per kWh of electricity produced.

BUSINESS REVIEW (CONTINUED)

SOLAR MARKET OVERVIEW (CONTINUED)

CHILEAN MARKET

Chile's energy demand has been growing rapidly since 1990 due to increased power consumption by the mining sector, the country's single largest industry, and large urban areas such as the capital city, Santiago. The increased demand combined with scarce fossil fuel resources has made the country a net importer of energy and module prices are at an all-time low, with a continued decrease in price due to technology improvements and scale. The energy sector is largely privatized, which enables energy producers to enter into bilateral agreements directly with industrial clients. In addition, the mining growth in Chile is expected to result in \$66.4 billion of investment by 2020, with very limited sources of energy to meet demand.

Due to the size of Chile's economy and its well-established capital markets, manufacturers and finance providers are available to support the growing demands for energy consumption. Today, mini-hydro is Chile's primary source of renewable energy. However, there is a large opportunity for growth in the solar sector, especially in the northern part of the country where more than 90 per cent of the electricity consumption is by industrial users, such as mining operations. In September 2013, the Chilean government passed the 20/25 law, requiring 20 per cent of electricity to be generated from renewable sources by 2025 (an increase from the previous "clean energy" law requiring 10 per cent of electricity to be generated from renewable sources by 2024) demonstrating strong support for the development and use of renewable energy sources.

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

- **Through PPAs** – solar power producers can sell the electricity produced through a long-term fixed price take-or-pay US dollar-denominated contract with industrial users (such as mining companies). As such, the Group has entered into a 15-year PPA for its Aguas Blancas solar project in northern Chile.
- **Through Spot market/merchant basis** – solar power producers can sell the electricity produced on the spot market, delivered to the relevant electricity network. As such, Project Salvador will initially operate on a merchant basis with the ability to secure future PPAs.

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

- **SING** – Sistema Interconectado del Norte Grande, the northern grid, accounts for approximately 25.4% of total electricity production in Chile. The SING is primarily served by thermoelectric plants.
- **SIC** – Sistema Interconectado Central, the central grid, accounts for approximately 74% of the total electricity production in Chile and serves approximately 90% of its population. The SIC is primarily served by hydroelectric plants, in addition to diesel and thermoelectric plants. Project Salvador, which will initially operate on a spot market/merchant basis, is located along the SIC.
- **Aysen** – located in southern Chile, this mainly hydro network accounts for approximately 0.2% of total electricity production in Chile.
- **Magallanes** – located in the most southern part of Chile, this hydro network accounts for approximately 0.4% of total electricity production in Chile.

Etrion's business development activities are focused on solar power generation that is carried along the SING and SIC, which provide service to industrial users who are particularly concerned with electricity shortages as a result of strong growth in energy demand. Together, the SING and SIC account for more than 99% of Chile's total electricity production.

BUSINESS REVIEW (CONTINUED)

SOLAR MARKET OVERVIEW (CONTINUED)

JAPANESE MARKET

Solar power in Japan has been expanding since the late 1990s. Japan is the world's third largest energy consumer, the leading manufacturer of solar panels and today the fourth largest solar market based on installed capacity. The use of solar power in Japan has accelerated since the FiT scheme for renewable energy was introduced in July 2012 to help offset the loss of nuclear power caused by the Fukushima disaster, which has led to most of the nation's 48 reactors being idled due to safety concerns. While current renewable energy usage remains low (currently 7.2% of total primary energy), Japan is planning to accelerate further renewable energy development. By the end of 2013, Japan had installed more than 14 GW of solar capacity. Due to the new FIT, an estimated 10 GW of generation capacity will be added in 2014.

Japan is a relatively low-risk jurisdiction with an attractive solar FiT program and low financing costs. The government has instituted a strong mandate to increase the use of renewable energy in its energy mix in order to reduce the country's reliance on nuclear power. The government plans to increase power supply from renewable sources from 10% in 2011 to 25-35% by 2030. Japan has a national solar power target of 28 GW by 2020. In order to encourage solar power generation, Japan has implemented an attractive 20-year FiT program of JPY 40 per kWh (\$0.38 per kWh) for projects secured by March 31, 2013, and JPY 36 per kWh (\$0.34 per kWh) for projects secured by March 31, 2014. The government has also announced various other policy actions including regulatory easing, tax incentives and energy sector reforms.

OTHER MARKETS

Incentive structures for solar power generation currently exist in many markets (including Europe and North America) and are a key driver for market growth. The objective of these incentives is to increase investment in renewable energy generation in order to deliver greater efficiency and cost reductions. In addition, as the cost of renewable power generation continues to decrease, Etrion will be able to compete with traditional sources of electricity in new markets with abundant renewable resources (i.e., strong solar irradiation) and high electricity prices. Specifically, the Group is currently evaluating opportunities to expand into other regions of Latin America, where it will enter into long-term PPAs with industrial users or local utilities.

FINANCIAL REVIEW

FINANCIAL RESULTS

FIRST QUARTER SELECTED FINANCIAL INFORMATION

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

	Three months ended	
	March 31	
	2014	2013
	\$'000	\$'000
Revenue	8,367	8,322
Gross profit	868	1,511
Net loss⁽¹⁾	(8,208)	(5,456)
Adjustments for non-recurring items:		
- Operating expenses ⁽²⁾	343	-
- General and administrative expenses ⁽²⁾	461	-
- Other expenses ⁽³⁾	-	393
Adjusted net loss before non-recurring items⁽⁴⁾	(7,404)	(5,063)
Adjustments for non-cash items:		
- Depreciation and amortization	5,272	5,080
- Fair value movements (derivative financial instruments)	1,184	68
- Share-based payment expense	67	168
Adjusted net (loss)/income before non-recurring and non-cash items⁽⁴⁾	(881)	253
Net loss	(8,208)	(5,456)
Adjustments for:		
- Net income tax recovery	2,377	(2,033)
- Depreciation and amortization	5,272	5,080
- Gain on asset disposal	-	(17)
- Share-based payment expense	67	168
- Net finance costs	8,919	7,080
- Other expenses	-	393
- Income tax paid	-	(43)
- Changes in working capital	(22,834)	(4,213)
Operating cash flow	(14,407)	959

Notes:

- (1) Net loss for the period includes both the net loss from continuing operations and the net loss attributable to owners of the Company and non-controlling interests. Basic and diluted loss per share for the three months ended March 31, 2014, and 2013 was \$0.03 and \$0.03, respectively.
- (2) Non-recurring items incurred during the three months ended March 31, 2014, corresponded to one-off operating expenses associated with upgrades and maintenance activities on facilities to guarantee continuous performance of the solar power plants and one-off administrative expenses related to the Bond Refinancing, recruitment activities and development costs not subject to capitalization.
- (3) During the three months ended March 31, 2013, the Group impaired \$0.4 million of costs associated with its business development activities.
- (4) Adjusted net loss before non-recurring items and adjusted net income before non-recurring and non-cash items are non-IFRS measures.

	March 31	December 31
	2014	2013
	\$'000	\$'000
Non-current assets	406,112	401,410
Current assets	161,373	116,841
Total assets	567,485	518,251
Non-current liabilities	382,155	460,209
Current liabilities	130,992	69,380
Total liabilities	513,147	529,589
Working capital (current assets less current liabilities)	30,381	47,461
Dividends declared	-	-

FINANCIAL REVIEW (CONTINUED)

FINANCIAL RESULTS (CONTINUED)

QUARTERLY SELECTED FINANCIAL INFORMATION

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

	2014		2013			2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	8,367	7,761	19,414	18,414	8,322	7,385	18,341	19,198
Net (loss)/gain ⁽¹⁾	(8,208)	(5,667)	1,056	(238)	(5,456)	(7,292)	379	756
Basic and diluted (loss)/earnings per share	(0.025)	(0.027)	0.005	(0.001)	(0.027)	(0.036)	0.002	0.004

Note:

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

Solar-related revenues experience seasonality over the year due to the variability of daily sun hours in the summer versus the winter months, resulting in lower revenues in the first and fourth quarter of 2014 and 2013. The impact of seasonality on the Group's business should decrease over time as the Group secures additional solar power projects in Chile. Revenues are received in Euros and have been translated at the average €//\$ exchange rate of the corresponding period. Consequently, revenues expressed in US dollars fluctuate according to fluctuations in the exchange rates. The Group's revenues have also been affected by a decrease in the Market Price associated with the electricity sold at the spot market rate in Italy. However, these market revenues represented on average only 11% and 17% of total revenues during the three months ended March 31, 2014 and 2013, respectively.

FIRST QUARTER RESULTS

EBITDA

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

	Three months ended March 31, 2014			Three months ended March 31, 2013		
	Renewable energy ⁽¹⁾ \$'000	Corporate ⁽¹⁾ \$'000	Total \$'000	Renewable energy ⁽¹⁾ \$'000	Corporate ⁽¹⁾ \$'000	Total \$'000
Revenue	8,367	-	8,367	8,322	-	8,322
Operating expenses ⁽²⁾⁽³⁾	(2,316)	-	(2,316)	(1,825)	-	(1,825)
General and administrative expenses ⁽²⁾⁽³⁾	(311)	(1,967)	(2,278)	(330)	(1,033)	(1,363)
Other expenses	-	-	-	-	(393)	(393)
EBITDA⁽⁴⁾	5,740	(1,967)	3,773	6,167	(1,426)	4,741
Non-recurring items ⁽⁵⁾ :						
- Operating expenses	343	-	343	-	-	-
- General and administrative expenses	-	461	461	-	-	-
- Other expenses/(income)	-	-	-	-	393	393
Adjusted EBITDA⁽³⁾	6,083	(1,506)	4,577	6,167	(1,033)	5,134

Notes:

- (1) The renewable energy segment includes only the Group's solar power projects. All other revenues, expenses, assets and liabilities are included within the corporate segment, which includes all corporate overhead.
- (2) Operating expenses and general and administrative expenses shown here are for the purposes of calculating EBITDA.
- (3) EBITDA is a non-IFRS measure and adjusted EBITDA excludes non-recurring items recognized during the relevant period.
- (4) Refer to "Financial Review – Financial Results" on page 12 for an overview of the non-recurring items that occurred during the relevant period.
- (5) Non-recurring items incurred during the three months ended March 31, 2014, corresponded to one-off operating expenses associated with upgrades and maintenance activities on facilities to guarantee continuous performance of the solar power plants and one-off administrative expenses related to the Bond Refinancing, recruitment activities and development costs not subject to capitalization.

Revenue

	March 31 2014 \$'000	March 31 2013 \$'000
FIT revenue	7,409	6,929
Market Price revenue	958	1,393
Total revenue	8,367	8,322

Revenues increased by \$45,000 (0.5%) during the three months ended March 31, 2014, compared to the same period of 2013, due to higher solar irradiation and foreign exchange rate differences (due to a strengthening of the Euro against the US dollar) offset by a reduction in the Market Price in Italy.

FINANCIAL REVIEW (CONTINUED)

FINANCIAL RESULTS (CONTINUED)

FIRST QUARTER RESULTS (CONTINUED)

Operating expenses

	March 31 2014 \$'000	March 31 2013 \$'000
Operation and maintenance ("O&M") costs	919	755
Operating personnel costs	238	206
Depreciation and amortization (operating solar power projects)	5,183	4,987
Taxes (other than income tax)	485	430
Insurance	97	111
Land lease	55	53
Other operating expenses	522	269
Total operating expenses	7,499	6,811

Operating expenses increased by \$0.7 million (10%) during the three months ended March 31, 2014, compared to the same period of 2013, primarily due to one-off expenses of \$0.3 million associated with upgrades and maintenance activities on facilities to guarantee continuous performance of the solar power plants. The increase in operating expenses was also impacted by foreign exchange rate differences (due to a strengthening of the Euro against the US dollar).

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

General and administrative expenses

	March 31 2014 \$'000	March 31 2013 \$'000
Salaries and benefits	1,050	405
Board of Directors fees	30	22
Share-based payment expense (non-cash item)	67	168
Corporate and professional fees	596	512
Listing, filing and marketing expenses	121	84
Depreciation and amortization (corporate assets)	123	93
Office lease expenses	89	121
Office, travel and other general and administrative expenses	291	52
Total general and administrative expenses	2,367	1,457

General and administrative expenses increased by \$0.9 million (62%) during the first quarter of 2014 compared to 2013, primarily due to one-off expenses of \$0.5 million related to compensation expenses associated with the Bond Refinancing, recruitment activities and development costs not subject to capitalization. In addition, general and administrative expenses increased due to a higher headcount, travel expenses and foreign exchange rate differences (due to a strengthening of the Euro against the US dollar). This increase was partially offset by the capitalization of \$0.6 million of internally-generated costs within intangible assets directly attributable to the Group's business development activities.

Net finance costs

	March 31 2014 \$'000	March 31 2013 \$'000
Interest expense associated with non-recourse project loans ⁽¹⁾	4,747	4,962
Interest expense associated with corporate borrowings ⁽¹⁾	2,018	1,809
Net fair value movements associated with derivative financial instruments	1,184	68
Foreign exchange	970	236
Other net finance costs	167	75
Net finance costs	9,086	7,150

Note:

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

Finance costs increased by \$1.9 million (27%) during the first quarter of 2014 compared to 2013 primarily due an increase in foreign exchange losses during the quarter and the recognition of the ineffective portion of interest rate swap contracts. During the three months ended March 31, 2014, the Group capitalized \$1.3 million of borrowing costs associated with credit facilities obtained to finance the construction of Project Salvador.

FINANCIAL REVIEW (CONTINUED)

FINANCIAL RESULTS (CONTINUED)

FIRST QUARTER RESULTS (CONTINUED)

Net finance costs (continued)

All of the Group's non-recourse project loans in Italy are hedged through interest rate swap contracts all of which qualified for hedge accounting during 2013 and for the first quarter of 2014.

Income tax expense

	March 31 2014 \$'000	March 31 2013 \$'000
Current income tax recovery	3,075	3,012
Deferred income tax expense	(698)	(979)
Total income tax recovery	2,377	2,033

Income tax recovery increased by \$0.3 million (17%) during the three months ended March 31, 2014, compared to the same period of 2013, primarily due to higher taxable losses recognized during the period. During the first quarter of 2014 and 2013, the Group recognized taxable losses due to the seasonality of its revenues over the year.

During the first quarter of 2014, the incremental tax associated with the Robin Hood tax legislation was reduced to 6.5%, reducing the corporate income tax rate to 34% for 2014 and beyond for the solar projects affected by this additional tax. This tax rate is applicable to five of the Group's operating solar projects in Italy.

FINANCIAL POSITION

During the three months ended March 31, 2014, the Group's total equity increased by \$65.7 million from a net liability position of \$12.3 million at December 31, 2013, to a net asset position of \$53.4 million at March 31, 2014, primarily due to the Equity Financing completed in January 2014 of \$76.3 million (net of transaction costs), share-based payment expenses of \$0.1 million, capital increase from stock options exercised of \$0.1 million, written call options of \$0.2 million and foreign currency translation adjustments of \$0.9 million, offset by the \$8.2 million net loss reported by the Group during the period and unrealized losses of \$3.7 million recognized within other reserves associated with the Group's derivative financial instruments (i.e., interest rate swap contracts).

The Group's total equity at March 31, 2014 was negatively impacted by fair value losses of \$14.9 million recognized within other reserves associated with the Group's derivative financial instruments that are not expected to be realized (i.e., the interest rate swap contracts will be held until the maturity of the associated non-recourse project loans). Excluding these fair value losses, the Group's total equity at March 31, 2014, would have been \$68.3 million.

LIQUIDITY AND FINANCING

At March 31, 2014, the Group had cash and cash equivalents of \$124.1 million (December 31, 2013: \$94.9 million) and positive working capital (i.e., current assets less current liabilities) of \$30.4 million (December 31, 2013: \$47.5 million). This working capital includes the fair market value of interest rate swap contracts that are classified as current liabilities in accordance with IFRS but are not expected to be settled in cash in the next 12 months. Excluding this derivative financial liability that is not expected to be settled in the short-term, the Group's working capital would have been \$72.5 million.

The Group's cash and cash equivalents at March 31, 2014 included restricted cash of \$55.9 million (December 31, 2013: \$86.4 million), which relates to cash and cash equivalents held at the project level that is restricted by the lending banks for future repayment of interest and principal and working capital requirements related to the specific project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, either through repayment of shareholder loans, payment of interest on shareholder loans or through dividend distributions.

FINANCIAL REVIEW (CONTINUED)

FINANCIAL POSITION (CONTINUED)

LIQUIDITY AND FINANCING (CONTINUED)

In addition, during January 2014, Etrion completed the Equity Financing that exceeded management's expectations and raised gross proceeds of approximately \$80 million. Accordingly, an aggregate of 124,633,571 common shares were issued at a price of SEK 4.15 (approximately CAD\$0.70) per share for gross proceeds of SEK 517,229,320.

The proceeds from the Equity Financing were allocated to: (i) fund Etrion's remaining share of the equity requirements relating to its initial project developments in Chile and Japan; (ii) repay the approximately \$18 million shareholder loan outstanding to Lorito Holdings (Guernsey) Limited ("Lorito Guernsey"), a company associated with Etrion's major shareholder, the Lundin family (repaid in January 2014); (iii) fund other business development activities; and (iv) fund general corporate expenses.

In addition, in April 2014, Etrion completed the Bond Financing. The existing €60 million bonds will be redeemed on May 19, 2014, at a price of 101% of par plus accrued interest, resulting in net proceeds (excluding transaction costs) of approximately €20 million for the Company from the refinancing that will be used for general corporate purposes.

The Group expects to generate sufficient operating cash flows in 2014 from its solar power projects to meet its obligations and expects to finance the construction and/or acquisition of new projects with a combination of cash and cash equivalents, additional corporate equity or debt financing, vendor financing and non-recourse project loans, as required. After completing the Equity Financing and the Bond Financing, the Group secured funds and liquidity for its anticipated growth and development activities.

There have been no significant changes to the Group's contractual obligations as outlined in the Company's MD&A for the year ended December 31, 2013.

Borrowings

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

	March 31 2014 \$'000	December 31 2013 \$'000
Total borrowings (per consolidated financial statements)	436,183	438,584
Value added tax ("VAT") facilities ⁽¹⁾	(2,778)	(4,448)
Accrued interest ⁽²⁾	(5,412)	(2,968)
Transaction costs ⁽²⁾	12,082	12,343
Total borrowings (excluding non-cash items)	440,075	443,511
Cash and cash equivalents (including restricted cash)	(124,060)	(94,914)
Adjusted net debt	316,015	348,597

Notes:

- (1) VAT facilities are excluded from total borrowings as these facilities are to be repaid using the proceeds from input VAT received from the Italian tax authorities.
- (2) In accordance with IFRS, total borrowings include accrued interest and are shown net of transaction costs. These non-cash items are excluded from total borrowings to calculate adjusted net debt (on a cash flow basis).

At March 31, 2014 and December 31, 2013, the Group was not in breach of any of the imposed operational and financial covenants associated with its non-recourse project loans and corporate borrowings.

FINANCIAL REVIEW (CONTINUED)

FINANCIAL POSITION (CONTINUED)

Borrowings (continued)

Non-recourse project loans

Group's Italian subsidiaries

The non-recourse project loans (i.e., where the lending bank has security only over the assets of the associated project) held by the Group's Italian subsidiaries obtained to finance the construction of the Group's solar power projects mature at various dates between 2024 and 2028 and bear annual interest rates of Euribor plus a margin ranging from 1.35% to 3.1%. At March 31, 2014, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. At March 31, 2014, the Group had no undrawn amounts associated with these facilities.

In order to secure the Group's non-recourse project loans, the Group pledged as collateral the fixed assets (i.e., solar power projects and land) associated with the solar power projects financed by these facilities. Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the GSE and proceeds from the collection of input VAT accumulated for construction costs. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates.

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

Group's Chilean subsidiaries

The non-recourse project loan held by the Group's Chilean subsidiary, PV Salvador SpA, obtained to finance the construction of Project Salvador matures in 2033 bears a fixed annual interest rate of 7.51%. The repayment of this facility is secured principally by the proceeds from the sale of electricity in the spot market once the solar plant is completed and operational. The loan is accounted for using the amortized costs method based on the effective interest rate. As March 31, 2014, the undrawn amounts associated with this facility amounted to \$105 million. In addition, during the three months ended March 31, 2014, the Group made its first drawdown of \$2.3 million from the VAT credit facility with Rabobank, a Chilean bank owned by Rabobank Group, a Dutch multinational banking and financial service company, to finance the related VAT capital disbursements of Project Salvador. As of March 31, 2014, the undrawn amounts associated with this facility amounted to \$32.7 million.

The operations of the Group's solar power projects are restricted by operational and financial covenants. At March 31, 2014 and December 31, 2013, the Group was not in breach of any covenants.

The following is a summary of the Group's non-recourse project loans denominated in Euros, translated at the closing €/€ exchange rate of 1.38 at March 31, 2014, and 1.38 at December 31, 2013:

	Capacity (MW)	Financial institution	Maturity	Balance outstanding ⁽¹⁾	
				March 31 2014 \$'000	December 31 2013 \$'000
Cassiopea	24.0	BIIS ⁽²⁾ , Societe Generale and Portigon	March 31, 2024	125,600	129,198
Helios ITA-3	10.0	Natixis, Portigon and Mediocreval	June 30, 2027	44,269	43,946
Centauro	8.8	Barclays	September 30, 2028	45,670	50,162
Helios ITA	6.4	Societe Generale and Dexia	June 30, 2024	37,440	37,171
Etrion Lazio	5.3	Natixis, Portigon and Mediocreval	June 30, 2027	21,299	21,110
SVE	3.0	Centrobanca	June 30, 2028	15,308	15,863
Sagittario	2.6	Natixis, Portigon and Mediocreval	June 30, 2027	9,044	8,979
Salvador ⁽³⁾	70.0	OPIC, Rabobank ⁽³⁾	June 1, 2033	50,890	48,205
Total	130.0			349,520	354,634

Notes:

- (1) Balances outstanding include the VAT facilities associated with the loans (to be repaid using the proceeds from input VAT from the Italian tax authorities) and accrued interest net of transaction costs (in accordance with IFRS). According to the facility agreements, the VAT facilities are to be repaid within forty-eight months from the amounts collected from the Italian tax authorities for input VAT on the Group's construction activities.
- (2) Banca Infrastrutture Innovazione e Sviluppo (Intesa Sanpaolo Group).
- (3) Includes also the Rabobank VAT credit facility which matures on February 28, 2016.

FINANCIAL REVIEW (CONTINUED)

FINANCIAL POSITION (CONTINUED)

Borrowings (continued)

Corporate borrowings

At March 31, 2014, the Group had €60 million of corporate bonds outstanding in the Norwegian bond market issued by the Company in April 2011 at 9.0% annual interest with a 4-year maturity. The carrying amount of the corporate bond as at March 31, 2014, including accrued interest net of transaction costs, was \$85.8 million (December 31, 2013: \$83.9 million). On March 28, 2014, Etrion announced the closing of subscriptions for the Bond Financing with the proceeds to be used to refinance the Company's existing €60 million corporate bonds, as well as for general corporate purposes. The new bonds have an annual interest rate of 8.0% and mature in April 2019.

In addition, on March 28, 2014, the Company notified bondholders of the existing €60 million corporate bonds of its intention to redeem such bonds in full at 101% of par value, pursuant to the exercise of the 1% call option in accordance with the terms of the bonds. At March 31, 2014, the Company recognized as a current asset the \$0.8 million associated with the fair value of the call option. The existing and new corporate bonds have a minimum unrestricted cash balance covenant of €3 million.

GOING CONCERN

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2014, 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 March 31, 2014, the Group had cash and cash equivalents of \$124.1 million (December 31, 2013: \$94.9 million) and positive working capital (i.e., current assets less current liabilities) of \$30.4 million (December 31, 2013: \$47.5 million). During the three months ended March 31, 2014, the Group incurred a net loss of \$8.2 million (2013: \$5.5 million). In January 2014, Etrion completed the Equity Financing raising gross proceeds of approximately \$80 million. In April 2014, Etrion completed the Bond Financing raising additional gross proceeds of €80 million. The completion of the redemption of the existing €60 million bonds with the proceeds from the Bond Financing, expected to be completed on May 19, 2014, will result in net proceeds (excluding transaction costs) of approximately €20 million for the Company. Accordingly, the Group has secured financing for its anticipated growth and development activities.

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2014 do not include the adjustments that would result if the Group were unable to continue as a going concern.

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 333,972,657 common shares (December 31, 2013: 205,746,419) and 6,070,000 options (December 31, 2013: 7,450,000) issued and outstanding. The options expire at various dates between May 13, 2014, and April 28, 2018, with exercise prices in CAD\$ ranging between CAD\$0.24 and CAD\$1.59 per share.

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL REVIEW (CONTINUED)

CAPITAL INVESTMENTS

The Group plans to make capital investments in 2014-2015 in order to develop and build ground-mounted solar PV power plants in Chile and Japan. The following table summarizes the Group's 2014-2015 capital expenditures forecast for projects currently under construction or expected to begin construction in 2014.

	Status	Gross capacity (MW)	Etrion's ownership	Budgeted capital expenditures \$'000	Etrion's anticipated equity contribution \$'000
Projects under development/construction in Chile					
Salvador ⁽¹⁾	Construction	70.0	70%	177	27
Aguas Blancas	Development	72.0	100%	155	39
Las Luces	Development	27.0	100%	58	15
Projects under development in Japan					
Mito	Development	9.3	85%	30	7
Shizukuishi	Development	24.7	85%	80	14
Total 2014-2015 planned capital expenditure		203.0		500	102

Notes:

- (1) Etrion will initially own a 70% interest in Project Salvador, a 70 MW solar power project, resulting in a net capacity of 49 MW to Etrion. Following payback of the original equity contribution of approximately \$42 million, Etrion's ownership will decrease to 50.01%. After 20 years, Etrion's ownership will decrease to 0%.

Etrion finances the development and construction of its projects with a combination of cash and cash equivalents, additional corporate debt or equity financing, non-recourse project loans and vendor financing, as required. During 2014, Etrion successfully completed the Equity Financing and Bond Financing, partially securing funds for its anticipated growth and development activities in Chile and Japan.

Chilean projects

The Group enters into engineering, procurement and construction agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of March 12, 2014, the Group had gross contractual obligations to acquire construction services in the amount of \$138 million associated with the construction of Project Salvador, of which 70% is financed through the non-recourse loan already secured from OPIC.

Japanese projects

The total expected Japanese project costs for the 34 MW under development, including costs related to the licenses, permits, development and construction, is estimated to be approximately \$110 million, which is expected to be financed mostly by long-term, non-recourse project debt in local currency from a Japanese financial institution on competitive terms. The remaining equity portion is expected to be funded 85% by Etrion and 15% by HHT, according to their respective ownership interests. As of March 12, 2014, the Group had no committed capital expenditures outstanding in connection with engineering, procurement and construction agreements for the Japanese projects.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2014 from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2013.

During the three months ended March 31, 2014, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2014.

FINANCIAL REVIEW (CONTINUED)

RELATED PARTIES

For the purposes of preparing the Company's consolidated financial statements, parties are considered to be related, if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family which collectively owns personally and through various investments companies approximately 24.3% of the common shares Company's share capital. All related party transactions are made on terms equivalent to those made on an arm's length basis.

The related party transactions disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2013 are summarized below.

RELATED PARTY TRANSACTIONS

Lundin Services BV

The Group receives technical and legal services from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB. The Chief Executive Officer of Lundin Petroleum AB is a director of the Company. During the three months ended March 31, 2014, the Group incurred general and administrative expenses of \$nil (2013: \$10,000) and at March 31, 2014 the Group had \$nil (2013: \$nil) outstanding in relation to these expenses.

During the three months ended March 31, 2014, Lundin Services BV sold their remaining €7.6 million of the corporate bonds issued by the Company in April 2011. Lundin Services BV did not participate or subscribe in the Bond Financing which closed in April 2014. During the three months ended March 31, 2014, the Group recognized \$0.2 million (2013: \$0.2 million) of interest expense and \$7,000 (2013: \$6,000) of transaction costs associated with the portion of the corporate bonds held by Lundin Services BV during this period.

Lundin family

Corporate bond

During the three months ended March 31, 2014, investment companies associated with the Lundin family sold their €15 million of the corporate bonds issued by the Company in April 2011. These investment companies associated with the Lundin family subscribed for €15 million of bonds in the Bond Financing that closed in April 2014. During the three months ended March 31, 2014, the Group recognized \$0.4 million (2013: \$0.4 million) of interest expense and \$13,000 (2013: \$12,000) of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family during this period.

Lundin family bridge Loan

In September 2013, the Group obtained a \$42 million unsecured loan facility from a company affiliated with the Lundin family at an annual interest rate of 12% with a 12-month maturity in order to fund its business development activities in Chile. During 2013, \$18 million was drawn under the loan facility and in January 2014 the total outstanding amount of \$18.4 million, including interest, was repaid.

KEY MANAGEMENT PERSONNEL

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

During the three months ended March 31, 2014, the Group recognized \$0.6 million (March 31, 2013: \$0.3 million) within general and administrative expenses associated with the remuneration of key management personnel, related to salaries and short-term benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At March 31, 2014, the Group had \$19,000 in fees payable to the Board of Directors. At December 31, 2013, the Group had \$0.8 million outstanding to key management personnel for 2013 bonus compensation.

FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks relating to its operations. These risks include market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets, specifically changes in foreign exchange rates and interest rates, 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 risk exposures (i.e., interest rate swap contracts). However, the Group has not entered into any foreign exchange rate hedges as the effects of foreign exchange rate movements have an insignificant impact on the Group's annual and quarterly results, due to the fact that monetary assets and liabilities held by the Group's subsidiaries are primarily held in the individual subsidiaries' functional currency.

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

Refer to the Company's consolidated financial statements for the year ended December 31, 2013, for further details relating to the Group's financial risk management.

DERIVATIVE FINANCIAL INSTRUMENTS

A summary of the Group's derivative financial instruments at March 31, 2014 and December 31, 2013 is as follows:

	March 31 2014 \$'000	December 31 2013 \$'000
Derivative financial assets:		
Call option		
- Current portion	827	-
Total derivative financial assets	827	-
Derivative financial liabilities:		
Interest rate swap contracts (cash flow hedges) ⁽¹⁾		
- Current portion	9,399	9,110
- Non-current portion	32,709	27,019
Total derivative financial liabilities	42,108	36,129

Note:

- (1) All of the Group's derivative financial instruments were classified as cash flow hedges that qualified for hedge accounting at March 31, 2014 and December 31, 2013.

The Group has entered into five credit facilities that are hedged using interest rate swap contracts in order to hedge the risk of variations in the Group's cash flows as a result of floating interest rates on the Group's non-recourse project loans. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, calculated using the notional amount to maturity as per the interest rate swap contracts, the observable Euribor interest rate forward yield curve and an appropriate discount factor.

During the three months ended March 31, 2014, the Group also recognized a net fair value loss of \$3.7 million (2013: net fair value gain of \$18,000) net of tax within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

In addition, during the three months ended March 31, 2014, the Company recognized a net fair value loss of \$1.0 million (2013: net fair value gain of \$18,000) associated with the ineffective portion of the Group's derivative financial instruments.

On March 28, 2014, the Group recognized as a current asset the fair value of the call option associated with the €60 million corporate bond to be redeemed at 101% of par value on May 19, 2014.

RISKS AND UNCERTAINTIES

The Group's activities expose it to a variety of financial and non-financial risks and uncertainties that could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. Risk management is carried out by the Company's management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also oversees and provides assistance with the overall risk management strategy and mitigation plan of the Group.

FINANCIAL RISKS

DEBT AND EQUITY FINANCING

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

CAPITAL REQUIREMENTS AND LIQUIDITY

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

MARKET RISKS

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

COST UNCERTAINTY

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

NON-FINANCIAL RISKS

LICENSES AND PERMITS

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

GOVERNMENTAL REGULATION

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

RISKS AND UNCERTAINTIES (CONTINUED)

NON-FINANCIAL RISKS (CONTINUED)

COMPETITION

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

PRICES AND MARKETS FOR ELECTRICITY

Etrion is not exposed to significant commodity price risk as the majority of its current revenues generated by the Company's solar power projects are secured by long-term contracts based on a FiT. However, in Chile, the Company is exposed to price risks associated with the electricity sold at the spot rate, which may be subject to change based on competition, economic, political and other conditions.

A decline in the costs of other sources of electricity, such as fossil fuels or nuclear power, could reduce the wholesale price of electricity. A significant amount of new electricity generation capacity becoming available could also reduce the wholesale price of electricity. Broader regulatory changes to the electricity trading market (such as changes to integration of transmission allocation and changes to energy trading and transmission charging) could have an impact on electricity prices. A decline in the market price of electricity could materially adversely affect the price of electricity generated by renewable assets in Chile and thus the Company's business, financial position, results of operations and business prospects.

INTERNATIONAL OPERATIONS

Renewable energy development and production activities are subject to significant political and economic uncertainties that may adversely affect the Group's performance. Uncertainties include, but are not limited to, the possibility of expropriation, nationalization, renegotiation or nullification of existing or future PPAs, a change in renewable energy pricing policies and a change in taxation policies or the regulatory environment in the jurisdictions in which the Group operates. These uncertainties, all of which are beyond the Group's control, could have a material adverse effect on the Group's financial position and operating performance. In addition, if legal disputes arise relating to any of the Group's operations, the Group could be subject to legal claims and litigation within the jurisdiction in which it operates.

RELIANCE ON CONTRACTORS AND KEY EMPLOYEES

The ability of the Company to conduct its operations is highly dependent on the availability of skilled workers. The labor force in Europe is unionized and politicized, and the Group's operations may be subject to strikes and other disruptions. In addition, the success of the Company is largely dependent upon the performance of its management and key employees. There is a risk that the departure of any member of management or any key employee could have a material adverse effect on the Group.

The Group's business model relies on qualified and experienced contractors to design, construct and operate its renewable energy projects. There is a risk that such contractors are not available or that the price for their services impairs the economic viability of the Group's projects.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to: Etrion's plans for future growth and development activities (including, but not limited to, the anticipated size and timing of additional solar projects in Japan and Chile and expansion into other areas in South America, and expectations relating to the timing of construction and operation for various projects); expectations relating to cash flow in 2014 and 2015 and the expected sufficiency and uses thereof; expectations relating to future solar energy production and the means by which, and to whom, such future solar energy will be sold; the need for, and amount of, additional capital to fund the construction or acquisition of new projects and the expected sources of such capital; the expected timing for the redemption of the Company's existing bonds with the proceeds from the Bond Financing and the associated uses of proceeds from the Bond financing; expectations relating to grid parity; ; the expected key drivers for growth; expectations with respect to future mining growth in Chile; the anticipated use of the proceeds from the Equity Financing that was completed in January 2014; and future dividend distributions. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: risks associated with operating exclusively in foreign jurisdictions; uncertainties with respect to the identification and availability of suitable additional renewable energy projects on economic terms; uncertainties with respect to the Company's ability to negotiate PPAs with industrial energy users; uncertainties relating to the availability and costs of financing needed in the future; the lack of confirmation or reduction of the applicable FiT and the Market Price for electricity sales; management's expectations with respect to the impact of the decree approved in January 2014 by the Italian industry ministry; uncertainties with respect to the receipt or timing of all applicable permits for the development of projects; uncertainties with respect to certain information relating to solar electricity revenue that is subject to confirmation of both the applicable FiT to which the Company is entitled by the state-owned company, GSE, and the applicable spot market price by local utilities for electricity sales to the national grid; the impact of general economic conditions and world-wide industry conditions in the jurisdictions and industries in which the Company operates; risks inherent in the ability of the Group to generate sufficient cash flow from operations to meet current and future obligations; stock market volatility; opportunities available to or pursued by the Company; and other factors, many of which are beyond the Company's control.

All such forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances. Such assumptions include, but are not limited to: confirmation of the applicable FiT and spot market price for electricity sales; the ability of the Company to obtain required permits in a timely fashion and project and debt financing on economic terms and/or in accordance with the Company's expectations; the ability of the Company to identify and acquire additional solar power projects; expectations with respect to the declining impact of seasonality on the Company's business and assumptions relating to management's assessment of the decree approved in January 2014 by the Italian industry ministry. The foregoing factors, assumptions and risks are not exhaustive and are further discussed in Etrion's most recent Annual Information Form and other public disclosure available on SEDAR at www.sedar.com. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Investors should not place undue reliance on forward-looking information. Except as required by law, Etrion does not intend to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The information contained in this MD&A is expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

Additional information regarding the Company, including its Annual Information Form, may be found on the SEDAR website at www.sedar.com or by visiting the Company's website at www.etrion.com.