PRESS RELEASE

Etrion Releases 2018 Results and 2019 Guidance

March 13, 2019, Geneva, Switzerland – Etrion Corporation ("Etrion" or the "Company") (TSX: ETX) (OMX: ETX), a solar independent power producer, released today its annual consolidated financial statements and related management's discussion and analysis ("MD&A") and annual information form ("AIF") for the year ended December 31, 2018. Etrion also announces 2019 guidance for project-level revenues, earnings before interest, taxes, depreciation and amortization ("EBITDA") and electricity production from its operational solar power plants in Japan.

Etrion Corporation delivered strong project-level results in 2018 from its Japanese assets, performing above the high end of guidance. Higher installed capacity and electricity production, combined with a material reduction in corporate overhead resulted in a significant increase in revenue and consolidated EBITDA compared to the same period in 2017.

2018 HIGHLIGHTS

- Strong performance in Japan with production and revenues up by 30% and 27%, respectively, compared to 2017.
- Consolidated adjusted EBITDA increased significantly compared to 2017, driven by performance in Japan and corporate overhead reduction.
- Connected the 13.2 megawatt ("MW") Komatsu solar project to the grid. The project was fully operational in May 2018, ahead of schedule and on budget.
- Completed the refinancing of the Company's corporate bonds with strong demand from Nordic investors, extending the maturity and reducing the interest rate.

Management Comments

Marco A. Northland, the Company's Chief Executive Officer, commented, "Japan continues to deliver very positive results. Cost-cutting measures taken in 2017 delivered significant savings in 2018 and, when combined with a higher installed capacity compared to the same period last year, resulted in material consolidated EBITDA improvements.

We are on target to meet a very important milestone over the next three months with the expected financial close and beginning of construction of our 45 MW Niigata project. Niigata will double our installed capacity and position the Company among the largest solar developers in Japan."

FINANCIAL SUMMARY

US$ thousands (unless otherwise stated)	Three months ended Q4-18	Q4-17	Twelve months ended 2018	2017
Electricity production (MWh) [1]	**12,190**	**7,485**	**56,786**	**149,048**
Japan	12,190	7,485	56,786	43,686
Chile	-	-	-	105,362
Financial performance [2]				
Revenues	**4,048**	**2,603**	**19,500**	**21,848**
Japan	4,048	2,603	19,500	15,323
Chile	-	-	-	6,525
EBITDA	**510**	**(628)**	**7,553**	**3,846**
Japan	2,946	1,987	14,647	11,674
Chile	-	-	-	861
Corporate (General and administrative items)	(2,436)	(2,615)	(5,800)	(8,689)
Corporate (Additional termination fee)	-	-	(1,294)	-
Adjusted EBITDA	**(22)**	**(628)**	**8,036**	**4,723**
Net (loss) income	**(2,566)**	**(4,225)**	**(8,618)**	**16,507**
Project cash distributions	**-**	**-**	**2,135**	**7,704**
Cash flow from (used) in operations	**2,171**	**1,700**	**8,795**	**(1,352)**
Adjusted operating cash flow	**1,360**	**(1,388)**	**7,958**	**3,655**

Financial position	**Dec 18**	**Dec 17**
Unrestricted cash at parent level	9,328	30,385
Restricted cash at project level	15,399	12,818
Working capital	22,835	43,611
Consolidated net debt on a cash basis	151,918	136,173
Corporate net debt	29,476	10,110

1 MWh-Megawatt-hour
2 2017 financial results include the financial performance of the Chilean subsidiary, PV Salvador SpA until September 30, 2017 when the Group lost control for IFRS purposes.

2019 Guidance (1)

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 2019 is in the following ranges:

US$ million otherwise stated	Low end	High end
Energy generation (GWh)	46.8	51.8
Revenue	15.9	17.6
Project-level EBITDA	12.0	13.3

(1) Forecasts are presented on a net basis (net to Etrion's interest)

JAPAN

Revenue, project-level EBITDA and production forecast for our Japanese business, incorporated in the above consolidated guidance, are based on Etrion's ownership over the approximately 57 MW operational Japanese portfolio comprising the Mito, Shizukuishi, Misawa and Komatsu solar parks, and are incorporated on a net basis. These projects benefit from 20-year Power Purchase Agreements with 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.

Operations and Finance Update call
A conference call webcast to present the Company's 2018 Operations and Finance update will be held on Wednesday, March 13, 2019, at 11:00 a.m. Eastern Daylight Time (EDT) / 4:00 p.m. Central European Time (CET).

Dial-in details:
North America: +1-647-788-4991 / Toll Free: +1-877-291-4570 / Sweden Toll Free: 02-079-4343

Webcast:
A webcast will be available at https://www.webcaster4.com/Webcast/Page/1297/29697

The Operations and Finance update call presentation and the Company's consolidated financial statements for the year ended December 31, 2018, as well as the related documents, will be available on the Company's website (www.etrion.com)

A replay of the telephone conference will be available until April 3, 2019

Replay dial-in details:
North America: +1-416-621-4642 / Toll Free: +1-800-585-8367
Pass code for replay: 6288529

About Etrion
Etrion Corporation is an independent power producer that develops, builds, owns and operates utility-scale solar power generation plants. The Company owns and operates 57 MW of solar capacity in Japan. Etrion also has several projects in the backlog and pipeline at different stages of development in Japan. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden under ticker symbol "ETX". Etrion's largest shareholder is the Lundin family, which owns approximately 36% of the Company's shares directly and through various trusts.

For additional information, please visit the Company's website at www.etrion.com or contact:

Christian Lacueva – Chief Financial Officer
Telephone: +41 (22) 715 20 90

Note: The capacity of power plants in this release is described in approximate megawatts on a direct current ("DC") basis, also referred to as megawatt-peak ("MWp").

Etrion discloses the information provided herein pursuant to the Swedish Securities Market Act. The information was submitted for publication at 8:05 a.m. CET on March 13, 2019.

Project Economics Forecasts
Etrion has forecasted revenue, EBITDA and electricity production at the project level for the fiscal year ending December 31, 2019 based on the assumptions set out below under the "Basis of preparation of the forecasts" section. These forecasts include a financial measure not defined under IFRS, specifically EBITDA. Non-IFRS measures have no standardized meaning prescribed under IFRS and therefore such measures may not be comparable with those used by other companies. Such forecasted financial information provides a financial outlook on the basis and for the year described above, and this information may not be appropriate for any other purposes.

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 to be then ended. 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, 2018 and 2017, including the impact of the IFRS 16 adoption effective January 1, 2019. Electricity production forecasts have been prepared using the installed production capacity of the solar power plants, the guaranteed availability 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 to US dollars using the 2018 average of ¥/US$ 1:110.40

Assumptions for the forecasts:
The forecasts included herein also reflect assumptions with respect to certain factors outside the influence or control of management:

- *There will be no major event or other circumstances which would cause a significant delay in the construction, completion and connection to the grid of new solar power plants.*
- *There will be no material change in the current management team, ownership of and control over the project level companies.*
- *There will be no material change in legislation or regulatory requirements impacting the Group's operations or its accounting policies.*
- *There will be no material differences between the actual or past recent weather and irradiation conditions and those anticipated or projected by management.*
- *There will be no material changes to general trading and economic conditions and no downturn in economic activity in Japan, from that which is currently prevailing and/or anticipated by management which would cause a material change in levels of energy production and demand.*
- *There will be no major or international natural disasters, outbreaks of hostilities, terrorist attacks or other circumstances which would cause a material change in levels of energy production and demand.*
- *There will be no business interruptions that materially affect the Group, its major suppliers or its major customers.*
- *There will be no material change in interest rates from those currently prevailing, hedged and/or anticipated by management.*
- *There will be no material changes to the prices of energy electricity forecasted by the Group's projects.*

Factors within the influence or control of management:

- *There will be no loss of revenue due to underperformance of the solar projects which will have a material impact on the forecast.*
- *There will be no acquisitions and disposals by the Group which will have a material impact on the forecast.*

Non-IFRS Measures:
This press release includes non-IFRS measures not defined under IFRS, specifically EBITDA and Adjusted operating cash flow. Non-IFRS measures have no standardized meaning prescribed under IFRS and therefore such measures may not be comparable with those used by other companies. EBITDA 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. In addition, EBITDA is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting policy decisions. The most comparable IFRS measure to EBITDA is net income (loss). 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 to adjusted operating cash flow is cash flow used in operations. Refer to Etrion's MD&A for the year ended December 31, 2018, for a reconciliation of EBITDA and adjusted operating cash flow reported during the period.

Forward-Looking Information:
This press release contains certain "forward-looking information". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements relating to the Company's projects in Japan under construction and in development) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company as well as certain assumptions including, without limitation, the ability of the Company to execute on its projects in Japan under construction or in development on economic terms and in a timely manner. Forward-looking information is subject to a number of significant risks and uncertainties and other factors that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, the risk that the Company may not be able to obtain all applicable permits for the development of projects in Japan and the associated project financing required for the development of such projects on economic terms and the risk of unforeseen delays in the development and construction of its projects under construction or in development. Reference is also made to the risk factors disclosed under the heading "Risk factors" in the Company's AIF for the year ended December 31, 2018 which has been filed on SEDAR and is available under the Company's profile at www.sedar.com.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

2018

etrion

Etrion Corporation

Management's discussion and analysis

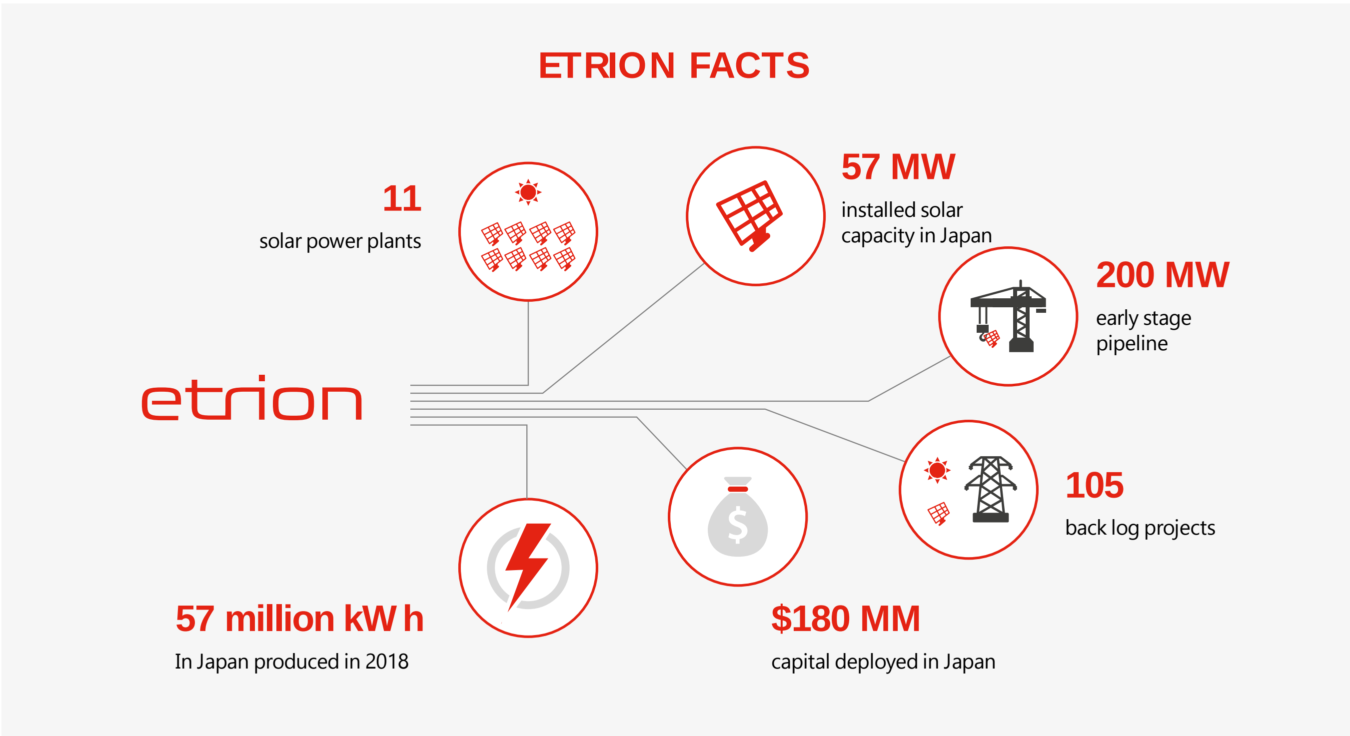
Year ended December 31, 2018

Komatsu solar power project in Japan

Etrion 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.

Active in Japan since 2012, we have built a strong local team, secured invaluable partnerships with industrial players, financial institutions and local developers. All our operating solar assets in Japan are secured by the 20 year Power Purchase Agreements with the Japanese power utilities.



Contents

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") for Etrion Corporation ("Etrion" or the "Company" and, together with its subsidiaries, the "Group") is intended to provide an overview of the Group's operations, financial performance and current and future business opportunities. This MD&A, prepared as of March 12, 2019, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2018. Financial information is reported in both United States dollars ("$" or "USD") and in Euros ("€") because the Company's outstanding corporate bonds are denominated in the later currency. In addition, certain material financial information has also been reported in Japanese yen ("¥") because the Company has its main business activities in Japan. Exchange rates for the relevant currencies of the Group with respect to the $ and the ¥ are as follows:

	€/¥	$/¥	€/$
Closing rate at December 31, 2018	126.46	110.40	1.145
Closing rate at December 31, 2017	134.62	112.65	1.199
Average rate 2018	130.41	110.10	1.181
Average rate 2017	126.67	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 23). EBITDA, including solar segments EBITDA, is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while Adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measures for both EBITDA and Adjusted EBITDA is net income (loss) as reconciled on page 24). 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 23). 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 39.

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2018 HIGHLIGHTS

2018 Highlights

OPERATIONAL HIGHLIGHTS

- On May 15, 2018, Etrion connected the 13.2 MW[1] Komatsu project in Ishikawa prefecture, Japan. The project was completed on budget, ahead of schedule and is generating revenues from the sale of electricity.
- Etrion produced 56.7 million kilowatt-hours ("kWh") of electricity from the Company's 57 MW portfolio comprising 11 solar power plant sites in Japan.
- Etrion continues to advance on the development of the backlog solar power projects in Japan with aggregate capacity of 105 MW on a gross basis. As with any development, these projects remain at risk for delays or abandonment if the Company encounters issues that cannot be resolved. The Company is also evaluating several other early stage projects, defined as pipeline, with an aggregate capacity of 200 MW on a gross basis.
- On December 5, 2018, the Japanese Ministry of Economy, Trade and Industry ("METI") announced the details of a new legislation introducing new deadlines and certain measures for solar projects not yet connected which, if not met, would result in project feed-in-tariff ("FiT") rates being reduced significantly. For Etrion's backlog, the new legislation has not affected the 45 MW Niigata project and Etrion will continue with the development programs as planned. The 60 MW project in the Mie prefecture is likely to be minimally affected since most of the permits have already been obtained.
- During December 2018, Etrion decided to sell its rights of the Brownfield Tk-1, 45 MW Kumamoto solar park project, due to its high risk of being materially affected by the new METI rules. The Company entered into an agreement with the developer and sold its rights for a total amount of ¥610 million ($5.5 million) of which ¥310 million ($2.8 million) have been already paid and the additional ¥300 million ($2.7 million) are contingent to certain conditions associated with the future permitting of the project, which are expected to be completed by the third quarter of 2019.

FINANCIAL HIGHLIGHTS

- Generated revenues and solar segments EBITDA of $19.5 million and $14.6 million, respectively.
- On June 15, 2018, Etrion completed a €40 million senior secured bond issue (the "New Bonds") in the Nordic bond market. The New Bonds have an annual interest rate of 7.25% and a bullet maturity in May 2021. The Company's holding of €6.3 million in the Company's previous outstanding bonds have been rolled-over into the New Bonds, which is included in the issued amount, and can be sold at a later date if additional funding is required.
- The net proceeds from the New Bonds were used to refinance the Company's previous existing €40 million senior secured bonds that paid 8.0% annual interest and were to mature in April 2019. The existing bonds were called for redemption in accordance with their terms at a price of 101% of par plus accrued interest and were redeemed on July 17, 2018.
- Closed 2018 with a cash balance of $24.7 million, $9.3 million of which was unrestricted and held at corporate level, and working capital of $22.8 million. Etrion has sufficient liquidity to fund the backlog projects.
- In the December 2018, Etrion recovered $0.2 million associated with all past development costs incurred in the Saitama project, that was previously impaired in 2017.

[1] The capacity of power plants in this document is described in approximate megawatts ("MW") on a direct current basis, also referred to as megawatt-peak.

2018 Highlights
Continued

USD thousands (unless otherwise stated)	Three months ended Q4-18	Q4-17	Twelve months ended 2018	2017(1)
Electricity production (MWh)[2]	**12,190**	**7,485**	**56,786**	**149,048**
Financial results				
Revenues	4,048	2,603	19,500	21,848
Gross profit	645	39	6,587	2,392
EBITDA	510	(628)	7,553	3,846
Adjusted EBITDA	(22)	(628)	8,036	4,723
Net (loss) income	(2,566)	(4,225)	(8,618)	16,507
Adjusted net income (loss)	(456)	(2,774)	1,019	(12,863)
Cash flow				
Project cash distributions	-	-	2,135	7,704
Cash flow from (used in) operations	2,171	1,700	8,795	(1,352)
Adjusted operating cash flow	1,360	(1,388)	7,958	3,655

	December 31 2018	December 31 2017
Balance sheet		
Total assets	203,226	212,135
Operational assets	138,842	110,622
Unrestricted cash at parent level	9,328	30,385
Restricted cash at project level	15,399	12,818
Working capital	22,835	43,611
Consolidated net debt on a cash basis	151,918	136,173
Corporate net debt	29,476	10,110

(1) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group.

[2] MWh=Megawatt-hour

02

BUSINESS REVIEW

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 in Japan. Etrion has several projects at different stages of development in Japan. The Company has four operational projects (11 solar park sites). All operational projects in Japan benefit from revenues generated from 20 year FiT power purchase agreements ("PPAs") that are fixed price contracts with local utilities for all the electricity generated.

Effective September 30, 2017, the Group no longer consolidates PV Salvador SpA ("Salvador"), the subsidiary that owns the 70 MW Salvador solar power project in northern Chile. Accordingly, the Group's consolidated financial performance for the year ended December 31, 2018, is not fully comparable with the same period in 2017. The Group has not restated previous year's figures because Salvador is still owned by the Group. See "Deconsolidation of Subsidiary" disclosures in the Company's MD&A for the year ended December 31, 2018 and the disclosure under "Financial Review" in this MD&A.

Etrion's current strategy is to focus exclusively on continuing to develop, to grow its installed capacity and operate solar power projects in Japan.

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

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

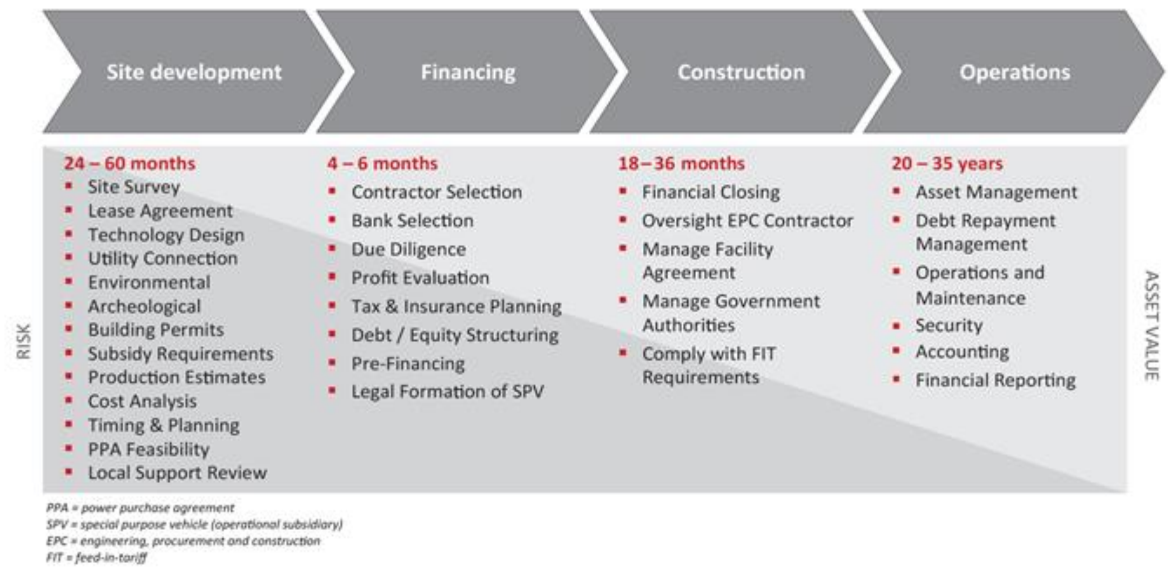
Business Review

Continued

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

- 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 to 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 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 being 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 life time 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 operations and maintenance ("O&M") services based on fixed price contracts.

Business Process – Solar Energy



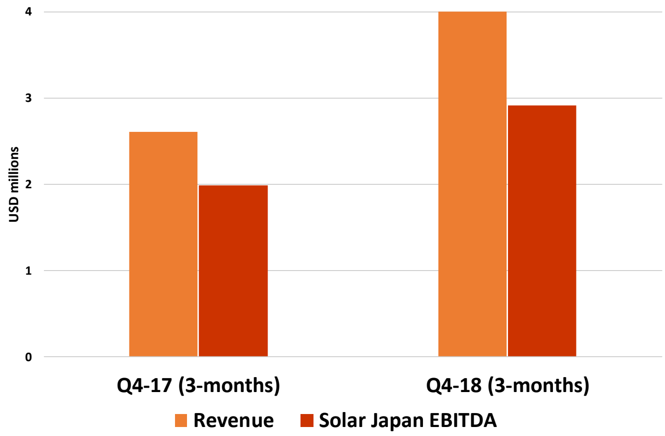
Business Review

Continued

OPERATIONS REVIEW
THREE MONTHS ENDED DECEMBER 31

	JAPAN	
USD thousands (unless otherwise stated)	**Q4-18**	**Q4-17**
Operational data (1)		
Electricity production (MWh)	12,190	7,485
Operational performance (1)		
Electricity revenue		
Feed-in-Tariff (2)	4,048	2,603
Total revenues	**4,048**	**2,603**
EBITDA (3)	**2,946**	**1,987**
EBITDA margin (%)	**73%**	**76%**
Net income (loss)	**47**	**(114)**

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 24.



OPERATING PERFORMANCE IN JAPAN (3-months)

During Q4-18, the Group produced 63% more electricity in Japan compared to the same period in 2017, due primarily to the incremental production from the Komatsu solar power project that started operations in May 2018.

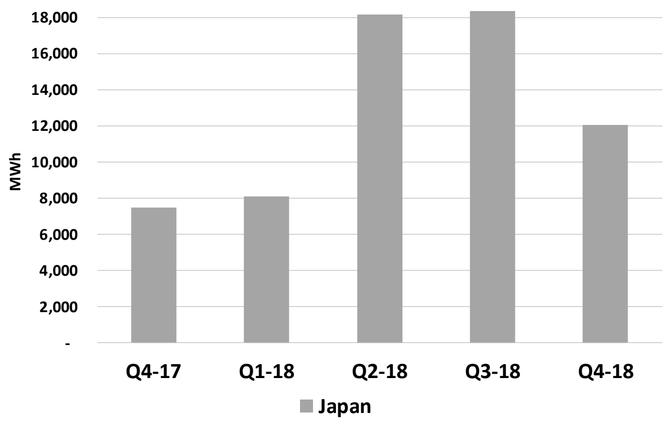
The Group receives revenues denominated in Japanese yen from its operating solar projects. Revenues come from the FiT system, whereby a premium fixed price is received for each kWh of electricity produced through a 20-year PPA contract with the Japanese public utility, Tokyo Electric Power Company (“TEPCO”), Hokuriku Electric Power Co., Inc (“HOKURIKU”) or Tohoku Electric Power Co., Inc. (“TOHOKU”), as applicable. During Q4-18, the Group received the FiT of ¥40 per kWh applicable to the Mito and Shizukuishi solar park sites, the FiT of ¥36 per kWh applicable to the solar park sites of the Misawa project and the FiT of ¥32 per kWh applicable to the solar park site of the Komatsu project.

During Q4-18, the Group’s revenue increased by 55%, compared to the same period in 2017, primarily due to the incremental installed capacity in Japan. In addition, project-level EBITDA in Japan increased by 48%, compared to the same period in 2017, also primarily due the increased installed capacity.

Revenues from Japan are received in Japanese yen and have been translated to the Group’s presentation currency ($) using the corresponding implied Q4-18 average rates. Accordingly, changes in the ¥/$ applicable exchange rates have an impact in the accounting conversion process of the income statement to the Group’s reported figures in USD.

HISTORICAL PRODUCTION

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



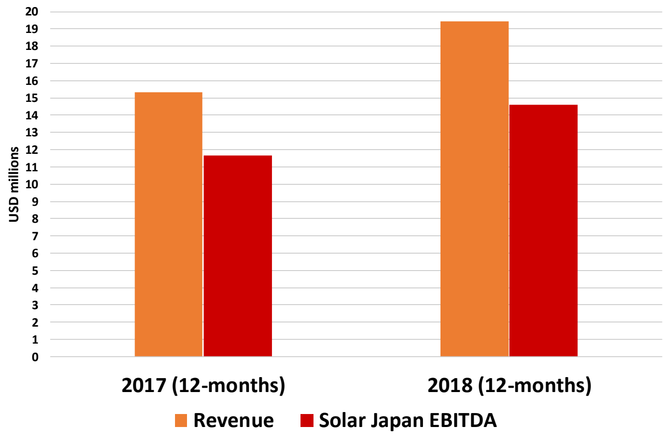
Business Review

Continued

OPERATIONS REVIEW
TWELVE MONTHS ENDED DECEMBER 31

	JAPAN	
USD thousands (unless otherwise stated)	**2018**	**2017**
Operational data (1)		
Electricity production (MWh)	56,786	43,686
Operational performance (1)		
Electricity revenue		
Feed-in-Tariff (2)	19,500	15,323
Total revenues	**19,500**	**15,323**
EBITDA (3)	**14,647**	**11,674**
EBITDA margin (%)	**75%**	**76%**
Net income	**2,517**	**2,127**

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 24.



OPERATING PERFORMANCE IN JAPAN (12-months)

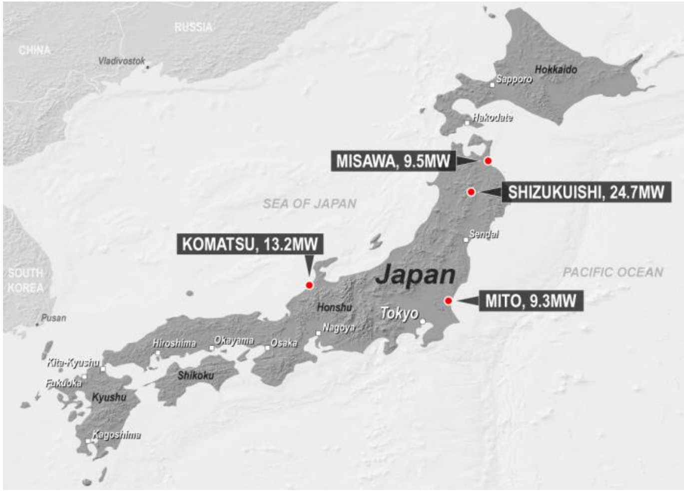
During 2018, the Group produced 30% more electricity in Japan compared to the same period in 2017, due primarily to the incremental production from the Misawa and Komatsu solar power project.

During 2018, the Group's revenue and project-level EBITDA in Japan increased by 27% and 25%, respectively, compared to the same period in 2017, primarily due to the incremental installed capacity in Japan.

Revenues from Japan are received in Japanese yen and have been translated to the Group's presentation currency ($) using the corresponding 2018 average rates. Accordingly, changes in the ¥/$ applicable exchange rates have an impact in the accounting conversion process of the income statement to the Group's reported figures in USD.

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 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
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 funded by the Group and Hitachi High-Tech ("HHT") based on their respective ownership interests of approximately 87% and 13%. 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 18 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 and HHT based on their respective ownership interests of approximately 87% and 13%. 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).

Misawa

As of the date of this MD&A, the remaining PPA contract life of Misawa is approximately 19 years. Details of the Group's 60%-owned operating solar power project are shown below:

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

Misawa's solar power sites are capable of producing approximately 10.7 million kWh of solar electricity per year. 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 the this solar project totalling 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 funded by the Group, HHT and Tamagawa Holdings Co ("Tamagawa") based on their respective ownership interests of 60%, 10% and 30%, respectively. 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 20 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 and HHT based on their respective ownership interests of 85.1% and 14.9%, respectively. 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).

Business Review

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DEVELOPMENT ACTIVITIES

NEW METI RULES

On October 15, 2018, METI held a meeting where several proposal were accepted to introduce strict measures to address the more than 20 gigawatt ("GW") projects which have FiT of ¥40, ¥36 and ¥32/kWh which are still under development and not connected and are consequently holding grid capacity, preventing new players from developing alternate renewable energy projects in the affected grid areas.

On December 5, 2018, METI announced officially the details on 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.

ETRION ASSESSMENT OF NEW METI RULES

Etrion's management considers that the new solar rules announced in Japan are less stringent than expected. For Etrion's backlog, the new legislation has not affected the Greenfield Tk-2 (45 MW) project located in the Niigata prefecture and Etrion will continue with the development program as planned. The Brownfield Tk-3, (60 MW) project located in the Mie prefecture is likely to be minimally affected with potential loss of six to twelve months of the 20 year PPA, depending on when the project is connected to the grid, since most of the permits have already been obtained.

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

PROJECTS UNDER DEVELOPMENT – JAPAN

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

Project	Prefecture	Sites	MW Gross	Target NTP
Greenfield Tk-2	Niigata	1	45	H1-19
Brownfield Tk-3	Mie	1	60	H2-19
Total backlog		**2**	**105**	
Total early stage			**200**	
Total pipeline			**305**	

Business Review

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JAPANESE BACKLOG

Greenfield Tk-2. This project, located in the Niigata prefecture, is currently configured as a 45 MW solar park project. The project has secured the FiT of ¥36/kWh. As per the final new METI rules, the FiT for this project is not at risk. The project entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility after July 31, 2016 but before March 2017. This means that this project is subject to a three-year limit for development from March 31, 2017. In other words, if this project starts operation one year late (i.e. by March 31, 2021) it will have its FiT period shortened to 19 years. The project does not require an environmental impact assessment. The Company completed the purchase of all the land required for the project, secured agreements with all members of the local community and has filed for the forest development permit, expected to be obtained in the second quarter of 2019.
The Company is finalizing civil works and EPC contract negotiations and expects to reach the shovel ready stage and financial close by the first half of 2019.

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 has recently filed for its forest development permit. The Company entered into a development service agreement ("DSA") with the developer in 2015, which outlines all the development responsibilities and deliverables. The Company filed in December 2018 a lawsuit against the local developer to enforce full compliance with the DSA. The Company remains optimistic the court will issue a decision favourable to the Company enforcing the developer to comply with all its obligations. This project is likely to be minimally affected by the new METI rules since most of the permits have already been obtained. Etrion remains cautiously optimistic to begin construction of this project in 2019.

During 2018 and 2017, Etrion decided to abandon the development of the two projects indicated below and instead sell and monetize the development to date as follows:

Brownfield Tk-1. This project, located in the Kumamoto prefecture, was designed as a 45 MW solar park project. The project secured the FiT of ¥36/kWh and entered into a grid connection agreement (i.e. construction cost allocation agreement) with the off-taker utility before July 31, 2016.

After the introduction of the new METI rules, the risk of the project materially increased. As a result, the Company decided to sell its rights to the original developer. In December 2018, Etrion reached an agreement and transferred all the rights to the original developer for a total consideration of ¥ 610 million ($5.5 million) of which ¥310 million ($2.8 million) have already been paid to Etrion and the remaining ¥300 million ($2.7 million) are expected to be received by the third quarter of 2019, contingent to certain conditions associated with the future permitting of the project.

Brownfield Tk-4, the project located in the Saitama prefecture previously named Brownfield Tk-4 was re-assessed, and given the complexity of the site, the environmental impact assessment requirements, and the high cost of civil works management decided to not pursue the development and instead sold the METI license to the original developer. During 2018, the Company did not capitalize additional expenses to this project. All development costs incurred in this project up to the end of 2017 of US$0.2 million were impaired as of December 31, 2017. However, in December 2018, Etrion recovered $0.2 million associated with all past development costs incurred in the Saitama project, through the sale of 99% of the economic participation in the subsidiary that had the grid connection agreement.

As of December 31, 2018, the Company has incurred approximately $12.9 million of project advances and development costs associated with the Japanese backlog as follows:

Project	Advance to third parties	Development costs	TOTAL
Greenfield Tk-2	-	6.4	6.4
Brownfield Tk-3	5.6	0.9	6.5
Total USD million	**5.6**	**7.3**	**12.90**

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

Project	Project Costs	Gross Debt	Net Equity Contribution(1)	Net to Etrion(2)
Greenfield Tk-2	140	132	6	6
Brownfield Tk-3	200	170	13	7
Total USD million	**340**	**302**	**19**	**13**

1. Net of development fee
2. Net of development fee and net to Etrion economic interest.

The equity needed to build most of these Japanese backlog projects is likely to be contributed throughout the construction period, typically two years, rather than at the start of construction. The net to Etrion equity contribution shown on the table above is net of development fees the Company charges to the project companies for securing financing and developing the project at NTP.

EARLY STAGE JAPANESE PIPELINE

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

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

SOLAR MARKET OVERVIEW

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

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

JAPANESE MARKET

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

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

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 2017 (i.e. by 31 March 2020); this will likely result in reduced FiT payment periods after such three years period,
- to allow such projects to change their modules without triggering changes in the FIT rate; and
- to allow such projects to also reduce their project size by more than 20% without triggering a FIT rate reduction.

In Japan, the new curtailment system has been changed from the "30 day rule per annum" to an hourly basis per annum. Uncompensated curtailment up to 30 days, annually based on one-day units, will be 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 Energi Tairyou Dounyu /Jisedai Denryoku Network Sho Iinkai). According to METI, more than 20 GW of solar power projects which have FiT of ¥40, ¥36 and, ¥32/kWh have not reached commercial operations and are unreasonably taking up grid capacity, preventing new players from developing alternate renewable energy projects in the affected grid areas. The new measures proposed by METI would apply to the holders of projects with FiT of ¥40, ¥36 and, ¥32/kWh which obtained their grid connection agreements by July 31, 2016, and so are not subject to the 3-year rule ("Early High FIT Holders").

On December 5, 2018, METI announced officially the details on 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.

03

FINANCIAL REVIEW

Financial Review

FINANCIAL RESULTS

SELECTED FINANCIAL INFORMATION

During 2018, the Group's performance and results were positively impacted by the incremental production of electricity in Japan. However, on a consolidated basis revenue decreased in comparison with the same period in 2017, due to the deconsolidation of the Chilean operating subsidiary, which was effective September 30, 2017. Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

	Three months ended		Twelve months ended		
USD thousands (except per share data)	**Q4-18**	**Q4-17**	**2018**	**2017**	**2016**
Revenue	**4,048**	**2,603**	**19,500**	**21,848**	**15,233**
Japan	4,048	2,603	19,500	15,323	5,723
Chile	-	-	-	6,525	9,510
Gross profit (loss)	**645**	**39**	**6,587**	**2,392**	**(3,566)**
Net (loss) income from continuing operations attributable to owners of Etrion	(2,510)	(4,166)	(8,878)	19,551	(79,113)
Net (loss) income attributable to owners of Etrion	(2,510)	(4,166)	(8,878)	19,551	(43,153)
Basic and diluted (loss) earnings per share:					
From continuing operations attributable to owners of Etrion	**$(0.01)**	**$(0.01)**	**$(0.03)**	**$0.06**	**$(0.24)**
From total results attributable to owners of Etrion	**$(0.01)**	**$(0.01)**	**$(0.03)**	**$0.06**	**$(0.13)**
Net (loss) income	**(2,566)**	**(4,225)**	**(8,618)**	**16,507**	**(110,378)**
Adjustments to net (loss) income for:					
Net income tax expense	22	12	1,212	1,125	7,450
Share of net profit on deconsolidation of subsidiary	-	-	-	(41,015)	-
Depreciation and amortization	2,108	1,551	7,912	10,277	10,957
Impairment	-	225	-	225	75,953
Share-based payment expense	184	(96)	761	566	442
Net finance costs	1,724	1,744	7,054	16,504	15,381
Other expense (income)	(112)	(599)	(363)	(534)	(300)
Income tax paid	(272)	(2)	(1,032)	(1,036)	(1,172)
Additional termination fee paid	-	-	(1,294)	-	-
Changes in working capital	1,083	3,090	3,163	(3,971)	(1,590)
Operating cash flow	**2,171**	**1,700**	**8,795**	**(1,352)**	**(3,257)**

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

USD thousands	**December 31 2018**	**December 31 2017**	**December 31 2016**
Non-current assets	163,576	153,751	214,290
Current assets	39,650	58,384	74,351
Total assets	**203,226**	**212,135**	**288,641**
Non-current liabilities	183,482	187,515	305,836
Current liabilities	16,815	14,773	29,094
Total liabilities	**200,297**	**202,288**	**334,930**
Net assets	**2,929**	**9,847**	**(43,289)**
Working capital	22,835	43,611	45,257
Dividends declared	-	-	-

SEGMENT INFORMATION

Management considers reportable segments from a geographical perspective and measures performance based on EBITDA and reviews and monitors performance of the Group on this basis. The Company has identified one reportable segment which is solar energy Japan. While the Company has determined it has only one reportable segment, the Company has decided to disclose additional information about its corporate activities as it believes that this information is useful for readers of the consolidated financial statements. Following the Chilean subsidiary deconsolidation in September 30, 2017, the Group no longer reports financial performance of the Solar Chile segment.

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	Q4-18			Q4-17		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Revenue	**4,048**	**-**	**4,048**	**2,603**	**-**	**2,603**
Operating expenses	(1,334)	-	(1,334)	(1,055)	-	(1,055)
General and administrative	(92)	(2,337)	(2,429)	(94)	(2,681)	(2,775)
Other income (expenses)	324	(99)	225	533	66	599
EBITDA	**2,946**	**(2,436)**	**510**	**1,987**	**(2,615)**	**(628)**
Impairment	-	-	-	(18)	(207)	(225)
Depreciation and amortization	(2,069)	(39)	(2,108)	(1,509)	(42)	(1,551)
Finance income	68	731	799	-	319	319
Finance costs	(997)	(748)	(1,745)	(810)	(1,318)	(2,128)
Loss before income tax	**(52)**	**(2,492)**	**(2,544)**	**(350)**	**(3,863)**	**(4,213)**
Income tax recovery (expense)	99	(121)	(22)	236	(248)	(12)
Net income (loss) for the period	**47**	**(2,613)**	**(2,566)**	**(114)**	**(4,111)**	**(4,225)**

Solar Japan: During Q4-18, the Group's Japanese solar segment generated revenues of $4.0 million and EBITDA of $2.9 million, representing an increase of 55% and 48%, respectively, in comparison with the same period in 2017. Revenue and EBITDA increased driven by the additional production from the Komatsu project. In addition, the Group's Japanese segment generated net income of $47 thousand, in comparison with net loss of $0.1 million for the same period in 2017.

Corporate: During Q4-18, the Group's corporate segment generated negative EBITDA of $2.4 million and a net loss of $2.6 million, respectively. In comparison with the same period in 2017, negative EBITDA decreased primarily due to the cost reduction initiatives implemented in the last quarter of 2017 to streamline operations.

Financial Review

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SEGMENT INFORMATION YEAR ENDED DECEMBER 31

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

USD thousands	2018			2017			
	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Revenue	**19,500**	**-**	**19,500**	**6,525**	**15,323**	**-**	**21,848**
Operating expenses	(5,159)	-	(5,159)	(5,389)	(3,974)	-	(9,363)
General and administrative	(296)	(5,674)	(5,970)	(269)	(251)	(8,653)	(9,173)
Additional termination fee	-	(1,294)	(1,294)	-	-	-	-
Other income (expenses)	602	(126)	476	(6)	576	(36)	534
EBITDA	**14,647**	**(7,094)**	**7,553**	**861**	**11,674**	**(8,689)**	**3,846**
Gain on deconsolidation of subsidiary	-	-	-	-	-	41,015	41,015
Impairment	-	-	-	-	(18)	(207)	(225)
Depreciation and amortization	(7,754)	(158)	(7,912)	(4,034)	(6,059)	(184)	(10,277)
Finance income	73	1,217	1,290	28	92	319	439
Finance costs	(3,827)	(4,510)	(8,337)	(7,822)	(3,159)	(6,185)	(17,166)
Income (loss) before income tax	**3,139**	**(10,545)**	**(7,406)**	**(10,967)**	**2,530**	**26,069**	**17,632**
Income tax expense	(622)	(590)	(1,212)	-	(403)	(722)	(1,125)
Net income (loss) for the year	**2,517**	**(11,135)**	**(8,618)**	**(10,967)**	**2,127**	**25,347**	**16,507**

Solar Japan: During 2018, the Group's Japanese solar segment generated revenues of $19.5 million and EBITDA of $14.6 million, representing an increase of 27% and 25%, respectively, in comparison with the same period in 2017. Revenue and EBITDA increased driven by the additional production from the Misawa and Komatsu solar projects. In addition, the Group's Japanese segment generated a net income of $2.5 million, in comparison with the net income results of $2.1 million for the same period in 2017.

Corporate: During 2018, the Group's corporate segment generated negative EBITDA of $7.1 million and a net loss of $11.1 million, respectively. In comparison with the same period in 2017, negative EBITDA decreased primarily due to the cost reduction initiatives implemented in the last quarter of 2017 to streamline operations, partially offset by the recognition of an additional termination fee as described on page 29.

Solar Chile: Income and expenses are included only in the Group's consolidated financial statements until September 30, 2017, the date when the Group ceased to control the Chilean subsidiary, in accordance with the control reassessment completed by management under the IFRS guidelines.

Financial Review

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Non-GAAP Performance Measures

Reconciliation of adjusted net income (loss) to net income (loss)	Three months ended		Twelve months ended	
USD thousands	**Q4-18**	**Q4-17**	**2018**	**2017(1)**
Net (loss) income	**(2,566)**	**(4,225)**	**(8,618)**	**16,507**
Adjustments for non-recurring items:				
General and administrative expenses(1)	-	-	-	488
Impairment	-	225	-	225
Additional termination fee	-	-	1,294	-
Write off guarantees	-	-	-	389
Gain on insurance reimbursement	(323)	-	(602)	-
Gain on sale of subsidiary	209		209	-
Gain on deconsolidation of subsidiary		-	-	(41,015)
Adjustments for non-cash items:		-		-
Depreciation and amortization	2,108	1,551	7,912	10,277
Fair value movements (derivative financial instruments)	(68)	(229)	63	(300)
Share-based payment expense	184	(96)	761	566
Adjusted net income (loss)	**(456)**	**(2,774)**	**1,019**	**(12,863)**

(1) Relates to extraordinary and non-recurring professional fees.

Reconciliation of adjusted operating cash flows to operating cash flows	Three months ended		Twelve months ended	
USD thousands	**Q4-18**	**Q4-17(*)**	**2018**	**2017(*)**
Operating cash flow	**2,171**	**1,700**	**8,795**	**(1,352)**
- Changes in working capital	(1,083)	(3,090)	(3,163)	3,971
- Additional termination fee paid	-	-	1,294	-
- Income tax paid	272	2	1,032	1,036
Adjusted operating cash flow	**1,360**	**(1,388)**	**7,958**	**3,655**

(1) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group.

Financial Review

Continued

Non-GAAP Performance Measures

Reconciliation of Solar segments Adjusted EBITDA to EBITDA	Three months ended		Twelve months ended	
USD thousands	Q4-18	Q4-17	2018	2017[1]
Net (loss) income	**(2,566)**	**(4,225)**	**(8,618)**	**16,507**
Adjustments for:				
Net income tax expense	22	12	1,212	1,125
Net finance costs	946	1,809	7,047	16,727
Depreciation and amortization	2,108	1,551	7,912	10,277
Impairment	-	225	-	225
Gain on deconsolidation of subsidiary	-	-	-	(41,015)
EBITDA	**510**	**(628)**	**7,553**	**3,846**
Adjustments for non-recurring items:				
General and administrative expenses	-	-		488
Additional termination fee	-	-	1,294	-
Gain on insurance reimbursement	(323)	-	(602)	-
Gain on sale of subsidiary	(209)		(209)	-
Write off deposits in guarantee	-	-	-	389
Adjusted EBITDA	**(22)**	**(628)**	**8,036**	**4,723**
Plus: Corporate G&A expenses after non-recurring items	2,968	2,615	6,611	7,812
Solar segments Adjusted EBITDA	**2,946**	**1,987**	**14,647**	**12,535**
Less: Solar Chile adjusted EBITDA	-	-	-	861
Solar Japan Adjusted EBITDA	**2,946**	**1,987**	**14,647**	**11,674**

QUARTERLY SELECTED FINANCIAL INFORMATION

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

USD thousands (except per share data)	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17
Revenue	**4,048**	**6,185**	**6,357**	**2,910**	**2,603**	**7,005**	**7,042**	**5,198**
Japan	4,048	6,185	6,357	2,910	2,603	4,867	5,256	2,597
Chile	-	-	-	-	-	2,138	1,786	2,601
Net (loss) income	**4,048**	**(1,453)**	**(746)**	**(3,853)**	**(4,225)**	**35,161**	**(6,865)**	**(7,564)**
Net (loss) income from continuing operations attributable to owners of Etrion	(2,510)	(1,677)	(1,029)	(3,663)	(4,165)	36,080	(5,865)	(6,497)
Net (loss) income attributable to owners of Etrion	(2,510)	(1,677)	(1,029)	(3,663)	(4,165)	36,080	(5,865)	(6,497)
Basic and diluted (loss) earnings per share:								
From continuing operations attributable to owners of Etrion	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$0.11	$(0.02)	$(0.02)
From total results attributable to owners of Etrion	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$0.11	$(0.02)	$(0.02)

Solar-related production and revenues experience seasonality over the year due to the variability of daily sun hours in the summer months versus the winter months, resulting in lower revenues in the first and fourth quarters each year. In Japan, revenues are received in Japanese Yen and have been translated at the average ¥/$ exchange rate for the corresponding period. Consequently, revenues expressed in $ may fluctuate according to exchange rate variations. The Group's 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.

(1) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group.

Financial Review

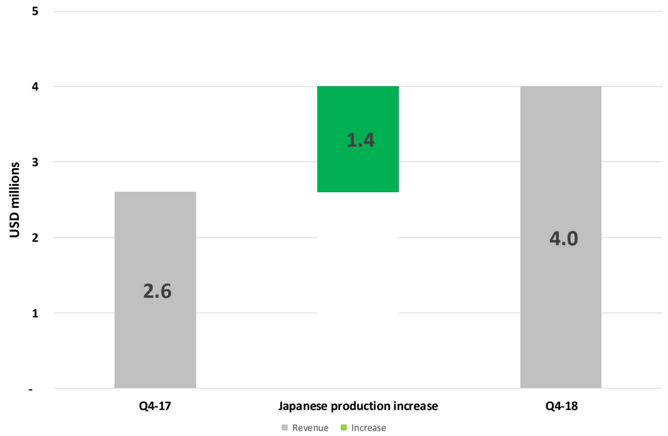
Continued

REVENUE

	Three months ended		Twelve months ended	
USD thousands	**Q4-18**	**Q4-17**	**2018**	**2017(1)**
FiT	4,048	2,603	19,500	15,323
Market Price	-	-	-	727
PPA	-	-	-	4,838
Other utility income	-	-	-	960
Total Revenue	**4,048**	**2,603**	**19,500**	**21,848**

During the three and twelve months ended December 31, 2018 consolidated revenues increased by $1.4 million and decreased $2.3 million, respectively, compared to the same period of 2017.The 13.2 MW Komatsu solar project connected in May 2018 contributed significantly to the revenue increase in 2018. During 2018, revenues from sources different to FiT decreased exclusively due to the deconsolidation of Salvador, effective September 30, 2017.

During Q4-18 the Group's revenue from its Japanese subsidiaries increased by $1.4 million (55%) compared to the same period of 2017, driven by the additional production from the Komatsu solar project. The reconciliation of total revenue in Q4-18 versus Q4-17 is as follows:



During the year ended December 31, 2018, the Group's revenue from its Japanese subsidiaries increased by $4.2 million (27%) compared to the same period of 2017, driven by the additional production from the Misawa and Komatsu solar project.

ADJUSTED CONSOLIDATED EBITDA

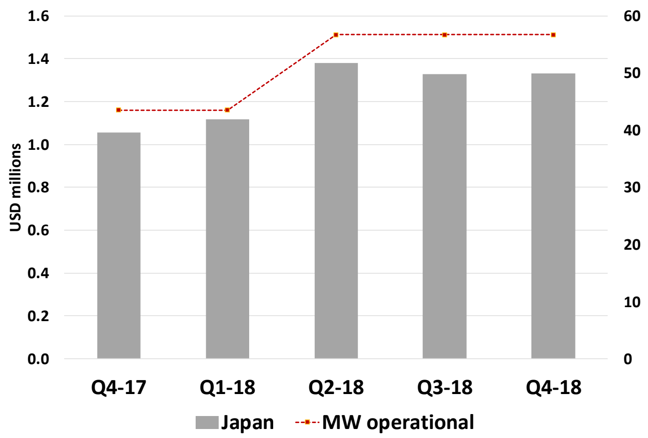
During the three and twelve months ended December 31, 2018, adjusted consolidated EBITDA increased by $0.6 million and $3.3 million, respectively, compared to the same period of 2017, mainly as a result of EBITDA being contributed by the Group's Japanese solar segment and material reduction of corporate overhead.

OPERATING EXPENSES

	Three months ended		Twelve months ended	
USD thousands	**Q4-18**	**Q4-17**	**2018**	**2017(1)**
O&M costs	258	192	1,068	2,303
Purchased power	-	-	-	2,013
Personnel costs	270	233	989	1,209
D&A	2,069	1,509	7,754	10,093
Property tax	294	256	1,203	1,030
Insurance	97	61	303	448
Land lease	248	227	980	940
Transmission cost	-	-	-	899
Other expenses	167	86	616	521
Total operating expenses	**3,402**	**2,564**	**12,913**	**19,456**

During the three and twelve months ended December 31, 2018, operating expenses increased by $0.8 million (33%) and decreased $6.5 million (34%), respectively, compared to the same period of 2017. Operating expenses increased during the fourth quarter of 2018 due to additional O&M and other operating costs associated with the Komatsu solar projects In addition, total operating expenses decreased in 2018, primarily due to the deconsolidation of the Chilean subsidiary, effective September 30, 2017, partially offset by the incremental O&M and other operating costs associated with the Komatsu solar project.

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.



(1) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group.

Financial Review

Continued

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Twelve months ended	
USD thousands	**Q4-18**	**Q4-17**	**2018**	**2017[(1)]**
Salaries and benefits	1,356	1,397	2,890	3,707
Pension costs	98	114	98	114
Board of directors' fees	68	73	272	276
Share-based payments	184	(96)	761	566
Professional fees	352	831	831	2,298
Listing and marketing	57	69	289	636
D&A	39	42	158	184
Office lease	77	(23)	305	271
Office, travel and other	237	410	524	916
Write off guarantees	-	-	-	389
Total general and administrative	**2,468**	**2,817**	**6,128**	**9,357**

During the three and twelve months ended December 31, 2018, general and administrative expenses decreased by $0.3 million (12%) and $3.2 million (35%), respectively, compared to the same period in 2017, primarily due to a significant reduction of salary and benefit expenses due to internal restructuring, and a decrease in professional fees.

NET FINANCE COSTS

	Three months ended		Twelve months ended	
USD thousands	**Q4-18**	**Q4-17**	**2018**	**2017[(1)]**
Project loans	953	877	3,859	11,135
Corporate bonds	732	908	3,508	3,792
Fair value movements	(68)	(229)	63	(300)
Foreign exchange (gain) loss	(729)	222	(1,215)	1,911
Other finance costs	58	31	832	189
Net finance cost	**946**	**1,809**	**7,047**	**16,727**

During the three and twelve months ended December 31, 2018, net finance costs decreased by $0.9 million (48%) and $9.7 million (58%), respectively, compared to the same period in 2017, mainly due the refinancing of the corporate bonds, foreign exchange gains and the deconsolidation of the Chilean subsidiary, effective September 30, 2017.

During the three and twelve months ended December 31, 2018, the Group capitalized $nil and $0.2 million, respectively (2017: $0.1 million and $0.4 million) of borrowing costs associated with credit facilities obtained to finance the construction of the solar power projects.

INCOME TAX EXPENSE

	Three months ended		Twelve months ended	
USD thousands	**Q4-18**	**Q4-17**	**2018**	**2017[(1)]**
Corporate income tax	46	(131)	1,248	1,020
Deferred tax expense	(24)	143	(36)	105
Income tax expense	**22**	**12**	**1,212**	**1,125**

During the three and twelve months ended December 31, 2018, the Group recognized a current income tax expense of $0.6 million (2017: $0.3 million) associated with its solar power projects in Japan, and an income tax expense of $0.6 million (2017: $0.7 million) associated with its holding and management services subsidiaries.

In addition, the Group recognized a deferred income tax income of $36 thousand (2017 deferred income tax expense: $0.1 million) due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts..

(1) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group.

FINANCIAL POSITION

LIQUIDITY AND FINANCING

CASH POSITION

USD thousands	December 31 2018	December 31 2017
Cash and cash equivalents:		
Unrestricted at parent level	9,328	30,385
Restricted at project level	15,399	12,818
Total cash and cash equivalents	**24,727**	**43,203**

UNRESTRICTED CASH ANALYSIS

The Group's cash and cash equivalents at December 31, 2018, included unrestricted cash of $9.3 million (December 31, 2017: $30.4 million) held at the corporate level. Unrestricted cash decreased by $21.0 million mainly as a result of the corporate bond settlement, land acquisition for the Greenfield Tk-2 project and corporate G&A, partially offset by cash flow from operations and project cash distributions received from the Japanese operating projects.

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

RESTRICTED CASH ANALYSIS

USD thousands	December 31 2018	December 31 2017
Japan	15,399	12,818
Total restricted cash	**15,399**	**12,818**

The Group's cash and cash equivalents at December 31, 2018, included restricted cash held at the project level in Japan that is restricted by the lending banks for future repayment of interest and principal and working capital requirements related to each project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions. Restricted cash increased by $2.6 million (20%) mainly due to proceeds from the credit facilities and operating cash flow from the Japanese solar power projects.

WORKING CAPITAL

At December 31, 2018, the Group had working capital of $22.8 million (December 31, 2017: $43.6 million). This working capital includes the fair market value of interest rate swap contracts that are classified as current liabilities in accordance with IFRS but which are not expected to be settled in cash in the next 12 months without replacement. Excluding these derivative financial liabilities that are not expected to be settled in the near-term, the Group's working capital would have been $24.2 million. (December 31, 2017: $45.1 million).

At December 31, 2018, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2019	2020	2021	2022	2023	After 5 years	Total
Project loans	11,642	9,154	8,745	8,934	9,512	112,527	160,514
Corporate bond	2,836	2,844	39,760	-	-	-	45,440
O&M contracts	918	1,021	1,248	1,190	762	14,554	19,693
Operating leases	1,270	1,013	1,013	1,013	1,013	13,023	18,346
Trade payables	3,997	-	-	-	-	-	3,997
Total	**20,664**	**14,033**	**50,766**	**11,137**	**11,287**	**140,104**	**247,991**

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

NET EQUITY

During 2018, total equity attributable to owners of the Company decreased by $7.2 million from a net asset position of $9.0 million at December 31, 2017, to a net asset position of $1.8 million at December 31, 2018. This change was primarily due to the recognition of $8.9 million of net loss during the period and the cumulative foreign exchange translation adjustment, partially offset by unrealized fair value gains recognized within other reserves associated with the Group's derivative financial instruments. Total equity attributable to owners of the Company at December 31, 2018, was negatively impacted by the cumulative fair value losses of $12.5 million recognized within other reserves that are associated with the Group's derivative financial instruments. Excluding these fair value losses, the total equity attributable to owners of the Company at December 31, 2018, would have resulted in a net asset position of $14.3 million.

BORROWINGS

NON-RECOURSE PROJECT LOANS

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

USD thousands	MW	Maturity	December 31 2018	December 31 2017
Shizukuishi	25	December 30, 2034	57,708	59,319
Mito	9	June 30, 2034	21,250	21,993
Misawa	10	June 30, 2036	25,635	28,415
Komatsu	13	December 30, 2036	33,872	29,286
Total			**138,465**	**139,013**

JAPANESE PROJECTS

The non-recourse project loans obtained by the Group's Japanese subsidiaries to finance the construction costs of the Group's Japanese solar power projects, mature between 2034 and 2036 and bear annual interest rates of Tokyo Interbank Offered Rate ("TIBOR") plus a margin ranging from 1.1% to 1.4%. The Japanese non-recourse project loans are 90% hedged through interest rate swap contracts during the operational period at an interest rate ranging from 1.72% to 3.13% all-in. At December 31, 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, 2018, and December 31, 2017.

During 2018, the Group's Japanese subsidiaries with solar power projects under construction drew down a total of ¥491 million ($4.6 million) and ¥35 million ($0.3 million) under the senior financing agreements and under the VAT credit facility, respectively (2017: ¥5,113 million ($45.5 million) and ¥423 million ($3.8 million), respectively). At December 31, 2018, the combined undrawn gross amount under all the Japanese credit facilities amounted to ¥nil (2017: ¥525 million ($4.6 million)). At December 31, 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, 2018, and December 31, 2017.

At December 31, 2018 and December 31, 2017, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

CORPORATE BORROWINGS

On June 15, 2018, Etrion completed an issue of €40 million of New Bonds in the Nordic bond market. The New Bonds have an annual interest rate of 7.25% and a bullet maturity in May 2021. The Company has listed the New Bonds on the Frankfurt Stock Exchange Open Market and on the Oslo Stock Exchange. The Company's holding of €6.3 million in the Company's previously outstanding bonds ("Old Bonds") were rolled-over into the New Bonds, which is included in the issued amount, and can be sold at a later date if additional funding is required. In addition, on June 15, 2018, Etrion cancelled €2.8 million of the Old Bonds held by bondholders that agreed to roll such bonds over into the New Bonds.

The net proceeds from the New Bonds were used to refinance the Company's existing €40 million of Old Bonds that paid 8.0% annual interest and mature in April 2019. On July 17, 2018, Etrion completed the redemption of the remaining €40 million nominal amount of Old Bonds. The Old Bonds were redeemed at 101% of par plus accrued interest for a total net amount of €31.8 million ($37.2 million) using the net proceeds from the New Bonds.

At December 31, 2018, the Group had €33.7 million (net of the Company's holdings of €6.3 million) of the New Bonds outstanding. The bonds were issued by the Company in June 2018 at 7.25% annual interest with a 3-year maturity. The carrying amount of the New Bonds as at December 31, 2018, including accrued interest net of transaction costs, was $38.1 million (December 31, 2017: $nil).

The agreement governing the New Bonds 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, 2018, no separate amount was recognised in relation to this call option as it was deemed to be out of-the-money. The Old Bonds that were redeemed on July 17, 2018, also included a call option that was deemed to be in-the-money as of June 30, 2018. At December 31, 2018 and December 31, 2017, the Group was not in breach of any of the imposed operational and financial covenants associated with its corporate borrowings.

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 2018	December 31 2017
Total borrowings as per IFRS	**176,607**	**179,701**
VAT facilities	(2,804)	(2,441)
Accrued interest	(120)	(620)
Transaction costs	2,961	2,736
Adjusted borrowings	**176,645**	**179,376**
Cash and cash equivalents	(24,727)	(43,203)
Adjusted consolidated net debt	**151,918**	**136,173**
Adjusted corporate net debt	**29,476**	**10,110**

The Group's consolidated net debt increased during 2018, in comparison with December 31, 2017, mainly due to additional funds drawn from the credit facilities in Japan to fund the construction costs of Komatsu and use of unrestricted cash.

OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 334,094,324 common shares (March 12, 2018: 334,094,324) and nil options to acquire common shares of the Company (March 12, 2017: 150,000) issued and outstanding.

In addition, the Company maintains the 2014 Restricted Share Unit Plan pursuant to which employees, consultants, directors and officers of the Group may be awarded RSUs. The RSUs have a contractual term of four years and are subject to certain time-based conditions and in certain cases are also subject to performance-based vesting conditions. At the date of this MD&A, the Company had 15,491,706 RSUs outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements at December 31, 2018, and December 31, 2017.

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 2019.

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

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

CONTINGENCIES

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

ADDITIONAL TERMINATION FEE

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.

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.

New standards and amendments issued and not yet adopted by the Group

The following new standards and amendments, applicable to the Group, available for application and not yet adopted, are as follows:

IFRS 16, Leases: This standard addresses the measurement and recognition of leases which will result in almost all lease contracts being recognized in the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group has reviewed all of the Group's leasing arrangements in light of 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 the reporting date, the Group has non-cancellable operating lease commitments of US$ 18.3 million (Note 29). Of these commitments, approximately US$0.3 million relate to short-term and low value office leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets and lease liabilities of approximately $10.5 million on January 1, 2019, (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred tax assets of $3.0 million. Overall net assets will be approximately $3.0 million higher, and net current assets will be $1.0 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net results after tax will decrease by approximately $3.4 million for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately $1.0 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure. Operating cash flows will increase and financing cash flows decrease by approximately $1.0 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group will apply IFRS 16 from its mandatory adoption date of January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

New standards and amendments adopted by the Group

IFRS 15, Revenue from contracts with customers: This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 15 assessment: The Group has completed the assessment and full impact of IFRS 15 and has adopted this standard in the accounting period beginning January 1, 2018. Etrion's solar power plants produce electricity, which is measured based on kWh. The selling price of electricity is also calculated with reference to kWh and the single performance obligation is to deliver kWh of electricity produced in the measuring point of the electricity grid. Therefore, revenue is recognized when the performance obligation is satisfied. This occurs over-time, when electricity produced is measured by the meters and therefore the Company will use the right to invoice practical expedient as per IFRS 15. The IFRS 15 right to invoice practical expedient method is not different from the Company's accounting policies previously in place.

IFRS 15 transition: The Company has elected to use the modified retrospective method to all contracts with customers. In practice, the IFRS 15 revenue recognition requirements have

Financial Review

Continued

no effect on timing or amount of revenue and cash flows arising from contracts with customers, because of the fixed-price long term contracts with the power utilities in Japan. The IFRS 15 adoption has no quantitative impact in the Company's financial statements and therefore there is no impact on the accumulated deficit balance.

IFRS 9, Financial Instruments: This standard addresses the classification, measurement and recognition of financial assets and liabilities, replacing IAS 39 Financial Instruments: Recognition and Measurement. Management expects IFRS 9 to affect the Companies' hedge accounting processes and controls. The Group has completed the process of evaluating the impact of the IFRS 9 on the financial statements and on its internal controls and has adopted this standard on January 1, 2018. The new accounting policies based on IFRS 9 are effective from January 1, 2018 and, in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. Etrion has adopted IFRS 9 retrospectively with transition adjustments recognized through equity as at January 1, 2018, except for the hedge accounting provisions of IFRS 9, which were applied prospectively effective January 1, 2018. The adoption of IFRS 9 did not result in any transition adjustments being recognized as at January 1, 2018.

Classification of financial instruments: IFRS 9 introduces a new model for classifying financial assets. The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial assets. The classification and measurement of financial liabilities under IFRS 9 remains the same as in IAS 39 except where an entity has chosen to measure a financial liability at fair value with changes through profit and loss. Etrion identified its financial assets under the scope of IFRS 9 and have run them through the classification principles of the standard in order to assess the contractual cash flow characteristics (SPPI test) and to identify the applicable business model. As a result of this assessment the financial assets of the Company will be classified under amortized costs and fair value through profit and loss.

Impairment of financial assets: IFRS 9 establishes a new model for recognition and measurement of impairments in loans and receivables that are measured at Amortized Cost or FVOCI—the so-called "expected credit losses" model. Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it—from the moment of its origination or acquisition. Etrion's accounts receivables arising from the sale of electricity in Japan have a 30 days payment terms and none of the operating Japanese entities have experience any payment delays since the first invoice was issued. Based on the conclusions of the assessment performed and particularly based on past experience, future expectations and credit rating of the counterparties (Japanese utilities) no impairment losses was necessary as of the adoption date.

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.

DECONSOLIDATION OF SUBSIDIARY

On September 30, 2017 the Group concluded that in accordance with IFRS it no longer had control of Salvador, the 70%-owned subsidiary that owns the licenses and rights to operate the 70 MW solar power project in Northern Chile. As a result of the deemed loss of control the Group no longer consolidates Salvador's financial position and performance from September 30, 2017. The Group derecognized its share in the net liabilities of Salvador, resulting in a non-cash extraordinary gain of US$41.0 million. In addition, the Group derecognized the equity value attributable to non-controlling interests in Salvador of $17.6 million.

The financial position below was used as the basis for calculating the net gain on deconsolidation:

PV Salvador SpA **September 30, 2017**	**$ thousands**
Assets	
Property, plant and equipment	84,259
Intangibles	6,959
Trade receivables and other assets	3,577
Cash	2,584
Total assets	**97,379**
Liabilities	
Borrowings	154,015
Trade payables and other	1,957
Total liabilities	155,972
Net liabilities	**58,593**
Non-Controlling Interest share in net liabilities	17,578
Etrion share in net liabilities	41,015
Etrion share in net liabilities	41,015
Fair value of retained investment in Salvador	-
Gain on deconsolidation of subsidiary	**41,015**

RELATED PARTIES

For the purposes of preparing the Company's consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns directly and through various investment trust approximately 36% of the Company's common shares. All related party transactions are made on terms equivalent to those made on an arm's length basis.
The related party transactions disclosed in the notes to the Company's consolidated financial statements for the three and twelve months ended December 31, 2018, are summarized below.

RELATED PARTY TRANSACTIONS

LUNDIN PETROLEUM AB AND SUBSIDIARIES

The Group receives professional services from Lundin Petroleum AB and from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB for market and investor relation activities in Sweden and general and administrative expenses, respectively. During 2018, the Group incurred general and administrative expenses of $27 thousand (2017: $8 thousand), from Lundin Petroleum AB and its subsidiary. At December 31, 2018, the Group had $nil (December 31, 2017: $1 thousand) outstanding in relation to these expenses.

LUNDIN FAMILY

During 2018, the Group recognized $0.1 million (2017: $0.6 million) of interest expense, and recognized $7 thousand (2017: $48 thousand) of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family.

Investment companies associated with the Lundin family subscribed for €3 million ($3.5 million) of the New Bonds issue completed in June 2018. As at December 31, 2017, the total corporate bonds held by the Lundin family amounted to €3.0 million ($3.5 million).

LUNDIN SA

During 2018, the Group recognized $0.1 million (2017: $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 2018, the Group invoiced asset management services of $0.8 million (2017: $0.6 million) to 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 Salvador was deconsolidated and are presented as a reduction of corporate G&A.

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 2018, the Group recognized $1.7 million (2017: $2.1 million) within general and administrative expenses associated with the remuneration of key management personnel, related to salaries and short-term benefits, pension costs, fees paid to the Board of Directors and share-based payment expenses. At December 31, 2018, the Group had $0.3 million outstanding to key management personnel (December 31, 2017: $0.5 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 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, 2018, 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 2018	December 31 2017
Derivative financial assets:		
Corporate bond call option	-	319
Total derivative financial assets	**-**	**319**
Derivative financial liabilities:		
Interest rate swap contracts		
Current portion	1,452	1,444
Non-current portion	8,706	8,788
Total derivative financial instruments	**10,158**	**10,232**

During the 2018, the Group recognized a fair value loss of $0.1 million, associated with the change in the fair value of the corporate bond call option.

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

The fair market value of the interest rate swap contracts at December 31, 2018, decreased to a liability position of $10.1 million (2017: $10.2 million) due to a increase in the forecasted TIBOR curve in comparison with December 31, 2017. At December 31, 2018, and December 31, 2017, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is recorded in to finance income/costs.

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RISKS AND UNCERTAINTIES

Risks and Uncertainties

RISKS AND UNCERTAINTIES

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

FINANCIAL RISKS

DEBT AND EQUITY FINANCING

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

CAPITAL REQUIREMENTS AND LIQUIDITY

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

MARKET RISKS

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

COST UNCERTAINTY

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

NON-FINANCIAL RISKS

LICENCES AND PERMITS

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

GOVERNMENTAL REGULATION

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

COMPETITION

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

PRICES AND MARKETS FOR ELECTRICITY

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

Risks and Uncertainties

Continued

INTERNATIONAL OPERATIONS

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

RELIANCE ON CONTRACTORS AND KEY EMPLOYEES

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

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OTHER DISCLOSURES

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 2019 is in the following ranges:

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

(1) on a net basis (Net to Etrion's interest)

JAPAN

Revenue, project-level EBITDA and production forecast for the Japanese business, incorporated in the above consolidated guidance, are based on Etrion's ownership over the 57 MW operational Japanese portfolio comprising the Mito, Shizukuishi, Misawa and Komatsu solar parks, located in central and northern Japan, respectively, 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 to be then ended. 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, 2018 and 2017, 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 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 2018 average of ¥/US$ 1: 110.40

PREVIOUS FORECASTS

On March 13, 2018, Etrion issued a revenue and project-level EBITDA forecast for the fiscal year ending December 31, 2018. Actual results in comparison with the revised guidance with primary focus on the Japanese assets are shown in the table below:

Actual results in comparison with the guidance are shown in the table below:

2018 Guidance results USD million otherwise stated	Low end	Actual results	High end
Energy generation (MWh)	37,517	46,400	41,466
Revenue	12.9	16.0	14.3
Project-level EBITDA	8.7	11.6	9.6

Japanese production, revenue and project-level EBITDA in 2018 met or exceeded the high end of the revised guidance provided on March 13, 2018. The performance of the operating solar assets in Japan during 2018 were exceptional and this was reflected in production and revenue being 12% above the high end of the guidance. EBITDA in 2018 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 Interim Filings, the Company's Chief Executive Officer and Chief Financial Officer are required to:

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

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

Other Disclosures

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to: the Group's plans for future growth and development activities (including, but not limited to, expectations relating to the timing of the development, construction, permitting, licensing, financing operation and electricity production, as the case may be, of its future solar power plants in Japan); expectations relating to future solar energy production and the means by which, and to whom, such future solar energy will be sold; the need for, and amount of, additional capital to fund the construction or acquisition of new projects and the expected sources of such capital; and expectations relating to grid parity. The above constitute forward-looking information, within the meaning of applicable Canadian securities legislation, which involves risks, uncertainties and factors that could cause actual results or events to differ materially from current expectations, including, without limitation: 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 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 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.

2018

etrion

Etrion Corporation

Audited Consolidated Financial Statements

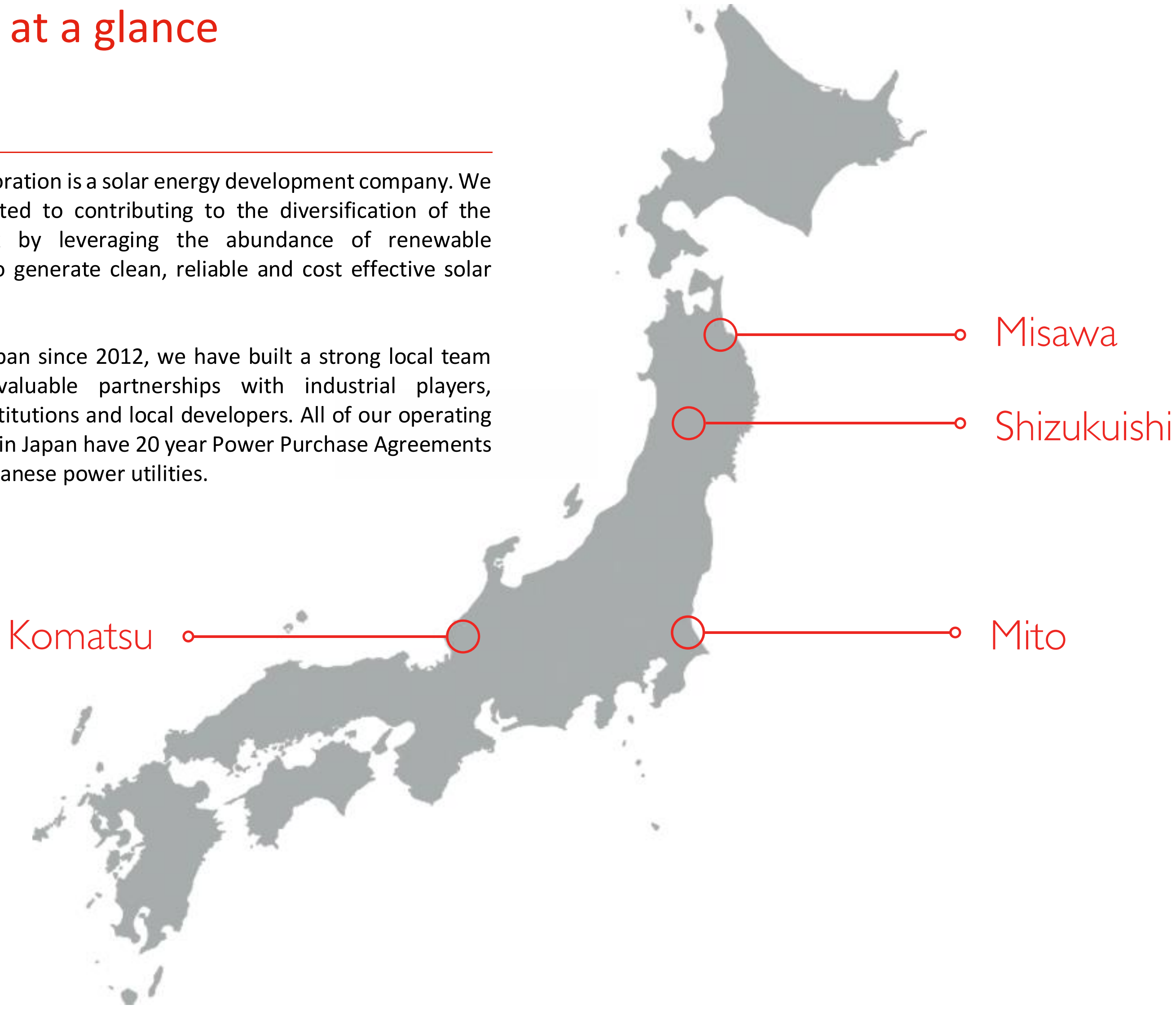
Year ended December 31, 2018

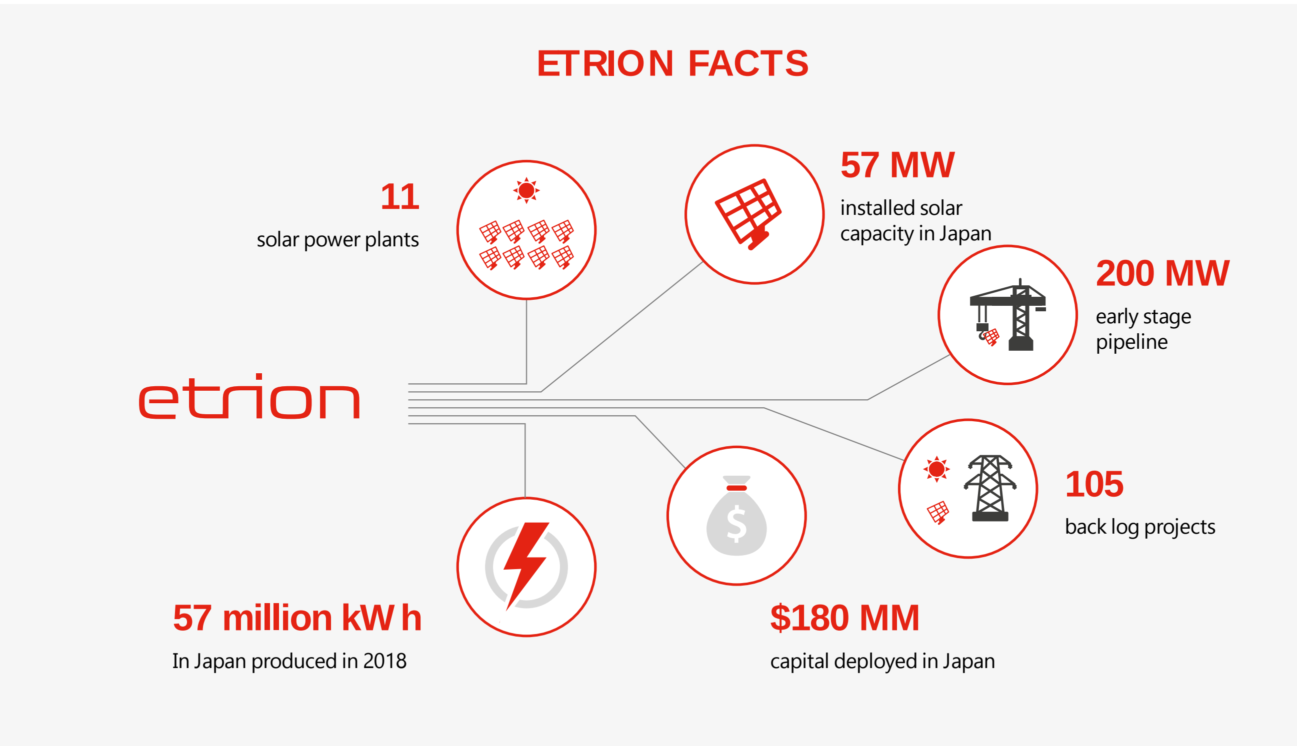
Komatsu solar power project in Japan

Etrion 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.

Active in Japan since 2012, we have built a strong local team secured invaluable partnerships with industrial players, financial institutions and local developers. All of our operating solar assets in Japan have 20 year Power Purchase Agreements with the Japanese power utilities.





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01

FINANCIAL STATEMENTS

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, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of net loss for the year ended December 31, 2018;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated balance sheet as at December 31, 2018;
- the consolidated statements of changes in equity for the year then ended;
- the consolidated statements of cash flows for the year 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.

Other Matter

The financial statements of the Company for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on March 12, 2018.

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.

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 entities 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

Luc Schulthess

Colin Johnson

March 12, 2019

Consolidated statement of net loss and comprehensive loss

For the year ended December 31, 2018 and 2017

Expressed in US$'000

	Note	2018	2017(*)
Revenue	6	19,500	21,848
Operating expenses	7	(12,913)	(19,456)
Gross profit		**6,587**	**2,392**
General and administrative expenses	8	(6,128)	(9,357)
Additional termination fee	9	(1,294)	-
Impairment	10	-	(225)
Other income	11	476	534
Operating loss		**(359)**	**(6,656)**
Finance income	12	1,290	439
Finance costs	12	(8,337)	(17,166)
Net finance costs		**(7,047)**	**(16,727)**
Gain on deconsolidation of subsidiary	15	-	41,015
(Loss) income before income tax		**(7,406)**	**17,632**
Income tax expense	13	(1,212)	(1,125)
Net (loss) income for the year		**(8,618)**	**16,507**
Other comprehensive (loss) income			
Items that may be reclassified to profit and loss:			
Gain on currency translation		391	3,924
(Loss) gain on cash flow hedges, net of tax	23	489	(380)
Items that will not be reclassified to profit and loss:			
Actuarial gain of post-employment benefits		77	170
Total other comprehensive income		**957**	**3,714**
Total comprehensive (loss) income for the year		**(7,661)**	**20,221**
(Loss) income attributable to:			
Owners of the parent		(8,878)	19,551
Non-controlling interest	16	260	(3,044)
Total		**(8,618)**	**16,507**
Total comprehensive (loss) income attributable to:			
Owners of the parent		(7,975)	23,295
Non-controlling interest	16	314	(3,074)
Total		**(7,661)**	**20,221**
Basic and diluted (loss) earnings per share from (loss) income for the year	14	**$(0.03)**	**$0.06**

The accompanying notes are an integral part of these consolidated financial statements.
(*) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group. Note 15

Consolidated balance sheet

As at December 31, 2018 and 2017

Expressed in US$'000

	Note	December 31 2018	December 31 2017
Assets			
Non-current assets			
Property, plant and equipment	17	146,594	140,608
Intangible assets	18	13,318	9,725
Deferred income tax assets	13	3,076	2,771
Trade and other receivables	20	588	647
Total non-current assets		**163,576**	**153,751**
Current assets			
Derivative financial instruments	25	-	319
Trade and other receivables	20	14,923	14,862
Cash and cash equivalents (including restricted cash)	19	24,727	43,203
Total current assets		**39,650**	**58,384**
Total assets		**203,226**	**212,135**
Equity			
Attributable to common shareholders			
Share capital	21	111,304	111,304
Contributed surplus	22	13,281	12,538
Other reserves	23	(12,940)	(13,766)
Accumulated deficit		(109,848)	(101,047)
Total attributable to common shareholders		**1,797**	**9,029**
Non-controlling interest	16	**1,132**	**818**
Total equity		**2,929**	**9,847**
Liabilities			
Non-current liabilities			
Borrowings	24	166,760	170,784
Derivative financial instruments	25	8,706	8,788
Provisions	26	5,631	4,620
Other liabilities		2,385	3,323
Total non-current liabilities		**183,482**	**187,515**
Current liabilities			
Trade and other payables	28	3,997	3,493
Current tax liabilities	13	795	535
Borrowings	24	9,847	8,917
Derivative financial instruments	25	1,452	1,444
Other liabilities		724	384
Total current liabilities		**16,815**	**14,773**
Total liabilities		**200,297**	**202,288**
Total equity and liabilities		**203,226**	**212,135**

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

Approved by the Board of Directors:

"Marco Antonio Northland"
Marco A. Northland, CEO and Director

"Aksel Azrac"
Aksel Azrac, Director

Consolidated statement of changes in equity

For the year ended December 31, 2018 and 2017

Expressed in US$'000

		Attributable to owners of the parent						
		Share capital	**Contributed surplus**	**Other reserves**	**Accumulated deficit**	**Total**	**Non-controlling interest**	**Total equity**
Balance at January 1, 2017		**111,304**	**11,989**	**(17,340)**	**(120,768)**	**(14,815)**	**(31,474)**	**(46,289)**
Comprehensive income (loss):								
Income (loss) for the period		-	-	-	19,551	19,551	(3,044)	16,507
Other comprehensive (loss) income:								
Cash flow hedges (net of tax)	**23**	-	-	(326)	-	(326)	(54)	(380)
Currency translation		-	-	3,900	-	3,900	24	3,924
Actuarial gain on post-employment benefits		-	-	-	170	170	-	170
Total comprehensive income (loss)		**-**	**-**	**3,574**	**19,721**	**23,295**	**(3,074)**	**20,221**
Transactions with owners in their capacity as owners:								
Share-based payments	**8/22**	-	549	-	-	549	-	549
Loans conversion	**16**	-	-	-	-	-	17,788	17,788
Deconsolidation of subsidiary	**15**	-	-	-	-	-	17,578	17,578
Balance at December 31, 2017		**111,304**	**12,538**	**(13,766)**	**(101,047)**	**9,029**	**818**	**9,847**
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 period		-	-	-	(8,878)	(8,878)	260	(8,618)
Other comprehensive income (loss):								
Cash flow hedges (net of tax)	**23**	-	-	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	**8/22**	-	743	-	-	743	-	743
Balance at December 31, 2018		**111,304**	**13,281**	**(12,940)**	**(109,848)**	**1,797**	**1,132**	**2,929**

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

Consolidated statement of cash flow

For the year ended December 31, 2018 and 2017

Expressed in US$'000

	Note	2018	2017 (*)
Operating activities:			
Net (loss) income for the year		**(8,618)**	**16,507**
Adjustments for the following non-cash items:			
Depreciation and amortization	7/8	7,912	10,277
Gain on deconsolidation of subsidiary	15	-	(41,015)
Impairment		-	225
Current income tax expense	13	1,248	1,020
Deferred income tax expense	13	(36)	105
Share-based payment expense	8/22	761	566
Interest expense	12	6,203	13,072
Interest expense relating to interest rate swap contracts	12	1,414	1,240
Amortization of transaction costs	12	589	614
Foreign exchange (gain) loss	12	(1,215)	1,911
Fair value changes associated with derivative financial instruments	12	63	(300)
Other expenses (income)		(363)	(534)
Interest income		-	(33)
Sub-total		**7,958**	**3,655**
Changes in working capital:			
Trade and other receivables		2,249	3,632
Trade and other payables		914	(7,603)
Additional termination fee	9	(1,294)	-
Income tax paid		(1,032)	(1,036)
Total cash flow from (used in) operating activities		**8,795**	**(1,352)**
Investing activities:			
Purchases of property, plant and equipment	17	(9,133)	(43,720)
Purchases of intangible assets	18	(6,021)	(1,512)
Proceeds from sale of subsidiary	10	145	-
Proceeds from sale of financial asset	10	64	
Total cash flow used in investing activities		**(14,945)**	**(45,232)**
Financing activities:			
Interest paid	22	(6,206)	(8,054)
Interest relating to interest rate swap contracts		(1,414)	(1,234)
Interest income		-	33
Proceeds from borrowings	24	39,839	48,844
Repayment of borrowings		(44,753)	(15,524)
Contributions from non-controlling interest		119	547
Total cash flow (used in) from financing activities		**(12,415)**	**24,612**
Net (decrease) increase in cash and cash equivalents		**(18,565)**	**(21,972)**
Effect of exchange rate changes on cash and cash equivalents		89	6,585
Cash from deconsolidated subsidiary		-	(2,584)
Cash and cash equivalents (including restricted cash) at the beginning of the year		**43,203**	**61,174**
Cash and cash equivalents (including restricted cash) at the end of the year	19	**24,727**	**43,203**

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

(*) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group. Note 15

02

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

As at and for the year ended December 31, 2018 and 2017

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 1600-925 West Georgia Street, Vancouver, British Columbia V62 3L2, Canada. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm 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.

Effective September 30, 2017, the Group no longer consolidates PV Salvador SpA, the subsidiary that owns the 70 MW Salvador solar power project in Northern Chile. Therefore, the Group's consolidated financial performance for the year ended December 31, 2018, is not fully comparable with the same period in 2017. The Group has not restated previous year's figures because Salvador is still owned by the Group. Note 15

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 12, 2019.

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, 2018. 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 that 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. Certain reclassifications have been made to information from the prior year in order to conform to the current presentation.

(b) GOING CONCERN

The Company's consolidated financial statements for the year ended December 31, 2018, 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, 2018, the Group had cash and cash equivalents of $24.7 million, $9.3 million of which was unrestricted and held at the parent level (December 31, 2017: $43.2 million and $30.4 million, respectively) and working capital of $22.8 million (December 31, 2017: $43.6 million). During 2018, the Group recognized a net loss of $8.6 million (2017 net income: $16.5 million). The Company's management is confident that the Group will be able to fund its working capital requirements for at least twelve months from the date of these consolidated financial statements. These consolidated financial statements for the year ended December 31, 2018, 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 issued and not yet adopted by the Group

The following new standards and amendments, applicable to the Group, available for application and not yet adopted, are as follows:

IFRS 16, Leases: This standard addresses the measurement and recognition of leases which will result in almost all lease contracts being recognized in the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has reviewed all of the Group's leasing arrangements in light of 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 (Note 29).

As at the reporting date, the Group has non-cancellable operating lease commitments of US$ 18.3 million (Note 29). Of these commitments, approximately US$0.3 million relate to short-term and low value office leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets and lease liabilities of approximately $10.5 million on January 1, 2019, (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred tax assets of $3.0 million. Overall net assets will be approximately $3.0 million higher, and net current assets will be $1.0 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net results after tax will decrease by approximately $3.4 million for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately $1.0 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

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

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

New standards and amendments adopted by the Group

IFRS 15, Revenue from contracts with customers: This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 15 assessment: The Group has completed the assessment and full impact of IFRS 15 and has adopted this standard in the accounting period beginning January 1, 2018. Etrion's solar power plants produce electricity, which is measured based on kWh. The selling price of electricity is also calculated with reference to kWh and the single performance obligation is to deliver kWh of electricity produced in the measuring point of the electricity grid. Therefore, revenue is recognized when the performance obligation is satisfied. This occurs when electricity produced is measured by the meters and therefore the Company will use the right to invoice practical expedient as per IFRS 15. The IFRS 15 right to invoice practical expedient method is not different from the Company's accounting policies previously in place.

IFRS 15 transition: The Company has elected to use the modified retrospective method to all contracts with customers. In practice, the IFRS 15 revenue recognition requirements have no effect on timing or amount of revenue and cash flows arising from contracts with customers, because of the fixed-price long term contracts with the power utilities in Japan. The IFRS 15 adoption has no quantitative impact in the Company's financial statements and therefore there is no impact on the accumulated deficit balance.

IFRS 9, Financial Instruments: This standard addresses the classification, measurement and recognition of financial assets and liabilities, replacing IAS 39 Financial Instruments: Recognition and Measurement. Management expects IFRS 9 to affect the Companies' hedge accounting processes and controls. The Group has completed the process of evaluating the impact of the IFRS 9 on the financial statements and on its internal controls and has adopted this standard on January 1, 2018. The new accounting policies based on IFRS 9 are effective from January 1, 2018 and, in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. Etrion has adopted IFRS 9 retrospectively with transition adjustments recognized through equity as at January 1, 2018, except for the hedge accounting provisions of IFRS 9, which were applied prospectively effective January 1, 2018. The adoption of IFRS 9 did not result in any transition adjustments being recognized as at January 1, 2018.

Classification of financial instruments: IFRS 9 introduces a new model for classifying financial assets. The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial assets. The classification and measurement of financial liabilities under IFRS 9 remains the same as in IAS 39 except where an entity has chosen to measure a financial liability at fair value with changes through profit and loss. Etrion identified its financial assets under the scope of IFRS 9 and have run them through the classification principles of the standard in order to assess the contractual cash flow characteristics (SPPI test) and to identify the applicable business model. As a result of this assessment the financial assets of the Company will be classified under amortized costs and fair value through profit and loss.

Impairment of financial assets: IFRS 9 establishes a new model for recognition and measurement of impairments in loans and receivables that are measured at Amortized Cost or FVOCI—the so-called "expected credit losses" model. Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it—from the moment of its origination or acquisition. Etrion's accounts receivables arising from the sale of electricity in Japan have a 30 days payment terms and none of the operating Japanese entities have experience any payment delays since the first invoice was issued. Based on the conclusions of the assessment performed and particularly based on past experience, future expectations and credit rating of the counterparties (Japanese utilities) applying the expected credit losses model did not result in a material provision for impairment losses.

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.

(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.

The Company is applying the equity method to account for its investment in the Chilean solar power subsidiary starting 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 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 €, $ 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 the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Expressed in US$'000 unless otherwise stated

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.

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, 2018	0.0091	1.15	0.73	0.99
December 31, 2017	0.0089	1.20	0.80	1.03
December 31, 2016	0.0085	1.05	0.74	0.97
Average 2018	0.0091	1.18	0.77	1.02
Average 2017	0.0089	1.13	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 in 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 cost of maintenance and repairs are charged to the 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 the profit or loss within other income and expenses.

Depreciation

Depreciation is recognized within operating expenses for operating solar power projects and 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:

	2018	**2017**
Solar power plants - Japan	20 years	20 years
Equipment and furniture	1-5 years	1-5 years

(h) INTANGIBLE ASSETS

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 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.

(i) IMPAIRMENT OF TANGIBLE 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 calculations. In assessing value-in-use calculations, 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 the 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 the 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 amortised 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 either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether 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 derecognised 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:

Amortised 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 amortised 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 recognised directly in profit or loss and presented in other gains and losses together with foreign exchange gains and losses. Impairment losses are presented as 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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised 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 separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised 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 recognised 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 recognised 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.

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 amortised 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 recognised from initial recognition of the receivables

Accounting policies applied until December 31, 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification

The Group classified its financial assets in the following categories: at fair value through profit or loss; loans and receivables; available-for-sale; and held-to-maturity. The classification depended on the purpose for which the financial assets were acquired.

Recognition and measurement

Regular purchases and sales of financial assets were recognized on the trade date. Investments were initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss were initially recognized at fair value and transaction costs were expensed within finance income or costs. Financial assets were derecognized when the rights to receive cash flows from the investments had expired or transferred and the Group had transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss were subsequently carried at fair value, except where the fair value could not be measured reliably in which case the assets were carried at cost less impairment. Loans and receivables and held-to-maturity investments were subsequently carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss were included within finance income or costs in the period in which they arose.

Impairment of financial assets

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets were impaired. Impairment losses were only recognized if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

<u>Assets carried at amortized cost</u>

The Group first assessed whether objective evidence of impairment existed at the end of each reporting period and in the event such evidence, the amount of impairment was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount was reduced and the impairment loss was recognized in the profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. If, in a subsequent period, the fair value of the asset carried at amortized cost increased and the increase could be objectively related to an event occurring after the impairment loss was initially recognized (such as an improvement in the debtor's credit rating), the impairment loss was reversed in the profit or loss.

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 25. Movements on the hedging reserve in other comprehensive income are shown in Note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve 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 the 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 the 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 twelve 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.

(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 the 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 in which development of the relevant asset is complete. All other borrowing costs are recognized in the 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 the 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 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 off take point in accordance 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.

(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 either treasury shares, 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 this 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 adjust 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) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group assesses property, plant and equipment and intangible assets when indicators of impairment exist using value-in-use calculations. The value-in-use calculations are based on the forecasted earnings before interest, tax, depreciation and amortization ("EBITDA") over the expected life of the solar power assets, as derived from the financial models developed by the Company's management to value the projects. The assumptions used are consistent with external sources of information and reflect past experience. These financial models include various assumptions such as future market prices for solar energy, the forecasted rate of inflation to estimate future operating costs and operating variables such as irradiation, degradation and transfer losses estimated by the Group's internal engineers based on historical atmospheric conditions in the areas where the projects are located. The value-in-use calculations used to value the Group's solar power projects are complex and include a wide number of operating and financial variables and assumptions that are subject to change as economic and market conditions vary. At December 31, 2018 and 2017, no impairment was provided in relation to the Group's previously recognized, property, plant and equipment and intangible assets.

(b) 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 verifies 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, 2018, the Group recognized net financial liabilities of $10.2 million (2017: $10.2 million) associated with its derivative financial instruments. Note 25. Refer also to Note 4(c) for a summary of the valuation techniques used by the Group.

(c) 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 the Note 3(a). Any change to the estimates and assumptions used for the key operational and financial variables used within the business models could affect the amount of deferred income tax assets recognized by the Group. At December 31, 2018, the Group recognized $3.1 million (2017: $2.8 million) of net deferred income tax assets. Note 13

(d) DECONSOLIDATED SUBSIDIARIES

Subsidiaries are deconsolidated from the date that control ceases in accordance with IFRS 10, Consolidated Financial Statements. After considering all current material facts and circumstances and the results of the control reassessment exercise, management concludes whether or not subsidiaries within the corporate structure meet the three conditions that are necessary to demonstrate control in accordance with IFRS 10. Whenever a subsidiary no longer meets the three conditions (power, exposure to variable returns and link between power and variable returns) to continue to demonstrate control then it is deconsolidated. During 2017, the Group derecognized its share in the net liabilities of Salvador, resulting in a non-cash extraordinary gain of US$41.0. In addition, the Group derecognized the equity value attributable to non-controlling interests in Salvador of $17.6 million. Note 15

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, 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. In addition, on June 15, 2018, Etrion completed the €40 million senior secured bond issue in the Nordic bond market. 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.

Expressed in US$'000 unless otherwise stated

The following table shows the sensitivity analysis on the profit or loss if interest rates on Euro and 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 income
At December 31, 2018					
Sumitomo Mitsui Trust Bank	138,445	(126)	-	126	-
Derivative financial instruments	10,158	-	1,076	-	(1,092)
Total net impact		**(126)**	**1,076**	**126**	**(1,092)**
At December 31, 2017					
Sumitomo Mitsui Trust Bank	139,013	(93)	-	93	-
Derivative financial instruments	10,232	-	1,178	-	(1,193)
Total net impact		**(93)**	**1,178**	**93**	**(1,193)**

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, Swiss franc and 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	
	2018	2017	2018	2017
¥/$ increase 5% (5%)	1,378	1,121	2, 108	2, 108
¥/$ decrease 5% (5%)	(1,378)	(1,121)	(2,108)	(2,108)
¥/€ increase 5% (5%)	1,690	1,714	-	-
¥/€ decrease 5% (5%)	(1,690)	(1,714)	-	-

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 therefore the Company's management considers, based on the collection experience, 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 due to the fact that 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, 2018, can be assessed by reference to credit ratings from Standard & Poors, if available, as follows:

	2018	2017
AA-	4,466	18,613
A+	3,398	1,379
A	15,400	15,108
BBB+	1,149	6,758
BBB-	-	394
BBB	314	77
Other	-	874
Total cash and cash equivalents	**24,727**	**43,203**

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 24

Expressed in US$'000 unless otherwise stated

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.

	Carrying amount	Contractual amount	Less than 1 year	1 to 5 years	More than 5 years	Total
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**
At December 31, 2017						
Borrowings	179,701	213,439	13,423	79,018	120,998	213,43 9
Interest rate swap contracts, net	10,232	10,232	1,444	5,323	3,465	10,232
Trade and other payables	3,493	3,493	3,493	-	-	3,493
Total financial and non-financial liabilities	**193,426**	**227,164**	**18,360**	**84,341**	**124,463**	**227,164**

(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, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, the Group had no financial instruments classified as Level 3.

	December 31 2018	December 31 2017
Financial assets		
Level 1: Cash and cash equivalents	24,727	43,203
Level 2: Bond call option	-	319
Total Financial assets	**24,727**	**43,522**
Financial liabilities		
Level 2: Borrowings	138,465	139,013
Level 2: Interest rate swaps	10,158	10,232
Total financial liabilities	**148,623**	**149,245**

Expressed in US$'000 unless otherwise stated

5. SEGMENT REPORTING

The Board of Directors considers reportable segments from a geographical perspective and measures performance based on EBITDA and reviews and monitors performance of the Group on this basis. While the Company's management has determined that the Company has only two reportable segments, 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:

	2018	2017
TEPCO	4,242	4,150
HOKURIKU	12,474	11,173
TOHOKU	2,784	-
TOTAL	**19,500**	**15,323**

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

	2018			2017			
	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Revenue	**19,500**	**-**	**19,500**	**6,525**	**15,323**	**-**	**21,848**
Operating expenses	(5,159)	-	(5,159)	(5,389)	(3,974)	-	(9,363)
General and administrative	(296)	(5,674)	(5,970)	(269)	(251)	(8,653)	(9,173)
Additional termination fee	-	(1,294)	(1,294)	-	-	-	-
Other income (expense)	602	(126)	476	(6)	576	(36)	534
EBITDA	**14,647**	**(7,094)**	**7,553**	**861**	**11,674**	**(8,689)**	**3,846**
Gain on deconsolidation of subsidiary	-	-	-	-	-	41,015	41,015
Impairment	-	-	-	-	(18)	(207)	(225)
Depreciation and amortization	(7,754)	(158)	(7,912)	(4,034)	(6,059)	(184)	(10,277)
Finance income	73	1,217	1,290	28	92	319	439
Finance costs	(3,827)	(4,510)	(8,337)	(7,822)	(3,159)	(6,185)	(17,166)
Income (loss) before income tax	**3,139**	**(10,545)**	**(7,406)**	**(10,967)**	**2,530**	**26,069**	**17,632**
Income tax expense	(622)	(590)	(1,212)	-	(403)	(722)	(1,125)
Net income (loss) for the period	**2,517**	**(11,135)**	**(8,618)**	**(10,967)**	**2,127**	**25,347**	**16,507**

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

	December 31, 2018			December 31, 2017		
	Solar Japan	Corporate	Total	Solar Japan	Corporate	Total
Property, plant and equipment	146,529	65	146,594	140,563	45	140,608
Intangible assets	8,411	4,907	13,318	5,327	4,398	9,725
Cash and cash equivalents	15,399	9,328	24,727	12,818	30,385	43,203
Other assets	8,504	10,083	18,587	8,747	9,852	18,599
Total assets	**178,843**	**24,383**	**203,226**	**167,455**	**44,680**	**212,135**
Borrowings	138,465	38,142	176,607	139,013	40,688	179,701
Trade and other payables	1,244	2,753	3,997	1,460	2,033	3,493
Other liabilities	18,653	1,040	19,693	17,603	1,491	19,094
Total liabilities	**158,362**	**41,935**	**200,297**	**158,076**	**44,212**	**202,288**

Notes to the consolidated financial statements

As at and for the year ended December 31, 2018 and 2017

Expressed in US$'000 unless otherwise stated

6. REVENUE

	2018	2017(*)
Feed-in Tariff ("FiT")	19,500	15,323
Spot market price	-	727
PPA agreement	-	4,838
Other utility income	-	960
Total Revenue	**19,500**	**21,848**

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. Spot market price, PPA agreement and other utility income refers to revenue items from the Chilean subsidiary deconsolidated in 2017 (Note 15). Solar-related production is subject to seasonality over the year due to the variability of daily sun hours in the summer months versus the winter months.

7. OPERATING EXPENSES

	2018	2017 (*)
Operating and maintenance ("O&M")	1,068	2,303
Purchased power	-	2,013
Personnel costs	989	1,209
Depreciation and amortization ("D&A")	7,754	10,093
Property tax	1,203	1,030
Insurance	303	448
Land lease	980	940
Transmission costs	-	899
Other expenses	616	521
Total Operating expenses	**12,913**	**19,456**

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. Purchased power and transmission costs refers to expense items from the Chilean subsidiary deconsolidated in 2017 (Note 15). Depreciation and amortization relate to the Group's operating solar power projects producing electricity during the period.

8. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017(*)
Salaries and benefits	2,890	3,707
Pension costs	98	114
Board of directors' fees	272	276
Share-based payments	761	566
Professional fees	831	2,298
Listing and marketing	289	636
D&A	158	184
Office lease	305	271
Office, travel and other	524	916
Write-off guarantees	-	389
Total General and administrative	**6,128**	**9,357**

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. IMPAIRMENT

During 2017, the Company impaired capitalized development costs of $0.2 million (2016: $0.3 million) associated with development activities of Japanese projects. During 2018, the Company did not identified indicators of impairment related to its solar producing assets or development pipeline.

11. OTHER INCOME (EXPENSE)

	2018	2017(*)
Net gain on insurance reimbursement	602	-
Gain on sale of subsidiary	209	-
VAT and other reimbursements	112	677
Development costs	(388)	-
Other expenses	(59)	(143)
Total Other income	**476**	**534**

During 2018, the Company recognized a net gain of $0.6 million from the excess of insurance reimbursements with respect to the actual costs of repair works. In addition, during 2018 the Company recognized $0.2 million gain from a disposed dormant subsidiary.

(*) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group. Note 15

Expressed in US$'000 unless otherwise stated

12. FINANCE INCOME AND COSTS

	2018	2017(*)
Finance income:		
Foreign exchange gain	1,215	-
Other finance income	7	33
Corporate bond call option	-	319
Ineffective portion cash flow hedges	68	87
Total finance income	**1,290**	**439**
Finance costs:		
Credit facilities and non-recourse loans Note 24	1,992	9,606
Interest rate swap contracts	1,414	1,240
Corporate bond Note 24/31	3,264	3,525
Credit facility with non-controlling interest	244	267
Amortization of transaction costs	604	668
Corporate bond call option	131	-
Ineffective portion cash flow hedges	-	106
Foreign exchange loss	-	1,911
Other finance costs	839	222
Total finance costs before deducting amounts capitalized	**8,488**	**17,545**
Amounts capitalized on qualifying assets Note 17	(151)	(379)
Total finance costs	**8,337**	**17,166**
Net finance costs	**7,047**	**16,727**

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 24 and Note 25 for further details on the Group's credit facilities and derivative financial instruments. Applicable borrowing costs have been capitalized as assets under construction within property, plant and equipment. Note 17

During 2017, the Group recognized finance income of $0.3 million associated with the fair value of the corporate bond call option, which is considered an embedded derivative in the debt contract and deemed to be in-the-money as of the end of 2017. Note 25

In addition, during 2018, the Group recognized $1.2 million of foreign exchange gain (2017: foreign exchange loss $1.9 million) mainly associated with intragroup loans denominated in foreign currencies.

(*) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group. Note 15

Expressed in US$'000 unless otherwise stated

13. INCOME TAXES

(a) INCOME TAX EXPENSE

	2018	2017(*)
Income tax expense:		
Corporate income tax	1,248	1,020
Deferred tax (recovery) expense	(36)	105
Total income tax expense	**1,212**	**1,125**

The Group recognized a current income tax expense of $0.6 million (2017: $0.3 million) associated with its solar power projects in Japan, and an income tax expense of $0.6 million (2017: $0.7 million) associated with its holding and management services subsidiaries. In addition, the Group recognized a deferred income tax recovery of $36 thousand (2017 deferred income tax expense: $0.1 million) 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:

	2018	2017(*)
Profit (loss) before tax from continuing operations	**(7,406)**	**17,362**
Income tax expense calculated at 26% (2017: 26%)	(1,926)	4,514
Tax effects of:		
Permanent differences	809	1,812
Non-taxable income	(140)	(10,254)
Tax losses not recognized	2,357	4,299
Differences in foreign tax rates	158	667
Other	(46)	87
Total income tax expense	**1,212**	**1,125**

(b) CURRENT INCOME TAX LIABILITIES

	December 31 2018	December 31 2017
Corporate income tax	795	535
Total current income tax liabilities	**795**	**535**

(*) 2017 comparative figures include the financial performance of the Company's Chilean subsidiary, PV Salvador SpA, which is no longer consolidated with the Group. Note 15

Expressed in US$'000 unless otherwise stated

(c) DEFERRED INCOME TAX

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**

The movements in deferred income tax assets and liabilities during 2017 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	-	-	76
Derivative financial instruments	2,534	(21)	(49)	121	2,585
Provisions	297	139	(60)	16	392
Intangible assets	17	(10)	-	-	7
Total deferred income tax asset	**2,848**	**184**	**(109)**	**137**	**3,060**
Taxable temporary differences:					
Intangible assets	-	289	-	-	289
Total deferred income tax liability	**-**	**289**	**-**	**-**	**289**
Net deferred income tax asset	**2,848**	**(105)**	**(109)**	**137**	**2,771**

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, 2018, deferred income tax assets and liabilities of $3.6 million and $0.5 million, respectively (2017: $3.1 million and $0.3 million, respectively) were expected to be recovered more than twelve months after the balance sheet date. At December 31, 2018, the Group had unrecognized deferred income tax assets in respect of tax losses associated with Canada, Chile, Japan and Luxembourg of $188.4 million (2017: $183.7 million), of which $3.4 million (2017: $3.3 million) expires between one and ten years, $40.0 million (2017: $35.7 million) expires between ten and twenty years and $145.0 million (2017: $144.6 million) has no expiry. In addition, during 2018, the Group recognized an income tax expense of $0.1 million (2017: $0.1 million) within other comprehensive income associated with its derivative financial instruments. Note 25

14. (LOSS) EARNING 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:

	2018	2017(*)
Total (loss) income for the year attributable to common shareholders	(8,878)	19,551
Weighted average number of thousand shares outstanding	334,094	334,094
Total basic and diluted (loss) earnings per share	**$(0.03)**	**$0.06**

Diluted loss per share equals basic loss per share, as there is no dilutive effect from the existing RSUs, since the performance conditions have not been satisfied and are out-of-the-money. Note 22

15. DECONSOLIDATION OF SUBSIDIARY

On September 30, 2017 the Group concluded that in accordance with IFRS it no longer had control of Salvador, the 70%-owned subsidiary that owns the licenses and rights to operate the 70 MW solar power project in Northern Chile ("Project Salvador"). As a result of the deemed loss of control the Group no longer consolidates Salvador's financial position and performance from September 30, 2017. The Group derecognized its share in the net liabilities of Salvador, resulting in a non-cash extraordinary gain of US$41.0 milliob. In addition, the Group derecognized the equity value attributable to non-controlling interests in Salvador of $17.6 million. The financial position below was used as the basis for calculating the net gain on deconsolidation:

PV Salvador SpA **September 30, 2017**	**$ thousands**
Assets	
Property, plant and equipment	84,259
Intangibles	6,959
Trade receivables and other assets	3,577
Cash	2,584
Total assets	**97,379**
Liabilities	
Borrowings	154,015
Trade payables and other	1,957
Total liabilities	155,972
Net liabilities	**58,593**
Non-Controlling Interest share in net liabilities	17,578
Etrion share in net liabilities	41,015
Etrion share in net liabilities	41,015
Fair value of retained investment in Salvador	-
Gain on deconsolidation of subsidiary	**41,015**

16. NON-CONTROLLING INTERESTS

The Group's subsidiaries in which there is a non-controlling interest ("NCI") are Shizukuishi Solar GK ("Shizukuishi"), Etrion Energy 1 GK ("Mito"), Etrion Energy 4 GK ("Komatsu"), Etrion Energy 5 GK ("Misawa"), all together the "Japanese entities." 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. Mito and Shizukuishi are owned 87% by Etrion and 13% by Hitachi High-Tech ("HHT"). Komatsu is owned 85.1% by Etrion, 14.9% by HHT. Misawa is owned 60% by Etrion, 10% by HHT and 30% by Tamagawa Holdings, a Japanese real state and solar power developer. The construction of the Komatsu project site finished in May 2018 and became fully operational. The non-controlling interest at December 31, 2018, of $1.1 million (December 31, 2017: $0.8 million), represents the value attributable to non-controlling interests in the Japanese project companies. There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Japanese project companies, other than those imposed by the lending banks related to cash distributions.

Expressed in US$'000 unless otherwise stated

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	December 31, 2018			December 31, 2017		
	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)	1,730	(2,606)	(876)
Mito	1,036	1,321	2,357	663	781	1,444
Misawa	866	903	1,769	2,652	(1,028)	1,624
Komatsu	2,121	(654)	1,467	2,374	(1,739)	635
Total net assets (liabilities)	**7,114**	**(2,286)**	**4,828**	**7,419**	**(4,592)**	**2,827**

Changes in the net assets (liabilities) position over time of the subsidiaries above are mainly driven by, the ability of accumulating positive operating results and, changes in the fair value of derivatives instruments (i.e. interest rate swaps). The summarized income statement for the Japanese entities including the portion allocated to NCI for the year ended December 31, is as follows:

	2018			2017		
	(Loss) income for the period	**Comprehensive income for the period**	**Comprehensive income allocated to NCI**	**(Loss) income for the period**	**Comprehensive (loss) income for the period**	**Comprehensive (loss) income allocated to NCI**
Shizukuishi	(179)	111	15	283	703	92
Mito	779	913	119	606	777	101
Misawa	220	145	57	379	438	175
Komatsu	633	832	123	(147)	(1,239)	(185)
Salvador	-	-	-	(10,967)	(10,967)	(3,290)
Total	**1,453**	**2,001**	**314**	**(9,846)**	**(10,288)**	**(3,107)**

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

	Shizukuishi	**Mito**	**Komatsu**	**Misawa**	**Total**
As at December 31, 2017	**(116)**	**189**	**95**	**650**	**818**
Net (loss) income attributable to non-controlling interest	(24)	102	94	88	260
Other comprehensive income attributable to non-controlling interest	39	16	30	(31)	54
As at December 31, 2018	**(101)**	**307**	**219**	**707**	**1,132**
Interest held by third parties	13%	13%	15%	40%	

On January 13, 2017, Salvador signed an agreement whereby the shareholders waived the outstanding balance of the shareholders loans and accumulated interest of $65.1 million and converted to share capital ($19.5 million attributable to the 30% non-controlling interests). In addition, as of September 30, 2017, the Group completed a control reassessment and derecognized the carrying amount of the 30% non-controlling interest in Salvador of approximately US$17.6 million.

Notes to the consolidated financial statements

As at and for the year ended December 31, 2018 and 2017

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17. PROPERTY, PLANT AND EQUIPMENT

	Land	Solar power projects	Assets under construction	Other PPE	Total
Cost:					
At January 1, 2017	**2,577**	**189,929**	**12,210**	**4,187**	**208,903**
Additions	-	346	39,586	114	40,046
Deconsolidation of subsidiary Note 15	-	(103,457)	-	(1,000)	(104,457)
Disposal	-	-	-	(256)	(256)
Reclassification	44	23,079	(23,123)	-	-
Exchange differences	52	3,367	482	818	4,719
At December 31, 2017	**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**
Accumulated depreciation:					
At January 31, 2017	**-**	**18,374**	**-**	**930**	**19,304**
Depreciation	-	9,115	-	62	9,177
Deconsolidation of subsidiary Note 15	-	(20,099)	-	(99)	(20,198)
Disposals	-	-	-	(62)	(62)
Exchange differences	-	579	-	(453)	126
At December 31, 2017	**-**	**7,969**	**-**	**378**	**8,347**
Depreciation	-	6,914	-	240	7,154
Disposals	-	-	-	(18)	(18)
Exchange differences	-	210	-	6	216
At December 31, 2018	**-**	**15,093**	**-**	**606**	**15,699**
Net book value:					
At December 31, 2017	2,673	105,295	29,155	3,485	140,608
At December 31, 2018	**8,049**	**134,036**	**-**	**4,509**	**146,594**

During 2018, the Group capitalized as assets under construction $2.9 million (2017: $39.2 million) of incurred capital expenditures associated with the solar projects construction activity in Japan. In addition, during 2018, the Group capitalized $0.2 million (2017: $0.4 million) of borrowing costs associated with credit facilities obtained to finance the construction of the Komatsu solar power project. Note 12 and Note 24. In May 2018, the Group's 13.2 MW Japanese solar power project (Komatsu) achieved commercial operation date 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 (Note 26).

As of September 30, 2017, the Group completed a control reassessment and derecognized the net carrying amount of the Salvador solar power plant and asset retirement obligation of US$84 million. Note 15

Expressed in US$'000 unless otherwise stated

18. INTANGIBLE ASSETS

	Licenses and permits	Internally generated development costs and other	Total
Cost:			
At January 1, 2017	**15,751**	**4,294**	**20,045**
Additions	184	1,328	1,512
Deconsolidation of subsidiary Note 15	(9,330)	-	(9,330)
Impairment	-	(225)	(225)
Exchange differences	301	465	766
At December 31, 2017	**6,906**	**5,862**	**12,768**
Additions	-	6,021	6,021
Reclassification to trade receivables	-	(1,801)	(1,801)
Exchange differences	155	(26)	129
At December 31, 2018	**7,061**	**10,056**	**17,117**
Accumulated amortization:			
At January 1, 2017	**2,984**	**1,182**	**4,166**
Amortization	927	151	1,078
Deconsolidation of subsidiary Note 15	(2,371)	-	(2,371)
Exchange differences	39	131	170
At December 31, 2017	**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**
Net book value:			
At December 31, 2017	5,327	4,398	9,725
At December 31, 2018	**4,806**	**8,512**	**13,318**

During 2018, general and administrative expenses of $6.0 million (2017: $1.3 million) representing internally-generated costs of $1.4 million (2017: $1.2 million) and third-party costs of $4.6 million (2017: $0.1 million) were capitalized during the year within intangible assets as they directly related to the Group's development activities in Japan. As of September 30, 2017, the Group completed a control reassessment and derecognized the net carrying amount of the Salvador licenses and permits of US$7.0 million. Note 15

Expressed in US$'000 unless otherwise stated

19. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents (including restricted cash) are held in banks in Canada, Luxembourg, Switzerland, United States and Japan with high and medium grade credit ratings assigned by international credit agencies (Note 4). The fair value of cash and cash equivalents approximates their carrying value due to short maturities.

	December 31 2018	December 31 2017
Unrestricted cash at parent level	9,328	30,385
Restricted cash at project level	15,399	12,818
Total	**24,727**	**43,203**

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.

20. TRADE AND OTHER RECEIVABLES

	December 31 2018	December 31 2017
Current portion:		
Financial assets		
- Trade receivables	1,544	881
- Other financial assets	-	60
Total financial assets Note 30	**1,544**	**941**
VAT account receivables	3,310	4,689
Advances paid and prepaid expenses	1,644	1,196
Other current assets	8,425	8,036
Total current portion	**14,923**	**14,862**
Non-current portion:		
VAT account receivables	45	66
Advances and prepaid expenses	543	581
Total non-current portion	**588**	**647**
Total trade and other receivables	**15,511**	**15,509**

As of December 31, 2018, other current assets included accounts receivables from local Japanese developers in the amount of $8.1 million (2017: $5.6 million) Note 34. An aging analysis of the Group's trade receivables is as follows:

	December 31 2018	December 31 2017
Up to three months	1,544	881
Total trade and other receivables	**1,544**	**881**

At December 31, 2018, trade receivables of $1.5 million (2017:$0.9 million) were past due but not impaired, of which $1.5 million (2017:$0.9 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 2018	December 31 2017
Japanese yen	14,301	14,326
Euros	549	581
US dollars	254	60
Canadian dollars	73	118
Swiss francs	334	424
Total trade and other receivables	**15,511**	**15,509**

Expressed in US$'000 unless otherwise stated

21. SHARE CAPITAL

The Company has authorized capital consisting of an unlimited number of common shares, of which : 334,094,324 are issued and outstanding at December 31, 2018 (December 31, 2017: 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, and entitle shareholders to receive dividends as and when declared by the Board of Directors. No dividends were declared during the years ended December 31, 2018 and 2017.

22. SHARE-BASED PAYMENTS

The Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, directors and officers. RSUs have a contractual term of approximately four years and have time-based and performance-based vesting conditions that are market and non-market based. During 2018, the Group recognized share-based payment expenses of $0.8 million (2017: $0.6 million) related to its RSUs scheme. Note 8

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

	Number of RSUs
At December 31, 2016	**30,018,607**
Granted	4,000,000
Forfeited	(8,983,194)
Exercised	(115,980)
Expired	(2,495,000)
At December 31, 2017	**22,424,433**
Forfeited	(250,000)
Expired	(6,599,727)
Exercised	(83,000)
At December 31, 2018	**15,491,706**

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, 2017, is as follows:

Performance condition	RSUs outstanding	Expiry date	Contractual life (years)
Time-based	241,706	31 December, 2019	1.00
Market	11,250,000	31 December, 2020	2.00
Market	4,000,000	31 December, 2020	2.00
	15,491,706		

As of December 31, 2018, a total of 241,706 RSUs were outstanding and exercisable (2017: nil). The assumptions used in the calculation of the adjusted share price for the RSUs granted in 2017 were as follows:

	2017
Share price at grant date	CAD$0.23
Exercise price	CAD$0.00
Risk-free interest rate	1.49%
Expected volatility	56.00%
Dividend yield rate	0.00%
Contractual life of RSUs	4 years
Fair value at grant date	**CAD$0.04**

In addition, the Company maintained an equity-settled stock option awards scheme for employees, consultants, directors and officers. All outstanding stock options had a contractual term ranging from five to ten years and generally vested over a period of three years with the exercise price set equal to the market price at the date of grant. In April 2018, the Company's outstanding stock options totalling 150,000 at an exercise price of CAD$1.59 expired unexercised.

Expressed in US$'000 unless otherwise stated

23. OTHER RESERVES

	Translation reserve	Hedging reserve	Transactions with non-controlling interest	Total
January 1, 2017	**(4,728)**	**(12,655)**	**43**	**(17,340)**
Currency translation difference:				
- Gain on translation adjustment	3,900	-	-	3,900
Cash flow hedges:				
- Loss on fair value movements	-	(200)	-	(200)
- Tax on loss on fair value movements	-	(90)	-	(90)
- Ineffective portion of fair value movements to profit or loss	-	(57)	-	(57)
- Tax on ineffective portion of fair value movements to profit or loss	-	21	-	21
At December 31, 2017	**(828)**	**(12,981)**	**43**	**(13,766)**
Currency translation difference:				
- Gain on translation adjustment	376		-	376
Cash flow hedges:				
- Loss on fair value movements	-	289	-	289
- Tax on loss 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)**

Translation reserve

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations 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, 2018 and 2017, all of the Group's interest rate swap contracts qualified for hedge accounting.

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24. BORROWINGS

	Corporate bond	Project loans	Total
At January 1, 2017	**42,108**	**242,669**	**284,777**
Proceeds from loans	-	48,844	48,844
Repayment of loans and interest	(10,978)	(12,667)	(23,645)
Deconsolidation of subsidiary Note 15	-	(154,015)	(154,015)
Accrued interest	3,525	9,606	13,131
Amortization of transaction costs	386	175	561
Exchange differences	5,647	4,401	10,048
At December 31, 2017	**40,688**	**139,013**	**179,701**
- Current portion	**605**	**8,312**	**8,917**
- Non-current portion	**40,083**	**130,701**	**170,784**
At January 1, 2018	**40,688**	**139,013**	**179,701**
Proceeds from loans	34,986	4,853	39,839
Repayment of principal 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 difference	(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**

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

	December 31 2018	December 31 2017
Less than 1 year	9,847	8,917
Between 1 and 5 years	69,163	69,812
After 5 years	97,597	102,975
Total borrowings	**176,607**	**181,704**

CORPORATE BORROWINGS

On June 15, 2018, Etrion completed the €40 million ($46.4 million) senior secured bond issue (the "New Bonds") in the Nordic bond market. The New Bonds have an annual interest rate of 7.25% and a bullet maturity in May 2021. The Company has listed the New Bonds on the Frankfurt Stock Exchange Open Market and also in the Oslo Stock Exchange. The Company's holding of €6.3 million in the Company's currently outstanding bonds have been rolled-over into the New Bonds, which is included in the issued amount, and can be sold at a later date if additional funding is required.

In addition, on June 15, 2018, Etrion cancelled €2.8 million of the previously issued corporate bond to bondholders that accepted to roll-over into the New Bonds.

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) using the net proceeds from Etrion's recently issued €40 million of senior secured bonds.

At December 31, 2018 and 2017, the Group was not in breach of any of the imposed operational and financial covenants associated with its corporate borrowings.

Expressed in US$'000 unless otherwise stated

The New Bonds agreement includes a call option that allows the Company to redeem the bond early (in its entirety) at any time at a specified percentage over the par value. At December 31, 2018, no separate amount was recognised in relation to this call option as it was deemed to be out of-the-money.

At December 31, 2018, the Group had €33.7 million (net of the Company's holdings of €6.3 million) of the new corporate bonds outstanding. The carrying amount of the new corporate bonds as at December 31, 2018, including accrued interest net of transaction costs, was $38.1 million (December 31, 2017: $nil). The corporate bond agreement requires the Company to maintain a minimum unrestricted cash balance of €3 million. At December 31, 2018, the fair value of the new corporate bond amounted to $38.1 million (2017: nil).

NON-RECOURSE PROJECT LOANS

Japanese subsidiaries

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 an interest rate ranging from 1.72% to 3.13% all-in. At December 31, 2018 and 2017, 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, 2018, and December 31, 2017.

During 2018, the Group's Japanese subsidiaries with solar power projects under construction drew down a total of ¥491 million ($4.6 million) and ¥35 million ($0.3 million) under the senior financing agreements and under the VAT credit facility, respectively (2017: ¥5,113 million ($45.5 million) and ¥423 million ($3.8 million), respectively). At December 31, 2018, the combined undrawn gross amount under all the Japanese credit facilities amounted to ¥nil (2017: ¥525 million ($4.6 million)). At December 31, 2018, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. 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 do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates. 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, 2018, was $146.5 million (2017: $140.6 million).

At December 31, 2018 and 2017, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31 2018	December 31 2017
Derivative financial assets:		
Corporate bond call option	-	319
Total derivative financial assets	**-**	**319**
Derivative financial liabilities:		
Interest rate swap contracts		
- Current portion	1,452	1,444
- Non-current portion	8,706	8,788
Total derivative financial liabilities	**10,158**	**10,232**

Corporate bond call option

During the year ended December 31, 2018, the Group recognized a fair value loss of $0.1 million, associated with the change in the fair value of the previous corporate bond call option. Note 12

Interest rate swap contracts

The Group enters into interest rate swap contracts in order to hedge against the risk of variations in the Group's cash flows as a result of floating interest rates on its non-recourse project loans in Japan. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity as per the interest rate swap contracts, the observable TIBOR interest rate forward yield curves and an appropriate discount factor. At December 31, 2018, 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, 2018, the Group recognized a net fair value gain of $0.5 million (2017 net fair value loss of $0.4 million).

At December 31, 2018, the notional amount of the Group's interest rate swap contracts was $123.6 million (2017: $123.5 million), which was denominated in Japanese yen.

At December 31, 2018, and 2017, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is recorded in to finance income/costs.

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26. PROVISIONS AND OTHER LIABILITIES

The movement of provisions over the year is as follows:

	Site restoration	Pension plan	Total
At January 1, 2017	**4,494**	**1,124**	**5,618**
Additions	-	114	114
Change in estimate	84	(229)	(145)
Unwinding of discount	52	-	52
Deconsolidation of subsidiaries	(1,107)	-	(1,107)
Utilization	-	(134)	(134)
Exchange differences	162	60	222
At December 31, 2017	**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**

(a) DECOMMISSIONING AND SITE RESTORATION

The Group has legal and constructive obligation to complete the landfill 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:

	2018	2017
Discount rate	0.5%	0.5%
Inflation rate	1.0%	1.0%
Weighted average expected remaining life of solar power plant	18 years	19 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.

The Group's other liabilities as at December 31, 2018 and 2017 are as follows:

	December 31 2018	December 31 2017
Deferred income	60	163
Contributions from NCI	3,049	3,544
Total other liabilities	**3,109**	**3,707**
Non-current	**724**	**3,323**
Current	**2,385**	**384**

(b) CONTRIBUTIONS FROM NON-CONTROLLING INTEREST

In accordance with the shareholder agreements between Etrion and its partners in Japan, total project costs for the solar power plants are financed through a combination of non-recourse project debt and equity. The equity is funded by Etrion and its partners based on their respective ownership interests. During 2018, $0.1 million were contributed by non-controlling interests under the existing shareholder loan agreements (2017: $0.5 million). These shareholder loans have a fixed annual interest rate of 8% for the Japanese entities. Contributions from non-controlling interest in the form of shareholder loans qualify as financial liabilities and have been accounted for using the amortised cost method based on the effective interest rate method. The fair value of the shareholder loans equal their carrying amount, as the impact of discounting is not significant given their fixed-rate terms. The fair values are based on cash flows discounted using an average rate of 8% for the Japanese entities and are within level 2 of the fair value hierarchy.

27. RETIREMENT OBLIGATIONS

The Group operates a defined benefit pension plan in Switzerland that is managed through a private fund. At December 31, 2018, the Group recognized $0.1 million within other comprehensive loss associated with actuarial gains (2017: $0.2 million).The amount recognized in the balance sheet associated with the Group's Swiss pension plan is as follows:

	December 31 2018	December 31 2017
Present value of funded obligations	2,507	2,565
Fair value of plan assets	(1,762)	(1,630)
Net liability position	**745**	**935**

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

	2018	2017
Defined benefit obligation at the beginning	**2,538**	**2,784**
Current service cost	120	134
Employee contributions	92	76
Interest cost	18	17
Past service cost	(28)	(27)
Benefits paid	(106)	(353)
Remeasurement loss	(128)	(215)
Exchange differences	1	149
Defined benefit obligation at the end	**2,507**	**2,565**

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:

	2018	2017
Fair value of plan assets at the beginning	**1,613**	**1,660**
Interest income on plan assets	11	10
Return on plan assets (excluding interest)	(8)	14
Employer contributions	160	134
Employee contributions	92	76
Benefits paid	(106)	(353)
Foreign exchange	(1)	89
Fair value of plan assets at the end	**1,762**	**1,630**

The plan assets comprise the following:

	2018		2017	
	%	$'000	%	$'000
Cash and cash equivalents	7.9%	139	8.3%	135
Fixed interest rate instruments	42.9%	756	42.4%	691
Equity instruments	34.7%	611	34.5%	562
Real estate	14.6%	257	14.8%	242
Total fair value of plan assets		**1,762**		**1,630**

Investments are well diversified such that failure of any single investment would not have a material impact on the overall level of assets. All investment instruments are not quoted in active markets. No asset-liability strategy was performed in the years ended December 31, 2018 and 2017. The amount recognized in the income statement associated with the Group's pension plan is as follows:

	2018	2017
Current service cost	120	134
Interest expense on defined benefit obligation	18	17
Interest income on plan assets	(10)	(10)
Past service cost	(28)	(27)
Total expense recognized	**98**	**114**

The expense associated with the Group's pension plan of $0.2 million (2017: $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:

	2018	2017
Discount rate	0.8%	0.7%
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 2019 are expected to total $0.2 million.

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

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7.4%	Increase by 8.5%
Salary growth rate	0.5%	Increase by 0.5%	Decrease by 0.5%
Life expectancy	1 year	Increase by 1.7%	Decrease by 1.8%

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.

28. TRADE AND OTHER PAYABLES

	December 31 2018	December 31 2017
Financial liabilities		
Trade payables	449	285
Total financial liabilities	**449**	**285**
Accrued expenses	2,274	2,496
Other trade and other payables	1,274	712
Total trade and other payables	**3,997**	**3,493**

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.

The currencies of the Group's trade and other payables are as follows:

	December 31 2018	December 31 2017
Japanese yen	2,314	2,106
Euros	45	30
US dollars	85	100
Canadian dollars	521	541
Swiss francs	1,032	716
Total trade and other receivables	**3,997**	**3,493**

29. OPERATING LEASES

The Group has operating leases for land associated with its solar power projects in Japan and for its offices in Tokyo and Geneva. The minimum lease payments associated with the Group's operating leases are as follows:

	December 31 2018	December 31 2017
Next year	1,287	1,186
Years 2 through 5	4,053	3,972
Beyond 5 years	13,023	13,756
Total minimum payments	**18,364**	**18,914**

During 2018, the Group recognized $1.3 million (2017: $1.4 million) of operating lease expenses, of which $1.0 million (2017: $1.0 million) related to land leases included within operating expenses and $0.3 million (2017: $0.4 million) related to office leases included within general and administrative expenses. Note 7 and Note 8. The Group had no finance leases at December 31, 2018 and 2017. As of January 1, 2018, the Group adopted IFRS 16. Note 2(c)

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30. FINANCIAL ASSETS AND LIABILITIES

	December 31, 2018			December 31, 2017		
	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						
Derivative financial instruments	-	-	**-**	-	319	**319**
Trade and other receivables	1,544	-	**1,544**	941	-	**941**
Cash and cash equivalents	24,727	-	**24,727**	43,203	-	**43,203**
Total financial assets	**26,271**	**-**	**26,271**	**44,144**	**319**	**44,463**

	December 31, 2018			December 31, 2017		
	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	166,760	-	**166,760**	170,784	-	**170,784**
Derivative financial instruments	-	8,706	**8,706**	-	8,788	**8,788**
Total non-current	**165,760**	**8,706**	**175,466**	**170,784**	**8,788**	**179,572**
Current						
Trade and other payables	449	-	449	285	-	**285**
Borrowings	9,847	-	**9,847**	8,917	-	**8,917**
Derivative financial instruments	-	1,452	**1,452**	-	1,444	**1,444**
Total current	**10,296**	**1,452**	**11,748**	**9,202**	**1,444**	**10,646**
Total financial liabilities	**176,056**	**10,158**	**187,214**	**179,986**	**10,232**	**190,218**

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31. RELATED PARTIES

For the purposes of preparing the Company's consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which collectively owns through various trusts approximately 36% of the Company's common shares (2017: 24.3%).

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, 2018, and 2017, the Group entered into the following transactions with related parties:

	2018	2017
General and administrative expenses:		
Lundin Services BV	-	8
Lundin Petroleum AB	27	19
Lundin SA	142	124
Finance costs:		
Lundin family:		
- Interest expense	159	560
- Transaction costs	17	48
Total transactions with related parties	**345**	**759**

Amounts outstanding to related parties at December 31, 2018 and 2017 are as follows:

	December 31 2018	December 31 2017
Current liabilities:		
Lundin Services BV:		
General and administrative expenses	-	1
Lundin family share in corporate bond	9	17
Total current financial liabilities	9	18
Non-current financial liabilities:		
Lundin family share in corporate bond	3,303	466
Total non-current liabilities	**3,303**	**466**
Total transactions with related parties	**3,312**	**484**

There were no amounts outstanding from related parties at December 31, 2018 and 2017.

There were no amounts outstanding from key management personnel at December 31, 2018 and 2017.

Lundin Services BV

The Group receives professional services from Lundin 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 new corporate bond issue completed in June 2018. As at December 31, 2018, the total corporate bonds held by the Lundin family amounted to €3.0 million.

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 2018, the Group invoiced asset management services of $0.8 million (2017: $0.6 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:

	2018	2017
Salaries and benefits	1,017	956
Pension costs and other social contributions	156	154
Termination benefits	-	236
Board of Directors	150	150
Share-based payment	383	582
Total	**1,706**	**2,078**

Amounts outstanding to key management personnel at December 31, 2018 and 2017 are as follows:

	2018	2017
Termination benefits	-	236
Other (bonus and pension costs)	311	148
Total	**311**	**384**

32. COMMITMENTS

Contractual 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, 2018, the Group had no contractual obligation in less than one year to acquire construction services (2017: $3.0 million related to the construction of the 13.2 MW Komatsu solar power projects in Japan). The Group also has contractual commitments associated with its lease contracts Note 29.

33. CONTINGENCIES

On August 10, 2015, the Group received a litigation notice from a former employee alleging unreconciled labor-related differences. The Company's directors believe the claim is without merit, and the Group intends to vigorously defend itself. Given the current stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation and has not included a provision for liability under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in these consolidated financial statements.

34. SUBSEQUENT EVENTS

On January 30, 2019, the Company collected ¥260 million ($2.4 million) associated with the sale of the rights of the Brownfield Tk-1, 45 MW Kumamoto solar park project. Note 20