Management's Discussion and Analysis
Three and Six Months Ended June 30, 2019

13.2 MW Komatsu solar power park in Japan

At a Glance

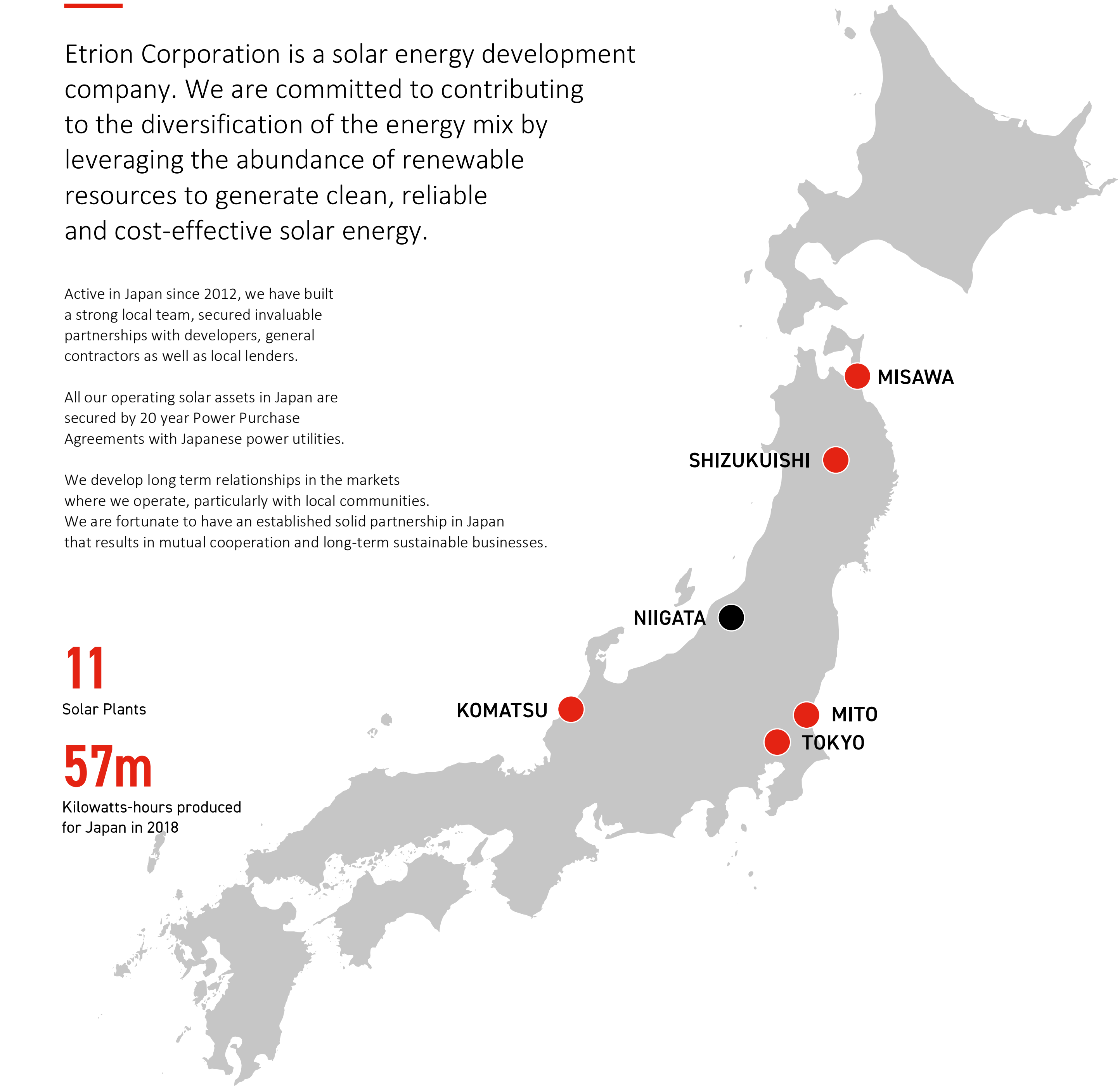
Etrion Corporation

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

Active in Japan since 2012, we have built a strong local team, secured invaluable partnerships with developers, general contractors as well as local lenders.

All our operating solar assets in Japan are secured by 20 year Power Purchase Agreements with Japanese power utilities.

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



11
Solar Plants

57m
Kilowatts-hours produced for Japan in 2018

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

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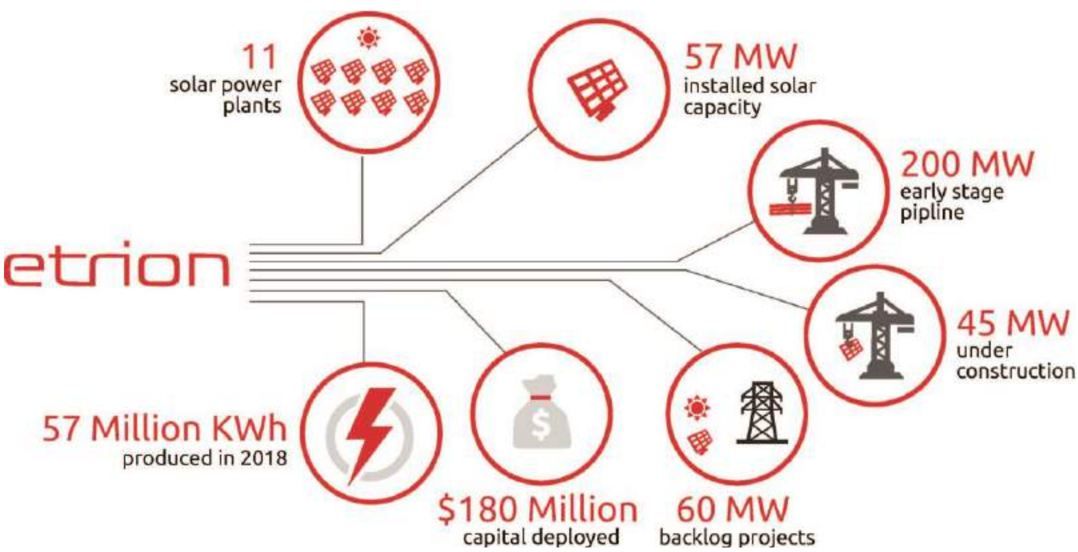

Management's Discussion and Analysis

Management's discussion and analysis

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" and, together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and current and future business opportunities. This MD&A, prepared as of August 6, 2019, 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, 2019. Financial information is reported in both United States dollars ("$" or "USD") and in Euros ("€") because the Company's outstanding corporate bonds are denominated in the later currency. In addition, certain material financial information has also been reported in Japanese yen ("¥") because the Company has its main business activities in Japan. Exchange rates for the relevant currencies of the Group with respect to the $ and the ¥ are as follows:

	€/¥	$/¥	€/$
Closing rate at June 30, 2019	122.58	107.64	1.14
Closing rate at June 30, 2018	128.58	110.64	1.17
Six months average rate 2019	124.31	110.00	1.13
Six months average rate 2018	131.62	108.65	1.21

Non-IFRS financial measures and forward-looking statements

The terms "adjusted net income (loss)", "earnings before interest, tax, depreciation and amortization" ("EBITDA"), "Adjusted EBITDA", "solar segments EBITDA" and "adjusted operating cash flow", used throughout this MD&A, are non-IFRS measures and therefore do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures disclosed by other companies. The basis for calculation has not changed and has been applied consistently by the Company over all periods presented. Adjusted net income (loss) is a useful metric to quantify the Company's ability to generate cash before extraordinary and non-cash accounting transactions recognized in the financial statements (the most comparable IFRS measure is net income (loss) as reconciled on page 20). EBITDA, including solar segments EBITDA, is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while Adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measures for both EBITDA and Adjusted EBITDA is net income (loss) as reconciled on page 20). In addition, adjusted operating cash flow is used by investors to compare cash flows from operating activities without the effects of certain volatile items that can positively or negatively affect changes in working capital and are viewed as not directly related to a company's operating performance (the most comparable IFRS measure is cash flow used in operations as reconciled on page 20). This MD&A contains forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from the information contained herein. For information on material risk factors and assumptions underlying the forward-looking information, refer to the "Cautionary Statement Regarding Forward-Looking Information" on page 32.

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Second Quarter 2019 Highlights

Operational Highlights

- Etrion produced 22.6 million kilowatt-hours ("kWh") of electricity from the Company's 57 megawatts ("MW") portfolio comprising 11 solar power plant sites in Japan.
- Etrion continues to advance on the development of the backlog solar power projects in Japan with aggregate capacity of 60 MW on a gross basis. Projects remain at risk for delays or abandonment if the Company encounters issues that cannot be resolved. The Company is also evaluating several other early stage projects, defined as pipeline, with an aggregate capacity of 200 MW on a gross basis.
- Etrion has started the construction of the 45 MW Niigata project in northern Japan. The project is approximately 12% complete with estimated connection to the electricity grid in the fourth quarter of 2021.
- Etrion has retained a financial advisor to divest the 70 MW solar power Chilean subsidiary in northern Chile ("PV Salvador"). The Group has not consolidated PV Salvador's financial position and performance since September 30, 2017. After deconsolidation, the retained investment in Salvador is accounted for as an equity investment and recorded at a fair value of nil.

Financial Highlights

- Generated consolidated revenues of $7.7 million were 21% higher relative to Q2-18.
- Solar segments EBITDA of $6.2 million were 27% higher relative to Q2-18
- During Q2-19, the Group collected ¥100 million ($0.9 million) associated with the sale of the rights of the Brownfield Tk-1, 45 MW Kumamoto solar power project.
- Closed the second quarter of 2019 with a cash balance of $168.5 million, $5.3 million of which was unrestricted and held at corporate level and working capital of $148.4 million.
- On July 1, 2019, Etrion charged the Niigata project with a net development fee of approximately ¥600 million ($5.5 million) and anticipated land lease for ¥459 million ($4.2 million)
- In June 2019, the Group secured long term financing of approximately ¥16.0 billion ($147.0 million) for the construction of the 45 MW Niigata solar power project. The arranger of the Etrion Green Project Bond, rated BBB, was Goldman Sachs Japan Co., LTD ("Goldman Sachs").

Second Quarter 2019 Highlights

Continued

	Three months ended		Six months ended	
USD thousands (unless otherwise stated)	Q2-19	Q2-18	Q2-19	Q2-18
Electricity production (MWh)[1]	**22,575**	**18,155**	**34,876**	**26,241**
Financial results				
Revenues	7,705	6,357	11,921	9,267
Gross profit	4,127	3,089	4,768	3,205
EBITDA	6,141	2,254	7,875	2,912
Adjusted EBITDA	6,141	3,733	7,875	4,391
Net income (loss)	547	(746)	(1,681)	(4,599)
Adjusted net income	2,873	2,894	3,034	1,026
Cash flow				
Project cash distributions	1,850	-	1,850	611
Cash flow from operations	4,257	5,566	5,039	2,771
Adjusted operating cash flow	7,784	3,804	9,787	4,633

	June 30 2019	December 31 2018
Balance sheet		
Total assets	372,563	203,226
Operational assets	138,099	138,842
Unrestricted cash at parent level	5,260	9,328
Restricted cash at project level	163,192	15,399
Working capital	149,090	22,835
Consolidated net debt on a cash basis	155,017	151,918
Corporate net debt	33,174	29,476

[1]MWh=Megawatt-hour

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Business Review

Business Overview

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants in Japan. The Company owns and operates 57 MW of installed solar capacity and 45 MW of solar projects under construction, all in Japan. Etrion has several projects at different stages of development also in Japan. The Company has four operational projects (11 solar park sites). All operational projects benefit from revenues generated from 20-year feed-in tariff ("FiT") power purchase agreements ('PPAs') that are fixed price contracts with local utilities for all the electricity generated.

Etrion's plan is to remain focused exclusively on continuing to develop, to grow its installed capacity and operate solar power projects in Japan.

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

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

The development of a solar power plant can be described as going through four phases: (1) site development, (2) project financing, (3) construction and (4) operations and asset management.

Business Process – Solar Energy

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

Business Review

Continued

Operations Review
Three Months Ended June 30

USD thousands (unless otherwise stated)	JAPAN Q2-19	JAPAN Q2-18
Operational data [1]		
Electricity production (MWh)	22,575	18,155
Operational performance [1]		
Electricity revenue		
Feed-in-Tariff [2]	7,705	6,357
Total revenues	7,705	6,357
EBITDA [3]	6,141	4,887
EBITDA margin (%)	80%	77%
Net income	2,287	1,836

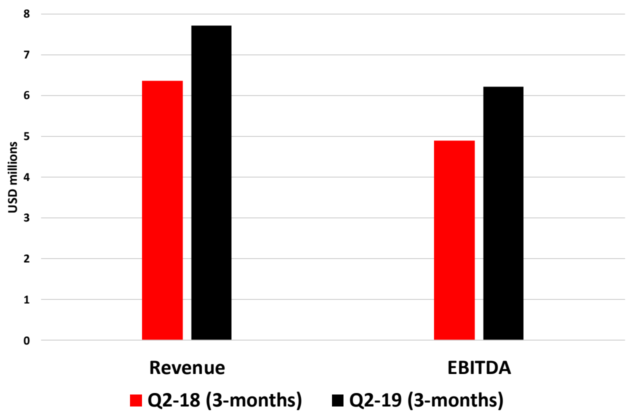
1. Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries.
2. FiT scheme under PPA with utilities.
3. Refers to segment EBITDA as reconciled in the segment information section on page 20

Operating Performance in Japan (3 Months)

During Q2-19, the Group produced 24% more electricity in Japan compared to the same period in 2018, due primarily to the incremental production from the Komatsu solar power project that started operations in May 2018 and overall higher irradiation performance of the solar power plants year-to-date.

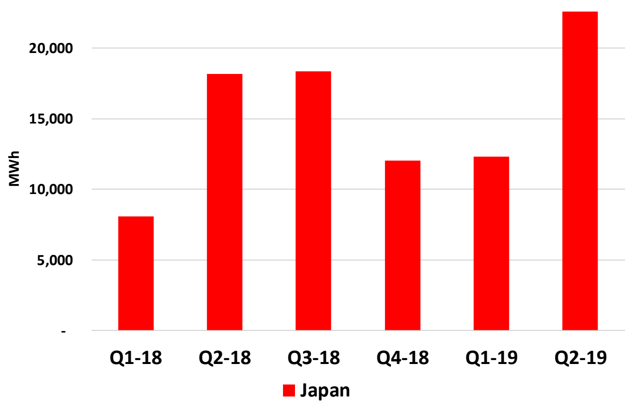
The Group receives revenues denominated in Japanese yen from its operating solar projects. Revenues come from the FiT system, whereby a premium fixed price is received for each kWh of electricity produced through a 20-year PPA contract with the Japanese public utility, Tokyo Electric Power Company ("TEPCO"), Hokuriku Electric Power Co., Inc ("HOKURIKU") or Tohoku Electric Power Co., Inc. ("TOHOKU"), as applicable. During Q2-19, the Group received the FiT of ¥40 per kWh applicable to the Mito and Shizukuishi solar park sites, the FiT of ¥36 per kWh applicable to the solar park sites of the Misawa project and the FiT of ¥32 per kWh applicable to the solar park site of the Komatsu project.

During Q2-19, the Group's revenue and project-level EBITDA increased by 21% and 27%, respectively, compared to the same period in 2018, primarily due to the incremental installed capacity in Japan and higher performance of the solar power plants.



Historical Production

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



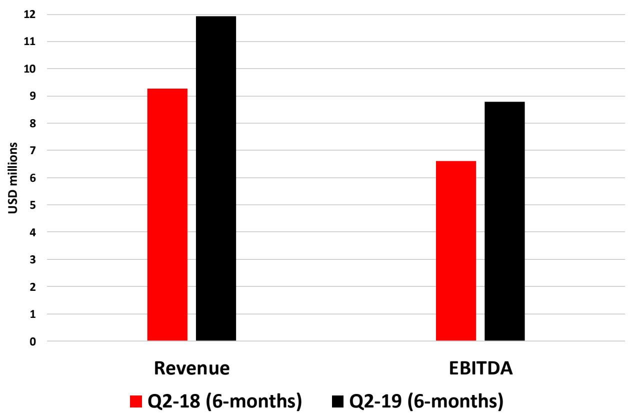
Business Review

Continued

Six Months Ended June 30

USD thousands (unless otherwise stated)	JAPAN Q2-19	JAPAN Q2-18
Operational data (4)		
Electricity production (MWh)	34,876	26,241
Operational performance (4)		
Electricity revenue		
Feed-in-Tariff (5)	11,921	9,267
Total revenues	11,921	9,267
EBITDA (6)	8,782	6,617
EBITDA margin (%)	74%	71%
Net income	1,183	843

4. Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries.
5. FiT scheme under PPA with utilities.
6. Refers to segment EBITDA as reconciled in the segment information section on page 20



Revenues from Japan are received in Japanese yen and have been translated to the Group's presentation currency $ using the corresponding implied Q2-19 average rates. Accordingly, changes in the ¥/$ applicable exchange rates have an impact in the accounting conversion process of the income statement to the Group's reported figures in $.

Operating Performance in Japan (6 Months)

During the first half of 2019, the Group produced 33% more electricity in Japan compared to the same period in 2018, due primarily to the incremental production from the Komatsu solar power project that started operations in May 2018 and higher performance of the solar power plants.

During the first half of 2019, the Group's revenue and project-level EBITDA increased by 29% and 33%, respectively, compared to the same period in 2018.

Business Review

Continued

Operating Projects

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

Mito

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

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

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

Shizukuishi

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

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

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

Misawa

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

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

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

Komatsu

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

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

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

Business Review

Continued

Development Activities

Projects Under Construction

Niigata (previously disclosed as Greenfield Tk-2).

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

Niigata is a 45 MW ground-mounted fixed-tilt solar photovoltaic power project to be built on one site in the Niigata prefecture of Japan. Construction-related works have started, and the solar project is expected to be fully operational by the fourth quarter of 2021. The solar power plant will be built on 75.7 hectares of land owned by Etrion and will connect through TOHOKU. The project company entered into an effective twenty-year PPA with TOHOKU and will receive ¥36 per kWh of electricity produced (approximately US$0.33 per kWh). Once operational, Niigata is expected to produce approximately 47 gigawatt-hours ("GWh") of solar electricity per year, enough to supply more than 13,000 Japanese households. Etrion owns 100% of the Niigata project. The total project cost is expected to be approximately ¥16.7 billion (US$ 154.2 million) including VAT, which has been financed 95% through a non-recourse loan. The remaining 5% of total project cost has been fully funded by Etrion during the development period. On July 1, 2019, Etrion charged the Niigata project with a net development fee of approximately ¥600 million ($5.5 million) and anticipated land lease for ¥459 million ($4.2 million).

Projects Under Development

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

Project	Prefecture	Sites	MW Gross	Target NTP
Brownfield Tk-3	Mie	1	60	H1-20
Total backlog		1	60	
Total early stage			200	
Total pipeline			260	

Japanese Backlog

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

Business Review

Continued

As of June 30, 2019, the Company has incurred approximately $6.6 million of project advances and development costs associated with the Japanese backlog as follows:

Project	Advance to third parties	Development costs	TOTAL
Brownfield Tk-3	5.6	1.0	6.6
Total USD million	**5.6**	**1.0**	**6.6**

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

Project	Project Costs	Gross Debt	Gross equity (1)
Brownfield Tk-3	154	147	7
Total USD million	**154**	**147**	**7**

1. Based on 100% ownership

Early Stage Japanese Pipeline

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

Given the early stage nature of these projects the Company will not provide timing status until the projects reach backlog stage. The estimated aggregate capacity disclosed for the pipeline is management's best estimates, however, final capacity may be adjusted based on permit restrictions, land availability and economics.

Solar Market Overview

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

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

Japanese Market

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

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

Business Review

Continued

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

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

In Japan, the new curtailment system was changed from the "30-day rule per annum" to an hourly basis per annum. Uncompensated curtailment up to 30 days, annually based on one-day units, was changed to up to 360 hours annually. The hourly basis for curtailment expands the amount available for interconnection. Furthermore, utilities may impose installation of remote curtailment systems on PV plants.

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

On December 5, 2018, METI announced the details of the measures concerning procurement of electricity from renewable energy sources by electricity utilities (the "FiT Amendment Act Ordinance"). The FiT Amendment Act Ordinance sets out new rules to address solar projects under development that hold FiT of ¥40, ¥36 and ¥32/kWh.

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

Etrion's management considers that the new solar rules announced in Japan are less stringent than expected. For Etrion's backlog, the Brownfield Tk-3, (60 MW) project located in the Mie prefecture is likely to be minimally affected with potential loss of six to twelve months of the 20-year PPA, depending on when the project is connected to the grid, since most of the permits have already been obtained.

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

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Financial Review

Financial Results

Selected Financial Information

During the first half of 2019, the Group's performance and results were positively impacted by the incremental production of electricity in Japan. Revenue, gross profit and EBITDA on a consolidated basis increased in comparison with the same period in 2018, due to the good performance of the existing solar parks and the addition of the Komatsu project in May 2018. Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

	Three months ended		Six months ended	
USD thousands (except per share data)	**Q2-19**	**Q2-18**	**Q2-19**	**Q2-18**
Revenue	**7,705**	**6,357**	**11,921**	**9,267**
Gross profit	**4,127**	**3,089**	**4,768**	**3,205**
Net income (loss) attributable to owners of Etrion	165	(1,028)	(1,806)	(4,691)
Basic and diluted (loss) earnings per share:	**$0.000**	**$(0.003)**	**$(0.005)**	**$(0.014)**
Net income (loss)	**547**	**(746)**	**(1,681)**	**(4,599)**
Adjustments to net loss income for:				
Net income tax expense	830	442	1,330	737
Depreciation and amortization	2,262	1,929	4,555	3,647
Additional termination fee	-	1,479	-	1,479
Share-based payment expense	65	193	89	381
Net finance costs	2,503	528	3,672	2,971
Other expense (income)	(245)	(21)	-	17
Income tax paid	(77)	(203)	(855)	(607)
Changes in working capital	(1,627)	1,965	(2,070)	(1,255)
Operating cash flow	**4,257**	**5,566**	**5,039**	**2,771**

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

USD thousands	**June 30 2019**	**December 31 2018**
Non-current assets	188,798	163,576
Current assets	183,765	39,650
Total assets	**372,563**	**203,226**
Non-current liabilities	336,742	183,482
Current liabilities	34,676	16,815
Total liabilities	**371,418**	**200,297**
Net assets	**1,145**	**2,929**
Working capital	149,090	22,835
Dividends declared	-	-

Financial Review

Continued

Segment Information

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

Segment Information Three Months Ended June 30

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

	Three months ended					
USD thousands	**Q2-19**			**Q2-18**		
	Solar Japan	**Corporate**	**Total**	**Solar Japan**	**Corporate**	**Total**
Revenue	**7,705**	**-**	**7,705**	**6,357**	**-**	**6,357**
Operating expenses	(1,354)	-	(1,354)	(1,379)	-	(1,379)
General and administrative	(140)	(977)	(1,117)	(104)	(1,162)	(1,266)
Additional termination fee	-	-	-	-	(1,479)	(1,479)
Other income (expenses) (1)	1	906	907	13	8	21
EBITDA	**6,212**	**(71)**	**6,141**	**4,887**	**(2,633)**	**2,254**
Depreciation and amortization	(2,223)	(38)	(2,261)	(1,889)	(40)	(1,929)
Finance income	-	-	-	5	1,427	1,432
Finance costs	(1,359)	(1,144)	(2,503)	(930)	(1,131)	(2,601)
Income (loss) before income tax	**2,630**	**(1,253)**	**1,377**	**2,073**	**(2,377)**	**(304)**
Income tax expense	(343)	(487)	(830)	(237)	(205)	(442)
Net income (loss) for the period	**2,287**	**(1,740)**	**547**	**1,836**	**(2,582)**	**(746)**

Solar Japan: During Q2-19, the Group's Japanese solar segment generated revenues of $7.7 million and EBITDA of $6.2 million, representing an increase of 21% and 27%, respectively, in comparison with the same period in 2018. Revenue and EBITDA increased driven by the additional production from the Komatsu project and higher performance of the existing solar power plants. In addition, the Group's Japanese segment generated a net income of $2.3 million, in comparison with net income of $1.8 million for the same period in 2018.The second quarter of every year is positively impacted by the spring-summer season in the northern hemisphere.

Corporate: During Q2-19, the Group's corporate segment generated negative EBITDA of $0.1 million and a net loss of $1.7 million, respectively. In comparison with the same period in 2018, lower negative EBITDA reflects the impact of streamline operations. Finance costs at corporate level increased in comparison with the same period in 2018 due to the recognition of foreign exchange losses during the period partially offset by the corporate bond refinancing transaction completed in June 2018.

(1) During Q2-19, the Group collected ¥100 million ($0.9 million) associated with the sale of the rights of the Brownfield Tk-1, 45 MW Kumamoto solar power project.

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:

USD thousands	Six months ended Q2-19			Q2-18		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	**11,921**	**-**	**11,921**	**9,267**	**-**	**9,267**
Operating expenses	(2,668)	-	(2,668)	(2,495)	-	(2,495)
General and administrative	(212)	(1,828)	(2,040)	(156)	(2,208)	(2,364)
Additional termination fee	-	-	-	-	(1,479)	(1,479)
Other income (expenses)	(259)	921	662	1	(18)	(17)
EBITDA	**8,782**	**(907)**	**7,875**	**6,617**	**(3,705)**	**2,912**
Depreciation and amortization	(4,484)	(70)	(4,554)	(3,567)	(80)	(3,647)
Finance income	-	296	296	5	-	5
Finance costs	(2,405)	(1,563)	(3,968)	(1,822)	(1,311)	(3,133)
Income (loss) before income tax	**1,893**	**(2,244)**	**(351)**	**1,233**	**(5,095)**	**(3,862)**
Income tax expense	(710)	(620)	(1,330)	(390)	(347)	(737)
Net income (loss) for the period	**1,183**	**(2,864)**	**(1,681)**	**843**	**(5,442)**	**(4,599)**

Solar Japan: During the first half of 2019, the Group's Japanese solar segment generated revenues of $11.9 million and EBITDA of $8.7 million, representing an increase of 29% and 33%, respectively, in comparison with the same period in 2018. Revenue and EBITDA increased driven by the additional production from the Komatsu project and higher performance of the existing solar power plants. In addition, the Group's Japanese segment generated a net income of $1.1 million, in comparison with net income of $0.8 million for the same period in 2018.

Corporate: During the first half of 2019, the Group's corporate segment generated negative EBITDA of $0.9 million and a net loss of $2.9 million, respectively. In comparison with the same period in 2018, lower negative EBITDA reflects the impact of streamline operations. In addition, during Q2-19, the Group collected ¥100 million ($0.9 million) associated with the sale of the rights of the Brownfield Tk-1, 45 MW Kumamoto solar power project. Finance costs at corporate level increased in comparison with the same period in 2018 due to the recognition of foreign exchange losses during the period partially offset by the corporate bond refinancing transaction completed in June 2018.

Financial Review

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Non-GAAP Performance Measures

Reconciliation of adjusted net income to net income (loss)	Three months ended		Six months ended	
USD thousands	**Q2-19**	**Q2-18**	**Q2-19**	**Q2-18**
Net income (loss)	**547**	**(746)**	**(1,681)**	**(4,599)**
Adjustments for non-recurring and non-cash items:				
Depreciation and amortization	2,261	1,929	4,554	3,647
Fair value movements (derivative financial instruments)	-	37	72	118
Share-based payment expense	65	195	89	381
Additional termination fee	-	1,479	-	1,479
Adjusted net income	**2,873**	**2,894**	**3,034**	**1,026**

Reconciliation of adjusted operating cash flows to operating cash flows	Three months ended		Six months ended	
USD thousands	**Q2-19**	**Q2-18**	**Q2-19**	**Q2-18**
Operating cash flow	**4,257**	**5,566**	**5,039**	**2,771**
- Changes in working capital	2,539	(1,965)	2,982	1,255
- Reimbursement from developer	911	-	911	-
- Income tax paid	77	203	855	607
Adjusted operating cash flow	**7,784**	**3,804**	**9,787**	**4,633**

Non-GAAP Performance Measures

Reconciliation of Solar segments Adjusted EBITDA to EBITDA	Three months ended		Six months ended	
USD thousands	**Q2-19**	**Q2-18**	**Q2-19**	**Q2-18**
Net income (loss)	**547**	**(746)**	**(1,681)**	**(4,599)**
Adjustments for:				
Net income tax expense	830	442	1,330	737
Net finance costs	2,503	629	3,672	3,127
Depreciation and amortization	2,261	1,929	4,554	3,647
EBITDA	**6,141**	**2,254**	**7,875**	**2,912**
Adjustment for non-recurring items:				
Additional termination fee	-	1,479	-	1,479
Adjusted EBITDA	**6,141**	**3,733**	**7,875**	**4,391**
Plus: Corporate G&A expenses	71	1,154	907	2,226
Solar Japan Adjusted EBITDA	**6,212**	**4,887**	**8,782**	**6,617**

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)	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
Revenue	**7,705**	**4,216**	**4,048**	**6,185**	**6,357**	**2,910**	**2,603**	**7,005**
Japan	7,705	4,216	4,048	6,185	6,357	2,910	2,603	4,867
Chile	-	-	-	-	-	-	-	2,138
Net income (loss)	**7,705**	**(2,227)**	**(2,566)**	**(1,453)**	**(746)**	**(3,853)**	**(4,225)**	**35,161**
Net income (loss) from continuing operations attributable to owners of Etrion	164	(1,910)	(2,510)	(1,677)	(1,029)	(3,663)	(4,165)	36,080
Net income (loss) attributable to owners of Etrion	164	(1,910)	(2,510)	(1,677)	(1,029)	(3,663)	(4,165)	36,080
Basic and diluted earnings (loss)per share:								
From continuing operations attributable to owners of Etrion	$0.00	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$0.11
From total results attributable to owners of Etrion	$0.00	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$0.11

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

Financial Review

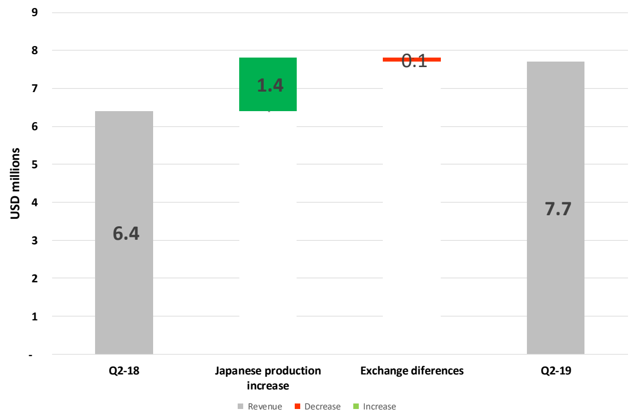
Continued

Revenue

	Three months ended		Six months ended	
USD thousands	Q2-19	Q2-18	Q2-19	Q2-18
FiT	7,705	6,357	11,921	9,267
Total revenue	**7,705**	**6,357**	**11,921**	**9,267**

During the three and six months ended June 30, 2019 consolidated revenues increased by $1.3 million (21%) and $2.7 million (29%), respectively, compared to the same period of 2018.The 13.2 MW Komatsu solar project connected in May 2018 contributed significantly to the revenue increase in 2019 as well as higher performance of the existing solar power plants.

The reconciliation of total revenue in Q2-19 versus Q2-18 is as follows:



Adjusted Consolidated EBITDA

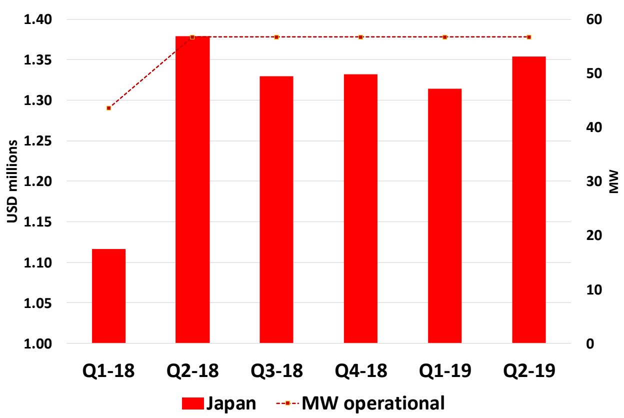
During the three and six months ended June 30, 2019, adjusted consolidated EBITDA increased by $2.4 million (64%) and $3.5 million (80%), respectively, compared to the same period of 2018, mainly as a result of EBITDA being contributed by the Group's Japanese solar segment, reduction of corporate overhead and proceeds from the sale of rights of the Kumamoto project.

Operating Expenses

	Three months ended		Six months ended	
USD thousands	Q2-19	Q2-18	Q2-19	Q2-18
O&M costs	339	316	694	523
Personnel costs	296	269	591	512
D&A	2,224	1,889	4,485	3,567
Property tax	394	317	779	611
Insurance	99	69	197	131
Land lease	-	245	-	480
Other expenses	226	163	407	238
Total operating expenses	**3,578**	**3,268**	**7,153**	**6,062**

During the three and six months ended June 30, 2019, operating expenses increased by $0.3 million (9%) and $1.1 million (18%), respectively, compared to the same period in 2018. Operating expenses increased due to additional operations and maintenance ("O&M") and other operating costs associated with the Komatsu solar project. The Group applies IFRS 16 from its mandatory adoption date of January 1, 2019, used the simplified transition approach and has not restated comparative amounts for the year prior to first adoption.

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



Financial Review

Continued

General and Administrative Expenses

	Three months ended		Six months ended	
USD thousands	Q2-19	Q2-18	Q2-19	Q2-18
Salaries and benefits	232	519	538	987
Board of directors' fees	68	66	136	135
Share-based payments	65	193	89	381
Professional fees	496	195	776	331
Listing and marketing	87	112	147	185
D&A	38	40	70	80
Office lease	72	73	144	153
Office, travel and other	96	108	209	192
Total general and administrative	**1,154**	**1,306**	**2,109**	**2,444**

During the three and six months ended June 30, 2019, general and administrative expenses decreased by $0.2 million (12%) and $0.3 million (14%) compared to the same period in 2018, primarily due to a decrease of salary and benefit expenses.

Net Finance Costs

	Three months ended		Six months ended	
USD thousands	Q2-19	Q2-18	Q2-19	Q2-18
Project loans	954	931	1,911	1,801
Corporate bonds	727	989	1,489	1,851
Fair value movements	-	37	72	118
Foreign exchange (gain) loss	386	(1,427)	(296)	(798)
Other finance costs	436	99	496	155
Net finance cost	**2,503**	**629**	**3,672**	**3,127**

During the three and six months ended June 30, 2019, net finance costs increased by $1.9 million and $0.5 million compared to the same period in 2018, mainly due foreign exchange movements. In addition, during the three and six months ended June 30, 2019, the Group capitalized $0.1 million (2018: $0.1 million) of borrowing costs associated with the credit facilities obtained to finance the construction of the Niigata solar power project.

Income Tax Expense

	Three months ended		Six months ended	
USD thousands	Q2-19	Q2-18	Q2-19	Q2-18
Corporate income tax	(663)	(341)	(832)	(571)
Deferred tax expense	(167)	(101)	(498)	(166)
Income tax expense	**(830)**	**(442)**	**(1,330)**	**(737)**

During the three and six months ended June 30, 2019, the Group recognized an income tax expense of $0.1 million and $0.2 million, respectively (2018: $0.1 million and $0.2 million) associated with its solar power projects in Japan and an income tax expense of $0.5 million and $0.6 million (2018: $0.2 million and $0.3 million) associated with its management services subsidiaries.

In addition, the Group recognized a deferred income tax expense of $0.2 million and $0.5 million, respectively (2018: $0.1 million and $0.2 million) primarily due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

Financial Position

Liquidity and Financing

Cash Position

USD thousands	June 30 2019	December 31 2018
Cash and cash equivalents:		
Unrestricted at parent level	5,260	9,328
Restricted at project level	163,192	15,399
Total cash and cash equivalents	**168,452**	**24,727**

Unrestricted Cash Analysis

The Group's cash and cash equivalents at June 30, 2019, included unrestricted cash of $5.3 million (December 31, 2018: $9.3 million) held at the corporate level. Unrestricted cash decreased by $4.0 million mainly as a result of corporate G&A and development costs incurred.

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

Financial Review

Continued

Restricted Cash Analysis

USD thousands	June 30 2019	December 31 2018
Japan	163,192	15,399
Total restricted cash	**163,192**	**15,399**

The Group's cash and cash equivalents at June 30, 2019, included restricted cash held at the project level in Japan that is restricted by the lending banks for future repayment of interest and principal and working capital requirements related to each project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions. Restricted cash increased by $148 million mainly due to funds secured in for the construction of the Niigata solar power project and also due to operating cash flow from the Japanese solar power projects.

Working Capital

At June 30, 2019, the Group had working capital of $149.0 million (December 31, 2018: $22.8 million). This working capital includes the fair market value of interest rate swap contracts that are classified as current liabilities in accordance with IFRS, but which are not expected to be settled in cash in the next 12 months without replacement. Excluding these derivative financial liabilities that are not expected to be settled in the near-term, the Group's working capital would have been $150.5 million. (December 31, 2018: $24.3 million).

At June 30, 2019, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2019	2020	2021	2022	2023	After five years	Total
EPC	-	24,736	37,301	29,095	746	-	91,878
Project loans	11,105	9,389	8,969	9,163	9,756	54,575	102,957
Corporate bond	2,819	2,827	39,517	-	-	-	45,163
O&M contracts	942	1,047	1,280	1,220	781	14,927	20,197
Operating leases	638	1,039	1,039	1,039	1,039	13,357	18,151
Trade payables	21,186	-	-	-	-	-	21,186
Total	**36,690**	**39,038**	**88,106**	**40,517**	**12,323**	**82,859**	**299,532**

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

Net Equity

During the first half of 2019, total equity attributable to owners of the Company decreased by $1.8 million from a net asset position of $1.8 million at December 31, 2018, to an asset position of $36,000 at June 30, 2019. This change was primarily due to the recognition of $1.8 million of net loss during the period, the cumulative foreign exchange translation adjustment, and unrealized fair value losses recognized within other reserves associated with the Group's derivative financial instruments. Total equity attributable to owners of the Company at June 31, 2019, was negatively impacted by the cumulative fair value losses of $13.3 million recognized within other reserves that are associated with the Group's derivative financial instruments. Excluding these fair value losses, the total equity attributable to owners of the Company at June 30, 2019, would have resulted in a net asset position of $13.3 million.

Borrowings

Non-Recourse Project Loans

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

USD thousands	MW	Maturity	June 30 2019	December 31 2018
Shizukuishi	25	December 30, 2034	56,392	57,708
Mito	9	June 30, 2034	21,050	21,250
Misawa	10	June 30, 2036	26,673	25,635
Komatsu	13	December 30, 2036	33,880	33,872
Niigata	45	June 30, 2038	142,477	-
Total			**280,472**	**138,465**

Japanese projects

The non-recourse project loans obtained by the Group's Japanese subsidiaries to finance the construction costs of the Group's Japanese solar power projects, mature between 2034 and 2036 and bear annual interest rates of Tokyo Interbank Offered Rate ("TIBOR") plus a margin ranging from 1.1% to 1.4%. The Japanese non-recourse project loans are 90% hedged through interest rate swap contracts during the operational period at an interest rate ranging from 1.72% to 3.13% all-in. At June 30, 2019, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. All the Japanese interest rate swap contracts qualified for hedge accounting at June 30, 2019, and December 31, 2018.

In June 2019, the Group secured long term financing for the construction of the 45 MW Niigata solar project located in the in the Niigata prefecture in northern Japan. The arranger of the Etrion Green Project Bond, rated BBB, was Goldman Sachs. The total project cost is expected to be approximately JPY 16.7 billion (US$ 154.2 million) including VAT, which has been financed 95% through a non-recourse loan with a tenor of construction period plus 16.8 years. The all-in non-recourse project loan interest rate is 1.2%. The lender to the Niigata project is a Green Project Bond Trust ("The Trust"), which issued asset-backed securities and loans, fully underwritten by the arranger Goldman Sachs and sold to other investors. Proceeds from the project bond are presented net of transaction cost of $5.2 million.

Financial Review

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At June 30, 2019 and December 31, 2018, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

Corporate borrowings
At June 30, 2019, the Group had €33.7 million (net of the Company's holdings of €6.3 million) of corporate bonds outstanding. The bonds were issued by the Company in June 2018 at 7.25% annual interest with a 3-year maturity. The carrying amount of bonds as at June 30, 2019, including accrued interest net of transaction costs, was $37.9 million (December 31, 2018: $38.1 million).

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

USD thousands	June 30 2019	December 31 2018
Total borrowings as per IFRS	**318,401**	**176,607**
VAT facilities	2,876)	(2,804)
Accrued interest	(116)	(120)
Transaction costs	8,061	2,961
Adjusted borrowings	**323,470**	**176,645**
Cash and cash equivalents	(168,452)	(24,727)
Adjusted consolidated net debt	**155,017**	**151,918**
Adjusted corporate net debt	**33,174**	**29,476**

The Group's consolidated net debt increased during the first hald of 2019, in comparison with December 31, 2018, mainly due to the decrease in unrestricted cash and foreign exchange movements.

Outstanding share data
At the date of this MD&A, the Company had 334,094,324 common shares (August 7, 2018: 334,094,324).

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

Off-balance sheet arrangements
The Group had no off-balance sheet arrangements at June 30, 2019, and December 31, 2018.

Capital Investments

The Group plans to allocate its unrestricted cash by prioritizing the Japanese market. Based on the current status, the Company does not anticipate beginning construction of its Japanese backlog project until the second quarter of 2020.

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

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

Contingencies

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

Critical Accounting Policies and Estimates

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

There has been no change to the critical accounting estimates and assumptions used in the preparation of the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2019, from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019, as follows:

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

Financial Review

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For the remaining lease commitments, the Group recognised right-of-use assets and lease liabilities of approximately $10.1 million on January 1, 2019, (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Overall net current assets were approximately $1.0 million lower due to the presentation of a portion of the liability as a current liability. Net results after tax are expected to decrease by approximately $0.3 million in 2019 because of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately $1.0 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

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

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

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

Related Parties

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

The related party transactions disclosed in the notes to the Company's condensed consolidated interim financial statements for the six months ended June 30, 2019, are summarized below.

Related Party Transactions

Lundin petroleum AB and subsidiaries

The Group receives professional services from Lundin Petroleum AB and from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB for market and investor relation activities in Sweden and general and administrative expenses, respectively. During the three and six months ended June 30, 2019, the Group incurred general and administrative expenses of $7 thousand and $7 thousand (2018: $14 thousand and $14 thousand), from Lundin Petroleum AB and its subsidiary. At June 30, 2019, the Group had $nil (December 31, 2018: $nil) outstanding in relation to these expenses.

Lundin family

Investment companies associated with the Lundin family subscribed for €3 million ($3.5 million) of the corporate bond issue completed in June 2018. As at June 30, 2019, the total corporate bonds held by the Lundin family amounted to €3.0 million ($3.5 million). During the three and six months ended June 30, 2019, the Group recognized interest expenses of $59 thousand and $122 thousand (2018: $11 thousand and $21 thousand) and transaction costs of $7 thousand and $13 thousand (2018: $1 thousand and $2 thousand) associated with the bonds held by the Lundin family.

Lundin SA

During the three and six months ended June 30, 2019 the Group recognized expense of $30 thousand and $60 thousand (2018: $35 thousand and $65 thousand) under the service agreement with Lundin SA to make available fully staffed and equipped premises to serve members of its Board of Directors. The contract is renewed automatically, unless terminated by either party.

Asset management services

During the three and six months ended June 30, 2019, the Group invoiced asset management services of $0.1 million and $0.2 million, respectively (2018: $0.1 million and $0.2 million) to PV Salvador, associated with operating and engineering services for the 70 MW solar power project in Chile.

Key management personnel

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

During the three and six months ended June 30, 2019, the Group recognized $0.3 million and $0.6 million, respectively (2018: $0.3 million and $0.7 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 June 30, 2019, the Group had $nil outstanding to key management personnel (December 31, 2018: $0.3 million).

Financial Review

Continued

Financial Risk Management

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

The Company's management carries out risk management procedures with guidance from the Audit Committee and Board of Directors. Refer to the Company's audited condensed consolidated interim financial statements for the year ended March 31, 2019, for further details relating to the Group's financial risk management.

Derivative Financial Instruments

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

USD thousands	June 30 2019	December 31 2018
Derivative financial liabilities:		
Interest rate swap contracts		
Current portion	1,444	1,452
Non-current portion	10,332	8,706
Total derivative financial instruments	**11,776**	**10,158**

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

The fair market value of the interest rate swap contracts at June 30, 2019, increased to a liability position of $11.7 million (December 31, 2018: $10.2 million) due to a decrease in the forecasted TIBOR curve. At June 30, 2019, and December 31, 2018, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is recorded in to finance income/costs.

RISKS AND UNCERTAINTIES

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Risks and Uncertainties

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

Financial Risks

Debt and Equity Financing

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

Capital Requirements and Liquidity

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

Market Risks

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

Cost Uncertainty

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

Non-Financial Risks

Licences and Permits

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

Governmental Regulation

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

Competition

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

Prices and Markets For Electricity

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

Risks and Uncertainties

Continued

International Operations

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

Reliance on Contractors and Key Employees

The ability of the Company to conduct its operations is highly dependent on the availability of skilled workers. The labor force in many parts of the world is unionized and politicized, and the Group's operations may be subject to strikes and other disruptions. In addition, the success of the Company is largely dependent upon the performance of its management and key employees. There is a risk that the departure of any member of management or any key employee could have a material adverse effect on the Group. The Group's business model relies on qualified and experienced contractors to design, construct and operate its renewable energy projects. There is a risk that such contractors are not available or that the price for their services impairs the economic viability of the Group's projects.

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Other Disclosures

Etrion Outlook And Guidance

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

Disclosure Controls and Internal Control Over Financial Reporting

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

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

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

Cautionary Statement Regarding Forward-Looking Information

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to: the Group's plans for future growth and development activities (including, but not limited to, expectations relating to the timing of the development, construction, permitting, licensing, financing operation and electricity production, as the case may be, of its future solar power plants in Japan); expectations relating to future solar energy production and the means by which, and to whom, such future solar energy will be sold; the need for, and amount of, additional capital to fund the construction or acquisition of new projects and the expected sources of such capital; expectations relating to grid parity; and expectations with respect to the outcome of its litigation against the developer of the Brownfield Tk-3 project. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: risks associated with operating exclusively in foreign jurisdictions; risks associated with the regulatory frameworks in the jurisdictions in which the Company operates, or expects to operate, including the possibility of changes thereto; uncertainties with respect to the identification and availability of suitable additional renewable energy projects on economic terms; uncertainties with respect to the Group's ability to negotiate PPAs with industrial energy users; uncertainties relating to the availability and costs of financing needed in the future; the risk that the Company's solar projects may not produce electricity or generate revenues and earnings at the levels expected; the risk that the construction or operating costs of the Company's projects may be higher than anticipated; uncertainties with respect to the receipt or timing of all applicable permits for the development of projects; the risk that the outcome of the Company's litigation against the developer of the Brownfield Tk-3 project will not be as expected; the impact of general economic conditions and world-wide industry conditions in the jurisdictions and industries in which the Group operates; risks inherent in the ability of the Group to generate sufficient cash flow from operations to meet current and future obligations; stock market volatility; and other factors, many of which are beyond the Group's control.

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

Additional Information

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