



etrion

Developing, building
and operating solar
power generation plants

ETRION CORPORATION

Annual Report 2019

9.5 MW Misawa solar power park in Japan

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At a Glance

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

11

Solar plants

64^m

Kilowatts-hours produced for Japan in 2019

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

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

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

KOMATSU 



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



Operational and Financial Highlights

- Etrion produced 63.6 million kilowatt-hours ('kWh') of electricity from the Company's 57-megawatt ('MW') portfolio comprising 11 solar power plant sites in Japan.
- Construction of the 45 MW Niigata solar project in central Japan is approximately 36% complete with estimated connection to the electricity grid in the fourth quarter of 2021.
- Etrion continues to advance in the litigation over a backlog solar power project under development in Japan with an estimated gross capacity of 60 MW.
- The Company continues to evaluate several other early stage projects, defined as pipeline.
- Consolidated revenues of \$21.9 million were 12% higher relative to 2018.
- Solar segment EBITDA of \$16.5 million was 13% higher relative to 2018.
- Etrion closed 2019 with a cash balance of \$123.4 million, \$10.6 million of which was unrestricted and held at the corporate level, and working capital of \$109.7 million.
- On December 25, 2019, Etrion closed a multi-step transaction resulting in significant value creation across its Japanese operating solar portfolio. Etrion acquired for \$4.3 million the minority equity interests of Hitachi High Technologies ('Hitachi High-Tech' or 'HHT') and Tamagawa Holdings ('Tamagawa'), optimized the related Japanese corporate structure and renegotiated the operations and maintenance ('O&M') contracts for Etrion's 57 MW solar portfolio in Japan.
- 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 was Goldman Sachs Japan Co., LTD ('Goldman Sachs').
- On July 1, 2019, Etrion charged the Niigata project with a net development fee of approximately ¥600 million (\$5.6 million) and anticipated land lease for ¥459 million (\$4.2 million).
- During 2019, the Group collected ¥300 million (\$2.8 million) associated with the sale of rights of the 45 MW Kumamoto solar power project.
- During 2019 the Company received a VAT reimbursement of ¥300 million (\$2.8 million) associated with the Komatsu project and repaid the outstanding amount of the VAT credit facility for the same amount.

Chief Executive Officer's Letter

"Our platform in Japan has attracted increased interest over the past 12 months given our scale and market expertise."

Highlights

45^{MWh}

Niigata solar project

\$16.5^m

Solar segment EBITDA

- Construction of the Niigata solar project in central Japan is approximately 36% complete.
- Solar segment EBITDA was 13% higher relative to 2018.

+ Read more on page 06

Dear Shareholders

The world is going through very challenging times with COVID-19. We would like to extend our best wishes to you and your family from the Etrion team. Hopefully, by the time you read this letter, we will be returning to a new normal.

Etrion's operations remain strong. We benefit from having a talented multinational team that is executing brilliantly despite the various travel and meeting restrictions. We also benefit from the steady and predictable revenues of our solar power plants due to fixed-price, long-term Power Purchase Agreements with local utilities.

2019 was a very successful year for Etrion's operations, and I would like to briefly list our key accomplishments:

- Secured a green project bond to finance the construction of our 45 MW Niigata solar project. This project has exceptional economics with a payback period of two years. In fact, we were recently awarded the Structured Finance Deal of the Year 2019 by J-Money (formerly Euromoney Japan).
- Advanced the construction of our 45 MW Niigata project which, by year-end, was 36% complete, on time and on budget. The project continues on schedule and budget despite COVID-19.
- Acquired minority ownership in all our operating projects, increasing our net installed capacity from 47 MW to 57 MW. We also reorganized all four projects into a more tax efficient corporate structure, resulting in a significant increase to our free cash flow.
- Continued to advance on the development of our Mie 60 MW solar project, which we hope to put into operation over the next 18-24 months.
- Restructured all of our Operations and Maintenance contracts in Japan to further optimize operations and reduce costs.
- Delivered strong financial results with both revenue and EBITDA above the high end of our 2019 guidance.

For 2020 and beyond, we will continue to focus exclusively on Japan. With our local presence, installed base and brand positioning, this market continues to present the best opportunity for growth. Our platform in Japan has attracted increased interest over the past 12 months given our scale and market expertise. This represents a unique opportunity for the Company to explore various options to maximize shareholder value.

Etrion is well-positioned in this market, and I am optimistic that we will all come out of the COVID-19 crisis stronger, with a greater sense of purpose and appreciation for what we have. I am hopeful that as a society we will become more generous, collaborative and mindful of the importance of addressing climate change. That is what we are striving to do at Etrion now and into the future.

Kind regards



Marco A. Northland,
CEO and Director

Business Model and Strategy

Growth Drivers

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

7

Attractive liquid market for future divestiture

Business Process


1. Site Development

2. Project Financing


3. Construction

4. Operation


etrion




45MW
under construction



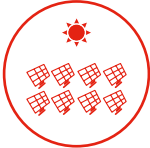
60MW
backlog projects




57MW
installed solar capacity



\$200m
capital deployed



11
solar power plants



64m kWh
produced in 2019

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Introduction

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 March 9, 2020, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2019. Financial information is reported in both United States dollars ('\$' or 'USD') and in Euros ('€') because the Company's outstanding corporate bonds are denominated in the latter currency. In addition, certain material financial information has also been reported in Japanese yen ('¥') because the Company has its main business activities in Japan. Exchange rates for the relevant currencies of the Group with respect to the \$ and the ¥ are as follows:

	€/¥	\$/¥	€/\$
Closing rate at December 31, 2019	122.20	109.15	1.123
Closing rate at December 31, 2018	126.46	112.65	1.199
Average rate 2019	122.07	109.01	1.119
Average rate 2018	130.41	112.16	1.129

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 19). EBITDA, including solar segments EBITDA, is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while Adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measure for both EBITDA and Adjusted EBITDA is net income (loss) as reconciled on page 19). In addition, adjusted operating cash flow is used by investors to compare cash flows from operating activities without the effects of certain volatile items that can positively or negatively affect changes in working capital and are viewed as not directly related to a company's operating performance (the most comparable IFRS measure is cash flow used in operations as reconciled on page 19). This MD&A contains forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from the information contained herein. For information on material risk factors and assumptions underlying the forward-looking information, refer to the 'Cautionary Statement Regarding Forward-Looking Information' on page 31.

Introduction continued

Operational Highlights

- Etrion produced 63.6 million kilowatt-hours ('kWh') of electricity from the Company's 57-megawatt ('MW') portfolio comprising 11 solar power plant sites in Japan.
- Construction of the 45 MW Niigata solar project in central Japan is approximately 36% complete with estimated connection to the electricity grid in the fourth quarter of 2021.
- Etrion continues to advance in the litigation over a backlog solar power project under development in Japan with an estimated gross capacity of 60 MW.
- The Company continues to evaluate several other early stage projects, defined as pipeline.

Financial Highlights

- Consolidated revenues of \$21.9 million were 12% higher relative to 2018.
- Solar segment EBITDA of \$16.5 million was 13% higher relative to 2018.
- Etrion closed 2019 with a cash balance of \$123.4 million, \$10.6 million of which was unrestricted and held at the corporate level, and working capital of \$109.7 million.
- On December 25, 2019, Etrion closed a multi-step transaction resulting in significant value creation across its Japanese operating solar portfolio. Etrion acquired for \$4.3 million the minority equity interests of Hitachi High Technologies ('Hitachi High-Tech' or 'HHT') and Tamagawa Holdings ('Tamagawa'), optimized the related Japanese corporate structure and renegotiated the operations and maintenance ('O&M') contracts for Etrion's 57 MW solar portfolio in Japan.
- 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 was Goldman Sachs Japan Co., LTD ('Goldman Sachs').
- On July 1, 2019, Etrion charged the Niigata project with a net development fee of approximately ¥600 million (\$5.6 million) and anticipated land lease for ¥459 million (\$4.2 million).
- During 2019, the Group collected ¥300 million (\$2.8 million) associated with the sale of rights of the 45 MW Kumamoto solar power project.
- During 2019 the Company received a VAT reimbursement of ¥300 million (\$2.8 million) associated with the Komatsu project and repaid the outstanding amount of the VAT credit facility for the same amount.

USD thousands (unless otherwise stated)	Three months ended		Twelve months ended	
	Q4-19	Q4-18	2019	2018
Electricity production (MWh) ¹	10,396	12,190	63,631	56,786
Financial results				
Revenues	3,599	4,048	21,876	19,500
Gross profit	41	645	7,389	6,587
EBITDA	99	510	14,196	7,553
Adjusted EBITDA	(111)	(22)	10,990	8,036
Net loss	(6,249)	(2,566)	(4,688)	(8,618)
Adjusted net (loss) income	(4,092)	(456)	1,656	1,019
Cash flow				
Project cash distributions	–	–	2,030	2,135
Cash flow from operations	2,955	2,171	15,920	8,795
Adjusted operating cash flow	168	1,360	14,421	7,958
			December 31 2019	December 31 2018
Balance sheet				
Total assets			346,961	203,226
Operational assets			140,939	138,842
Unrestricted cash at parent level			10,596	9,328
Restricted cash at project level			112,786	15,399
Working capital			109,655	22,835
Consolidated net debt on a cash basis			193,143	151,918
Corporate net debt			27,201	29,476

1. MWh=Megawatt-hour.

Business Review

Business Overview

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants in Japan. The Company owns and operates 57 MW of installed solar capacity and 45 MW of solar projects under construction, all in Japan. The Company has eleven operational projects (consolidated into four Special Purpose Companies ('SPCs')). All operational projects benefit from revenues generated from 20-year feed-in-Tariff ('FiT') power purchase agreements ('PPAs') that are fixed price contracts with local utilities for all the electricity generated.

Etrion plans to remain focused exclusively on developing projects and grow its installed capacity and to operate renewable power generation 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) a low cost of debt, and (7) an attractive liquid market for future divestiture.

The Company's common shares are listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm Exchange in Sweden. Etrion has corporate bonds listed on the Frankfurt Stock Exchange Open Market and also on the Oslo Stock Exchange in Norway. Etrion is based in Geneva, Switzerland and Tokyo, Japan. As of the date of this MD&A, the Company has a total of 17 employees.

On December 25, 2019, Etrion purchased HHT's minority ownership in all four of its solar projects, as well as Tamagawa's share in the Misawa 9.5 MW project, for a total of \$4.3 million. As a result, Etrion's net solar capacity increased from 47.0 MW to 56.8 MW. In addition, the O&M contracts originally provided by HHT were re-negotiated on better terms and transferred to other companies within the Hitachi group. Etrion has taken over two asset management contracts from HHT as of January 2020 in order to provide asset management services to all of Etrion's four solar projects. Finally, the entire Etrion solar portfolio was transferred into a so-called 'TK-GK' structure, which is currently the Japanese market standard that results in enhanced cash flow distributions and other benefits. As part of the transaction, the project non-recourse debt in the Mito 9.3 MW project was increased by ¥295 million (\$2.7 million) and will be drawn in 2020 to pay for the transaction costs and fees, and will be reimbursed to the lender bank with the remainder of the existing loan within the original tenor.

Business Process – Solar Energy



PPA = power purchase agreement.

SPV = special purpose vehicle (operational subsidiary).

EPC = engineering, procurement and construction.

FiT = Feed-in-Tariff.

Business Overview continued

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

- **Phase 1** represents the period in which a project secures all permitting risks, authorizations and utility interconnection agreements to build a solar power plant. Depending on the jurisdiction, this process may vary in length between 24 and 60 months. Where projects are developed from their infancy ('greenfield' projects), and no environmental impact assessment is required, the development time will generally be close to two years. However, Etrion often enters into co-development agreements with local development companies to reduce development time and risk. The Company may also acquire permits at advanced stages from local developers to further reduce the time to market. In all cases, whether the projects in the pipeline are greenfield, co-development or acquired, they go through a rigorous development process to de-risk the projects before any material investments are made. In addition to evaluating all development risks, Etrion works extensively with engineering, procurement and construction ('EPC') contractors and civil works companies to optimize the design and reduce construction costs to further improve each project's economics.
- **Phase 2** generally takes 4 to 6 months, during which the Company assesses and selects various contractors and lenders, including EPC contractors responsible for the construction of the solar power plant. The Company analyzes the financial aspects of the project, assessing tenor, debt/equity structuring, cost and the selection of lenders. Furthermore, in phase 2, the Company evaluates the potential legal structure of the special purpose vehicle that will function as the local operating subsidiary. This phase ends when the project secures the financing and is ready to begin construction.
- **Phase 3** generally requires 18 to 36 months of work. During this phase, the Company enters into an EPC contract, and the projects are built with a view to ensuring that the local operating subsidiary complies with the FiT or PPA requirements. Under an EPC contract, the contractor is generally hired on a turn-key fixed-price basis and is required to, at its own risk, design the installation for the project, procure the necessary materials and construct the project by a certain date. As a result, the contractor generally bears a portion of the risk for scheduling as well as budgeting in return for a guaranteed fixed price.
- **Phase 4** solar projects are designed to operate with a minimum lifetime of 35 years. The Company has in-country resources engaged in the operation of the solar power plants. Activities include managing day to day project level accounting, administration, tax reporting and overall administration of all project-related compliance with regulations. In this phase, the Company usually retains the EPC contractor to also provide O&M services based on fixed price contracts.

Operations Review

Three Months ended December 31

USD thousands (unless otherwise stated)	Japan	
	Q4-19	Q4-18
Operational data¹		
Electricity production (MWh)	10,396	12,190
Operational performance¹		
Electricity revenue		
Feed-in-Tariff ²	3,599	4,048
Total revenues	3,599	4,048
EBITDA³	2,443	2,946
EBITDA margin (%)	68%	73%
Net (loss) income	(668)	47

1. Operational and performance data is disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries.

2. FiT scheme under PPA with utilities.

3. Refers to segment EBITDA as reconciled in the segment information section on page 19.

Operating performance in Japan (3 Months)

During Q4-19, the Group produced 15% less electricity in Japan compared to the same period in 2018, due to lower than expected irradiation and also due to the Mito business interruption. Mito experienced thefts of cables during the summer which resulted in service interruption until November 2019. Replacement cost and service interruption were covered by insurance.

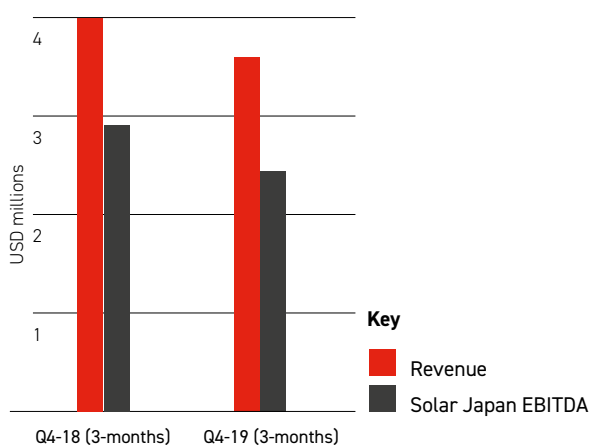
During Q4-19, Mito received a service interruption insurance compensation of \$0.2 million and the solar park was fully back online by November 2019. The Company took additional measures to reduce future theft risks including installation of cameras and 24-hour site surveillance monitoring.

The Group receives revenues denominated in Japanese yen from its operating solar projects. Revenues come from the FiT system, whereby, through 20-year PPA contracts with three Japanese public utilities, for each kWh of electricity produced a premium fixed price is received from, Tokyo Electric Power Company ('TEPCO'), Hokuriku Electric Power Co., Inc. ('HOKURIKU') or Tohoku Electric Power Co., Inc. ('TOHOKU'), as applicable, depending on the location of the solar project. During Q4-19, 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.

Business Review continued

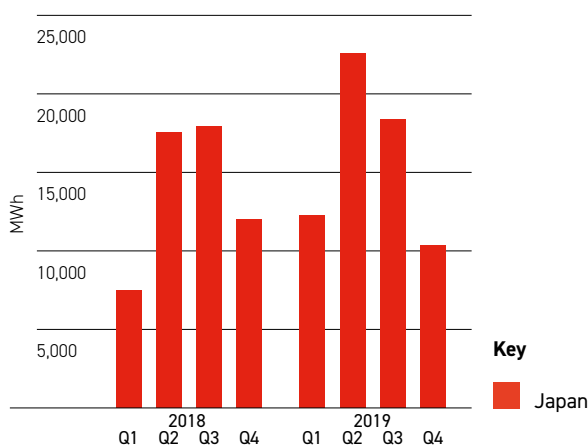
Operations Review continued

During Q4-19, the Group's revenue and project-level EBITDA decreased by approximately 11% and 17%, respectively, compared with the same period in 2018, primarily due to the lower performance of the solar power plants driven by adverse weather conditions and owing also to the Mito business interruption.



Historical production

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



Twelve Months ended December 31

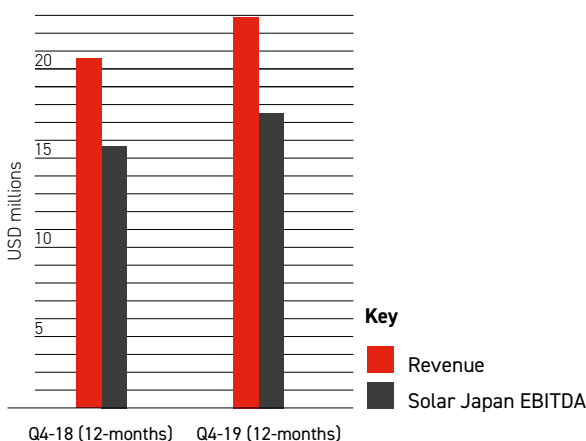
USD thousands (unless otherwise stated)	Japan	
	2019	2018
Operational data¹		
Electricity production (MWh)	63,631	56,786
Operational performance¹		
Electricity revenue		
Feed-in-Tariff ²	21,876	19,500
Total revenues	21,876	19,500
EBITDA³	16,504	14,647
EBITDA margin (%)	75%	75%
Net income	2,132	2,517

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

Operating performance in Japan (12 Months)

During 2019, the Group produced 12% more electricity in Japan compared with the same period in 2018, primarily due to the incremental production from the Komatsu solar power project that started operations in May 2018 and the higher performance of the solar power plants, partially affected by the Mito business interruption during the summer.

During 2019, the Group's revenue and project-level EBITDA increased by 12% and 13%, respectively, compared with the same period in 2018.

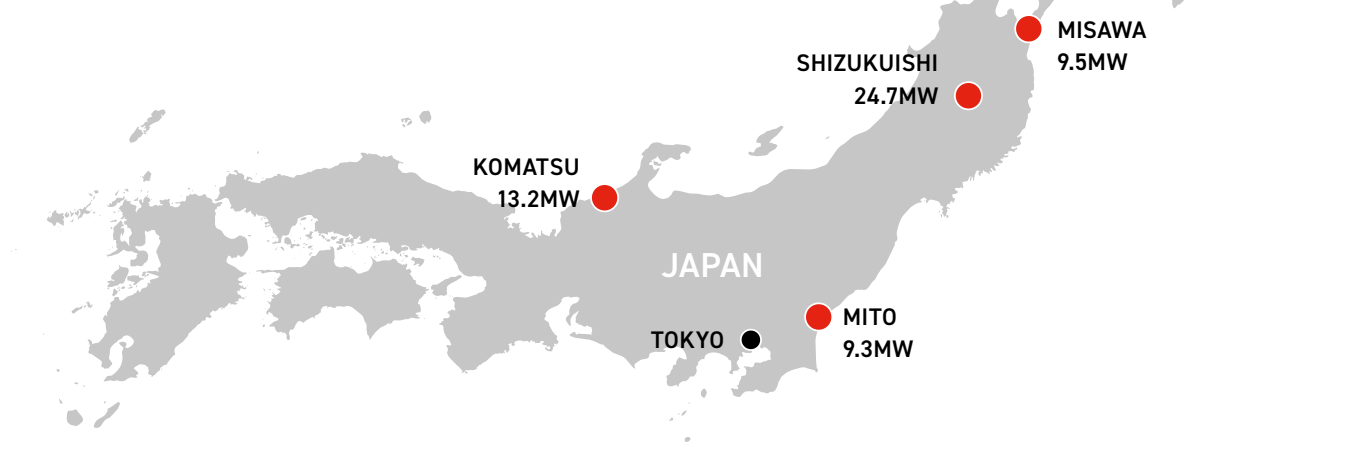


Revenues from Japan are received in Japanese yen and have been translated to the Group's presentation currency \$ using the corresponding implied 2019 average rates. Accordingly, changes in the ¥/\$ applicable exchange rates have an impact in the accounting conversion process of the income statement to the Group's reported figures in \$.

Operations 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 15 years. Details of the Group's 100%-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. Mito is a 9.3 MW utility-scale solar photovoltaic power project consisting of five sites in the Ibaraki Prefecture of Japan. Construction began in October 2014, with the last site connected in August 2015. The solar power plant was built on 28.3 hectares of leased land, and the facilities connect through TEPCO. In December 2014, the project company entered into two of the five planned 20-year PPAs with TEPCO under which the project company receives ¥40 per kWh produced (approximately \$0.34 per kWh). The remaining three PPAs were signed in March 2015. The total project cost of approximately ¥3.4 billion (approximately \$33.5 million) was financed 80% through non-recourse project debt from Sumitomo Mitsui Trust Bank ('SMTB') with the remaining approximately 20% equity portion already funded by the Group. Mito has entered into a long-term fixed price O&M agreement with HHT. Etrion charged the Mito project with a net development fee of approximately ¥162 million (\$1.6 million).

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. Shizukuishi is a 24.7 MW utility-scale solar photovoltaic power plant on one site in the Iwate Prefecture of Japan. Construction-related work began in October 2014 and on October 20, 2016, Shizukuishi achieved its commercial operation date, became 100% operational and started collecting revenues from its electricity production. The solar power plant was built on 51 hectares of leased land, and the facility was connected to TOHOKU. The project entered into a 20-year PPA with TOHOKU to receive ¥40 per kWh produced (approximately \$0.34 per kWh). The total project cost of approximately ¥8.9 billion (approximately \$87.8 million) is financed 80% with non-recourse project debt from SMTB, with the remaining approximately 20% equity portion already funded by the Group. Shizukuishi has entered into a long-term fixed price O&M agreement with HHT. Etrion charged the Shizukuishi project with a net development fee of approximately ¥677.4 million (\$6.7 million).

Business Review continued

Operations Review continued

Misawa

As of the date of this MD&A, the remaining PPA contract life of Misawa is approximately 17 years. Details of the Group's 100%-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. Misawa is a 9.5 MW utility-scale solar photovoltaic power plant, located in Misawa city in the Aomori prefecture of the Tohoku region in Japan. Construction-related works began in July 2016. The first two sites of this solar project totaling 5.3 MW were connected to the grid and started recognizing revenues as of the end of February 2017. The last two solar park sites, representing 4.2 MW were connected in July 2017. The solar power plant was built on 16.3 hectares of owned land, and the facilities were connected to TOHOKU. Each project site entered into a 20-year PPA with TOHOKU to receive ¥36 per kWh produced (approximately \$0.31 per kWh). The total project cost of approximately ¥3,483 billion (approximately \$34 million) was financed 85% with non-recourse project debt from SMTB with the remaining approximately 15% equity portion already funded by the Group. Misawa entered into a long-term fixed price O&M agreement with HHT. Etrion charged the Misawa project with a net development fee of approximately ¥177 million (\$1.7 million).

Komatsu

As of the date of this MD&A, the remaining PPA contract life of Komatsu is approximately 18 years. Details of the Group's 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. Komatsu is a 13.2 MW utility-scale solar photovoltaic power plant, located in the Ishikawa prefecture of the Honsu region in Japan. Pre-construction-related works began in February 2017 and the project was connected to the electricity grid in May 2018. The solar power plant was built on 30.5 hectares of leased land and the facilities will connect through HOKURIKU. The project company entered into a 20-year PPA with HOKURIKU to receive ¥32 per kWh produced (approximately \$0.27 per kWh). The total project cost of approximately ¥4,285 billion (approximately \$38 million) was financed 83% with non-recourse project debt from SMTB with the remaining approximately 17% equity portion already funded by the Group. Komatsu has entered into a long-term fixed price O&M agreement with HHT. Etrion has charged the Komatsu project with a net development fee of approximately ¥239 million (\$2.0 million).

Development Activities



Projects under construction

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

Projects under development

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 project. Management generally refers to NTP status when a project has obtained all permits and authorizations, secured land and secured the interconnection agreement, selected an EPC contractor and secured the financing. 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 gives details of the current backlog project.

Project	Prefecture	Sites	MW Gross	Target NTP
Brownfield Tk-3	Mie	1	60	H1-20
Total pipeline			60	

Business Review continued

Development Activities continued

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 favorable to the Company compelling the developer to comply with all its obligations. Etrion remains cautiously hopeful of taking control of this project during the first half of 2020.

As of December 31, 2019, the Company has incurred approximately \$6.8 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	1.2	6.8
Total USD million	5.6	1.2	6.8

Project advances and incurred development costs will be fully credited from the 'Equity' contribution shown in the last column of the table below, upon financial close.

Project	Project costs	Project debt	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 in Japan 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 is not able to provide any guidance as to the anticipated timing of further development.

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 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. As of December 2018, solar represented about 5.7% of the total energy generated in Japan. METI forecasts that it will represent over 7% by 2030, which will translate into an incremental annual growth of 4-5 GW in terms of new capacity between 2020 and 2027.

On January 22, 2015, METI officially announced new rules with respect to the FiT regime. The rules apply to new projects and were designed to streamline the process between developers, METI and utilities. Projects with accepted existing grid connection are not affected. METI's main objective in announcing 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.

Solar Market Overview 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 solar modules without triggering changes in the FiT rate; and
- to allow such projects to also reduce their project size by more than 20% without triggering a FiT rate reduction.

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

On October 15, 2018, METI held a meeting of its Significant Development of Renewable Energy and Next Generation Electric Grid Network Committee (Saisei Kanou Enerugi Tairyou Dounyu / Jisedai Denryoku Network Sho linkai). According to METI, more than 20 GW of solar power projects which have FiTs of ¥40, ¥36 and ¥32/kWh had not reached commercial operation and were unreasonably taking up grid capacity, preventing new players from developing alternative 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 three-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 reductions 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.

Financial Review

Financial Results

Selected financial information

During 2019, the Group's performance and results were positively impacted by the incremental installed capacity resulting in higher electricity production 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. However, the Group's performance was partially affected by the business interruption at the Mito project during the summer 2019. Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

USD thousands (except per share data)	Three months ended		Twelve months ended		
	Q4-19	Q4-18	2019	2018	2017
Revenue	3,599	4,048	21,876	19,500	21,848
Japan	3,599	4,048	21,876	19,500	15,323
Chile	-	-	-	-	6,525
Gross profit	41	645	7,389	6,587	2,392
Net loss attributable to owners of Etrion	(6,051)	(2,510)	(4,883)	(8,878)	19,551
Basic and diluted (loss) earnings per share:	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.03)	\$0.06
Net (loss) income	(6,249)	(2,566)	(4,688)	(8,618)	16,507
Adjustments to net (loss) income for:					
Net income tax expense	(172)	22	2,343	1,212	1,125
Share of net profit on deconsolidation of subsidiary	-	-	-	-	(41,015)
Depreciation and amortization	2,343	2,108	9,298	7,912	10,277
Impairment	-	-	-	-	225
Share-based payment expense	69	184	225	761	566
Net finance costs	4,177	1,724	7,243	7,054	16,504
Other expense (income)	-	(112)	-	(363)	(534)
Income tax paid	(319)	(272)	(1,251)	(1,032)	(1,036)
Additional termination fee paid	-	-	-	(1,294)	-
Changes in working capital	3,106	1,083	2,750	3,163	(3,971)
Operating cash flow	2,955	2,171	15,920	8,795	(1,352)

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

USD thousands	December 31 2019	December 31 2018	December 31 2017
Non-current assets	213,339	163,576	153,751
Current assets	133,622	39,650	58,384
Total assets	346,961	203,226	212,135
Non-current liabilities	326,094	183,482	187,515
Current liabilities	23,967	16,815	14,773
Total liabilities	350,061	200,297	202,288
Net (Liabilities) assets	(3,100)	2,929	9,847
Working capital	109,655	22,835	43,611
Dividends declared	-	-	-

Financial Results continued

Segment information

In reviewing and monitoring performance of the Group, management considers reportable segments from a geographical perspective and measures performance based on EBITDA. 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 consolidated financial statements.

Segment information three months ended December 31

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

USD thousands	Three months ended					
	Q4-19			Q4-18		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	3,599	-	3,599	4,048	-	4,048
Operating expenses	(1,251)	-	(1,251)	(1,334)	-	(1,334)
General and administrative	(108)	(2,375)	(2,483)	(92)	(2,337)	(2,429)
Other income (expenses) ¹	203	31	234	324	(99)	225
EBITDA	2,443	(2,344)	99	2,946	(2,436)	510
Depreciation and amortization	(2,307)	(36)	(2,343)	(2,069)	(39)	(2,108)
Finance income	45	-	45	68	731	799
Finance costs	(1,162)	(3,060)	(4,222)	(997)	(748)	(1,745)
Income (loss) before income tax	(981)	(5,440)	(6,421)	(52)	(2,492)	(2,544)
Income tax expense	313	(141)	172	99	(121)	(22)
Net income (loss) for the period	(668)	(5,581)	(6,249)	47	(2,613)	(2,566)

1. During Q4-19, the Group collected (\$0.2 million) associated with the Mito business interruption insurance.

Solar Japan: During Q4-19, the Group's Japanese solar segment generated revenues of \$3.6 million and EBITDA of \$2.4 million, representing a decrease of 11% and 17%, respectively, in comparison with the same period in 2018. Revenue and EBITDA decreased due to lower performance of the existing solar power plants and the Mito business interruption. As a result, the Group's Japanese segment generated a net loss of \$0.7 million, in comparison with net income of \$0.1 million for the same period in 2018.

Corporate: During Q4-19, the Group's corporate segment generated negative EBITDA of \$2.3 million and a net loss of \$5.6 million, compared to negative EBITDA of \$2.4 million and a net loss of \$2.6 million in the same period in 2018. Net finance costs at corporate level increased in comparison with the same period in 2018 due to the recognition of foreign exchange movements.

Financial Review continued

Financial Results continued

Segment information twelve months ended December 31

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

USD thousands	Twelve months ended					
	2019			2018		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	21,876	–	21,876	19,500	–	19,500
Operating expenses	(5,331)	–	(5,331)	(5,159)	–	(5,159)
General and administrative	(366)	(5,099)	(5,465)	(296)	(5,674)	(5,970)
Additional termination fee	–	–	–	–	(1,294)	(1,294)
Other income (expenses)	325	2,791	3,116	602	(126)	476
EBITDA	16,504	(2,308)	14,196	14,647	(7,094)	7,553
Depreciation and amortization	(9,156)	(142)	(9,298)	(7,754)	(158)	(7,912)
Finance income	45	611	656	73	1,217	1,290
Finance costs	(4,776)	(3,123)	(7,899)	(3,827)	(4,510)	(8,337)
Income (loss) before income tax	2,617	(4,962)	(2,345)	3,139	(10,545)	(7,406)
Income tax expense	(485)	(1,858)	(2,343)	(622)	(590)	(1,212)
Net income (loss) for the period	2,132	(6,820)	(4,688)	2,517	(11,135)	(8,618)

Solar Japan: During 2019, the Group's Japanese solar segment generated revenues of \$21.9 million and EBITDA of \$16.5 million, representing an increase of 12% and 13%, 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. However, as a result of higher charges for depreciation and amortization and higher finance costs, the Group's Japanese segment generated a net income of only \$2.1 million, in comparison with net income of \$2.5 million for the same period in 2018.

Corporate: During 2019, the Group's corporate segment generated negative EBITDA of \$2.3 million and a net loss of \$6.8 million. The improvement in EBITDA and net results in comparison with the same period in 2018 reflects the recognition in other income of the Kumamoto project settlement of \$2.8 million collected in cash in 2019. Finance costs at corporate level decreased in comparison with the same period in 2018 due to the recognition of foreign exchange gains during the period and a reduction of interest expense following the corporate bond refinancing transaction completed in June 2018.

Financial Results continued

Non-GAAP performance measures

Reconciliation of adjusted net (loss) income to net loss USD thousands	Three months ended		Twelve months ended	
	Q4-19	Q4-18	2019	2018
Net loss	(6,249)	(2,566)	(4,688)	(8,618)
Adjustments for non-recurring and non-cash items:				
Depreciation and amortization	2,343	2,108	9,298	7,912
Fair value movements (derivative financial instruments)	(45)	(68)	27	63
Share-based payment expense	69	184	225	761
Additional termination fee	–	–	–	1,294
Insurance reimbursement	(210)	(323)	(445)	(602)
Gain on sale of subsidiary (solar project rights)	–	(209)	(2,761)	(209)
Adjusted net (loss) income	(4,092)	(456)	1,656	1,019

Reconciliation of adjusted operating cash flows to operating cash flows USD thousands	Three months ended		Twelve months ended	
	Q4-19	Q4-18	2019	2018
Operating cash flow	2,955	2,171	15,920	8,795
– Changes in working capital	(3,106)	(1,083)	(2,750)	(3,163)
– Additional termination fee paid	–	–	–	1,294
– Income tax paid	319	272	1,251	1,032
Adjusted operating cash flow	168	1,360	14,421	7,958

Non-GAAP performance measures

Reconciliation of Solar segments Adjusted EBITDA to EBITDA USD thousands	Three months ended		Twelve months ended	
	Q4-19	Q4-18	2019	2018
Net income	(6,249)	(2,566)	(4,688)	(8,618)
Adjustments for:				
Net income tax expense	(172)	22	2,343	1,212
Net finance costs	4,177	946	7,243	7,047
Depreciation and amortization	2,343	2,108	9,298	7,912
EBITDA	99	510	14,196	7,553
Adjustment for non-recurring items:				
Additional termination fee	–	–	–	1,294
Insurance reimbursement	(210)	(323)	(445)	(602)
Gain on sale of subsidiary (solar project rights)	–	(209)	(2,761)	(209)
Adjusted EBITDA	(111)	(22)	10,990	8,036
Plus: Corporate G&A expenses	2,554	2,968	5,514	6,611
Solar Japan Adjusted EBITDA	2,443	2,946	16,504	14,647

Financial Review continued

Financial Results continued

Quarterly selected financial information

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

USD thousands (except per share data)	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Revenue	3,599	6,356	7,705	4,216	4,048	6,185	6,357	2,910
Japan	3,599	6,356	7,705	4,216	4,048	6,185	6,357	2,910
Net income (loss)	(6,249)	6,356	7,705	(2,227)	(2,566)	(1,453)	(746)	(3,853)
Net income (loss) from continuing operations attributable to owners of Etrion	(6,249)	2,973	164	(1,910)	(2,510)	(1,677)	(1,029)	(3,663)
Net income (loss) attributable to owners of Etrion	(6,249)	2,973	164	(1,910)	(2,510)	(1,677)	(1,029)	(3,663)
Basic and diluted earnings (loss) per share:								
From continuing operations attributable to owners of Etrion	\$(0.02)	\$0.00	\$0.00	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
From total results attributable to owners of Etrion	\$(0.02)	\$0.00	\$0.00	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)

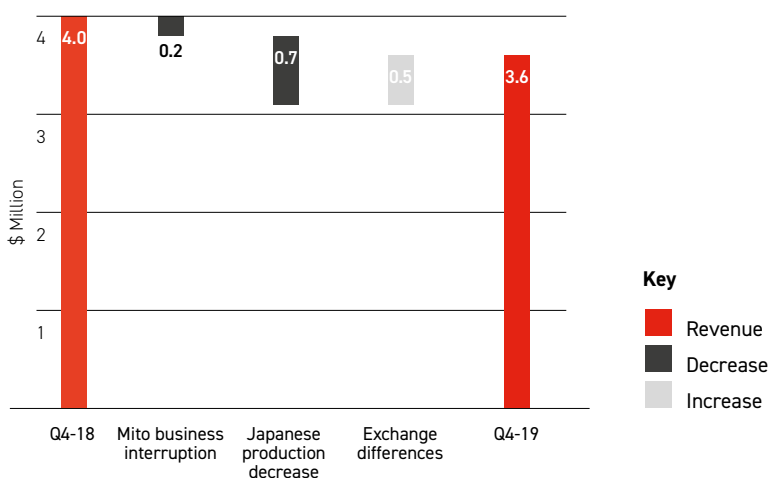
Solar-related production and revenues experience seasonality due to the variability of daily sun hours in the summer months versus the winter months, resulting in lower revenues in the first and fourth quarters each year. In Japan, revenues are received in Japanese yen and have been translated at the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

Revenue

USD thousands	Three months ended		Twelve months ended	
	Q4-19	Q4-18	2019	2018
FiT	3,599	4,048	21,876	19,500
Total revenue	3,599	4,048	21,876	19,500

During 2019, consolidated revenues increased by \$2.4 million (12%) 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.

During Q4-19 the Group's revenue from its Japanese subsidiaries decreased by \$0.4 million (11%) compared to the same period of 2018, due to lower than expected irradiation and also due to the Mito business interruption. Mito experienced thefts of cables during the summer which resulted in service interruption until November 2019. Replacement cost and service interruption were covered by insurances, which is recognized separately as other income. The reconciliation of total revenue in Q4-19 versus Q4-18 is as follows:



Financial Results continued

Adjusted consolidated EBITDA

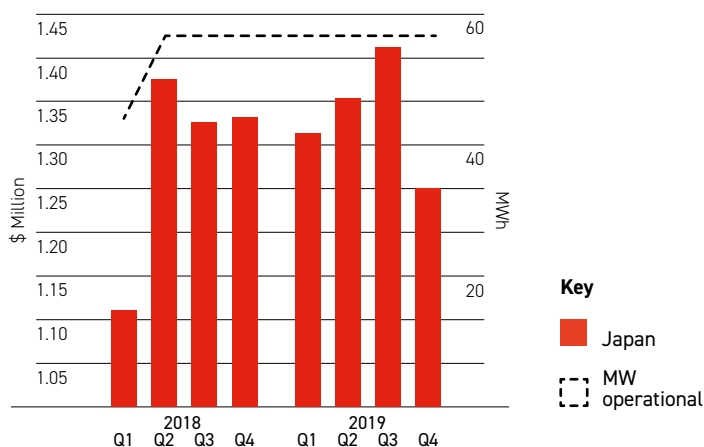
During the twelve months ended December 31, 2019, adjusted consolidated EBITDA increased by \$3.1 million compared with the same period of 2018, mainly as a result of the increased EBITDA contributed by the Group's Japanese solar segment and the proceeds from the sale of rights of the Kumamoto project.

Operating expenses

USD thousands	Three months ended		Twelve months ended	
	Q4-19	Q4-18	2019	2018
O&M costs	281	258	1,381	1,068
Personnel costs	299	270	1,193	989
D&A	2,307	2,069	9,156	7,754
Property tax	394	294	1,572	1,203
Insurance	101	97	399	303
Land lease	–	248	–	980
Other expenses	177	167	787	616
Total operating expenses	3,558	3,402	14,487	12,913

During the three and twelve months ended December 31, 2019, operating expenses increased by \$0.2 million (5%) and \$1.6 million (12%), respectively, compared with the same period in 2018. Operating expenses increased due to additional O&M and other operating costs associated with the Komatsu solar project. For lease accounting, the Group applied IFRS 16 from its mandatory adoption date of January 1, 2019, used the simplified transition approach and has not restated comparative amounts.

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

Financial Results continued

General and administrative expenses

USD thousands	Three months ended		Twelve months ended	
	Q4-19	Q4-18	2019	2018
Salaries and benefits	1,402	1,356	2,237	2,890
Pension costs	84	98	87	98
Board of directors' fees	67	68	271	272
Share-based payments	69	184	225	761
Professional fees	477	352	1,487	831
Listing and marketing	42	57	246	289
D&A	36	39	142	158
Office lease	74	77	293	305
Office, travel and other	261	237	619	524
Total general and administrative	2,512	2,468	5,607	6,128

During the three months ended December 31, 2019, general and administrative expenses increased by \$44 thousand (2%) compared with the same period in 2018, primarily due to an increase in professional fees and other office and travel expenses. During 2019, general and administrative expenses decreased by \$0.5 million (9%) compared with the same period in 2018, primarily due to an increase in the proportion of expenses allocated to solar projects.

Net finance costs

USD thousands	Three months ended		Twelve months ended	
	Q4-19	Q4-18	2019	2018
Project loans	979	953	3,869	3,859
Corporate bonds	745	732	2,958	3,508
Fair value movements	(45)	(68)	27	63
Foreign exchange (gain) loss	2,244	(729)	(611)	(1,215)
Other finance costs	254	58	1,000	832
Net finance cost	4,177	946	7,243	7,047

During the three and twelve months ended December 31 2019, net finance costs increased by \$3.2 million and \$0.2 million, respectively, compared to the same period in 2018, mainly due to foreign exchange movements. In addition, during the three and six months ended December 31, 2019, the Group capitalized \$0.7 million and \$1.1 million (2018: nil and \$0.2 million) of borrowing costs associated with the credit facilities obtained to finance the construction of the Niigata solar power project.

Income tax expense

USD thousands	Three months ended		Twelve months ended	
	Q4-19	Q4-18	2019	2018
Corporate income tax	64	46	2,136	1,248
Deferred tax expense	(236)	(24)	207	(36)
Income tax expense	(172)	22	2,343	1,212

During the three and twelve months ended December 31, 2019, the Group recognized corporate income tax expense of \$0.1 million and \$2.1 million, respectively (2018: \$46 thousand and \$1.2 million) associated with its solar power projects in Japan and its management services subsidiaries. The increase in corporate income taxes was driven by taxes at the Japanese corporate level, where the Company increased its taxable income as a result of the Kumamoto collections and net development fee invoiced to the Niigata project. In addition, during the three and twelve months ended December 31, 2019, the Group recognized a deferred income tax income of \$0.2 million and a deferred income tax expense of \$0.2 million (2018: \$24 thousand and \$36 thousand) 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

	December 31 2019	December 31 2018
USD thousands		
Unrestricted at parent level	10,596	9,328
Restricted at project level	112,786	15,399
Total cash and cash equivalents	123,382	24,727

Unrestricted cash analysis

The Group's cash and cash equivalents at December 31, 2019, included unrestricted cash of \$10.6 million (December 31, 2018: \$9.3 million) held at the corporate level. Unrestricted cash increased by \$1.3 million mainly as a result of the Niigata development fee and the Niigata upfront land lease collection in 2019, partially offset by corporate general and administrative and development costs incurred. The Group expects to generate sufficient operating cash flows in 2020 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, asset sales or debt financing and non-recourse project loans, as required.

Restricted cash analysis

	December 31 2019	December 31 2018
USD thousands		
Japan	112,786	15,399
Total restricted cash	112,786	15,399

The Group's cash and cash equivalents at December 31, 2019, included restricted cash held at the project level in Japan that is restricted by the lending banks for future payment of interest and repayment of principal and for working capital requirements related to each project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions. Restricted cash increased by \$97.4 million mainly due to funds secured 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 December 31, 2019, the Group had working capital of \$109.7 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 twelve 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 \$111.1 million. (December 31, 2018: \$24.3 million). At December 31, 2019, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2020	2021	2022	2023	2024	After five years	Total
EPC	36,785	28,692	736	–	–	–	66,213
Project loans	10,984	10,580	27,986	17,518	18,598	227,803	313,469
Corporate bond	2,790	39,010	–	–	–	–	41,800
O&M contracts	713	694	625	785	1,234	9,459	13,510
Operating leases	1,322	1,025	1,025	1,025	1,025	12,148	17,569
Trade payables	12,917	–	–	–	–	–	12,917
Total	64,383	80,002	30,732	19,328	20,587	249,409	464,350

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.

Financial Review continued

Financial Position continued

Net equity

During 2019, total equity attributable to owners of the Company decreased by \$4.9 million from a net asset position of \$1.8 million at December 31, 2018, to a net liability position of \$3.1 million at December 31, 2019. This change was primarily due to the recognition of \$4.8 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 December 31, 2019, was negatively impacted by the cumulative fair value losses of \$12.4 million recognized within other reserves that are associated with the Group's derivative financial instruments. Excluding these fair value losses from the calculation, the total equity attributable to owners of the Company at December 31, 2019, would have resulted in a net asset position of \$9.3 million.

In addition, on December 25, 2019, the Group acquired the total non-controlling interest's (NCI's) in Shizukuishi, Mito, Komatsu and Misawa, all together the 'Japanese project companies', and became owner of 100% of the issued and outstanding shares. The Group purchased HHT's NCIs in all four of its solar projects, as well as Tamagawa's share in the Misawa 9.5 MW project, for a total of ¥472 million (approximately \$4.3 million), of which ¥286 million (approximately \$2.6 million) represented the fair value of the outstanding shareholder loans from NCIs and ¥185 million (approximately \$1.7 million) was paid for the NCI's shares in the share capital of the Japanese project companies. Immediately prior to the NCIs purchase transaction, the carrying amount of the existing NCIs in the Japanese project companies was ¥149 million (approximately \$1.4 million). The excess of the consideration paid over the carrying value of the NCIs acquired of ¥34 million (approximately US\$0.3 million) was recognized as a decrease in equity attributable to owners of Etrion. The effect on the equity attributable to the owners of Etrion during 2019 is summarized as follows:

	2019
Carrying amount of NCIs acquired	1,324
Consideration paid to NCIs	1,702
Excess of consideration paid recognized in the transactions with NCIs reserve within equity	378

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	December 31 2019	December 31 2018
Shizukuishi	25	December 30, 2034	56,050	57,708
Mito	9	June 30, 2034	20,217	21,250
Misawa	10	June 30, 2036	24,592	25,635
Komatsu	13	December 30, 2036	30,003	33,872
Niigata	45	June 30, 2038	140,642	–
Total			271,504	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 interest rates ranging from 1.72% to 3.13% all-in. At December 31, 2019, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. All the Japanese interest rate swap contracts qualified for hedge accounting at December 31, 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 Niigata prefecture in central Japan. The arranger of the Etrion Green Project Bond, rated BBB, was Goldman Sachs. The total project cost is expected to be approximately ¥16.7 billion (\$154.2 million) including VAT and 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 costs of \$5.2 million. During the three months ended December 31, 2019, the Company fully repaid the outstanding balance of the VAT credit facility associated with the Komatsu project for a total of ¥308 million (approximately \$3.0 million).

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

Financial Position continued

Corporate borrowings

At December 31, 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 three-year maturity. The carrying amount of bonds as at December 31, 2019, including accrued interest net of transaction costs, was \$37.5 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	December 31 2019	December 31 2018
Total borrowings as per IFRS	309,049	176,607
VAT facilities	–	(2,804)
Accrued interest	(125)	(120)
Transaction costs	7,601	2,961
Adjusted borrowings	316,525	176,645
Cash and cash equivalents	(123,382)	(24,727)
Adjusted consolidated net debt	193,143	151,918
Adjusted corporate net debt	27,201	29,476

The Group's consolidated net debt increased during 2019, in comparison with December 31, 2018, mainly due to the net debt increase from the project bond issued in 2019.

Outstanding share data

At the date of this MD&A, the Company had 334,094,324 common shares (March 1, 2019: 334,094,324). The Company maintains the 2014 Restricted Share Unit Plan (the 'Plan') pursuant to which employees, consultants, Directors and officers of the Group may be awarded restricted share units ('RSUs'). Subject to regulatory approval of certain amendments to the Plan, the outstanding RSUs have a contractual term of six years and are subject to certain market performance-based vesting conditions. At the date of this MD&A, the Company had 11,666,667 RSUs outstanding.

Off-balance sheet arrangements

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

Financial Review continued

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 needed to build the Japanese backlog project is likely to be contributed throughout the construction period, rather than at the 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 has been vigorously defending 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 consolidated financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. These assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the consolidated financial statements are prepared. On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material.

IFRS 16, Leases: This standard addresses the measurement and recognition of leases and 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 recognized. 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 affects 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 recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group recognized right-of-use assets and lease liabilities of approximately \$10.4 million on January 1, 2019, based on discounted cash flows under the lease agreements (after adjustments for prepayments and accrued lease payments recognized as at December 31 2018). The lease payments are discounted using 7.25%, being the interest rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Overall net current assets were approximately \$0.3 million lower due to the presentation of a portion of the liability as a current liability. Net results after tax decreased by approximately \$0.3 million in 2019 because of adopting the new rules. Adjusted EBITDA used to measure segment results increased by approximately \$1.0 million, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure. Operating cash flows increased and financing cash flows decreased by approximately \$0.3 million as repayment of the principal portion of the lease liabilities is now classified as cash flows from financing activities.

The Group applied IFRS 16 from its mandatory adoption date of January 1, 2019. The Group applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Right-of-use assets were 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 consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns directly and through various investment trusts approximately 36% of the Company's common shares. All related party transactions are made on terms equivalent to those made on an arm's length basis. The related party transactions disclosed in the notes to the Company's consolidated financial statements for the 12 months ended December 31, 2019, are summarized below.

Related party transactions

Lundin Petroleum AB and subsidiaries

The Group receives professional services from Lundin Petroleum AB and from Lundin Petroleum 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 2019, the Group incurred general and administrative expenses of \$22 thousand (2018: \$27 thousand), from Lundin Petroleum AB and its subsidiary. At December 31, 2019, the Group had \$nil (December 31, 2018: \$nil) outstanding in relation to these expenses.

Lundin family

Investment companies associated with the Lundin family subscribed for €3 million (\$3.5 million) of the corporate bond issue completed in June 2018. During 2019, all corporate bonds held by the Lundin family or by entities controlled by the Lundin family were sold.

Lundin SA

During 2019, the Group recognized expense of \$0.1 million (2018: \$0.1 million) 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 2019, the Group invoiced asset management services of \$0.8 million (2018: \$0.8 million) to the Chilean subsidiary PV Salvador, associated with operating and engineering services of the 70 MW solar power project in Chile. These asset management services are not eliminated on consolidation since September 30, 2017, the date when PV Salvador was deconsolidated and are presented as a reduction of corporate general and administrative expenses.

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 2019, the Group recognized \$1.4 million (2018: \$1.7 million), within general and administrative expenses associated with the remuneration of key management personnel, including salaries and short-term benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At December 31, 2019, the Group had \$nil outstanding to key management personnel (December 31, 2018: \$0.3 million).

Financial Risk Management

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

Financial Review continued

Derivative Financial Instruments

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

USD thousands	December 31 2019	December 31 2018
Derivative financial liabilities:		
Interest rate swap contracts		
Current portion	1,429	1,452
Non-current portion	8,782	8,706
Total derivative financial instruments	10,210	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. At December 31, 2019, and December 31, 2018, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is recorded in finance income/costs.

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, 2019, which has been filed on SEDAR and is available under Etrion's profile at www.sedar.com. Risk management is carried out by the Company's management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also oversees and provides assistance with the overall risk management strategy and mitigation plan of the Group.

Financial Risks

Debt and equity financing

The Group'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

Licenses and permits

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

Governmental regulation

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

Competition

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

Prices and markets for electricity

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

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.

Other Disclosures

Etrion Outlook and Guidance

Etrion prepares and updates on a quarterly basis forecasts for project level production, revenues and EBITDA information regarding its operational and fully funded solar parks in Japan. The purpose of these forecasts is to provide investors with management's view on the expected performance of the Company's solar assets over the coming fiscal year. Readers are advised to not place undue reliance on this forecasted financial and operational information. Etrion's consolidated project-level forecast for 2020 is in the following ranges:

2020 Guidance			
USD million otherwise stated	Low end	High end	
Energy generation (MWh)	59,900	66,200	
Revenue	20.6	22.8	
Project-level EBITDA	14.9	16.5	

Revenue, project-level EBITDA and production forecast for the Japanese business, incorporated in the above consolidated guidance, are based on Etrion's ownership of the 57 MW operational Japanese portfolio comprising the Mito, Shizukuishi, Misawa and Komatsu solar parks, located in central and northern Japan and are incorporated on a net basis. These projects benefit from 20-year PPAs with the Japanese public utilities, under which they will receive between ¥32 and ¥40 per kWh produced (approximately between US\$0.27 and US\$0.34 per kWh).

In Japan, revenues are received in Japanese Yen and are translated using the ¥/\$ exchange rate of the corresponding period. Consequently, revenues expressed in \$ may fluctuate according to exchange rate variations.

Basis of preparation of the forecasts

The revenue forecasts have been prepared on a basis consistent with the accounting policies that are expected to be used in the Group's consolidated financial statements for the year then ending. These policies are consistent with those set out in the accounting policies in the Group's consolidated financial statements for the years ended December 31, 2019 and 2018, including the impact of IFRS 16 effective January 1, 2019. The project-level EBITDA forecasts have been prepared using a non-IFRS widely accepted methodology which consist of earnings before interest, tax, depreciation and amortization and is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions. Electricity production forecasts have been prepared using the installed production capacity of the solar power plants, the guaranteed availability of the solar park and irradiation levels based on historical data from the various solar park locations. Revenue and project-level EBITDA forecasts have been prepared using the project currency and translated, where applicable, to US dollars using the 2019 average of ¥/US\$ 1: 109.15.

Previous forecasts

On March 13, 2019, Etrion issued a revenue and project-level EBITDA forecast for the fiscal year ending December 31, 2019. Actual results in comparison with the revised guidance with primary focus on the Japanese assets are shown in the table below:

2019 Guidance results		Actual results	
USD million otherwise stated	Low end	results	High end
Energy generation (MWh)	46,800	52,600	51,800
Revenue	15.9	18.1	17.6
Project-level EBITDA	12.0	13.4	13.3

Japanese production, revenue and project-level EBITDA in 2019 exceeded the high end of the guidance provided on March 13, 2019. The performance of the operating solar assets in Japan during 2019 was positive and this was reflected in production and revenue being above the high end of the guidance. EBITDA in 2019 was well above the high end due to the combination of higher than expected production, earlier connection of the Komatsu plant and optimization of the contingency budgets.

Disclosure Controls and Internal Control Over Financial Reporting

In accordance with National Instrument 52-109 Certification of Disclosures in Issuers' Annual and 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 and cost of the development, construction, permitting, licensing, financing operation and electricity production, as the case may be, of the Niigata solar project and other future solar power plants in Japan); expectations relating to future solar energy production, the revenue and earnings to be generated therefrom 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders of Etrion Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Etrion Corporation and its subsidiaries, (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of net loss and comprehensive net loss for the years ended December 31, 2019 and 2018,
- the consolidated balance sheet as at December 31, 2019 and 2018,
- the consolidated statement of changes in equity for the years then ended,
- the consolidated statement of cash flow for the years then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in or filed on the same date as the annual report, which includes the Management Discussion & Analysis and Annual Information Form.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report continued

To the Shareholders of Etrion Corporation

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the companies or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Luc Schulthess.

PricewaterhouseCoopers SA
Geneva, Switzerland



Luc Schulthess

March 9, 2020



Colin Johnson

Consolidated Statement of Net Loss and Comprehensive Net Loss

For the years ended December 31, 2019 and 2018

Expressed in US\$'000

	Note	2019	2018
Revenue	6	21,876	19,500
Operating expenses	7	(14,487)	(12,913)
Gross profit		7,389	6,587
General and administrative expenses	8	(5,607)	(6,128)
Additional termination fee	9	–	(1,294)
Other income, net	10	3,116	476
Operating profit (loss)		4,898	(359)
Finance income	11	656	1,290
Finance costs	11	(7,899)	(8,337)
Net finance costs		(7,243)	(7,047)
Net loss before income tax		(2,345)	(7,406)
Income tax expense	12	(2,343)	(1,212)
Net loss for the year		(4,688)	(8,618)
Other comprehensive income (loss)			
Items that may be reclassified to profit and loss:			
Gain on currency translation	21	447	391
Gain on cash flow hedges, net of tax		69	489
Actuarial (loss) gain on post-employment benefits		(317)	77
Total other comprehensive income		199	957
Total comprehensive net loss for the year		(4,489)	(7,661)
Income (loss) attributable to:			
Owners of the parent		(4,883)	(8,878)
Non-controlling interests	14	195	260
Total		(4,688)	(8,618)
Total comprehensive income (loss) attributable to:			
Owners of the parent		(4,681)	(7,975)
Non-controlling interests	14	192	314
Total		(4,489)	(7,661)
Basic and diluted loss per share from loss of the year	13	\$(0.01)	\$(0.03)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at December 31, 2019 and 2018

Expressed in US\$'000

	Note	December 31 2019	December 31 2018
Assets			
Non-current assets			
Property, plant and equipment	15	191,796	146,594
Intangible assets	16	14,755	13,318
Deferred income tax assets	12	2,839	3,076
Trade and other receivables	18	3,949	588
Total non-current assets		213,339	163,576
Current assets			
Trade and other receivables	18	10,240	14,923
Cash and cash equivalents (including restricted cash)	17	123,382	24,727
Total current assets		133,622	39,650
Total assets		346,961	203,226
Equity			
Attributable to common shareholders			
Share capital	19	111,304	111,304
Contributed surplus		13,443	13,281
Other reserves	21	(12,799)	(12,940)
Accumulated deficit		(115,048)	(109,848)
Total attributable to common shareholders		(3,100)	1,797
Non-controlling interests	14	-	1,132
Total equity		(3,100)	2,929
Liabilities			
Non-current liabilities			
Borrowings	22	301,464	166,760
Derivative financial instruments	23	8,782	8,706
Provisions	24	15,848	5,631
Other liabilities	24	-	2,385
Total non-current liabilities		326,094	183,482
Current liabilities			
Trade and other payables	26	12,917	3,997
Current tax liabilities	12	1,676	795
Borrowings	22	7,585	9,847
Derivative financial instruments	23	1,429	1,452
Provisions	24	319	-
Other liabilities	24	41	724
Total current liabilities		23,967	16,815
Total liabilities		350,061	200,297
Total equity and liabilities		346,961	203,226

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2019 and 2018

Expressed in US\$'000

		Attributable to owners of the parent						
	Note	Share capital	Contributed surplus	Other reserves	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance at January 1, 2018		111,304	12,538	(13,766)	(101,047)	(9,029)	818	9,847
Comprehensive income (loss):								
(Loss) Income for the year		-	-	-	(8,878)	(8,878)	260	(8,618)
Other comprehensive income:								
Cash flow hedges (net of tax)		-	-	450	-	450	39	489
Currency translation		-	-	376	-	376	15	391
Actuarial gain on post-employment benefits					77	77		77
Total comprehensive income (loss)		-	-	826	(8,801)	(7,975)	314	(7,661)
Transactions with owners in their capacity as owners:								
Share-based payments		-	743	-	-	743	-	743
Balance at December 31, 2018		111,304	13,281	(12,940)	(109,848)	1,797	1,132	2,929
Balance at January 1, 2019		111,304	13,281	(12,940)	(109,848)	1,797	1,132	2,929
Comprehensive income (loss):								
(Loss) Income for the year		-	-	-	(4,883)	(4,883)	195	(4,688)
Other comprehensive income (loss):								
Cash flow hedges (net of tax)	21	-	-	86	-	86	(17)	69
Currency translation	21	-	-	433	-	433	14	447
Actuarial loss on post-employment benefits	25	-	-	-	(317)	(317)	-	(317)
Total comprehensive income (loss)		-	-	519	(5,200)	(4,681)	192	(4,489)
Transactions with owners in their capacity as owners:								
Share-based payments	20	-	162	-	-	162	-	162
Acquisition of non-controlling interests	14	-	-	(378)	-	(378)	(1,324)	(1,702)
Balance at December 31, 2019		111,304	13,443	(12,799)	(115,048)	(3,100)	-	(3,100)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

For the years ended December 31, 2019 and 2018

Expressed in US\$'000

	Note	2019	2018
Operating activities:			
Net income (loss) for the period		(4,688)	(8,618)
Adjustments for the following non-cash items:			
Depreciation and amortization	7/8	9,298	7,912
Current income tax expense	12	2,136	1,248
Deferred income tax expense	12	207	(36)
Share-based payment expense	20	225	761
Interest expense	11	5,896	6,203
Interest expense relating to interest rate swap contracts	11	1,476	1,414
Amortization of transaction costs	11	455	589
Foreign exchange (gain) loss	11	(611)	(1,215)
Fair value changes on derivative financial instruments	11	27	63
Other expenses (income)		-	(363)
Sub-total		14,421	7,958
Changes in working capital:			
Trade and other receivables		1,322	2,249
Trade and other payables		1,428	914
Additional termination fee	9	-	(1,294)
Income tax paid		(1,251)	(1,032)
Total cash flow from operating activities		15,920	8,795
Investing activities:			
Purchases of property, plant and equipment	15	(26,718)	(9,133)
Purchases of intangible assets	16	(9,616)	(6,021)
Acquisition of financial asset	14	(2,625)	-
Proceeds from sale of subsidiary		-	145
Proceeds from sale of financial asset		-	64
Total cash flow used in investing activities		(38,959)	(14,945)
Financing activities:			
Interest paid	22	(5,636)	(6,206)
Interest relating to interest rate swap contracts		(1,483)	(1,414)
Proceeds from borrowings	22	141,715	39,839
Repayment of borrowings	22	(9,829)	(44,753)
Acquisition of non-controlling interests	14	(1,702)	-
Principal element of lease payments	24	(298)	-
Contributions from non-controlling interests		-	119
Total cash flow (used in) from financing activities		122,767	(12,415)
Net increase in cash and cash equivalents		99,728	(18,565)
Effect of exchange rate changes on cash and cash equivalents		(1,073)	89
Cash and cash equivalents at the beginning of the year		24,727	43,203
Cash and cash equivalents (including restricted cash) at the end of the year		123,382	24,727

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2019 and 2018

Expressed in US\$'000 unless otherwise stated

1. General information

Etrion Corporation ('Etrion' or the 'Company' or, together with its subsidiaries, the 'Group') is incorporated under the laws of the Province of British Columbia, Canada. The address of its registered office is 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8, Canada. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm Stock Exchange in Sweden under the same ticker symbol, 'ETX'.

Etrion is an independent power producer that develops, builds, owns and operates solar power generation plants. The Company owns 57 megawatts ('MW') of installed solar capacity in Japan and 45 MW of projects under construction.

These consolidated financial statements are presented in United States ('US') Dollars ('\$'), which is the Group's presentation currency. The Company's Board of Directors approved these consolidated financial statements on March 9, 2020.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee ('IFRIC') that are effective or available for early adoption for accounting periods beginning on January 1, 2019. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities, such as derivative financial instruments and defined benefit plans, which are measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

(b) Going concern

The Company's consolidated financial statements for the year ended December 31, 2019, 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 December 31, 2019, the Group had cash and cash equivalents of \$123.4 million, \$10.6 million of which was unrestricted and held at the parent level (December 31, 2018: \$24.7 million and \$9.3 million, respectively) and working capital of \$109.7 million (December 31, 2018: \$22.8 million). During 2019, the Group recognized a net loss of \$4.7 million (2018: \$8.6 million). The Company's management is confident that the Group will be able to fund its working capital requirements for at least 12 months from the date of these consolidated financial statements. These consolidated financial statements for the year ended December 31, 2019, do not include the adjustments that would result if the Group were unable to continue as a going concern.

(c) Changes in accounting policies and disclosures

New standards and amendments adopted by the Group

IFRS 16, Leases: This standard addresses the measurement and recognition of leases, resulting 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 recognized. 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 US\$18.3 million. Of these commitments, approximately US\$0.3 million related to short-term and low-value office leases which will be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group recognized right-of-use assets and lease liabilities of approximately \$10.4 million on January 1, 2019, based on discounted cash flows under the lease agreements (after adjustments for prepayments and accrued lease payments recognized as at December 31, 2018). The lease payments are discounted using 7.25%, being the interest rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Overall net current assets were approximately \$0.3 million lower due to the presentation of a portion of the liability as a current liability. Net results after tax decreased by approximately \$0.3 million in 2019 because of adopting the new rules. Adjusted EBITDA used to measure segment results increased by approximately \$1.0 million, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows increased and financing cash flows decreased by approximately \$0.3 million as repayment of the principal portion of the lease liabilities is now 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.

Notes to the Consolidated Financial Statements continued

As at and for the years ended December 31, 2019 and 2018

Expressed in US\$'000 unless otherwise stated

2. Summary of significant accounting policies continued

(d) Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control and are consolidated. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are deconsolidated from the date that control ceases in accordance with IFRS 10, ('Consolidated Financial Statements'). Non-controlling interests' share of total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. The accounting policies used by subsidiaries, where different from those of the Group, are amended where necessary to ensure consistency with the accounting policies adopted by the Group.

On September 30, 2017 the Group concluded that in accordance with IFRS it no longer has control of PV Salvador, Spa ('Salvador'), the 70% owned Chilean subsidiary that owns the licenses and rights to operate a 70 MW solar power project in northern Chile. The Company is applying the equity method to account for its investment in Salvador since September 30, 2017. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the Group's share of the carrying value of the net assets is recorded within equity. Gains or losses recognized on the disposal of non-controlling interests are also recorded in equity.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Board of Directors is the Chief Operating Decision-Maker ('CODM') responsible for making strategic decisions, allocating resources and assessing the performance of the operating segments.

(f) Foreign currency translation

Functional currency and presentation currency

Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company's subsidiaries is primarily the €, CHF, \$ and ¥. The consolidated financial statements are presented in \$, which is the Group's presentation currency, due to the Company's listing in North America. Foreign exchange gains and losses are presented within finance income and costs.

In preparing the consolidated financial statements, the individual financial statements of the Company's subsidiaries are translated into the functional currency of the Company, the Japanese yen. Once the financial statements have been consolidated, they are then translated into the presentation currency, the US dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies translated at the year-end exchange rate are recognized in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet item are translated at the closing exchange rates prevailing at the balance sheet date,
- income and expenses for each statement of comprehensive income item are translated at the exchange rate at the transaction date (or the annual average exchange rate if this represents a reasonable approximation), and
- all resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the translation of monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) are recognized initially in other comprehensive income. On the disposal or partial disposal of the net investment (reduction in ownership percentage), the amounts recognized in other comprehensive income are reclassified from equity to profit or loss. Management does not consider the repayment of quasi-equity loans designated as 'net investment' to qualify as a disposal and therefore no reclassification of exchange differences is made from equity to profit or loss when such repayment occurs. Where, as a result of a change in circumstances, a previously designated 'net investment' loan is settled (monetary items receivable from or payable to a foreign operation are actually repaid), the loan is de-designated and then exchange differences arising from the translation are accounted for in profit or loss from that point forward.

2. Summary of significant accounting policies continued

(f) Foreign currency translation continued

Exchange rates for the relevant currencies of the Group with respect to the US dollar are as follows: (CHF refers to Swiss francs)

	¥/\$	€/€	CAD\$/€	CHF/€
December 31, 2019	0.0092	1.12	0.77	0.97
December 31, 2018	0.0091	1.15	0.73	0.99
December 31, 2017	0.0089	1.20	0.80	1.03
Average 2019	0.0092	1.12	0.75	1.00
Average 2018	0.0091	1.18	0.77	1.02

(g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure directly attributable to the acquisition of the asset and, for self-constructed assets, the costs include material costs, direct labor and any other costs directly attributable to bringing the asset into working condition for its intended use. The cost of dismantling and removing items of property, plant and equipment and site restoration are also included as part of the cost of the relevant asset.

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use are undertaken and continues until the date at which development of the relevant asset is complete. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items within property, plant and equipment.

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or as a separate asset, as appropriate, only if it is probable that the future economic benefits embodied within the item will flow to the Group and its cost can be measured reliably. The carrying amount of any replaced items of property, plant and equipment are derecognized and the costs of maintenance and repairs are charged to profit or loss during the financial period in which they are incurred. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss within other income and expenses.

Depreciation

Depreciation is recognized within operating expenses for operating solar power projects and within general and administrative expenses for all other items of property, plant and equipment. In order to expense the cost of assets less their residual values over their useful lives the straight-line method is used. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated. The estimated useful lives are as follows:

	2019	2018
Solar power plants – Japan	20 years	20 years
Equipment and furniture	1-5 years	1-5 years

(h) Intangibles

Recognition and measurement

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Costs include expenditures directly attributable to the acquisition of the asset and, for self-constructed assets, the costs include material costs, direct labor and any other costs directly attributable to prepare the asset for its intended use. The Company capitalizes all the internally generated qualifying costs that are incurred during the development, construction and financing phases of the project life. Costs incurred outside of these phases are expensed, unless there is an activity that improves the performance or functionality of the asset that will result in additional economic benefits.

Licenses and permits

Costs of licenses and permits for projects internally developed include all the associated expenditures and internally generated costs incurred by the Group to successfully meet all the technical and environmental requirements from the local authorities where the Group operates that are necessary to build and operate solar power projects. Project permits and licenses acquired through business combinations or through the acquisition of a project company accounted for as an asset acquisition are recognized at their fair values at the date of acquisition Note 2(d). Project permits and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method. The estimated useful life of project permits and licenses is based on the life of the applicable energy supply contracts which is generally 20 years. The amortization expense recognized in relation to intangible assets is included within operating expenses. The amortization expense of permits and licenses related to the construction of solar power projects is capitalized as assets under construction within property, plant and equipment during the construction phase.

Notes to the Consolidated Financial Statements continued

As at and for the years ended December 31, 2019 and 2018

Expressed in US\$'000 unless otherwise stated

2. Summary of significant accounting policies continued

(i) Impairment of tangibles, assets and intangible assets

At the end of each reporting period, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs. CGUs are identified for each operating solar power project.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. The recoverable amount of the asset is the higher of the fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(j) Investments and other financial assets

Classification

From January 1, 2018, the Group classifies its financial assets in the following categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded either in profit or loss or in other comprehensive income. For investments in equity instruments that are not held for trading, gain and losses will be recorded in profit and loss, unless the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments: Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains and losses together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss. FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains and losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses are presented as a separate line item in the statement of profit or loss. FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains and losses in the period in which it arises. The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognized in other gains and losses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. Summary of significant accounting policies continued

(j) Investments and other financial assets continued

Impairment of investments and other financial assets

From January 1, 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Offsetting financial instruments

Financial assets and liabilities are offset and shown net in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(k) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction; or
- hedges of the fair value of recognized assets and liabilities or a firm commitment; or
- hedges of a net investment in a foreign operation.

The Group documents at the inception of the transaction, the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 23. Movements on the hedging reserve in other comprehensive income are shown in Note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately within finance income or costs. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss finance income or costs.

(l) Trade receivables

Trade receivables are amounts due for solar energy produced by the Group and sold to the electricity grid operator in accordance with electricity sale contracts. If collection is expected in one year or less, they are classified as current assets. If not, they are recognized as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less any provision for impairment. The simplified approach has been applied for impairment and the full lifetime expected credit losses model has been applied.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Restricted cash relates to cash and cash equivalents held at the project level that are restricted by the lending banks to 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 or through dividend distributions.

(n) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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2. Summary of significant accounting policies continued

(p) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest rate method, with any difference between the proceeds (net of transaction costs) and the redemption value recognized in profit or loss within finance costs. Transaction costs incurred in acquiring a floating rate instrument are amortized using the straight-line amortization method. Fees paid on the establishment of loan facilities are recognized as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. If there is no evidence to indicate that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized within property, plant and equipment. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use are undertaken and continue to be capitalized until the date on which development of the relevant asset is complete. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(q) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. The Company's management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill, and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(r) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate of the obligation can be made. The Group recognizes a provision for the future costs expected to be incurred in relation to the decommissioning, dismantling and site restoration associated with its solar power projects in Japan with a corresponding increase in the relevant asset. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the project, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Period charges for changes in the net present value of the provision arising from discounting are included within finance costs.

(s) Revenue recognition

Revenue is recognized upon delivery of electricity produced to the local operator of the electricity grid and when applicable, when customers receive electricity from the offtake point in accordance with existing contracts. Delivery is deemed complete when all the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of electricity are recognized at the time the electricity is supplied on the basis of periodic meter readings. Revenues are recognized net of value added tax ("VAT") and rebates. Revenues are measured at the fair value of the consideration received or receivable, which is calculated based on the price of electricity established in the contract. Revenues obtained from solar power plants that are still within the testing period (the time interval to bring the asset to the intended use conditions) are deducted from capitalized costs.

(t) Interest income

Interest income is recognized using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

2. Summary of significant accounting policies continued

(u) Share-based payment

Restricted share units (RSUs)

The Company operates an equity-settled, share-based compensation plan under which the entity receives services from employees, consultants, directors and officers as consideration for equity instruments of the Company. The Board of Directors of the Company has, in its sole discretion, the option to settle the RSUs in treasury shares, in cash or through open market share purchases. The total amount to be expensed within general and administrative expenses is determined by reference to the fair value of the options granted. The fair value of non-market performance and service condition grants is determined using the share market price at the date of grant. The fair value of grants with market performance conditions is calculated using an adjusted share market price calculated with a valuation model that incorporates all the variables included in the market conditions. Once the fair value is calculated it is not reassessed since the valuation model includes the value of all possible outcomes including the possibility that the grant is never exercised. The fair value of any RSUs granted to employees, consultants, directors and officers of the Group is recorded as an expense over the vesting period of the RSUs granted, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity within contributed surplus. For grants with non-market performance conditions, management assesses the vesting conditions and adjusts the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the expense amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(v) Employee benefits

Pension obligations

The Group's Swiss subsidiary has a defined benefit pension plan that is managed through a private fund. Independent actuaries determine the cost of the defined benefit plan on an annual basis, and the Swiss subsidiary pays the annual insurance premium. The fund provides benefits coverage to the employees in the event of retirement, death or disability. The Group's Swiss subsidiary and its employees jointly finance retirement and risk benefit contributions. As per the agreement, the Swiss subsidiary contributes between 60% and 67% of the monthly pension costs, and the remaining balance is deducted from the employees' pay.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

3. Critical accounting estimates and assumptions

In connection with the preparation of the Company's consolidated financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. The 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. The Company's management believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

(a) Fair value of derivative financial instruments

In determining the fair value of the Group's financial instruments, the Company's management uses judgment to select a variety of methods and assumptions that are mainly based on market conditions existing at the balance sheet date. Where possible, the Company's management also obtains fair value measurements from third parties. The fair value of the Group's interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity, the observable Tokyo Interbank Offered Rate ('TIBOR') forward interest rate curves and an appropriate discount factor. At December 31, 2019, the Group recognized net financial liabilities of \$10.2 million (2018: \$10.1 million) associated with its derivative financial instruments. Note 23. Refer also to Note 4(c) for a summary of the valuation techniques used by the Group.

(b) Deferred income tax assets

The Group accounts for differences that arise between the carrying amount of assets and liabilities and their tax bases in accordance with IAS 12, Income Taxes, which requires deferred income tax assets only to be recognized to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilized. The Company's management estimates future taxable profits based on the financial models used to value the solar power projects as described in Note 3(a). Any change to the estimates and assumptions used for the key operational and financial variables within the business models could affect the amount of deferred income tax assets recognized by the Group. At December 31, 2019, the Group recognized \$2.8 million (2018: \$3.1 million) of net deferred income tax assets. Note 12.

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4. Financial risk management

(a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing returns to stakeholders by increasing its operating capacity and cash flow with new projects. The capital structure of the Group consists of total equity and borrowings. The Group's objectives when managing the capital structure are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain flexibility and liquidity for investment opportunities in the renewable energy segment. The Company's Board of Directors reviews the capital structure of the Group throughout the year and, as part of this review, considers the cost of capital and the risks associated with each class of capital. This review specifically focuses on the gearing ratio and working capital requirements at the corporate level. These objectives are primarily met through cash management and continuous review of attractive acquisition and development opportunities. In order to maintain or maximize the capital structure of the Group at the corporate level, the Group may raise additional funds through equity financing or long-term corporate debt or sell assets in order to manage debt levels or pursue additional opportunities within the renewable energy segment.

(b) Financial risk management

The Group is exposed to a variety of financial risks relating to its operations in Japan. These risks include market risk (interest rate risk, foreign currency 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 currency exchange rates and interest rates, and seeks, to minimize potential adverse effects on the Group's financial performance. The Group seeks to minimize the effects of these risks primarily by using derivative financial instruments to hedge interest rate risk exposures. 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.

Market risk

Interest rate risk

The Group is highly leveraged through financing at the project and corporate level for the construction of its solar power projects. The Group enters into non-recourse project loans issued at variable interest rates with financial institutions that provide financing for up to 85% of the total project costs. On June 15, 2018, Etrion completed a €40 million senior secured bond issue in the Nordic bond market. In 2019, the Group issued the Etrion Green Project Bond for approximately ¥16 billion (\$146 million) at a fixed interest rate of 1.2% to finance the construction of Project Niigata. The Group is exposed to interest rate risks associated with its non-recourse project loans in Japan as these are floating rate instruments. These risks are mitigated through the Company's hedging strategy. The Group is not exposed to interest rate risks associated with the corporate bonds as these are fixed-rate instruments. The Group manages its cash flow and interest rate risks by using floating-to-fixed interest rate swap contracts, primarily entered into with the same financial institutions providing the underlying debt facility. These interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swap contracts, the Group agrees to exchange at specified intervals the difference between the fixed contract rates and floating interest rates calculated by reference to the agreed notional amounts. The fair value of the interest rate swap contracts at the end of each reporting period is determined by discounting the future cash flows using forward interest rate curves at the balance sheet date.

The following table shows the sensitivity of profit or loss and other comprehensive income if interest rates in Japanese yen denominated borrowings change by 10 basis points ('bps') with all other variables held constant.

	+10bps shift in interest rate curve			-10 bps shift in interest rate curve	
	Carrying amount	Impact on profit/(loss)	Impact on other comprehensive income	Impact on profit/(loss)	Impact on other comprehensive loss
At December 31, 2019					
Sumitomo Mitsui Trust Bank	130,862	(133)	–	133	–
Derivative financial instruments	10,211	–	986	–	(975)
Total net impact		(133)	986	133	(975)
At December 31, 2018					
Sumitomo Mitsui Trust Bank	138,465	(126)	–	126	–
Derivative financial instruments	10,158	–	1,076	–	(1,092)
Total net impact		(126)	1,076	126	(1,092)

4. Financial risk management continued

(b) Financial risk management continued

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, the Swiss franc and the US dollar. The Group's foreign currency exposure arises from commercial transactions and recognized assets (Intercompany loans) and liabilities (Corporate bond) denominated in a currency that is not the currency of the relevant Group entity. The Group does not undertake hedging arrangements to mitigate the foreign currency exposure on its net investments in foreign operations or on income from foreign operations in order to hedge the risk of foreign currency variations. The Group is primarily exposed to changes in the ¥/\$ and ¥/€ exchange rates. The sensitivity in profit and loss arises mainly from the US dollar intercompany loan and Euro corporate bond and the impact on equity arises from the quasi-equity loans.

	Impact on profit/(loss)		Impact on other comprehensive income/(loss)	
	2019	2018	2019	2018
¥/\$ increase 5% (2018: 5%)	1,573	1,378	2,108	2,108
¥/\$ decrease 5% (2018: 5%)	(1,573)	(1,378)	(2,108)	(2,108)
¥/€ increase 5% (2018: 5%)	1,690	1,690	–	–
¥/€ decrease 5% (2018: 5%)	(1,690)	(1,690)	–	–

Price risk

Revenues generated by the Group's solar power projects in Japan are secured by long-term contracts based on a Feed-in-Tariff ('FIT').

Credit risk

Credit risk mainly arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only high and medium rated institutions operating in local markets are accepted. The sale of electricity is made to the public utilities in Japan and on the basis of the collection experience, the Company's management considers the credit risk associated with trade receivables to be minor. The carrying amount of financial assets net of impairment represents the Group's maximum exposure to credit risk. The Group does not have policies in place to assign internal ratings or to set credit limits to its counterparties. The credit risk on liquid funds and derivative financial instruments is considered to be limited as counterparties are financial institutions with high and medium credit ratings assigned by international credit agencies. The credit quality of financial assets that are neither past due nor impaired at December 31, 2019, can be assessed by reference to credit ratings from Standard & Poor's, if available, as follows:

	2019	2018
AA-	1,199	4,466
A-	5,900	–
A+	1,595	3,398
A	114,409	15,400
BBB+	279	1,149
BBB	–	314
Total cash and cash equivalents (including restricted cash)	123,382	24,727

Liquidity risk

The Company's management prepares cash flow forecasts in order to ensure that sufficient cash is available to meet operational needs at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by matching maturity profiles of financial assets and liabilities. The Company's management monitors the Group's liquidity position taking into consideration the Group's debt financing plans and covenant compliance. Note 22.

The following table analyses the Group's financial liabilities based on the remaining period outstanding at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the forward interest rate curve existing at the balance sheet date.

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4. Financial risk management continued

(b) Financial risk management continued

Liquidity risk continued

	Carrying amount	Contractual amount	Less than 1 year	1 to 5 years	More than 5 years	Total
At December 31, 2019						
Borrowings	309,049	355,270	15,575	138,355	201,340	355,270
Interest rate swap contracts, net	10,211	10,211	1,429	5,990	2,792	10,211
Trade and other payables	12,917	12,917	12,917	–	–	12,917
Lease liability	9,992	17,272	1,025	4,100	12,147	17,272
Total financial and non-financial liabilities	342,169	395,670	30,946	148,445	216,279	395,670
At December 31, 2018						
Borrowings	176,607	205,955	14,479	88,735	102,741	205,955
Interest rate swap contracts, net	10,158	10,158	1,446	5,912	2,800	10,158
Trade and other payables	3,997	3,997	3,997	–	–	3,997
Total financial and non-financial liabilities	190,762	220,110	19,922	94,647	105,541	220,110

(c) Fair value estimation

The Group's financial instruments carried at fair value are classified within the following measurement hierarchy depending on the valuation technique used to estimate their fair values:

Level 1: includes fair value measurements derived from quoted prices in active markets for identical assets or liabilities. The fair values of financial instruments traded in the active market are based on quoted market prices at the balance sheet date. At December 31, 2019 and December 31, 2018, the Group's cash and cash equivalents were classified as Level 1.

Level 2: includes fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques that maximize the use of observable market data, where it is available, and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. At December 31, 2019 and December 31, 2018, the Group's interest rate swap contracts were classified as Level 2 and the fair value of such instruments was 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 TIBOR forward interest rate curves and an appropriate discount factor. The fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates.

Level 3: includes fair value measurements derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data. At December 31, 2019 and December 31, 2018, the Group had no financial instruments classified as Level 3.

	December 31 2019	December 31 2018
Financial assets		
Level 1: Cash and cash equivalents	123,382	24,727
Total financial assets	123,382	24,727
Financial liabilities		
Level 2: Borrowings	309,049	176,607
Level 2: Interest rate swaps	10,211	10,158
Total financial liabilities	319,260	186,765

5. Segment reporting

In reviewing and monitoring the performance of the Group, the Board of Directors considers reportable segments from a geographical perspective and measures performance based on EBITDA. While the Company's management has determined that the Company 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 consolidated financial statements.

The Group's country of domicile is Canada. However, all consolidated revenues from external customers are derived from Japan. The Group's electricity production in Japan is sold to the Japanese public utilities, Tokyo Electric Power Company ('TEPCO'), Hokuriku Electric Power Co., Inc. ('HOKURIKU'), and Tohoku Electric Power Co. Inc. ('TOHOKU'). The Company's revenue breakdown by major customers in Japan is shown below:

	2019	2018
TEPCO	3,625	4,242
TOHOKU	4,399	2,784
HOKURIKU	13,852	12,474
Total	21,876	19,500

The Group's revenues, EBITDA and results are presented as follows:

	2019			2018		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	21,876	-	21,876	19,500	-	19,500
Operating expenses	(5,331)	-	(5,331)	(5,159)	-	(5,159)
General and administrative expenses	(366)	(5,099)	(5,465)	(296)	(5,674)	(5,970)
Additional termination fee	-	-	-	-	(1,294)	(1,294)
Other income (expense)	325	2,791	3,116	602	(126)	476
EBITDA	16,504	(2,308)	14,196	14,647	(7,094)	7,553
Depreciation and amortization	(9,156)	(142)	(9,298)	(7,754)	(158)	(7,912)
Finance income	45	611	656	73	1,217	1,290
Finance costs	(4,776)	(3,123)	(7,899)	(3,827)	(4,510)	(8,337)
Income (loss) before income tax	2,617	(4,962)	(2,345)	3,139	(10,545)	(7,406)
Income tax expense	(485)	(1,858)	(2,343)	(622)	(590)	(1,212)
Net income (loss) for the period	2,132	(6,820)	(4,688)	2,517	(11,135)	(8,618)

The Group's assets and liabilities can be presented as follows:

	December 31, 2019			December 31, 2018		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Property, plant and equipment	191,744	52	191,796	146,529	65	146,594
Intangible assets	12,493	2,262	14,755	8,411	4,907	13,318
Cash and cash equivalents	112,786	10,596	123,382	15,399	9,328	24,727
Other assets	9,326	7,702	17,028	8,504	10,083	18,587
Total assets	326,349	20,612	346,961	178,843	24,383	203,226
Borrowings	271,504	37,545	309,049	138,465	38,142	176,607
Trade and other payables	9,626	3,291	12,917	1,244	2,753	3,997
Other liabilities	25,550	2,545	28,095	18,653	1,040	19,693
Total liabilities	306,680	43,381	350,061	158,362	41,935	200,297

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6. Revenue

	2019	2018
Feed-in Tariff ('FiT')	21,876	19,500
Total revenue	21,876	19,500

The Group receives revenues denominated in Japanese yen from its operating solar projects. Revenues in Japan come from the FiT system, whereby a premium constant price is received for each kWh of electricity produced through a 20-year contract with Japanese public utilities. In May 2018, the Company connected the 13.2 MW Komatsu solar park site in Japan and started recognizing FiT revenues from this solar project. Solar-related production is subject to seasonality due to the variability of daily sun hours in the summer months versus the winter months.

7. Operating expenses

	2019	2018
Operating and maintenance ('O&M')	1,381	1,068
Personnel costs	1,193	989
Depreciation and amortization ('D&A')	9,156	7,754
Property tax	1,572	1,203
Insurance	399	303
Land lease	–	980
Other operating expenses	786	616
Total operating expenses	14,487	12,913

O&M costs relate to fees paid in connection with the operation and maintenance activities of the Group's operating solar power projects in Japan. Depreciation and amortization relate to the Group's operating solar power projects producing electricity during the period. The Group applied IFRS 16 from its mandatory adoption date of January 1, 2019, used the simplified transition approach and has not restated comparative amounts from prior year.

8. General and administrative expenses

	2019	2018
Salaries and benefits	2,237	2,890
Pension costs	87	98
Board of Directors' fees	271	272
Share-based payments	225	761
Professional fees	1,487	831
Listing and marketing	246	289
D&A	142	158
Office lease	293	305
Office, travel and other	619	524
Total general and administrative expenses	5,607	6,128

9. Arbitration

In May 2018, a Chilean arbitration court ruled against one of the Group's Chilean subsidiaries and ordered an additional \$1.5 million termination fee payment to one of the subsidiary's subcontractors. Management considered that payment was due since there is no appeal recourse. On August 29, 2018, parties in the arbitration process agreed to a final and definitive settlement of \$1.3 million paid in cash as of that date.

10. Other income

	2019	2018
Gain on sale of solar project rights	2,761	209
Insurance reimbursement	445	602
Development costs	–	(388)
Other (expense) income, net	(90)	53
Total other income	3,116	476

During 2019, the Company fully collected a gain of ¥300 million (approximately \$2.8 million) from the sale of the project rights of the Kumamoto project. The agreement with the local Japanese developer was executed in December 2018, but fully settled in 2019. In addition, during the second half of 2019, one of the Japanese subsidiaries received an insurance compensation as a result of cable thefts that resulted in availability interruption. During 2018, the Company recognized a net gain of \$0.6 million from the excess of insurance reimbursements over the actual costs of repair works. In addition, during 2018 the Company recognized \$0.2 million gain from the sale of a disposed dormant subsidiary.

11. Finance income and costs

	2019	2018
Finance income:		
Foreign exchange gain	611	1,215
Other finance income	–	7
Ineffective portion of cash flow hedges	45	68
Total finance income	656	1,290
Finance costs:		
Interest expense on non-recourse loans	2,910	1,992
Interest rate swap contracts	1,476	1,414
Interest expense on corporate bond	2,732	3,264
Credit facility with non-controlling interests	226	244
Amortization of transaction costs	603	604
Ineffective portion of cash flow hedges	72	–
Corporate bond call option	–	131
Interest expense on land lease liabilities	727	–
Other finance costs	273	839
Total finance costs before deducting amounts capitalized	9,019	8,488
Amounts capitalized on qualifying assets	(1,120)	(151)
Total finance costs	7,899	8,337
Net finance (income) costs	7,243	7,047

The Group has four floating-rate credit facilities outstanding associated with its operating solar power projects in Japan. These credit facilities are hedged using interest rate swap contracts. Refer to Note 22 and Note 23 for further details on the Group's credit facilities and derivative financial instruments. In addition, the Group has a fixed rate project bond outstanding associated with its project under construction. Applicable borrowing costs have been capitalized as assets under construction within property, plant and equipment.

In addition, during 2019, the Group recognized \$0.6 million of foreign exchange gain (2018: \$1.2 million) mainly associated with the corporate bond and intragroup loans denominated in foreign currencies.

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12. Income taxes

(a) Income tax expense

	2019	2018
Current income tax expense:		
Corporate income tax	2,136	1,248
Deferred income tax	207	(36)
Total income tax expense	2,343	1,212

During 2019, the Group recognized current income tax expense of \$0.3 million (2018: \$0.6 million) associated with its solar power projects in Japan, and a current income tax expense of \$1.8 million (2018: \$0.6 million) associated with its holding and management services subsidiaries. In addition, the Group recognized a deferred income tax expense of \$0.2 million (2018 deferred income tax recovery: \$36 thousand) due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

The Group's income tax expense is reconciled to the loss before tax at the Canadian statutory tax rate as follows:

	2019	2018
Loss before tax from continuing operations	(2,345)	(7,406)
Income tax expense calculated at 27% (2018: 26%)	(633)	(1,926)
Tax effects of:		
Permanent differences	669	809
Non-taxable income	(271)	(140)
Tax losses not recognized	2,338	2,357
Differences in foreign rates	196	158
Other	44	(46)
Total income tax expense	2,343	1,212

(b) Current income tax liabilities

	December 31 2019	December 31 2018
Corporate income tax	1,676	795
Total current income tax liabilities	1,676	795

(c) Deferred income tax

The movements in deferred income tax assets and liabilities during 2019 were as follows:

	Opening balance	Profit or loss	Other comprehensive income	Exchange differences and reclassifications	Closing balance
Deductible temporary differences:					
Tax losses carried forward	324	83	–	4	411
Derivative financial instruments	3,001	8	(15)	169	3,163
Provisions	180	168	(46)	(178)	124
Property, plant and equipment	106	(100)	–	(6)	–
Intangible assets	5	(46)	–	48	7
Total deferred income tax asset	3,616	113	(61)	37	3,705
Taxable temporary differences:					
Intangible assets	540	320	–	6	866
Total deferred income tax liability	540	320	–	6	866
Net deferred income tax asset	3,076	(207)	(61)	31	2,839

12. Income taxes continued

(c) Deferred income tax continued

The movements in deferred income tax assets and liabilities during 2018 were as follows:

	Opening balance	Profit or loss	Other comprehensive income	Exchange differences and reclassifications	Closing balance
Deductible temporary differences:					
Tax losses carried forward	76	246	–	2	324
Derivative financial instruments	2,585	(19)	255	180	3,001
Provisions	392	11	(43)	(180)	180
Property, plant and equipment	–	104	–	2	106
Intangible assets	7	(2)	–	–	5
Total deferred income tax asset	3,060	340	212	4	3,616
Taxable temporary differences:					
Intangible assets	289	304	–	(53)	540
Total deferred income tax liability	289	304	–	(53)	540
Net deferred income tax asset	2,771	36	212	57	3,076

Deferred income tax assets and liabilities that relate to the same fiscal authority have been offset (as there is a legally enforceable right to offset the current tax assets against the current tax liabilities).

At December 31, 2019, deferred income tax assets and liabilities of \$3.7 million and \$0.9 million, respectively (2018: \$3.6 million and \$0.5 million, respectively) were expected to be recovered more than 12 months after the balance sheet date. At December 31, 2019, the Group had unrecognized deferred income tax assets in respect of tax losses associated with Canada, Chile, Japan and Luxembourg of \$190.7 million (2018: \$188.4 million), of which \$1.9 million (2018: \$3.4 million) expires between one and ten years, \$41.8 million (2018: \$40.0 million) expires between ten and twenty years and \$147.0 million (2018: \$145.0 million) has no expiry. In addition, during 2019, the Group recognized an income tax expense of \$0.1 million (2018: \$0.1 million) within other comprehensive income associated with its derivative financial instruments. Note 21.

13. Loss per share

Basic and diluted loss per share is calculated by dividing the net loss for the period attributable to owners of the Company by the weighted average number of shares outstanding during the period. The calculation of basic and diluted loss per share is as follows:

	2019	2018
Total loss attributable to common shareholders	(4,883)	(8,878)
Weighted average number of thousand shares outstanding	334,094	334,094
Total basic and diluted loss per share	\$(0.01)	\$(0.03)

Diluted loss per share equals basic loss per share, as there is no dilutive effect from the existing RSUs, since the impact of including them would be to dilute a loss.

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14. Non-controlling interests

On December 25, 2019, the Group acquired the total non-controlling interest ('NCI') in Shizukuishi Solar GK ('Shizukuishi'), Etrion Energy 1 GK ('Mito'), Etrion Energy 4 GK ('Komatsu'), Etrion Energy 5 GK ('Misawa'), all together the 'Japanese project companies', and became owner of 100% of the issued and outstanding shares. Shizukuishi, Mito, Komatsu and Misawa are Japanese entities that own the licenses, permits and facilities to build and operate solar parks in Japan totalling 57 MW. The Group purchased HHT's NCI in all four of its solar projects, as well as Tamagawa's share in the Misawa 9.5 MW project, for a total of ¥472 million (approximately \$4.3 million), of which ¥286 million (approximately \$2.6 million) represented the fair value of the outstanding shareholder loans from NCIs (Note 24c) and ¥185 million (approximately \$1.7 million) was paid for the NCI shares in the share capital of the Japanese project companies. Immediately prior to the NCI purchase transaction, the carrying amount of the existing NCIs in the Japanese project companies was ¥149 million (approximately \$1.4 million).

The excess of the consideration paid over the carrying value of the NCIs acquired of ¥34 million (approximately US\$0.3 million) was recognized as a decrease in equity attributable to the owners of Etrion. The effect on the equity attributable to the owners of Etrion during 2019 is summarized as follows:

	2019
Carrying amount of non-controlling interests acquired	1,324
Consideration paid to non-controlling interests	1,702
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	378

As a result of the acquisition of the NCIs on December 25, 2019, the Group no longer presents information associated with the financial position for each subsidiary that had NCIs that were material to the Group. The amounts previously disclosed for each subsidiary were before inter-company eliminations:

	December 31, 2019			December 31, 2018		
	Current assets (liabilities)	Non-current assets (liabilities)	Net assets (liabilities)	Current assets (liabilities)	Non-current assets (liabilities)	Net assets (liabilities)
Shizukuishi	-	-	-	3,091	(3,856)	(765)
Mito	-	-	-	1,036	1,321	2,357
Misawa	-	-	-	866	903	1,769
Komatsu	-	-	-	2,121	(654)	1,467
Total	-	-	-	7,114	(2,286)	4,828

Changes in the net assets (liabilities) position over time of the subsidiaries above were mainly driven by the accumulation of positive operating results and changes in the fair value of derivatives, instruments (i.e. interest rate swaps). The summarized income statement for the Japanese project companies, including the portion allocated to non-controlling interests, is as follows:

	2019			2018		
	Income for the period	Comprehensive income (loss) for the period	Comprehensive income (loss) allocated to NCI	Income (loss) for the period	Comprehensive income for the period	Comprehensive income allocated to NCI
Shizukuishi	181	333	43	(179)	111	15
Mito	553	645	84	779	913	119
Misawa	235	184	74	220	145	57
Komatsu	36	(61)	(9)	633	832	123
Total	1,005	1,101	192	1,453	2,001	314

The net change in participating non-controlling interests in operating entities is as follows:

	Shizukuishi	Mito	Komatsu	Misawa	Total
As at December 31, 2018	(101)	307	219	707	1,132
Net income attributable to non-controlling interest	24	72	5	94	195
Other comprehensive income (loss) attributable to non-controlling interest	26	13	(15)	(27)	(3)
Carrying amount of non-controlling interests acquired	51	(392)	(209)	(774)	(1,324)
As at December 31, 2019	-	-	-	-	-

15. Property, plant and equipment

	Land	Solar power projects	Assets under construction	Right of use	Other PPE	Total
Cost:						
At January 1, 2018	2,673	113,264	29,155	-	3,863	148,955
Additions	5,392	700	3,099	-	1,184	10,375
Disposal	-	-	-	-	(18)	(18)
Reclassification	-	32,254	(32,254)	-	-	-
Exchange differences	(16)	2,911	-	-	86	2,981
At December 31, 2018	8,049	149,129	-	-	5,115	162,293
Additions	-	365	33,446	-	262	34,073
Right of use over leased land Note 24b	-	-	-	10,386	-	10,386
Reclassification from intangibles	-	-	7,262	-	-	7,262
Exchange differences	88	1,567	74	173	58	1,960
At December 31, 2019	8,137	151,061	40,782	10,559	5,435	215,974
Accumulated depreciation:						
At January 1, 2018	-	7,969	-	-	378	8,347
Depreciation	-	6,914	-	-	240	7,154
Disposal	-	-	-	-	(18)	(18)
Exchange differences	-	210	-	-	6	216
At December 31, 2018	-	15,093	-	-	606	15,699
Depreciation	-	7,489	-	592	271	8,352
Exchange differences	-	63	-	58	6	127
At December 31, 2019	-	22,645	-	650	883	24,178
Net book value:						
At December 31, 2018	8,049	134,036	-	-	4,509	146,594
At December 31, 2019	8,137	128,416	40,782	9,909	4,552	191,796

During 2019, the Group recognized right-of-use assets of \$10.4 million in accordance with IFRS 16, associated with the long-term land lease contracts of its operational subsidiaries in Japan. Note 2c. During 2019, the Group capitalized as assets under construction \$32.3 million (2018: \$2.9 million) of incurred capital expenditures associated with the solar project's construction activity in Japan. In addition, during 2019, the Group capitalized \$1.1 million (2018: \$0.2 million) of borrowing costs associated with credit facilities obtained to finance the construction of the Niigata project (2018: Komatsu project).

In May 2018, the Group's 13.2 MW Japanese solar power project (Komatsu) achieved commercial operation and the Company reclassified the associated construction costs to 'Solar power projects', in accordance with the Group's accounting policies. In January 2018, the Group completed the acquisition of land plots in Japan of \$5.4 million to be used for the construction of one of the solar power projects currently in the development pipeline. Other PPE includes mainly dismantling costs.

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16. Intangible assets

	Licenses and permits	Internally generated development costs and other	Total
Cost:			
At January 1, 2018	6,906	5,862	12,768
Additions	–	6,021	6,021
Reclassifications to trade receivables	–	(1,801)	(1,801)
Exchange differences	155	(26)	129
At December 31, 2018	7,061	10,056	17,117
Additions	–	9,616	9,616
Reclassifications of permitted projects	8,480	(8,480)	–
Reclassifications to property, plant and equipment	–	(7,262)	(7,262)
Exchange differences	143	(44)	99
At December 31, 2019	15,684	3,886	19,570
Accumulated amortization:			
At January 1, 2018	1,579	1,464	3,043
Amortization	638	132	770
Exchange differences	38	(52)	(14)
At December 31, 2018	2,255	1,544	3,799
Amortization	879	116	995
Exchange differences	27	(6)	21
At December 31, 2019	3,161	1,654	4,815
Net book value:			
At December 31, 2018	4,806	8,512	13,318
At December 31, 2019	12,523	2,232	14,755

During 2019, general and administrative expenses of \$9.6 million (2018: \$6.0 million) representing internally-generated costs of \$1.5 million (2018: \$1.4 million) and third-party costs of \$8.1 million (2018: \$4.6 million) were capitalized within intangible assets as they directly related to the Group's development activities in Japan. In addition, during 2019, all development costs incurred associated with the value of the licenses and permits of the 45 MW solar project under construction were reclassified upon construction start, in accordance with Etrion's accounting policies. During 2019, certain capital expenditures incurred in connection with the 45 MW solar project in Japan were reclassified to Property, plant and equipment Note 15, due to their tangible nature.

17. Cash and cash equivalents

The Group's cash and cash equivalents (including restricted cash) are held in banks in Canada, Luxembourg, Switzerland, the United States and Japan with high and medium grade credit ratings assigned by international credit agencies. The fair value of cash and cash equivalents approximates their carrying value owing to their short maturities.

	December 31 2019	December 31 2018
Unrestricted cash at parent level	10,596	9,328
Restricted cash at project level	112,786	15,399
Total	123,382	24,727

Restricted cash relates to cash and cash equivalents held at the project level that are 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. As of December 31, 2019, restricted cash included \$97 million associated with funds secured in the summer of 2019 for the construction of the Niigata solar power project. Note 22.

18. Trade and other receivables

	December 31 2019	December 31 2018
Current portion:		
Financial assets		
– Trade receivables	1,272	1,544
Total financial assets Note 28	1,272	1,544
VAT account receivables	737	3,310
Advances paid and prepaid expenses	2,098	1,644
Other current assets	6,133	8,425
Total current portion	10,240	14,923
Non-current portion:		
VAT account receivables	3,944	45
Advances and prepaid expenses	5	543
Total non-current portion	3,949	588
Total trade and other receivables	14,189	15,511

As of December 31, 2019, other current assets included account receivables from local Japanese developers in the amount of \$5.8 million (2018: \$8.1 million). Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. An aging analysis of the Group's trade receivables is as follows:

	December 31 2019	December 31 2018
Up to three months	1,272	1,544
Total trade and other receivables	1,272	1,544

At December 31, 2019, trade receivables of \$1.3 million (2018: \$1.5 million) were past due but not impaired, of which \$1.3 million (2018: \$1.5 million) was received after the balance sheet date. The currencies of the Group's financial assets included within trade receivables are as follows:

	December 31 2019	December 31 2018
Japanese yen	13,771	14,301
Euros	61	549
US dollars	9	254
Canadian dollars	12	73
Swiss francs	336	334
Total trade and other receivables	14,189	15,511

19. Share capital

The Company has authorized capital consisting of an unlimited number of common shares, of which: 334,094,324 shares are issued and outstanding at December 31, 2019 (December 31, 2018: 334,094,324). In addition, the Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which have been issued. The common shares of the Company have no par value, are all of the same class, carry voting rights, are fully paid and entitle shareholders to receive dividends as and when declared by the Board of Directors. No dividends were declared during the 12 months ended December 31, 2019 and 2018.

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20. Share-based payments

The Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, directors and officers. Outstanding RSUs have a contractual term of six years and have market-based vesting conditions. During 2019, the Group recognized share-based payment expenses of \$0.2 million (2018: \$0.8 million) related to its RSUs scheme. Note 8.

Changes in the Company's outstanding RSUs are as follows:

	Number of RSUs
At December 31, 2017	22,424,433
Forfeited	(250,000)
Expired	(6,599,727)
Exercised	(83,000)
At December 31, 2018	15,491,706
Granted	11,666,667
Forfeited	(2,000,000)
Expired	(13,250,000)
Exercised	(241,706)
At December 31, 2019	11,666,667

The Company recognizes an expense within general and administrative expenses when RSUs are granted to employees, consultants, directors and officers using the grant date share fair value for RSUs with service and non-market performance conditions. For RSUs with market-based performance conditions, share-based compensation is calculated using an adjusted grant date share fair value calculated with a valuation model that incorporates all the variables included in the market vesting conditions. A summary of the Company's RSUs issued and outstanding at December 31, 2019, is as follows:

Performance condition	RSUs outstanding	Expiry date	Contractual life (years)
Market	11,666,667	December 31, 2025	6.0

As of December 31, 2019, no RSUs were exercisable (2018: 241,706). The assumptions used in the calculation of the adjusted share price for the RSUs granted in 2019 were as follows:

	2019
Share price at grant date	CAD\$0.21
Exercise price	CAD\$0.00
Risk-free interest rate	1.69%
Expected volatility	52.00%
Dividend yield rate	0.00%
Contractual life of RSUs	6 years
Fair value at grant date	CAD\$0.07

21. Other reserves

	Translation reserve	Hedging reserve	Transactions with non- controlling interest	Total
January 1, 2018	(828)	(12,981)	43	(13,766)
Currency translation difference:				
– Gain on translation adjustment	376	–	–	376
Cash flow hedges:				
– Gain on fair value movements	–	289	–	289
– Tax on fair value movements	–	190	–	190
– Ineffective portion of fair value movements to profit or loss	–	(41)	–	(41)
– Tax on ineffective portion of fair value movements to profit or loss	–	12	–	12
At December 31, 2018	(452)	(12,531)	43	(12,940)
Currency translation difference:				
– Gain on translation adjustment	433	–	–	433
Cash flow hedges:				
– Gain on fair value movements	–	93	–	93
– Tax on fair value movements	–	(18)	–	(18)
– Ineffective portion of fair value movements to profit or loss	–	16	–	16
– Tax on ineffective portion of fair value movements to profit or loss	–	(5)	–	(5)
Acquisition of non-controlling interest	–	–	(378)	(378)
At December 31, 2019	(19)	(12,445)	(335)	(12,799)

Translation reserve

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations. In addition, exchange differences arising from the translation of monetary items receivables from foreign operation are included in the translation reserve as described in Note 2(f).

Hedging reserve

The hedging reserve includes the effective portion of changes in the fair value (net of tax) of the Group's derivative financial instruments that qualify for hedge accounting. At December 31, 2019 and 2018, all of the Group's interest rate swap contracts qualified for hedge accounting.

Transactions with non-controlling interests

On December 25, 2019, the Group acquired all non-controlling interests in the Japanese project companies. The excess of the consideration paid over the carrying value of the non-controlling interests acquired of ¥34 million (approximately \$0.3 million) was recognized as a decrease in equity attributable to owners of Etrion.

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22. Borrowings

	Corporate bond	Project bond	Project loans	Total
At January 1, 2018	40,688	–	139,013	179,701
Proceeds from loans	34,986	–	4,853	39,839
Repayment of loans and interest	(3,746)	–	(10,570)	(14,316)
Redemption of corporate bond	(36,643)	–	–	(36,643)
Accrued interest	3,264	–	1,992	5,256
Amortization of transaction costs	442	–	162	604
Exchange differences	(849)	–	3,015	2,166
At December 31, 2018	38,142	–	138,465	176,607
– Current portion	106	–	9,741	9,847
– Non-current portion	38,036	–	128,724	166,760
At January 1, 2019	38,142	–	138,465	176,607
Proceeds from loans	–	141,715	–	141,715
Repayment of loans and interest	(2,725)	(972)	(11,767)	(15,464)
Accrued interest	2,740	972	1,937	5,649
Amortization of transaction costs	311	148	149	608
Exchange differences	(923)	(1,221)	2,078	(66)
At December 31, 2019	37,545	140,642	130,862	309,049
– Current portion	116	–	7,469	7,585
– Non-current portion	37,429	140,642	123,393	301,464

The Group's borrowings are denominated in € and ¥, and the minimum principal repayment obligations are as follows:

	December 31 2019	December 31 2018
Less than 1 year	7,585	9,847
Between 1 and 5 years	95,410	69,163
After 5 years	206,054	97,597
Total borrowings	309,049	176,607

Corporate borrowings

On June 15, 2018, Etrion completed the €40 million (\$46.4 million) senior secured bond issue (the 'Bonds') in the Nordic bond market. The Bonds have an annual interest rate of 7.25% and a bullet maturity in May 2021. The Company has listed the Bonds on the Frankfurt Stock Exchange Open Market and also on the Oslo Stock Exchange. On July 17, 2018, Etrion completed the redemption of the €40 million nominal amount of corporate bonds issued in 2014 that paid 8.0% annual interest and were to mature in April 2019. The 2014 bonds were redeemed at 101% of par plus accrued interest for a total net amount of €31.8 million (\$36.6 million).

At December 31, 2019, €33.7 million (net of the Company's holdings of €6.3 million) of the Bonds were outstanding. The carrying amount of the Bonds as at December 31, 2019, including accrued interest net of transaction costs, was \$37.5 million (December 31, 2018: \$38.1 million). The agreement governing the Bonds requires the Company to maintain a minimum unrestricted cash balance of €3 million. At December 31, 2019, the fair value of the Bonds amounted to \$37.5 million (2018: \$38.1 million).

The Bond agreement includes a call option that allows the Company to redeem the Bonds early (in their entirety) at any time at a specified percentage over the par value. At December 31, 2019, no separate amount was recognized in relation to this call option as it was deemed to be out-of-the-money.

At December 31, 2019 and 2018, the Group was not in breach of any of the imposed operational and financial covenants associated with its corporate borrowings.

22. Borrowings continued

Japanese subsidiaries

Project loans

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 TIBOR plus a margin ranging from 1.1% to 1.4%. The Japanese non-recourse project loans are 90% hedged through interest rate swap contracts during the operational period at interest rates ranging from 1.72% to 3.13% all-in. In addition, during 2019, the Company fully repaid the outstanding balance of the VAT credit facility associated with the Komatsu project for a total of ¥308 million (approximately \$3.0 million). At December 31, 2019, the combined undrawn gross amount under all the Japanese credit facilities amounted to ¥nil (2018: ¥nil).

At December 31, 2019 and 2018, 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 December 31, 2019, and December 31, 2018.

Project bond

In June 2019, the Group secured a new long-term financing for the construction of the 45 MW Niigata solar project located in the Niigata prefecture in central Japan. The arranger of the Etrion Green Project Bond, rated BBB, was Goldman Sachs Japan Co., Ltd ('Goldman Sachs'). 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 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 costs of \$5.2 million.

Repayment of these credit facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the local grid operator in Japan and proceeds from the collection of input VAT accumulated for construction costs. Counterparties to the non-recourse project loans or project bond do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates. At December 31, 2019, the fair value of the project bond approximated its carrying value.

The Company's Japanese subsidiaries have provided certain of its assets as collateral to secure its obligations under the financing agreement. The carrying value of Japanese fixed assets pledged as collateral at December 31, 2019, was \$189.9 million (2018: \$146.9 million).

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

23. Derivative financial instruments

	December 31 2019	December 31 2018
Derivative financial liabilities:		
Interest rate swap contracts		
– Current portion	1,429	1,452
– Non-current portion	8,782	8,706
Total derivative financial liabilities	10,211	10,158

Interest rate swap contracts

The Group enters into interest rate swap contracts in order to hedge against the risk of variations in the Group's cash flows as a result of floating interest rates on its non-recourse project loans in Japan. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, based on the notional amount to maturity as per the interest rate swap contracts, the observable TIBOR interest rate forward yield curves and an appropriate discount factor. At December 31, 2019, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity. During the year ended December 31, 2019, the Group recognized a net fair value gain of \$0.1 million (2018: \$0.5 million).

At December 31, 2019, the notional amount of the Group's interest rate swap contracts was \$118.7 million (2018: \$123.6 million), which was denominated in Japanese Yen ("¥").

At December 31, 2019, and 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 finance income/costs.

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As at and for the years ended December 31, 2019 and 2018

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24. Provisions and other liabilities

The movement of provisions over the year is as follows:

	Site restoration	Pension plan	Lease liability	Total
At January 1, 2018	3,685	935	-	4,620
Additions	2,134	98	-	2,232
Change in estimate	(1,043)	(120)	-	(1,163)
Unwinding of discount	22	-	-	22
Utilization	-	(160)	-	(160)
Exchange differences	88	(8)	-	80
At December 31, 2018	4,886	745	-	5,631
Additions Note 15	-	87	10,292	10,379
Change in estimate	241	272	-	513
Unwinding of discount	25	-	729	754
Utilization	-	(153)	(1,029)	(1,182)
Exchange differences	54	18	-	72
At December 31, 2019	5,206	969	9,992	16,167
Current portion	-	-	319	319
Non-current portion	5,206	969	9,673	15,848

(a) Decommissioning and site restoration

The Group has a legal and constructive obligation to complete the site restoration and decommissioning of its solar power projects in Japan after their expected closure. The provision for decommissioning and site restoration is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected life of the solar power projects. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, discounts applied for economies of scale and the rate of inflation. Principal assumptions made in order to calculate the Group's provision for decommissioning and site restoration are as follows:

	2019	2018
Discount rate	0.23%	0.50%
Inflation rate	1.0%	1.0%
Weighted average expected remaining life	17 years	18 years

The discount rates represent the government bond yield rate for a period equivalent to the expected life of the solar power projects in Japan. The inflation rate represents the inflationary environment in the above-mentioned countries where the liability will be settled and is consistent with the rate used by the Company's management to value the Group's solar power projects.

(b) Lease liability

As at December 31, 2019, the Group's provisions include \$10.0 million associated with the net present value of the leased land liability, as a result of the adoption of IFRS 16. The total cash outflow for leases in 2019 was US\$1.0 million. Extension and termination options are included in a number of land leases. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise corporate offices. 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 prior year. Note 15.

24. Provisions and other liabilities continued

(c) Contributions from non-controlling interest

On December 25, 2019, the Group acquired the total non-controlling interests in the 'Japanese project companies'. The Group purchased HHT's non-controlling interest in all four of its solar projects, as well as Tamagawa's share in the Misawa 9.5 MW project, for a total of ¥472 million (approximately US\$4.3 million), of which ¥286 million (approximately US\$2.6 million) represented the fair value of the outstanding shareholder loans from non-controlling interests. As a result, after the NCI purchase transaction, the Group owns, consolidates and eliminates in full the outstanding shareholder loans. The Group's other liabilities as at December 31, 2019 and 2018 are as follows:

	December 31 2019	December 31 2018
Deferred income	41	60
Contributions from NCI	-	3,049
Total other liabilities	41	3,109
Non-current	-	2,385
Current	41	724

25. Employment benefit obligations

The Group operates a defined benefit pension plan in Switzerland that is managed through a private fund. At December 31, 2019, the Group recognized \$0.3 million within other comprehensive loss associated with actuarial losses (2018 actuarial gains: \$0.1 million). The amount recognized in the balance sheet associated with the Group's Swiss pension plan is as follows:

	December 31 2019	December 31 2018
Present value of benefit obligations	3,004	2,507
Fair value of plan assets	(2,035)	(1,762)
Net liability position	969	745

The movement in the defined benefit obligation over the year is as follows:

	2019	2018
Defined benefit obligation at the beginning of the year	2,507	2,538
Current service cost	134	120
Employee contributions	87	92
Interest cost	20	18
Past service cost	(53)	(28)
Benefits paid	(17)	(106)
Remeasurement loss	272	(128)
Exchange differences	54	1
Defined benefit obligation at the end of the year	3,004	2,507

The weighted average duration of the defined benefit obligation is 17.4 years. There is no maturity profile since the average remaining life before active employees reach final age according to the plan is 10.8 years. The movement in the fair value of the plan assets over the year is as follows:

	2019	2018
Fair value of plan assets at the beginning of the year	1,762	1,613
Interest income on plan assets	14	11
Return on plan assets (excluding interest)	-	(8)
Employer contributions	153	160
Employee contributions	87	92
Benefits paid	(17)	(106)
Foreign exchange	36	(1)
Fair value of plan assets at the end of the year	2,035	1,762

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25. Employment benefit obligations continued

The plan assets comprise the following:

	2019		2018	
	%	\$'000	%	\$'000
Cash and cash equivalents	8.6%	175	7.9%	139
Fixed interest rate instruments	45.1%	918	42.9%	756
Equity instruments	30.7%	625	34.7%	611
Real estate	15.6%	317	14.6%	257
Total fair value of plan assets		2,035		1,762

Investments are well diversified such that failure of any single investment would not have a material impact on the overall level of assets. Not all investment instruments are quoted in active markets. No asset-liability strategy was performed in the years ended December 31, 2019 and 2018. The amount recognized in the income statement associated with the Group's pension plan is as follows:

	2019	2018
Current service cost	134	120
Interest expense on defined benefit obligation	20	18
Interest income on plan assets	(14)	(10)
Past service cost	(53)	(28)
Total expense recognized	87	98

The expense associated with the Group's pension plan of \$0.1 million (2018: \$0.1 million) for the year ended December 31, 2018, was included within general and administrative expenses. Note 8. The principal actuarial assumptions used to estimate the Group's pension obligation are as follows:

	2019	2018
Discount rate	0.25%	0.80%
Inflation rate	1.0%	1.0%
Future salary increases	1.0%	1.0%
Future pension increases	0.0%	0.0%
Retirement age (Men/Women)	65/64	65/64

Assumptions regarding future mortality are set based on actuarial advice in accordance with the LPP 2015 generational published statistics and experience in Switzerland. The discount rate is determined by reference to the yield on high-quality corporate bonds. The rate of inflation is based on the expected value of future annual inflation adjustments in Switzerland. The rate for future salary increases is based on the average increase in the salaries paid by the Group, and the rate of pension increases is based on the annual increase in risk, retirement and survivors' benefits. Contributions to the Group's pension plan during 2020 are expected to total \$0.2 million.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit of increase in assumption	Impact on defined benefit of decrease in assumption
Discount rate	0.5%	Decrease by 7.7%	Increase by 8.8%
Salary growth rate	0.5%	Increase by 0.5%	Decrease by 0.5%
Life expectancy	1 year	Increase by 1.9%	Decrease by 2.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

26. Trade and other payables

	December 31 2019	December 31 2018
Financial liabilities		
Trade payables	493	449
Total financial liabilities	493	449
Accrued expenses	10,933	2,274
Other trade and other payables	1,491	1,274
Total trade and other payables	12,917	3,997

The carrying value of the Group's financial liabilities within trade and other payables approximates their fair value due to the relatively short maturity of these liabilities. As at December 31, 2019, the Group's accrued expenses of \$10.9 million includes \$7.3 million associated with unbilled construction costs of the Niigata solar power project. The currencies of the Group's trade and other payables are as follows:

	December 31 2019	December 31 2018
Japanese yen	11,629	2,314
Euros	85	45
US dollars	88	85
Canadian dollars	184	521
Swiss francs	931	1,032
Total trade and other payables	12,917	3,997

27. 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, 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 through various trusts approximately 36% of the Company's common shares (2018: 36%). Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed below. Details of transactions between the Group and other related parties are disclosed below.

(a) Related party transactions

During the year ended December 31, 2019, and 2018, the Group entered into the following transactions with related parties:

	2019	2018
General and administrative expenses:		
Lundin Petroleum AB	22	27
Lundin SA	120	142
Finance costs:		
Lundin family:		
– Interest expense	142	159
– Transaction costs	16	17
Total transactions with related parties	300	345

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27. Related parties continued

(a) Related party transactions continued

Amounts outstanding to related parties at December 31, 2019 and December 31, 2018 are as follows:

	December 31 2019	December 31 2018
Current liabilities:		
Lundin family share in corporate bond	–	9
Total current financial liabilities	–	9
Non-current financial liabilities:		
Lundin family share in corporate bond	–	3,303
Total non-current liabilities	–	3,303
Total transactions with related parties	–	3,312

There were no amounts outstanding from related parties at December 31, 2019 and December 31, 2018.

There were no amounts outstanding from key management personnel at December 31, 2019 and 2018.

Lundin Services BV

The Group receives professional services from Lundin Petroleum Services BV ("Lundin Services"), a wholly-owned subsidiary of Lundin Petroleum AB. The Chairman of Lundin Petroleum AB is a Director of the Company.

Lundin family

Investment companies associated with the Lundin family subscribed for €3 million of the Bond issue completed in June 2018. During 2019, all Bonds held by the Lundin family or by entities controlled by the Lundin family were sold.

Lundin SA

On April 1, 2016, the Group entered into a new 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 2019, the Group invoiced asset management services of \$0.8 million (2018: \$0.8 million) to the Chilean subsidiary PV Salvador, associated with operating and engineering services of the 70 MW solar power project in Chile. These asset management services are not eliminated on consolidation since September 30, 2017, the date when PV Salvador was deconsolidated, and are presented as a reduction of corporate G&A.

(b) 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 and the Chief Financial Officer. Remuneration of key management personnel is as follows:

	2019	2018
Salaries and benefits	1,050	1,017
Pension costs and other social contributions	172	156
Board of Directors	150	150
Share-based payment	16	383
Total	1,388	1,706

28. Financial assets and liabilities

	December 31, 2019			December 31, 2018		
	Financial assets at amortized cost	Fair value recognized in profit and loss	Total	Financial assets at amortized cost	Fair value recognized in profit and loss	Total
Financial assets						
Current						
Trade receivables	1,272	–	1,272	1,544	–	1,544
Cash and cash equivalents	123,382	–	123,382	24,727	–	24,727
Total financial assets	124,654	–	124,654	26,271	–	26,271

	December 31, 2019			December 31, 2018		
	Financial and other liabilities at amortized cost	Derivatives used for hedging	Total	Financial and other liabilities at amortized cost	Derivatives used for hedging	Total
Financial liabilities						
Non-current						
Borrowings	301,464	–	301,464	166,760	–	166,760
Derivative financial instruments	–	8,782	8,782	–	8,706	8,706
Total non-current	301,464	8,782	310,246	166,760	8,706	175,466
Current						
Trade payables	493	–	493	449	–	449
Borrowings	7,585	–	7,585	9,847	–	9,847
Derivative financial instruments	–	1,429	1,429	–	1,452	1,452
Total current	8,078	1,429	9,507	10,296	1,452	11,748
Total financial liabilities	309,542	10,211	319,753	177,056	10,158	187,214

The Group's financial instruments carried at fair value are classified within the measurement hierarchy set out in Note 4(c).

The Group's assets and liabilities that are measured at fair value are as follows:

	December 31 2019	December 31 2018
Financial assets		
Level 1: cash and cash equivalents (including restricted cash)	123,382	24,727
Total financial assets	123,382	24,727
Financial liabilities:		
Level 2: borrowings (project loans and project bond)	309,049	176,607
Level 2: interest rate swaps	10,211	10,158
Total financial liabilities	319,260	186,765

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29. 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 has been vigorously defending 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 and has not included a provision for liability under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in these consolidated financial statements.

30. Commitments

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 December 31, 2019, the Group had a contractual obligation payable over a period of over one year to acquire construction services in the amount of \$58.5 million related to the construction of the 45 MW Niigata solar power project in Japan. This contractual obligation will be funded from existing cash available at the project company level.

COMPANY INFORMATION

Board and Management

Board of Directors

Aksel Azrac
Non-Executive Chairman

Marco A. Northland
Chief Executive Officer and Director

Ian H. Lundin
Independent Director

Henrika Frykman
Independent Director

Garrett Soden
Independent Director

Management

Marco A. Northland
Chief Executive Officer and Director

Christian Lacueva
Chief Financial Officer

Giora Salita
Executive Vice President, Business
Development and M&A

Martin Oravec
Chief Investment Officer

Corporate Information

Auditors

PricewaterhouseCoopers SA
Geneva, Switzerland

Legal Counsel

WeirFoulds LLP
Toronto, Canada

Exchange Listings

**Primary – Toronto Stock Exchange
(Canada)**
Ticker symbol “ETX”

Secondary – NASDAQ OMX (Sweden)
Ticker symbol “ETX”

**Corporate Bonds – Oslo Stock Exchange
(Norway)**
Ticker symbol “ETRION02”

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