

## PRESS RELEASE

**Etrion Releases 2015 Results and 2016 Guidance**

March 16, 2016, Geneva, Switzerland – Etrion Corporation (“Etrion” or the “Company”) (TSX: ETX) (OMX: ETX), a solar independent power producer, today released its annual consolidated financial statements, related management’s discussion and analysis (“MD&A”) and annual information form (“AIF”) for the year ended December 31, 2015. Etrion also announces the 2016 guidance for project level revenues, EBITDA and electricity production regarding its operational solar parks in Italy, Chile and Japan and fully-funded project under construction in northern Japan.

**Operational Highlights**

- **Development:** Advanced the development of three projects in Japan for a total capacity of 76 megawatts (“MW”). Management expects to have these backlog projects shovel ready, close the financing and break ground in 2016. The Company is advancing the development of additional projects in Japan which are targeted to be shovel ready in the 2017-2018 time frame.
- **Construction:** The Company is advancing on the construction of the 24.7 MW Shizukuishi project in northern Japan. The project is on budget and on schedule, with estimated connection to the electricity grid in the third quarter of 2016.
- **Operations and Maintenance (“O&M”):** The Company completed the renegotiation of the O&M agreements for all the Group’s Italian and Chilean operating subsidiaries, representing an aggregate capacity of 130 MW, reducing costs by approximately 35% on average and securing annual savings of US\$2.8 million.
- **Production:** Produced approximately 265 Gigawatt hours (“GWh”) in 2015 compared to 100.7 GWh in 2014, from the Company’s 139 MW portfolio comprising 23 solar power plants in Italy, Chile and Japan. When broken down by country, in Italy the Company produced 102.4 GWh (2014: 100.7 GWh), in Chile produced 157.0 GWh (2014: nil) and in Japan produced 5.5 GWh (2014: nil) representing an overall production increase of 163% year-over-year.
- **Corporate:** The Company’s headquarters relocated from Geneva, Switzerland to Miami, Florida, United States and relocated its Italian operations from Rome to Rovereto as part of its cost optimization plan.

**Financial Highlights**

- **Revenue:** Generated revenues of US\$50.4 million (2014: US\$49.6 million) during the year ended December 31, 2015, from the Company’s 139 MW portfolio comprising 23 solar power plants in Italy, Chile and Japan.
- **EBITDA:** Recognized earnings before interest, taxes, depreciation and amortization (“EBITDA”) of US\$27.4 million (2014: US\$32.5 million) during the year ended December 31, 2015.
- **Cash and Working Capital:** Closed the year ended December 31, 2015 with a cash balance of US\$52.5 million, of which US\$17.6 million is unrestricted (December 2014: US\$95.3 million) and positive working capital of US\$1.5 million (December 2014: US\$36.5 million).
- **VAT Reimbursement:** Fully repaid Project Salvador’s total outstanding VAT credit facility of US\$24 million five months ahead of schedule following cash reimbursement from the Chilean tax authorities for VAT credits accumulated during construction.
- **Italian refinancing:** In December 2015, the Company completed the refinancing of a majority of its Italian solar parks. The refinancing included a project bond listed on the Italian Exchange, a project finance loan and a debt service reserve facility. The Company’s previous outstanding project debt and associated interest rate swap

contracts were repaid and the Company entered into new contracts to hedge 90% of interest payments for both the project bond and loan for the entire new tenor.

## Management Comments

Marco A. Northland, the Company's Chief Executive Officer, commented, "I am very excited about 2016; Japan should continue to be a terrific market for Etrion. Our target is to have over 100 MW of projects connected or under construction and a larger pipeline for realization in subsequent years. Project economics continue to be very attractive and the partnership with Hitachi High-Tech remains very strong. Italy continues to deliver strong cash flows, which were significantly improved through a series of initiatives, including a comprehensive refinancing, introduction of several cost cutting measures and successful commercial activities. We still have additional upside in Italy which we expect to secure. We will communicate this as it is implemented.

In Chile, the team has done a great job by securing a Power Purchase Agreement ("PPA") for 70 GWh for Project Salvador, starting January 2016. The team continues to work around the clock to secure additional PPAs for the remaining capacity of Project Salvador and our pipeline as well. In summary, our diversification strategy is paying off and I look forward to exiting 2016 with a stronger platform and substantial growth opportunities."

## Results

During 2015, Etrion reported a net loss of US\$18.7 million (loss per share of US\$0.05) compared to a net loss of US\$16.5 million (loss per share of US\$0.05) during 2014. Despite negative consolidated net results, primarily attributable to lower than expected spot electricity prices, exchange rate movements and the impairment of US\$2.9 million in capitalized development costs, the Company reported a gross profit of US\$16.9 million (2014: US\$25.9 million) and generated adjusted operating cash flow of US\$29.4 million (2014: US\$31.6 million). In addition, the net results for 2015 were adversely impacted by non-cash finance costs of US\$6.6 million of accelerated amortization of transactions costs (associated the previous outstanding project debt) upon completion of the Italian refinancing transaction.

## 2016 Guidance <sup>(1)</sup>

Etrion will prepare and update on a regular basis forecasts for project level revenues and EBITDA information regarding its operational and fully-funded solar parks. The purpose of these forecasts is to provide investors with management's view on the expected performance of the Company's solar assets. Readers are advised to not place undue reliance on these forecasted financial and operational information because it may not be appropriate to use for purposes other than indicated. Etrion's consolidated project-level forecast for 2016 is in the following ranges:

US\$ million otherwise stated	Low end	High end
Energy generation (GWh)	219	231
Revenue	50	52
Project-level EBITDA	39	41

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

## ITALY

Revenue, project-level EBITDA and production forecast for the Italian operating platform, incorporated in the above consolidated guidance, are based on Etrion's 100%-owned, 60 MW solar portfolio in Italy. The weighted average FIT price applicable to the Italian portfolio is €0.30 per kWh for the 15 years remaining contract average life. The Italian spot price, currently €0.05 per kWh, has been projected based on independent third party estimates. Italian project-level EBITDA forecast is net of asset management service fees that are recharged to the operating projects as part of operational expenses. In Italy, revenues are received in Euros and are translated using the €/US\$ exchange rate of the corresponding period. Consequently, revenues expressed in US dollars may fluctuate according to exchange rate variations.

## **CHILE**

Revenue, project-level EBITDA and production forecast for the Chilean platform, incorporated in the above consolidated guidance, are based on Etrion's 70%-owned, 70 MW operational solar park, Project Salvador, located in northern Chile, and are incorporated on a net basis. Electricity production in Chile assumes curtailments on 25% of the total production capacity of the Project Salvador power plant. Revenue has been calculated using the PPA price of US\$0.10 per kWh for the first 70 GWh of production and a spot price forecast prepared by the Chilean grid operator for the remaining electricity production of Project Salvador. Chilean project-level EBITDA is net of asset management service fees that are recharged to the operating project as part of operational expenses. In Chile, revenues are calculated with reference to the US dollar, which is also the reporting currency of the Group and therefore revenues forecast are not subject to exchange rate fluctuations.

## **JAPAN**

Revenue, project-level EBITDA and production forecast for the Japanese platform, incorporated in the above consolidated guidance, are based on Etrion's 87%-owned, 34 MW operational and under construction Japanese portfolio comprising the Mito and the Shizukuishi 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 utility, Tokyo Electric Power Company and the Tohoku Electric Power utility, respectively, under which they will receive ¥40 per kWh produced (approximately US\$0.33 per kWh). Shizukuishi construction-related work began in October 2014, and the solar project is expected to connect to the grid in the third quarter of 2016. In Japan, revenues are received in Japanese Yen and are translated using the ¥/US\$ exchange rate of the corresponding period. Consequently, revenues expressed in US dollars may fluctuate according to exchange rate variations.

### **Project economics forecasts**

Etrion has forecasted revenue, EBITDA and electricity production at the project level for the fiscal year ending December 31, 2016 based on the assumptions set out below. These forecasts include financial measures 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, 2015 and 2014.

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 expected prevailing exchange rate of €/US\$ 1:1.099 and ¥/US\$ 1:121.2 based on projections made by the Company.

## Assumptions for the forecasts

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 Italy, Chile or in Japan, in each case, 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.

## Earnings Call

A conference call webcast to present the Company's 2015 results will be held on Wednesday, March 16, 2016, at 11:00 a.m. Eastern Daylight Time (EST) / 4:00 p.m. Central European Time (CET).

### Dial-in details:

North America: +1-647-788-4919 / Toll Free: +1-877-291-4570 / Sweden Toll Free: 02-079-4343

### Webcast:

A webcast will be available at <http://www.investorcalendar.com/IC/CEPage.asp?ID=174541>

The earnings call presentation and the Company's 2015 consolidated annual financial statements for the year ended December 31, 2015, as well as the related documents, will be available on the Company's website ([www.etrion.com](http://www.etrion.com)).

A replay of the telephone conference will be available until March 16, 2017.

Replay dial-in details:

North America: +1-416-621-4642 / Toll Free: +1-800-585-8367

Pass code for replay: 58911777

**About Etrion**

Etrion Corporation is an independent power producer that develops, builds, owns and operates utility-scale solar power generation plants. The Company owns 139 MW of installed solar capacity in Italy, Chile and Japan. Etrion has a 25 MW solar project under construction in Japan and is also actively developing solar power projects in Japan and Chile. 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 24% of the Company's shares directly and through various trusts.

For additional information, please visit the Company's website at [www.etrion.com](http://www.etrion.com) or contact:

Paul Rapisarda – 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 and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication in Sweden at 08:05 Central European Time on March 16, 2016.*

**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. 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 such as value added taxes paid during construction of the Company's solar power plants as they are viewed as not directly related to a company's operating performance. Refer to Etrion's MD&A for the year ended December 31, 2015, 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 solar electricity revenue which with respect to the Company's Italian projects is subject to confirmation of both the applicable feed-in-tariff ("FiT") to which the Company is entitled by the state-owned company Gestore Servizi Energetici and the applicable spot market price by the local utilities for electricity sales to the national grid, expected reductions in O&M expenses in Italy, the Company's development pipeline in Japan and the Company's forecast production and financial results for 2016) 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, confirmation of the applicable FiT and spot market price for electricity sales in Italy, expected reductions in O&M expenses in Italy, the ability of the Company to execute on its development pipeline in Japan and Chile on economic terms and in a timely manner and the assumptions with respect to 2016 results set forth elsewhere in this press release. 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 lack of confirmation or reduction of the applicable FiT and the spot market price for electricity sales by the designated Italian entities, the risk that the Company may not realize reductions in O&M expenses in the amount anticipated, 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 on economic terms for the development of such projects, the risk of unforeseen delays in the development and construction of such projects and the risk that the Company's operational projects in Italy, Japan and Chile may not produce electricity or generate revenues and earnings in the amounts anticipated. 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, 2015 which has been filed on SEDAR and is available under the Company's profile at [www.sedar.com](http://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.*

2015

**ETRION CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
YEAR ENDED DECEMBER 31, 2015

etrion

**Etrion is an independent power producer that develops, builds, owns and operates utility-scale solar power generation plants.**



Etrion is a global solar platform with a proven track record operating assets across three key regions in Asia, Europe and the Americas. The Company has gross installed solar capacity of 139 MW plus 25 MW under construction, 76 MW of backlog projects and over 200 MW of additional pipeline.



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### 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 15, 2016, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2015. Financial information is reported in United States dollars ("\$" or "USD"). However, as the Group operates in Europe, the Americas and Asia, certain financial information has also been reported in Euros ("€"), Canadian dollars ("CAD\$") and Japanese yen ("¥"). Exchange rates for the relevant currencies of the Group with respect to the US dollar and the Euro are as follows:

	€/¥	\$/¥	€/§
Closing rate at December 31, 2015	131.68	120.41	1.09
Closing rate at December 31, 2014	145.71	119.80	1.21
Twelve month average rate December 31, 2015	134.27	121.03	1.11
Twelve month average rate December 31, 2014	140.41	105.84	1.33

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.

### NON-IFRS FINANCIAL MEASURES AND FORWARD-LOOKING STATEMENTS

The terms "adjusted net income (loss)", earnings before interest, tax, depreciation and amortization ("EBITDA"), "adjusted EBITDA", and "adjusted operating cash flow", used throughout this MD&A, are non-IFRS measures and therefore do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures disclosed by other companies. The basis for calculation has not changed and has been applied consistently by the Company over all periods presented. Adjusted net income (loss) is a useful metric to quantify the Company's ability to generate cash before extraordinary and non-cash accounting transactions recognized in the financial statements (the most comparable IFRS measure is net income (loss) as reconciled on page 17). EBITDA is useful to analyze and compare profitability between companies and industries because it eliminates the effects of financing and certain accounting policy decisions, while adjusted EBITDA is also useful because it excludes expenses that are expected to be non-recurring (the most comparable IFRS measure is net income (loss) as reconciled on page 17). In addition, adjusted operating cash flow is used by investors to compare cash flows from operating activities without the effects of certain volatile items that can positively or negatively affect changes in working capital and are viewed as not directly related to a company's operating performance. This MD&A contains forward-looking information based on the Company's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from the information within. For information on material risk factors and assumptions underlying the forward-looking information, refer to the "Cautionary Statement Regarding Forward-Looking Information" on page 28.

## FOURTH QUARTER AND FULL YEAR 2015 HIGHLIGHTS

### OPERATIONAL HIGHLIGHTS

- Produced 102.4 million kilowatt-hours (“kWh”) of solar electricity from the Company’s 100%-owned 60 MW portfolio comprising 17 solar power plants in Italy.
- Produced 157 million kWh of solar electricity from the Company’s 70%-owned 70 MW Salvador solar power plant in Chile (“Project Salvador”), which entered full commercial operations in the first quarter of 2015.
- Produced 5.5 million kWh of solar electricity from the Company’s 87%-owned 9.3 MW Mito project, comprising 5 solar power plants in Japan, which entered full commercial operations during the third quarter of 2015.
- Renegotiated the operations and maintenance (“O&M”) agreements for all the Group’s Italian and Chilean operating subsidiaries, representing an aggregate gross capacity of 130 MW, reducing costs by approximately 35% on average.
- Advanced the development of three projects in Japan for a total capacity of 76 MW. Management expects to have these backlog projects shovel ready, close the financing and break ground in 2016. The Company is advancing the development of additional projects in Japan which are targeted to be shovel ready in the 2017-2018 time frame.

### FINANCIAL HIGHLIGHTS

- Generated revenues and project-level EBITDA of \$50.4 million and \$39.1 million, respectively, from the Company’s 23 solar power plants in Italy, Chile and Japan.
- Closed 2015 with a cash balance of \$52.5 million, \$17.6 million of which was unrestricted and held at the parent level, and working capital of \$1.5 million.
- Received a cash reimbursement from the Chilean tax authorities’ equivalent to \$24 million associated with value added tax (“VAT”) credits accumulated during the construction of Project Salvador.
- Fully repaid Salvador’s total outstanding VAT credit facility equivalent to \$24 million five months ahead of schedule.
- Completed a debt refinancing transaction in Italy replacing the outstanding credit facilities obtained to finance the construction of a majority of the Company’s Italian operating solar power projects, with a new long-term floating rate credit facility and a project bond, reducing the all-in interest rate by approximately 50% and extending final maturity.

USD thousands (unless otherwise stated)	Three months ended		Twelve months ended	
	Q4-15	Q4-14	2015	2014
<b>Electricity production (MWh)<sup>1</sup></b>	60,161	14,145	264,950	100,655
<b>Financial results</b>				
Revenues	7,088	6,368	50,448	49,628
Gross (loss) profit	(1,125)	4,318	16,951	25,862
EBITDA	2,577	1,305	27,358	32,526
Adjusted EBITDA	2,851	1,040	30,805	33,065
Adjusted EBITDA margin (%)	40%	16%	61%	67%
Net (loss) income	(1,808)	(8,006)	(18,737)	(16,455)
Adjusted net income	4,604	(6,534)	9,431	4,396
<b>Cash flow</b>				
Project cash distributions	2,866	1,509	6,433	5,441
Cash flow from (used in) operations	26,207	(12,335)	21,752	(11,061)
Adjusted operating cash flow	1,498	(3,653)	29,351	31,565
	<b>December 31</b>	<b>December 31</b>		
	<b>2015</b>	<b>2014</b>		
<b>Balance sheet</b>				
Total assets	613,320	668,112		
Operational assets	457,745	307,123		
Unrestricted cash at parent level	17,582	33,886		
Restricted cash at project level	34,917	61,643		
Working capital	1,459	36,450		
Consolidated net debt on a cash basis	489,029	413,860		
Corporate net debt on a cash basis	69,514	63,242		

<sup>1</sup> MWH=Megawatt-hour

## BUSINESS REVIEW

### BUSINESS OVERVIEW

Etrion is an independent power producer that develops, builds, owns and operates utility-scale power generation plants. The Company owns 139 MW of gross installed solar capacity in Italy, Chile and Japan. Etrion has 25 MW of gross solar projects under construction in Japan and several projects at different stages of development in Japan and Chile.

With projects in Italy, Chile and Japan, Etrion has a diversified solar power generation platform in terms of both revenues and geography. Revenues are generated from Feed-in-Tariff (“FIT”) contracts, long-term power purchase agreements (“PPAs”) and the spot/merchant market. Etrion’s geographic footprint covers Europe, the Americas and Asia with counter-seasonal revenues expected from the northern/southern hemisphere profile. Etrion’s strategy is focused on:

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

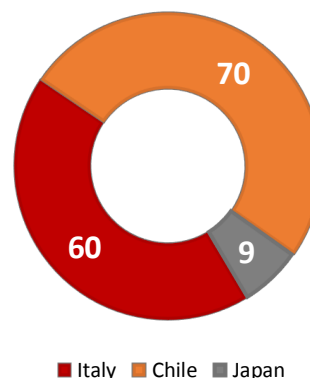
The Company’s business model focuses on six key drivers for success:

- (1) stable revenues;
- (2) abundant renewable resources;
- (3) high wholesale electricity prices;
- (4) low equipment cost and operating expenses;
- (5) available long-term financing; and
- (6) low cost of debt.

The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden (“NASDAQ OMX”). Etrion has a corporate bond listed on the Oslo Stock Exchange in Norway. Etrion is based in Miami, Florida, United States of America with offices in Geneva, Switzerland; Rovereto, Italy; Tokyo, Japan and Santiago, Chile. As of the date of this MD&A, the Company has a total of 32 employees working throughout these five jurisdictions.

Etrion’s current operating projects in Italy, Chile and Japan provide a diversified platform of revenues, all originated from member countries of The Organization for Economic Co-operation and Development (“OECD”).

GROSS INSTALLED MW BY COUNTRY



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 12 to 24 months. Where projects are developed from their infancy (“greenfield” projects), the development time will generally be close to 2 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 investments are made. In addition to evaluating all development risks, Etrion works extensively 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 contractors responsible for the engineering, procurement and construction (“EPC”) 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 process may be shortened when the projects are financed directly by the Company and then refinanced once construction and grid connection is complete.
- **Phase 3** generally requires 12 to 24 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** which typically lasts for a minimum period of 20 years, involves the Company’s local operating subsidiary being engaged in the operation of the solar power plant and the repayment of existing debt facilities established in connection with the project. Activities also 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 services based on a 20-year fixed price contract that usually includes all preventive and corrective maintenance.

**Business Process – Solar Energy**



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

## OPERATIONS REVIEW

### OPERATIONS REVIEW – THREE MONTHS ENDED DECEMBER 31

USD thousands (unless otherwise stated)	Q4-15				Q4-14			
	Italy	Chile	Japan	Total	Italy	Chile	Japan	Total
<b>Operational data <sup>(1)</sup></b>								
Electricity production (MWh)	14,071	43,800	2,290	<b>60,161</b>	14,145	-	-	<b>14,145</b>
<b>Operational performance <sup>(1)</sup></b>								
<b>Electricity revenue</b>								
Feed-in-Tariff	4,605	-	760	<b>5,365</b>	5,415	-	-	<b>5,415</b>
Market price	693	896	-	<b>1,589</b>	953	-	-	<b>953</b>
Other utility income	-	134	-	<b>134</b>	-	-	-	<b>-</b>
<b>Total revenues</b>	<b>5,298</b>	<b>1,030</b>	<b>760</b>	<b>7,088</b>	<b>6,368</b>	-	-	<b>6,368</b>
<b>Project-level EBITDA</b>	<b>4,806</b>	<b>(358)</b>	<b>422</b>	<b>4,870</b>	<b>5,244</b>	-	-	<b>5,244</b>
<b>Project-level EBITDA margin (%)</b>	<b>91%</b>	<b>(35%)</b>	<b>56%</b>	<b>69%</b>	<b>82%</b>	-	-	<b>82%</b>
<b>Net income (loss)</b>	<b>4,366</b>	<b>(1,470)</b>	<b>(144)</b>	<b>2,752</b>	<b>(667)</b>	-	-	<b>(667)</b>

(1) Operational and performance data are disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries

## OPERATING PERFORMANCE

### Power Production

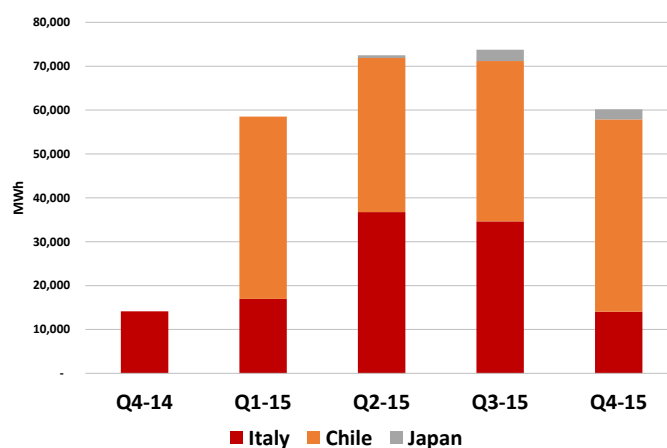
During Q4-15, the Group produced significantly more electricity compared to the same period in 2014, due primarily to the addition of both Project Salvador in Chile and the Mito project in Japan.

Project Salvador became fully operational on January 10, 2015, and produced approximately 43.8 million kWh of electricity during Q4-15. This output was below expectations due to lower than expected solar irradiation and electricity curtailments applied to all generators in the area near Project Salvador to balance supply and demand due to network bottlenecks. These bottlenecks are expected to be resolved in 2017. All five sites of the Mito cluster have been operational since August 2015, producing a total of approximately 2.3 million kWh of electricity during the fourth quarter of 2015.

Starting in July 2015, the Group also receives a capacity payment associated with its operation in Chile through its 70%-owned subsidiary, PV Salvador SpA ("Salvador"). The capacity payment is a monthly fixed amount received by Salvador from other energy producers in the spot market and is calculated based on Project Salvador's production capacity, the maximum system demand in the peak period and a fixed tariff calculated by the Chileans authorities every six months (currently 9 \$/kWh).

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 of the Group is shown below, including the impact of seasonality and production from the newly added solar projects in Chile and Japan:



Etrion's solar power plants are capable of producing more than 300 million kWh on an annual basis.

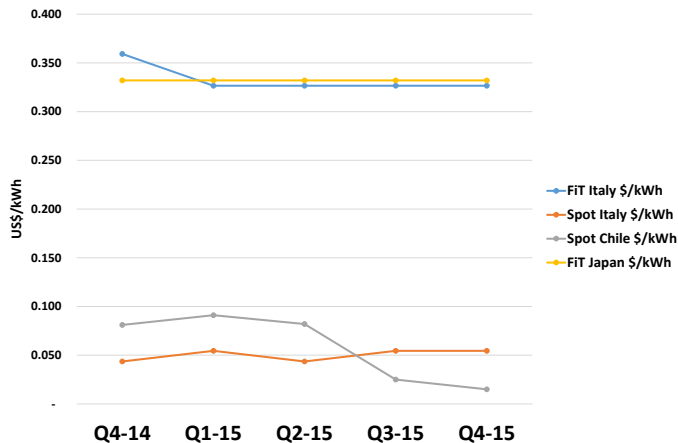
## Electricity prices

The Group receives revenues denominated in Euros, USD and Japanese yen from its operating solar projects, depending on the market in which each project operates. Revenues come from two components: (1) the FiT system, whereby a premium constant price is received for each kWh of electricity produced through a 20-year contract with the Italian state-owned company, Gestore Servizi Energetici (“GSE”) or the Japanese public utility, Tokyo Electric Power Company (“TEPCO”), as applicable, and (2) the spot market price (“Market Price”) received for each kWh of electricity produced in Chile and Italy.

During Q4-15, the Italian FiT was 8% lower (weighted average price of €0.30 per kWh) than the same period in 2014 due to the government’s reduction of the FiT (see page 12). The average Italian Market Price increased by approximately 25% compared to the previous year as the Group received an average of €0.050 per kWh in Q4-15 compared to €0.040 per kWh during the same period in 2014, mainly due to a marginal increase in the internal electricity demand driven mainly by the improvement of the economic in Italy.

In Chile, the average Market Price received by the Group during Q4-15 for Project Salvador was \$0.020 per kWh. In Japan, the Group received the FiT of ¥40 per kWh applicable to the five sites of the Mito cluster operational since August 2015.

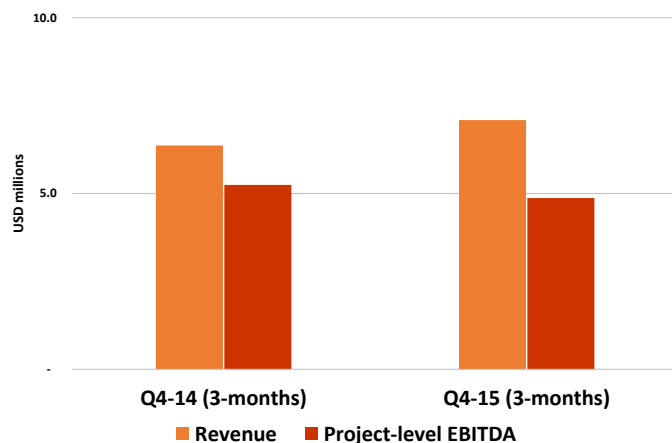
The chart below shows the evolution of average electricity prices, expressed in \$/kWh (calculated with exchange rates as of December 31, 2015), applicable to the solar power plants operated by the Group during the last five quarters:



The spot prices in the Sistema Interconectado Central (“SIC”) electricity network in Chile were unusually low during 2015 and particularly low in the second half of 2015 due to a combination of local grid congestion, increasing solar and wind electricity generation, strong hydro electricity production due to wet winter conditions, aggravated by “el Nino”, and lower electricity demand because of depressed mining activity as a result of the collapse in commodity prices.

## Revenue and project-level EBITDA

During Q4-15, the Group’s revenue increased by 11%, compared to the same period in 2014, primarily due to the addition of production from Project Salvador in Chile and the Mito project in Japan. During Q4-15, the Group’s project-level EBITDA decreased by 7%, compared to the same period in 2014, mainly as a result of the 8% FiT reduction in Italy, and the 17% decrease in the average €/€ exchange rate. Despite additional production and EBITDA from the new projects in Chile and Japan, very low spot prices in Chile affected the total capacity contribution from Project Salvador. Project Salvador was also subject to grid curtailments that affected its electricity production during 2015.

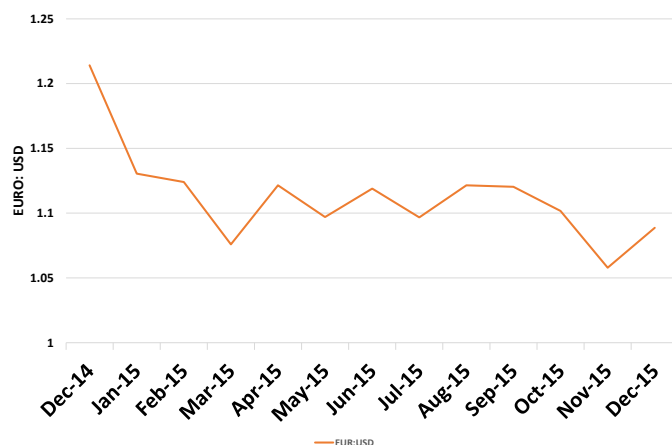


However, during Q4-15, project-level EBITDA was positively impacted by management’s continued efforts to reduce operating cost and streamline the operations in Italy and Chile.

Revenues from Italy and Japan are received in Euros and in Japanese yen, respectively, and have been translated to the Group’s functional (€) and presentation currency (\$) using the corresponding 2015 average rates.

Therefore, 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.

The movements of the € versus the \$ is represented in the chart below, where the approximately 10% devaluation year-over-year has affected the reported Revenue and EBITDA figures in 2015 compared to 2014.



## OPERATIONS REVIEW – YEAR ENDED DECEMBER 31

USD thousands (unless otherwise stated)	2015				2014			
	Italy	Chile	Japan	Total	Italy	Chile	Japan	Total
<b>Operational data <sup>(1)</sup></b>								
Electricity production (MWh)	102,433	157,018	5,499	<b>264,950</b>	100,655	-	-	<b>100,655</b>
<b>Operational performance <sup>(1)</sup></b>								
<b>Electricity revenue</b>								
Feed-in-Tariff	34,690	-	1,825	<b>36,515</b>	44,132	-	-	<b>44,132</b>
Market price	5,342	8,269	-	<b>13,611</b>	5,496	-	-	<b>5,496</b>
Other utility income	-	322	-	<b>322</b>	-	-	-	<b>-</b>
<b>Total revenues</b>	<b>40,032</b>	<b>8,591</b>	<b>1,825</b>	<b>50,448</b>	<b>49,628</b>	-	-	<b>49,628</b>
<b>Project-level EBITDA</b>	<b>34,244</b>	<b>3,604</b>	<b>1,252</b>	<b>39,100</b>	<b>41,561</b>	-	-	<b>41,561</b>
<b>Project-level EBITDA margin (%)</b>	<b>86%</b>	<b>42%</b>	<b>69%</b>	<b>78%</b>	<b>84%</b>	-	-	<b>84%</b>
<b>Net income (loss)</b>	<b>8,726</b>	<b>(11,379)</b>	<b>110</b>	<b>(2,543)</b>	<b>2,151</b>	-	-	<b>2,151</b>

(1) Operational and performance data are disclosed on a gross basis because Etrion consolidates 100% of its operating subsidiaries

### OPERATING PERFORMANCE

#### Power Production and Electricity Prices

During 2015, the Group produced 163% more electricity compared to the same period of 2014, due primarily to the addition of Project Salvador in Chile, the Mito project in Japan and better solar irradiation in Italy.

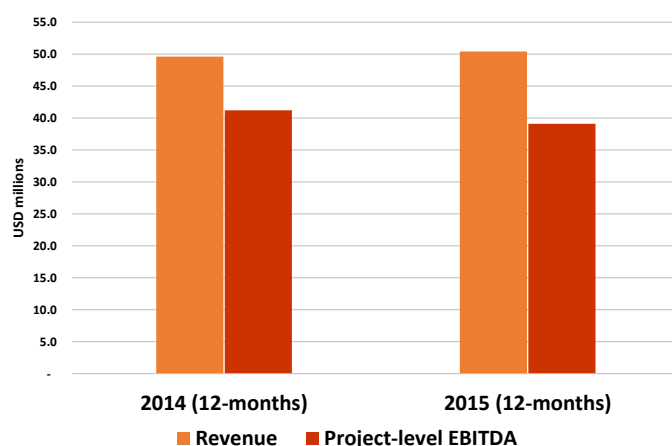
During 2015, the Italian FiT decreased 8% (weighted average price of €0.30 per kWh) compared to the same period in 2014 due to the government's reduction of the FiT. The average Italian Market Price increased by approximately 25% as the Group received an average of €0.050 per kWh during 2015, compared to €0.040 per kWh during the same period in 2014.

In Chile, the average Market Price received by Project Salvador in 2015, was \$0.005 per kWh. In Japan, the Group received the FiT of ¥40 per kWh applicable to the five sites of the Mito cluster operational since August 2015.

#### Revenue and project-level EBITDA

During 2015, the Group's revenue increased by 2%, compared to the same period in 2014, primarily due to the addition of production from Project Salvador in Chile and the Mito project in Japan. During 2015, the Group's project-level EBITDA decreased by 6%, compared to the same period in 2014, mainly as a result of the 8% FiT reduction in Italy, and the 17% decrease in the average €/€ exchange rate. Despite additional production and EBITDA from the new projects in Chile and Japan, very low spot prices in Chile affected the total contribution capacity from Project Salvador. In addition, Project Salvador was also subject to grid curtailments that affected its electricity production during 2015.

However, project-level EBITDA was positively impacted by management's continued efforts to reduce operating cost and streamline the operations in Italy and Chile.



## OPERATING PROJECTS - ITALY

As of the date of this MD&A, the weighted average remaining contract life of the Italian operating projects is approximately 15 years. A summary of the Group's 100%-owned operating solar power projects in Italy is below:



Project	Region	Sites	Gross MW	Technology	Connection date
Cassiopea	Lazio	1	24.0	Single axis	Nov-09
Helios ITA-3	Puglia	2	10.0	Single axis	Aug-11
Centauro	Lazio	1	8.8	Single axis	Jul-10
Helios ITA	Puglia	7	6.4	Single axis	Dec-09
Etrion Lazio	Lazio	2	5.3	Fixed-tilt	Apr-11
SVE	Puglia	3	3.0	Single axis	Dec-10
Sagittario	Lazio	1	2.6	Fixed-tilt	Aug-11
<b>Total</b>		<b>17</b>	<b>60.1</b>		

### Cassiopea

The Cassiopea project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar photovoltaic ("PV") park with a total capacity of 24 MW. The solar park was connected to the electricity grid in November 2009. The Cassiopea solar park was built by SunPower, a US-based solar panel manufacturer and installer, using high-efficiency SunPower modules mounted on single axis trackers with power conversion provided by SMA Solar Technology AG ("SMA") inverters. Cassiopea has an O&M contract with SunPower. During 2015, Etrion renegotiated the O&M contract effective June 2015 to reduce the annual fee by more than 40% and to eliminate the previous revenue sharing provision. During 2015, the solar park realized the 2009 revised FiT of €0.325 per kWh plus the average Market Price of approximately €0.050 per kWh.

### Helios ITA-3

The Helios ITA-3 project in Puglia, Italy, consists of two ground-mounted solar PV parks: Brindisi (5 MW) and Mesagne (5 MW). Both parks were completed and connected to the electricity grid in August 2011. The Helios ITA-3 solar parks were built by ABB, the Swiss power and automation technology group, using Yingli poly-crystalline PV modules mounted on SunPower single axis trackers with power conversion provided by Bonfiglioli inverters. Helios ITA-3 has an O&M contract with ABB. During 2015, Etrion renegotiated the Helios ITA-3 O&M contract with ABB effective June 2015, to reduce the annual fee by more than 20%. During 2015, both solar parks realized the August 2011 revised FiT of €0.23 per kWh plus the average Market Price of approximately €0.050 per kWh.

### Centauro

The Centauro project in Montalto di Castro in the Lazio region of Italy consists of one ground-mounted solar PV park with a total capacity of 8.8 MW. The solar park was connected to the electricity grid in July 2010. The Centauro solar park was built by SunPower using high-efficiency SunPower modules mounted on single axis trackers with power conversion provided by SMA inverters. Centauro has an O&M contract with SunPower. During 2015, Etrion renegotiated the O&M contract effective June 2015 to reduce the annual fee by more than 40% and to eliminate the previous revenue sharing provision. During 2015, the solar park realized the 2010 revised FiT of €0.318 per kWh plus the average Market Price of approximately €0.050 per kWh.

### Helios ITA

The Helios ITA project in Puglia, Italy, consists of seven ground-mounted solar PV parks with a total capacity of 6.4 MW. Six of the solar parks were connected to the electricity grid in December 2009, and the last park built was connected in December 2010. The Helios ITA solar parks were built by Solon, a German solar panel manufacturer and installer, using single axis trackers with Solon poly-crystalline modules and Santerno inverters. The original O&M contractor was Solon. In July 2012, the Group entered into a new O&M contract with ABB. During 2015, Etrion renegotiated the Helios ITA O&M contract with ABB effective May 2015 to reduce the annual fee by more than 20%, to eliminate the previous revenue sharing provision and to increase the level of service. During 2015, six of the Helios ITA solar parks, just under 1 MW each for a total of 5.8 MW, realized the 2009 revised FiT of €0.325 per kWh plus the average Market Price of approximately €0.050 per kWh. The last park built (0.6 MW) realized the 2010 revised FiT of €0.318 per kWh plus the average Market Price of approximately €0.050 per kWh.



### Etrion Lazio

The Etrion Lazio project in Lazio, Italy, consists of two ground-mounted solar PV parks: Borgo Piave (3.5 MW) and Rio Martino (1.8 MW). Both solar parks were completed in December 2010 and were connected to the electricity grid in April 2011. The Etrion Lazio solar parks were built by Phoenix Solar (“Phoenix”), a German PV system integrator, using Trina poly-crystalline PV modules installed on fixed-tilt structures with power conversion provided by SMA inverters. Etrion Lazio has an O&M contract with SMA (acquired from Phoenix). During 2015, Etrion renegotiated the Etrion Lazio O&M contract with SMA effective October 2015, to reduce the annual fee by approximately 35%. During 2015, both solar parks realized the 2010 revised FiT of €0.318 per kWh plus the average Market Price of approximately €0.050 per kWh.

### SVE

The SVE project in Puglia, Italy, consists of three ground-mounted solar PV parks: Oria (1 MW), Matino (1 MW) and Ruffano (1 MW). All three solar parks were connected to the electricity grid in December 2010. The SVE solar parks were built by SunPower using high-efficiency SunPower modules mounted on single axis trackers with power conversion provided by Siemens inverters. SVE has an O&M contract with SunPower. During 2015, Etrion renegotiated the O&M contract effective June 2015 to reduce the annual fee by approximately 20%. During 2015, all three solar parks realized the 2010 revised FiT of €0.318 per kWh plus the average Market Price of approximately €0.050 per kWh.

### Sagittario

The Sagittario project in Lazio, Italy, consists of one ground-mounted solar PV park with a total capacity of 2.6 MW. The solar park was completed and connected to the electricity grid in August 2011. The Sagittario solar park was built by Phoenix using Trina poly-crystalline PV modules installed on fixed-tilt structures with power conversion provided by SMA inverters. Sagittario has an O&M contract with SMA (acquired from Phoenix). During 2015, Etrion renegotiated the Sagittario O&M contract with SMA effective October 2015, to reduce the annual fee by more than 20%. During 2015, the solar park realized the August 2011 revised FiT of €0.23 per kWh plus the average Market Price of approximately €0.050 per kWh.

Etrion’s solar power plants in Italy are capable of producing more than 100 million kWh of electricity on an annual basis.

### OPERATING PROJECTS - CHILE

As of the date of this MD&A, the remaining PPA contract life for approximately 35% of Project Salvador’s electricity production is approximately 15 years. The Group’s 70%-owned operating solar power project in Chile is below:



Project	Region	Sites	Gross MW	Technology	Connection date
Salvador	Atacama	1	70	Single axis	Nov-14
<b>Total</b>		<b>1</b>	<b>70</b>		

#### Salvador

Project Salvador is located in the Atacama region of northern Chile and consists of one ground-mounted solar PV park with a total capacity of 70 MW. The solar park was built by SunPower using SunPower high-efficiency, single-axis tracker technology and ABB inverters. Project Salvador has an O&M contract with SunPower and approximately 65% of the electricity produced is currently sold on the spot market and delivered to the SIC electricity network. In May 2015, Project Salvador executed a long-term PPA with EE-ERNC-1, an investment grade off-taker. The PPA is for the first 70 GWh of Project Salvador’s production for 15 years and started on January 1, 2016, with the electricity price denominated in USD (approximately \$0.10 per kWh) and inflated according to the US Consumer Price Index (“CPI”). Project Salvador is capable of producing approximately 200 million kWh of electricity per year and is seeking additional PPAs to secure its long-term revenues. Etrion currently owns 70% of Project Salvador. Following payback of the original equity contribution of approximately \$42 million, Etrion’s ownership will decrease to 50.01% and, depending on the long-term spot market price projections, Etrion’s ownership could decrease to 0% after 20 years of operation. Project Salvador was connected to the electricity grid on November 3, 2014, and reached full operational capacity on January 10, 2015. Etrion recently renegotiated the Project Salvador O&M contract with Sunpower effective October 2015, to reduce the annual fee by approximately 35%.

## OPERATING PROJECTS - JAPAN

As of the date of this MD&A, the remaining PPA contract life of Mito is approximately 20 years. The Group's 87%-owned operating solar power project in Japan is 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
<b>Total</b>		<b>5</b>	<b>9.3</b>		

### Mito

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 plants were 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 \$0.33 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, Limited ("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. Mito is expected to produce approximately 10.5 million kWh of solar electricity per year. Etrion charged the Mito project with a net development fee of approximately ¥162 million (\$1.6 million).

## DEVELOPMENT ACTIVITIES

### PROJECTS UNDER DEVELOPMENT - CHILE

Etrion's growth prospects in Chile have been adversely impacted by the decrease in electricity demand as a result of reduced investments in the mining sector and the accelerated growth in electricity supply from renewable sources. As a result of these externalities, spot prices in Chile have significantly declined as well as the demand for long-term power contracts from industrial clients. The Company currently has nearly 100 MW of shovel-ready projects but has postponed its plans to build until long-term PPAs are available.

As a result of management's assessment of the current economic and business environment in Chile, an impairment charge of \$2.5 million was recognized in the second quarter of 2015 for the total costs capitalized as internally generated intangible assets associated with the development pipeline in Chile. The Company will continue to monitor developments in the Chilean electricity market and proceed with these projects when long-term PPAs are secured.

A summary of the Group's 100%-owned projects under development in Chile is below:

Project	Region	Sites	Gross MW	Technology
Agua Blanca 2A	Antofagasta	1	32	Single axis
Agua Blanca 2B	Antofagasta	1	24	Single axis
Agua Blanca 2C	Antofagasta	1	16	Single axis
Las Luces	Atacama	1	27	Single axis
<b>Total</b>		<b>4</b>	<b>99</b>	

### Agua Blanca

The Agua Blanca solar projects in the Antofagasta region of Chile include three sites, 2A, 2B and 2C, with a total capacity of 72 MW in the Sistema Interconectado del Norte Grande ("SING") electricity network.

Agua Blanca 2A is a shovel-ready 32 MW site. The land concession has been assigned, and the final decree is expected in six months. The environmental impact assessment has been received, the mining rights have been secured and the interconnection contract has been agreed.

Agua Blanca 2B is a shovel-ready 24 MW site. The land concession decree has been signed, the environmental impact assessment has been received and the mining rights have been secured. The interconnection contract is under negotiations.

Agua Blanca 2C is a shovel-ready 16 MW site. The land concession has been signed, the environmental impact assessment has been received, the mining rights have been secured and the interconnection contract has been agreed.

Etrion should be in a position to start construction of the Agua Blanca projects once the Company secures PPAs and long-term, non-recourse project finance. The projects are expected to be operational within nine months from the date construction commences.

## Las Luces

The Las Luces solar project in the Atacama region includes one shovel-ready site with a total capacity of 27 MW in the SIC electricity network. The land concession decree has been signed, the environmental impact assessment has been received and the mining rights have been secured. The interconnection contract is in advanced negotiations, and the PPA negotiations with a mining company have begun.

Etrion should be in a position to start construction of Las Luces once the Company secures PPAs and long-term, non-recourse project finance. The project is expected to be operational within nine months from the date construction commences.

## PROJECTS UNDER CONSTRUCTION AND DEVELOPMENT - JAPAN

Etrion is pursuing renewable energy projects in Asia, with an initial focus on Japan, due to the attractive solar FiT program and low financing costs. Japan is one of the largest solar PV markets in the world with over 37 gigawatts (“GW”) of installed capacity by the end of 2015 and is expected to reach 51 GW by the end of 2016<sup>2</sup>. The Japanese government has a strong mandate to increase the use of renewable energy in Japan’s energy mix in order to reduce the country’s reliance on nuclear power.

In 2012, the Group and HHT signed a development agreement to jointly develop a pipeline of solar assets in Japan. The companies are targeting to reach at least 100 MW of utility-scale solar projects under construction or shovel-ready in 2016. Under this agreement, both parties provide the key functions necessary to successfully develop, build and operate solar projects in Japan (including, but not limited to, obtaining the relevant permits and authorizations to build and operate the solar power facilities, developing relationships with local utilities and land owners, EPC and securing non-recourse project finance, as well as operations, maintenance and asset management services).

A summary of the Group’s projects under construction in Japan is below:



Project	Region	Sites	Gross MW	Technology	Expected Connection date
Shizukuishi	Iwate	1	24.7	Fixed-tilt	Oct-2016
<b>Total</b>		<b>1</b>	<b>24.7</b>		

### Shizukuishi

Shizukuishi is a 24.7 MW utility-scale solar photovoltaic power plant under construction on one site in the Iwate Prefecture of Japan. Construction-related work began in October 2014, and the solar project is expected to connect to the grid in the third quarter of 2016. The solar power plant is being built on 51 hectares of leased land, and the facility will connect through Tohoku Electric Power Co., Inc. (“Tohoku Electric Power utility”). The project has entered into a 20-year PPA with the Tohoku Electric Power utility to receive ¥40 per kWh produced (approximately \$0.33 per kWh). The total project cost of approximately ¥8.9 billion (approximately \$87.8 million) is being 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. Once operational, Shizukuishi is expected to produce approximately 25.6 million kWh of solar electricity per year. Etrion charged the Shizukuishi project with a net development fee of approximately ¥677.4 million (\$6.7 million).

<sup>2</sup> Bloomberg New Energy Finance

In addition to the Shizukuishi project under construction, the joint Etrion-HHT development team is reviewing a large pipeline of opportunities in different stages of development and in different stages of negotiation with third parties. The three most advanced projects totaling over 70 MW, listed in the table below, are expected to be shovel-ready during the second and third quarter of 2016. Etrion expects to own up to 85% in these projects, with HHT and/or local development partners owning the remainder.

Project	Region	Sites	MW	Technology
Greenfield 1	Central	1	13	Fixed-tilt
Brownfield 1	South	1	53	Fixed-tilt
Brownfield 2	North	4	10	Fixed-tilt
<b>Total backlog</b>		<b>3</b>	<b>76</b>	
Brownfield 3	Central	1	55	Fixed-tilt
<b>Total mid-stage</b>		<b>1</b>	<b>55</b>	
<b>Total additional</b>	<b>TBD</b>	<b>TBD</b>	<b>135</b>	<b>TBD</b>
<b>Total pipeline</b>			<b>266</b>	

Japan Greenfield Project 1 is a 13 MW solar project in central Japan with the FiT secured. The land concession has been pre-assigned, and the final decree is expected in six months. The project is expected to be shovel-ready and commence construction in 2016.

Japan Brownfield Project 1 is a 53 MW solar project in southern Japan with the FiT secured and the land contract signed. Etrion has secured exclusivity with the developer, and the grid impact studies are complete. The project is expected to be shovel-ready by the end of 2016.

Japan Brownfield Project 2 is a 10 MW solar project in northern Japan with the FiT secured, land contract and grid impact studies in progress. Etrion has secured exclusivity with the developer, which is working with the land owner to secure the land. The project is expected to be shovel-ready in 2016.

Japan Brownfield Project 3 is a 55 MW solar project in central Japan with FiT secured. A co-development and exclusivity agreements were recently signed with a local developer. The project is expected to be shovel-ready by the first half of 2018.

The first three projects above are in advanced development stages and while the Company believes they have a high degree of probability to reach shovel-ready status, they may be replaced by other projects within the next twelve months in order to accelerate construction or improve project economics.

During the third quarter of 2015, the Company decided to abandon the previously disclosed 25 MW greenfield solar project located in southern Japan because the utility communicated that the project was subject to unlimited curtailment. The Company recognized an impairment charge \$0.4 million of internally generated intangible assets associated with this project at that time.

The estimated total project costs associated with the development and construction of the backlog projects, including costs related to the licenses, permits, financing and construction are summarized in the following table. Total project costs are expected to be financed with a minimum of 75% by non-recourse project debt with the remaining equity portion to be funded by the Group and HHT.

Project	Project Costs	Gross Debt	Net Equity Contribution	Net to Etrion
Greenfield 1	34.8	27.8	4.5	3.8
Brownfield 1	174.8	143.2	18.5	15.7
Brownfield 2	28.5	24.2	1.9	1.1
<b>Total USD million</b>	<b>238.1</b>	<b>195.2</b>	<b>24.9</b>	<b>20.6</b>

Etrion expects to charge these projects with development fees that effectively reduce the Company's net equity contribution. The equity needs to build these projects are likely to be contributed throughout the construction period, typically expanded over a two year construction period, rather than at start of construction, as was the case on our initial two projects in Japan.

## 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 (e.g., Chile). As the cost of solar technology continues to decrease, new potential markets are expected to develop in areas where solar electricity is price-competitive with other sources of energy.

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

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

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

## ITALIAN MARKET

### FiT system

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

The Italian FiT entails a 20-year commitment from the government to purchase 100% of solar electricity production at a premium constant rate based on the connection date. Since 2005, the Italian FiT for new projects has been revised to account for the decreasing cost of building solar power plants.

On June 24, 2014, the Italian government published a new decree outlining, among other things, certain proposed changes to the current Italian FiT regime. On August 7, 2014, the decree was approved by the Italian Parliament. The approved changes impacted the revenues received by solar power producers by reducing the annual FiT incentive paid by the GSE. Specifically, the approved decree outlined three options for solar power producers to reduce the original FiT effective January 1, 2015.

Producers could choose a reduction of between 17% and 25%, depending on the remaining incentive period, offset by an extension of the incentive period from 20 to 24 years. Alternatively, solar power producers could elect a flat 6%-8% reduction, depending on the capacity of the plant, for the remaining incentive period without an extension. Lastly, producers could choose to have the FiT reduced by approximately 15% in the near-term and increased by an equivalent amount in the long-term using a re-modulation ratio established by the Italian Ministry for Economic Development.

In addition, the approved decree introduced certain changes to the payment of the FiT, whereby, effective July 1, 2014, 10% of the FiT payment by GSE would be delayed until June of the following year. However, the GSE subsequently indicated that their systems were not ready to support the new decree and that they would activate the new payment mechanism starting January 1, 2015.

Etrion's management believe the new decree is discriminatory and violates the rights of solar plant owners and foreign investors. The Company's Italian operating subsidiaries have therefore filed domestic legal action in the Italian courts to seek a declaration that the new decree is unconstitutional (similar to the Robin Hood tax described below) or alternatively to obtain compensation for damages resulting from the changes to the FiT regime.

Since Etrion's management considers the new decree unconstitutional, the Company did not communicate any election to the Italian government by the November 30, 2014, deadline. According this new decree, in the absence of a formal election by solar plant owners, the 6-8% flat reduction is applicable as of January 1, 2015.

A summary of the revised FiT received by the Group for its ground-mounted solar PV power projects connected in 2009, 2010 and 2011, is as follows:

	2011	2010	2009
Original FiT (€/kWh)	€0.250	€0.346	€0.353
Revised FiT (€/kWh)	€0.230	€0.318	€0.325
Remaining life	15.3 years	14.3 years	13.3 years

In addition to the FiT, solar power generators in Italy receive the spot market rate for each kWh produced. The average Market Price during 2015, was approximately €0.05 (\$0.054) per kWh.

### Robin Hood tax

On February 11, 2015, the Italian Constitutional Court published a ruling that declared the so-called "Robin Hood" tax unconstitutional and eliminated it from February 2015 onwards. The removal of the Robin Hood tax reduces the ordinary income tax rate applicable to most energy companies in Italy from 34% to 27.5%. The Robin Hood tax was a surtax introduced in 2008 that increased the overall corporate income tax rate applicable to large Italian energy companies from 27.5% to 38%. In 2011, the Robin Hood tax was expanded to include renewable energy companies. In 2013, the Italian government lowered the revenue threshold for the application of the surtax. In 2014, the government reduced the surtax, thereby reducing the overall income tax rate from 38% to 34%. Operators contested the Robin Hood tax as unconstitutional due to the higher overall tax rate being applied to energy companies compared to the ordinary tax rate for Italian companies in general.

In December 31, 2015, the Italian parliament announced a further reduction of the ordinary income tax from 27.5% to 24% effective from January 1, 2017.

## CHILEAN MARKET

Chile's energy demand has been growing rapidly since 1990 due to increased power consumption by the mining sector, the country's single largest industry, and large urban areas such as the capital city, Santiago. The increased demand combined with scarce fossil fuel and hydro resources has made the country a net importer of energy. The energy sector is largely liberalized and privatized, which enables energy producers to enter into US dollar-denominated bilateral agreements directly with industrial clients.

Due to the size of Chile's economy and its well-established capital markets, manufacturers and finance providers are available to support the growing demands for energy consumption. Today, hydro and thermoelectric power are Chile's primary source of renewable energy. Despite the current drop in energy prices and reduced investments in the mining sector, the market fundamentals in the medium to long-term remain attractive for solar due to its anticipated continued cost reduction trajectory. Growth is expected to pick up once the mining sector rebounds, especially in the northern part of the country where more than 90% of the electricity consumption arises from industrial users. In September 2013, the Chilean government passed the so-called "20/25" law, requiring 20% of electricity to be generated from renewable sources by 2025 (an increase from the previous "clean energy"

law requiring 10% of electricity to be generated from renewable sources by 2024) demonstrating strong support for the development and use of renewable energy sources.

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

- **Through PPAs** – solar power producers can sell the electricity produced through a long-term fixed-price take-or-pay US dollar-denominated contract with industrial users (such as mining companies) or distribution companies (addressing the regulated market).
- **On a spot market/merchant basis** – solar power producers can sell the electricity produced on the spot market, delivered to the relevant electricity network. Project Salvador is initially operating on a merchant basis.

The Company secured a 15-year PPA for 35% of the capacity of Project Salvador that started on January 1, 2016. The Company will continue to seek other PPAs for the balance of the energy not contracted.

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

- **SING** – Sistema Interconectado del Norte Grande ("SING"), the northern grid, accounts for approximately 25% of total electricity production in Chile. The SING is primarily served by thermoelectric plants.
- **SIC** – Sistema Interconectado Central ("SIC"), the central grid, accounts for approximately 74% of total electricity production in Chile and serves approximately 90% of its population. The SIC is primarily served by hydroelectric plants, in addition to diesel and thermoelectric plants. Project Salvador is located in the SIC.
- **Aysen** – Located in southern Chile, this mainly hydro network accounts for approximately 0.2% of total electricity production in Chile.
- **Magallanes** – Located in the most southern part of Chile, this hydro network accounts for approximately 0.4% of total electricity production in Chile.

Etrion's business development activities are focused on securing long-term contracts with mining and industrial clients as well as participating in public tenders to fulfill the energy needs of distribution companies servicing the regulated market. These contracts enables the Company to secure predictable revenues for the development pipeline. Together, the SIC and SING account for more than 99% of Chile's total electricity production. Works have commenced to interconnect the SIC and SING networks by 2017, which is expected to result in a more stable long-term spot market price for the combined networks.

During 2015, weighted average market prices in the SIC network at the Diego de Almagro node applicable to Project Salvador were particularly volatile in the range of \$10-\$138 per MWh. The weighted average market price in the last 12 months was approximately \$60 per MWh and \$12 per MWh in the last quarter of 2015. The recent spot market volatility is mainly due to a reduction in energy demand as a result of the collapse in commodity prices, a delay in mine expansions, the significant increase in installed solar and wind power generation

compared to forecasts and the effect of the reduction in oil and gas and coal prices. Spot market electricity prices are expected to remain volatile until the SIC electricity grid near Project Salvador is expanded and the SIC-SING are interconnected in 2017.

## JAPANESE MARKET

Japan is the world's third largest energy consumer and today is the second largest solar market. 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 is turned 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 2015, Japan had installed more than 37.7 GW of solar capacity.

Japan has implemented an attractive 20-year FIT program of ¥40 per kWh for projects secured by March 31, 2013, ¥36 per kWh for projects secured by March 31, 2014, and ¥32 per kWh for projects secured by March 31, 2015. The FIT was recently changed to ¥29 for projects secured from April 2015, and ¥27 from July 2015. The next FIT is expected in April 2016.

On January 22, 2015, the Japanese Ministry of Economy, Trade and Industry ("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 new rules addressed various aspects of the FIT and utility operations. The most important rules outlined the process for:

- **FIT application** – The timing when the FIT is determined has changed from "when interconnection request is made" to "when interconnection agreement is executed." If an interconnection agreement has not been reached due to the utility's delay, there is a backstop date for the solar developer whereby the FIT level from 270 days following the connection request is used.
- **Change in power output or in PV module specifications prior to start of operations** These changes must now be submitted for METI approval, and an increase in power output or a change in PV module manufacturer prior to start of operations will be subject to a revision of the FIT. Exceptions will be made where change in output is related to interconnection evaluation by the utility. Changes to PV module manufacturer, type or conversion efficiency (excluding increases in efficiency) will also be subject to a change in the FIT. Exceptions will be made if objective proof is provided related to discontinued module type and in cases of PV power plants of less than 10 kW.
- **Curtailment** – 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.

Management believes Etrion's previously communicated joint development target with HHT of reaching 100 MW shovel-ready or under construction in Japan by the first quarter of 2016 should not be affected by the changes to the Japanese FIT regime described above, nor should the existing projects in operation and under construction.

#### **OTHER MARKETS**

Etrion has effectively established presence in three key regional markets (Asia, Europe and the Americas). Solar growth is expected to continue given the compelling long-term cost reduction curve resulting in a continued reduction of the levelized cost of energy. Although most of the Company's efforts and development capital is being directed towards Japan, the Company is actively exploring new markets, with an emphasis on those that could be developed by leveraging existing partnerships.

#### **COMPETITION**

There are different sources of competition in the solar market value chain. In the upstream market, there are many solar panel suppliers, with significant financial strength and production capacity. The suppliers in the upstream market continue to go through adjustments to better plan their capacity to meet demand. Some of the upstream suppliers are also participating in the downstream market, while others are looking to expand into the downstream market in order to increase their ability to market and sell their panels. In the downstream market, companies like Etrion find competition at different levels, including competition for financing, land and/or human resources. As the downstream solar market continues to expand, Etrion believes competition will increase as more established utilities and infrastructure funds realize the opportunities ahead for solar energy. Etrion's strategy, as a downstream player, is generally to only deploy capital to build new solar parks if such investments meet its minimum

investment criteria. In the event that potential investments do not meet Etrion's criteria, investment may be delayed until Capex prices drop further (if at all), or abandoned with minimum financial impact. There is no assurance that the Group will be able to acquire new renewable energy projects in order to grow in accordance with the Company's strategy. Etrion also competes in securing the equipment necessary for the construction of solar energy projects. Equipment and other materials necessary to construct production and transmission facilities may be in short supply, causing project delays or cost fluctuations. Depending on the financial climate, the Company may also face competition when seeking to raise equity and/or external debt for planned projects.

#### **PERFORMANCE DRIVERS**

The Company's management has identified the following key drivers of success for its renewable energy operations:

- Stable revenues:
  - Premium price for solar electricity generation under long-term contracts (i.e., FIT or PPAs);
  - Abundant renewable resources (i.e., solar irradiation varying less than 10% annually); and
  - Economic growth increasing power demand and wholesale electricity prices.
- Low equipment and operating costs:
  - Cost reduction through increased supply, competition and technological improvements; and
  - Fixed price O&M contracts, including preventive and corrective maintenance.
- Available long-term financing with low cost of debt:
  - Project financing of up to 85% using non-recourse project loans; and
  - Long-term hedging arrangements to minimize interest rate risk.

## FINANCIAL REVIEW

### FINANCIAL RESULTS

#### FOURTH QUARTER AND YEAR-END SELECTED FINANCIAL INFORMATION

During Q4-15 and the year ended December 31, 2015, the Group's performance and results were positively impacted by the additional production of electricity from its newly connected projects in Chile and Japan. However, revenue and EBITDA were impacted by the 8% reduction of the FiT in Italy and the significant reduction in the Euro/USD exchange rate. Selected consolidated financial information, prepared in accordance with IFRS, is as follows:

USD thousands	Three months ended		Twelve months ended		
	Q4-15	Q4-14	2015	2014	2013
<b>Revenue</b>	7,088	6,368	50,448	49,628	53,911
Gross (loss) profit	(1,125)	4,318	16,951	25,862	25,431
<b>Net loss</b>	<b>(1,808)</b>	<b>(8,006)</b>	<b>(18,737)</b>	<b>(16,455)</b>	<b>(10,304)</b>
<b>Net loss attributable to owners of the Company</b>	<b>(1,340)</b>	<b>(8,014)</b>	<b>(15,317)</b>	<b>(16,386)</b>	<b>(10,296)</b>
<b>Basic and diluted loss per share</b>	<b>(0.004)</b>	<b>(0.025)</b>	<b>(0.046)</b>	<b>(0.051)</b>	<b>(0.050)</b>
<b>Adjustments to net loss for:</b>					
Net income tax (recovery) expense	(15,652)	565	(14,173)	2,602	2,164
Depreciation and amortization	5,993	1,080	23,427	16,744	20,491
Impairment	-	-	2,881	-	-
Share-based payment expense	(159)	316	496	493	507
Net finance costs	13,831	2,628	36,142	28,689	27,555
Other income	(707)	(236)	(685)	(508)	(3,081)
Income tax paid	(972)	(2,266)	(1,643)	(5,451)	(5,758)
Changes in working capital	25,681	(6,416)	(5,956)	(37,175)	12,925
<b>Operating cash flow</b>	<b>26,207</b>	<b>(12,335)</b>	<b>21,752</b>	<b>(11,061)</b>	<b>44,499</b>

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

USD thousands	December 31	December 31	December 31
	2015	2014	2013
Non-current assets	531,377	525,845	401,410
Current assets	81,943	142,267	116,841
<b>Total assets</b>	<b>613,320</b>	<b>668,112</b>	<b>518,251</b>
Non-current liabilities	526,432	529,365	460,209
Current liabilities	80,484	105,817	69,380
<b>Total liabilities</b>	<b>606,916</b>	<b>635,182</b>	<b>529,589</b>
<b>Net assets</b>	<b>6,404</b>	<b>32,930</b>	<b>11,338</b>
Working capital	1,459	36,450	47,461
Dividends declared	-	-	-



## 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	Q4-15			Q4-14		
	Renewable	Corporate	Total	Renewable	Corporate	Total
<b>Revenue</b>	<b>7,088</b>	-	<b>7,088</b>	<b>6,368</b>	-	<b>6,368</b>
Operating expenses	(2,296)	-	(2,296)	(1,057)	-	(1,057)
General and administrative expenses	(518)	(2,240)	(2,758)	(319)	(3,923)	(4,242)
Other income (expenses)	596	(53)	543	252	(16)	236
<b>EBITDA</b>	<b>4,870</b>	<b>(2,293)</b>	<b>2,577</b>	<b>5,244</b>	<b>(3,939)</b>	<b>1,305</b>
Depreciation and amortization	(5,918)	(75)	(5,993)	(993)	(87)	(1,080)
Finance income	38	1,257	1,295	253	(715)	(462)
Finance costs	(12,618)	(2,721)	(15,339)	(4,882)	(2,323)	(7,205)
<b>Income (loss) before income tax</b>	<b>(13,628)</b>	<b>(3,832)</b>	<b>(17,460)</b>	<b>(378)</b>	<b>(7,064)</b>	<b>(7,442)</b>
Income tax recovery (expense)	16,380	(728)	15,652	(289)	(275)	(564)
<b>Net income (loss) for the period</b>	<b>2,752</b>	<b>(4,560)</b>	<b>(1,808)</b>	<b>(667)</b>	<b>(7,339)</b>	<b>(8,006)</b>

During Q4-15, the Group's renewable energy segment generated revenues of \$7.1 million and EBITDA of \$4.9 million, which represented an increase of 11% and a decrease of 7%, respectively, in comparison with the same period in 2014. In addition, the Group's renewable energy segment generated a net income of \$2.7 million which represented an increase in comparison with the net loss results for the same period in 2014. The main reasons for the positive net result in this segment were the addition of Project Salvador in Chile and the Mito project in Japan, partially offset by the 8% reduction of the FiT in Italy, the lower than expected spot market price in Chile and the significant reduction in the €/€ exchange rate. The Group's corporate segment generated negative EBITDA of \$2.3 million and negative results of \$4.6 million due to finance costs associated with the Company's corporate bond, and corporate general and administrative expenses.

## 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	2015			2014		
	Renewable	Corporate	Total	Renewable	Corporate	Total
<b>Revenue</b>	<b>50,448</b>	-	<b>50,448</b>	<b>49,628</b>	-	<b>49,628</b>
Operating expenses	(10,397)	-	(10,397)	(7,374)	-	(7,374)
General and administrative expenses	(1,557)	(8,940)	(10,497)	(1,156)	(9,080)	(10,236)
Other income	606	79	685	463	45	508
Impairment	-	(2,881)	(2,881)	-	-	-
<b>EBITDA</b>	<b>39,100</b>	<b>(11,742)</b>	<b>27,358</b>	<b>41,561</b>	<b>(9,035)</b>	<b>32,526</b>
Depreciation and amortization	(23,100)	(327)	(23,427)	(16,392)	(352)	(16,744)
Finance income	810	5,425	6,235	86	1,863	1,949
Finance costs	(34,418)	(8,658)	(43,076)	(20,925)	(10,659)	(31,584)
<b>Loss (income) before income tax</b>	<b>(17,608)</b>	<b>(15,302)</b>	<b>(32,910)</b>	<b>4,330</b>	<b>(18,183)</b>	<b>(13,853)</b>
Income tax recovery (expense)	15,065	(892)	14,173	(2,179)	(423)	(2,602)
<b>Net (loss) income for the period</b>	<b>(2,543)</b>	<b>(16,194)</b>	<b>(18,737)</b>	<b>2,151</b>	<b>(18,606)</b>	<b>(16,455)</b>

During 2015, the Group's renewable energy segment generated revenues of \$50.4 million and EBITDA of \$39.1 million, which represented an increase of 2% and a decrease of 6%, respectively, in comparison with the same period in 2014. In addition, the Group's renewable energy segment generated a net loss of \$2.5 million, which represented a decrease in comparison with the net income result in 2014. The main reasons for the adverse net result in this segment were the 8% reduction of the FiT in Italy, the lower than expected spot market price in Chile and the significant reduction in the €/€ exchange rate, partially offset by the addition of Project Salvador in Chile and the Mito project in Japan. The Group's corporate segment generated negative EBITDA of \$11.7 million and negative results of \$16.2 million due to finance costs associated with the Company's corporate bond, impairment charges and corporate general and administrative expenses.

## NON-GAAP PERFORMANCE MEASURES

Reconciliation of adjusted net income to net (loss) income USD thousands	Three months ended		Twelve months ended	
	Q4-15	Q4-14	Q4-15	Q4-14
<b>Net loss</b>	<b>(1,808)</b>	<b>(8,006)</b>	<b>(18,737)</b>	<b>(16,455)</b>
<b>Adjustments for non-recurring items:</b>				
Operational items	-	(265)	-	78
Impairment	-	-	2,881	-
General and administrative items <sup>(1)</sup>	274	-	566	461
Financing items	-	-	-	1,033
<b>Adjustments for non-cash items:</b>				
Depreciation and amortization	5,992	1,080	23,426	16,744
Fair value movements (derivative financial instruments)	305	341	799	2,042
Share-based payment expense	(159)	316	496	493
<b>Adjusted net income</b>	<b>4,604</b>	<b>(6,534)</b>	<b>9,431</b>	<b>4,396</b>

Note:

(1) Non-recurring general and administrative items in 2015 refer to development costs associated with the 100%-owned projects under construction in Chile that did not meet the capitalization criteria after the impairment charge recognized in the second quarter of 2015.

Reconciliation of adjusted operating cash flows to operating cash flows USD thousands	Three months ended		Twelve months ended	
	Q4-15	Q4-14	Q4-15	Q4-14
<b>Operating cash flow</b>	<b>26,207</b>	<b>(12,335)</b>	<b>21,752</b>	<b>(11,061)</b>
- Changes in working capital	(25,681)	6,416	5,956	37,175
- Income tax paid	972	2,266	1,643	5,451
<b>Adjusted operating cash flow</b>	<b>1,498</b>	<b>(3,653)</b>	<b>29,351</b>	<b>31,565</b>

Reconciliation of adjusted EBITDA to EBITDA USD thousands	Three months ended		Twelve months ended	
	Q4-15	Q4-14	Q4-15	Q4-14
<b>Net loss</b>	<b>(1,808)</b>	<b>(8,006)</b>	<b>(18,737)</b>	<b>(16,455)</b>
Adjustments for:				
Net income tax expense	(15,652)	564	(14,173)	2,602
Net finance costs	14,044	7,667	36,841	29,635
Depreciation and amortization	5,993	1,080	23,427	16,744
<b>EBITDA</b>	<b>2,577</b>	<b>1,305</b>	<b>27,358</b>	<b>32,526</b>
Non-recurring items				
- Operating Items	-	(265)	-	78
- Impairment	-	-	2,881	-
- General and administrative items	274	-	566	461
<b>Adjusted EBITDA</b>	<b>2,851</b>	<b>1,040</b>	<b>30,805</b>	<b>33,065</b>

## QUARTERLY SELECTED FINANCIAL INFORMATION

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

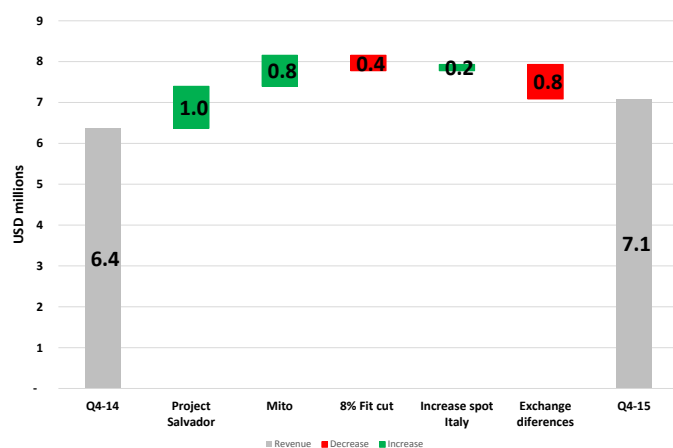
USD thousands (except per share data)	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14
Revenue	7,088	15,913	17,060	10,387	6,368	17,129	17,764	8,367
Net (loss) income	(1,808)	(4,389)	(10,057)	(2,483)	(8,006)	1,193	(1,434)	(8,208)
Net (loss) income attributable to owners of the company	(1,340)	(3,136)	(9,227)	(1,614)	(8,014)	1,255	(1,423)	(8,204)
Basic and diluted (loss) earnings per share	(0.004)	(0.009)	(0.028)	(0.005)	(0.025)	0.004	(0.005)	(0.025)

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 Italy, revenues are received in Euros and have been translated at the average €/€ exchange rate for the corresponding period. Consequently, revenues expressed in \$ may fluctuate according to exchange rate variations. The Group's consolidated financial statements are presented in \$, which is the Group's presentation currency. The Company's functional currency is the €. The consolidated financial statements have been prepared in accordance with IFRS.

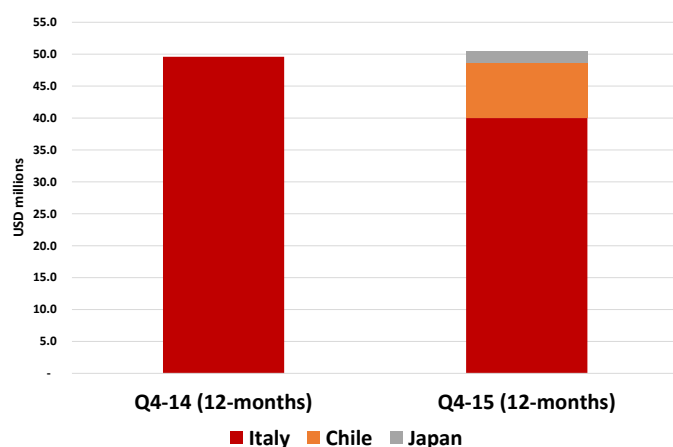
## REVENUE

USD thousands	Three months ended		Twelve months ended	
	Q4-15	Q4-14	Q4-15	Q4-14
FIT revenue	5,365	5,415	36,515	44,132
Market Price revenue	1,589	953	13,611	5,496
Other utility income	134	-	322	-
<b>Total revenue</b>	<b>7,088</b>	<b>6,368</b>	<b>50,448</b>	<b>49,628</b>

Revenues increased by \$0.7 million (11.0%) during Q4-15 compared to the same period of 2014, mainly due to the addition of production from Project Salvador in Chile and the Mito project in Japan, partially offset by the lower FiT received in Italy and foreign exchange rate differences. In Q4-15, the Group's revenue from spot market prices represented 22% of the total revenue.



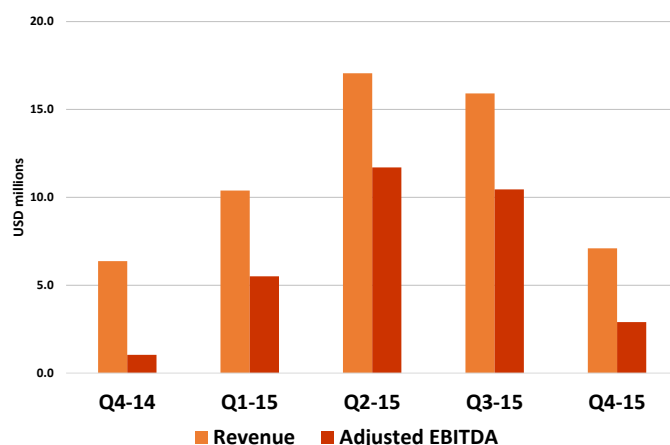
Revenues increased by \$0.8 million (2%) during 2015 compared to the same period of 2014, mainly due to better solar irradiation in Italy and the addition of production from Project Salvador in Chile and the Mito project in Japan, offset by the lower FiT received in Italy and foreign exchange rate differences.



## ADJUSTED CONSOLIDATED EBITDA

Adjusted consolidated EBITDA increased by \$1.7 million (174%) during Q4-15 compared to the same period of 2014, due to electricity production from new projects in Chile and Japan as well as lower general and administrative expenses.

Adjusted consolidated EBITDA decreased by \$2.3 million (7%) during 2015 compared to the same period of 2014, mainly as a result of the 8% FiT reduction in Italy, and the 17% decrease in the average €/€ exchange rate. Despite additional production and EBITDA from the new projects in Chile and Japan, very low spot prices in Chile affected the total contribution capacity from Project Salvador.



Etrion's adjusted EBITDA associated with its operating projects fluctuates as revenues are subject to seasonality, while operating expenses are fixed.

## OPERATING EXPENSES

USD thousands	Three months ended		Twelve months ended	
	Q4-15	Q4-14	Q4-15	Q4-14
O&M costs	505	1	4,241	2,719
Personnel costs	345	245	1,214	1,045
D&A	5,918	993	23,100	16,392
Property tax	400	371	1,631	1,948
Insurance	192	79	763	367
Land lease	88	50	284	212
Transmission costs	372	-	897	-
Other expenses	393	311	1,367	1,083
<b>Total operating expenses</b>	<b>8,213</b>	<b>2,050</b>	<b>33,497</b>	<b>23,766</b>

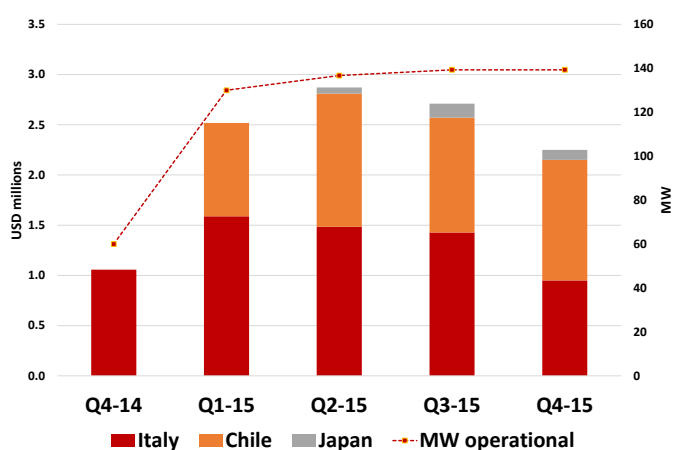
Operating expenses increased by \$6.2 million (301%) during Q4-15 and \$9.7 million (41%) during 2015, compared to the same periods of 2014 primarily due to the incremental cost associated with the O&M contracts of Project Salvador and the Mito project. This was partially offset by the effect of the change in the estimated useful life of the Group's solar power plants in Italy, from the original estimate of 20 years to 24 years. The increase in operating expenses was also partially offset by foreign exchange rate differences.

Etrion has re-negotiated the O&M contracts of its Italian and Chilean projects in order to reduce associated costs by approximately 35% on average.

Transmission costs incurred during 2015, relate to fees associated with the utilization of the private electricity grid in the SIC area in Chile to deliver electricity to final consumers that is paid by the electricity producers. Transmission costs are calculated based on an annual payment that considers the investment and O&M of facilities (lines, transformers, system protection, etc.)

According to certain legal changes being introduced and not yet approved, all the transmission and sub-transmission costs will pass through to the final consumers. These proposed legal changes would provide for a gradual reduction of transmission costs for electricity producers until 2034 when all the transmission costs will be paid by the final consumers.

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 Chile and Japan.



## GENERAL AND ADMINISTRATIVE EXPENSES

USD thousands	Three months ended		Twelve months ended	
	Q4-15	Q4-14	Q4-15	Q4-14
Salaries and benefits	670	2,134	3,241	4,324
Pension costs	170	151	170	151
Board of directors fees	129	76	270	335
Share-based payments	(159)	316	496	493
Professional fees	1,245	905	3,764	2,852
Listing and marketing	78	121	439	440
D&A	75	87	327	352
Office lease	83	112	396	443
Office, travel and other	543	427	1,721	1,198
<b>Total general and admin</b>	<b>2,834</b>	<b>4,329</b>	<b>10,824</b>	<b>10,588</b>

General and administrative expenses decreased by \$1.5 million (35%) during Q4-15, compared to same period in 2014, primarily due to a decrease in salaries and benefits as a result of higher costs being capitalized and recharges to the Italian projects associated with the refinancing transaction, a decrease to the share-based payment expenses associated with the Company's outstanding restricted share units, partially offset by foreign exchange rate differences (due to the weakening of the Euro against the US dollar).

General and administrative expenses increased by \$0.2 million (2%) during 2015, compared to same period in 2014, primarily due to an increase in corporate and professional fees and travel-related expenses, partially offset by less salaries and benefits as a result of more costs being capitalized and recharges to the Italian projects associated with the refinancing transaction and foreign exchange rate differences (due to the weakening of the Euro against the US dollar).

In December 2015, the Group completed the debt refinancing transaction in Italy (as described on page 20) and recharged a structuring fee of \$2.1 million (€2 million), representing the costs of all the activities associated with this refinancing transaction carried out by Etrion's management. The structuring fee has been recognized as transaction cost and is presented net of new debt acquired and the intragroup margin which is eliminated on consolidation.

## IMPAIRMENT

During 2015, the Company recognized an impairment of \$2.5 million of internally generated intangible assets associated with the development pipeline in Chile, given the challenging market environment to secure long-term PPAs in Chile. In addition, the Company recognized an impairment of \$0.4 million of internally generated intangible assets associated with projects in Japan that the Group is no longer pursuing.

## NET FINANCE COSTS

USD thousands	Three months ended		Twelve months ended	
	Q4-15	Q4-14	Q4-15	Q4-14
Interest project loans	12,459	3,993	32,499	17,758
Interest corporate bond	2,285	2,392	8,901	10,728
Fair value movements	305	341	799	2,042
Foreign exchange loss (gain)	(1,180)	687	(4,893)	(1,694)
Other finance costs (income)	175	254	(465)	801
<b>Net finance cost</b>	<b>14,044</b>	<b>7,667</b>	<b>36,841</b>	<b>29,635</b>

Finance costs increased by \$6.4 million (83%) during Q4-15 compared to 2014 primarily due to the accelerated amortization of transaction costs of \$6.6 million associated with the previous credit facilities as a result of the debt refinancing transaction and due to interest expenses associated with Project Salvador and Mito partially offset by foreign exchange rate differences (due to the weakening of the Euro against the US dollar).

Finance costs increased by \$7.2 million (24%) during 2015 compared to 2014, primarily due to the accelerated amortization of transaction costs mentioned above and interest expenses associated with Project Salvador and Mito partially offset by the increase in foreign exchange gains.

During Q4-15 and 2015, the Group capitalized \$0.1 million and \$1.0 million (2014: \$2.9 million and \$8.6 million), respectively, of borrowing costs associated with credit facilities obtained to finance the construction of Project Salvador, Shizukuishi and Mito.

## INCOME TAX EXPENSE

USD thousands	Three months ended		Twelve months ended	
	Q4-15	Q4-14	2015	2014
Current income tax	1,392	1,933	(2,623)	(6,298)
Deferred income tax	14,260	(1,369)	16,796	3,696
<b>Net income tax recovery (expense)</b>	<b>15,652</b>	<b>564</b>	<b>14,173</b>	<b>(2,602)</b>

Net income tax expense decreased significantly by \$15.1 million and \$16.7 million during Q4-15 and 2015, compared to the same periods of 2014 mainly due to lower taxable gains recognized during the period, primarily due to the 8% FIT reduction in Italy, the application of the 27.5% reduced tax rate and foreign exchange differences, partially offset by the impact of a lower depreciation expense in Italy following the change in the useful life of the solar assets. In addition, due to spot price volatility in Chile, the Group recognized a tax benefit associated with tax losses accumulated during the period. During 2015, the provincial tax rate applicable to the Group's operating subsidiaries in Italy decreased to zero, attributable to the specifics of the tax legislation in northern Italy.

## FINANCIAL POSITION

### LIQUIDITY AND FINANCING

#### CASH POSITION

USD thousands	December 31 2015	December 31 2014
Cash and cash equivalents:		
Unrestricted at parent level	17,582	33,886
Restricted at project level	34,917	61,463
<b>Total cash and cash equivalents</b>	<b>52,499</b>	<b>95,349</b>

#### UNRESTRICTED CASH ANALYSIS

The Group's cash and cash equivalents at December 31, 2015, included unrestricted cash of \$17.5 million (December 31, 2014: \$33.9 million) held at the parent level. The Group has a fully-funded portfolio of operational and under construction projects. In addition, the Group expects to generate sufficient operating cash flows in 2016 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 or debt financing and non-recourse project loans, as required.

#### RESTRICTED CASH ANALYSIS

USD thousands	December 31 2015	December 31 2014
Italy	6,585	28,384
Chile	19,474	28,366
Japan	8,858	4,713
<b>Total restricted cash</b>	<b>34,917</b>	<b>61,463</b>

The Group's cash and cash equivalents at December 31, 2015, included restricted cash held at the project level in Italy, Chile and 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, through payment of interest on shareholder loans or through dividend distributions.

### WORKING CAPITAL

At December 31, 2015, the Group had working capital of \$1.5 million (December 31, 2014: \$36.5 million). This working capital includes the fair market value of interest rate swap contracts that are classified as current liabilities in accordance with IFRS but are not expected to be settled in cash in the next 12 months 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 \$5.2 million. (December 31, 2014: \$44.7 million). At December 31, 2015, the Group's contractual obligations for the next five years and thereafter are as follows:

USD thousands	2016	2017	2018	2019	2020	After 5 years	Total
EPC contract	34,800	-	-	-	-	-	34,800
Project loans	41,140	31,702	36,696	36,701	33,973	237,764	417,976
Corporate bond	6,968	6,968	6,968	90,580	-	-	111,484
O&M contracts	3,347	3,535	3,561	3,660	4,245	50,339	68,687
Operating leases	1,431	1,289	1,293	1,277	1,281	19,957	26,528
Trade payables	27,379	-	-	-	-	-	27,379
<b>Total</b>	<b>115,065</b>	<b>43,494</b>	<b>48,518</b>	<b>132,218</b>	<b>39,499</b>	<b>308,060</b>	<b>686,854</b>

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

### NET EQUITY

During 2015, the Group's total equity decreased by \$23.0 million from a net asset position of \$30.0 million at December 31, 2014, to a net asset position of \$7.0 million at December 31, 2015. This change was primarily due to the net loss reported by the Group during the period partially offset by unrealized fair value gains recognized within other reserves associated with the Group's derivative financial instruments. The Group's total equity at December 31, 2015, was negatively impacted by the cumulative fair value losses of \$39.2 million recognized within other reserves that are associated with the Group's derivative financial instruments and that are not expected to be fully realized. Excluding these fair value losses, the Group's total equity at December 31, 2015, would have been \$46.2 million.

## BORROWINGS

### Non-recourse project loans

The following is a summary of the Group's non-recourse project loans and bond balances at December 31, 2015, and 2014:

USD thousands	MW	Maturity	Q4-15	Q4-14
Etrion SpA	53.7	December 31, 2029	222,990	-
Helios ITA	6.4	September 30, 2024	26,250	31,050
Salvador	70.0	September 1, 2033	153,231	164,024
Shizukuishi	24.7	September 30, 2032	19,952	5,005
Mito	9.3	December 30, 2032	23,578	5,334
Cassiopea	-	-	-	108,478
Helios ITA-3	-	-	-	36,932
Centaurio	-	-	-	39,468
Etrion Lazio	-	-	-	17,796
SVE	-	-	-	12,862
Sagittario	-	-	-	7,593
<b>Total</b>	<b>164.0</b>		<b>446,001</b>	<b>428,542</b>

### Italian projects

On December 1, 2015, the Group completed a debt refinancing transaction, replacing the original six floating-rate credit facilities outstanding (obtained to finance the construction of a majority of the Company's Italian operating solar power projects), with a new long-term floating rate credit facility and a project bond. The new senior financing comprises a non-recourse project loan of €177 million (\$192 million) and a floating-rate project bond of €35 million (\$37.8 million) and a debt service reserve facility of €10 million (\$10.9 million). These new credit facilities mature in December 2029 and bear annual interest rates of Euribor plus a margin 2.25%.

Upon completion of this refinancing transaction, the Group's Italian subsidiaries fully repaid the majority of the previous outstanding non-recourse project loans plus accrued interests and the market value of the previous interest rate swap contracts of €32 million (\$34 million). In addition, the Group entered into new contracts to hedge 90% of future interest payments under the terms of the new credit facilities.

The other original non-recourse project loans obtained by one of the Group's Italian subsidiaries to finance the construction of the Helios ITA solar power project matures in 2024 and bears annual interest rates of Euribor plus a margin of 2.25%.

As at December 31, 2015, Helios ITA did not reach the minimum historical debt service coverage ratio. As a result, according to the terms of the credit facility agreement, the Company was deemed to be in breach of covenants, and the Group reclassified the long-term portion of this project loan to short-term liability. This breach in covenants was due to the deterioration of free cash flow as a consequence of multiple factors beyond the control of Helios ITA. However, the Group anticipates that a waiver from the lender banks is very likely to be obtained in the short term. At December 31, 2015 and 2014, the Group was not in breach of any of the operational or financial covenants associated with its Italian project loans except Helios ITA in 2014 as noted above.

At December 31, 2015, the fair value of the non-recourse project loans and project bond approximated their carrying values as the loans bear floating interest rates.

At December 31, 2015, the Group had no undrawn amounts associated with these facilities, except for the new debt service reserve facility. At December 31, 2015, the Group was not in breach of any of the imposed operational and financial covenants associated with its Italian project loans.

### Chilean projects

The non-recourse project loan obtained by the Group's Chilean subsidiary, Salvador, to finance the construction of Project Salvador matures in 2033. The loan was drawn in three tranches and bears an average fixed interest rate of 7.1%. On September 23, 2015, Salvador drew an additional \$13.8 million under the secondary tranche of the senior credit facility with the Overseas Private Investment Corporation ("OPIC") in order to meet its debt service obligations and avoid additional equity requirements if the spot electricity price continues to be lower than expected. The new loan under the secondary tranche matures on June 1, 2033 and bears an all-in interest rate of 3.5%, which is re-set every week depending on the rate paid on short terms US bonds. At December 31, 2015, there were no undrawn amounts under the OPIC primary or secondary senior credit facility. The repayment of this credit facility is secured principally by the proceeds from the sale of electricity in the spot market.

In addition, Salvador has a local currency VAT credit facility with Rabobank. The VAT credit facility bears variable interest rates set every quarter plus a margin. The average applicable interest rate during 2015, was approximately 6.0%. This VAT credit facility was fully repaid on October 14, 2015, following the collection of VAT receivables from the Chilean tax authorities.

At December 31, 2015, the Group was not in breach of any of the imposed operational and financial covenants associated with its Chilean project loans.

### Japanese projects

The Group's Japanese subsidiaries that hold the 34 MW Mito and Shizukuishi projects entered into senior secured financing agreements in Japanese yen to finance the construction costs of these projects. The Mito and Shizukuishi credit facilities mature in 2034 and bear TIBOR floating interest rates plus a margin of 1.3% and 1.4%, respectively, during the construction period of the solar plants.

The Mito and Shizukuishi non-recourse projects loans are 90% hedged during the operational period at an interest rate of 2.96% and 3.13% all-in, respectively, through interest rate swap contracts, all of which qualified for hedge accounting at December 31, 2015, and December 31, 2014.

At December 31, 2015, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates.

During 2014, the Group's Japanese subsidiaries also entered into a VAT credit facility agreement in Japanese yen in order to finance the related VAT capital disbursements of the Shizukuishi and Mito projects. These VAT credit facilities have a term of three years and bear a variable interest rate plus a margin.

During 2015, the Group's Japanese subsidiaries drew down under the senior financing agreement the amount of ¥3,920

million (\$32.1 million) under the senior financing agreement. As of December 31, 2015, the undrawn gross amount was ¥4,724 million (\$39.2 million). In addition, the Group's Japanese subsidiaries also drew down ¥301 million (\$2.5 million) under the VAT credit facility. As of December 31, 2015, the undrawn gross amount was ¥299 million (\$2.5 million).

At December 31, 2015, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

### Corporate borrowings

At December 31, 2015, the Group had €80 million of corporate bonds outstanding in the Norwegian bond market. The bonds were issued by the Company in April 2014 with an annual interest rate of 8.0% and a 5-year maturity. The carrying amount of the corporate bond as at December 31, 2015, including accrued interest net of transaction costs, was \$87.1 million (December 31, 2014: \$96.7 million). The corporate bond agreement requires the Company to maintain a minimum unrestricted cash balance of €3 million. At December 31, 2015, and December 31, 2014, the Group was not in breach of any of the imposed operational and financial covenants associated with its corporate borrowings.

The corporate bond 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. Specifically, the Company can redeem the bond within the first two years at 4% above par value plus the net present value of the interest that would have accrued up to April 22, 2016 (using a discount rate of 50 basis points over the German government bond rate comparable to the remaining duration of the bonds until April 22, 2016). The Company can call the bonds after the second year at 4% above par value, after the third year at 2.5% above par value and after the fourth year at 1% above par value. At December 31, 2015, no separate amount was recognized in relation to this call option.

The Group's borrowings are denominated in Euros, Chilean pesos, Japanese yen and US dollars, and the minimum principal repayment obligations are as follows:

	December 31 2015	December 31 2014
Less than 1 year	47,688	70,282
Between 1 and 5 years	158,991	158,095
After 5 years	326,381	296,874
<b>Total borrowings</b>	<b>533,060</b>	<b>525,251</b>

### Net debt reconciliation

The Group's adjusted net debt position on a cash basis, (excluding non-cash items and VAT facilities) at December 31, 2015, and December 31, 2014, is as follows:

USD thousands	December 31 2015	December 31 2014
<b>Total borrowings as per IFRS</b>	<b>533,060</b>	<b>525,251</b>
VAT facilities	(2,481)	(26,895)
Accrued interest	(2,231)	(3,507)
Transaction costs	13,180	14,360
<b>Adjusted borrowings</b>	<b>541,528</b>	<b>509,209</b>
Cash and cash equivalents	(52,499)	(95,349)
<b>Adjusted consolidated net debt</b>	<b>489,029</b>	<b>413,860</b>
<b>Adjusted corporate net debt</b>	<b>69,514</b>	<b>63,242</b>

The Group's consolidated net debt increased during 2015 mainly due to new debt acquired by Project Salvador and the Japanese projects and also due to the \$42.8 million decrease in the Group's cash and cash equivalents, partially offset by foreign exchange differences (due to the weakening of the Euro exchange rate against the US dollar). In addition, the Group's consolidated net debt increased by additional proceeds of approximately \$34 million upon completion of the refinancing transaction in Italy, used to pay the breakage costs of the associated interest rate swap contracts.

### OUTSTANDING SHARE DATA

At the date of this MD&A, the Company had 334,094,324 common shares (March 18, 2014: 334,082,657) and options to acquire 3,527,000 common shares of the Company (March 18, 2014: 4,800,000) issued and outstanding. The options expire at various dates between March 19, 2017, and April 28, 2018, with exercise prices ranging between CAD\$0.24 and CAD\$1.59 per share.

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 restricted share units ("RSUs"). The RSUs have a contractual term of four years and are subject to certain time-based conditions and performance-based vesting conditions. The Company had 16,802,793 RSUs granted to certain employees of the Company under this long-term incentive plan, all of which were outstanding as of March 15, 2016.

### OFF-BALANCE SHEET ARRANGEMENTS

The Group had no off-balance sheet arrangements at December 31, 2015, and December 31, 2014.

## CAPITAL INVESTMENTS

The Group plans to allocate its unrestricted cash by prioritizing the Japanese market. Based on the current status of its backlog in Japan, the Company does not anticipate to beginning construction until Q2-16. Equity required to build solar projects in Japan is approximately \$0.6 million per MW, representing 20% of the total cost per MW. The equity required is expected to be reduced by a development fee of approximately \$0.2 million per MW.

The equity needs to build these projects are likely to be contributed throughout the construction period, typically expanded over a two year construction period, rather than at start of construction. According to management estimates total net equity cash contributions would be made as follows:

Japanese backlog	H1-2016	H2-2016	H1-2017	H2-2017
Greenfield 1	-	-	2.9	0.9
Brownfield 1	-	1.5	4.2	5.1
Brownfield 2	(0.4)	0.7	0.8	-
<b>Total USD million</b>	<b>(0.4)</b>	<b>2.2</b>	<b>7.9</b>	<b>6.0</b>

Previously disclosed capital investments for the construction of solar projects under development in Chile are not expected to be incurred in the current year due to Etrion's decision to postpone construction of the 99 MW of projects in Chile that are shovel-ready. 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.

### Contractual commitments

The Group enters into EPC agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of December 31, 2015, the Group had a contractual obligation over one year to acquire construction services in the amount of \$33.9 million related to the construction of the 25 MW Shizukuishi solar power project in Japan. This contractual obligation will be funded from existing cash available at the project company level or from future cash flows from operations with no additional capital investments to be made by the Group or additional funding from the Group's unrestricted cash balance.

### 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 early stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

### *New standards and amendments adopted by the Group*

There are no IFRS or interpretations that have been issued effective for financial years beginning on or after January 1, 2015, that would have a material impact on the Company's consolidated financial statements.

### *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 9, Financial Instruments:** This standard addresses the classification, measurement and recognition of financial assets and liabilities, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group has yet to assess the full impact of IFRS 9 and intends to adopt this standard no later than the accounting period beginning on or after January 1, 2018.

**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, 2017 and earlier application is permitted. The Group has yet to assess the full impact of IFRS 15 and intends to adopt this standard no later than the accounting period beginning on or after January 1, 2018.

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.

The Company's management believes the critical accounting policies outlined below affect the more significant judgments



and estimates used in the preparation of the consolidated financial statements.

#### **IMPAIRMENT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

The Group assesses goodwill for impairment on an annual basis and 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 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 business 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. For the purposes of the Group's impairment assessment performed at December 31, 2015, the discount rate used was 5.6% (2014: 7.1%), representing the Group's pre-tax weighted average cost of capital, and no growth rate was applied. 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, 2015, no impairment was provided in relation to the Group's previously recognized goodwill, property, plant and equipment and intangible assets.

#### **FAIR VALUE OF FINANCIAL AND 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 Euribor and Tibor forward interest rate curves and an appropriate discount factor. At December 31, 2015, the Group recognized net financial liabilities of \$13.2 million (2014: \$55.4 million) associated with its derivative financial instruments.

#### **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. 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, 2015, the Group recognized \$18.3 million (2014: \$13.9 million) of net deferred income tax assets.

## **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 24.3% 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 year ended December 31, 2015, are summarized below.

### **RELATED PARTY TRANSACTIONS**

#### **Lundin Services BV**

The Group receives professional services from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB. The Chairman of Lundin Petroleum AB is a director of the Company. During the twelve months ended December 31, 2015, the Group incurred general and administrative expenses of \$88,000 (2014: \$0.2 million), from Lundin Services BV, and, at December 31, 2015, the Group had \$2,000 (December 31, 2014: \$7,000) outstanding in relation to these expenses.

#### **Lundin family**

Investment companies associated with the Lundin family subscribed for €15 million of the corporate bond issue in April 2014. At December 31, 2015, total corporate bonds held by the Lundin family amounted to €9.9 million.

During 2015, the Group recognized \$0.9 million (2014: \$1.8 million) of interest expense and \$43,000 (2014: \$72,000) of transaction costs associated with the portion of the corporate bonds held by investment companies associated with the Lundin family.

### **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, Paul Rapisarda.

During 2015, the Group recognized \$2.1 million (2014: \$2.4 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, 2015, the Group had \$0.1 million outstanding to key management personnel (2014: \$0.4 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.

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, 2015, for further details relating to the Group's financial risk management.

## DERIVATIVE FINANCIAL INSTRUMENTS

A summary of the Group's derivative financial instruments at December 31, 2015, and 2014, is as follows:

USD thousands	December 31 2015	December 31 2014
<b>Derivative financial assets:</b>		
Interest rate swap contracts		
Current portion	702	-
<b>Total derivative financial assets</b>	<b>702</b>	<b>-</b>
<b>Derivative financial liabilities:</b>		
Interest rate swap contracts		
Current portion	3,230	8,203
Non-current portion	10,639	47,192
<b>Total derivative financial instruments</b>	<b>13,869</b>	<b>55,395</b>

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 Italy and 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 Euribor and TIBOR interest rate forward yield curve and an appropriate discount factor.

During 2015, the Group recognized a net fair value loss of \$9.4 million (2014: net fair value loss of \$19.7 million) net of tax within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

At December 31, 2015, 2014 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 transferred to finance income/costs.

## RISKS AND UNCERTAINTIES

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

Directors also oversees and provides assistance with the overall risk management strategy and mitigation plan of the Group.

## FINANCIAL RISKS

### DEBT AND EQUITY FINANCING

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

### CAPITAL REQUIREMENTS AND LIQUIDITY

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

### MARKET RISKS

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

### COST UNCERTAINTY

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

## NON-FINANCIAL RISKS

### LICENSES AND PERMITS

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

## GOVERNMENTAL REGULATION

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

Historically, the Group was not exposed to significant electricity market price risk as the majority of the revenues generated by its operating solar power projects in Italy are secured by long-term contracts based on a FIT. However, in Chile, the Company's subsidiary, Salvador, is exposed to market price risk associated with the electricity sold at the spot rate, which may fluctuate based on supply and demand and other conditions.

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

## INTERNATIONAL OPERATIONS

Renewable energy development and production activities are subject to significant political and economic uncertainties that may adversely affect the Group's performance. Uncertainties include, but are not limited to, the possibility of expropriation, nationalization, renegotiation or nullification of existing or future 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 Europe and other 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.

## ETRION OUTLOOK AND GUIDANCE

Etrion will prepare and update on a regular basis forecasts for project level revenues and EBITDA information regarding its operational and fully-funded solar parks. The purpose of these forecasts is to provide investors with management's view on the expected performance of the Company's solar assets. Readers are advised to not place undue reliance on these forecasted financial and operational information because it may not be appropriate to use for purposes other than indicated. Etrion's consolidated project-level forecast for 2016 is in the following ranges:

<b>Net to Etrion's interest</b>		<b>Low end</b>	<b>High end</b>
<b>USD million otherwise stated</b>			
Energy generation	MWh	219,349	230,597
Revenue		50	52
Project-level EBITDA		39	41

## ITALY

Revenue, project-level EBITDA and production forecast for the Italian operating platform, incorporated in the above consolidated guidance, are based on Etrion's 100%-owned, 60 MW solar portfolio in Italy. The weighted average FIT price applicable to the Italian portfolio is €0.30 per kWh for the 15 years remaining contract average life. The Italian spot price, currently €0.05 per kWh, has been projected based on independent third party estimates. Italian project-level EBITDA forecast is presented net of asset management service fees that are recharged to the operating projects as part of operational expenses. In Italy, revenues are received in Euros and are translated using the €/€ exchange rate of the corresponding period. Consequently, revenues expressed in US dollars may fluctuate according to exchange rate variations.

## CHILE

Revenue, project-level EBITDA and production forecast for the Chilean platform, incorporated in the above consolidated guidance, are based on Etrion's 70%-owned, 70 MW operational solar park, Project Salvador, located in northern

Chile, and are incorporated on a net basis. Electricity production in Chile assumes 25% of curtailments on the total production capacity of the Project Salvador power plant. Revenue has been calculated using the PPA price of US\$0.10 per kWh for the first 70 GWh of production and a spot price forecast prepared by the Chilean grid operator for the remaining electricity production of Project Salvador. Chilean project-level EBITDA forecast is presented net of asset management service fees that are recharged to the operating projects as part of operational expenses. In Chile, revenues are calculated with reference to the US dollar, which is also the reporting currency of the Group and therefore revenues forecast are not subject to exchange rate fluctuations.

## JAPAN

Revenue, project-level EBITDA and production forecast for the Japanese platform, incorporated in the above consolidated guidance, are based on Etrion's 87%-owned, 34 MW operational and under construction Japanese portfolio comprising the Mito and the Shizukuishi solar parks, located in central and northern Japan, respectively, and are incorporated on a net basis. These projects benefit from 20-year PPAs with TEPCO and the Tohoku Electric Power utility, respectively, under which they will receive ¥40 per kWh produced (approximately US\$0.33 per kWh). Shizukuishi construction-related work began in October 2014, and the solar project is expected to connect to the grid in the third quarter of 2016. In Japan, revenues are received in Japanese Yen and are translated using the ¥/\$ exchange rate of the corresponding period. Consequently, revenues expressed in US dollars 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, 2015 and 2014.

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 expected prevailing exchange rate of €/\$ 1:1.099 and ¥/\$ 1:121.0 based on projections made by the Company.

## PREVIOUS FORECASTS

On January 17, 2014, Etrion issued a forecast for the fiscal year ending December 31 2015. Below is a description of the major variables that affected the 2015 revenue and EBITDA forecasts:

Italian revenue and EBITDA in 2015 were lower in comparison with the guidance provided in January 17, 2014, mainly due to the effect of the 8% FiT reduction announced in August 2014 and effective January 1, 2015. The 8% FiT reduction results in approximately 6% less revenues per year, but this reduction is current being contested by the Company through domestic litigation against the government. In addition, other variables that resulted in lower 2015 results than projected included the spot market prices, the inclusion of asset management service fees as part of operating expenses and the approximately 18% decrease in the average exchange rate used for the Euro versus the US dollar.

The revenue and EBITDA in 2015 for Project Salvador were lower than originally expected given the unusual low spot market prices in the SIC network in Chile, due to a combination of local grid congestion, increasing solar and wind electricity generation, strong hydro electricity production due to wet winter conditions and low electricity demand because of depressed mining activity as a result of the collapse in commodity prices. However, due to Project Salvador's early start of operations, revenue was recognized for eleven months starting January 2015 instead of the nine months projected in the guidance. Revenue and EBITDA in 2015 in Chile were lower than the guidance also due to the removal from the pipeline of the original 8.8 MW Aguas Blancas solar project.

## DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

Forward-looking information and statements are included throughout this MD&A and include, but are not limited to, statements with respect to: the Group's plans for future growth and development activities (including, but not limited to, expectations relating to the timing of the development, construction, permitting, licensing, financing operation and electricity production, as the case may be, of its future solar power plants in Japan and Chile); expectations relating to future solar energy production and the means by which, and to whom, such future solar energy will be sold; the need for, and amount of, additional capital to fund the construction or acquisition of new projects and the expected sources of such capital; expectations relating to grid parity; the expected key drivers for growth; and expectations with respect to future mining growth in Chile. 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 lack of confirmation or the reduction of the applicable FiT and the Market Price for electricity sales in Italy; uncertainties with respect to the impact of the new Italian FiT regime that came into effect in 2015; uncertainties with respect to the impact of the changes to the Japanese FiT regime that came into effect in 2015; 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 Company may not be able to renegotiate certain of its O&M contracts as anticipated; 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; uncertainties with respect to certain information relating to solar electricity revenue that is subject to confirmation of both the applicable FiT to which the Company is entitled by the state-owned company, GSE, and the applicable spot market price by local utilities for electricity sales to the national grid; the impact of general economic conditions and world-wide industry conditions in the jurisdictions and industries in which the 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: confirmation of the applicable FiT and spot market price for electricity sales in Italy; 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; expectations with respect to the declining impact of seasonality on the Group's business, assumptions with respect to the renegotiation of certain of the Company's O&M contracts and assumptions relating to management's assessment of the impact of the new Italian 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](http://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](http://www.sedar.com) or by visiting the Company's website at [www.etrion.com](http://www.etrion.com).

2015

# **ETRION CORPORATION**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
YEAR ENDED DECEMBER 31, 2015

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March 15, 2016

## **Independent Auditor's Report**

### **To the Shareholders of Etrion Corporation**

We have audited the accompanying consolidated financial statements of Etrion Corporation, which comprise the consolidated balance sheet as at December 31, 2015 and 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Etrion Corporation as at December 31, 2015 and 2014 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SA

"Luc Schulthess"  
Luc Schulthess

"Colin Johnson"  
Colin Johnson

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

Expressed in US\$'000

		Twelve months ended	
		2015	2014
	<b>Note</b>		
Revenue	<b>6</b>	50,448	49,628
Operating expenses	<b>7</b>	(33,497)	(23,766)
<b>Gross profit</b>		<b>16,951</b>	<b>25,862</b>
General and administrative expenses	<b>8</b>	(10,824)	(10,588)
Impairment	<b>9</b>	(2,881)	-
Other income		685	508
<b>Operating profit</b>		<b>3,931</b>	<b>15,782</b>
Finance income	<b>10</b>	6,235	1,949
Finance costs	<b>10</b>	(43,076)	(31,584)
<b>Net finance costs</b>		<b>(36,841)</b>	<b>(29,635)</b>
<b>Loss before income tax</b>		<b>(32,910)</b>	<b>(13,853)</b>
Income tax recovery (expense)	<b>11</b>	14,173	(2,602)
<b>Loss for the year</b>		<b>(18,737)</b>	<b>(16,455)</b>
<b>Other comprehensive loss:</b>			
<b>Items that may be reclassified to profit and loss</b>			
Gain on currency translation	<b>21</b>	532	410
Loss on cash flow hedges (net of tax)	<b>21</b>	(9,363)	(19,721)
<b>Items that will not be reclassified to profit and loss</b>			
Remeasurements of post-employment benefits	<b>26</b>	(254)	(317)
<b>Total other comprehensive loss</b>		<b>(9,085)</b>	<b>(19,628)</b>
<b>Total comprehensive loss for the year</b>		<b>(27,822)</b>	<b>(36,083)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(15,317)	(16,386)
Non-controlling interest		(3,420)	(69)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(24,309)	(35,494)
Non-controlling interest	<b>13</b>	(3,513)	(589)
<b>Basic and diluted loss per share</b>	<b>12</b>	<b>\$(0.05)</b>	<b>\$(0.05)</b>

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

## CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2015

Expressed in US\$'000

		December 31 2015	December 31 2014
	<b>Note</b>		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	480,973	477,655
Intangible assets	15	27,637	30,942
Deferred income tax assets	11	19,809	14,426
Derivative financial instruments	24	702	-
Trade and other receivables	17	2,256	2,822
<b>Total non-current assets</b>		<b>531,377</b>	<b>525,845</b>
<b>Current assets</b>			
Trade and other receivables	17	29,444	46,918
Cash and cash equivalents (including restricted cash)	18	52,499	95,349
<b>Total current assets</b>		<b>81,943</b>	<b>142,267</b>
<b>Total assets</b>		<b>613,320</b>	<b>668,112</b>
<b>Equity</b>			
<b>Attributable to owners of the Company</b>			
Share capital	19	111,304	111,300
Contributed surplus		11,547	11,048
Other reserves	21	(37,782)	(29,837)
Accumulated deficit		(78,039)	(62,468)
<b>Total attributable to owners of the Company</b>		<b>7,030</b>	<b>30,043</b>
<b>Non-controlling interest</b>	13	<b>(626)</b>	<b>2,887</b>
<b>Total equity</b>		<b>6,404</b>	<b>32,930</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	22	485,372	454,969
Derivative financial instruments	24	10,639	47,192
Deferred income tax liabilities	11	400	480
Provisions	25	7,226	5,221
Other liabilities	25	22,795	21,503
<b>Total non-current liabilities</b>		<b>526,432</b>	<b>529,365</b>
<b>Current liabilities</b>			
Trade and other payables	27	27,379	24,110
Current tax liabilities	11	672	458
Borrowings	22	47,688	70,282
Derivative financial instruments	24	3,230	8,203
Provisions	25	-	784
Other liabilities	25	1,515	1,980
<b>Total current liabilities</b>		<b>80,484</b>	<b>105,817</b>
<b>Total liabilities</b>		<b>606,916</b>	<b>635,182</b>
<b>Total equity and liabilities</b>		<b>613,320</b>	<b>668,112</b>

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, 2015

Expressed in US\$'000

	Note	Attributable to owners of the Company				Total	Non-controlling interest	Total equity
		Share capital	Contributed surplus	Other reserves	Accumulated deficit			
<b>Balance at January 1, 2014</b>		<b>34,879</b>	<b>10,573</b>	<b>(11,981)</b>	<b>(45,765)</b>	<b>(12,294)</b>	<b>956</b>	<b>(11,338)</b>
Comprehensive loss:								
- Loss for the year		-	-	-	(16,386)	(16,386)	(69)	(16,455)
- Other comprehensive (loss)/gain:								
Cash flow hedges (net of tax)	21	-	-	(19,015)	-	(19,015)	(471)	(19,486)
Currency translation	21	-	-	459	-	459	(49)	410
Remeasurements on post-employment benefits	26	-	-	-	(317)	(317)	-	(317)
<b>Total comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>(18,556)</b>	<b>(16,703)</b>	<b>(35,259)</b>	<b>(589)</b>	<b>(35,848)</b>
Transactions with owners in their capacity as owners:								
- Share issuance	19	76,280	-	-	-	76,280	-	76,280
- Stock options exercised	19	141	(57)	-	-	84	-	84
- Written call options	21	-	-	700	-	700	-	700
- Share-based payments	20	-	532	-	-	532	-	532
- Non-controlling interest	13	-	-	-	-	-	2,520	2,520
<b>Balance at December 31, 2014</b>		<b>111,300</b>	<b>11,048</b>	<b>(29,837)</b>	<b>(62,468)</b>	<b>30,043</b>	<b>2,887</b>	<b>32,930</b>
Comprehensive loss:								
- Loss for the year		-	-	-	(15,317)	(15,317)	(3,420)	(18,737)
- Other comprehensive (loss)/gain:								
Cash flow hedges (net of tax)	21	-	-	(8,876)	-	(8,876)	(114)	(8,990)
Currency translation	21	-	-	511	-	511	21	532
Remeasurements on post-employment benefits	26	-	-	-	(254)	(254)	-	(254)
<b>Total comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>(8,365)</b>	<b>(15,571)</b>	<b>(23,936)</b>	<b>(3,513)</b>	<b>(27,449)</b>
Transactions with owners in their capacity as owners:								
- Stock options exercised	19	4	(2)	-	-	2	-	2
- Written call options	21	-	-	420	-	420	-	420
- Share-based payments	20	-	501	-	-	501	-	501
<b>Balance at December 31, 2015</b>		<b>111,304</b>	<b>11,547</b>	<b>(37,782)</b>	<b>(78,039)</b>	<b>7,030</b>	<b>(626)</b>	<b>6,404</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2015

Expressed in US\$'000

		Twelve months ended	
		2015	2014
	<b>Note</b>		
<b>Cash flow from (used in) operating activities:</b>			
<b>Loss for the year</b>		<b>(18,737)</b>	<b>(16,455)</b>
Adjustments for:			
Depreciation and amortization	7/8	23,427	16,744
Impairment		2,881	-
Current income tax expense	11	2,623	6,298
Deferred income tax recovery	11	(16,796)	(3,696)
Share-based payment expense	8/20	496	493
Interest expense	10	25,843	17,083
Interest expense relating to interest rate swap contracts	10	7,678	9,367
Amortization of transaction costs	10	7,879	1,034
Foreign exchange gain	10	(4,893)	(1,694)
Loss on derecognition of liabilities		-	1,002
Fair value changes associated with derivative financial instruments	10	799	2,042
Other income		(685)	(508)
Interest income	10	(1,164)	(145)
<b>Sub-total</b>		<b>29,351</b>	<b>31,565</b>
Changes in working capital:			
Decrease (increase) in trade and other receivables		10,954	(24,947)
Decrease in trade and other payables		(16,910)	(12,228)
Income tax paid		(1,643)	(5,451)
<b>Total cash flow from (used in) operating activities</b>		<b>21,752</b>	<b>(11,061)</b>
<b>Cash flow used in investing activities:</b>			
Purchases of property, plant and equipment		(29,317)	(148,514)
Purchases of intangible assets		(2,748)	(5,755)
<b>Total cash flow used in investing activities</b>		<b>(32,065)</b>	<b>(154,269)</b>
<b>Cash flow from financing activities:</b>			
Interest paid	22	(26,387)	(23,338)
Interest paid relating to interest rate swap contracts		(8,795)	(9,221)
Settlement of interest rate swap contracts	24	(34,178)	-
Interest income		1,164	145
Repayment of borrowings	22	(238,069)	(17,537)
Proceeds from borrowings	22	278,494	150,518
Repayment of Lundin loan facility		-	(18,394)
Proceeds from stock-options exercised		2	84
Contributions from non-controlling interest	25	-	15,406
Proceeds from the issuance of shares	19	-	76,280
<b>Total cash flow (used in) from financing activities</b>		<b>(27,769)</b>	<b>173,943</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(38,082)</b>	<b>8,613</b>
Effect of exchange rate changes on cash and cash equivalents		(4,768)	(8,178)
Cash and cash equivalents (including restricted cash) at the beginning of the year		95,349	94,914
<b>Cash and cash equivalents (including restricted cash) at the end of the year</b>		<b>52,499</b>	<b>95,349</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015

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 V6Z 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 139 megawatt ("MW") of installed solar capacity in Italy, Chile and Japan. The Company has 25 MW of solar projects under construction in Japan and is also actively developing greenfield solar power projects in Japan and Chile.

These consolidated financial statements are presented in United States ("US") Dollars ("\$"), which is the Group's presentation currency. The Company's functional currency is the Euro. However, since the Group operates in Europe, the Americas and Asia and is listed in both Canada (Primary) and Sweden (Secondary), certain financial information within the notes to these consolidated financial statements has been presented in Euros ("€"), Canadian dollars ("CAD\$"), Japanese yen ("¥") or Swedish Krona ("SEK"). The Company's Board of Directors approved these consolidated financial statements on March 15, 2016.

### 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 ("IFRSIC") that are effective or available for early adoption for accounting periods beginning on January 1, 2015. 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](#).

#### (b) GOING CONCERN

The Company's consolidated financial statements for the year ended December 31, 2015, 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, 2015, the Group had cash and cash equivalents of \$52.5 million, \$17.6 million of which was unrestricted and held at the parent level (2014: \$95.3 million and \$33.9 million, respectively) and working capital of \$1.5 million (2014: \$36.5 million). During 2015, the Group recognized a net loss of \$18.7 million (2014: \$16.5 million). However, 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. As at December 31, 2015, one of the Group's Italian subsidiaries was in breach of covenants. [Note 22](#). These consolidated financial statements for the year ended December 31, 2015, do not include the adjustments that would result if the Group were unable to continue as a going concern.

#### (c) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

##### *New standards and amendments adopted by the Group*

There are no IFRS or interpretations that have been issued effective for financial years beginning on or after January 1, 2015, that would have a material impact on the Company's consolidated financial statements.

##### *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 9, Financial Instruments:** This standard addresses the classification, measurement and recognition of financial assets and liabilities, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group has yet to assess the full impact of IFRS 9 and intends to adopt this standard no later than the accounting period beginning on or after January 1, 2018.

**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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Group has yet to assess the full impact of IFRS 15 and intends to adopt this standard no later than the accounting period beginning on or after January 1, 2017.

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. 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. They are deconsolidated from the date that control ceases. The Group applies the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as a bargain purchase gain.

The Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportional share of the acquiree's net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to an acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus non-controlling interests' share of subsequent changes in equity. 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.

When acquiring project companies, the Company assesses whether the project company represents a business as defined by IFRS 3, Business Combinations ("IFRS 3"), or a specific asset or group of assets such as land and/or licenses. Where the project company meets the definition of a business, the acquisition method of accounting is applied. Where the project company does not meet the definition of a business, the transaction is treated as an asset acquisition. Key factors in determining whether the definition of a business is met include an assessment of inputs, processes and outputs and the stage of the project development plan at the acquisition date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about the facts and circumstances that existed as of the acquisition date, and is subject to a maximum period of one year ("measurement period"). Subsequent changes to the fair values of the assets acquired and liabilities assumed are adjusted against the cost of the acquisition where the changes qualify as measurement period adjustments. All other subsequent changes to the fair values of the assets acquired and liabilities assumed are accounted for in accordance with relevant IFRS. Subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional values for the items where the fair value assessment is incomplete. These provisional values are then adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the values recognized at that date.

#### *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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 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 Euro, US dollar and Japanese yen. The consolidated financial statements are presented in USD, 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.

#### 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.

#### Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency of the Group (none of which has the currency of a hyper-inflationary economy) 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 average exchange rate if this represents a reasonable approximation); and
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the

closing rate with any exchange differences recognized within 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.

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 Euro. Once the financial statements have been consolidated, they are then translated into the presentation currency, the US dollar. Exchange rates for the relevant currencies of the Group with respect to the US dollar are as follows: (CHF refers to Swiss francs and CLP refers to Chilean pesos)

	CHF/\$	€/€	CLP/\$	CAD/\$	¥/\$
December 31, 2015	1.01	1.09	0.0014	0.72	0.0083
December 31, 2014	1.01	1.21	0.0016	0.86	0.0083
December 31, 2013	1.12	1.38	0.0019	0.94	0.0095
Average 2015	1.05	1.11	0.0015	0.79	0.0083
Average 2014	1.09	1.33	0.0018	0.91	0.0095

### (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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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:

	2015	2014
Solar power projects - Italy	24 years	24 years
Solar power plants - Chile	20 years	--
Solar power plants - Japan	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.

#### Licenses and permits

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.

#### Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, including the fair value of non-controlling interests in the acquiree at the date of acquisition, less the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is not amortized and is tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's CGUs expected to benefit from the synergies of the combination **Note 2(i)**. CGUs to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount, the impairment is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets on a pro-rata basis. An impairment loss recognized for goodwill is not subsequently reversed.

#### (i) IMPAIRMENT OF TANGIBLE ASSETS AND INTANGIBLE ASSETS (EXCLUDING GOODWILL)

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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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) FINANCIAL ASSETS

#### Classification

The Group classifies 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 depends on the purpose for which the financial assets were acquired and the Company's management determines the classification of its financial assets at initial recognition as follows:

**Financial assets at fair value through profit or loss:** This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as cash flow hedges. Assets in this category are classified as current assets if expected to be settled within the next twelve months or as non-current assets if expected to be settled after twelve months.

**Loans and receivables:** This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are classified as current assets, except when the maturity is greater than twelve months from the reporting date, which are classified as non-current assets. The Group's loans and receivables are comprised of trade and other receivables and cash and cash equivalents.

**Available-for-sale financial assets:** This category includes non-derivative financial assets that are either designated in this category or that are not classified in any of the other categories. Assets in this category are classified as non-current assets unless the investment matures or the Company's management intends to dispose of it within twelve months from the reporting date.

**Held-to-maturity investments:** This category includes financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

#### Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date. Investments are 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 are initially recognized at fair value and transaction

costs are expensed within finance income or costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value, except where the fair value cannot be measured reliably in which case the assets are carried at cost less impairment. Loans and receivables and held-to-maturity investments are 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 are included within finance income or costs in the period in which they arise.

#### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are only recognized if there is 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) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group uses the following criteria to determine whether there is objective evidence for the recognition of an impairment loss associated with financial assets:

- significant financial difficulty of the obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets.

#### Assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists at the end of each reporting period and in the event such evidence exists, the amount of impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the impairment loss is recognized in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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interest rate determined under the contract. If, in a subsequent period, the fair value of the asset carried at amortized cost increases and the increase can 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 is reversed in the profit or loss.

### Assets classified as available for sale

The Group uses the same criteria to assess whether there is objective evidence that a financial asset classified as available for sale is impaired, at the end of each reporting period, as outlined above for assets carried at amortized cost. However, in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized, is removed from equity and recognized in the profit or loss in the period it occurs. Impairment losses relating to equity instruments recognized in the profit or loss are not subsequently reversed. However, if, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was initially recognized, the impairment loss is reversed.

### *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 24**. Movements on the hedging reserve in other comprehensive income are shown in **Note 21**. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining 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.

### **(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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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. Since the Group's non-recourse project loans are floating rate instruments, the application of the effective interest rate method is not necessary as re-estimating the future interest payments has no significant impact on the carrying amount of the financial liability. 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 in Italy, Chile and 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

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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. 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**

#### **Stock-options**

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 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 share-based payments is determined using the Black-Scholes option-pricing model. When a stock option is exercised, the Company recognizes an increase in its share capital equivalent to the consideration paid by the option holder and the amount previously recognized in equity within contributed surplus. The fair value of any stock options granted to employees, consultants, directors and officers of the Group is recorded as an expense over the vesting period of the options 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.

#### **Restricted share units (RSUs)**

The Company also operates another 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.

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### 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 GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group assesses goodwill for impairment on an annual basis and 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. For the purposes of the Group's impairment assessment performed at December 31, 2015, the discount rate used was 5.6% (2014: 7.1%), representing the Group's pre-tax weighted average cost of capital, and no growth rate was applied. The decrease in the Group's pre-tax weighted average cost of capital in comparison with 2014 was due mainly to the reduction of the cost of the Italian project debt as a result of the refinancing transaction completed in December 2015. 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, 2015, no impairment was provided in relation to the Group's previously recognized goodwill, property, plant and equipment and intangible assets. **Note 14** and **Note 15**. The recoverable amount of the operating assets would equal its carrying amount if the pre-discount rate were to change as follows:

	From	To
Italian assets	5.6%	7.8%
Chilean assets	5.6%	7.7%
Japanese assets	5.6%	9.0%

#### (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 Euribor and Tibor forward interest rate curves and an appropriate discount factor. At December 31, 2015, the Group recognized net financial liabilities of \$13.2 million (2014: \$55.4 million) associated with its derivative financial instruments. **Note 24**. 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

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31, 2015, the Group recognized \$19.4 million (2014: \$13.9 million) of net deferred income tax assets. [Note 11](#)

### 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 net equity and corporate net debt.

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. The Group's gearing ratio is as follows:

	2015	2014
Borrowings	533,060	525,251
Project loans and bond	(446,001)	(428,542)
<b>Net corporate borrowings</b>	<b>87,059</b>	<b>96,709</b>
Unrestricted cash at parent level	(17,582)	(33,886)
<b>Net debt</b>	<b>69,477</b>	<b>62,823</b>
Equity attributable to owners of the Company	7,030	30,043
Fair value losses associated with derivative financial instruments	39,208	30,332
<b>Adjusted equity</b>	<b>46,238</b>	<b>60,375</b>
<b>Total capital</b>	<b>115,715</b>	<b>123,198</b>
<b>Gearing ratio</b>	<b>60%</b>	<b>51%</b>

The increase in the Group's gearing ratio from 51% at December 31, 2014, to 60% at December 31, 2015, was primarily due to the decrease in cash available at corporate level and the net decrease in equity as a result of the net loss of the year.

#### (b) FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks relating to its operations in Italy, Chile and 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, in April 2014, the Group issued \$87 million (£80 million) of new corporate bonds in the Norwegian bond market with a fixed interest rate.

The Group is exposed to interest rate risks associated with its non-recourse project loans in Italy and 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 bond and long-term non-recourse loans in Chile as these are fixed-rate instruments. Short-term and working capital credit facilities in Chile are not hedged.

The Group manages its cash flow and interest rate risks by using floating-to-fixed interest rate swap contracts, primarily entered into with the same financial institutions providing the underlying debt facility. These interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swap contracts, the Group agrees to exchange at specified intervals the difference between the fixed contract rates and floating interest rates calculated by reference to the agreed notional amounts. The fair value of the interest rate swap contracts at the end of each reporting period is determined by discounting the future cash flows using forward interest rate curves at the balance sheet date.

The following table shows the sensitivity 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.

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	Carrying amount	+10 bps shift in interest rate curve		-10 bps shift in interest rate curve	
		Impact on profit/(loss)	Impact on other comprehensive income	Impact on profit/(loss)	Impact on other comprehensive income
<b>At December 31, 2015</b>					
Societe Generale and Dexia	26,250	-	-	-	-
Natixis and project bond	222,990	(2)	-	2	-
Sumitomo Mitsui Trust Bank	43,524	(12)	-	12	-
<b>Total impact</b>		<b>(14)</b>	<b>-</b>	<b>14</b>	<b>-</b>
Derivative financial instruments	13,167	-	2,347	-	(2,347)
<b>Total net impact</b>		<b>(14)</b>	<b>2,347</b>	<b>14</b>	<b>(2,347)</b>
<b>At December 31, 2014</b>					
Societe Generale and Dexia	31,050	-	-	-	-
BIIS, Societe Generale and Portigon	108,478	(1)	-	1	-
Barclays	39,468	-	-	-	-
UBI Banca	12,862	(2)	-	2	-
Natixis and Portigon	62,321	(7)	-	7	-
Sumitomo Mitsui Trust Bank	10,339	-	-	-	-
<b>Total impact</b>		<b>(10)</b>	<b>-</b>	<b>10</b>	<b>-</b>
Derivative financial instruments	55,395	-	1,947	-	(1,970)
<b>Total net impact</b>		<b>(10)</b>	<b>1,947</b>	<b>10</b>	<b>(1,970)</b>

### 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, US dollar, Japanese yen and Chilean peso. The Group's foreign currency exposure is due primarily to intercompany borrowings made in Euros to subsidiaries that have a different functional currency. 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.

### Price risk

The majority of revenues generated by the Group's solar power projects in Italy and Japan are secured by long-term contracts based on a feed-in-tariff ("FiT"). The Group is exposed to price risks associated with the electricity sold at the spot rate in Italy and Chile. These market revenues represented 27% and 11% of total revenues during 2015 and 2014, respectively.

### 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 state-owned utility companies in Italy, to the public utility in Japan, and in the open electricity market in Chile to private industrial clients, 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, 2015, can be assessed by reference to external credit ratings, if available, as follows:

	2015	2014
<b>Cash and cash equivalents:</b>		
AA-	8,260	21,183
A+	-	4,714
A	33,292	38,649
A-	416	-
BBB+	3,517	24,910
BBB-	5,954	1,062
BB	1,060	4,831
<b>Total cash and cash equivalents</b>	<b>52,499</b>	<b>95,349</b>

### Liquidity risk

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



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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
<b>At December 31, 2015</b>						
Borrowings	533,060	606,564	51,324	202,361	352,879	606,564
Interest rate swap contracts, net	13,167	13,167	3,230	11,115	(1,178)	13,167
Trade and other payables	27,379	27,379	27,379	-	-	27,379
<b>Total financial and non-financial liabilities</b>	<b>573,606</b>	<b>647,110</b>	<b>81,933</b>	<b>213,476</b>	<b>351,701</b>	<b>647,110</b>
<b>At December 31, 2014</b>						
Borrowings	525,251	645,849	20,952	249,211	375,686	645,849
Interest rate swap contracts, net	55,395	55,395	8,203	30,313	16,879	55,395
Trade and other payables	24,110	24,110	24,110	-	-	24,110
<b>Total financial and non-financial liabilities</b>	<b>604,756</b>	<b>725,354</b>	<b>53,265</b>	<b>279,524</b>	<b>392,565</b>	<b>725,354</b>

### (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, 2015 and 2014, the Group had no financial instruments 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, 2015 and 2014, 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 Euribor and Tibor forward interest rate curves and an appropriate discount factor. **Note 24**

**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, 2015 and 2014, the Group had no financial instruments classified as Level 3.

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

	2015	2014
<b>Financial assets</b>		
<b>Level 2:</b>		
- Derivatives used for hedging	702	-
<b>Total financial assets</b>	<b>702</b>	<b>-</b>
<b>Financial liabilities</b>		
<b>Level 2:</b>		
- Derivatives used for hedging	13,869	55,395
<b>Total financial liabilities</b>	<b>13,869</b>	<b>55,395</b>

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### 5. SEGMENT REPORTING

The Company's management has determined the operating segments based on reports reviewed by the Board of Directors used to make strategic decisions. The Board of Directors considers reportable segments from a products and services perspective and measures performance based on EBITDA. The Company's management has identified one reportable segment, the renewable energy segment, which includes the Group's solar power projects. While the Company's management has determined that the Company has only one reportable segment, the Company has decided to disclose the additional information below regarding corporate expenses as the Company believes that this information is useful for readers of the consolidated financial statements.

The Group's electricity production in Italy is sold to the Italian state-owned company, Gestore Servizi Energetici ("GSE"), in Chile to the spot electricity market and in Japan to the Japanese public utility, Tokyo Electric Power Company ("TEPCO"). The Group's revenues, EBITDA and net results are presented as follows:

	2015			2014		
	Renewable	Corporate	Total	Renewable	Corporate	Total
<b>Revenue</b>	<b>50,448</b>	-	<b>50,448</b>	<b>49,628</b>	-	<b>49,628</b>
Operating expenses	(10,397)	-	(10,397)	(7,374)	-	(7,374)
General and administrative expenses	(1,557)	(8,940)	(10,497)	(1,156)	(9,080)	(10,236)
Impairment	-	(2,881)	(2,881)	-	-	-
Other income	606	79	685	463	45	508
<b>EBITDA</b>	<b>39,100</b>	<b>(11,742)</b>	<b>27,358</b>	<b>41,561</b>	<b>(9,035)</b>	<b>32,526</b>
Depreciation and amortization	(23,100)	(327)	(23,427)	(16,392)	(352)	(16,744)
Finance income	810	5,425	6,235	86	1,863	1,949
Finance costs	(34,418)	(8,658)	(43,076)	(20,925)	(10,659)	(31,584)
<b>Income/(loss) before income tax</b>	<b>(17,608)</b>	<b>(15,302)</b>	<b>(32,910)</b>	<b>4,330</b>	<b>(18,183)</b>	<b>(13,853)</b>
Income tax recovery (expense)	15,065	(892)	14,173	(2,179)	(423)	(2,602)
<b>Net income/(loss)</b>	<b>(2,543)</b>	<b>(16,194)</b>	<b>(18,737)</b>	<b>2,151</b>	<b>(18,606)</b>	<b>(16,455)</b>

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

	December 31, 2015			December 31, 2014		
	Renewable	Corporate	Total	Renewable	Corporate	Total
Property, plant and equipment	480,808	165	480,973	477,414	241	477,655
Intangible assets	24,276	3,361	27,637	25,168	5,774	30,942
Cash and cash equivalents	34,917	17,582	52,499	61,463	33,886	95,349
Other assets	43,585	8,626	52,211	61,771	2,395	64,166
<b>Total assets</b>	<b>583,586</b>	<b>29,734</b>	<b>613,320</b>	<b>625,816</b>	<b>42,296</b>	<b>668,112</b>
Borrowings	446,001	87,059	533,060	428,542	96,709	525,251
Trade and other payables	23,196	4,183	27,379	19,885	4,225	24,110
Other liabilities	42,059	4,418	46,477	83,836	1,985	85,821
<b>Total liabilities</b>	<b>511,256</b>	<b>95,660</b>	<b>606,916</b>	<b>532,263</b>	<b>102,919</b>	<b>635,182</b>

The Group's revenue and non-current assets (excluding deferred income tax assets and financial assets) by geographical location are as follows:

	Revenue		Non-current assets	
	2015	2014	2015	2014
Italy	40,032	49,628	261,707	305,982
Chile	8,591	-	179,724	189,028
Switzerland	-	-	117	363
Japan	1,825	-	67,154	13,965
Other	-	-	2,866	2,081
<b>Total</b>	<b>50,448</b>	<b>49,628</b>	<b>511,568</b>	<b>511,419</b>

The Group's country of domicile is Canada. However, all revenues from external customers are derived from Italy, Chile and Japan.

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### 6. REVENUE

	Twelve months ended	
	2015	2014
Feed-in Tariff	36,515	44,132
Spot market price	13,611	5,496
Other utility income	322	-
<b>Total revenue</b>	<b>50,448</b>	<b>49,628</b>

The Group receives revenues denominated in Euros, US dollars and Japanese yen from its operating solar projects. Revenues come from two components: (1) the FiT system, whereby a premium constant price is received for each kWh of electricity produced through a 20-year contract with GSE or TEPCO, as applicable, and (2) the spot market price ("Market Price") received for each kWh of electricity generated in Chile and Italy.

Starting in July 2015, the Group also receives a capacity payment associated with its operations in Chile through its 70%-owned subsidiary, PV Salvador SpA ("Salvador"). The capacity payment is a monthly fixed amount received by Salvador from other energy producers in the spot market and is calculated based on Salvador's production capacity, the maximum system demand in the peak period and a fixed tariff calculated by the Chilean authorities.

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. [Note 14](#)

### 7. OPERATING EXPENSES

	Twelve months ended	
	2015	2014
O&M	4,241	2,719
Personnel costs	1,214	1,045
D&A	23,100	16,392
Property tax	1,631	1,948
Insurance	763	367
Land lease	284	212
Transmission costs	897	-
Other operating expenses	1,367	1,083
<b>Total Opex</b>	<b>33,497</b>	<b>23,766</b>

O&M costs of \$4.2 million (2014: \$2.7 million) relate to fees paid in connection with the operation and maintenance activities of the Group's operating solar power projects in Italy, Chile and Japan. The Group outsources these O&M services to third parties.

Transmission costs incurred during 2015, relate to fees paid by electricity producers, including Salvador, for the

utilization of the private electricity grid in the Sistema Interconectado Central ("SIC") electricity network area in Chile to deliver electricity to final consumers.

Depreciation and amortization of \$23.1 million (2014: \$16.4 million) relates to the Group's operating solar power projects producing electricity during the year. During 2014, the Company modified the useful life estimate of its operational assets in Italy from the original 20 years to approximately 24 years estimate ([Note 2g](#)), due to changes in the expected operational use of the solar plants and also due to changes in the regulatory environment. Depreciation and amortization associated with the Group's corporate assets is included within general and administrative expense. [Note 8](#)

### 8. GENERAL AND ADMINISTRATIVE EXPENSES

	Twelve months ended	
	2015	2014
Salaries and benefits	3,241	4,324
Pension costs	170	151
Board of directors fees	270	335
Share-based payments	496	493
Professional fees	3,764	2,852
Listing and marketing	439	440
D&A	327	352
Office lease	396	443
Office, travel and other	1,721	1,198
<b>Total G&amp;A</b>	<b>10,824</b>	<b>10,588</b>

During 2015, general and administrative expenses of \$2.1 million (2014: \$3.9 million) representing internally-generated costs of \$1.5 million (2014: \$1.3 million) and third-party costs of \$0.6 million (2014: \$2.6 million) were capitalized during the period within intangible assets as they directly related to the Group's business development activities in Chile and Japan. [Note 15](#)

Pension costs of \$43,000 associated with business development personnel directly attributable to the Group's business development activities were capitalized within intangible assets during the year. Total pension costs incurred by the Group during the year were \$0.2 million. [Note 26](#)

### 9. IMPAIRMENT

During 2015, the Company decided to impair total costs of \$2.9 million capitalized as internally generated intangible assets associated with projects in Japan that the Group is no longer pursuing and the development pipeline in Chile due to the challenging market environment to secure long-term power purchase agreements.

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### 10. FINANCE INCOME AND COSTS

	Twelve months ended	
	2015	2014
<b>Finance income:</b>		
Changes in fair values of derivative financial instruments:		
- Ineffective portion reclassified from other comprehensive income <a href="#">Note 21</a>	178	110
Foreign exchange gain	4,893	1,694
Other finance income	1,164	145
<b>Total finance income</b>	<b>6,235</b>	<b>1,949</b>
<b>Finance costs:</b>		
Interest rate expense:		
- Credit facilities and non-recourse loans and bond <a href="#">Note 22</a>	17,774	15,756
- Interest rate swap contracts associated with non-recourse loans	7,678	9,367
- Corporate bond <a href="#">Note 22/29</a>	7,101	8,410
- Credit facility with related party (Lundin family)	-	176
- Credit facility with non-controlling interest <a href="#">Note 25</a>	1,800	972
- Amortization of transaction costs	8,026	1,386
<b>Changes in fair values of derivative financial instruments:</b>		
- De-designated portion reclassified from other comprehensive income <a href="#">Note 21</a>	451	347
- Ineffective portion reclassified from other comprehensive income <a href="#">Note 21</a>	106	1,105
- Written call option <a href="#">Note 21</a>	420	700
Loss on derecognition of liability <a href="#">Note 22</a>	-	1,002
Other finance costs	699	946
<b>Total finance costs before deducting amounts capitalized</b>	<b>44,055</b>	<b>40,167</b>
Amounts capitalized on qualifying assets <a href="#">Note 14</a>	(979)	(8,583)
<b>Total finance costs</b>	<b>43,076</b>	<b>31,584</b>
<b>Net finance costs</b>	<b>36,841</b>	<b>29,635</b>

On December 1, 2015, the Group completed a debt refinancing transaction, replacing the original six floating-rate credit facilities outstanding obtained to finance the construction of a majority of the Company's Italian operating solar power projects, with a new long-term floating rate credit facility and a project bond. [Note 22](#). As a result of the debt refinancing transaction the Group recognized \$6.6 million as accelerated amortization of transaction costs associated with the previous credit facilities.

During 2015, upon completion of the refinancing transaction ([Note 22](#)), the Group discontinued hedge accounting for the previously hedging relationships and started amortizing the accumulated losses in the hedging reserve through the income statement reflecting the timing of the originally hedged exposures. No amount was taken directly in the income statement upon refinancing because the originally hedged exposures did not exceed the new exposures.

The Group also has three additional floating-rate credit facilities outstanding obtained to finance the construction of its operating solar power projects Japan and Italy. These credit facilities are hedged using interest rate swap contracts. In addition, the Group has a fixed-rate credit facility that financed the construction of its solar power plant in Chile. Refer to [Note 22](#) and [Note 24](#) 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 14](#)

During 2015, the Group recognized a net fair value loss of \$9.4 million (2014: \$19.7 million), net of tax, within other comprehensive income related to the effective portion of the Group's interest rate swap contracts.

During 2014, the Group recognized a \$1.0 million loss due to the call option premium and unamortized transactions costs associated with the early redemption of the previously outstanding €60 million principal amount of corporate bonds. [Note 22](#)

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### 11. INCOME TAXES

#### (a) INCOME TAX EXPENSE

	Twelve months ended	
	2015	2014
<b>Current income tax expense:</b>		
Corporate income tax	(2,159)	(4,749)
Provincial income tax	(464)	(1,549)
<b>Total current income tax expense</b>	<b>(2,623)</b>	<b>(6,298)</b>
<b>Deferred income tax recovery:</b>		
Temporary differences	8,179	195
Tax benefits recognized during the year	8,617	3,501
<b>Total deferred income tax recovery</b>	<b>16,796</b>	<b>3,696</b>
<b>Total income tax recovery (expense)</b>	<b>14,173</b>	<b>(2,602)</b>

The Group recognized an income tax expense of \$1.8 million (2014: \$5.9 million) associated with its solar power projects in Italy and Japan and an income tax expense of \$0.8 million (2014: \$0.4 million) associated with its management services subsidiaries. In addition, the Group recognized a deferred income tax recovery of \$8.2 million (2014: \$0.2 million) in relation to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts and a deferred income tax recovery of \$8.6 million (2014: \$3.5 million) associated with unutilized tax losses related to interest expense carried forward in Italy and Chile.

On February 11, 2015, the Italian Constitutional Court published a ruling that declared the so-called "Robin Hood" tax unconstitutional and eliminated it from February 2015 going forward. The removal of the Robin Hood tax reduced the ordinary income tax rate applicable to most energy companies in Italy from 34% to 27.5%. In addition, during 2015 the provincial tax rate applicable to the Group's operating subsidiaries in Italy decreased to zero, attributable to the specifics of the tax legislation in northern Italy.

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

	Twelve months ended	
	2015	2014
<b>Loss before tax</b>	<b>(32,910)</b>	<b>(13,853)</b>
Income tax expense calculated at 26.00% (2014: 26.00%)	(8,557)	(3,602)
<b>Tax effects of:</b>		
Non-deductible expenses	9,145	4,543
Effect of non-taxable income	(491)	(517)
Tax losses not recognized	(17,530)	1,861
Differences in foreign tax rates	3,236	955
Other	24	(638)
<b>Total income tax recovery (expense)</b>	<b>14,173</b>	<b>(2,602)</b>

#### (b) CURRENT INCOME TAX LIABILITIES

	December 31 2015	December 31 2014
Corporate income tax	566	251
Provincial income tax	106	207
<b>Total current income tax liabilities</b>	<b>672</b>	<b>458</b>

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### (c) DEFERRED INCOME TAX

The movements in deferred income tax assets and liabilities during 2015 were as follows:

	Opening balance	Profit or loss	Other comprehensive income	Exchange differences	Recognized directly in equity	Reclassifications	Closing balance
<b>Taxable temporary differences:</b>							
Property, plant and equipment	39	1,847	-	(819)	-	(1,067)	-
Intangible assets	441	(46)	-	(55)	-	60	400
<b>Total deferred income tax liability</b>	<b>480</b>	<b>1,801</b>	<b>-</b>	<b>(874)</b>	<b>-</b>	<b>(1,007)</b>	<b>400</b>
<b>Deductible temporary differences:</b>							
Property, plant and equipment	-	(38)	-	(25)	-	263	200
Intangible assets	-	(126)	-	(12)	-	138	-
Tax losses carried forward	-	10,089	-	147	-	(3,309)	6,927
Income expense carried forward	8,465	8,416	-	(933)	-	(6,855)	9,093
Derivative financial instruments	5,547	66	(10,046)	(1,140)	(80)	8,728	3,075
Provisions	181	(11)	-	(12)	(79)	21	100
Special tax credits	233	202	-	(28)	-	7	414
<b>Total deferred income tax asset</b>	<b>14,426</b>	<b>18,598</b>	<b>(10,046)</b>	<b>(2,003)</b>	<b>(159)</b>	<b>(1,007)</b>	<b>19,809</b>
<b>Net deferred income tax asset</b>	<b>13,946</b>	<b>16,797</b>	<b>(10,046)</b>	<b>(1,129)</b>	<b>(159)</b>	<b>-</b>	<b>19,409</b>

The movements in deferred income tax assets and liabilities during 2014 were as follows:

	Opening balance	Profit or loss	Other comprehensive income	Exchange differences	Recognized directly in equity	Reclassifications	Closing balance
<b>Taxable temporary differences:</b>							
Property, plant and equipment	1,697	(114)	-	(1,922)	-	378	39
Intangible assets	619	(123)	-	(83)	-	28	441
<b>Total deferred income tax liability</b>	<b>2,316</b>	<b>(237)</b>	<b>-</b>	<b>(2,005)</b>	<b>-</b>	<b>406</b>	<b>480</b>
<b>Deductible temporary differences:</b>							
Property, plant and equipment	-	208	-	(32)	-	(176)	-
Intangible assets	-	(358)	-	(32)	-	390	-
Tax losses carried forward	-	(131)	-	(20)	-	151	-
Interest expense carried forward	6,152	4,028	-	(1,570)	-	(145)	8,465
Derivative financial instruments	1,903	391	5,262	(1,891)	(118)	-	5,547
Provisions	-	(153)	-	(22)	170	186	181
Special tax credits	801	(517)	-	(51)	-	-	233
<b>Total deferred income tax asset</b>	<b>8,856</b>	<b>3,468</b>	<b>5,262</b>	<b>(3,618)</b>	<b>52</b>	<b>406</b>	<b>14,426</b>
<b>Net deferred income tax asset</b>	<b>6,540</b>	<b>3,705</b>	<b>5,262</b>	<b>(1,613)</b>	<b>52</b>	<b>-</b>	<b>13,946</b>

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, 2015, deferred income tax assets and liabilities of \$19.8 million and \$0.4 million, respectively (2014: \$14.4 million and \$0.5 million, respectively) were expected to be recovered more than twelve months after the balance sheet date. At December 31, 2015, the Group had unrecognized deferred income tax assets in respect of tax losses associated with Canada, Chile, Japan and Luxembourg of \$164.9 million (2014: \$165.1 million), of which \$0.9 million (2014: \$1.9 million) expires between

one and ten years, \$35.2 million (2014: \$25.3 million) expires between ten and twenty years and \$128.8 million (2014: \$137.9 million) has no expiry. In addition, at December 31, 2015, the Group had unrecognized deferred income tax assets of \$0.2 million (2014: \$0.2 million) in respect of temporary differences associated with its Swiss pension.

In addition, during 2015, the Group recognized an income tax recovery of \$10.0 million (2014: income tax expense \$5.4 million) within other comprehensive income associated with its derivative financial instruments. **Note 21**

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### 12. LOSS PER SHARE

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

	Twelve months ended	
	2015	2014
Loss attributable to owners of the Company	(15,317)	(16,386)
	<b>Number of shares</b>	
Weighted average number of shares outstanding	334,090,744	324,092,976
<b>Basic and diluted loss per share</b>	<b>\$(0.046)</b>	<b>\$(0.051)</b>

Diluted loss per share equals basic loss per share as, due to losses incurred in 2015 and 2014, there is no dilutive effect from the existing stock options. [Note 20](#)

### 13. NON-CONTROLLING INTERESTS

The Group's subsidiaries in which there is a non-controlling interest ("NCI") are Salvador, Shizukuishi Solar GK ("Shizukuishi") and Etrion Energy 1 GK ("Mito").

Salvador is a Chilean entity that owns the licenses, permits, and facilities to operate the 70 MW solar power plant in northern Chile ("Project Salvador"). Salvador is currently owned 70% by Etrion, 20% by Total Energie Developpement S.A. ("Total") and 10% by Solventus Chile SpA ("Solventus").

Mito and Shizukuishi are Japanese entities that own the licenses, permits and facilities to build and operate solar parks in Japan totaling 34 MW ("the Mito and Shizukuishi Projects"). Mito and Shizukuishi are owned 87% by Etrion and 13% by Hitachi High-Tech ("HHT"). The Shizukuishi Project is under construction and is expected to be fully operational by the third quarter of 2016. During the second and third quarter of 2015, all five sites of the Mito project were completed and started producing electricity and revenue.

The non-controlling interest at December 31, 2015, an asset of \$0.6 million (December 31, 2014: a liability of \$2.9 million) represents the 30% minority interest in Salvador held by Total and Solventus and the 13% minority interest of Mito and Shizukuishi held by HHT. There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of Salvador, Mito and Shizukuishi, other than those imposed by the lending banks related to cash distributions.

The summarized current and non-current net assets (liabilities) of the entities in which there is a non-controlling interest are as follows:

	December 31, 2015			December 31, 2014		
	Current	Non-current	Net	Current	Non-current	Net
Salvador	17,443	(20,021)	(2,579)	13,087	(4,286)	8,801
Shizukuishi	(9,632)	10,251	619	6,845	(5,502)	1,343
Mito	4,295	(3,786)	509	6,820	(6,270)	550
<b>Total net assets (liabilities)</b>	<b>12,106</b>	<b>(13,556)</b>	<b>(1,451)</b>	<b>26,752</b>	<b>(16,058)</b>	<b>10,694</b>

The summarized income statement for Salvador, Mito and Shizukuishi, including the portion allocated to NCI is as follows:

	December 31, 2015			December 31, 2014		
	(Loss) gain for the period	Comprehensive (loss) gain for the period	Comprehensive (loss) gain allocated to NCI	(Loss) for the period	Comprehensive (loss) for the period	Comprehensive (loss) allocated to NCI
Salvador	(11,379)	(11,379)	(3,414)	(171)	(171)	(51)
Shizukuishi	(217)	(871)	(114)	(49)	(3,054)	(397)
Mito	328	118	15	(42)	(1,083)	(141)
<b>Total</b>	<b>(11,268)</b>	<b>(12,132)</b>	<b>(3,513)</b>	<b>(262)</b>	<b>(4,308)</b>	<b>(589)</b>

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### 14. PROPERTY, PLANT AND EQUIPMENT

	Land	Solar power projects	Assets under construction	Equipment and furniture	Total
<b>Cost:</b>					
<b>At January 1, 2014</b>	<b>13,755</b>	<b>399,044</b>	<b>7,705</b>	<b>1,479</b>	<b>421,983</b>
Additions	-	1,364	176,518	184	178,066
Disposal	-	-	-	(25)	(25)
Reclassification	-	-	2,504	-	2,504
Exchange differences	(1,869)	(49,743)	(1,029)	(201)	(52,842)
<b>At December 31, 2014</b>	<b>11,886</b>	<b>350,665</b>	<b>185,698</b>	<b>1,437</b>	<b>549,686</b>
Additions	-	33	54,820	2,055	56,908
Disposals	-	-	-	(224)	(224)
Reclassification	-	200,007	(200,007)	-	-
Exchange differences	(995)	(29,351)	(7,140)	(120)	(37,606)
<b>At December 31, 2015</b>	<b>10,891</b>	<b>521,354</b>	<b>33,371</b>	<b>3,148</b>	<b>568,764</b>
<b>Accumulated depreciation:</b>					
<b>At January 1, 2014</b>	<b>-</b>	<b>63,232</b>	<b>-</b>	<b>1,107</b>	<b>64,339</b>
Charge for the year	-	15,635	-	332	15,967
Disposals	-	-	-	(25)	(25)
Exchange differences	-	(8,145)	-	(105)	(8,250)
<b>At December 31, 2014</b>	<b>-</b>	<b>70,722</b>	<b>-</b>	<b>1,309</b>	<b>72,031</b>
Charge for the year	-	21,656	-	353	22,009
Disposals	-	-	-	(221)	(221)
Exchange differences	-	(5,918)	-	(110)	(6,028)
<b>At December 31, 2015</b>	<b>-</b>	<b>86,460</b>	<b>-</b>	<b>1,331</b>	<b>87,791</b>
<b>Net book value:</b>					
At December 31, 2014	11,886	279,943	185,698	128	477,655
At December 31, 2015	10,891	434,894	33,371	1,817	480,973

During 2015, the Group capitalized as assets under construction \$53.9 million of incurred capital expenditures associated with the 34 MW solar power projects in Japan. On January 10, 2015, and at various points during the second and third quarter of 2015, Project Salvador in Chile and all five solar park sites of the Mito project in Japan, respectively, achieved 100% production capacity, and the Company reclassified total construction costs to solar power project in accordance with the Group's accounting policies.

During 2015, the Group capitalized \$0.9 million (2014: \$8.6 million) of borrowing costs associated with credit facilities obtained to finance the construction of Mito and Shizukuishi. [Note 10](#) and [Note 22](#)

During 2015, the Group recognized an increase in the dismantling costs associated with its Italian solar parks based on a revision of the previous estimates. In addition, the Group recognized an increase in the dismantling costs associated with Project Salvador and the Mito project, in accordance with the Group's accounting policies. [Note 25](#)



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### 15. INTANGIBLE ASSETS

	Goodwill	Licenses and permits	Internally generated development costs and other	Total
<b>Cost:</b>				
<b>At January 1, 2014</b>	<b>1,809</b>	<b>28,370</b>	<b>3,613</b>	<b>33,792</b>
Additions	-	845	4,909	5,754
Reclassifications	-	2,987	(5,491)	(2,504)
Impairment	-	-	(107)	(107)
Exchange differences	(214)	(1,809)	(384)	(2,407)
<b>At December 31, 2014</b>	<b>1,595</b>	<b>30,393</b>	<b>2,540</b>	<b>34,528</b>
Additions	-	-	2,748	2,748
Reclassifications	-	(1,849)	1,849	-
Impairment	-	-	(2,881)	(2,881)
Exchange differences	(167)	(1,966)	(293)	(2,426)
<b>At December 31, 2015</b>	<b>1,428</b>	<b>26,578</b>	<b>3,963</b>	<b>31,969</b>
<b>Accumulated amortization:</b>				
<b>At January 1, 2014</b>	-	<b>2,150</b>	<b>196</b>	<b>2,346</b>
Charge for the year	-	1,364	227	1,591
Exchange differences	-	(301)	(50)	(351)
<b>At December 31, 2014</b>	-	<b>3,213</b>	<b>373</b>	<b>3,586</b>
Charge for the year	-	785	260	1,045
Exchange differences	-	(268)	(31)	(299)
<b>At December 31, 2015</b>	-	<b>3,730</b>	<b>602</b>	<b>4,332</b>
<b>Net book value:</b>				
At December 31, 2014	1,595	27,180	2,167	30,942
At December 31, 2015	1,428	22,848	3,361	27,637

During 2015, general and administrative expenses of \$2.1 million (2014: \$3.9 million) representing internally-generated costs of \$1.5 million (2014: \$1.3 million) and third-party costs of \$0.6 million (2014: \$2.6 million) were capitalized during the period within intangible assets as they directly related to the Group's business development activities in Chile and Japan.

#### GOODWILL IMPAIRMENT TESTING

Goodwill recognized on the acquisition of subsidiaries that meet the definition of business combinations in accordance with IFRS 3 is allocated to the CGU expected to benefit from the synergies of the combination in accordance with the Group's accounting policy outlined in [Note 2\(d\)](#). The Group's impairment assessment is made using value-in-use calculations as outlined in [Note 3\(a\)](#).

Goodwill has been allocated to the CGUs relating to the Group's solar power as follows:

	2015	2014
<b>Renewable energy segment:</b>		
CGU 5 (Cassiopea)	672	751
CGU 6 (Centauro)	403	450
CGU 1 (SVE)	26	29
CGU 2 (Helios ITA)	101	113
CGU 3 (Helios ITA-3)	157	176
CGU 4 (Etrion Lazio)	46	51
CGU 7 (Sagittario)	23	25
<b>Total goodwill</b>	<b>1,428</b>	<b>1,595</b>

At December 31, 2015, the Group assessed the carrying value of goodwill for impairment and determined that the recoverable amount of the CGUs to which goodwill had been allocated exceeded their carrying values, and, as a result, no impairment was provided for in 2015 (2014: \$nil).

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### 16. FINANCIAL ASSETS

	Loans and receivables
<b>At December 31, 2015</b>	
<b>Current assets</b>	
Trade and other receivables	11,759
Cash and cash equivalents	52,499
<b>Total current financial assets</b>	<b>64,258</b>
<b>Total financial assets</b>	<b>64,258</b>
<b>At December 31, 2014</b>	
<b>Current assets</b>	
Trade and other receivables	6,554
Cash and cash equivalents	95,349
<b>Total current financial assets</b>	<b>101,903</b>
<b>Total financial assets</b>	<b>101,903</b>

### 17. TRADE AND OTHER RECEIVABLES

	December 31 2015	December 31 2014
<b>Current portion:</b>		
Financial assets		
- Trade receivables	11,364	5,624
- Other financial assets	395	930
<b>Total financial assets Note 16</b>	<b>11,759</b>	<b>6,554</b>
Input VAT	7,783	29,399
Advances paid and prepaid expenses	3,311	2,576
Other current assets	6,603	8,402
Impairment loss provision	(12)	(13)
<b>Total current portion</b>	<b>29,444</b>	<b>46,918</b>
<b>Non-current portion:</b>		
Input VAT	51	77
Investment tax credit, advances paid and prepaid expenses	2,205	2,745
<b>Total non-current portion</b>	<b>2,256</b>	<b>2,822</b>
<b>Total trade and other receivables</b>	<b>31,700</b>	<b>49,740</b>

The carrying values of the financial assets approximate their fair values due to these assets having a relatively short maturity. The Group has no non-current financial assets included within trade and other receivables. The Group does not hold any collateral as security.

#### Current portion

Trade receivables relate to the sale of electricity from the Group's solar power projects to the operators of the electricity grid and to private clients in the spot market in Chile. Other receivables include input VAT primarily related to amounts expected to be collected for eligible expenditures from the relevant authorities in Italy, Chile and Japan associated with the Group's solar power projects.

Other current assets include \$5.5 million of advance payments made to local developers associated with the projects currently under development in Japan.

On October 13, 2015, the Group's subsidiary Salvador received a cash reimbursement in Chilean pesos equivalent to \$24.3 million from the Chilean tax authorities associated with VAT credits accumulated

during the construction of Project Salvador. Following receipt of the VAT reimbursement, Project Salvador fully repaid the Rabobank VAT credit facility of \$24.1 million, including accrued interest. **Note 22.** During 2014, the Group received \$2.9 million as reimbursement of the remaining outstanding VAT receivable from the Italian tax authorities associated with the construction expenses of its solar power projects in Italy.

#### Non-current portion

A portion of the VAT is classified as non-current as the amounts are expected to be collected more than twelve months after the balance sheet date. The non-current portion of the VAT has not been discounted as the amounts are interest-bearing at market rates.

An aging analysis of the Group's trade receivables is as follows:

	December 31 2015	December 31 2014
Up to three months	2,401	1,591
<b>Total trade and other receivables past due but not impaired</b>	<b>2,401</b>	<b>1,591</b>
Trade and other receivables not past due	8,963	4,033
<b>Total trade and other receivables</b>	<b>11,364</b>	<b>5,624</b>

At December 31, 2015, trade and other receivables of \$2.4 million (2014:\$1.6 million) were past due but not impaired, of which \$2.4 million (2014:\$1.6 million) was received after the balance sheet date.

Movements in the Group's provision for impairment associated with trade and other receivables were as follows:

	December 31 2015	December 31 2014
<b>Impairment loss provision at the beginning of the year</b>	<b>13</b>	<b>75</b>
Utilization during the year	-	(60)
Exchange differences	(1)	(2)
<b>Total impairment loss provision at the end of the year</b>	<b>12</b>	<b>13</b>
<b>Current portion</b>	<b>12</b>	<b>13</b>

The currencies of the Group's financial assets included within trade and other receivables are as follows:

	December 31 2015	December 31 2014
Euros	17,265	12,008
US dollars	1,132	660
Canadian dollars	14	11
Japanese Yen	10,226	9,682
Swiss francs	147	273
Chilean pesos	2,916	27,106
<b>Total trade and other receivables</b>	<b>31,700</b>	<b>49,740</b>

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### 18. CASH AND CASH EQUIVALENTS

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

	December 31 2015	December 31 2014
Cash at banks	52,499	95,349
<b>Total</b>	<b>52,499</b>	<b>95,349</b>

Included within cash and cash equivalents is restricted cash relating to the Group's solar power projects as follows:

	December 31 2015	December 31 2014
Unrestricted cash at parent level	17,582	33,886
Restricted cash at project level	34,917	61,463
<b>Total</b>	<b>52,499</b>	<b>95,349</b>

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.

### 19. 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, 2015 (2014: 334,082,657). 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 in the years ended December 31, 2015 and 2014.

	Number of Shares outstanding	Share capital \$'000
<b>At January 1, 2014</b>	<b>209,219,086</b>	<b>34,879</b>
Share issuance	124,633,571	76,280
Stock options exercised	230,000	141
<b>At December 31, 2014</b>	<b>334,082,657</b>	<b>111,300</b>
Stock options exercised	11,667	4
<b>At December 31, 2015</b>	<b>334,094,324</b>	<b>111,304</b>

In January 2014, the Company completed a private placement issuing a total of 124,633,571 new common shares at a price of SEK 4.15 (approximately CAD\$0.70) per share raising gross proceeds of SEK 517,229,320 (approximately \$76.3 million, net of \$3.7 million of transaction costs). Entities associated with the Lundin

family subscribed for 28,201,571 common shares or approximately 23% of the private placement. **Note 29.** During 2015, the Company issued 11,667 shares with a fair value of CAD\$0.41 as a result of stock options being exercised during the year. During 2014, the Company issued 230,000 new common shares with an average fair value of CAD\$0.67 as a result of stock options being exercised during the year. **Note 20**

### 20. SHARE-BASED PAYMENTS

The Company maintains an equity-settled stock option awards scheme for employees, consultants, directors and officers. All outstanding stock options have a contractual term ranging from five to ten years and generally vest over a period of three years with the exercise price set equal to the market price at the date of grant. In addition, 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 2015, the Group recognized share-based payment expenses of \$0.5 million (2014: \$0.5 million) related to its stock option and RSU award schemes. **Note 8.** Changes in the Company's outstanding stock options and RSUs are as follows:

	Number of share options	Weighted average exercise price CAD\$
<b>At December 31, 2013</b>	<b>6,190,000</b>	<b>0.49</b>
Exercised	(230,000)	0.40
Expired	(580,000)	0.55
<b>At December 31, 2014</b>	<b>5,380,000</b>	<b>0.48</b>
Exercised	(11,667)	0.24
Forfeited	(163,333)	0.40
Expired	(1,454,000)	0.66
<b>At December 31, 2015</b>	<b>3,751,000</b>	<b>0.42</b>
<b>Stock options exercisable:</b>		
<b>At December 31, 2014</b>	<b>4,081,333</b>	<b>0.52</b>
<b>At December 31, 2015</b>	<b>3,709,333</b>	<b>0.42</b>

The Company recognizes an expense within general and administrative expenses when stock options are granted to employees, consultants, directors and officers using the fair value method at the date of grant. Share-based compensation is calculated using the Black-Scholes option pricing model for stock options and 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.

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	Number of RSUs
<b>At December 31, 2013</b>	-
Granted	6,660,440
<b>At December 31, 2014</b>	<b>6,660,440</b>
Granted	10,445,677
Forfeited	(213,324)
<b>At December 31, 2015</b>	<b>16,892,793</b>

Management assesses the non-market vesting conditions and adjusts the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the expense amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Specifically, management assess the probability that the Company will reach the performance condition and any adjustments are recognized in the income statement of the period when that probability changes. As of December 31, 2015, Etrion's management expects that 43.9% of the Company's RSUs granted in July 2014 will reach the performance conditions targets and as a result The Group recognized a reduction in the stock based compensation expense of \$0.3 million.

A summary of the Company's stock options issued and outstanding at December 31, 2015, is as follows:

Exercise price (CAD\$)	Number of share options outstanding	Number of share options exercisable	Expiry date	Weighted average contractual life (years)
0.24	125,000	83,333	24 April 2018	2.31
0.34	1,424,000	1,424,000	24 September 2017	1.73
0.34	188,000	188,000	21 October 2017	1.81
0.36	1,300,000	1,300,000	05 July 2017	1.51
0.52	564,000	564,000	19 March 2017	1.22
1.59	150,000	150,000	28 April 2018	2.32
	<b>3,751,000</b>	<b>3,709,333</b>		

A summary of the Company's RSUs issued and outstanding at December 31, 2015, is as follows:

Performance condition	Number of RSUs outstanding	Expiry date	Weighted average contractual life (years)
Time-based	445,000	December 31, 2018	3.00
Time-based	444,363	July 3, 2018	2.51
Time-based	1,106,060	December 9, 2019	3.94
Non-market	2,757,525	July 3, 2018	2.51
Market	2,800,228	December 31, 2018	3.00
Market	9,339,617	December 9, 2019	3.94
	<b>16,892,793</b>		

As of December 31, 2015 there were no exercisable RSUs outstanding.

Time-based RSU awards granted in December 2015 were valued using the share price at the date of grant of CAD\$0.35 and the service RSU awards granted in July and December 2014 were valued using the share price at the date of grant of CAD\$0.57 and CAD\$0.35. Performance RSU awards with non-market conditions granted in July 2014 were valued using the share price at the date of grant of CAD\$0.57. Performance RSU awards with market conditions granted in December 2015 and 2014 were valued using an adjusted share price calculated with a hybrid valuation model based on the Monte Carlo simulation. The assumptions used in the calculation of the adjusted share price were as follows:

	2015	2014
Share price at grant date	CAD\$0.35	CAD\$0.35
Exercise price	CAD\$0.00	CAD\$0.00
Risk-free interest rate	0.57%	1.06%
Expected volatility	90.50%	63.90%
Dividend yield rate	0.00%	0.00%
Contractual life of RSUs	4 years	4 years
<b>Fair value at grant date</b>	<b>CAD\$0.26</b>	<b>CAD\$0.26</b>

The expected volatility is based on a statistical analysis of the Company's share price over the period of time equivalent to the contractual term of the RSUs and also considers the volatility of the peer group which averaged 41.2%, based on a statistical analysis of the share price of companies Etrion compares with to evaluate its market performance. During 2015 and 2014, no awards were granted under the stock option plan.

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### 21. OTHER RESERVES

	Translation reserve	Hedging reserve	Transactions with non- controlling interests	Total
<b>At January 1, 2014</b>	<b>(858)</b>	<b>(11,317)</b>	<b>194</b>	<b>(11,981)</b>
Currency translation difference:				
- Loss on translation adjustment	(4,346)	-	-	(4,346)
- Gain on net investment in foreign subsidiary	4,805	-	-	4,805
Written call options	-	-	700	700
Cash flow hedges:				
- Gain on fair value movements	-	(25,323)	-	(25,323)
- Tax on gain on fair value movements	-	5,351	-	5,351
- Ineffective portion of fair value movements to profit or loss	-	995	-	995
- Tax on ineffective portion of fair value movements to profit or loss	-	(273)	-	(273)
- Re-designated portion of derivative to profit or loss	-	347	-	347
- Tax on re-designated portion of derivative to profit or loss	-	(112)	-	(112)
<b>At December 31, 2014</b>	<b>(399)</b>	<b>(30,332)</b>	<b>894</b>	<b>(29,837)</b>
Currency translation difference:				
- Loss on translation adjustment	(3,926)	-	-	(3,926)
- Gain on net investment in foreign subsidiary	4,437	-	-	4,437
Written call options	-	-	420	420
Cash flow hedges:				
- Loss on fair value movements	-	940	-	940
- Tax on loss on fair value movements	-	(10,125)	-	(10,125)
- Ineffective portion of fair value movements to profit or loss	-	(71)	-	(71)
- Tax on ineffective portion of fair value movements to profit or loss	-	7	-	7
- Re-designated portion of derivative to profit or loss	-	451	-	451
- Tax on re-designated portion of derivative to profit or loss	-	(78)	-	(78)
<b>At December 31, 2015</b>	<b>112</b>	<b>(39,208)</b>	<b>1,314</b>	<b>(37,782)</b>

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\(f\)](#).

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. The ineffective portion of these derivative financial instruments is included within finance income/costs [Note 10](#). At December 31, 2015 and 2014, all of the Group's interest rate swap contracts qualified for hedge accounting.

#### *Written call options*

According to the terms of a shareholder agreement entered into by one of the Group's Chilean subsidiaries, Etrion is deemed to be the underwriter of two call options in relation to its initial 70% shareholding in Salvador. The call options give the right but not the obligation to Total Energie and Solventus to acquire from Etrion all of its shares in Salvador in two separate transactions for a total consideration of \$2 during the life of the solar project. The fair value at grant of the first call option was \$1.8 million and will be expensed during the vesting period through the statement of comprehensive income using the graded method. Upon exercise, Etrion will release the value of the derivative financial instrument against the carrying value of its equity investment in Salvador. The fair value of the options has been calculated using the Black-Scholes

model with a deemed stock price of \$20.17, a strike price per option of \$nil, volatility of 106.51% and a risk-free rate of 1.30%. The fair value of the second option has been calculated as nil as the dividend yield is higher than 100%. The fair value of the written call option is not updated because it has been recognized as an equity-settled instrument in accordance with IFRS 2 Share-based payments.

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### 22. BORROWINGS

	Corporate bond	Project bond	Project loans	Total
<b>At January 1, 2014</b>	<b>83,950</b>	-	<b>354,634</b>	<b>438,584</b>
Proceeds from loans	24,242	-	126,276	150,518
Repayment of loans and interest	(8,258)	-	(32,617)	(40,875)
Settlement of debt	204	-	-	204
Accrued interest	8,410	-	15,813	24,223
Amortization of transaction costs	344	-	1,119	1,463
Exchange differences	(12,183)	-	(36,683)	(48,866)
<b>At December 31, 2014</b>	<b>96,709</b>	-	<b>428,542</b>	<b>525,251</b>
- Current portion	1,467	-	68,815	70,282
- Non-current portion	95,242	-	359,727	454,969
<b>At January 1, 2015</b>	<b>96,709</b>	-	<b>428,542</b>	<b>525,251</b>
Proceeds from loans	-	38,051	240,443	278,494
Repayment of loans and interest	(7,101)	(441)	(256,914)	(264,456)
Accrued interest	7,101	441	17,824	25,366
Amortization of transaction costs	345	54	7,625	8,024
Exchange difference	(9,995)	(583)	(29,041)	(39,619)
<b>At December 31, 2015</b>	<b>87,059</b>	<b>37,522</b>	<b>408,479</b>	<b>533,060</b>
- Current portion	1,316	2,144	44,228	47,688
- Non-current portion	85,743	35,378	364,251	485,372

The Group's borrowings are denominated in Euros, Chilean pesos, Japanese yen and US dollars, and the minimum principal repayment obligations are as follows:

	December 31 2015	December 31 2014
Less than 1 year	47,688	70,282
Between 1 and 5 years	158,991	158,095
After 5 years	326,381	296,874
<b>Total borrowings</b>	<b>533,060</b>	<b>525,251</b>

#### (a) CORPORATE BORROWINGS

On April 23, 2014, Etrion issued €80 million principal amount of new secured bonds in the Norwegian bond market. The bonds have an annual interest rate of 8.0% and mature in April 2019. A portion of the net proceeds from this transaction was used to refinance the Company's previous €60 million of corporate bonds that bore annual interest of 9.0% and were due to mature in April 2015. The balance of the proceeds has been used for general purposes.

The corporate bond 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. Specifically, the Company can redeem the bond within the first two years at 4% above par value plus the net present value of the interest that would have accrued up to April 22, 2016 (using a discount rate of 50 basis points over the German government bond rate comparable to the remaining duration of the bonds until April 22, 2016). The Company can call the bonds after the second year at 4% above par value, after the third year at 2.5% above par value and after the fourth year at 1% above par value. At December 31, 2015, no separate amount was recognized in relation to this call option.

The carrying value of the corporate bonds as at December 31, 2015, including accrued interest net of transaction costs, was \$87.1 million. The corporate bond agreement

requires the Company to maintain a minimum unrestricted cash balance of €3 million. At December 31, 2015, the fair value of the corporate bond amounted to \$76.3 million (2014: \$90.9 million) based on cash flows discounted at 13.27%. The discount rate equals Euribor plus the appropriate credit rating. [Note 29](#)

At December 31, 2015 and 2014, the Group was not in breach of any of the imposed operational and financial covenants associated with its corporate borrowings.

#### (b) NON-RECOURSE PROJECT LOANS

##### Italian subsidiaries

On December 1, 2015, the Group completed a debt refinancing transaction, replacing the original six floating-rate credit facilities outstanding obtained to finance the construction of a majority of the Company's Italian operating solar power projects, with a new long-term floating rate credit facility and a project bond. The new senior financing comprises a non-recourse project loan of €177 million (\$192 million) and a floating-rate project bond of €35 million (\$37.8 million) and a debt service reserve facility of €10 million (\$10.9 million). These new credit facilities mature in December 2029 and bear annual interest rates of Euribor plus a margin 2.25%.

Upon completion of this refinancing transaction, the Group's Italian subsidiaries fully repaid the majority of the previous outstanding non-recourse project loans plus accrued interests and the market value of the previous interest rate swap contracts of €32 million (\$34.2 million). In addition, the Group entered into new contracts to hedge 90% of future interest payments under the terms of the new credit facilities.

The other original non-recourse project loans obtained by one of the Group's Italian subsidiaries to finance the construction of the Helios ITA, SpA (Helios ITA) solar

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power project matures in 2024 and bears annual interest rates of Euribor plus a margin of 2.25%.

As at December 31, 2015, Helios ITA did not reach the minimum historical debt service coverage ratio. As a result, according to the terms of the credit facility agreement, the Company was deemed to be in breach of covenants, and the Group reclassified the long-term portion of this project loan to short-term liability. This breach in covenants was due to the deterioration of free cash flow as a consequence of multiple factors beyond the control of Helios ITA. At December 31, 2015 and 2014, the Group was not in breach of any of the operational or financial covenants associated with its Italian project loans except Helios ITA in 2014 as noted above.

At December 31, 2015, the fair value of the non-recourse project loans and project bond approximated their carrying values as the loans bear floating interest rates.

Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the GSE and proceeds from the collection of input VAT accumulated for construction costs. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates.

At December 31, 2015, the Group had no undrawn amounts associated with these facilities. In order to secure the Group's non-recourse project loans, the Group pledged as collateral the fixed assets associated with the solar power projects financed by these facilities. The carrying value of the Group's fixed assets pledged as collateral at December 31, 2015, was \$252 million (2014: \$292 million). All the Italian non-recourse projects loans are hedged through interest rate swap contracts, all of which qualified for hedge accounting at December 31, 2015 and 2014.

### *Chilean subsidiaries*

The non-recourse project loan obtained by the Group's Chilean subsidiary, Salvador, to finance the construction of Project Salvador matures in 2033. The loan was drawn in three tranches and bears an average fixed interest rate of 7.1%. On September 23, 2015, Salvador drew an additional \$13.8 million under the secondary tranche of the senior credit facility with the Overseas Private Investment Corporation ("OPIC") in order to meet Salvador's debt service obligations and avoid additional equity requirements if the spot electricity price continues to be lower than expected. The new loan under the secondary tranche matures on June 1, 2033 and bears an all-in interest rate of 3.5%, which is re-set every week depending on the rate paid on short terms US bonds. At December 31, 2015, there were no undrawn amounts under the OPIC senior credit facility. The repayment of these credit facilities is secured principally by the

proceeds from the sale of electricity in the spot market. The loan is accounted for using the amortized costs method based on the effective interest rate. The fair value of this credit facility equals its carrying amount, as the impact of discounting is not significant given the fixed-rate terms of the loan. The fair values are based on cash flows discounted using an average rate of 7.1% (2014: 7.1%) and are within level 2 of the fair value hierarchy.

In addition, Salvador had a local currency VAT credit facility with Rabobank. The VAT credit facility bore variable interest rates set every quarter plus a margin. The average applicable interest rate during 2015 was approximately 6.0%. This VAT credit facility was fully repaid on October 14, 2015, following the collection of VAT receivables from the Chilean tax authorities.

Salvador's financing agreement contains customary representations, warranties, covenants and undertakings restricting the borrower in respect of disposals, acquisitions, payments and transfers and incurring indebtedness and granting guarantees and security. The Company's subsidiary has provided certain of its assets as collateral to secure its obligations under the financing agreement. The carrying value of Salvador's fixed assets pledged as collateral at December 31, 2015, was \$166.2 million (2014: \$172.8).

At December 31, 2015 and 2014, the Group was not in breach of any of the imposed operational and financial covenants associated with its Chilean project loans.

### *Japanese subsidiaries*

The Group's Japanese subsidiaries that hold the 34 MW Mito and Shizukuishi projects entered into a senior secured financing agreement in Japanese yen to finance the construction costs of these projects. These Mito and Shizukuishi credit facilities mature in 2034 and bear TIBOR floating interest rates plus a margin of 1.3% and 1.4%, respectively, during the construction period of the solar plants. The Mito and Shizukuishi non-recourse projects loans are 90% hedged during the operational period at an interest rate of 2.96% and 3.13% all-in. At December 31, 2015, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates.

In addition, during 2014, the Group's Japanese subsidiaries entered into a VAT credit facility agreement in Japanese yen in order to finance the related VAT capital disbursements of the Shizukuishi and Mito projects. These VAT credit facilities have a term of three years and bear a variable interest rate plus a margin.

During 2015, the Group's Japanese subsidiaries drew down under the senior financing agreement the amount of ¥3,920 million (\$32.1 million). As of December 31, 2015, the undrawn gross amount was ¥4,724 million (\$39.2 million). In addition, the Group's Japanese subsidiaries also drew down under the VAT credit facility the amount

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of ¥301 million (\$2.5 million). As of December 31, 2015, the undrawn gross amount was ¥299 million (\$2.5 million). During 2015, the Japanese subsidiaries repaid ¥243 million (\$2.0 million) of the VAT facility due to the collection of VAT receivables from the Japanese tax authorities.

Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the local grid operator and proceeds from the collection of input VAT accumulated for construction costs. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates.

All the Japanese non-recourse projects loans are hedged through interest rate swap contracts, all of which qualified for hedge accounting at December 31, 2015.

At December 31, 2015, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

### 23. FINANCIAL LIABILITIES

	Other financial liabilities	Derivative financial instruments	Total
<b>At December 31, 2015</b>			
<b>Non-current financial liabilities:</b>			
Borrowings	485,372	-	485,372
Derivative financial instruments	-	10,639	10,639
<b>Total non-current</b>	<b>485,372</b>	<b>10,639</b>	<b>496,011</b>
<b>Current financial liabilities:</b>			
Trade and other payables	3,055	-	3,055
Borrowings	47,688	-	47,688
Derivative financial instruments	-	3,230	3,230
<b>Total current</b>	<b>50,743</b>	<b>3,230</b>	<b>53,973</b>
<b>Total financial liabilities</b>	<b>536,115</b>	<b>13,869</b>	<b>549,984</b>
<b>At December 31, 2014</b>			
<b>Non-current financial liabilities:</b>			
Borrowings	454,969	-	454,969
Derivative financial instruments	-	47,192	47,192
<b>Total non-current</b>	<b>454,969</b>	<b>47,192</b>	<b>502,161</b>
<b>Current financial liabilities:</b>			
Trade and other payables	1,089	-	1,089
Borrowings	70,282	-	70,282
Derivative financial instruments	-	8,203	8,203
<b>Total current</b>	<b>71,371</b>	<b>8,203</b>	<b>79,574</b>
<b>Total financial liabilities</b>	<b>526,340</b>	<b>55,395</b>	<b>581,735</b>

### 24. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31 2015	December 31 2014
<b>Derivative financial assets:</b>		
Interest rate swap contracts		
- Non-current portion	702	-
<b>Total derivative financial assets</b>	<b>702</b>	<b>-</b>
<b>Derivative financial liabilities:</b>		
Interest rate swap contracts		
- Current portion	3,230	8,203
- Non-current portion	10,639	47,192
<b>Total derivative financial liabilities</b>	<b>13,869</b>	<b>55,395</b>

#### 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 Italy and 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 Euribor and TIBOR interest rate forward yield curves and an appropriate discount factor. The Group's derivative financial instruments are classified within level 2 of the fair value hierarchy.

During 2015, upon completion of the refinancing transaction (Note 22), the Group discontinued hedge accounting for the majority of the interest rate swap contracts in Italy.

At December 31, 2015, the notional amount of the Group's interest rate swap contracts was \$308.2 million (2014: \$328.3 million), which was denominated in Euros and Japanese yen. The fair market value of the interest rate swap contracts at December 31, 2015, decreased to a liability position of \$13.2 million (2014: \$55.4 million) due to the repayment of the market value of the majority of the Group's Italian interest rate swap due to the debt refinancing transaction. Note 22

At December 31, 2015, and 2014, 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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### 25. PROVISIONS AND OTHER LIABILITIES

The movement of provisions over the year is as follows:

	Site restoration	Shared revenue	Pension plan	Total
<b>At January 1, 2014</b>	<b>3,394</b>	<b>1,166</b>	<b>801</b>	<b>5,361</b>
Additions	-	-	237	237
Change in estimate	1,211	(265)	317	1,263
Unwinding of discount	147	-	-	147
Utilization	-	-	(261)	(261)
Exchange differences	(523)	(117)	(102)	(742)
<b>At December 31, 2014</b>	<b>4,229</b>	<b>784</b>	<b>992</b>	<b>6,005</b>
<b>Non-current</b>	<b>4,229</b>	<b>-</b>	<b>992</b>	<b>5,221</b>
<b>Current</b>	<b>-</b>	<b>784</b>	<b>-</b>	<b>784</b>
<b>At January 1, 2015</b>	<b>4,229</b>	<b>784</b>	<b>992</b>	<b>6,005</b>
Additions	1,698	-	247	1,945
Change in estimate	370	-	254	624
Unwinding of discount	95	-	-	95
Utilization	-	(717)	(203)	(920)
Exchange differences	(447)	(67)	(9)	(523)
<b>At December 31, 2015</b>	<b>5,945</b>	<b>-</b>	<b>1,281</b>	<b>7,226</b>
<b>Non-current</b>	<b>5,945</b>	<b>-</b>	<b>1,281</b>	<b>7,226</b>

#### (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 Italy, Chile and 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:

	2015			2014
	Italy	Chile	Japan	Italy
Discount rate	1.98%	3.63%	1.0%	2.47%
Inflation rate	2.0%	2.0%	1.0%	2%
Average expected remaining life of solar power plant	20 years	29 years	20 years	21 years

The discount rates represents the government bond yield rate for a period equivalent to the expected life of the solar power projects in these countries. This discount rate decreased in Italy due to a lower risk-free rate (pre-tax) on Italian bonds for 20 years. The inflation rate represents the inflationary environment in the above mentioned countries where the liability will be settled and is consistent with the rate used by the Company's management to value the Group's solar power projects.

#### (b) SHARED REVENUE PROVISION

The operating and maintenance agreements signed between SunPower Corporation ("SunPower") and the

Group's Italian subsidiaries, Cassiopea and Centauro, included a shared revenue clause effective two years after provisional acceptance of the solar power plants. During 2015, the Italian subsidiaries fully repaid to Sunpower the outstanding balance of this provision.

The Group's other liabilities as at December 31, 2015 and 2014 are as follows:

	December 31 2015	December 31 2014
Right of use	824	962
Equipment liability	1,448	1,615
Investment tax credit	1,667	1,940
Imbalance costs	115	134
Deferred income	67	365
Contributions from NCI	20,189	18,467
<b>Total other liabilities</b>	<b>24,310</b>	<b>23,483</b>
<b>Non-current</b>	<b>22,795</b>	<b>21,503</b>
<b>Current</b>	<b>1,515</b>	<b>1,980</b>

#### (c) RIGHT OF USE

One of the Group's solar power projects (Cassiopea) is part of a larger solar park built by SunPower. Cassiopea was the first solar power project built in the solar park and included a substation with extra capacity. In accordance with the sale and purchase agreement, as future plants are connected within the solar park, a payment is to be made to Cassiopea for the right to use part of the substation. During 2010, two solar power plants were connected to the grid and accordingly Cassiopea received \$1.2 million for use of the substation. During 2015, the Group recognized other income of \$38,000 (2014: \$65,000) associated with the release of the deferred income over the life of the facility.

#### (d) INVESTMENT TAX CREDIT

In February 2010, the Group received from the Italian tax authorities a Visco SUD investment tax credit of €2.4 million associated with the construction of one of its solar power projects (SVE). The investment tax credit, representing 20% of the Group's investment into the solar power project, can be utilized to offset future taxable income generated by the solar power project, thereby reducing the Group's income tax expense for the given year. As a result, in 2011, once the SVE solar power project was connected to the electricity grid and started producing solar electricity, the Group recognized an investment tax credit of \$3.4 million within trade and other receivables and a corresponding amount within provisions as deferred income. During 2015, the Group utilized a portion of this investment tax credit, reducing the Group's current income tax liabilities by \$0.1 million (2014: \$0.2 million).

#### (e) EQUIPMENT LIABILITY

In June 2012, the Group executed a bond guarantee from an Italian contractor (Solon A.B.) in accordance with the EPC contract. As a result, the Group recognized deferred income of \$1.7 million representing the amount received

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that will be released upon completion of the associated expenditure, expected in the first half of 2016.

### (f) CONTRIBUTIONS FROM NON-CONTROLLING INTEREST

In accordance with the shareholder agreements between Etrion and its partners in Chile and 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 2015, there were no contributions from non-controlling interests (2014: \$12.9 million). These shareholder loans have a fixed annual interest rate of 10% and 8%, respectively. 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% and 10% and are within level 2 of the fair value hierarchy.

### 26. RETIREMENT OBLIGATIONS

The Group operates a defined benefit pension plan in Switzerland that is managed through a private fund. At December 31, 2015, the Group recognized \$0.3 million within other comprehensive income associated with actuarial losses (2014: \$0.3 million).

The amount recognized in the balance sheet associated with the Group's Swiss pension plan is as follows:

	December 31 2015	December 31 2014
Present value of funded obligations	2,962	2,506
Fair value of plan assets	(1,666)	(1,489)
Adjustment for amounts not paid	(12)	(25)
<b>Net liability position</b>	<b>1,281</b>	<b>992</b>

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

	2015	2014
<b>Defined benefit obligation at the beginning</b>	<b>2,506</b>	<b>1,881</b>
Current service cost	232	221
Employee contributions	130	136
Interest cost	39	41
Contributions paid by plan participants	-	103
Benefits paid	(223)	(166)
Remeasurement loss	296	340
Exchange differences	(18)	(50)
<b>Defined benefit obligation at the end</b>	<b>2,962</b>	<b>2,506</b>

The weighted average duration of the defined benefit obligation is 18.7 years. There is no maturity profile since the average remaining life before active employees reach final age according to the plan is 10.3 years.

The movement in the fair value of the plan assets over the year is as follows:

	2015	2014
<b>Fair value of plan assets at the beginning</b>	<b>1,489</b>	<b>1,170</b>
Interest income on plan assets	23	25
Return on plan assets (excluding interest)	42	23
Employer contributions	212	223
Employee contributions	130	136
Contributions paid by plan participants	-	103
Benefits paid	(223)	(166)
Foreign exchange	(7)	(25)
<b>Fair value of plan assets at the end</b>	<b>1,666</b>	<b>1,488</b>

The plan assets comprise the following:

	2015		2014	
	%	\$'000	%	\$'000
Cash and cash equivalents	6.5%	108	7.2%	107
Fixed interest rate instruments	45.7%	761	45.2%	673
Equity instruments	36.9%	615	35.4%	527
Real estate	10.9%	182	11.9%	177
Other investments	-	-	0.3%	4
<b>Total fair value of plan assets</b>		<b>1,666</b>		<b>1,489</b>

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 quoted in active markets except other investments. No asset-liability strategy was performed in the years ended December 31, 2015 and 2014. The amount recognized in the income statement associated with the Group's pension plan is as follows:

	2015	2014
Current service cost	232	221
Interest expense on defined benefit obligation	39	41
Interest income on plan assets	(23)	(25)
<b>Total expense recognized</b>	<b>248</b>	<b>237</b>

The expense associated with the Group's pension plan of \$0.2 million (2014: \$0.2 million) for the year ended December 31, 2015, was included within general and administrative expenses. [Note 8](#)

The principal actuarial assumptions used to estimate the Group's pension obligation are as follows:

	2015	2014
Discount rate	0.9%	1.5%
Inflation rate	1.0%	1.0%
Future salary increases	1.0%	1.0%
Future pension increases	0.0%	0.0%
Retirement age	Men 65 Women 64	Men 65 Women 64

Assumptions regarding future mortality are set based on actuarial advice in accordance with the LPP 2010 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,

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retirement and survivors' benefits. Contributions to the Group's pension plan during 2016 are expected to total \$0.3 million. 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	0.50%	Decrease by 8.7%	Increase by 10.0%
Salary growth rate	0.50%	Increase by 1.0%	Decrease by 0.9%
Life expectancy	1 year	Increase by 1.6%	Decrease by 1.7%

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.

### 27. TRADE AND OTHER PAYABLES

	December 31 2015	December 31 2014
<b>Financial liabilities:</b>		
Trade payables	3,055	1,089
<b>Total financial liabilities</b>	<b>3,055</b>	<b>1,089</b>
Accrued expenses	21,321	21,565
Other trade and other payables	3,003	1,456
<b>Total trade and other payables</b>	<b>27,379</b>	<b>24,110</b>

Accrued expenses at December 31, 2015, of \$21.3 million (2014: \$21.5 million) include \$15 million for the construction of the Shizukuishi solar power project (2014: \$16.2 million Salvador power project).

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 2015	December 31 2014
US dollars	3,998	17,433
Euros	4,267	3,587
Swiss francs	761	1,300
Japanese yen	18,342	1,729
Canadian dollars	11	61
<b>Total trade and other payables</b>	<b>27,379</b>	<b>24,110</b>

### 28. OPERATING LEASES

The Group has operating leases for land associated with six of its solar power projects (Etrion Lazio, SVE, Sagittario, Salvador, Mito and Shizukuishi) and for its offices in Geneva, Rovereto, Santiago, Miami and Tokyo.

The minimum lease payments associated with the Group's operating leases are as follows:

	December 31 2015	December 31 2014
Next year	1,063	1,638
Years 2 through 5	4,288	5,889
Beyond 5 years	16,729	21,987
<b>Total minimum payments</b>	<b>22,080</b>	<b>29,514</b>

During 2015, the Group recognized \$0.7 million (2014: \$0.6 million) of operating lease expenses, of which \$0.3 million (2014: \$0.2 million) related to land leases included within operating expenses and \$0.4 million (2014: \$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, 2015 and 2014.

### 29. 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 24.3% of the Company's common shares (2014: 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

The Group entered into the following transactions with related parties:

	Twelve months ended	
	2015	2014
<b>General and administrative expenses:</b>		
Lundin Services BV	88	157
<b>Finance costs:</b>		
Lundin Services BV:		
- Interest expense	-	270
- Transaction costs	-	10
Lundin family:		
- Interest expense	877	1,825
- Transaction costs	43	72
- Interest expense capitalized	-	176
<b>Total transactions with related parties</b>	<b>1,008</b>	<b>2,510</b>

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Amounts outstanding to related parties at December 31, 2015 and 2014 are as follows:

	December 31 2015	December 31 2014
<b>Current liabilities:</b>		
Lundin Services BV:		
General and administrative expenses	2	7
Lundin family share in corporate bond	387	182
<b>Total current liabilities</b>	<b>389</b>	<b>189</b>
<b>Non-current liabilities:</b>		
Lundin family share in corporate bond	10,908	11,786
<b>Total non-current liabilities</b>	<b>10,908</b>	<b>11,786</b>
<b>Total amounts outstanding</b>	<b>11,297</b>	<b>11,975</b>

There were no amounts outstanding from related parties at December 31, 2015 and 2014.

### *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 €15 million of the corporate bond issue completed in April 2014. As at December 31, 2015, the total corporate bonds held by the Lundin family amounted to €9.9 million.

### **(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:

	Twelve months ended	
	2015	2014
Salaries and short-term benefits	1,342	1,604
Pension costs	168	206
Board of Directors	262	325
Share-based payment	297	295
<b>Total</b>	<b>2,069</b>	<b>2,430</b>

Amounts outstanding to key management personnel at December 31, 2015 and 2014 are as follows:

	December 31 2015	December 31 2014
Other (bonus and pension costs)	107	389
<b>Total</b>	<b>107</b>	<b>389</b>

There were no amounts outstanding from key management personnel at December 31, 2015 and 2014.

## 30. 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, 2015, the Group had a contractual obligation over one year to acquire construction services in the amount of \$33.9 million related to the construction of the 25 MW Shizukuishi solar power project in Japan. This contractual obligation will be funded from existing cash available at the project company level or future cash flows from operations with no additional capital investments to be made by the Group or additional funding from the Group's unrestricted cash balance. The Group also has contractual commitments associated with its lease contracts [Note 28](#).

## 31. CONTINGENT LIABILITIES

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 early 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.